PRINCE2®

TransAxl

> # HOW A LARGE, DIVERSIFIED CONGLOMERATE TRANSFORMED ITS IT DEPARTMENT USING MSP® AND MoP®

PeopleCert

1. BACKGROUND

This case study describes a real-life transformation initiative, which was undertaken by a large conglomerate called TransAxl to re-orient their IT department, for supporting their redesigned business portfolio. It highlights what went right, what did not go well and how things could have been handled differently in the retrospective, using the AXELOS* global best practices of Managing Successful Programmes (MSP®) and Management of Portfolios (MoP®). These AXELOS best management practices were not explicitly stated to be used by TransAxl – but the guidance embedded in these products was widely used. Especially the concepts concerning strategic alignment of the change initiative to the corporate's business portfolio, benefits management, transition management, Governance and Management control from MSP and MoP framework were extensively used. TransAxl also utilized 'home-grown' methodologies to support their project management specific requirements.

2. CONTEXT

TransAxl was a diversified conglomerate consisting of biochemicals, agri-products and consumer durables business units. Agri-products was the core business and the other two business lines were added through acquisitions and diversification. TransAxl commissioned a consultancy to transform their IT department and had also partnered with other technology and application vendors catering to their IT department.

3. AIMS AND OBJECTIVES

TransAxl was having multiple objectives as a part of the case study engagement:

❯ to refresh its IT portfolio for a stronger alignment with its reconfigured business strategy

❯ to select the right projects and programmes as a part of their IT portfolio and execute them well to support their business needs

❯ to implement a new Enterprise Resource Planning (ERP) software to address their business needs as a programme component of the refreshed IT portfolio.

4. TRIGGERS FOR THE CLIENT ENGAGEMENT

TransAxl had established an IT department about ten years prior to the engagement. This department started providing support for basic financial functions like payroll automation, financial accounting and asset management. The IT department was working under TransAxl's Finance division, which severely limited its capability to serve the larger organizational interests across other functions and to leverage the strategic advantage IT can provide to the business.

Providentially, a Transformation Director who was hired by TransAxl understood the strategic potential of IT in business transformation. The Director had held multiple presentations with the senior management to showcase how IT department can provide strategic support to the business, rather than merely automating the existing financial applications. The Chief Executive Officer (CEO) of TransAxl became convinced that IT could play a strategic role in business betterment. It was a fortuitous move, as following this change in conviction, a new Chief Information Officer (CIO) was appointed from a competitor company. This new CIO was asked to report directly to the CEO, with matrix line reporting to other business unit heads.

This positioning enabled the CIO to take up a centre seat in senior management deliberations, where the CIO could articulate how IT could better support the business and secure more funding for the redesigned IT portfolio. This placement of the CIO in the management hierarchy showcased two key principles of MoP - senior management commitment and strategy alignment. Until now, the IT department was perceived to be more of a cost centre under the finance division, involved in automating routine applications. When the new CIO explained to senior management how IT could play an integral role in the business transformation of TransAxl, it was easier to obtain their commitment for the redesigned IT portfolio.

The CIO formulated a compelling vision for the IT department – highlighting that IT department will be a strategic partner to business in order to achieve their goals. This vision was widely propagated within the IT department (and across TransAxl), which enabled the business to appreciate the transformed role of IT (rather than providing back-office support). The Transformation Director was also a key supporter of the CIO in communicating the vision statement to senior management.

The IT team needed a good shakeup and fortunately, the CIO was up to date on technology trends and how IT can support business. Previously, the IT team was more attuned to support legacy applications catering mainly to the finance division (which could be automated easily). When the remit of the IT department expanded to cover other business units, the IT department struggled to understand the real business needs (both operational and strategic perspective) of core departments like manufacturing, sales/marketing and supply chain management. Likewise, the support for shared functions (including human resources) needed to be stepped up considerably from the IT department in order to make a real impact at TransAxl.

With diverse acquisitions, the business landscape of TransAxl was changing rapidly. Whereas the 'industry velocity' of agri-products industry was relatively slow, that of biochemicals were moderate. However, there were rapid changes in the consumer durables business unit, fuelled mostly by competitor moves. Hence, this unit expected swift IT support for their dynamic business needs.

