

Digitalisation projects: why so many and how to manage them 3/12/24



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Companies tend to have two or more digitalisation activities running in parallel – they’re digitalising their document flows, invoices and production equipment data, automating their supply chain, and setting up new systems. These are all important and necessary activities that make your company more competitive, cut the amount of manual work, and make your staff happier. New digitalisation projects are springing up like mushrooms, and it’s getting harder to keep pushing them all forward at the same time. It’s also difficult to abandon a project because every one of them promises a good result for your company. Your staff get burned out and can no longer cope with their day-to-day work and take part in all those projects. The seemingly easiest solution is to have your board choose which of the projects will go on and which will not. That’s not what happens, though, and expecting such help is not justified for a number of reasons.

The main reason is that each project was launched because it benefits your company. The board, too, is working for your company’s benefit, so it would be difficult to explain the termination of even stagnating projects to your shareholders and other stakeholders. Another reason is the level of detail in the available information on projects and issues. The level of detail the board uses in their day-to-day work does not allow them to evaluate quickly whether it’s useful to carry on a project in progress.

The most sensible thing to do is avoid having too many digitalisation projects running in parallel, yet it’s not an easy thing to do intuitively. This is why companies should adopt the portfolio principle to manage several projects running in parallel: projects are organised into programmes, and programmes into portfolios.

Each project has a manager, usually two management levels below the board in the organisational structure. Each project has a goal, a deadline for achieving it, and resources allocated for the project. Ideally, you are able to estimate your human resources and the cost of licensing digital products you plan to acquire, computers, and other costs. For example, when setting up a customer relationship management (CRM) system, you want to have electronically available customer contacts, information on the frequency of meetings, topics, proposals submitted, etc. all in one place. Setting up the system will take eight months and cost EUR 70,000. Each project needs a detailed implementation plan prepared by the project manager.

Similar projects are grouped into programmes. Each programme has a manager – typically one management level below the board in the organisational structure. Programmes are created for a specific purpose, and a programme should be closed down once its goals have been achieved, whether the projects it contains have been completed or not. For example, your company launches a customer service improvement programme aimed at increasing customer satisfaction by 20%. Setting up a CRM system is one of the projects within this programme. In addition, the programme can have more digitalisation projects, such as setting up digital customer payments. The status of projects within your programmes needs revising at least every six months, definitely as part of your budget planning. Your programmes should not last more than three years, and the programme length tends to be aligned with the duration of your corporate strategy.

Programmes are grouped into portfolios. The portfolio manager is typically a board-level manager. A portfolio has its goals, which are usually aligned with indicators included in your corporate strategy. A portfolio comprises various programmes and/or separate projects. For example, your strategy aims to increase your market share in the corporate segment. The customer service improvement programme mentioned above is only a part of the portfolio. Such a portfolio would also contain, for instance, launching new products for corporate customers.

Using hierarchy in project management theoretically looks bureaucratic, but that's not the case in practice.

To have an overview of how your programmes are progressing and to secure regular control and exchange of information on programme implementation, project managers should prepare management information on their project, objectively assessing its progress and investment in achieving the programme's goals. The information available to each management level should be appropriately detailed for the anticipated decision and structured according to your corporate goals, so it's easy to offer arguments to your shareholders and external financing providers.