KPMG

IT ADVISORY

Managing Global Projects

Observations from the front-line

ADVISORY

AUDIT ▪ TAX ▪ ADVISORY

Foreword

Egidio Zarrella,
Global Partner-in-Charge, IT Advisory

In my role as Global Partner-In-Charge of KPMG's IT Advisory business, I am fortunate to work with some of the world's leading organizations. Increasingly, these organizations ask us how to manage the challenges brought about by projects with global scope.

Our aim in this critical piece of thought leadership is to share some of the key challenges our clients are faced with when managing their global projects. We also aim to share a range of experiences to aid your own approach to your global projects – both the challenges and the opportunities.

Driving global growth relies on global projects and global programs that translate organizational strategy into reality. Due to increasing regulation or demand for high performance, global projects and programs now involve greater complexity within a dynamic business environment, which is given an added dimension with geographically and culturally diverse cross border teams.

The issues facing IT projects are well documented, but the solutions can often remain unclear. When these projects are placed into a global environment, the impact of these issues increase acutely, and new issues such as language, jurisdictional and cultural barriers are introduced.

Most C-class executives (which include the board) are struggling to manage the significant cultural and jurisdictional impacts of major global projects and programs. The stakeholder engagement becomes critical for the success of global projects and programs and it becomes important to strike the balance of involving the key stakeholders at the right points in the project and helping ensure they have enough information about the project without being caught in the detail.

This paper can provide a practical discussion about the reality of global projects in today's business environment through the observations of our clients as well as our project advisory practitioners.

Christopher Gumn,
Global Leader IT, Project Advisory

The successes of global projects are strategically significant to most of the world's leading organizations. Generally, projects are complex and difficult, the projects identified in this paper are made more complex by their global nature.

I find it both comforting and confronting that the disciplines required for global project success are known, but the success in application varies and is often difficult to quantify objectively.

Our previous research highlights the interpretation of project success from over 600 organizations around the globe. This paper seeks to bring together a series of examples from experienced professionals from many organizations.

The projects described within this paper have one thing in common – to achieve global goals through successful global projects.

The contributors to this paper were candid in their critical assessment of the challenges faced on their projects. Many contributors noted that the large, global nature of these projects made the challenges acutely more difficult.

There are regular media reports on failed projects, and professional organizations have greatly increased the availability and quality of standards (or guidelines) in recent years. Yet these rarely tackle the core challenges discussed in this paper.

We hope that the experiences discussed in this paper provide you with insights into how challenges on global projects can be managed for global project success.

About this paper

This paper can provide a practical discussion about the realities of managing global projects and programs in today's business world. In developing this whitepaper, we have conducted a series of interviews with executives from a variety of global organizations who have recently executed, or are in the process of executing a global project. We have combined these results with insights from some of KPMG's leading project delivery professionals to provide an honest account of global project realities.

The mini-case studies used in this paper are broad in scope and scale. Our contributors discuss what went wrong, what went well, and suggest some recommendations for your consideration.

KPMG's IT Advisory practice recognizes the significant amount of literature on projects available in the public domain. This paper seeks to cover topical aspects for discussion purposes, rather than provide a comprehensive textbook analysis on project management.

Terminology

For the purposes of this paper, the term "global projects" encapsulates "global projects and program activity". The term "global" also represents terms like "international" and "cross-border".

Continued research

This paper is the first in a series of KPMG publications that address the challenges of global projects for organizations. It builds on KPMG's project management thought leadership position, and we invite you to contribute to further research by contacting one of our professionals listed in this document.

For more information on our previous publications in this area, please refer to the back of this document.

Thank you

We would like to thank the individuals and the organizations who have taken the time to contribute to this paper.

Executive summary

The connection between strategy and reality is projects. Therefore, in order to connect global strategies with success, it is important to be able to successfully deploy projects on a global scale.

Global organizational strategy is often focused on leveraging multiple locations in order to drive business performance and growth. Global organizations, with links in many different locations are required to comply with local rules and regulations, and at times international standards – these requirements also drive global projects.

The application of project discipline is essential as the geographically disparate nature of a global project acts to magnify challenges found on any project. This paper sets out the key challenges associated with global projects, identified in practice by some of the world's largest corporations and KPMG professionals.

We have identified a selection of challenges which should be considered for any global project. Specifically, the key challenges and experiences in this paper are presented opposite:

- Logistics - geography, time-zone and jurisdiction – balancing physical, functional, logical and political pressures to key issues like project structure, phasing and team selection.
- Culture and language – investing to actively and continuously manage global projects.
- Stakeholder engagement – more rigorous and detailed processes to mitigate increased risks.
- Solution design – realistic approach for defining standard process and technology.
- Sourcing – helping ensure |your business partners are global, yet fit culturally, for the full service life required.
- Governance challenges – helping ensure corporate practices are sufficient, or otherwise introducing greater maturity and specialist roles for such large and complex projects.

Through our discussions, we identified a number of underlying themes to consider when approaching global projects. These include the need to:

- Employ greater project discipline for global projects, otherwise weaknesses within the traditional project disciplines may be amplified by the geographical differences.
- Think global, but act local to align and integrate stakeholders at all project levels.
- Consider collaboration over standardization to help balance the goals and project approach.
- Keep project momentum going for projects which will typically have a long duration.
- Consider the use of newer, perhaps more innovative, tools and technology.