The CEO and the top management team of TransAxl decided to redesign the business strategy due to address these market changes. The new business strategy featured:

❯ the opening of new manufacturing units in different locations – especially for consumer durables business unit

❯ shutting down of unprofitable units

❯ reducing operational costs and streamlining services.

The CEO was concerned that the existing application support from the IT department to the business requirement had been quite tardy. An internal review was commissioned regarding the extent of support, which highlighted the following issues from the IT department (as noted by the business units/senior management).

❯ Almost 80% of the time, the IT department dealt with the maintenance of existing legacy applications due to bugs. New business requirements took lots of time to fulfil. In most cases, the IT department had not kept up with the changing business needs. Hence, the business users were disenchanted with IT support and sceptic of any change in direction. It took considerable effort from the Transformation Director and the CIO to overcome this business-IT disconnect subsequently and win over the trust of business users.

❯ A few initiatives set up by the IT departments seemed to be duplicated or redundant (addressing similar needs of different departments). There was a scope for saving effort and resources by eliminating such redundant applications.

❯ More of than half of projects undertaken were delayed having time overruns exceeding 20% for schedules and cost overruns exceeding 25% of the budgets. But these overruns were treated as 'routine' and no serious fact-finding was done as to the root cause of such delays.

❯ The alignment of the IT portfolio to the business portfolio was hazy. There had also been a disengagement between the communications of business and IT users – each side lacking understanding of the other groups' needs, concerns or constraints.

❯ Most of the projects were never apprized properly during commencement for their viability. No toll-gate reviews took place, resulting in rogue projects running along, consuming efforts and resources.

❯ Existing technology for IT applications was outdated and required new investment to keep up with the pace of business needs.

❯ Existing governance arrangements were weak. Escalations were sporadic and no proper approvals were in place for change requests – even for critical ones.

❯ The IT department personnel seemed to be perennially busy: not able to take additional requirements and slowing down the absorption technology in business units.

❯ Decision support systems for management were weak. No systems were in place to get the reverse feedback.

❯ The review team had also suggested that an advanced Enterprise Resource Planning (ERP) system can be implemented for better support from IT department to TransAxl.

The CEO (along with the senior management) went through the recommendations of the review report. The CIO was informed of the management concerns and was advised to address them adequately. A leading management consultancy firm was appointed to provide advisory services to TransAxl on how to redesign the IT portfolio, implement the ERP system and ensure smooth transition to operations. They were also entrusted with monitoring the outcomes and measuring the benefits subsequently from the ERP implementation programme.

5. THE ENGAGEMENT PLANNING PROCESS

The consultancy firm engaged with senior business users to ascertain the benefits they expected from the engagement. The turnaround times for provision of IT support were established through initial baselining. The business users defined their expectations on envisaged turnaround times for their change requests. More importantly, they defined the business areas where the IT department required to provide support – both from a transactional as well as a strategic perspective (such as scenario analysis, predictive modelling and data trend analysis). Benefits identified included reduction in transaction processing times for operational activities, as well as increased coverage of IT support for business functions. The programme blueprint was to be designed to enable the targeted outcomes and benefits.

The engagement planning process involved the deployment of a competent multi-faceted team, including the business analysts, management consultants and business systems integrators for understanding of current pain areas of TransAxl, expectations of key stakeholders, past history of implementing change initiatives, assessment of pace of change needed, culture and other major constraints. The consultancy firm held extensive interviews at the senior, middle and operational management level to understand the 'as-is' state of IT support to the business, future business requirements and assessed the gaps. It's worth noting that MSP introduces the idea of including a blueprint as one of the contents of the business case. The programme's blueprint focusses on a target capability that aids us in realizing the expected benefits. Going back to the earlier point, these gaps were sought to be fulfilled by the Target Operating Model (blueprint) design of the IT systems to support the current and targeted business needs. This design showing the 'Tobe' model reflects the design of the blueprint recommended as per MSP guidance.

