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Developing talent for large IT projects

Good program managers are hard to find. Here's how organizations can attract and develop their own senior IT program-management talent.

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Large IT-driven transformation programs are important for creating business value in all industries. However, our research, conducted in collaboration with the University of Oxford, shows that 71 percent of large IT projects face cost overruns, and 33 percent of projects are around 50 percent over budget. On average, large IT projects deliver 56 percent less value than predicted.¹

Boosting the capabilities of IT leaders is critical for improving the outcome of these efforts. In a 2013 McKinsey global survey, executives were asked about levers for improving IT performance. Thirty-five percent of respondents said improving the overall level of talent and capabilities of IT staff was one of the most important initiatives, and 20 percent identified replacing IT management as another key lever.²

The responses reflect the challenge of attracting, developing, and retaining the right IT talent at a time when building a digital enterprise has become a priority for most companies. To succeed, organizations need to cultivate in-house talent for roles that require intimate knowledge of the business and the organization. Enterprises must recognize the value and scarcity of employees who combine IT savvy with business acumen and must build and support a staff of such people. In this article, we explore three steps that organizations can take to develop the right talent to manage large IT programs.

Focus on the roles that really matter

Companies can burn significant energy trying to cultivate and develop skills that could be

¹For more, including different cuts of the data, see Michael Bloch, Sven Blumberg, and Jürgen Laartz, "Delivering large-scale IT projects on time, on budget, and on value," *McKinsey on Business Technology*, October 2012, mckinsey.com.

²Naufal Khan and Johnson Sikes, "IT under pressure: McKinsey Global Survey results," March 2014, mckinsey.com.

Takeaways

Large IT-driven transformations typically run over budget and over time and underdeliver on their predicted value. Hiring, developing, and retaining the right talent for the roles of IT program manager, business change leader, and IT architect is critical for improving the outcome of these efforts.

To attract and retain the talent needed in these roles, companies should offer an inspiring and disciplined culture, compelling compensation and rewards, and improved career paths.

These moves should be complemented with systematically built IT project-management skills, offering a mix of formal training and action-based learning and potentially creating a center of excellence.

outsourced. Based on our research and experience, however, there are three roles that are vital to the success of any IT program and are most critical to retain in-house: IT program manager, business change leader, and lead IT architect.

The IT program manager needs to oversee the project, understand both the business context and the technology involved, and have strong management capabilities. He or she must also be able to talk about technology and business decisions in a language that business managers understand.

The business change leader is responsible for ensuring that the organization adopts the new solution. This role requires strong communication skills and an understanding of the full amplitude of the transformation and its implications for the business side, including required organizational, process, and mind-set changes.

The lead IT architect is responsible for reviewing and challenging technical proposals and deliverables such as solution design and IT architecture. He or she needs to understand the current IT architecture and also have a good view of the transformation journey to ensure that decisions fit with the architecture road map. Focusing on hiring, developing, and retaining people in these three roles offers organizations the greatest return on their talent investment.

Attract talent by improving culture, benefits, and career paths

After defining which roles and skills are needed internally, it becomes paramount to attract, develop, and retain talent. In the McKinsey global survey mentioned earlier, 500 IT and non-IT executives worldwide indicated that the three most important talent levers are culture, benefits, and clear career paths (exhibit).

Improve culture, energy, and morale

Large IT programs are sometimes highly stressful; they can entail considerable overtime, they're met with little appreciation from the broader organization because of the disruption the programs might cause, and they depend on the work quality of others. Having the right culture to overcome these challenges is essential. According to a McKinsey study of organizational archetypes and characteristics of winning organizations, the culture of a large IT program should be built on three pillars.

