



Value-Size Your Business

Getting more value for every dollar you spend

John Thorp

John_thorp@thorpnet.com

2011 Portfolio Management

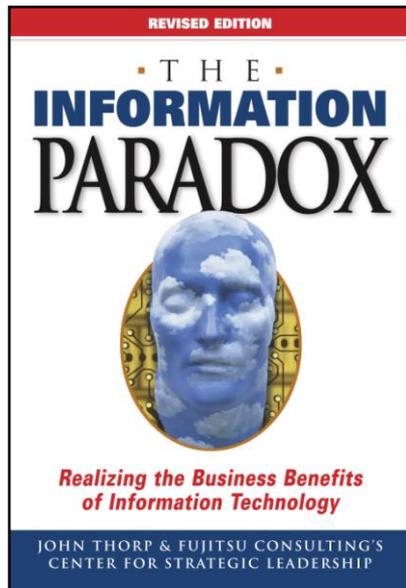
Symposium

Feb 17th, 2011

Atlanta, GA

The Information Paradox

The value of IT is being increasingly questioned...



...yet organizations continue to spend more and more on IT



“The failed promises of the Information Age add up to the longest-running disappointment in business history. On the other hand, information technology has produced an enormous transition, something that companies should be grappling with and studying every day.”

Jack Welch
World Economic Forum, Davos, 1997



The Reality

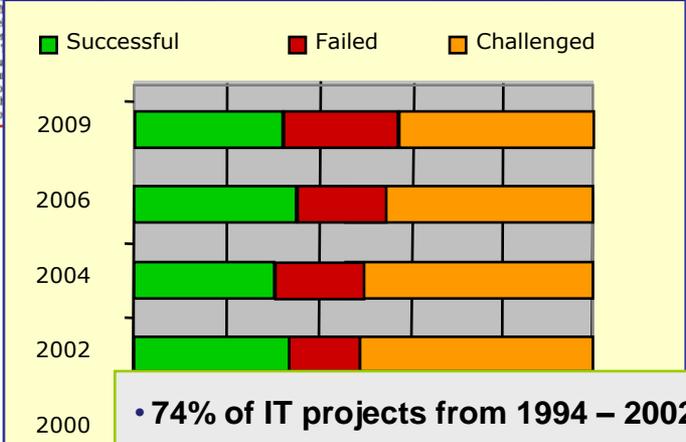
Gartner: firms waste £351bn each year on ill-conceived IT projects

Nick Huber debate about IT spending and return on investment (ROI). Although Gartner has admitted that the 30% figure is an approximation it said that many chief information officers and chief financial officers "are being asked to cut costs to the business and do more with less. "But at the same time they are being asked to implement changes to the IT systems, for example a new supply chain management system they have a common licensing agreement," said Kyle. IT managers and company boards also need to be more ruthless when taking decisions about when to pull the plug on a troubled IT project, Gartner added. In the long run, "Use the 'go/no-go' to pause for breath and adjust inappropriate IT investment behaviour and practices acquired during the years of e-business hype. Kill projects early and often. Instill a culture of rewarding managers for measurable results that are not solely to

How to get most benefit from your spend

- Use the 'go/no-go' to pause for breath and adjust inappropriate IT investment behaviour and practices acquired during the years of e-business hype.
- Kill projects early and often. Instill a culture of rewarding managers for measurable results that are not solely to

Over-specified hardware, inconsistent licensing policies for software, and projects that never see the light of day are the main precipita-



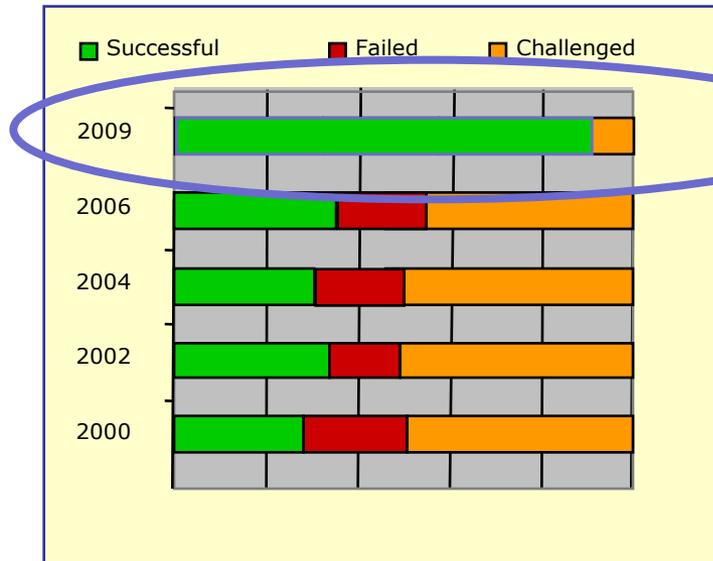
- **74% of IT projects from 1994 – 2002 failed to deliver expected value**
MIT Sloan Management Review, 2007, D Shpilberg et al
- **In a 2007 survey of 1,125 professional worldwide 57% had positive outcomes in less than half their organizations IT initiatives**
HP and Economist Intelligence Unit

- Gartner – more than 600 billion \$ thrown away annually on ill conceived or ill executed IT projects

- Standish Group – 24% of projects fail outright, 44% are challenged and only 32% are successful

- Other reviews and studies continue to confirm concerns

How Are You Doing?



89% Successful!

BUT...What is Success?

On time, on budget, delivered to spec...**what's missing?**

Did it deliver **value**?

You're doing thing right **BUT** are you doing the right things?

Do you know? What do you have to do so that you do know? Why should you care?



