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LEADING THE WAY

Why IT transformation programmes often go wrong

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Many organisations in Thailand are facing major changes in their customers' behaviour, affecting their products and services and, ultimately, their business models.

Often their current operating models, processes and IT platforms are in need of a major overhaul just to catch up with, much less take full advantage of, available technology in order to be competitive in this evolving environment.

I recently witnessed large transformation programmes across major players in the banking, insurance and retail industries in Thailand. Many were driven by increased customer needs, shortening the time to market, digitisation and the need to update outmoded IT systems.

Nevertheless, these factors affect businesses of all sizes, but for many smaller Thai organisations the only viable option is scaling down to an affordable IT transformation programme. This article will highlight major risks and outline a foundation that can help keep a programme on track.

Problems that can endanger a transformation programme fall into three groups — business, technical and execution.

In business, issues can arise from creating overly complex product groups or customer account hierarchies or from failing to make sure business requirements and use cases are complete before starting the transformation. Further problems can occur when business processes need to be re-engineered or when service level agreements and performance metrics need to be realigned. And if the stakeholders do not buy in and actively participate, the anticipated business benefits cannot be realised.

On the technical front, inadequate planning such as incomplete test cases and poor testing procedures may cause delays and extra costs to the programme. Failing to start the implementation with a complete, detailed, end-to-end architecture plan can lead to more development and reworking. Further common technical pitfalls include incompletely identifying required interfaces, data quality issues and a lack of institutional knowledge of applications and data stores.

The last problem area is execution. Here issues can occur when failing to make sure planned project time lines are practical and achievable within budgets and resources or failing to maintain strong programme governance and oversight.

PwC research in the US shows the focus should be on the following foundation elements to increase the likelihood of achieving a successful transformation.

Programme governance structure

The right structure will foster a strong partnership between IT and other business units to make a successful transformation more likely. A common pitfall is when either IT or the business is viewed as the sole project owner. Often we see IT pushes for the lowest cost effort resulting in a significant impact on the business. On the other side, the business may push to build all legacy functionalities into the target platform or even to make improvements to the target "while we're at it already". The best scenario is for the business and IT to work together to focus on building legacy-to-target functionality for critical items only and agreeing on any out-of-scope improvements.

Change impacts on customers and operations

Customer experiences, from invoices to service inquiries, can be affected by process changes from any transformation programme. Changes may also have unplanned effects on business operations. Negative consequences can be reduced during the planning stage by directly mapping all business process effects to customers and operations.

Product rationalisation

The Pareto principle of 80% of a company's sales coming from 20% of its products is very applicable to IT transformation. Simplifying a range of products such as stock-keeping units in retail and manufacturing, price plans in telecoms and medical care coverage in insurance reduces complexity and therefore costs. But this is not straightforward and demands a well-coordinated and closely aligned effort among units including product development, marketing, finance, regulatory compliance, operations and call centres, and IT in order to mitigate any unwanted effects.

Robust testing processes

Vigorous testing is a prerequisite for a successful IT transformation. Failing to focus on testing puts at risk not only a company's goals for its IT system but also its own future in its industry. All transformation programmes should adopt testing approaches aimed at identifying defects and their root causes as early as possible in order to remedy them quickly and prevent repeating them. The testing should have timely and transparent reporting and metrics to keep unpleasant surprises from emerging in later stages.

Businesses need not only consider immediate cost and increased efficiency benefits to warrant an IT transformation. They must understand that a more agile and adaptive IT operating environment will allow them to grow and meet their customers' evolving needs and demands. A successful IT transformation should contribute to an organisation increasing its competitiveness and becoming an industry leader.

This article was prepared by **Udomkiat Bunworasate, PhD, director of technology consulting at PwC Thailand.**