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Transformation Checklist: Scoping



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A message from the founders:

Welcome to the first in a series of four Transformation Checklists focused on the major phases of functional transformation: Scoping, Build, Transition and Sustain.

Our intended audience are Functional Leaders in Finance, HR and Procurement, Transformation Directors, Programme Managers, Project Managers and Programme Team Members tasked with delivering transformative change in Finance, HR and Procurement.

As the founding Directors of Underscore, we each draw on over 10 years of transformation experience across more than 40 projects and programmes.

We've also held operational accountability for some of the HR functions we've transformed after 'go live'. We know what it means to work with the consequences of every design decision and misstep during planning or testing, and still deliver on the promises that secured the original investment.

In putting together these Transformation Checklists, we've also drawn on the lessons learned from remediation programmes we've led and advised on when transformation initiatives have got into difficulty.

It hasn't always been pretty, but it has given us first-hand knowledge of the things that work and the things that will catch you out in the end.

We hope you find this information useful and welcome any thoughts and feedback you care to share with us. At the end of each Checklist are details that will enable you to find out more.



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1. Programme sponsorship: The golden role and the hard yards of the programme sponsor

Being the sponsor of a transformation programme is one of the most rewarding, challenging and potentially career defining roles of your professional life. But has anyone ever described the role to you, or given you a role description detailing your responsibilities in sponsoring a major transformation, or explained how the role of sponsor differs between projects, programmes and portfolios?

The majority of us learn the hard way: on the job. This is a major and unnecessary risk when you consider that the most important factor in transformation success is active, visible and effective executive sponsorship¹.

Programme management text books will tell you that the sponsor is ultimately accountable for the outcomes and business benefits delivered by the programme. However, on too many occasions it's not always clear who the sponsor is, either because there's more than one, or the person named as sponsor is disengaged, reluctant to fulfil their role or has delegated the role to someone else. Things can get more confused when a programme director is appointed. There needs to be absolute clarity on the accountabilities and responsibilities held by the programme sponsor and programme director. In the very early stages of scoping out a transformation, a degree of uncertainty can be tolerated. However, if you get to the point of putting forward a business case and there are still questions about sponsorship, you should seriously consider whether or not to move forward until you have an engaged sponsor in place.

Effective sponsors ensure that transformational change is fully aligned to business strategy and that funding and resources are in place. They actively participate in progress reviews, set clear direction and objectives, and hold their teams accountable for delivery. They make timely decisions and – unless and until the facts change – stick to them. They actively help overcome obstacles and resistance to change, communicate directly with people affected by the change in person wherever possible, and put themselves out there to answer the difficult questions.

Behind every successful transformation is an executive sponsor who was willing to do the hard yards building coalitions, make tough decisions, constantly champion the reasons for change and articulate their vision of the future.

Leading transformational change is the essence of emotional labour, neatly described [here](#) by Seth Godin. If you're an executive sponsor, be prepared to do a lot of this.

2. Problem definition: Seek opinion, gather data, ask the audience

A common mistake is confusing the reason a functional transformation programme starts and the problem it's trying to solve. The need to transform can be precipitated by a single event (change of CEO or Finance / HR / Procurement Leader, merger, regulatory change, end of life technology, financial performance, consolidation etc.) but this merely explains 'why' we need to change, not the 'what' or the 'how' we need to change.

Any successful transformation needs to have a solid understanding of 'where we are today', clarity of 'where we want to be in the future' and a plan to get from one to the other. You may have a pretty good idea about what needs to change, but if you don't seek out data to inform your opinions, you risk missing vital information that could add significant value to the organisation or help secure additional investment for your transformation.

Reliable and robust data is also vital for knowing when you've been successful. Truly understanding the amount of time, effort and cost it takes to deliver your business processes today, and how this benchmarks against other organisations, gives you a solid fact base to work from, informs your design decisions and ultimately provides a baseline to measure your success.

Data tells a large part of the story but input from a broad cross section of stakeholders is also needed. However, the biggest resistance we see from many Finance, HR and Procurement functions is 'simply' asking their internal customers about the service they receive and how it can be improved.

Be honest. You can't possibly know all the answers, or even all the questions to ask. Successful transformation means asking the audience.

¹[PROSCI – Executive Sponsor's Importance and Role](#)



3. Preparing for change: Plan early, find your champions and engage

On far too many occasions, the first business users hear of functional initiatives is when they receive an invitation to mandatory training.

Time must be invested during scoping to identify which groups of people will be impacted by your change, how they will be affected and who are the best people to engage with them – Hint: it's not always a group email from the programme sponsor!

