

# Perspectives for Managers

www.imd.ch



**Donald A. Marchand**  
IMD Professor of Strategy and  
Information Management



**Amy Hykes**  
IMD Research Associate

## Designed to Fail: Why IT-Enabled Business Projects Underachieve

Recently, a group CIO (Chief Information Officer) of a global industrial products company called to let us know that their Global CRM (Customer Relationship Management) Initiative, with a planned budget of 200 million Euros worldwide, was being piloted in a southern European country and was deployed successfully – on time, on budget, and within project scope! Good news! However, the Management Audit six months after the “go live” had shown that the CRM system was not being used by the marketing and sales people in the pilot country unit. Since the Global Initiative was being sponsored publicly by the CEO of the company, what was the CIO going to tell the sponsor about the future value of the project?

- That the CRM pilot was a “deployment success” and the Global Initiative should be rolled out worldwide?
- Or, that the ROI (Return on Investment) of the pilot and the Global Initiative would not be realized unless the responsible managers took ownership beyond the CRM deployment and addressed the people, information and IT usage issues in the sales and marketing functions of the countries in which it was to be implemented?

What would you have advised these managers to do?

Most IT-enabled business projects are **designed to underachieve** in realizing the expected benefits often incorporated in the project’s deployment plan in the first place! During our discussions with many managers and CIO’s, there is a certain air of resignation for lowering expectations

about the business value to be reaped from IT-enabled business projects. This is curious for a number of reasons.

On the one hand, CIO’s and IT managers believe that their organizations and the IT industry are getting much better at deploying IT-enabled business projects such as ERP (Enterprise Resource Planning), CRM, and analytical software than 5 years ago. Bringing more projects in on time, within budgets and project scope requirements, is getting easier and efficient as project management approaches and software are reflecting best industry practices. So, the problem does not seem to lie with the technology or the methods used to deploy it.

On the other hand, managers continue to expect that IT-enabled business projects will meet or exceed their expectations for value creation in allocating IT investments across project portfolios. However, after projects “go live”, these same managers are quick to point the finger at “IT” managers and staff for NOT meeting business expectations of value realization or “over-promising and under-delivering.” If a management auditor arrives six to twelve months after a project is implemented, she/he first reaches for the project plan and ROI analysis and then compares the expected to actual business benefits realized versus the project budget. Another project audit that apportions “blame” to IT and the project team!

So what is really wrong with this picture? If we assume that both CIO’s and managers are well-intentioned in planning these types of projects, then the usual reasons why IT-enabled business projects do not deliver on expected benefits may not be

relevant: such as poor initial definition of the requirements, poor business management support, inappropriate or complex software technology, insufficient funds, and/or poor project discipline.

So, if none of these reasons are compelling as causes of this underachievement scenario, then one basic conclusion that we have reached is that these projects are “designed to fail” by the business and IT players involved! That is, the way in which projects are developed, organized and deployed may be fundamentally flawed resulting in an “underachievement scenario” that no one consciously intends or wants, but that keeps occurring in company after company, project after project.

### The “Designed to Fail Scenario” for IT-Enabled Business Projects

We will paint a picture of the scene and then address how this apparent management dilemma can be addressed and resolved by business managers and CIOs alike.

#### The Launching Phase

The typical IT enabled business project begins with a perception that key processes, decision making and informational needs in a functional area like sales, marketing, management reporting, order-fulfilment or after-sales service are not being met

with existing processes, databases and systems. Usually these un-met or poorly met needs are developed into a project proposal or plan that addresses objectives, ROI assessment, required budgets, IT tools and software. Persons from the business side and IT are selected for the project team. The project ROI is usually based on a combination of benefits such as increased sales, better service, faster order cycle and cost savings. At this stage the ROI is always positive and based on the projected benefits and savings AFTER the project “goes live”.

#### The Planning Phase

Once the project plan makes its way through the business IT governance process of the company for approval by senior managers, the project team is launched for a specific period – 6, 9, 12 months or more – to define the requirements for the business area and users, adapt the technology solution to these, and set up the new system, application and databases for the “go live” date.

It is usually at this point that the project team starts examining existing operations, processes and gathers “user requirements”. Typically, the managers of the intended “users” over-specify the requirements hoping that they eventually get a portion of what they ask for. The project team focuses

on controlling project “scope” since its immediate attention is on deploying the system, and only secondarily on how business people will use the system after it goes live.

#### The Deployment and “Go Live” Phase

During the deployment phase, the project team focuses on getting the new system up and running by the “go live” date. The team works diligently on the building, integrating and testing steps in the project. Then after some months of intense and time-consuming work, the project is scheduled to “go live” in a user department, unit or function. A “change management effort” is launched to “prepare” the users for the post “go live”. Often, the change effort is limited to training some initial users on the new system and offering help desk support. Unfortunately, budgets and time allocated to these efforts are squeezed at the end of the deployment cycle. Therefore these change efforts are short lived and do not address the real people and behavioral issues that the new system inevitably raises.

