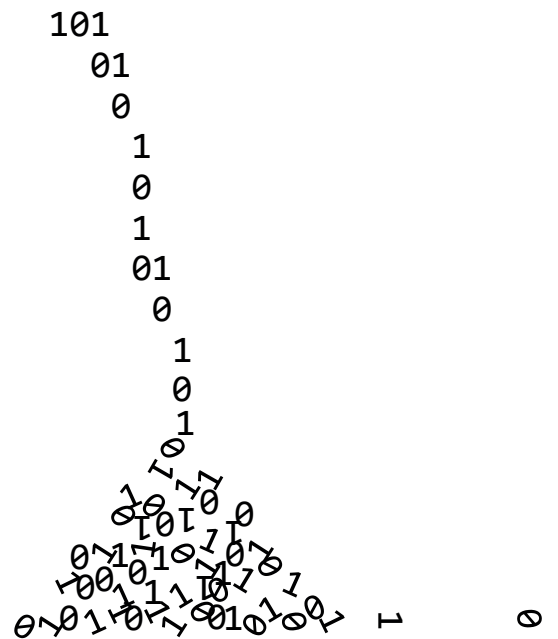


PMRE MONITOR 2016

Process Management Real Estate Monitor

010



Why do IT-projects fail – and which factors lead to success

Management Summary

Digitisation is currently one of the most influential drivers in the real estate industry. Despite intensive efforts and substantial investments in the IT landscape, a variety of IT projects do fail. In particular a study by the University of St. Gallen confirmed a high dropout rate for IT projects and estimates the annual financial loss in the EU of about € 142 billion. The IT costs per workstation are not insignificant. In the real estate industry they range between 7,000 and 10,000 € annually and topped the burden rates (without IT) clearly.

Looking for the causes of these mistaken investments, the nature of IT projects must be analyzed. With its innovative character, the degree of crosslinking and the virtually unlimited amount of data IT projects include an extraordinary degree of complexity and instability. Complexity and instability has been extensively studied at the theoretical level in terms of “dynamic systems”. The results show that for the power to control these “dynamic systems” strong leadership managers are required who are challenged to take the fears of their staff and mobilize fellows for transformation processes.

With a focus on the digital transformation process, studies of the MIT point out that not technology is the key to IT success alone, but in particular the accompanying project management. Under the slogan „We need better managers, not more technocrats“⁹ scientists demonstrate that not the focus of the technology but the design of the change process is the primary success factor. But another study shows: Change Management is currently not a strong topic of intense interest within the German real estate industry.¹⁰

Due to the high mistaken investments in the IT sector and the first indications, that a structured digital change management could help, a research model was developed. The underlying hypothesis is: Digital change management leads to increased IT success. The new Digital-Change-Management-Model (DCM) based on the established 8-stage model of change management of KOTTER.¹¹ The included stages in the DCM-Model show chronologically the phases of digital changes and are therefore to be understood as a project schedule. Each of the eight stages include further activities that serve the digital transformation. As examples out of the 56 activities (see chapter appendix) are the preparation of application architecture, the monitoring of risks or the appreciation of the employees may be mentioned for project success (see fig. 1).

⁹ Westermann/Bonnet/Mc Afee, Leading Digital, 2014

¹⁰ Weißbach/Finn, Change Management in der Immobilienwirtschaft, Bachelorarbeit HTW Berlin, 2015

¹¹ Kotter, Leading Change, 2012

fig. 1: DMC-8-Stages-Model based on Kotter

DCM Stages		DCM Activities	
1	Urgency for IT changes	Examples of activities	
2	Leadership coalition for IT changes		
3	Development of IT vision		Setting of application architecture
4	Communication of IT vision		
5	Support for IT changes		Monitoring risks
6	Fixing short termed IT goals		
7	Consolidation of IT changes		Official appreciation of employees for project success
8	Anchoring of IT changes		
		Total: 56 activities	