It comes as no surprise to discover that there is no “perfect solution”. Projects are hard – global projects are harder. Your organization needs to prepare well, utilize your best talent, employ significant rigor and maintain drive. If done well, your global projects can connect your present state with your strategic future.

Introduction

Global growth, global projects

Global projects are the key initiatives used to connect business strategy with global growth and compliance objectives. As corporate strategists increase the focus on obtaining future growth from global activities, organizations need to be able to take rigorous project disciplines to the global stage and execute projects effectively and efficiently.

Key drivers

The key drivers for increased global projects can be categorized under the following broad categories, these should not be read as mutually exclusive:

- Compliance – typically initiated by regulatory change, sensible expenditure on compliance can result in improved performance for the organization.
- Performance – standardization efforts in the pursuit of greater process efficiency and/or economies of scale, or collaborative efforts on new products or markets to drive growth.

KPMG's IT Advisory practice previous *Global IT Project Management Survey* (2005), indicated that 74 percent of projects are driven primarily by performance-related drivers, whereas only 24 percent of projects are driven primarily by compliance-related drivers. This research confirms that global projects often have a combination of such drivers.

The increased level of merger and acquisition activity has been a popular catalyst to prompt compliance and performance driven global projects. Compliance projects can arise from corporate standardization (typically from the acquiring organization) but may not have explicit efficiency goals. Whereas performance projects can arise from the need to achieve integration synergies as a post-merger end-goal.

Key drivers

We have profiled our drivers for global projects as follows:

- Strengthen the control environment.
- Provide better business support.
- Improve efficiency through adoption of globally consistent processes.
- Develop and engage people by improving mobility.
- Deliver shareholder value by connecting the organization, identifying best practice and leveraging economies of scale.
  – *Global financial services company*

Regardless of the specific driver, global projects and business processes are typically characterized as increasingly complex and interdependent. They challenge traditional organizational structures and boundaries, and will often favor our partnership networks with suppliers and customers.

The global project challenges can be obvious, or perhaps not so obvious. Either way, there will rarely be a single approach that best suits any challenge on global projects, with this in mind, being well informed is a responsibility for any prudent executive in today's global business environment.

Global project challenges

So why are global projects different?

When asked to identify the challenges of global projects, contributors to this paper readily nominated logistics, language and culture as the key issues. Others went on to highlight sourcing and stakeholder engagement as major challenges. Few thought they had all the answers.

This paper is by no means exhaustive, nor the topics independent or sequenced in order of any importance, but collectively they profile some of the greatest challenges that are compounded or exaggerated on global projects. These are not based on hypothetical models or academic positions, but real world project experience.

Encouragingly, some contributors to this paper considered these challenges as opportunities to develop innovative solutions, rather than as threats to the success of their project.

Logistics – geography, time-zones and different jurisdictions

Challenge #1

Logistics are made more complex by differences in geography, time-zones and jurisdictions. Different physical locations may also affect differences in organizational structure – with business units typically defined by region, country or even physical location within the same country.

The key logistical challenges were identified as follows:

- Which project structure – to base the team structure or project phasing upon – geographic, organizational, political or functional definitions?
- Team selection – What resources are required? What are the roles and responsibilities of these resources? Where will/can you source people and ultimately, do you select upon capability or availability?
- Overcoming time-zones – how will you communicate across time-zones?
- Travel and accommodation – a rather obvious implication, many contributors felt that this was poorly planned.
- Understanding jurisdictional needs – a second country, state, province or city, will contribute a second set of laws, national, or religious holidays and hours of operation. These differences may have a profound impact on a global project.

Project structure

Geography, and its typical correlation to organizational structure, appears to be the most popular driver for project structure, even if it is only as a result of its convenience.

- Our business is global in nature, but is UK-centric, with increasing U.S.-centric activities. This tends to lead to projects being UK-centric in structure since this is where many of the key stakeholders are. We then manage "roll-outs" by physical location.

  – UK based global organization

- A "model company" concept was defined for the establishment of new sites around the globe. This "model" detailed all back office processes and IT. It was initially perceived to have a centralist theme, but ultimately took on a decentralized theme once the new sites were established, as they were given significant autonomy.

  – European manufacturer of communications equipment

- It is important to get the operating model right to balance central and local priorities.

  – Global financial services company

- We defined and built modular solutions (e.g. finance, sales), each with core and optional functions. Then each "finance" group around the world was required to comply with core functions, and were encouraged to develop/select their own optional functions. This initially gained solid support from stakeholders. However, three years into the project, issues developed from the countries being out of sync, and independently implementing front-office modules (e.g. sales) without ensuring the back-office modules were established.

  – U.S. based manufacturer

There is evidence to show that multiple approaches can work, there is no "perfect solution". The key criteria is to help ensure that your approach is clear to all key stakeholders, is well communicated and does not change significantly.

Team selection

Selecting the team is never a simple task. Trade-offs between various approaches are magnified for global projects. Typically, there is a core team of specialists who establish the base solution, and also assist with subsequent implementations in various locations.

