A Passion to Succeed
How top managers underpin the effectiveness of IT governance

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Abstract

This is a case study of a strategic project in an organization with a reputation for consistent success. It describes how a CEO, and executive project sponsor worked with a project manager to influence an IT project to realise almost all the desired benefits. The case provides extensive background information to go beyond long lists of simplistic prescriptions and explore how top managers really influence projects to succeed. It highlights the intimate relationship between the will and passion to drive through organisational change and the benefits realised. The case is particularly valuable for its detailed description of the ‘soft-governance’ skills that underpinned the effectiveness of the more commonly emphasised hard prescriptions.

The case is part of a set of five studies undertaken to explore the relative importance of top management support and to understand how they influence projects to succeed. It is reproduced in full in a handbook (HB280:2005) on IT project governance planned to be published by Standards Australia.
Background

SkyHigh Property Investments is a subsidiary of a major investment bank. SkyHigh’s success depends on its ability to recognise, purchase and manage quality commercial properties for its clients and its ability to attract quality tenants and keep them happy while controlling expenses. They also need to provide their investors with timely information.

The CEO of SkyHigh had trebled the size of company in only four years. The organisation originally managed only a handful of buildings for a superannuation fund, but by the end of 2000 it had over 100 major properties, many thousands of tenants, and thousands of investors across a number of investment vehicles. The enormous growth in complexity was imposing operational stresses on the organisation. The CEO was acutely aware of it because two companies in the industry had recently lost market share because poor operational systems had undermined investor confidence.

Project Initiation

The CEO knew he had to put in place the right infrastructure to maintain and support the growth. He was impressed with the way a manager in the parent company had managed the company’s Y2K compliance and recruited him in early 2000 to be the new chief operating officer (COO) of SkyHigh. The CEO also recruited Paul Major from a competitor to work with the COO. Paul had an accounting background similar to the COO and he had also worked extensively in the industry. Paul had recently been involved with the implementation of an ERP system in another firm.

Paul started by interviewing all 100 staff to identify the major issues. According to Paul, SkyHigh had ‘bad systems, bad processes, bad support structure and the wrong mix of staff’. He summarised his findings and presented them initially to the COO and then to the senior management team.

At the senior management presentation it became apparent to the CEO that the majority of the senior managers had not read Paul’s briefing paper and they were not able to fully participate in the discussion. The CEO decided the best way forward was for Paul to further summarise his work and identify the major projects that needed to
be undertaken. The CEO was concerned because the group had grown rapidly through mergers and acquisitions producing individual units of excellence but with limited cohesion across the group.

Paul identified seven major projects that needed to be undertaken, one of which was to replace or enhance the existing management and accounting systems. There were three related projects: (1) appointing more experienced accountants, (2) implementing a Web strategy and (3) integrating with forward planning systems. The other three projects are not directly relevant to this case.

*Establishing Project Governance Structure*

The COO took the responsibility to oversee the seven projects and Paul managed their implementation. These were major projects so Paul worked with the COO to identify the key stakeholders and develop an overall governance structure.

SkyHigh had an official ICT project methodology and all project managers went through project management training. The COO had been through the training and had used the methodology in the Y2K project. However, neither Paul nor the COO felt the official ICT methodology had much influence on the governance structure because ‘it’s all just common sense really’.

The head of SkyHigh IT, concurred by saying ‘when users have enough project management experience we don't need to get as very heavily involved in the business re-engineering and can focus on implementing the technology. In projects with less business unit ownership we appoint much higher-level project managers with more of a business analysis focus who are able to manage the business change as well as the technology implementation’. He added, ‘it's better when the business takes ownership ... in this project once the scope of the work was agreed and the governance put in place, I was able to monitor its progress and the business's satisfaction through the steering committee’.

It appears that it is a common practice within SkyHigh to customise a unique governance structure to reflect the individual considerations of different stakeholders. Paul said of the governance structure of a more current project, ‘it's taken me weeks to reach this understanding of the project’.
The final governance structure reflected what the COO and Paul thought would be most effective; taking into account their understanding of the people, interpersonal dynamics and standard processes within SkyHigh. The steering committee consisted of only the COO, Paul, the head of IT and the head of finance.