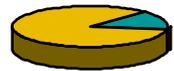
Evolution of Use of IT

Efficiency -
Run the
business

**Automation
of Work**



IT



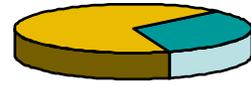
Business

Effectiveness -
Change the
business

**Management
of Information**



IT



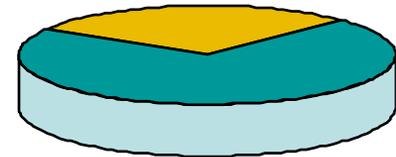
Business

Innovation -
Change the
rules

**Transformation
of Business**



IT



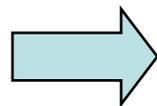
Business

**Investments are increasing and...
... complexity is increasing!**

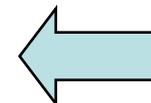
A New Perspective

*“You can’t
separate IT
from the
business”*

Faisal Hoque
Founder & Chair,
BTM Institute



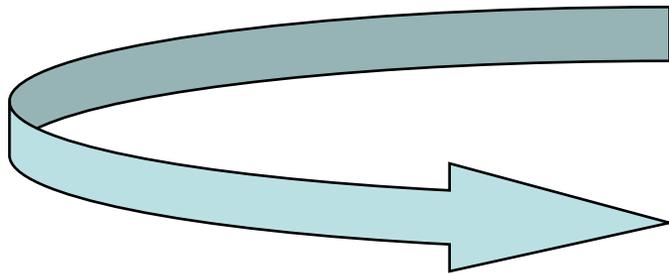
**Investments in
IT-enabled Change**



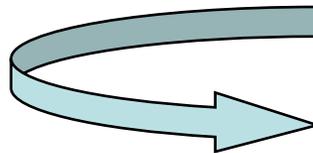


A Formula for Failure

$$OO + NT = COO$$



Increasingly complex IT



IT costs increase
IT inhibits vs. enabling change



The Fundamental Question

Are we maximizing the value of our investments in IT-enabled change such that:

- we are getting **optimal benefits**;
- at an **affordable cost**; and
- with an **acceptable level of risk**?

**Over the full economic life-cycle
of the investment decision**

The Role of Governance

Enterprises that actively design their top-level IT governance arrangements make and implement better IT-related decisions

Gartner

Firms with focused strategies and above average IT Governance had more than 20% higher profits than other firms following the same strategies

Peter Weill and Jeannie W. Ross, *IT Governance*

Enterprises focused on converging their business and technology disciplines exhibited superior revenue growth and net margins relative to their industry groups and exhibited consistently greater rates of return than those of their competitors

BTM Institute

IT Governance

- Not a panacea – necessary but not sufficient
- “The term “IT governance” as used by the IT industry is a legacy of the separateness between business and IT”

Cliff Berg, *Value-Driven IT*

- “The focus of IT governance continues to be on the more operational IT issues with little appetite for tackling the business aspects of planning and managing how the business uses IT to create and sustain value”

ITGI sponsored UAMS Research, *Exploring the relationship between enterprise benefits and IT governance practices COBIT 4.1 and Val IT 2.0.*, 2008

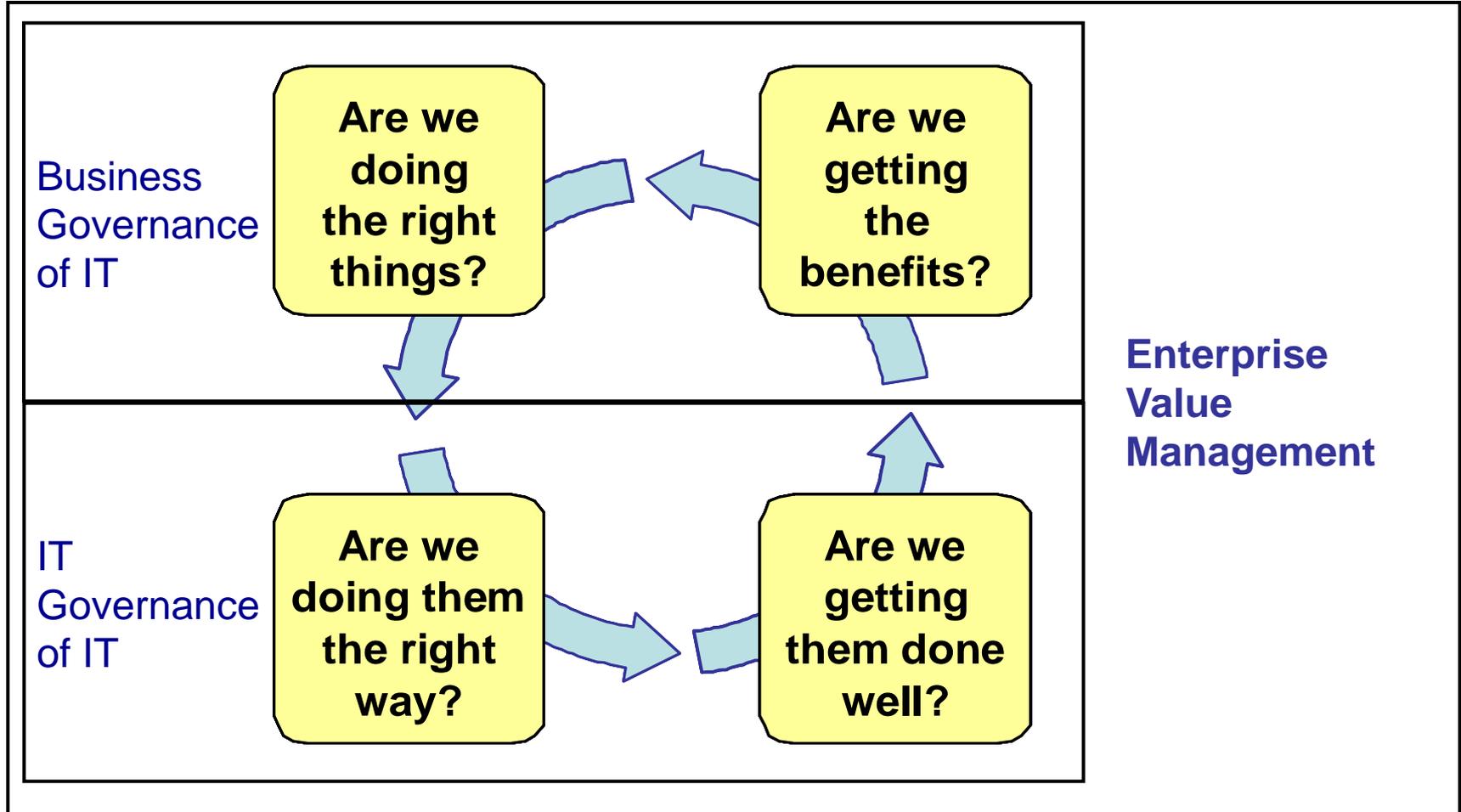
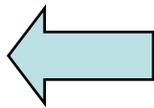
- The way forward requires “The introduction of an IT management and governance framework that explicitly stimulates and facilitates collaboration and knowledge exchange across the business/IT divide from the Board downwards.”

