New powerful project organisation transforms KMD from a publicly into a privately owned company without losing their DNA

"Our goal is to be Denmark's most competent large-scale IT project supplier, and we are well on the way."

Carsten Fensholt, COO, KMD A/S

A difficult transformation

In just two years, KMD has adapted to completely new market and investor demands while at the same time maintaining the ability to develop welfare Denmark and deliver large public IT projects effectively and professionally. This was achieved by transforming a chaotic myriad of projects into a transparent, valuedriven portfolio overview spearheaded by capable project managers. The effect is increased internal satisfaction combined with multi-million savings obtained through a tighter focus on costs and optimisation of project execution.

The challenge

Before 2009, KMD, as a publicly owned organisation enjoying near-monopoly status, was in a position where they could practically dictate to the local authorities which IT systems they should have. Today, the customers are specifying their needs and wishes for their IT systems, competitors are breathing down their neck, and the ownership of KMD lies with a private equity fund. Deregulation, EU procurement rules and the IT community of local authorities, KOMBIT, changed the rules for the market and, hence, KMD must now compete on equal terms with Danish and inter-national IT suppliers for large public IT tenders.

Demands from society, the market and investors have initiated a transformation in which the success criterion for KMD has changed from a breakeven on the bottom line to having to demonstrate growth in turnover as well as bottom line optimisation. In the process, it was essential for KMD not to lose their DNA as welfare Denmark's digital shortcut as well as their extensive knowledge about the public sector.

> THE KEY QUESTION
>
> Which management discipline should we instil into our projects to be able to fulfil the new demands from customers, owners and society?

The solution

70% of KMD's business is driven through projects, and the road to success, therefore, centred around handling this condition as optimally as possible. Thus, the key question in the transformation was: *Which management discipline should we instil into our projects to be able to fulfil the new demands from customers, owners and society?*

The customers require projects on time, within budget and in the right quality, the KMD owners, Advent International and Sampension, require a return on their investment, and society requires easier access to public services as well as an improved service level for less money. Not an easy cocktail considering that the starting point was a culture thinking inside out, and development initiatives lived their own lives with no overall governance.

It soon became evident that it was necessary to make project execution a management discipline in KMD. At a workshop, KMD's management formulated the vision of becoming 'Denmark's most competent large-scale IT project supplier' as well as four strong management initiatives that set the direction for the transformation:

1. **Transparency** in projects through the establishment of a portfolio overview
2. Effective project execution through a clear **governance structure**
3. From management to capable **leadership** of projects
4. Ensure **value-creating** projects by making the business case the driver of projects

Transparency

To obtain an overview of KMD's many projects, a portfolio committee was established for the 20 largest projects across KMD. The portfolio committee was made responsible for making *decisions* based on the *overview* that the governance structure contributed in providing. Soon, it was possible to determine the status of the 20 largest projects in relation to four central parameters: deadline, scope, budget and business effect. At the same time, the overview was digitalised through the Microsoft EPM system which ensures a fast portfolio overview.

Governance structure

Establishing a common language around projects was crucial to ensure more effective project execution as well as increased responsibility in the projects. We introduced three 'must-knows' in the form of a common governance model with fixed decision points for management involvement, six key roles which must always be filled and four answers which all projects must be able to provide to get through the decision points.

Leadership

Before the transformation, KMD was characterised by a checklist-oriented approach to project management. To give project managers increased freedom of action and unleash their full potential in the projects, requirements concerning checklists and project

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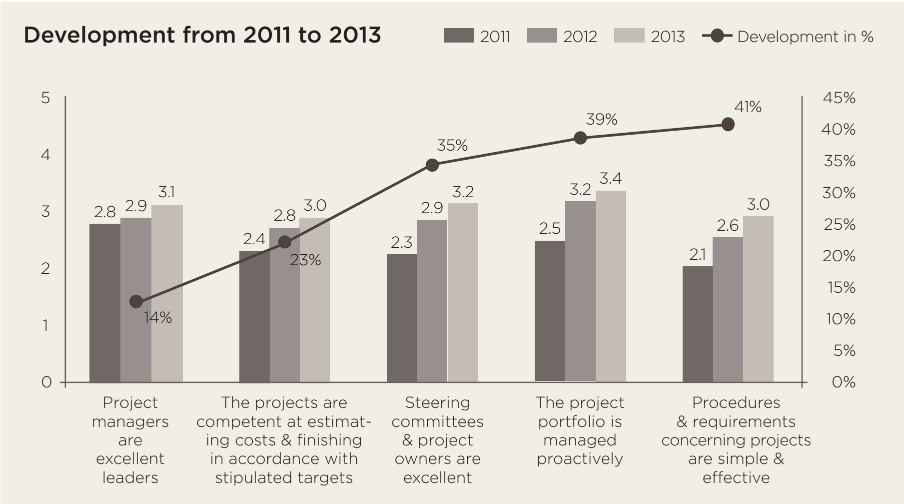
”It has been key to create a framework that ensures freedom of action allowing us to unleash our full potential in the projects.” *Lars Østergaard Pedersen, PMO manager, KMD A/S*

methodology were simplified and elevated to a few, but mandatory requirements. A broad framework was to ensure that the individual project could be adapted to the customer's wishes and to what would be best for the specific project. A career path for project managers was introduced and reduced approx. 400 project managers by title to approx. 230 project managers in effect. A tailored steering committee and project manager programme was designed in close co-operation with KMD and launched to support the competence levels of the career path.

Value creation
KMD is not just any IT supplier. More than DKK 400 billion of welfare Denmark's payment of wages and social benefits are handled through KMD's software systems, which equals approx. 25% of Denmark's GNP. The company to a great extent sets the direction for the development of Denmark's public IT landscape, which makes social responsibility a highly important factor, and the challenge is taken extremely seriously. To maintain the position as the preferred IT supplier, value must be created at society level, and, thus, it was immediately made mandatory to examine the business case thoroughly before initiating large projects.



Business effect

KMD initiated the transformation in the beginning of 2011, and now, two years down the road, the status is successful: Today, a complete overview of the 100 largest projects exists – a **transparency** that enables fast and decisive management intervention if the budget of large cost-intensive multi-million development projects gets off track. Clarity also exists as to which large projects are initiated, and why these projects are a good idea. Measured internally among project owners and project managers, the experience that 'the portfolio is managed proactively' has increased by 39% from 2011 to 2013, and the projects' ability in terms of estimation and cost control has increased by 23% in the same period.

The governance structure has established a common language and optimised project execution. Clarity exists as to which decisions should be made when and by whom, and the experience that 'procedures and requirements concerning projects are simple and effective' has increased by as much as 41% during the transformation.

400 project managers have been reduced to 230 **real project managers** on a career path for project managers comprising six development levels and competence development tailored to each level. The experience that 'project managers are excellent leaders' has increased by 14%, while the parameter 'steering committees are excellent' has improved by 35%.

Last but not least, today, 69% of the top 20 projects can demonstrate a positive business case, and focus is on **value-driven** projects capable of delivering a '30- second speech' about why exactly their project is important for Denmark and KMD.

The costumers, of course, feel a difference, and KMD has come closer to the vision of being 'Denmark's most competent large IT project supplier'. A successful transformation from a publicly owned organisation into a privately owned project-driven company in just two years has become reality. KMD can now demonstrate a transparent, value-driven portfolio overview spearheaded by capable project managers as well as multi-million savings obtained through a tighter focus on project costs.

For further information
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