Our interviews (wherein I was a Lead Consultant in the consultancy firm commissioned) were conducted at three levels:

〉 **Senior management:** to understand their pain areas and expectations for strategic support.

〉 **Middle management:** for understanding their operational problems.

〉 **Lower level management:** to assess the transactional level issues.

We also held cross-functional facilitation sessions to understand which of the requirements were cutting across multiple divisions and best ways to address them, engaging key stakeholders.

Through discussions with management, we understood the 'To-be' business requirements of TransAxl (based on futuristic business requirements). Business analysts were extensively deployed here for Horizon Scanning, SWOT analysis and Scenario analysis. The business strategy set at the high level was clarified through multiple discussions at the senior management level. This enabled us to define the IT portfolio in alignment with the business strategy and implement the ERP deployment programme appropriately.

> "Never underestimate the amount of effort needed to change. Never overestimate the pace of absorption of change by the end user audience!"
>
> **S Ramani,** Director, GRT Consulting LLP

6. IT PORTFOLIO – INITIAL ANALYSIS

From the management consultancy's perspective, we had commissioned an initial analysis of the IT portfolio to understand the extent of its alignment with corporate strategy. We had discovered about 20% of the applications were redundant, which could be eliminated (or combined with others), resulting in significant savings (even without putting in additional investments).

When this analysis was presented to the senior management, it came as a shock – as they were unaware of the extent of valuable resources which were locked up in duplicated initiatives. This redundancy was actively hindering the deliverability of other critical applications as well.

This insight gave an initial impetus for our engagement, getting an early buy-in from senior management, who went about pruning the duplicated initiatives, resulting in early benefits. We also instituted robust tollgate reviews, enabling termination of non-viable projects. Although it was unappreciated by some divisions (whose 'pet projects' were terminated), overall, it had the approval of senior management. It enabled plugging in a significant leakage of funds, which otherwise were getting drained away without due diligence.

Once we performed the initial cleaning up of the portfolio, we went about designing new initiatives to be included as a part of the reconfigured portfolio. We had to consider multiple factors including the pace of change to be introduced in TransAxl, likely resistance to change, effort involved in transition management and sustained senior management commitment. Availability of technology driven tools (especially for Customer Relationship Management) was a major factor in charting out the target operating model (from the technical perspective).

7. TARGET OPERATING MODEL: DEFINITION

Multiple new projects were taken up as a part of the redesigned IT portfolio (which included the ERP implementation programme components). These projects included:

❭ configuring/customizing applications to support the business needs of manufacturing, marketing and sales, supply chain management, quality management and stores management.

❭ developing new add-on applications for support of shared functions like human resources, finance, procurement and infrastructure development.

❭ creating new management dashboards for the top management to oversee which projects/ programmes are on track and when the benefits are expected to be realized. A new EPMO (Enterprise Project Management Office) was created to provide strategy support and provision of redesigned processes, templates and tools.

❭ creation of the new EPMO encapsulated the MoP Principle 'Portfolio Office'. The existing project management office was supporting discrete projects and had limited value and visibility. There was no cross-sharing of lessons learnt and the best practices, which could be re-used for future projects and programmes. Setting up of the EPMO also enabled standardization of the PPM processes, reporting structures and repositories. Governance of project, programme and portfolio management got strengthened due to the EPMO facilitation.

❭ creating tracking systems for projects – including their resource utilization, money spent, time overruns, major issues and risks, transition and effectiveness of deployment management.

❭ recruitment of personnel with new IT skills/upskilling the existing resources to cater to business needs and development of the HR portal in the ERP to facilitate this.

❭ creating of new IT infrastructure/Upgrading the existing infrastructure – including new IT Servers, networking, printers etc. to support the new IT Target operating model (especially the new ERP).

8. IMPLEMENTATION ROADMAP

The following were the salient points concerning the ERP implementation programme:

❭ Many of the projects followed the existing client in-house methodology.

❭ As noted earlier, the three business units had differing 'industry velocities' with the rate of change in agri-products being the slowest, biochemicals being the medium and the rate of change in the consumer durables being the fastest. The ERP implementation roadmap thus had to factor in varying dynamics of business change requests across these three business units.