Geoff Codd, *The Drowning Director*



Key Governance Questions

Continually asking...



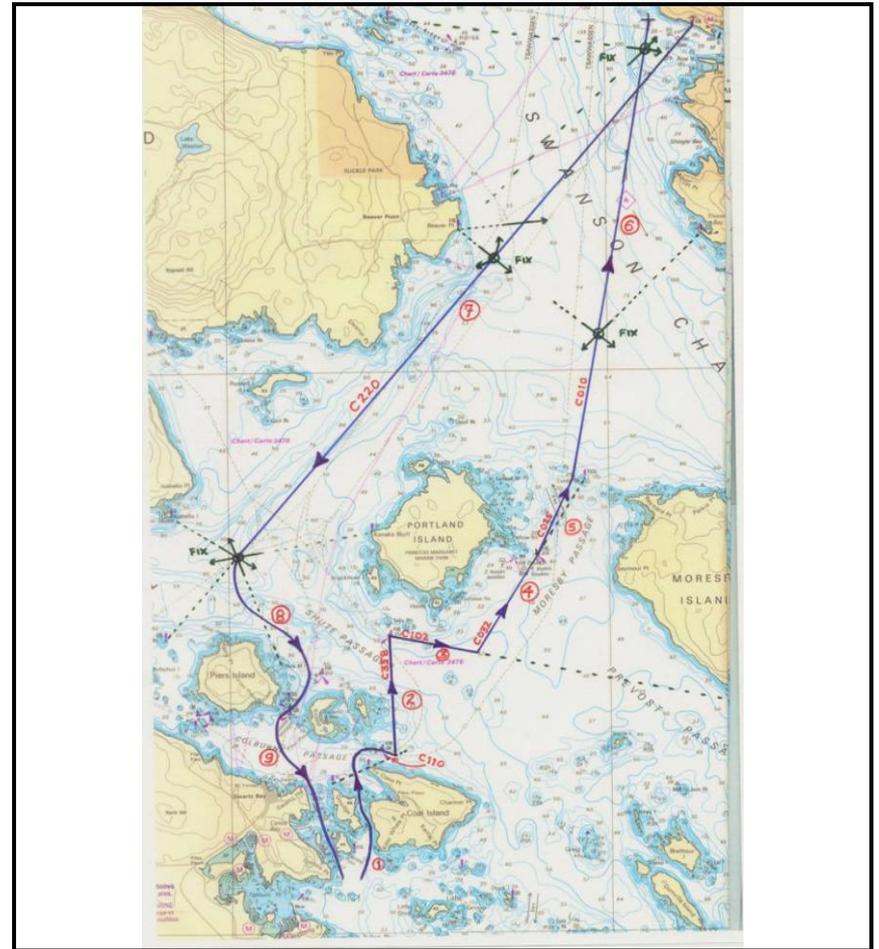
A Definition...

Kubernán (gr): to steer a ship – the process of *continually orienting and adjusting*

“any organisation is multifaceted, and the range of organisational variables is mind-boggling”

“Managing an uncertain journey to an uncertain destination”

John Roberts
The Modern Firm





The Big Disconnect

Strategy Management

- Filtered information*
- Selective hearing
- Wishful thinking
- Fear
- Emotional overinvestment
- Unrealistic stakeholder expectations