- We advertised internally for "global" core team member roles, highlighting the need to travel extensively. Our deployment teams were local staff – this option was selected to contain costs.
  – *Pharmaceutical company*

- Key project roles were given to internal "high potential" staff.
  – *Energy company*

- We relied on our primary consulting organization to do the required travel and/or leverage their global offices to support local deployments.
  – *Telecommunications company*

- For a large global systems implementation, we gathered subject matter experts in one location to define the project, objectives, scope, templates, core functions, the roll out plan and how the program was to operate. We then conducted the pilots and subsequent rollout with a small team of specialists with significant local involvement.
  – *A global, fast moving consumer goods company*

- Project management skills are not regarded as a priority skill set in the organization. Our global project needed to recruit these skills externally – this was a new approach for us and it paid dividends by bringing in fresh perspectives.
  – *International bank*

- We established a core expatriate team, who were prepared to travel internationally. We then carefully selected indigenous groups to support this team, with cultural considerations at the forefront.
  – *European based telecommunications company*

Conversations on team selection were spirited. Several contributors implied that corporate politics and structures tend to be more prominent than other considerations. All considered a detailed assessment of culture essential, perhaps a "cultural due diligence".

Reverse impact

The general purpose of many global projects is to achieve global strategic outcomes in a local operational context. Here is an example where one multi-national organization experienced a reverse impact.

Team selection led to the achievement of operational goals without appropriate consideration of the global strategic outcomes required.

- Project staff were usually recruited from the U.S. operating divisions since they were local, and European staff were not attracted to transfers to the U.S.
- Project alignment ultimately become skewed to operating division rather than global corporate goals.
- The operating division management started to see the Enterprise Resource Planning as their project – seeking to dictate data standards, languages, etc.

– A multinational organization

Time-zones

The most obvious effect of different geographical project locations is that of time-zones. Direct consequences of this effect include teleconferences at awkward times to accommodate members of the global team, miscommunications, and increased time required to conclude communications.

Several contributors remarked that e-mail is overused. However, with recent trends in corporate mobility, e-mail has effectively become an essential part of 24 x 7 project communications infrastructure.

Advances in technology, the prevalence of wiki's, collaboration tools, instant messaging, video conferencing and personal digital assistants, go some way to alleviate these time-zone differences.

However, an effective communications plan is required to help ensure the right people, are given the right information, on a timely basis. Consideration needs to be given to the audience, the source and the frequency of communications.

Travel and accommodation

There is no substitute for face to face meetings, particularly for senior stakeholders and cross-cultural teams. Face to face meetings are inevitably expensive, however, not having face to face meetings may be even more costly to a project in the long run.

When travel is required, objectives of the face to face meetings should be clearly established to help ensure meeting outcomes are maximized.

An interesting observation is that travel and accommodation budgets tend to get cut toward the later project stages. A solution may be to consider segmenting the project phases to isolate budgets, and allowing for a "reset" of travel and accommodation budgets, when a deliverable is completed.

Jurisdictional differences

Location specific legal, accounting and other regulatory considerations should be researched, confirmed and understood by key stakeholders involved.

Simple things like local holidays, religious periods and hours of operation can be easily overlooked and have a profound impact on a global project.

Culture and language

Challenge #2

Culture is often a freely volunteered reason for global project difficulties. It is a reason requiring minimal explanation or justification, and typically translates into "that's the way we do it here".

To be managed effectively, differences in culture require a deft touch between subtlety and overt effort. Culture can directly affect what is considered right and wrong, or logical and illogical. There can also be an unspoken cultural hierarchy in any project that plays a significant role in the resolution of road-blocks.

Awareness of the need to be culturally aware has increased in recent years, with formal education now commonly sought. Like many organizations, KPMG has extensive facilities to prepare our professionals for cross-cultural assignments. Even with such training available, many organizations underestimate the issues associated with culture – organizations need to recognize that an understanding of business card etiquette and formal greetings does not directly translate into an ability to quickly and seamlessly resolve cultural road-blocks. As with other project disciplines, training is a prerequisite, but never represents a guarantee.

The difficulty with the "cultural" challenge is that it is difficult to quantify, especially for process oriented project managers who are used to traffic light status checks. Most people can tell you if they sense a culture to be "good" or "bad", but how do you quantify the environment beyond this?

The key culture issues were identified as:

- The meeting of different cultures – cultural diversity within a team can bring fresh perspectives for innovative solutions. However, cultural diversity can also bring a heightened sensitivity to minor infractions and perceived insults. One culture's perception of another culture may also present challenges. Similar things can be said of cross cultural gender perception differences.

- Governance – project governance structures can often indicate how culturally aware an organization is. For example, regional heads of business can be appointed from the home country or sourced locally. But the strengths or weaknesses of either approach is surprisingly difficult to ascertain.

- Value conflicts – project staff may be intellectually aware of cultural differences (e.g. people centric versus results centric), small differences of interpretation can trigger antipathy and hostile feelings.

- Organizational hierarchies – cultures that are accustomed to flat versus relatively hierarchical structures.

- Language barriers – this may seem to be an obvious barrier but the subtleties of language appear to create challenges.

The meeting of different cultures

Acknowledging cultural differences is common, but how does this translate to specific planning? Contributors were not able to easily quantify to which estimates were revised, what funding changed, or what priorities were to be altered as a result of cultural differences. Most contributors were generally sceptical on what the full impact may be.

Diverse backgrounds

Some global project team members indicated that they personally had a multi-racial background, and therefore claimed their awareness of differences (part of everyday life from a young age) to be higher than some other project team members who did not. Such members claimed not to take things for granted.

– Malaysian energy company

International incidents

Several contributors commented that it has usually been the simplest or most innocent of oversights that has caused significant cultural implications and strain on relations.

