EXECUTIVE BRIEF

‘Big Bet’ Initiatives

On-time and On-Budget is Not Enough

Research has shown that at least 80% of “big bet” initiatives fail. Even when they are on-budget and on-schedule, they often fail to deliver on the original business objectives. A&M has spent years leading successful big bet initiatives and turning around distressed programs. Read below for how to avoid common pitfalls.

“big bet” initiatives are business transformation programs enabled by the implementation of new technology. They create process and organizational change across one or more company functions and are complex and risky.

Typically, these projects cost tens or even hundreds of millions of dollars and often require years to plan and execute. However, even a $5M project can be a “big bet” initiative if failure to execute leads to lost revenue, market share or exposes the company to severe risks.

Companies may embark on a big bet initiative to achieve a number of different goals:

- **Reduce Costs and Improve Operational Efficiencies:** In an era of shrinking profit margins, it’s common for companies to initiate a series of incremental cost improvement initiatives that leave the organization lean and frugal. However, at some point, they find that they have cut the ‘fat’ and now are ready to embark on a transformational initiative that creates material and substantial cost reductions and operational efficiencies.
- **Scale for Growth:** Companies in a growth mode often find that their internal operations are not keeping pace. Not only are they not scaling cost-effectively but also they struggle to maintain or improve customer service levels. High-growth companies need to re-engineer and automate end-to-end processes.
- **Re-invent business models:** Most industries are experiencing an unprecedented rate of change and many companies are making profound changes to their business models. Leveraging technology and data, they seek to re-invent how they engage their customers, deliver new products and services and manage their end-to-end value chain.
- **Mergers and Acquisitions:** When a CEO wants to boost corporate performance or jumpstart growth, acquiring another company is often an attractive strategy. However, mergers and acquisitions are high stakes projects enveloped in uncertainty.

On-Time and On-Budget ≠ Success

The Standish Group reviewed 3,555 projects with budgets over $10 million and found that 41% were “complete failures,” (defined as initiatives that were abandoned or started anew) and another 52% were “challenged” – that is, significantly over budget, behind schedule or failing to meet user expectations. Only 7 percent were deemed “successful.”

While it’s natural to declare success if a project comes in on-time and on-budget with a technically successful implementation, if it doesn’t deliver on the original business objectives, it could still be a failure.

Success is achieved when the expected business benefits and outcomes are realized within the approved budget and timeline.

The stakes are high, and the business community's "big bet" track record is less than impressive, but failure isn't inevitable. A&M has spent years helping clients turn around distressed "big bet" initiatives. Consider the following lessons:

1. Let the Business Objectives be your Compass

One of the most common pitfalls experienced when executing a project of this magnitude is a failure to clearly and crisply define and communicate the business objectives of the initiative. Keeping these goals front and center during the planning stages and referring back to them during execution is critical. Everyone involved with the project–from the software engineer to the Executive Sponsor–should be crystal clear on what these objectives are.

Business objectives act as a compass for the duration of the project. During execution, tradeoffs and compromises are inevitable: timelines adjusted, technical requirements compromised, certain deliverables sacrificed. But before every tradeoff, you must ask yourself "which choice is more likely to achieve my business objectives?" Without business objectives to maintain the focus of ongoing project execution and measure its progress, you can easily end up with a successful technical implementation, but no measurable business benefit.

2. Assign Experienced Leadership who Focus Efforts on the Critical Path

Projects of this magnitude require strong leadership from someone who can inspire collaboration across the organization, vendors and consultants, and understands how to balance the technical constraints with the business objectives.

Too often, companies assign program leadership to a technology leader or to someone who has never led an initiative of this size or importance. In the first instance, the project is perceived as a technology initiative, and focus during execution can drift to the implementation of the technical solution without regard for the business objectives and benefits.

In the latter, the leader is at a disadvantage because they "don't know what they don't know" and are more likely to be waylaid by preventable obstacles.

CASE IN POINT

Background: A Fortune 1000 energy services company was tackling a "big bet" initiative that would impact every facet of the enterprise. Existing management systems had reached the end of support life, while the size and the scope of their business had grown substantially.

Approach: The client called A&M to lead their team of 150+ client, system integrator and third party members through the upgrade and enhancement of their core capabilities and to transition from the legacy environment to a new solution. The Steering Committee included members of the C-Suite, and with their engagement, the company made a series of decisions to expand the original scope, timeline and budget to increase the business benefits.

Results: With over 6,500 users affected, A&M brought leadership and coordination to numerous teams while also fostering collaboration and accountability between internal teams and vendors over three years.

The CEO deemed it the most successful project in the company's history.