Project Management

Operations Management

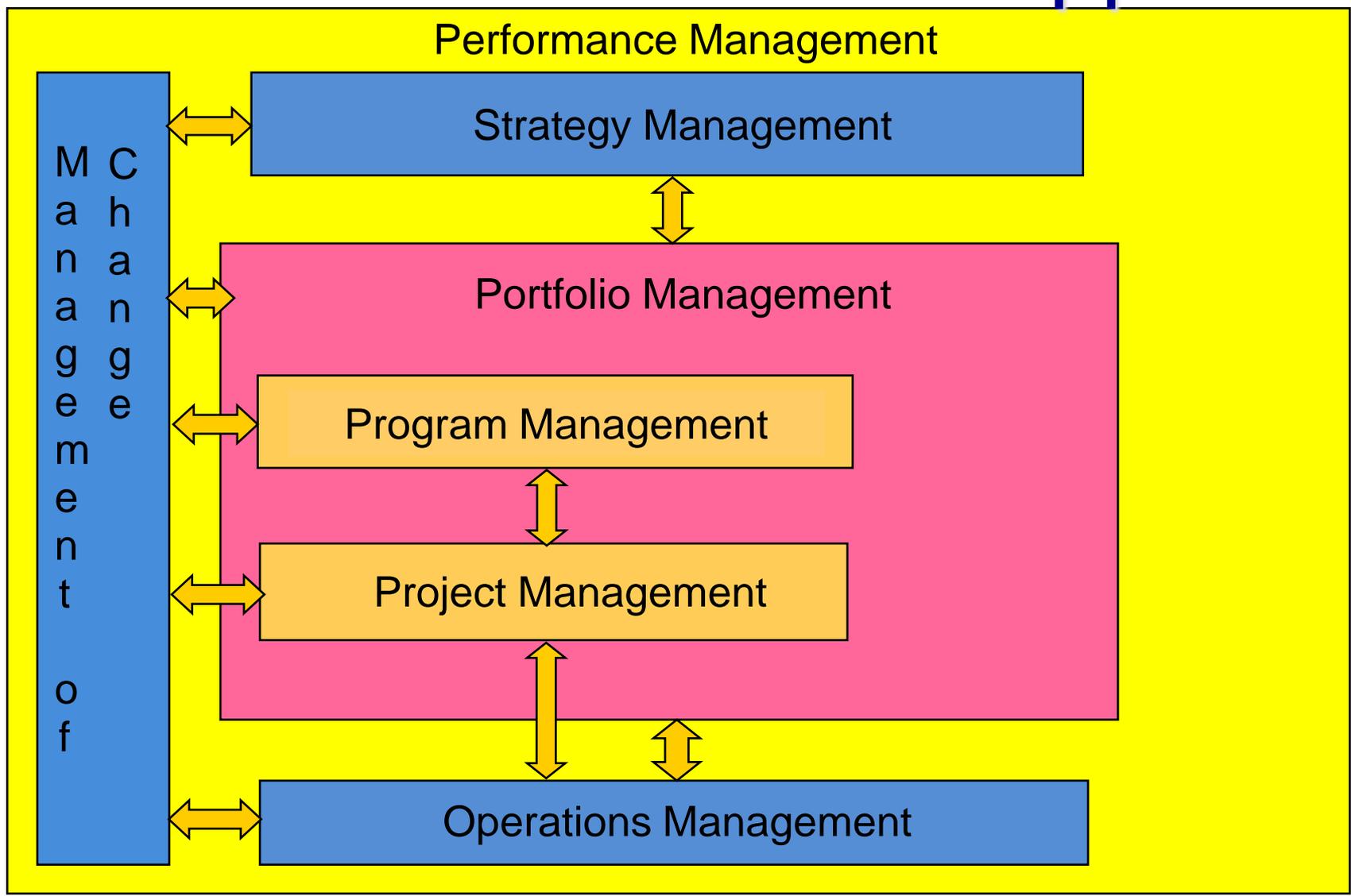
*Source: Larry Bossidy, Ram Charan – Confronting Reality

©2011 The Thorp Network Inc.

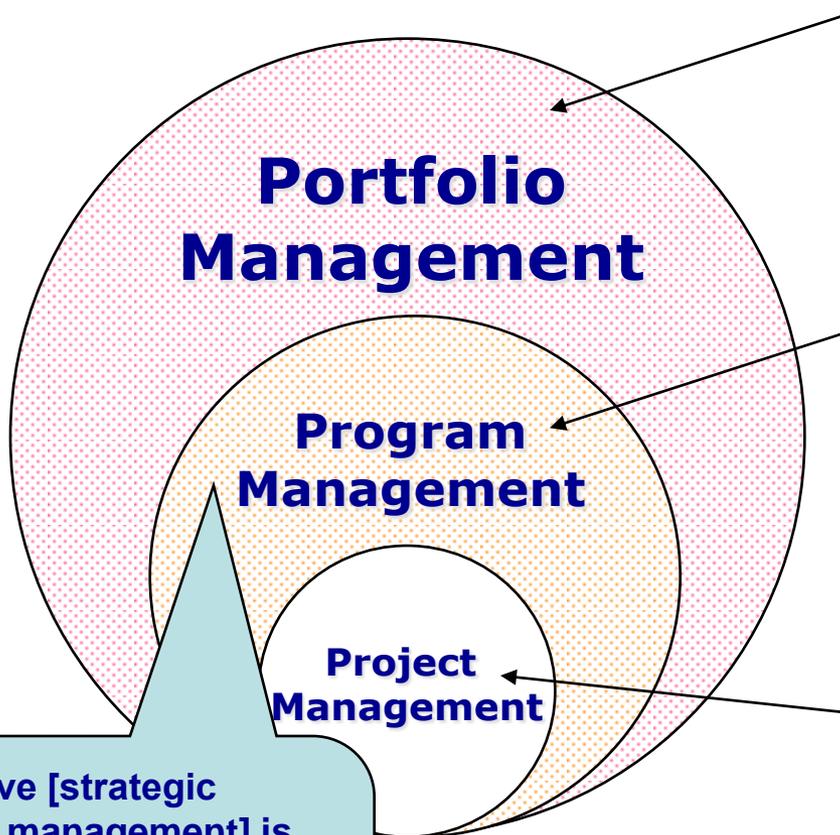
www.bellsoftinc.com



Benefits Realization Approach



P³M - Projects, Programs, and Portfolios



Portfolio – a suite of business programs managed to optimize overall enterprise value