He or she?

The awareness of gender and/or age perceptions within certain cultures is well documented. However, as one interviewee put it, "No amount of cultural training changes your gender, and so the team composition needs to be realistic rather than theoretical".

Cultural "fit" should be one key criteria for selecting individuals for leadership roles within a project. Several contributors profiled their leaders as having both business and technology backgrounds, and several having previously worked in multiple locations.

Governance

A popular or traditional strategy employed by many organizations is where head office appoints "future leaders" to take key overseas positions – the result often being that executive levels across the globe are dominated by individuals from the same cultural background.

Alternatively, some organizations are known for their penchant for appointing local leaders. This can lead to significant cultural differences in the executive levels around the world.

Alignment of Program Governance

An Asian multi-national employed a British program director to work alongside a head office expatriate leading the rollout of an ERP system across its European subsidiaries. Neither party fully understood the other party's approach to managing and governing projects, this included the unwritten, but well known, HQ mandate to achieve deadlines at the expense of system functionality, if necessary. This basic lack of understanding and commonality of purpose led to conflict, poor and miscommunicated decisions which ultimately resulted in a late implementation of a vastly de-scoped system.

Value conflicts

The greatest danger with analyzing values is choosing not to analyze differences in values – with many people fearful of objectively and openly discussing, or planning based on such challenges because of the perceived danger of generalizations or *political correctness.*

Value conflicts

Differences in values, may result in a misdirected global project.

- We thought we had developed a strategy for Asia Pacific, but upon reflection, we realized we had underestimated the differences and challenges presented by Japan.

  – European based organization

- Singapore was identified as a location where we expected a "Western" culture, but we found a "Westernized" environment.

  – European manufacturer

- We think cultural differences are not a big issue. Our teams are composed of mainly U.S./UK staff with support from third parties.

  – Global financial services organization

- We have profiled our experience into three contrasting experiences within our regional strategy – Asian differences (Japan versus rest of Asia), European differences (French versus Italian), and the "third world" to itself.

  – UK-based consumer goods

Organizational hierarchies

The same organization may have different cultural differences depending on the geographical location. The office culture may be a reflection of the culture of the society where the office is located. As a result – sensitivities associated with hierarchy must be understood.

In order to balance the need to bring in experience and knowledge, with local sensitivities, it appears more appropriate to support local leaders with a professional project management office, than to take a project professional and try to position them culturally.

Language barriers

The most basic type of language barrier is when different languages are used by different teams due to multiple geographical locations. When this occurs, it can be useful to select a common "project team language" and common naming conventions to help ensure that everyone speaks the same "project language". Some global projects have used the services of a professional translator to facilitate communications, but even this is not considered foolproof.

However, even when working with a common language (e.g. the corporate standard), communication difficulties between virtual teams can arise through the use of acronyms, pronunciation, euphemisms, slang or attempts at humor. The same words can mean different things to different people.

Models (e.g. in the form of graphical operating models) can be an attractive solution to communicating plans, as they typically require fewer words so some language barriers can be more easily overcome by using this tool.

Stakeholder engagement

Challenge #3

Stakeholders are any person or organization with an interest in the progress or outcomes of the global project, either because they are part of it, or affected by the deliverable.

The challenges of stakeholder engagement are by no means unique to global projects, but when overlayed with cultural requirements and geographical distances, they become acutely more complex.

One contributor commented that it was hard to develop the right "collaborative spirit" within the team when the project was perceived as another head-office push toward standardization.

While "active" sponsorship was an expected popular comment through our discussions, the application varies considerably. Many contributors commented that the attention of executives can tend to dissipate after the initial phases.

The key stakeholder challenges were identified as:

- Justification – how a project is justified may initially influence the stakeholder landscape.
- Initial activities and kick-off – getting things right at the start is critical.
- Maintaining momentum – the duration of many global projects can be years – building and sustaining momentum across stakeholders needs careful consideration and investment.
- Balancing compliance with performance – leveraging compliance requirements to gain performance benefits in order to help earn the support of all project locations.

- Supporting business as usual – business-as-usual activities occur concurrently with projects. Often satellite offices/locations operate with a thin level of staff, and the requirements of a relatively pervasive project can be high and difficult to support locally.
- Understanding all locations – helping ensure project activities do not oversimplify differences between locations.
- Rigorous stakeholder analysis – the appropriate use of key techniques for stakeholder engagement (e.g. maps, influence and authority matrices, etc).
- Breaking down to lower (right) levels – recognize the organizational hierarchy or multiple levels involved in the project.
- Sponsor involvement – executive sponsor involvement is important to any project, but a global project requires a sponsor to be more active and physically visible.

Justification

Adopting a global strategy to deliver projects successfully, requires clear articulation to each region/location – often considered "selling" the case to each stakeholder. This requires adapting the project profile to incorporate various expectations. For example, the design and architecture of projects may evolve in the early stages, but the original objective should not be lost in this process of evolution.

Justification

The manner in which a new global project is communicated to all the stakeholders is critical to help ensure stakeholder involvement. There is a world of difference between being asked to assist with something and being told that you have no choice.

- Our global ERP project was a "directive from the board", which is a typical top-down standardization push. This initiative appeared to traverse the traditional business-case justification process, or bottom-up approach. The risks associated with supporting this "after the event" business case for this top-down initiative include limited requirement to adequately measure success, and potentially limited buy-in from operating units.