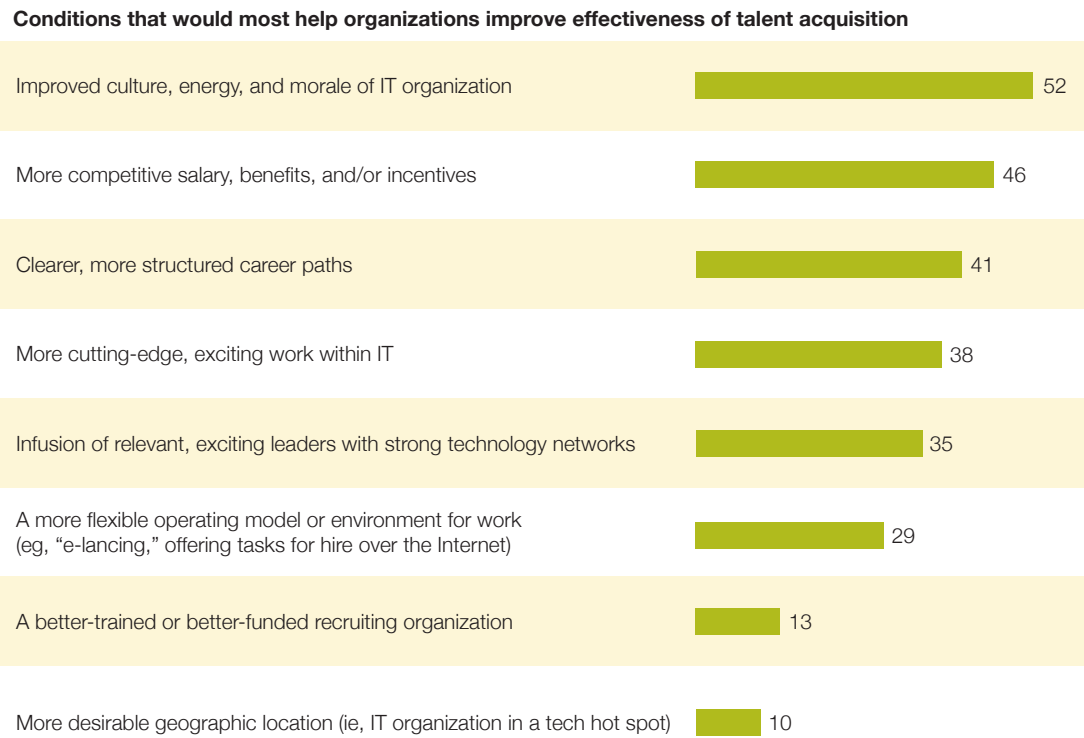
One is clear direction that inspires employees. Large technology investments have the ability to dramatically improve business performance, but too often the focus on business value is lost in the day-to-day efforts of the project. Frequent town-hall

Enterprises must recognize the value and scarcity of employees who combine IT savvy with business acumen and must build and support a staff of such people.

Exhibit

To address talent challenges, companies should focus on culture and compensation.

% of respondents,¹ n = 493



¹Respondents who answered “other” or “don’t know/not applicable” are not shown.

meetings can help to remind teams of the impact of their work.

The second pillar is strong operational discipline; for instance, teams need strict meeting agendas and operational rules. To effectively steer large projects, managers must have access to the right tools. Defining a clear governance structure—for example, using a project “facebook” that makes clear who is responsible for what—helps create transparency and

support operational discipline. Objective metrics are important because they allow fact-based communication and problem solving within teams and make it easier for executives to make informed decisions. Program managers must be equipped with tools that cover planning as well as reporting to allow program progress, business impact, and measurement of capabilities. One such tool is a capability scorecard that measures impact and development of skills.

The third pillar is an open and trusting environment that allows risk taking and encourages managers and other employees to admit mistakes. Some organizations deploy a simple web survey to regularly gauge the project team's morale and performance, followed by an open team discussion about the results.

Raise compensation and rewards

Compensation of program managers is often capped by IT salary pay scales and usually doesn't take into account the responsibility that rests on leaders of large IT projects. Companies could put in place flexible measures that would allow them to compensate program managers appropriately, for example, by introducing a new job category. It is also important to link part of the program manager's and his or her team's compensation to the success of the program with respect to its speed, final cost, and the value delivered, while taking into account that large programs bear an inherent risk of significant delays and cost increases. Beyond compensation, other benefits and rewards—such as recognition, time off, flexible schedules, and increased mentorship—are also good ways to motivate employees.

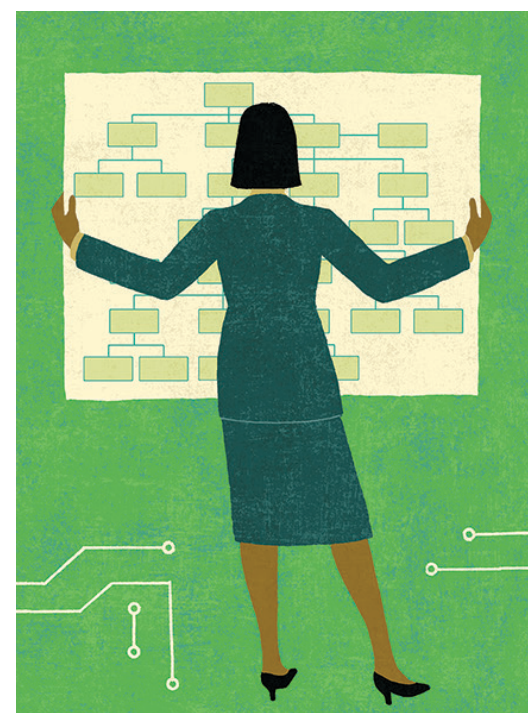
Define career paths

Career paths for leaders of large IT-driven projects are rarely clear or compelling, and they're often nonexistent, which is one reason these leaders are in short supply. Why would a program manager assume the risk of leading a large project without a clear view of career advancement or even an indication of what to do once the project is over? Given the risk inherent in large IT