Experienced leadership knows how to anticipate risks and avoid them. Furthermore, an experienced leader can clarify priorities to ensure that all involved are focused on the critical path. Too often, project checklists and execution plans get so complicated that the team loses site of the objectives.

By definition, "big bet" initiatives are a unique event for most companies, so having an internal leader with the right skills and experience to run such a program is rare. Sometimes companies need to go outside the organization to find someone with the experience and skillset needed to lead the initiative on their behalf.

The stakes are high when you place a "big bet" on a business transformation. However, you can beat the odds with experienced leadership, a structured approach and disciplined execution–all laser-focused on delivering the business outcomes.

CASE IN POINT

Background: A large utility provider struggled to provide self-service capabilities to a growing technology-savvy customer segment. The company was challenged to provide a seamless, integrated experience across its vastly disparate and unstable customer service channels.

Approach: A&M was engaged to mobilize an initiative to build and promote new voice and digital service channels, improve existing service channels, increase customer satisfaction and improve operational efficiency. In addition, A&M provided overall program leadership including planning, management and coordination of supporting work streams, steering committee updates and executive reporting.

Also, A&M senior technology leaders managed the delivery of the program's most critical technology program initiatives, leveraging Agile and Waterfall methodologies to successfully lead a mix of internal employees, consultants and third party vendors.

Results: With a small team of consultants, A&M guided the project, one of the largest and most complex in the company's history, to success in 18 months. The program delivered $15 million in sustainable, annual benefits, achieved by shifting live agent handled calls to self-service, reducing repeat call volume and consolidating customer notifications and vendor platforms.

"We couldn't have done it without A&M. They worked shoulder-to-shoulder with our internal team and led us to success."

3. Identify the Critical Risks and Insist on Accurate Status Reporting

Over and over again we see projects reported 'green' until they are severely 'red.' For understandable reasons, internal project teams and consultants–who want to protect client relationships–are loath to report bad news.

While most project plans include stage gates, the pressure to stay on-budget and on-schedule often leads to relaxed adherence to the stage gate criteria. Moreover, teams often push high risk items to the end of the timeline in order to stay "on-schedule."

The inclination to underestimate critical risks often starts early in the project timeline. Internal champions, the people who developed the business case for the program, are often unrealistic about the risks–either due to inherent optimism or lack of experience–and thus fail to focus sufficiently on the most critical risks and create contingency plans to address them.

Combine this tendency with relaxed discipline on adherence to stage gates, and more often than not, poor decisions made early in the program are not revisited.

A key success factor for complex programs is having leaders who are unbiased and who tell you what you NEED to hear, regardless if it's what you want to hear.

Who will tell you what you need to hear, not just what you want to hear?

CASE IN POINT

Background: A Fortune 500 company recognized a significant opportunity to drive new revenue growth while simultaneously reducing financial and operating risk. To enable this strategy, they needed to transform their end-to-end trading and supply processes and systems. Two years and millions of dollars in consulting fees later, Phase I was significantly behind schedule and overbudget. The CFO believed the project team suffered because they had a relatively inexperienced IT leader who had never led a complex project of this scope.

Approach: A&M was asked to assume the day-to-day leadership of the 60+ person project team consisting of internal employees, consultants and third party vendors. They started by determining the "real" risks and obstacles to completion and realigning and refocusing resources on critical path activities. After talking with key stakeholders, several truths were apparent:

- The three major stakeholders had different priorities and were not clearly and consistently communicating the business objectives.
- Business requirements were ill-defined and so technical requirements trumped business benefits when tradeoffs were needed.
- Under pressure to make progress, the team relaxed stage-gate requirements.
- With numerous delays and lack of progress, team morale suffered, and confidence in leadership waned. Missed deadlines became the norm.

Results: With two consultants, A&M addressed these issues and got the project back on track. The team met the 'Go-live' date and achieved all subsequent milestones.

4. Don't Short-cut Stakeholder Adoption

Change is hard. You need to generate buy-in and ownership throughout the organization to ensure adoption of new processes and solutions. If you don't convince, enable and incent your employees, customers and other stakeholders to use the new tools and solutions, they will keep doing what they have always done, and you will waste time and money.

We see companies cut stakeholder engagement and change management budgets when costs start to creep, but this is short-sighted.

You can have the best processes and technical solutions, but if people don't change their behavior and adopt the new tools and solutions, you gain nothing.

CASE IN POINT

Background: Our client, one of Fortune Magazine's fastest growing companies, had reached the point where their manual processes and outdated systems had become a huge risk factor and inhibitor to the company's growth trajectory. They knew they needed an enterprise-wide transformation to enable and support their continued growth.