– Large pharmaceutical company

- We challenged our local operating units to achieve certain cost savings. The units (in theory) had the opportunity to choose multiple solutions, but were also offered a corporate built solution for the majority of local requirements. The result was most units gaining an appreciation of the corporate-built solution.

– Technology manufacturer

Initial activities and kick-off

A popular insight for global projects is the need to invest significantly more effort to comprehensively analyze and plan. This is not a particularly compelling revelation for any project, however, it is critical for global projects to have a more robust and clear plan.

Local knowledge

One practitioner suggested that "local knowledge" does not exist on global projects, so therefore everything should be formally written down and communicated to validate interpretation.

– Global transport company

Documentation is one option to communicate your chosen approach, however not a comprehensive option on its own. No matter how well you document something, it is still only one medium of communication.

Initial activities and kick-off

A face to face kick-off, with all the key stakeholders is essential to help ensure everyone is aligned and hears the same story and is given the same starting point. With any subsequent change in team composition, a degree of "team reset" and adjustment will likely be necessary.

- We need to "over invest" in communications and the use of multiple channels. With a long history of very large projects, we always get project teams together at project commencement, and maintain frequent face-to-face meetings for key stakeholders. There is no substitute for this. All too often, telepathy is the main form of communication on projects.

  – Global energy company

- You must start the project with a senior face-to-face forum. A typical agenda could be:

  – **Day 1** – strategic outlook, focusing on industry, case studies, openly challenge.

  – **Day 2** – focus and work in smaller groups on what we need to do, and determine what metrics will be used to measure success.

  – **Day 3** – detailed implementation planning, even with senior people. Gain an appreciation of complexity and interdependencies.

  Overall the project set-up can take three months.

  – Global professional services organization

Maintaining momentum

Building and maintaining momentum in a multi-year and/or multi-regional project is always a significant challenge. However, for this challenge, the approach from contributors was generally consistent – clear vision for the full project, strong and continuous communication to all parties (including those still waiting for their phase to commence) and highly visible monitoring of progress against balanced criteria.

Several contributors commented that many good disciplines are evident at the beginning of project activities, but perhaps after the first couple of phases, these disciplines can often become more relaxed.

When you consider that many organizations structure their programs to deliver simpler and/or smaller scope (e.g. back office processes or smaller country) to occur in the first couple of phases/projects, the impact of relaxing project disciplines for later, more complex scope/phases could be more profound. In other words, just when you need the disciplines the most, you relax them.

Balancing compliance with performance

Many global initiatives in recent years have been triggered by regulatory compliance demands (e.g. Sarbanes Oxley). Regulatory compliance is widely accepted as a business reality around the globe, however, KPMG firms have found that organizations who take an "investment" mindset over a "cost" mindset, or those who see compliance as a "competitive opportunity", are more likely to reap significantly higher returns in project performance.

Business as usual

When different locations are involved with global projects, consideration should be given to the available resources in individual locations. Frequently, the number of resources in a particular location is reflective of the business as usual requirement, and does not take into account the level of global project activity.

Locations within locations

It is important to take the time to stop and consider the implications a specific location may have on a global project. These may have social, economic or cultural implications on specific objectives your project is trying to achieve.

- We faced a number of challenges in regional Germany. Having recently acquired a number of manufacturing plants from a competitor, we simply added these locations to the "deployment" list for Germany. This strategy suffered since it did not consider the culture of this region within Germany, and also the very strong culture the local business had inherited from its competitor.

  – Global manufacturer and distributor of communications equipment

Rigorous stakeholder analysis

Understand who your stakeholders are!

Don't become complacent

It is important to be aware of who the stakeholders are, further, it is critical to understand any changes to the stakeholders as a result of project evolution or through personnel movements. Each time there is a stakeholder change, there is a potential impact, and this must be considered in the communications plan, to help ensure the right people are given the right information, on a timely basis.

- We found that applying a two year old project deployment method failed as we did not consider the new set of stakeholders. We had assumed that the success the first time would ensure a repeated success, whereas the new local management team were significantly more educated and aspirational than the first set, and fought for issues.
  – Leading technology firm

Breaking down to lower (right) levels

On large global projects, it may be easy for the project team to only address the top-level of management. This management in turn, needs to ensure they actively engage with stakeholders through their own region/location/business unit. Several contributors commented on the need for planning (e.g. stakeholder analysis, project communication) to acknowledge and traverse through the multiple layers of the organization.

Sponsor involvement

The critical role of an informed sponsor is well documented. A couple of contributors recalled experiences where the sponsor was a very senior executive, but not active. In one case, the sponsor was the CFO, but he never left Head Office in New Jersey, U.S. The core project team was located elsewhere in the U.S., with deployments in Europe and parts of Asia. This lack of sponsor involvement was perceived by some of the local project teams as an unofficial signal of their priority to the organization.

Solution design

Challenge #4

The end product of many global projects is often a defined combination of process and technology termed 'the solution'. Agreeing on what this solution is, should be the focus of virtually all involved parties.

The key solution related challenges were identified as:

- Architecture – comprehensive business and technical architecture.
- Process clarity – clear definition and ownership.
- Core or mandatory rules – clarity on core (no local discretion) versus optional (some local discretion), and the many issues that typically appear to fall between these two.
- Beyond Implementation – items associated with the project, but often not considered a deliverable for the project which includes business-as-usual support and ongoing enhancements (e.g. documentation).