❭ Whereas a modified waterfall model was appropriate for the first two business units, we had used Rapid Application Development/Agile techniques for development of applications for the consumer durables business unit. This is especially true for customization of the ERP, with add-on applications for ERP implementation.

❭ For programme management, we focussed more on outcomes and benefits management, making the implementation, transition management and outcome management critical.

> We had about 18 months to 'Go Live' to the new platform and hence hectic preparations had to be done to move users out of legacy applications to the new ERP platform.

> Change management was a critical aspect of the engagement. Quite a few from the middle management cadre and most of the end users were reluctant to move to the new ERP platform – mostly on account of 'fear of unknown' and being reluctant to move out of their comfort zones. A separate change management track was included in the programme to address these concerns.

This track specifically addressed the issues of assessing the change impact across three business units, gauging the change readiness of the target users, stakeholder and communications management, trainings and learning support and hand-holding the users who specifically needed additional support.

We also identified initial client champions (more like 'initial adopters'), who were the initial 'power users' and who took the responsibility of propagating the use of systems to other users. These early adopters became the change agents in their respective business units, gathering early inputs and concerns from the end users and communicating back to the implementation team and through overall lending credibility to the whole transformation programme. Most of these initial adopters became the torchbearers of continuing change.

> "IT business disconnect is commonplace in business place. Bridging this disconnect should be the topmost priority of the Chief Information Officers of large organizations."
>
> **S Ramani,** Director, GRT Consulting LLP

9. OUTCOMES AND BENEFITS REALIZED

The ERP implementation programme mostly was on track with critical applications going live, as per the schedule. There were glitches noted in certain applications like Human Resources (HR) management as the procedures followed by TransAxl were not easily amenable to customization (from the standard procedures incorporated in the ERP). Also, lots of custom code had to be developed and integrated for compliance related applications like tax, import-export regulations etc.

It took about three months to stabilize the implementation before the legacy applications were completely de-commissioned.

Major outcomes/benefits which were realized included:

> better alignment of the IT portfolio with the corporate strategy

> termination/amalgamation of existing projects and programmes, which were redundant or insufficiently aligned to corporate strategy – resulting in savings of about 10 million USD

> optimal resource allocation and stronger support to business (as perceived from return feedbacks from senior business users).

With this saving the IT department of TransAxl was able to fund new applications/recruit new resources with skillsets, which are better aligned to business needs.

10. CONCLUSION

Overall, the transformation went well with majority of the projects producing outputs, resulting in planned outcomes and benefits. We had adopted the 'Big Bang' approach (with simultaneous 'Go-Live' in all the three business units), which created a huge risk in adoption of change in certain functional areas that were resisting change. In retrospect, it would have been better if we had adopted the approach of 'start small and grow steadily' in such functional areas (such as HR), where the resistance to change was significant. We also attempted to implement lots of new tools, when the organization was not at a high maturity level. This had backfired initially, as the data quality was not high, and the reports generated were unusable. Looking back, this could have been addressed differently by introducing tool gradually until the data quality became better.

Understanding the business priorities and language was a key deficiency factor with the IT department. It was our endeavour, from a consultant's perspective, to bridge this gap to the extent possible so that the IT team became a trusted internal partner for TransAxl. We succeeded, to a large extent, in this goal – as the CIO acknowledged the contribution of the consultants in making the IT team more effective and enabling the CIO to be a trusted advisor to the senior management for their business decisions.

11. ABOUT THE AUTHOR

S RAMANI
S Ramani is the Director of GRT Consulting LLP. GRT Consulting LLP is a provider of training and consulting services in project, programme and portfolio management disciplines. GRT Consulting are an Accredited Training Organization for PRINCE2, MSP, MoP and P3O, and an AXELOS Consulting Partner for P3M3.

DISCLAIMER

Become the
next success case!

Connect with us to share
your journey and challenges.
Together, we can craft a
solution that propels your
organization forward.
Your story could inspire our
next success case study.

peoplecert.org