Ironically, it is at this time that the project team celebrates the successful “go live” of the project. Senior executive sponsors assume that the project is complete and perhaps even a success (on-time, on-budget and within scope)! Since the project budget and schedule are now consumed, the project team disbands and the system is now in the hands of the “users”. Managers also assume that the project is finished and all users have to do is employ the new system and the projected business benefits should be realized!

### The Key Question: Does “go live” mean the project is over or just getting started?

Figure 1 is our picture of the typical IT-enabled business project phases aimed at deployment and “going live”. It is what IT people are taught to do in “best practice” project management methods and what business managers come to expect of

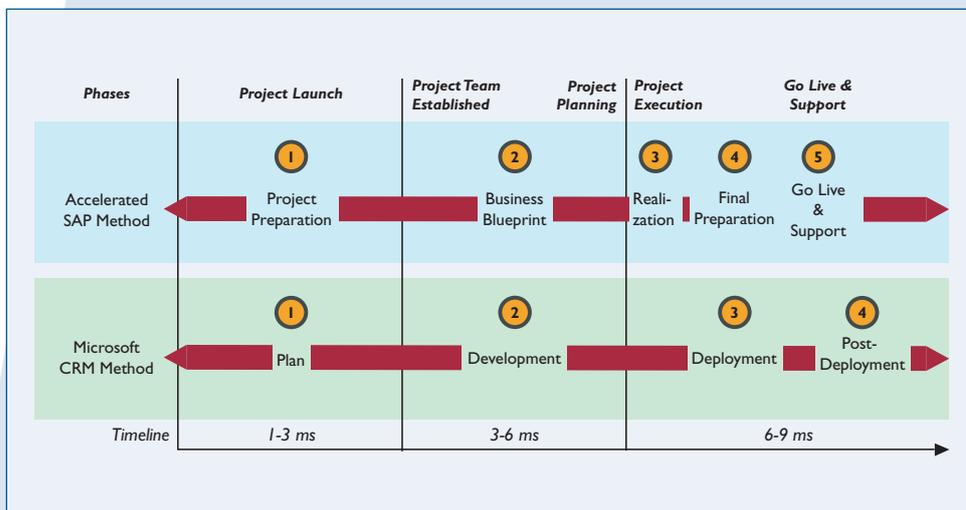


Figure 1: The IT Deployment Paradigm

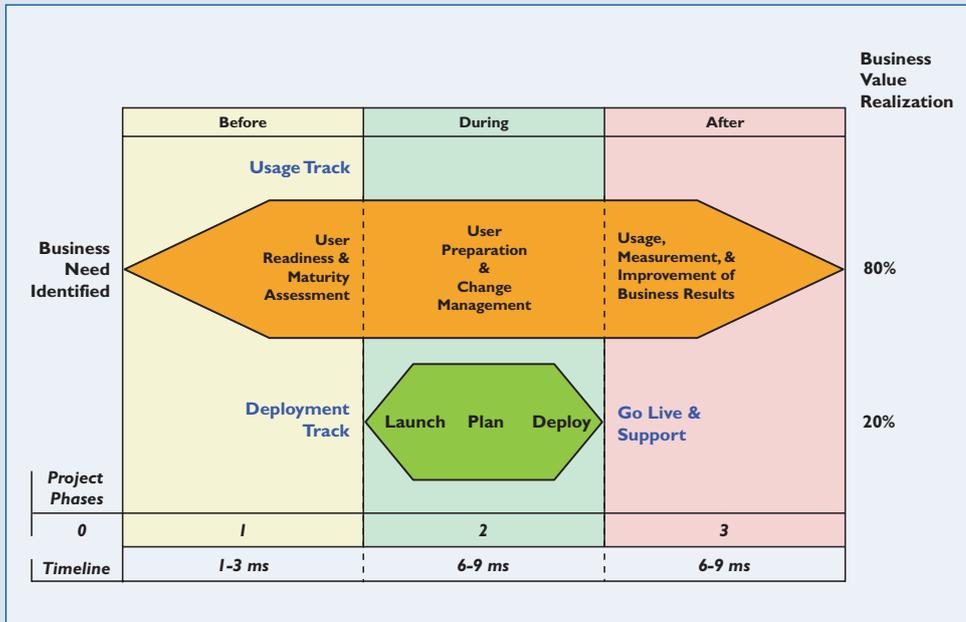


Figure 2: A Usage-Oriented Paradigm of IT-enabled Business Projects

these projects. However, we believe that this “paradigm” of IT project management is deeply flawed and incomplete! What you do not “see” in this picture is the reason why IT projects are “designed to fail” in realizing business benefits: the actual users were never really involved in the project scoping at the start, nor consulted as it was deployed, nor accountable for integrating the new systems, database and functionality into their daily behaviors and actions around how they use information and IT on the job to achieve their business results.