Architecture

Establishing an architectural reference is beneficial for any organization and critical for organizations with locations that may have grown fairly autonomously or were perhaps acquired.

A few contributing organizations had followed the strategy of defining a "to be" architecture, and even building a working model of the technology. However, projects did not adopt the model since they either saw it as a recommendation (rather than standard), or did not receive budgetary support to implement the model that was far more sophisticated (and expensive) than what was needed at the local level.

Process clarity

The traditional "as is" and "to be" definition process appears to have lost popularity.

Several contributors commented that their primary focus is now on the future "standardized" processes. This is as a direct result of many software driven processes, particularly for back-office functions, and a general fatigue from "process review after process review".

Global process owners

With clear definition and ownership of processes, there can be accountability for processes, as well as a key contact to propagate key information and future changes.

- We nominated "global process owners". These individuals were charged with being advocates for best practice (or at least, best practice as defined within the template software solution). In real terms, they were key conduits between various user communities and the core development team.

  – Global oil company

Core or mandatory rules

All projects need to define "black and white" areas for solution standardization or modification. Essentially global projects are required to distinguish between core elements that are mandatory to implement and other elements which can be modified or optional.

On the global stage, the occurrence of "grey" areas are acutely increased. Contributors commented that dealing with "black and white" is relatively simple, but debating the "grey" as the result of insufficient investment in detailed articulation of rules caused significant tension and delays. Further, global projects should be careful about the interpretation of terms such as standard, rule, guideline, framework or template.

Beyond implementation

Read the manual

Documentation may not be a safety net for limited training.

- We profiled our significant investment on documentation and computer based training as "an interesting waste". We understood the need to document, but more importantly, we now appreciate the need for staff to understand and translate the learning into new behaviors.
  – *North American-based manufacturer*

Sourcing

Challenge #5

Sourcing is a topical issue in today's globalized business environment. Many global organizations are involved with sourcing at one level or another.

Sourcing no longer encompasses just "non-core", "back-office", "repeatable" or "high volume, low value" activities. Some organizations now outsource key elements of their business chains. For example, Doctors are outsourcing the interpretation of x-ray films, and knowledge process outsourcing (KPO) is emerging as the next wave of major sourcing activity.

Organizations, large and small, are taking advantage of sourcing in order to gain strategic advantages, cost savings and process improvements.

Sourcing encompasses a broad and strategic role – yet it is often perceived in a narrow manner. Objectives can too simplistically revolve around short-term cost reduction or simply following the herd. More evolved sourcing relationships can establish a strategic partnership geared towards growth and the competitive positioning that adopt a continually evolving set of objectives.

If the global project simultaneously introduces a new sourcing model (e.g. outsource operations or shared service centers), then the need to get the right sourcing advice is even more critical.

So what does your sourcing advice need to get right?

In KPMG's 2007 sourcing survey 60 percent of respondents said most problems stem from people related issues.

The key sourcing challenges were identified as:

- Multi-vendor coordination – typically, large multi-national contracts involve multiple vendors across geographies. In situations where teams across vendors need to work together to implement large-scale changes, the absence of clearly demarcated roles and responsibilities can result in missed deadlines. This challenge can also be relevant where the capability may differ for the same vendor in different countries.

- Delivery practices – sourcing relationships involving large corporations and service providers face issues relating to differences in delivery models.

- Post implementation governance – once the core implementation team is disbanded, how are the outsourced services governed?

Multi-vendor coordination

If you have global plans, then your sourcing plans also need to be global. Selecting service suppliers that are only local is likely to restrict your ability to develop a partnering relationship to support your full project – either at the beginning or as the requirements change in the future. If you cannot be in every location, make sure your professional advisers can be.

One contributor suggested engaging a consultant who represents each culture involved – however, this same client recognized that simplifying assumptions like "one country, one culture" can be damaging.

Post implementation governance

Few organizations appear to establish a complete lifecycle plan for new services. This results in difficulties like:

- Does the appropriate governance framework exist in the new location for shared services?
- How are changes to these services to be managed?

Delivery practices

Co-sourcing as an outsourcing model

Sourcing in today's global environment does not require an "all or nothing" approach. Several organizations have identified strategic objectives in sharing the operational responsibilities for previously fully outsourced (or fully in-house) activities. Such shared initiatives require a high level of collaboration to help ensure efficiencies and effectiveness.

- We relied on developing innovative investment products based on wide ranging market research and fast time-to-market.

  To this end, we had traditionally outsourced our IT function in its entirety. Upon recognizing the strategic value of certain IT initiatives, we decided to perform some activities in-house. The key issue we faced was in developing our delivery model based on the practices followed by the service provider that we had followed for nearly a decade.

  In order to attain process maturity and accelerate knowledge-transfer, we developed a collaborative model of project delivery. Core project teams were staffed with our personnel and vendor personnel, with our managers being stationed at the offshore delivery centers for the duration of the project to gain understanding of the entire delivery lifecycle.

  This enabled our IT team to rapidly gain maturity, and for the service provider to operate as a business partner.

  – Major financial services company

Additional governance challenges

Challenge #6

These are challenges that are not necessarily visible to the majority of the project team, however, they are important to keep in mind.