Program – a structured grouping of projects designed to produce clearly identified business value

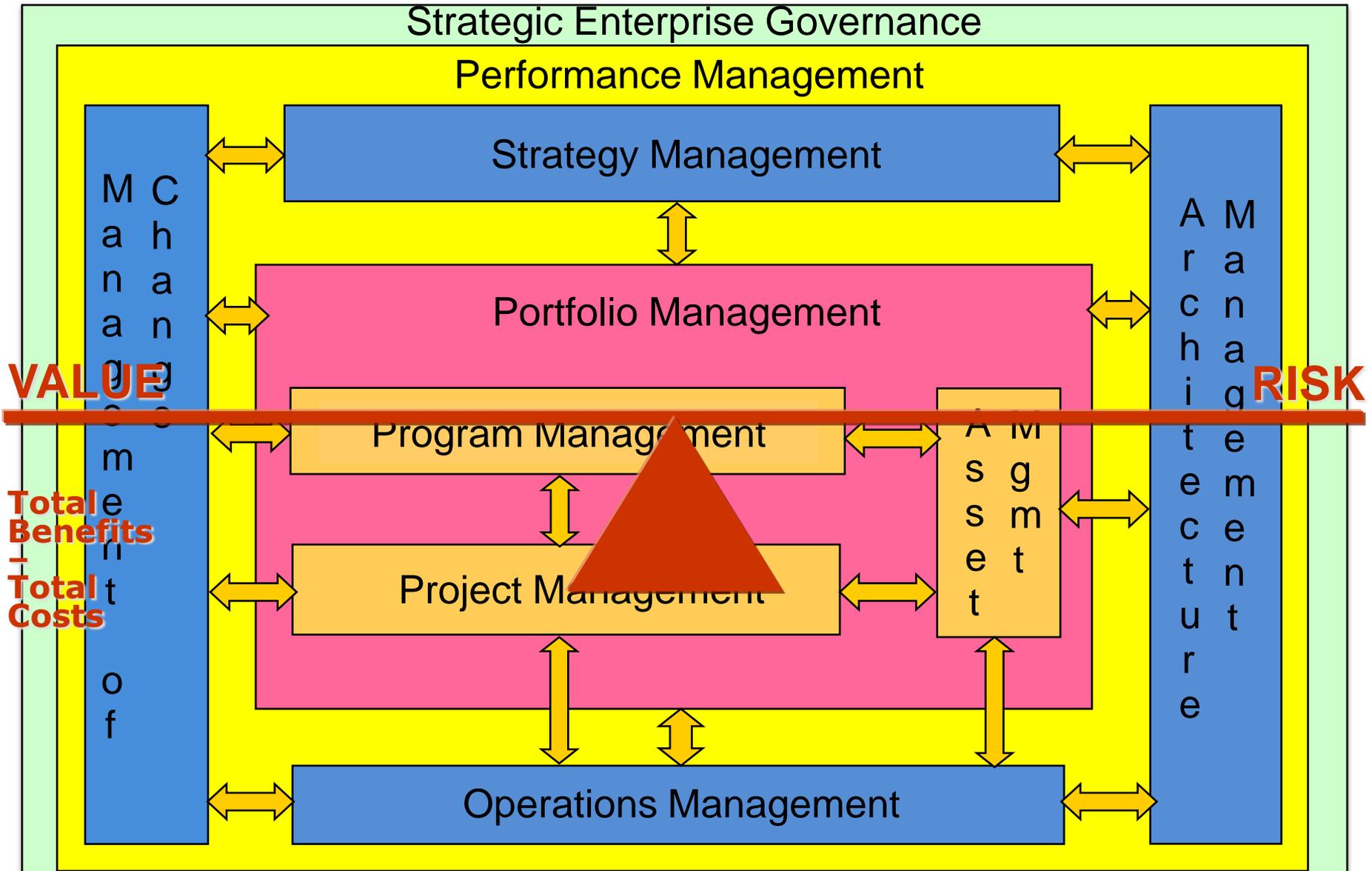
Project – a structured set of activities concerned with delivering a defined capability based on an agreed schedule and budget

“We believe [strategic program management] is the management construct best suited to enable better business engagement, value delivery and risk”

