Getting to Good Governance
From Policing to Orchestrating
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EXECUTIVE SUMMARY

As technology projects increase in complexity, elevating their failure rates, public and private organizations are searching for new mechanisms to control their costs and ensure technology systems deliver what they need. Their long-standing reliance on project management offices (PMOs) to oversee these projects may have added to organizations’ awareness of implementation risks and challenges, but it has done little to prevent these problems from arising in the first place. As a result, organizations are left dealing with the same issues they faced before the dawn of PMOs, namely, technology solutions that do not align with their business requirements, poor oversight of vendor relationships, and paralysis at the C-suite brought on by the need to make every decision, even the most minute.

Enter the strategic implementation office, or SIO. By extending the scope of the PMO to the strategy and design phases of an IT project, organizations are empowered to avoid these common pitfalls by identifying and addressing risks before they develop. As a strategic advisor throughout the project, the SIO coordinates all of the activities of internal and external stakeholders to ensure they are properly managing risk and making decisions to keep the process on track. Along each step of the way, the SIO serves as a valuable partner to senior leaders, helping to define the scope of the project, determining the best sourcing strategy, and assuming the role of ad hoc problem solver. In the end, an SIO puts an organization in the best possible position to deliver technology solutions that are on time and on budget.
THE PITFALLS OF TRADITIONAL PMOs

When a large 400-bed medical and teaching hospital was being built in the Middle East recently, the ownership recognized that the technology systems going into the facility would be just as important as the soundness of the structure itself. The hospital would need major enterprise systems such as a hospital information system (HIS) to manage patient admission and discharge, room and resource scheduling, clinical provider notes, and other critical data. It would need a number of clinical and administrative systems to help manage the facility. These systems would all have to work together seamlessly to give hospital managers a complete picture of the facility’s operations at any one point in time.

Despite this recognition, there were warning signs of trouble ahead:

- delays in procuring the technology systems, a deadline dictated by the external contractor in charge, and a lack of coordination across IT, HR, and the clinical teams. If these issues weren’t remedied, they could have easily spun out of control, ultimately compromising the hospital’s ability to treat patients correctly and in a timely fashion.

Rather than run that risk, the owner’s project team decided to set up a strategic implementation office, or SIO, to govern the technology investments and coordinate all of the activities of the project’s external partners. A crucial role the SIO played was to distribute decision-making authority across the organization to prevent organizational bottlenecks, leaving only the most important decisions for senior leaders. The SIO put the team in a position to evaluate all of their technology options and come up with the optimal solution, enabling them to take full ownership of the project and deliver an on-time and on-budget implementation of the technology portfolio.

• Due to their main focus on implementation, traditional PMOs are engaged too late in the process to prevent risks that occur in the earlier phases, relegating their role to damage control.
• Rather than simply monitor a project’s implementation phase and react to problems as they arise, as traditional PMOs do, the SIO proactively identifies the root causes of potential risks and either eliminates them or keeps them under control through carefully designed mitigation strategies.
• The SIO provides a consistent and robust governance model that ensures project goals are aligned with business objectives, and it quickly identifies adjustments that need to be made if those objectives change midstream.
• The SIO helps ensure on-time execution by clearly establishing the responsibilities of every stakeholder involved, the decisions stakeholders are expected to make, and metrics to measure their performance.

KEY HIGHLIGHTS

- Rather than simply monitor a project’s implementation phase and react to problems as they arise, as traditional PMOs do, the SIO proactively identifies the root causes of potential risks and either eliminates them or keeps them under control through carefully designed mitigation strategies.
- The SIO provides a consistent and robust governance model that ensures project goals are aligned with business objectives, and it quickly identifies adjustments that need to be made if those objectives change midstream.
- The SIO helps ensure on-time execution by clearly establishing the responsibilities of every stakeholder involved, the decisions stakeholders are expected to make, and metrics to measure their performance.
As technology projects grow in complexity, more public and private organizations are discovering that—as in the case above—they do not have an adequate management structure in place to identify and address risks across the three phases of the project life cycle, from strategy to design to implementation. Most organizations understand the need for a strategy phase when they are putting a new technology solution in place, but they do not know how to take it from there. After all, the vast majority of their time is spent managing their day-to-day operations. Strategy adds a new layer of activities that few inside the organization have the capacity or expertise to handle.