The key governance challenges were identified as:

- Financial source and accountability – who gives it and who controls it.
- Benefit and performance measurement – does the benefits profile recognize all organizational units, and encourage the right priorities.
- Broader governance and values criteria – differing adoption of social, community and shareholder outcomes as reflected in frameworks like Triple-Bottom-Line Reporting.
- Tax implications – have you done sufficient research to help optimise your options?
- Emerging issues – approach to issues like carbon emissions, including their integration into traditional project risk management.

Financial source and accountability

Whose money is it?

Appropriate use of gates, and managing across multiple fiscal years. In general practice, where 61 percent of projects still receive a lump-sum funding are applied, the financial risks for global projects are indeed high, as per KPMG's *2005 Project Management Survey*.

We have found that centrally governed global project funds is a typical management strategy. Many organizations establish a series of stage gates, and treat each phase between gates almost as a new project to try to keep focus and energy.

- Our funds were "centrally governed", with prioritization reassessed at the annual planning process. All contingency is held centrally.
  – An energy company
- We use a standard gating process from our corporate investment management framework for their project. While this satisfied the corporate finance requirements, the framework was found to be very limited to assess the quality of product delivered or service level received from suppliers.
  – European manufacturer

Clarity of budgetary issues at the beginning is critical:

- Beyond approval, who owns the budget?
- Do you govern inputs or the outputs? If so, how?
- Do you penalize or encourage local units by letting them keep the ups/overs from the original budget.
- How do you implement gating and governance reviews, and what are the consequences of a negative review?

Benefit and performance measurement

Who owns the benefits?

A discussion that engaged the emotions was benefits. Who do the global project benefits belong to?

While the project vision is typically held at the top level of the organization, where there is visibility of the sum of benefits from each area, the heads of regional divisions are often measured under a more narrow perspective.

- The project is considered mandatory and is justified because it will improve and strengthen the control environment and improve the organization's financial systems. This is the primary reason for the project's existence – other benefits are secondary. Due to the project multi-year duration, there is a desire to realize "quick-hit" benefits early.
  – Global financial services company

KPMG's survey found that 86 percent of organizations admitted losing at least 25 percent of targeted benefits on just local projects. The likelihood and magnitude of the benefit loss in global project is inevitably and exponentially greater.

Several contributors commented that early phases for IT-dependent projects can be often perceived as "enabling" or simply "infrastructure". Disappointingly, some choose not to define or quantify the connection with the targeted end benefits. Adopting such a narrow perspective may be setting up your project to fail before it starts.

Underlying themes

Throughout our discussions, a number of themes developed. Perhaps these are philosophies to consider when shaping your future global projects.

Bigger stage, greater discipline

All contributors, in some way, emphasized the need for greater maturity of project disciplines in order for a global project to be successful.

When these challenges are exacerbated by the global scope of a project, a key responsibility for the sponsoring executive is to help ensure the global project is supported by the right internal skills, and engages the right external partners, to employ the right project disciplines.

Think global, but act local

This is sound advice that reads like a marketing phrase, however, the consistent message from our discussions has been overwhelming. A contributor profiled his view of what various levels should focus on, this is noted in the table on the following page.

Level	Focus
Global	Vision and leadership – from the board down, clearly establish a connected vision. Broad global interests are represented by key stakeholders providing consistent and active leadership.
Regional	Leadership and management – maintaining the big picture alignment whilst also accommodating local sensitivities.
Local	Delivery – clear accountability, and the necessary empowerment, to deliver all people, process and technology change.

Acting and delivering at a local level should alleviate the challenges profiled earlier in this paper in order to create an environment for global project success.

Collaboration over standardization

Appealing, but challenging to execute, is the ability to establish collaborative, rather than just standardized project goals. In other words, prescribe "what'"and "when" something has to be done, but allow greater autonomy on "how" something should be done, and even "who" should do it.

Since standardization is generally perceived as the first step towards centralization, such goals should be frequently revalidated to help ensure the prescribed processes are really needed. Standardizing technology is easy when compared to standardizing people.

Do it, this way

- Collaboration is encouraged, but the focus is on standardization.
  – *Global energy company*
- Our "model company" was simply and directly aimed at standardization. We even prepared "preferred partner" lists for local supply of infrastructure, application support services, etc.
  – *European manufacturer*
- We are adopting an effective operating model designed to address global/local challenges by maintaining a 50:50 global:local focus.
  – *Financial services company*

While a standardized approach may be positioned to enable future growth, it is typically aimed and measured against corporate goals like efficiency/cost goals. Whereas a collaborative approach focuses on a broader definition of the "problem", potentially including both cost and growth oriented goals, and typically encourages greater local flexibility.

Perhaps a mature and balanced perspective is to identify relatively small components of the "end to end" process where locations can pursue "collaborative" goals. That is, compliance with those things that absolutely must be standard, but a pragmatic or even a relaxed approach to areas that allow greater local process flexibility.

Keep it going

Many projects have a multi-year duration, and may indeed out-live any sponsoring Executive. The need to keep momentum from the steering committee down to local project teams is critical. KPMG's *Project Management Survey* indicated that 47 percent of projects do not report to the board beyond initiation – the implications of this are more profound for global projects since the stakes are also so much higher.

Use of new technology

The use of high-tech tools to help make disparate teams work better together has been an interesting observation. There is a significant use of interactive bulletin boards "wiki's", collaboration tools, instant messaging, video conferencing and of course, e-mails. Such constant communication between team members allows for team members to feel "virtually" closer.