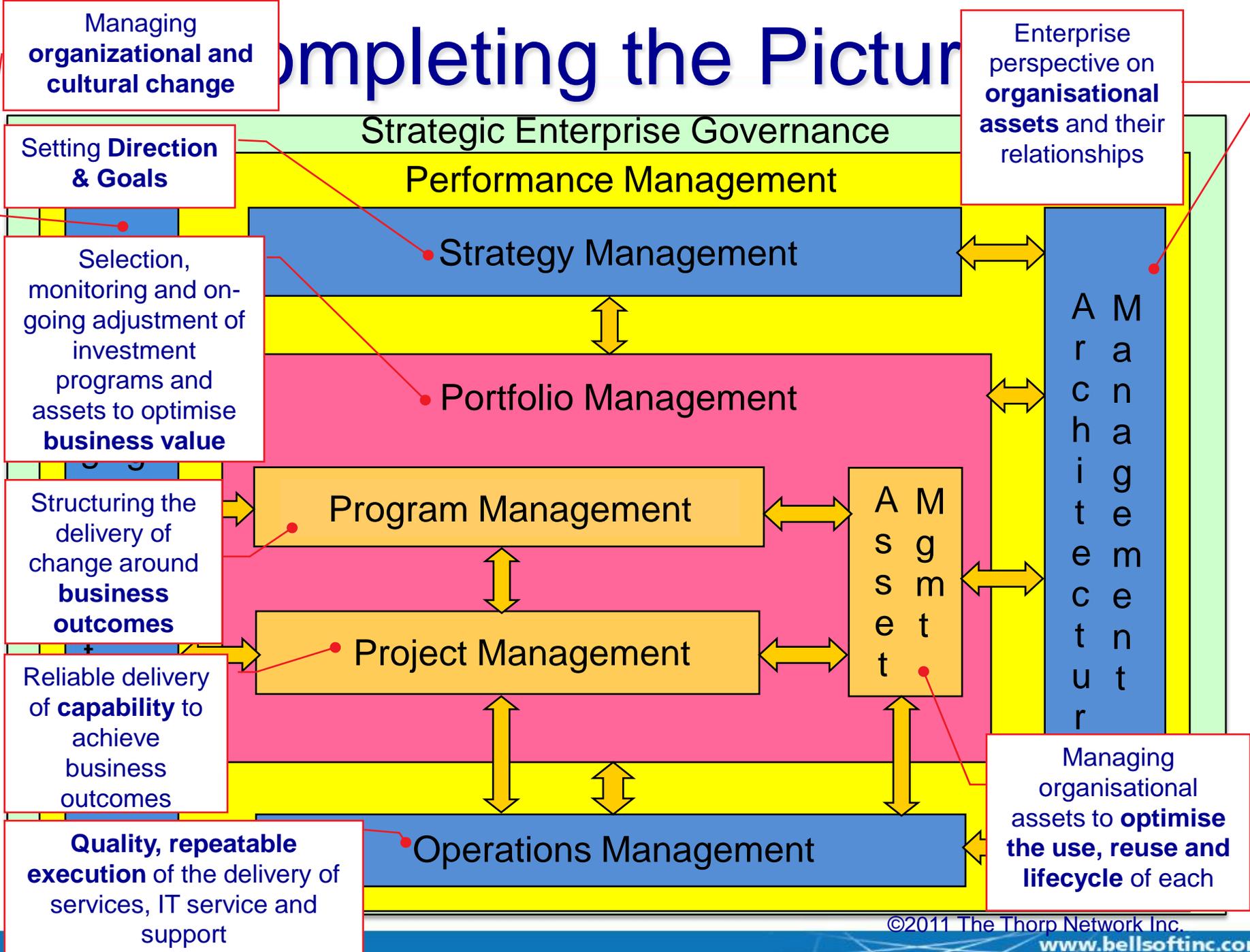
Gartner Research, March 17, 2008

Source: *The Information Paradox*

Completing the Picture



Completing the Picture



Completing the Picture

- Change/Transformation Office
- Change Working Group(s)

Architecture Office

- Executive Strategy Office

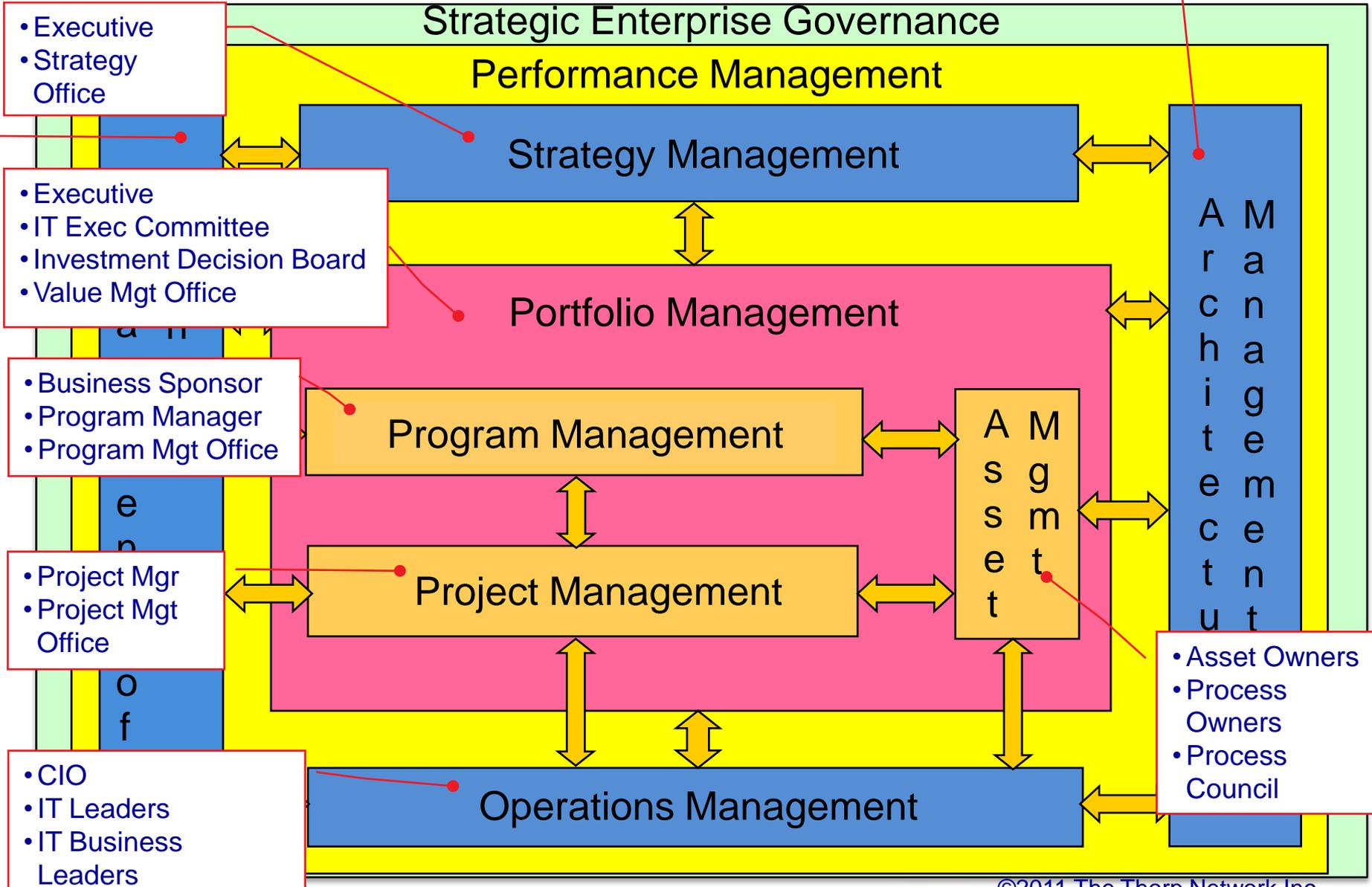
- Executive IT Exec Committee
- Investment Decision Board
- Value Mgt Office

