

A portrait of Mark Paling, a middle-aged man with short dark hair, wearing a dark suit, white shirt, and blue patterned tie. He is smiling slightly and gesturing with his hands. The background is a blurred blue and purple gradient.

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25+ YEARS OF
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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. Use these actionable tips to make sure your 'big bet' technology investment returns big benefits.



'Big Bet' Initiatives:

Not Your Typical Technology Project

'Big bet' initiatives are business transformation programs that are enabled by the implementation of new technology. They create significant process and organizational change across one or more functions of the company and are therefore highly complex and very risky.

Typically, these projects cost tens or even hundreds of millions of dollars and often require multiple years to plan and execute. However, even a small \$5 million project can be a 'big bet' initiative if failure to execute will lead to lost revenue or market share or will expose the company to catastrophic risks.

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

- **Reduce Costs:** A company can use new technology to standardize or eliminate processes and reduce headcount to create sustained cost reduction.
- **Scale for Growth:** If a company operates in a highly manual environment that will not scale for growth, they may opt to employ a new technical platform to automate transactions and processes, provide transparency and improve speed, accuracy and control to improve scalability.
- **New Markets and Products:** A new business opportunity such as expansion into a different business, channel to market or source for growth may require a new operating model that is enabled by technology.

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, way 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 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 we've picked up along the way.

Improving Your Chances of Success

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 project. 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 CEO -- 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 each tradeoff, you must ask yourself "which choice is more likely to achieve my business objectives?" Without business objectives to focus activities and measure progress, you can easily end up with a successful technical implementation, but no measurable business benefit.

2. Invest in knowledgeable, business resources for the project

Often we see companies assign "available resources" who may be less experienced or poor performers to a

'big bet' initiative. For a project this important, you can't afford to make this mistake. The team needs to include people who understand how your business operates today and have the energy and passion for how it can be improved through your initiative.

Many times companies are reluctant to assign their best business resources because of the impact to day-to-day operations. However, focusing on today at the expense of tomorrow could lead to poor decisions during design and implementation that cause the solution to "drift" from the stated objectives and target benefits. Consider assigning the best resources to your initiative as an investment in the future of your organization.

3. 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.

4. Insist on Executive Support

Executive sponsorship is a critical component of any change management plan. A 'big bet' initiative typically impacts the entire organization and consequently needs the most senior level sponsorship – ideally from the CEO, the CFO or the COO. The C-suite needs to clearly and consistently communicate and amplify the

business objectives and their relation to the business strategy. Early and frequent communication helps build awareness and buy-in within the organization.

5. Assign Experienced Leadership

Fundamentally, a ‘big bet’ initiative needs an experienced leader who knows how to balance the technical constraints with the business objectives. The program leader needs to govern, steer and drive the initiative with a focus on their compass – the initiative’s business objectives. However, few companies have people who are effective at doing so and often give this responsibility to a technology leader or someone who has never done it before. 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.

Experienced leadership knows how to anticipate risks and avoid them. Rarely is this a core competency, so sometimes companies need to go outside the organization to find someone with this specific experience and skillset. 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.

6. Adhere to Disciplined Stage Gate Process

Typically, as part of any disciplined project plan, there are stage gates – the points in the project that define what needs to be accomplished before proceeding to the next phase of activities. However, the pressure to stay on-budget and on-schedule can tempt even the

best program managers to relax the criteria required to proceed through a stage gate. Adhering to stage gate criteria and maintaining discipline around the process is critical to successful execution. In addition, tangible, mid-project deliverables increase executive confidence and give the team a needed morale boost

Case in Point:

Background: One of North America’s largest midstream energy services companies was tackling a ‘big bet’ initiative that would impact every business and function of the enterprise. The existing ERP and related management systems had reached the end of support life, while the size and the scope of their business had grown substantially.

Approach: Seeking experienced guidance, the client called A&M to lead their team of over 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.

Case in Point:

Background: Our client, one of *Fortune Magazine*’s fastest growing companies, had reached the point where their manual 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 with a system integrator for 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 messaging that communicated the business benefits of the project and integrated change management into the leadership responsibilities to focus on 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.

Case in Point:

Background: After 40 years of success, a Fortune 500 downstream energy 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. They embarked on Phase I of implementing an enterprise trading and risk management software solution tightly integrated with their existing ERP solution. Two years and millions of dollars in consulting fees later, Phase I was significantly behind schedule and over-budget. The CFO believed that 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 discussions with key stakeholders, several truths became apparent:

- The three major stakeholders had different priorities and were not clearly and consistently communicating the business objectives. As the project veered off course, the absence of a business ‘compass’ diluted the team’s focus.
- The business requirements were ill-defined and consequently technical requirements trumped business benefits when tradeoffs were needed.
- Under the pressure to make progress, the team relaxed stage-gate requirements.
- With the numerous delays and lack of progress, team morale suffered, and they lost confidence in leadership. They became so accustomed to missing deadlines that it became a self-fulfilling prophecy.

Results: With two consultants, A&M addressed these issues and provided much needed leadership to get the project back on track. The team met the ‘Go-live’ date and achieved all subsequent milestones.

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.



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