For example, some successful teams are using new technologies to help manage their global projects and seek a common understanding of their task. Firm ground rules are defined and members are encouraged to get to know each other by using instant messaging and phone software.

Clear and frequent communication is key to a global project, and the availability of such technological tools is providing a number of progressive companies with an advantage.

Concluding remarks

Clearly the challenges are broad and significant. Arguably, no two organizations or projects are alike, and therefore, a single, detailed and prescriptive solution to these challenges does not exist.

This paper profiles a range of real experiences from leading global organizations. Even when these organizations considered their project a success, they acknowledged that they would contemplate changing their approach to address such challenges in the future. Ultimately, each challenge must be considered thoughtfully in the context of the circumstance. It is important to appreciate that a challenge can also be considered an opportunity for an innovative solution.

The underlying themes provide broad considerations – each will likely apply in some way to your global project. We summarize our discussions for the earlier categories of challenges with the table on the following page.

Geography, time-zones	Leverage traditional organizational structure and processes, but balance physical, logical, functional and political dimensions for selecting the project team, including management.
Culture and language	Continuously invest in understanding the detail – avoiding the tendency to generalize or only analyze during early project planning.
Stakeholder engagement	Employ a formal and rigorous process to help address stakeholders in all locations, at all organizational levels. Effective communication needs to work both ways.
Solution design	Collaborative approach to architecture and solution design – realistically defining what must be standard/core, and where local flexibility can be leveraged.
Sourcing	A truly global (not local) decision, where you need to seek understanding of capability in all key locations, within the context of the full life of the relevant services.
Governance	Consider if the normal corporate processes for funding and performance measurement, comprehensively addresses the complexity introduced by a global project. Establish an objective process to assess performance.

If local project performance is poor, or even worse, unknown, then your organization should ensure it invests appropriately to prepare for the global stage. Projects are hard – and they get harder as organizations seek to obtain performance and growth from global scales.

Global IT Project Advisory contacts

For further information on issues raised in this paper, or to discuss Global IT Project Advisory, please contact:

Egidio Zarrella
Global Partner in Charge
IT Advisory

Sydney, Australia

+61 2 9335 7590
ezarrella@kpmg.com.au

Christopher Gumn
Global Leader
IT Project Advisory

Birmingham, United Kingdom

+44 121 335 2364
chris.gumn@kpmg.co.uk

Jeffrey Tom
Americas Leader
IT Project Advisory

Los Angeles,
United States of America

+1 213 955 8494
jtom@kpmg.com

Ning Wright
Asia Pacific Leader
IT Project Advisory

Shanghai, China

+86 21 2212 3602
ning.wright@kpmg.com.cn

Ioannis Tsavlakidis
EMA Leader
IT Project Advisory

Stuttgart, Germany

+49 711 9060 41118
itsavlakidis@kpmg.com

This paper could not have been written without the valuable contributions of:

Egidio Zarrella, Christopher Gumn, Jeffrey Tom, Ning Wright, Ioannis Tsavlakidis Kumar Parakala, Vince Gill, Mike Weston-Burt, Tony Freeman, Adrian Estala, James Allt-Graham, James Hunter, Andrea Wang, Iain Gordon, Thi Phan, Paul Takac, Geoff Rankin, Mark Spears, Julia Wonner, Amanda Farrell, Louise Pieri, Peter Outridge, David Hsu, Adrian James, Mark Tims, Julia Kouznetsova, Nishita Patel, Anoop Vijaykumar, Hugh Fraser, Manolet Dayrit and Jeffrey Harris.

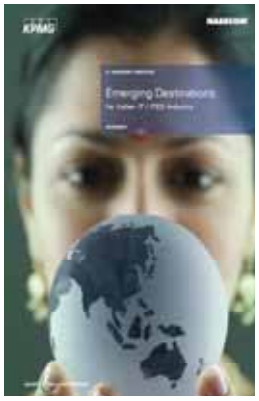
KPMG firms are globally acknowledged by clients and the media for our commitment to industry and technical thought leadership. Annually, we produce topical, global, regional and local whitepapers, surveys and market analyses addressing and evaluating existing and potential issues facing our clients. Outlined below are examples of recent KPMG Thought leadership publications:

Strategic Evolution

A global survey on sourcing today

Asian outsourcing: the next wave

A report written in cooperation with the Economist Intelligence Unit



Emerging destinations

For Indian IT/ ITES Industry

Managing Performance Through Shared Service Centers

Location, location, location

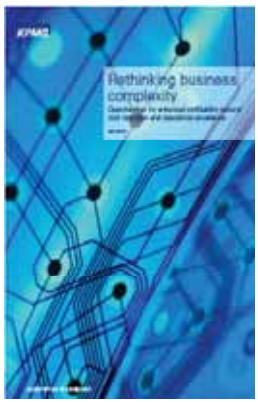
Your shared services operation: How you can make the right choice

KPMG Systems Survey 2007

Banks, Fund Administration and Life Insurance Companies

Living on the frontline

The resilient organization



Rethinking business complexity

Opportunities for enhanced profitability beyond cost reduction and operational excellence

Global IT Project Management Survey

How committed are you?

KPMG's International 2002-2003 Programme Management Survey

Why keep punishing your bottom line?

kpmg.com

November 2007 NSW10666AAA