Effective change management is a two way, ongoing conversation that informs and updates the path of transformation, not simply a communications or training plan.

If you've adopted a programme management approach to delivering your transformation (please see point 7 of this checklist), then using a structured change management methodology will be core to your success. There are a plethora of models available, from the simple 3 steps of the [Lewin Change Model](#), through the more detailed 8 step [Kotter Model](#), to the structured Prosci [ADKAR model](#) with its tools, techniques and ongoing research. Whichever model you choose, it's essential to allocate adequate resource, executive time and budget to actively manage the people elements of your change.

Returning to our previous point, involving business users up front during scoping not only helps you properly define the problem, it's a great way of engaging key stakeholders in the business. Invite the right people into your initial requirements gathering work and, come implementation, you have a ready-made coalition of willing 'change champions'.

Genuinely inviting business users to share their frustrations, wants and needs is vital to securing the permissions you need to make change happen. It makes people feel like the change is being done for them and by them, rather than to them, and therefore far more likely to succeed in becoming 'the way we do things around here.'



4. Requirements gathering: Look beyond implementing new technology

Many transformation programmes mean changes to existing systems or potentially buying and implementing new technology.

It's very easy to get fixated on technology, especially if it's new, shiny and expensive. Running a procurement process for Tier 1 Cloud ERP, HCM or Procurement Technology (Oracle, SAP, Workday) can become all consuming. \$£€millions are at stake and it's too easy to focus exclusively on gathering technology requirements. However, effective transformation is about much more than implementing new systems.

Using the concept of Capability Requirement can ensure that you capture a holistic view of the needs of your organisation.

Capabilities describe 'what we need to do' as an organisation to deliver our vision. Capabilities are delivered by a combination of people, process and technology. They describe 'how we best do what we need to do'. Consciously seeking out requirements that describe the culture that we seek to build, how people will work in the future and the processes they will use to deliver to their customers, ensures that a narrow, systems-focused view of the world is avoided.

Building up a complete picture of requirements drawn from across the business drastically reduces the risk of surprises in the later stages of the programme. This requires you to engage multi-functional teams of varying degrees of seniority. Shifting the focus between the problems we need to fix today and the requirements we have to deliver our vision of tomorrow provides further dimensions and depth to your requirements gathering.

A broad sweep of requirements will, however, need review and editing. Not every requirement captured will be valid, desirable or fully aligned to your vision. Judgement needs to be applied, which is where your governance structure comes in. If you have capable, empowered Process Owners and a well-defined design authority, making decisions on the requirements to accept into scope of your programme is relatively straight forward.

Requirements enable you to define the various phases of the programme and can be used to communicate with clarity e.g. we won't deliver flexible benefits in Spain until Phase 2, so the current provider will need to be retained until then.

An agreed set of documented requirements that everyone signs up to deliver is the basis for a well-controlled programme. They set the criteria for design, testing and acceptance, and ultimately tell you whether the change and associated benefits have been delivered. Don't make the easy mistake of rushing into selecting suppliers and designing solutions before you truly understand the requirements that you're seeking to fulfil.

5. Vision, objectives and design principles: Strategic objectives, design principles and dangerous deviations

So many aspects of functional transformation are unknown and unknowable when you begin. By their nature these programmes are disruptive, often formed in response to existential threats or urgent opportunities. Timelines can stretch well beyond the annual budgeting cycle and information often builds over time, putting us deep into the territory of unknown unknowns.

What your team need is clear, simple direction that allows them to make decisions in the moment that will ultimately get you to your destination. Your vision, objectives and design principles provide guidance to your team, helping them to decide where to go and what to do.

Your vision is a description of your destination. It should be concise, compelling and engage at an emotional level. The best vision statements use words and pictures to convey the destination, the reasons for change and prepare people for the journey ahead. A good vision attracts support and incites people to action.

But vision only gets you so far. To make appropriate decisions en route, your team need more granularity and guidance, which is where strategic objectives and design principles come in. Strategic objectives provide detail about the outcomes that must be delivered. They should be SMART objectives that can be distributed and owned by members of your leadership team. They act as a touchstone during design and they define progress and success – as in, does this decision get us closer or further away from delivering our strategic objectives?

Design principles act as a compass, focusing more on direction than defining the destination. They should be between 4 and 8 simple, unambiguous statements, each with a brief description of the philosophy that will guide how decisions are going to be made.

Design principles should be used throughout the programme, not just in the design phase. New processes and systems should be checked against design principles, during the testing phase, for example.