projects, an ambitious manager absorbs significant career risk if the project struggles to deliver. One answer is to build bridges within the organization to allow program managers to go from one entity to another and to progress as a manager. A second is to open career paths between the IT and business sides. Either way, the role of a senior program manager should be seen as a stepping stone to greater responsibility in the broader organization.

Build IT project-management capabilities

Attracting and retaining the right talent is usually not enough; to complement these moves, companies should systematically build IT project-management skills. Focusing on people development not only helps



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build the team's capabilities but also helps drive attraction and retention. That's why organizations should offer a mix of formal training and action-based learning and consider creating a center of excellence (COE) for program management.

Learning off and on the job

Organizations can provide formal training through either internal curricula or external certifications. The training content should cover leadership skills such as team and change management as well as functional skills such as planning and management of vendors and user requirements.

While formal project-management training lays the foundation of required skills, it cannot replace real-world experience. In large-scale multiyear transformations, the early stages of the project are a great time to build the project team's capabilities.

One organization that was struggling to deliver an important IT-enabled business transformation opted to restart the program with a heavy emphasis on building capabilities right from the start. The focus was on the skills that were most important to the success of the large and complex program: stakeholder management, building a high-performing team, vendor management, and agile software development. Through a combination of formal training

sessions, on-the-job practice, and peer coaching, the program built a team that delivered its first major release in less than nine months—quite an accomplishment, given that the program had been running for more than two years without any release before the restart. In addition, approaches pioneered by the program are being rolled out to the broader organization, demonstrating the secondary benefits of capability building for the full organization.

Create a center of excellence

Another way to improve project-management capabilities is to establish a COE—an entity that, for example, can provide leadership, expertise, best practices, support, and training. That was the course taken by one large public organization that had suffered major IT project failures and needed to address important business-sponsorship and talent issues. The organization had been unable to find a single business owner for multiunit projects, and it was short on the right IT talent. As a result, the program-management team relied heavily on external vendors.

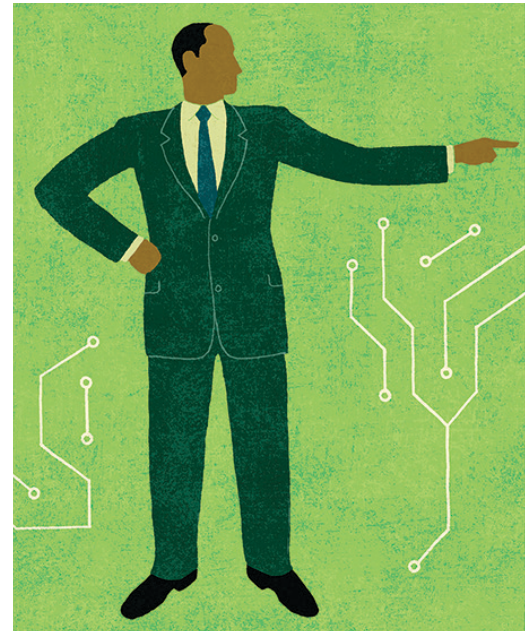
The COE centralized program-management talent and senior IT experts. It provided advancement possibilities within the COE for program managers when previously these paths had been flat. In addition, making the COE a separate organization

released it from some of the constraints of the public organization's IT salary pay scales, allowing the COE to pay higher salaries. The COE also put in place tools and processes to manage large projects. For example, all projects went through a review committee, and none could go forward without the right sponsorship.

Several factors made this COE a success. Most important were strong senior business sponsors committed to allow the COE to run large strategic projects centrally; the expertise to develop an independent perspective on the project was also critical. COE members should not only be process managers inspecting work but also knowledgeable colleagues offering deep expertise.



To get the most out of their large IT-driven business transformations, many organizations should boost their in-house program-management talent and IT expertise. The



levers range from improved compensation and career paths to formal training and the creation of a COE. Organizations need to understand their own talent issues and be creative about finding the most effective solutions. ○

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