After spending millions of dollars over 18 months and cycling through multiple project managers to implement a new ERP system, the CFO lost confidence in the integrator's ability to complete the project. A&M was brought in to turn around this struggling transformation initiative.

Approach: A&M provided experienced business leadership to the program and helped the client change their approach to drive it as an operational initiative versus a technology project.

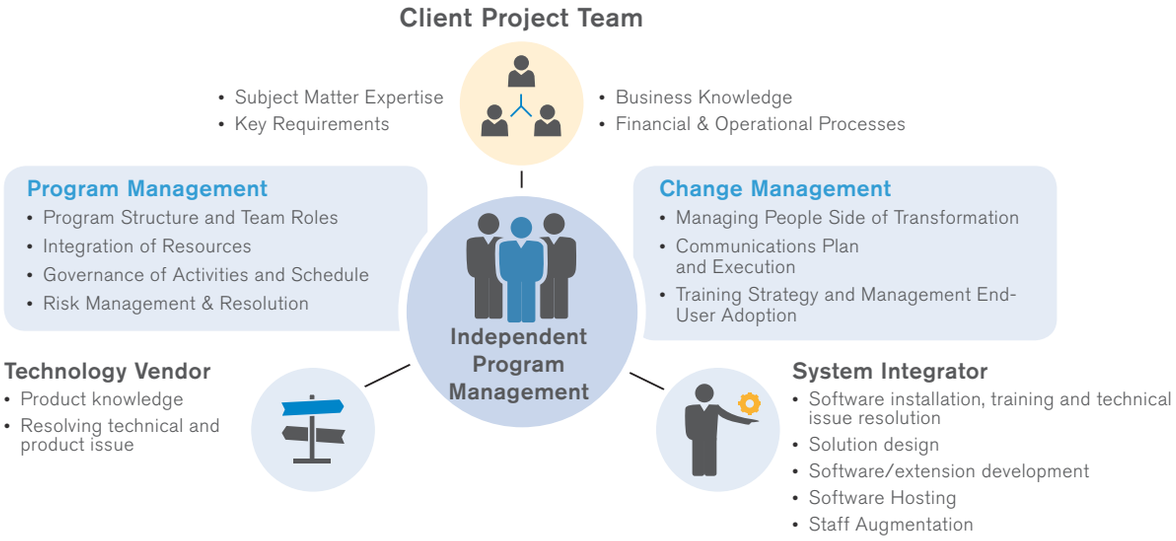
A&M helped to create clear, consistent communications about the business benefits of the project and integrated change management into the leadership's responsibilities to bring more focus to organizational readiness and adoption.

Results: Within four weeks, the A&M leadership team established a revised plan that focused on achieving tangible progress and generating confidence among the project team.

After seven months, the client executed a successful 'Go Live.' The 'Go Live' was organized into waves, starting with strategically chosen pilot branches, ultimately bringing 5,000 users onto the new ERP system.

5. Establish an Independent Program Management Function

Complex Programs are more effective when the Program Management function is separate and able to focus on core competencies of leadership, structure, integration, change management, and unbiased action. This independence allows all teams to focus on their areas of competency, resulting in a more efficient, unbiased, focused and integrated structure to drive maximum value.



SUMMARY

The stakes are high in "big bet" initiatives, yet few succeed. Even when they are on-budget and on-schedule, few deliver on the original business objectives. However, failure isn't inevitable. You can avoid common pitfalls and increase your odds for delivering real, sustainable results by disciplined adherence to the following tips:

1. **Make the business objectives your compass.** Without clear, measurable business objectives to maintain the focus of on-going project execution and success measurement, you can easily end up with a successful technical implementation, but no business benefit.

2. **Assign experienced leadership who can focus the team's efforts on the critical path.** Too often, companies assign program leadership to a technology leader or to someone who has never led an initiative of this size or complexity before. Experienced leadership knows how to anticipate and avoid risks and can keep the team focused on the critical path to delivering business outcomes.

3. **Identify the critical risks and insist on accurate status reporting.** Bad news is not like wine, it doesn't get better with time. Make sure that you have a program leader who will tell you what you NEED to hear, not just what they think you want to hear.

4. **Don't short-cut Stakeholder Adoption.** The best processes and technical solutions are unlikely to realize bottom line improvements if people don't adopt the new solutions and change behaviors. Resist short-changing stakeholder adoption when the budget gets tight.

5. **Establish an Independent Program Management Function.** Complex programs are more effective when program management is independent, allowing teams to focus on their areas of competency and resulting in a more efficient, unbiased, focused and integrated structure to drive maximum value.

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About Alvarez & Marsal

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately held since 1983, A&M is a leading global professional services firm that delivers business performance improvement, turnaround management and advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who leverage the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

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