Any decisions to deviate from a design principle should be carefully considered and a record kept of the reasons behind the deviation. Too often decisions that were made for sound, sensible reasons become unfathomable just a few months after the 'go live' date, and days after the programme team and all the consultants have left and moved on to their next client.



6. Governance and decision making: Destructive forces, burn rates and protecting scope

There are three mistakes you can make in defining the governance structure of your functional transformation:

1. Holding too much decision making at the top of the structure
2. Pushing decision making too far down the structure
3. Failing to provide enough clarity, so people are unsure when, where and how decisions should be taken.

Here's a useful list of governance structure questions that it helps to be able to answer:

- What decisions need to be taken?
- Will all decisions be centralised (not advised for all but the smallest organisations), or will there be several levels of decision making?
- Who is the ultimate authority for making decisions about this transformation? Is it the same person for all decisions?
- What are the parameters that will define the size, scale and complexity of decisions that can be taken at each level of the governance structure?
- Who will make decisions at each level of the structure?
- How will problems be evaluated and decisions reached (unanimous, majority, consensus, executive, default)?
- What is the process to escalate decisions from one level to the next?

The question of who makes decisions is often a vexed one in programmes that get into trouble. A pre-requisite for successful transformation is having clearly defined process owners and design authority.

Process owners are named individuals who are accountable for the efficiency and effectiveness of a defined set of processes. They need to be empowered to make decisions about the design of your future processes and supporting technology, in accordance with your agreed design principles, to deliver the strategic objectives and ultimately your vision.

In multi-national or global environments, the structure of country, regional and global process ownership is essential to making good quality decisions quickly. Clarity on the processes in scope for each of the process owners is essential to avoid confusion and conflict further down the line.

Not all decisions have obvious solutions and sometimes competing priorities need to be balanced and judgement calls taken. Process owners deal with these challenges within the processes in their scope, but there will

inevitably be tension between the needs of different processes owned by different process owners. Resolving this tension is where your design authority comes in.

Your design authority should be a small group of people (5 to 8 ideally) drawn from your Finance, HR and Procurement Leadership Teams, IT and 'Business Operations'. Their purpose is to resolve any conflicts and make decisions that deliver the best possible outcome after considering the competing priorities and objectives. Any decisions or issues that cannot be resolved within the design authority should be escalated to the executive steering committee. These escalations should be rare, exceptional events.

Effective governance is essential to avoid the most destructive forces in any project or programme – indecision, delay, reversal and rework. The old adage that time is money was never more true than on transformation programmes with implementation of new technology within their scope. Every day of delay can be all too easily quantified by simply adding up the daily cost of software subscription fees, system integrator's resources, contractors and people seconded onto the programme. The burn rate on Tier 1 Cloud ERP Technology projects can easily exceed £25,000 per day, more if it's a traditional 'on premises' ERP implementation. Some delays can be absorbed and resources diverted onto other meaningful work, but at other times a delay awaiting a decision directly translates into a day's cost added to the programme.

More insidious still is the cost of decisions being reversed and the subsequent rework that entails. Decisions made then reversed early in the project mean you pay twice: once to do the work, then again to redo it. Decisions reversed late on in the project or post 'go live' can be many times more expensive. A seemingly innocuous decision not to include contractors alongside regular employees early on in a technology project might result in a £10-20,000 saving in configuration time during the project itself. However, adding contractors post 'go live' could easily cost in excess of £250,000.

This can all lead to date fixation and a feeling of 'ground rush' as the 'go live' date approaches and some project teams offload scope to meet the 'go live' deadline. In this scenario, it's critical that there is someone accountable (typically either the sponsor or transformation director) for ensuring that the business case and promised benefits can still be delivered before scope is ejected.

A reduction in scope should always be a deliberate decision, rather than something being quietly forgotten.

7. Methodology and approach: Project, programme and portfolio

There's some terminology that's important to define here – Project, Programme and Portfolio. The following are abbreviated definitions from [Axelos](#) (the custodians of Prince2, MSP, ITIL, P3M3 and more):

- A Project is a temporary organisation created for delivering one or more outputs according to a specified business case
- A Programme is a temporary, flexible organisation created to coordinate, direct and oversee the implementation of a set of projects in order to deliver outcomes and benefits related to an organisation's strategic objectives
- A Portfolio is the totality of change initiatives required to achieve an organisation's strategic objectives; it may comprise a number of programmes, standalone projects and other initiatives to deliver the change.

A functional transformation can either be defined as a programme or a portfolio depending on the scope and scale of the change required and whether you are transforming one or multiple functions. This seemingly esoteric point matters when coming to choose the best methodology to use and when building your transformation organisation and team.