For many, the default solution—a PMO—has done a fairly good job of tackling challenges as they arise when a technology solution is being implemented. But because a PMO is not that involved in the strategy and design phases, it isn't able to fully plan and account for the major risks that are endemic to large-scale technology projects:

• **Lack of clear business objectives:** Organizations often underestimate the importance of business–technology alignment and initiate technology projects without addressing the underlying business drivers.

• **Deficient business requirements:** Organizations run the risk of designing a technology system that addresses only a subset of the business’s needs, opening the door to time and budget overruns when the assigned technical teams initiate projects without proper business involvement.

• **Lack of a proper delivery model:** Electing to implement a project with in-house resources who don’t have the proper skills, or turning implementation over to a vendor without guaranteeing they transfer the requisite knowledge, may result in either a failed project or one that is not fully under the organization’s control.

• **Organizational indecision:** Change is inevitable, making rapid and well-analyzed decisions a necessity; when stakeholders do not understand which decisions they are empowered to make, the organizational bottlenecks that follow can jeopardize all project activities.

• **Technical risks:** Changes to business requirements and undefined technical specifications can result in incompatibility issues between completed components and those under development, resulting in project delays.

Because of their main focus on implementation, traditional PMOs are typically too late to prevent risks that occur in the earlier phases. As such, the PMO team will strive to manage and control these risks when they have already reached an advanced stage and are close to materializing. In this, a PMO is essentially a traffic cop trying to keep congestion to a minimum, when what is really needed is an urban planner who thinks ahead of time about how to prevent traffic from forming in the first place.

The SIO is the entity that can take the far-seeing perspective of an urban planner. It empowers organizations to proactively and systematically identify and address these risks on a continuous basis, from project inception through to the finish line.
By extending the scope of a traditional PMO to the earlier phases of a technology project, an SIO plays a driving role in the strategy and design of the new system. For example, an SIO involved in the addition of a new data center helps to define the business case for the center, identify the range of functions it needs to be able to perform, and target the appropriate vendors who can deliver on these needs. Because it is involved in the early stages of a project, an SIO can actively account for all of the characteristics that make large-scale technology projects so complex, including diverse user communities, multiple stakeholders, and varying technology maturity levels.

The SIO’s involvement over the project’s full life cycle also enables it to identify and address key risks where they are most likely to crop up (see Exhibit 1). Rather than simply monitoring the implementation phase and reacting to problems as they arise, as traditional PMOs do, the SIO proactively identifies the root causes of potential risks and either eliminates them or keeps them under control through carefully designed mitigation strategies.

Exhibit 1
The Extended Scope of an SIO

<table>
<thead>
<tr>
<th>Phases</th>
<th>SIO Scope</th>
<th>Traditional PMO Focus</th>
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<tbody>
<tr>
<td>Concept</td>
<td></td>
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<tr>
<td>Strategy</td>
<td>Lack of Clear Business Objectives</td>
<td>Project Risk</td>
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<tr>
<td>Design</td>
<td>Lack of Proper Delivery Model</td>
<td></td>
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<tr>
<td>Implementation (Build and Deploy)</td>
<td>Unclear Decision Rights</td>
<td></td>
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<tr>
<td>Ongoing Operations</td>
<td>Proliferation of Technical Risks</td>
<td></td>
</tr>
</tbody>
</table>

Source: Booz & Company
In addition, the SIO provides a consistent and robust governance model that ensures that project goals are aligned with business objectives. When these objectives change, as they often do, the SIO rapidly identifies what kinds of adjustments need to be made to the technology solution. For example, in the hospital example above, the SIO helped the organization reassess the project midstream when construction delays forced the owner to open the facility’s inpatient and outpatient departments at the same time, rather than stagger them six months apart. The SIO also clearly establishes the responsibilities of every stakeholder involved, the decisions stakeholders are expected to make, and metrics to measure their performance.

The SIO augments a traditional PMO’s capabilities by assuming three major roles during the project (see Exhibit 2):

- **Business partner:** The SIO helps define the scope of the project by distinguishing between core and non-core business requirements and developing a master plan or road map that clearly documents targets for each phase.

- **Sourcing and governance partner:** The SIO helps to determine which parts of the project can be sourced internally, and manages the organization’s go-to-market strategy for identifying vendors and selecting the right partners.
• Risk hedger: The SIO takes on the responsibility of dealing with the myriad hidden risks that emerge during implementation due to changes in business requirements or unforeseen conflicts with existing systems.