‘We asked ourselves whether it was possible to manage the project with a steering committee with all the stakeholders, decided it was not, and decided to keep the steering committee small.’

A group of key stakeholders from finance, the business and IT formed the systems working group. Their role was to develop the list of requirements and select a new system based on their criteria. A memo was sent to formally advise them of the project and seek their participation. They would have been aware of the project through Paul’s original interviews and unofficial feedback from their managers.

Paul eventually created a control group between the two groups at the time when the new system was implemented; after the requirements analysis and after funding was approved. It consisted of himself, Neville Sergeant (an IT group project manager) and Lisa Smith (a project officer to manage the technical and administrative aspects of project management such as the creation of Gantt charts, identifying resource conflicts, updating progress and monitoring slippage).

Figure 1: Project governance structure
**Requirements Analysis**

The property management and accounting systems project commenced in Jan 2001 with Paul interviewing each of the key stakeholders to determine what the new system should do. Paul felt it was important not to restrict the list of requirements but made sure it was clarified whether a requirement was critical, nice to have or a wish list item. In making this distinction Paul made sure he understood the underlying business process.

To manage other commitments each interview was restricted to about an hour (they ranged from half an hour to up to two hours) and additional interviews were scheduled as necessary. In practice it took about four interviews per stakeholder. This is quite a significant commitment but Paul reported that in general people just made the time and where there was difficulty they would schedule interviews for early in the morning, late at night or book say one week in advance.

Once these initial interviews were finished a 30-page document was prepared summarising all the requirements. Paul added his prioritisation of the requirements and sent it back to the stakeholders for confirmation.

Paul said, ‘I was very conscious that no package would be able to do everything and tried my best to manage expectations’.

**A Useful Delay**

Towards the end of this process, around the end of March 2001, discussions were being held with contacts in the industry to identify potential vendors and initial discussions were held with about ten to let them know of the process being followed. All interviewees felt the project would have continued and probably would have been implemented by 1 July 2001 but a number of incidents changed the priority of the project.

- A number of mergers had been finalised to substantially increase the size of the business and the acquisitions had to be integrated as a matter of urgency.
- A web site needed to be developed to present a consistent image to the investor public.
• The COO appointed a new head of finance to restructure the accounting department. Many staff changes and many new appointments followed.

• There were unfavourable internal and external audits requiring dedicated business resources to resolve. (NB. There was no suggestion of fraud)

• Paul got married in August and took leave until the end of September

The intention was to implement a new chart of accounts at the same time a new system was implemented. This was only practical at the start of the financial year on the first of July so the above incidents made it impossible for 2001. The decision was made to delay the project and aim for 1 July 2002.

![Figure 2: Project time line](image)

The business had built up expectations for a new system and had to endure an inadequate system with all its workarounds for an additional 12 months. The need for a better system became firmly fixed in almost every one's mind.
Package Selection: Understand Work-Arounds And Tradeoffs

The project resumed in a kick-off meeting around October 2001. The COO introduced the project himself and said:

‘This is the biggest project that we will do this year’.

The significance of this sentence was not lost on the attendees of this first meeting. The company had grown substantially and seen a lot of big deals yet ‘this project was more important [than the last major acquisition]’. It was obvious to everyone that the company was taking this seriously. The COO had considerable personal power in the organisation and he was supported by the CEO. Each project team member had salary bonuses added to their annual review with criteria tied to project performance objectives.

The first key task was to compare potential replacement systems with the requirements document. The working group was quite large and crossed many functional areas. The potential for conflicts of interest was quite significant yet not one of the interviewees mentioned the issue except for the difference in preferences between IT and the business.

‘We narrowed down the selection [quite quickly] to the two with the business clearly favouring one while IT preferred the other. We had to work through issue by issue before IT signed off on the final package.’

Paul was primarily a business user and recognised his weakness in matters IT. He could have forced the issue but he chose not to, recognising the important contribution IT had to make. ‘Neville is the most knowledgeable IT person I have ever met.’

‘He took the time to explain to me the implications of various decisions [in business language].’