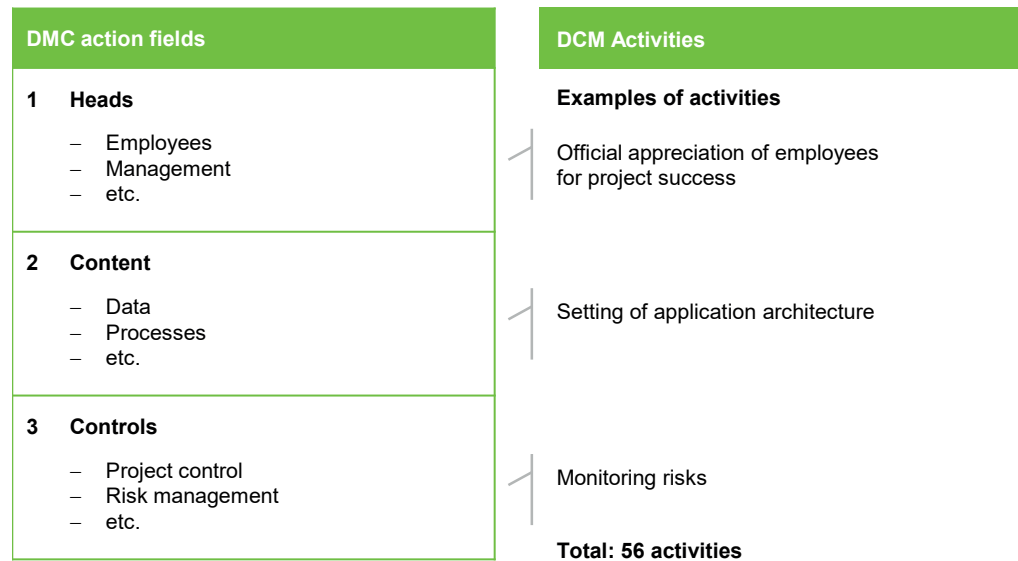
The research model was verified by a quantitative market analysis and the results show: Digital Change Management works! The hypothesis, that the use of the DCM-Model increases the IT success, is confirmed. This can be stated as the first detection of a statistically significant success factor for the digital transformation in the real estate industry. Moreover, it is not enough to pursue individual activities. Each of the eight levels of the DCM-Model is of relevance – no stage could be neglected or skipped.

Investments on IT projects will not be undertaken without a specific intention. The favourite targets are to increase process quality and process efficiency. An analysis of the individual components of IT success shows whether the IT goals are met. IT success was measured by a total of 30 individual components, which are divided into the categories IT results, IT project flow and IT risk mitigation. Contrary to the expectations of the market, IT projects do not lead to a reduction in numbers of employees. But fortunately, the increase in process and data quality, the reduction of risk and the maximization of competitiveness have been verified. Therefore, IT is in the sense of the EFQM-Model an “Enabler”¹² and creates the necessary basis for sustainable business success.

DCM has a fruitful influence on the IT success - this hypothesis is clearly confirmed. Constant positive effects demonstrate the relevance of each stages. Nevertheless, not all activities of the DCM model have an equally strong influence. Differences can be allocated over a thematic consideration of the activities. Similar to a construction project - that can be structured from the perspective of the construction phases and from the perspective of trades – the DCM activities were regrouped and thematically conjugated in a total of 15 fields of actions (see fig. 2). For the implementation of IT changes the action fields of the three categories Heads (mobilization of people), Content (definition of contents) and Controls (control and monitoring of the change process) are of particular relevance.

¹² Cf. EFQM-Modell

fig. 2: DCM-action fields



Based on correlation analysis the significance of each action field was measured. Two of the action fields from different categories do demonstrate the highest effect intensity. With identical strength in both the definition of the data from the category Content as well as the project management of the category Controls prove particularly significance. In further, the action fields risk management, interface development and process management follow and demonstrate the importance of context definition of IT changes (Content) and the continuous monitoring of the change process (Controls). However, a high significance does not correlate with an intense execution of an activity. In the detailed consideration, discrepancies do crystallize out. Activities are fully implemented, but without generating a particularly high effect. On the other hand, activities are neglected, in which intensive action potentials do slumber. Discrepancies and thus gave away success potentials are particularly evident in following actions fields:

1. Employees
2. Project Management
3. Datamanagement
4. Efficiency
5. Risk Management

Looking for the critical success factors following conclusions can be drawn from this:

1. Too little attention in the digital transformation is given to mankind. Although the action field 'staff mobilization' does not have the strongest effect intensity, it is the field of action with the greatest potential given away. In addition, not forgot to be mentioned that mobilization of the employees is one of the few effective measures against the largest IT risk, namely the dependence on the system service provider.
2. In fact better managers and less technocrats are required. Those managers have more focus on the transformation process as a whole, rather than only on technical solutions. The "how" is important, not the "what". A predictive project control includes the development of fallback-scenarios. This activity shows off the highest discrepancy between implementation and impact and is the largest wasted potential.

3. The thesis “Garbage in – garbage out” unfortunately still applies. Without valid data, no powerful system. Despite this catchy success formula, considerable deficits do still exist in the market.

The fields of action on the following items - the calculation of the profitability and risk management - includes a special paradox. The update of the cost-benefit-calculation after project termination is an activity with the lowest degree of execution within the entire DCM-Model. But only those who examine investments carefully, consider follow-up costs and observe risks, come to realize the favoured destination of process efficiency.

Digitization is a necessary change, which no real estate company can escape. But „[t] here is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things.“¹³ The results clearly demonstrate, the use of the DCM-Model facilitates this rearrangement and lead to success in the digital transformation process. It's time to use this potential!

¹³ Machiavelli, quote Berger/Chalupsky/Hartmann: Change Management – (Über-)Leben in Organisationen, 2013, S. 18

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