In addition to these three roles, the SIO also acts as a strategic advisor throughout the process: The SIO’s governance team oversees all three phases of the project, coordinating the activities of all internal and external stakeholders to ensure they are properly managing risk and communicating results and key decisions to the organization’s senior leaders.

Given the complexity of the SIO’s agenda, organizations need to ensure the office is staffed with dedicated, full-time people who have the necessary time and capabilities.

Typically, organizations either cannot spare staffers who are assigned key day-to-day operational responsibilities, or those they can afford to redeploy do not have the strategic planning capabilities needed for the job. As a result, most organizations find that they must tap external partners to fulfill the oversight roles required in each of the three phases.

Given the complexity of the SIO’s agenda, organizations need to ensure the office is staffed with dedicated, full-time people.
In the strategy phase, the SIO helps the organization define the scope of the project, identify the business and integration requirements the technology solution will need to incorporate, and assess the hidden risks that could potentially surface.

Our experience suggests that in the absence of an SIO, most organizations go to extremes when it comes to defining their business requirements. Some adopt a minimalist view of what they need, trusting that standardized commercial off-the-shelf packages will suffice and grappling with the finer details during implementation. Others work up an extensive wish list that is either technologically challenging or prohibitively expensive.

An SIO helps to avoid these less-than-optimal results by working with business owners at the outset to identify the “must-have” requirements that are critical to solving the problem at hand, and the “nice-to-have” options that can broaden the appeal of the technology solution. In some cases, the SIO will go the extra step during this phase to validate the critical components by developing business cases that highlight their value to the business. Through this process, the SIO successfully addresses the two major risks characteristic of the strategy phase—lack of clear business objectives and deficient business requirements.

For example, in a recent GCC government initiative to enhance citizens’ experience in dealing with government agencies, the SIO helped define the scope of the customer relationship management (CRM) technology solution by specifying the government services it would need to include, the customer groups that would use them, and the channels through which the services would be provided. The SIO then conducted interviews to identify the solution’s functional requirements and translate them into technical specifications.

By the close of this phase, the SIO delivers a master plan or road map that clearly documents targets for each phase of the project, including deadlines and budgetary considerations. In addition, the SIO produces scope-of-work (SOW) agreements that the organization can use to select the appropriate implementation partner or partners. The SIO also works with the business owners to flesh out a preliminary operating model for the solution, including key processes, staff requirements, and governance structure.
With a road map and SOWs in hand, the SIO’s focus shifts to finding the best technology solution. This is a critical time in the project: Organizations that dedicate the time and resources needed to define their sourcing strategy and conduct a thorough selection process stand a greater chance of avoiding unnecessary risks later and reaping the benefits of a successful IT implementation.

In some instances, an organization may decide it can simply upgrade or transform its existing IT systems by tapping into internal resources. This option, though, can significantly strain the time and expertise of a company’s IT team, and take away from core day-to-day activities. Partnering with external vendors, another popular option, is not without its risks either, as the loss of control this entails increases the chances of project delays and cost overruns.

The SIO maintains its role as strategic advisor during the design phase by creating working groups to help determine which course is best, or whether a hybrid model combining the two makes the most sense. These working groups—comprising subject matter experts, business owners, and technology owners—analyze a number of factors in settling on their recommendation, including the complexity of the project, the organization’s internal capabilities to deliver on project requirements, and the maturity of the markets in which it operates.
Assuming the organization won’t be able to handle all of its needs internally, the SIO establishes a vendor management team to drive the procurement process. In the case of the government CRM project detailed earlier, the SIO team was responsible for identifying appropriate vendors based on the system’s requirements, issuing the SOWs and requests for proposals (RFPs), and supporting the organization in evaluating proposals and negotiating with vendors. The typical SIO team supplements this role by providing the necessary quality assurance to ensure that the design team (vendors or internal) is delivering according to the specifications outlined in their contract or service level agreement, and incorporating best practices and customer input.

Through these activities, the SIO helps the organization stay one step ahead of its partners by monitoring their execution, making them accountable, and anticipating future needs or problems. By contrast, organizations that do not have the benefit of this level of oversight typically suffer from a lack of accountability and clear decision-making structures. When this is the case, project leaders tend to pass along to senior management almost any decision that comes up, which takes senior management away from more pressing issues and results in solutions that are out of sync with the needs of the individual business units. The SIO avoids this situation by playing the role of aggregator and gatekeeper for top-level executives, keeping them in the loop while redirecting all decisions save those of the greatest strategic importance.