Neville said ‘we had a standing joke at the beginning of each day ‘Paul, time for your tutorial’. Neville added that he is normally not good at this, but

‘Paul wanted to understand and made the effort’.

Paul did not accept that Neville is normally not good at explaining technical issues and the implication is that business managers tend not to make enough effort to
understand. As each issue was raised Paul would systematically interrogate with the following set of questions: (1) Why it is essential? (2) What happens if it doesn't? (3) What happens if it breaches our standards? (4) How can we work around this?

The governance structure and the attitude of the decision makers clearly made a difference.

- Sometimes the workaround was that senior management would formally acknowledge acceptance of certain risks, risks that the individual department could not accept. In these cases Paul would talk to the COO (who would in turn talk to others as necessary), get approval in principle, and formalise this with an e-mail from the individual department noting the risk and a response from the COO accepting the risk.

- In other cases, IT would develop the workaround solution even if it would cost them more time operationally. Their attitude was ‘if this is what the business wants and we can find a way to work around the problem we shouldn't stand in the way even if it creates more work for us.’

This issue highlights that the general approach followed was to discuss and try to convince. Interviewees commented:

'We always felt like we were heard ... there were lots of meetings and sometimes they went over time [to discuss issues that were important to us]... We accepted the pressure to meet the deadline but we were never pressured into accepting something we couldn't accept’

However there were also times a less conciliatory approach was followed. The COO admitted to saying ‘we don't want to hear this sort of argument’ and it was reported that Paul would occasionally put a user in his place based on his knowledge of the overall business process and not allow someone to insist on an inefficient current practice. The final choice was formally signed off by each of the ten key stakeholders and the overall sense was that everybody was satisfied because all the issues had been properly resolved. ‘Paul and the COO really earned their money’.

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1 E.g. no automatic back-ups (running the risk of failure and downtime for operations if the back up had to be rerun during the day)
2 E.g. manual back-ups
By the time the package was selected, there was a good understanding of what it could and it could not do. The limitations were understood, workarounds had been developed and the risks were acknowledged and accepted by the appropriate stakeholder.

The entire senior management team had attended a separate strategic briefing session with the potential vendors to evaluate their suitability as a long-term partner of the business. The successful vendor commented, ‘I knew from the moment I walked in, that this project would be successful’ [because of the level of understanding and support from the senior management team].

All interviewees commented on the importance of the work done in the first 12 months to the eventual success of the project. The length of time the project had been in gestation psychologically prepared the business and established their will to change. The commitment of the project team was very high but the COO knew he was taking a gamble because ‘we are going to change to suit the system’. All existing business processes were changing.

‘You look at the culture, the willingness to change and the perception of how big an issue you're fixing ... it took us a lot of time, a lot of communication, and lot of discussion to reach this point... there was a desire to improve, we knew what we wanted from day one and we had everyone’s buy in ... I knew the type of people I had and how far I could push them ... in a different organisation this would have taken twice as long [eg. Government]’

Obtain Funding

Concurrent with this effort, board approval for the project was being sought. However, it was initially rejected for budgetary reasons. The COO said he and the CEO tried again and again because ‘It’s a matter of passion and what you believe [needs to be done].’

The COO and the CEO spent significant time lobbying the board both individually and collectively to seek approval for the project. The input of the individual board members was actively solicited to allow them the chance to contribute to the project and feel that it was also theirs.
'As a senior manager it is important to have no surprises. We spoke to the board members individually to convince them of the need for the project and to allow them the chance to contribute to the project and feel that it was also theirs.'

**Project Implementation: Monitoring And Managing Risks**

Funding was approved and the formal project implementation commenced in January 2002.

An experienced project manager (Lisa Smith) was appointed to a project officer role to assist Paul with the day-to-day running of the project. This was to allow Paul the chance to focus on the strategic points of the project and integrating with the other six key projects in particular. There was allowance for three other contract staff in the budget. SkyHigh is a lean organisation and the availability of this level of resources was another clear signal of the level of senior management support.

Because of the extensive communication during the evaluation process, the contract was signed with the vendor with minor delays. Paul, Lisa and the vendor had developed a detailed project plan and the project was subsequently monitored very closely against both the project plan and a risk management plan.