Transformation invariably runs into trouble when it's treated as a project with a simple objective, such as implementing a new system. True functional transformation almost certainly requires changes to your operating model, team capability, processes, systems and potentially culture. The changes involved are heavily interdependent on one another with tasks and activities running into the thousands. Attempting to hold all this complexity in a single project plan, with accountability for project management sitting in a centralised team, results in bottlenecks in decision making. It also risks under-resourcing the vital tasks of coordinating the output of the various activities and managing the overarching business change.

A project management approach is well suited to simple changes that have a clearly defined end point and a straight path to get there. Transformation by its nature has a far more nebulous end point, the path to get there is often revealed over time as new information becomes available. What's needed is a far more iterative approach with a path that can go backwards as well as forwards.

If your organisation has a standard project or programme methodology, then it's always worth aligning your approach. Executives should be familiar with review templates and financial reporting, and consistent language provides reassurance that the change is being managed effectively.

For more information on project and programme management training and techniques, please [click here](#).

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8. Programme management capability: Who's best at doing what?

Assuming that you are adopting a programme or portfolio approach to transformation, it's important that the team you put in place have the necessary skills and experience. A successful programme manager will have a different skill set, outlook and approach to a successful project manager. People can absolutely make the transition from project to programme management, but this is not something you'd ideally want someone learning on the job during your transformation programme.

Good programme managers will focus on the bigger picture, the benefits that have been promised in the business case, the interdependencies between different projects and activities, how well different groups of people are moving through the change curve, and how effectively internal and external stakeholder relationships are being managed.

Good project managers will focus on the specifics of delivering their projects on time, to specification and on budget. You will typically find them in amongst the detail of solving problems and managing risks and issues. Change management will be on their radar, but it will be focused on adoption of the new systems, processes or ways of working delivered by their project, rather than effecting an overarching business change.

It's not an either/or choice. Functional transformations need both effective programme and project management to be successful.

Dealing with the inherent uncertainty surrounding transformation is an essential competency for your programme and functional leadership teams. Leading change at scale through times of uncertainty requires high levels of mental toughness and emotional intelligence. Beware programme managers and suppliers who are overly confident about delivering business change and who provide simplistic or binary answers to your questions. If someone is rather nonchalantly telling you that there will be a short period of dual keying between systems post 'go live', be especially cautious.

If the members of your functional teams seconded to the transformation are unfamiliar with project and programme concepts, language and methodologies, they can be at a distinct disadvantage. This can be stressful for the individuals involved and it brings an avoidable level of risk to your programme. Providing your people with an introduction to project and programme management can be invaluable and a great first step in forming a high-performing programme team.

9. Solution design capability: NOT business as usual, please

On the subject of your team's capability, designing new systems, processes and operating models requires the ability to imagine a future state unencumbered by the present day. The solutions they design need to deliver your vision, strategic objectives and business case benefits, all within the constraints of your agreed design principles. These solutions must also work in the real world. Functional teams and their customers need to buy in to new ways of working and adopt the change. People who have been successful in managing 'business as usual' can often find the demands of designing solutions challenging.

Before entering implementation, with its pressures to decide and act quickly, we highly recommend providing opportunities for your team to visit other organisations to see alternate ways of working, to learn and to stimulate new ideas. Group training and coaching sessions on problem solving, innovation and design can also help people make the shift from an operational to an 'architectural' mindset. Individuals and teams need to have high levels of collaboration, active listening, influencing, resilience and empathy. Identifying and addressing any gaps you have in these critical 'soft skills' will pay dividends further down the road.

Key areas to focus on during the scoping phase are the design of your current and future state data architecture. Clarity on where data is mastered today, its quality, availability, accuracy, integrity, and consistency, and how these will change in the new world, are critical to success. This is true whether you're implementing new systems or not.

If you are changing your systems landscape, then clarity on your target systems architecture and any steps along the way will have a material impact on the complexity, risk, cost and timeline of the technical aspects of your transformation.

Your IT function should have data and systems architects that can support this work. However, if you are implementing any of the Tier 1 ERP Systems (Oracle Cloud ERP, SAP S/4HANA & SuccessFactors or Workday) it's worth ensuring your IT team have adequate capability and experience in integrating cloud products with your on-premises systems (Oracle eBS, Peoplesoft, JDEdwards, SAP R3 etc.) and/or integrating multiple cloud solutions.