Figure 2 provides an alternative picture or paradigm of an IT-enabled business project approach that adds a focus on how people use (behave with) information and IT in their workplace that must be addressed “before”, “during” and, most importantly, “after” such a project is deployed and goes live. An IT-enabled business project should never end with “go live and support”, but extend into a phase of how the employees and managers are actually using the information and new IT system in their work processes to achieve business benefits that “they”, not a “project team” understand and promote. So here is the

crux of the matter – an IT enabled business project is NOT about IT deployment alone, but about how people use IT and information in the work place to achieve their benefits and the company’s benefits.<sup>1</sup> So, by definition, an IT project is at best, half done, when it goes live. Every IT project must incorporate a usage phase to address the effectiveness or ineffectiveness of information and IT usage to realize the business benefits of integrating new tools and information management practices into the work behaviors and values of the employees and managers involved.

### Redefining IT projects for optimizing business value?

We believe that business and IT managers should adopt four key principles to make sure IT projects address usage, not just deployment.

#### First Principle

IT projects are not about IT, but about people using information and IT to execute business tasks and processes.

Most IT projects affect the way people use information and IT in the workplace so

there are really no “IT projects” that do not involve changing the way people work. So, when business and IT managers are thinking about deploying new IT systems such as ERP, supply chain management, CRM or analytical tools, they are directly or indirectly re-defining how they want their people to behave and act with information and IT in the workplace.<sup>2</sup>

#### Second Principle

Measure and determine the business area’s level of effectiveness in information, people and IT practices BEFORE approving a project’s ROI, plan and budget in the business/IT governance process.

Many IT-enabled business projects should not be deployed since the climate among potential users of the information and IT is neither effective nor ready to leverage the new tools and applications. Pushing forward with the deployment of CRM projects, for example, without measuring the level of information orientation maturity of the affected users is risky and often a prescription for failure in realizing business value after the go live. For example, one group CIO of a global specialty chemicals and pharmaceuticals company based in Europe has developed an understanding with the group head of sales and marketing that they will not deploy CRM systems in the business units of the group before they have evaluated and measured the information, people and IT practice maturity in the targeted units. For the CIO, this approach reduces the risk that CRM systems will not be used or add value after they are deployed. For the head of sales and marketing, this approach focuses his attention and that of his colleagues on making the necessary business and behavioral changes among sales and marketing people to prepare them for effectively using CRM information and IT after projects are deployed.

#### Third Principle

Include information and IT usage in every IT-enabled business project: before, during and after deployment activities.



As Figure 2 suggests, projected usage of information and IT should drive deployment efforts and not the other way around. If 80% of the business value of IT is derived from using it and not just deploying it, then it is clear that the effectiveness or lack thereof, of people in a business area to use information and IT tools to drive their behaviors and performance should influence IT-enabled business projects at every stage:

**Before:** so that a company's information, IT and people practices can be evaluated and changed in anticipation of shifts in tools and better information management practices.

**During:** so that members of the IT project team can develop sensitivities and actions about the information orientation and culture of the user group to better align the project team's building and deployment of IT tools and functionality.

**After:** to track, monitor and continue to improve the information and IT usage practices of the people in the business areas affected.

#### **Fourth Principle**

Include information and IT usage as a key business success factor to drive IT enabled business projects.

A particular sign of our managerial fascination and perhaps collective ignorance around IT, is that IT projects are seldom if ever evaluated based on the usage of the IT and information by people in the company to achieve business results. The leading key success factor seems to be making IT "accessible" and "available" in companies with no commitments to how IT is used. Thus, IT project teams focus on deploying IT and going live without attention or accountability to the actual use of the

tools, databases and applications. So if executives manage what they measure, then it is no surprise that information and IT usage for such projects is not evaluated, since it is invisible as a criterion for the success of information oriented projects.<sup>3</sup> As a result, little time, managerial attention or budgeted resources are focused on the effectiveness of information and IT usage in companies whose leaders profess to be knowledge- or information-driven in their decision making and actions.

1 Donald A. Marchand, *Reaping the business value of IT: Focus on usage, not just deployment, to optimize payback*, IMD Perspectives for Managers, No. 114, November 2004, 4 pages.

2 Donald A. Marchand and Rebecca Meadows, *Customer Relationship Management: Challenging the Myth*, IMD Perspective for Managers, No. 131, February 2006, 4 pages.

3 Donald A. Marchand, William J. Kettinger and John D. Rollins, *Making the Invisible Visible: How companies compete with the right information, people and IT* (John Wiley and Sons, London and New York, 2001).

IMD  
P. O. Box 915, CH 1001 Lausanne,  
Switzerland  
Tel.: +41 21 618 0111  
Fax: +41 21 618 0707  
info@imd.ch  
<http://www.imd.ch>

© IMD, October 2006. No part of this publication may be reproduced without written authorization.