By the conclusion of this phase, the SIO will have issued the RFPs, evaluated partner proposals, selected the appropriate vendor(s), and ensured that all stakeholders sign off on the IT solution chosen.

The SIO helps the organization stay one step ahead of its partners by monitoring their execution.
IMPLEMENTATION PHASE: SIO AS A RISK HEDGER

The key role played by the SIO during implementation is that of risk hedger, dealing with the hidden risks that emerge as the technology solution is deployed and moves toward supporting operations on an ongoing, day-to-day basis. Many of the hidden risks in this phase are of a technical nature and related to changes in business requirements or unforeseen conflicts with existing systems. These changes often cause misalignment between business objectives and technology solutions, as well as between the needs and wants of different stakeholders.

The SIO closely monitors these changes and adjudicates in certain circumstances. When a change in the scope of a project would expose the organization to unintended consequences, the SIO may recommend rejecting the change request. When change requests make business sense, the SIO works with key stakeholders to prioritize them and assess their impact on any interdependent projects. For example, one entity’s decision to change the configuration of its network can shut out other entities that integrated with one of its applications, bringing their operations to a halt.

To help steer clear of these kinds of issues, it is critical for all appropriate stakeholders to be involved during this phase and available on short notice. As such, the SIO designs a clear interaction model that outlines the stakeholders that are involved in every process, the purpose of the interaction, each stakeholder’s role in those interactions, and the interaction channels and frequency.

The SIO supplements the interaction model by defining the key performance indicators (KPIs)—typically tied to input, process, and output—that will help stakeholders align their expectations and coordinate their efforts. An input KPI, for instance, would measure the number of unresolved risks per project; a process KPI would measure the average time to resolve a risk; and an output KPI would track the percentage of risks not resolved on time. Finally, the SIO also develops
and implements a set of control mechanisms, both preventative and corrective, to avoid deviations and correct them should they occur.

During this last phase, the SIO continues to fulfill the role of strategic advisor by dealing with ad hoc strategic questions and recommending specific solutions. This need is all the more important in organizations where stakeholders have very different agendas and would design solutions that may be in their best interest but not in the best interest of the organization at large. At any large company, for instance, the human resources department is focused on employee satisfaction and retention, finance is focused on controlling costs, and legal is trying to minimize risk-taking. The SIO will be able to navigate through these sometimes contradictory agendas to recommend an optimal solution from an institutional perspective.

In this role, the SIO is keeper of all the project-related information and requirements collected from all key stakeholders. This places it in an ideal position to address any risks stemming from lack of information through a fact-based approach to support appropriate decision making. Consider the example of a company that wants to build a new data center; it discovers during implementation that the local utility won’t be able to provide two separate power sources that it promised. In the traditional PMO model, this information would simply be relayed to the organization’s senior leaders. But with the additional oversight of an SIO, the problem is solved by thinking strategically, analyzing the costs and benefits of staying at the current location or moving to a new one, and then making an informed recommendation. Hence, the SIO provides the organization with an unbiased view on both strategic and execution issues.

The SIO can navigate through contradictory agendas to recommend a solution from an institutional perspective.
CONCLUSION

Complex technology projects represent major investments for public and private enterprises, both in terms of up-front costs and the resources required to address unforeseen challenges that almost always crop up after the project is initiated. Yet, despite a long history of failed IT projects and wasted investments, organizations’ approach to managing these projects has not changed in any dramatic way.

The SIO model is a major improvement on the traditional PMO in that it helps organizations move beyond problem identification into the realm of problem solving. By extending the scope of a PMO’s oversight to the first two phases of a technology project, the SIO empowers the organization to avoid or minimize many of the risks that arise when critical business requirements are not incorporated into the technology solution from the start, or when those charged with delivering the solution do not have the capabilities to produce as promised.

Although establishing and operating an SIO can be resource and time intensive, these drawbacks pale in comparison to the costs of maintaining the status quo. For many organizations, an SIO will prove to be a long-term, essential asset that helps sustain its business value by serving as vital support for realizing the organization’s strategic goals.
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