- Business Sponsor
- Program Manager
- Program Mgt Office

- Project Mgr
- Project Mgt Office

- CIO
- IT Leaders
- IT Business Leaders

- Asset Owners
- Process Owners
- Process Council



The Business Case

“Business cases are generally viewed only as documents for gaining funding. Once approved they are put away...few track the business benefits the projects actually achieve”

Gartner, Building Brilliant Business Cases

“Business Cases contain untested assumptions masquerading as facts”

Bob Morton, Government of Canada

“...38% of respondents openly admitted to overstating benefits in order to get approval”

Cranfield School of Management, survey of 60 European companies

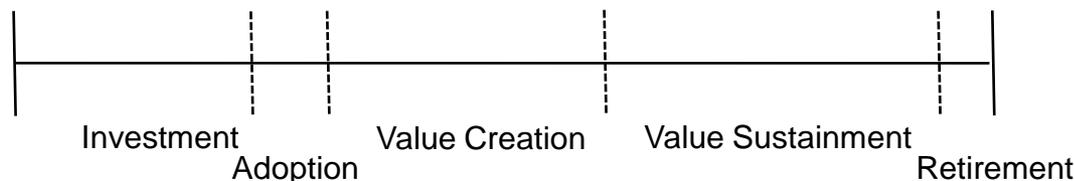
Largely works of fiction based on “delusional optimism” and “strategic misrepresentation”!

Stephen Jenner quoting Daniel Hahneman & Brent Flyvbjerg



The Business Case

- The foundation that sows the seeds for success or failure – NOT a bureaucratic hurdle
- Business cases should:
 - operate at the program level containing all required initiatives to realize outcomes – not just the technology
 - Identify clear accountabilities, supported by clear and relevant benefits metrics – both lead and lag
 - be a living, operational management tool – updated through the full life cycle of an investment decision



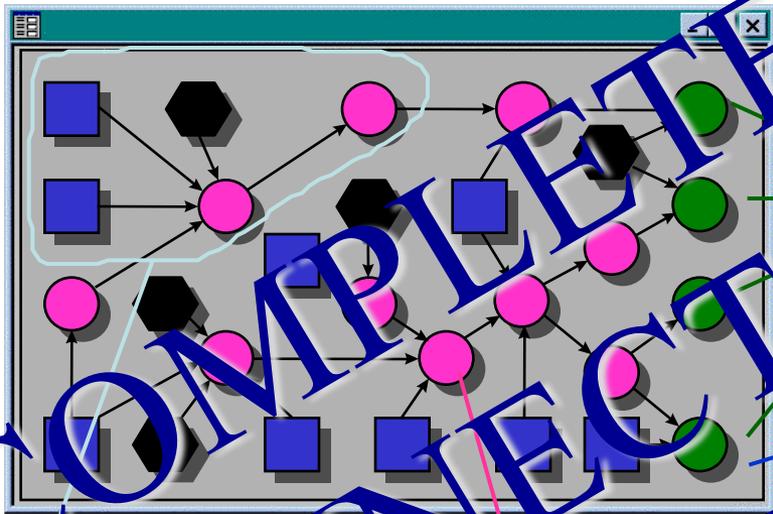
- be regularly reviewed by an independent body such as a Value Management Office (VMO)
- Development and management of business cases should be supported by a benefits mapping process



Benefits Mapping

Results-focused programs of change

Clear accountabilities



Clear understanding of outcomes

Full scope of effort—
All necessary IT and business initiatives, including change management

Relevant metrics

 INITIATIVE

 CONTRIBUTION

 ASSUMPTION

  OUTCOME



The Anatomy of Change



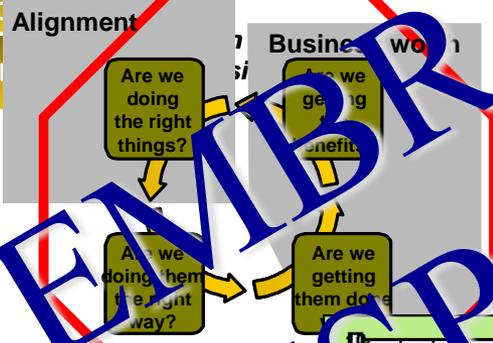
Source: *The Information Paradox*



Portfolio Management

- VENTURE
- GROWTH
- DISCRETIONARY ENHANCEMENTS
- NON DISCRETIONARY
- CORE

Discretionary
 Transform the Business
 Grow the Business

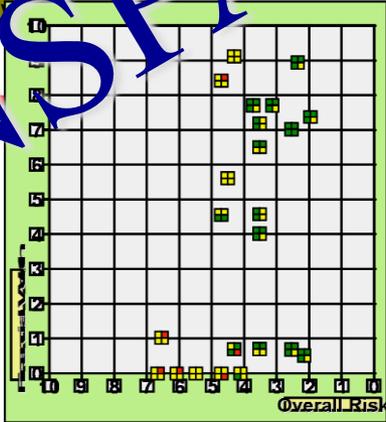


Categories

- Transformational
- Informational
- Transactional
- Infrastructure
- Mandatory
- Sustaining
- Discretionary