A well-constructed Target Operating Model is a prerequisite to successful functional transformation. Organisations tend to grow organically over time. Decisions made for perfectly sensible reasons may

not make so much sense a few years down the line. Inconsistencies can creep in and the demands of the business can change. Tackling your operating model design during the scoping phase of your transformation provides a solid foundation for your business case and will inform the design of future processes and systems. Target Operating Model design should be an integral part of the programme rather than an afterthought or an org chart exercise to drive headcount reductions.

When it comes to process design, the approach during scoping depends on whether you are implementing new technology and whether that technology is cloud based. If you are planning on purchasing new on-premises systems or updating your current 'on prem' system, then the approach to process design is the same. You should go to a detailed level of design which lays out process swim lanes and individual process steps prior to engaging a system integrator and starting implementation.

However, if you plan to implement a new cloud Software-As-A-Service (SAAS) solution, the approach is different. Modern SAAS solutions come pre-configured with good practice business processes. You can configure the system based on your Target Operating Model (defining who can initiate, approve and transact various processes) but the processes themselves are dictated by the system.

You still need to carry out end-to-end process design during scoping a SAAS implementation, but it should be carried out at a higher level (typically 'Level 2' from a process mapping perspective). Designing detailed swim lane-level processes becomes an unnecessary and redundant step during scoping. Any detailed process designs will nearly always get revised during implementation due to predefined system functionality. Spending time on detailed process design can also be counter-productive as it takes time away from more pressing matters, such as preparing for change and designing your Target Operating Model, data and system architecture etc.

10. Business Case: Where the rubber hits the road

Alongside a carefully constructed solution design, a robust business case is one of the most important outputs from the scoping phase.

It's one of the primary documents used to assess the viability of the transformation and is typically essential to securing investment and buy in from the executives running the organisation.

Most organisations will have standard business case and/or investment appraisal templates. It's always worthwhile adopting these wherever possible so executives making investment decisions receive information in a familiar format. However, you may need to supplement the standard business case template with additional information.

Unlike a simple project investment decision that looks at the balance of costs, benefits, risks and timescales for delivery, a transformation programme should be considered within the wider strategic context. You should ensure that strategic outcomes delivered or enabled by transformation are included and considered as part of the investment decision. Programme or portfolio level costs should also be included to ensure there is adequate funding in place to co-ordinate the various projects/programmes, as well as to manage the business change required to effect the major shift in culture and working practices that transformation entails.

Transformation programmes can be set on a path to failure by their business cases. Too much focus on easy to measure, cashable benefits risk underplaying the changes required to deliver the organisation's strategic objectives. The result can be an overly simplistic cost cutting exercise.

While the programme may be delivered on time and on budget, it fails to engage the hearts and minds of people affected by the change. New ways of working are not adopted, costs creep back in over time, and more importantly, the programme fails to deliver on the strategic objectives of the organisation. At the other end of the spectrum, a business case overly focused on strategic, value based, non-cashable benefits can lead to unintended increases in future operating costs, poorly contained programme costs, and a lack of measurable benefits that demonstrate success.

Transformation business cases should therefore include a mix of 'hard' cashable and non-cashable 'value' benefits, as well as all the costs associated with delivering the change. Non-cashable 'value' benefits should be reviewed and challenged internally by senior members of your finance team prior to presenting the business case for executive review. Even better, they agree to present the business case alongside you during the appraisal meeting.

Finally, it's essential that the executive sponsor of the transformation knows the detail of the business case. They need to be 100% comfortable and familiar with the baseline for current costs, the design decisions and assumptions that are driving future costs, the planned duration and implementation costs, the cashable and non-cashable benefits, the costed risks, the strategic benefits, the financial treatment of capital and operational cost and the criteria used to evaluate the investment decision (Net Present Value, Internal Rate of Return, Pay Back Period, Return on Investment etc.).

We've all seen a great pitch on Dragons Den or Shark Tank fall to pieces when the person asking for investment isn't 100% sure of their numbers. It's the executive sponsor who is accountable to the Executive Board for delivering the promised outcomes and expected business benefits detailed in the business case. So, if you are an executive sponsor, make absolutely sure you are comfortable with what you are signing up to. Your career may depend on it!



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Find out more

If you'd like to know more about any of the stages or elements in this checklist, please get in touch.

We really have just scratched the surface of this very large topic. Look out for future checklists covering Build, Transition and Sustain.

Transformation Seminar

If you're interested in discovering more, have an opinion on what we can collectively do to improve the outcomes of transformation, or just want to learn from others, Underscore will be holding the first of a series of learning events in London in July 2019.

Please [click on this link](#) to register your interest if you would like to attend. We'd love to hear your thoughts and experiences.

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