There was a lot of informal communication on a daily basis to ensure issues were being raised at the regular weekly meetings of the project teams, and the systems working group. Lisa handled the majority of the day-to-day administrative tasks while Paul focused on one-on-one conversation, making sure he knew what the real issues were. Paul lent a hand with work when necessary and kept all the key players informed of progress.

The steering committee met fortnightly on a formal basis mainly to ensure the risks were being managed and to check that the benefits were still likely to be realised. According to the IT department, the project governance (structure and control mechanisms) is tailored to fit each project but risk management is a mandatory component. Paul said ‘the steering committee focused more on the things we knew the system couldn't do and the workarounds [i.e. the risks]’.

Interviewees described this period as being almost incident free albeit very intense with very long hours being worked. They had their regular job that included year-end
reporting and also had to clean/correct their data from the various existing systems and preparing it for upload into the new system.

‘They worked weekends’

Some in the finance department were also new to their jobs. No one described any difficulties except for one incident. Paul recalls that at one steering committee meeting the COO noted to one of the other managers ‘you're falling behind’ and the next day the problem was resolved. The COO recalls saying something stronger in this incident:

‘If you can’t do it in time, we’ll find someone who can.’

During the post implementation review one project member commented that the only improvement he could recommend was to have found out earlier that some data would have to be manually entered rather than automatically uploaded as originally planned. In this particular incident both Paul and the project officer ended up manually helping to load the data.

A detailed review of the minutes of the various meetings reveals that unexpected incidents did occur with the potential to delay the project. The implications on the overall project were noted, options for resolution were discussed, and they were assigned to specific people for resolution. All of the incidents were resolved in two weeks or less. Interviewees attributed this to the formal and informal governance structure allowing rapid identification of issues, the rapid escalation of issues, the high-level of senior management ownership (willing to take decisions and accept risks) and the type of the people on the project (driven to achieve).

In the final go/no go meeting, everyone signed off. Paul commented that this was the riskiest part of the project from his perspective because he couldn't control the quality of work. It depended entirely on the owners of the data, how well they had resolved inconsistencies with the existing data and how accurately it had been loaded into the new system.

It was made clear to everyone that they did not have to sign and go live with the new system for their particular module and that a workaround would be found (but of course it would be inconvenient to them because they would have to enter their data twice for an additional month of parallel running until the problem was solved).
The COO said ‘the people who did this work are still with us now’. His implication is that the way you manage this risk is by assigning tasks to people who care and would be accountable for the result. Both the COO and Paul commented that it was important for the business rather than IT to have managed the project. Paul’s comment is particularly salient in the light of his experience with a similar but less successful ERP implementation. (That project had an IT/technical focus).

Outcomes

A year after the implementation all the interviewees consider the project a success. Not long after the go live dates the whole project team was taken out to dinner to acknowledge their work. One member of the team said:

‘It was something I was proud to have been part of’.

In project management terms it is a clear success because it came in on-time and below-budget and worked.

The business benefits had never been expressed in easily quantifiable terms. The subjective assessment of the COO is that the majority of the business requirements were met (96% to 97%). He points to the following indicators of success ‘A much higher level of data integrity. The accounting close off on the 31st December was a far cleaner process (and has probably overcome the problems that caused the poor audit result in 2001). The processes are maturing’.

The COO mentioned some minor problems but his overall feeling was ‘it was amazing there weren’t more problems’. Interviewees generally had to think quite hard to think of things that could have been improved. The only exception to this was the issue of time pressure.

The post implementation is still being conducted and more lessons may emerge, but there is almost no question that the project succeeded and was perhaps completely successful in implementing a system that would support the growth of the company.

3 There was perhaps a board discussion on the expected business benefits, but apart from the COO, it was not mentioned and the COO was not at liberty to give general access to board minutes.

4 There were some data issues. Not all the processes were updated. Some were still pushing the old way of doing things, but the COO felt this was part of an ongoing continuous improvement process and was not overly concerned. He also accepted that some of the policies and procedures were not finalised with documentation.