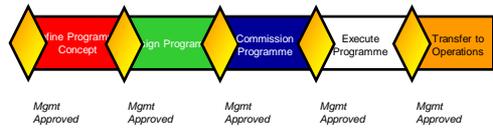
Evaluate

- Alignment
- Business Worth
 - Financial
 - Non-Financial
- Risk
 - Delivery Risk
 - Benefits Risk



EMBRACE TRANSPARENCY

Select & Monitor





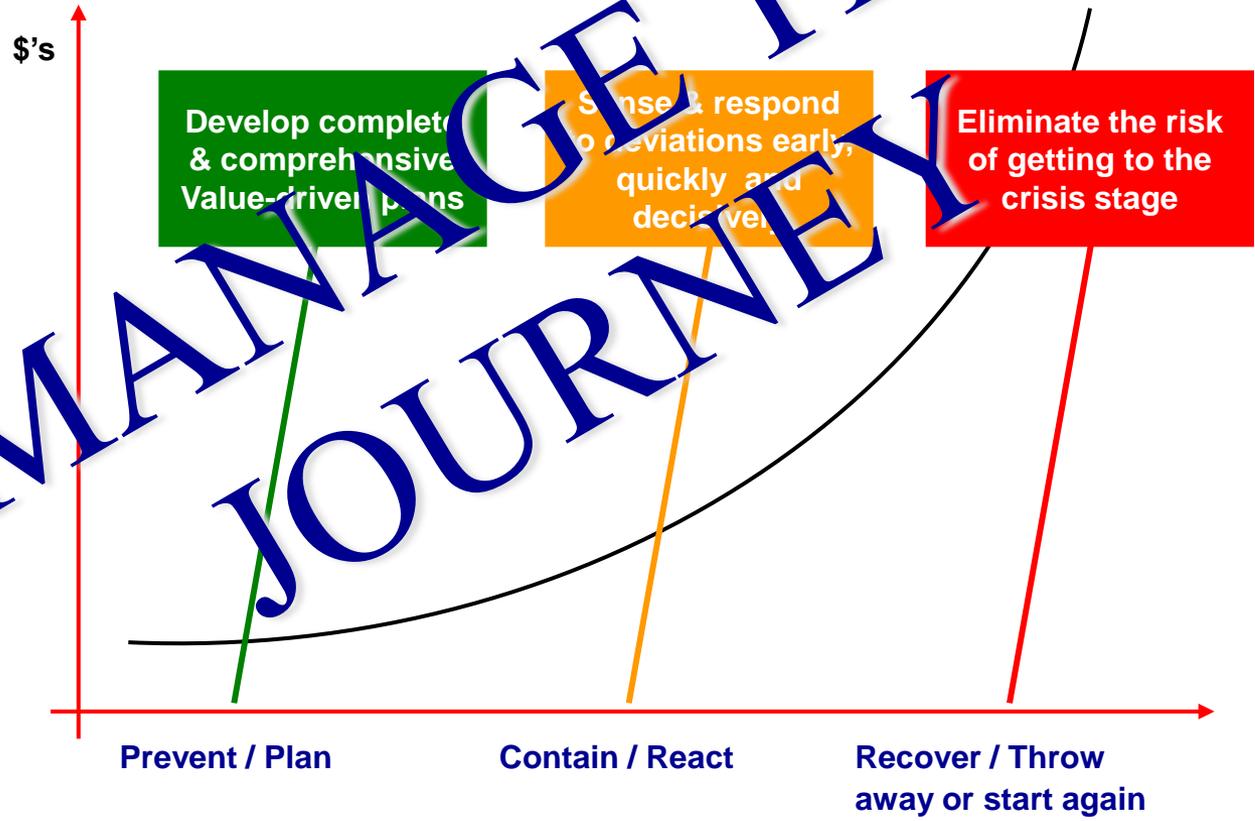
Full Cycle Governance

Getting ahead of the curve...

MANAGE THE JOURNEY

“How does a project get to be a year behind schedule? One day at a time.”

Fred Brooks





Governance 2.0

- Current top down, hierarchical, siloed organizational models work against realizing value from IT-enabled change
- Web 2.0, social networking, crowd sourcing currently seen as a threat
- Enterprise 2.0 certainly presents governance challenges
- Enterprise 2.0 also presents governance opportunities
 - Broader and better decision making
 - Leveraging our human knowledge capital



*“After all’s said and done there’s
more said than done”*

Anon



“If you don’t like change, you’re going to like irrelevance even less”

General Erik Shinseki, Chief of Staff, US Army



What does this mean to you?

- **Value is a business issue**
- **Business must own use of IT**
- **Strategic (NOT IT) Governance is key**
- **Business Case sets stage for success OR failure**
- **Proven processes, practices and techniques are available**
 - **BUT...managing behavioral change is key**
- **Think about Governance 2.0 – a challenge and an opportunity**

We can and must do better!
You can make a difference!



Value-Size Your Business

Getting more value for every dollar you spend

John Thorp

John_thorp@thorpnet.com

2011 Portfolio Management

Symposium

Feb 17th, 2011

Atlanta, GA