Value-Size Your Business
Getting more value for every dollar you spend

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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 – 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

- 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*
How Are You Doing?

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

Effectiveness - Change the business

Management of Information

Innovation - Change the rules

Transformation of Business

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

Source: The Information Paradox
A New Perspective

"You can’t separate IT from the business"

Faisal Hoque
Founder & Chair,
BTM Institute

IT Investments

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...

Business Governance of IT

Are we doing the right things?

Are we getting the benefits?

IT Governance of IT

Are we doing them the right way?

Are we getting them done well?

Source: The Information Paradox
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

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Benefits Realization Approach

Performance Management

Strategy Management

Portfolio Management

Program Management

Project Management

Operations Management
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

Strategic Enterprise Governance

Performance Management

- Strategy Management
- Portfolio Management
- Program Management
- Project Management
- Operations Management
- Selection, monitoring and on-going adjustment of investment programs and assets to optimise business value
- Structuring the delivery of change around business outcomes
- Reliable delivery of capability to achieve business outcomes
- Quality, repeatable execution of the delivery of services, IT service and support
- Managing organisational and cultural change

Setting Direction & Goals

- Enterprise perspective on organisational assets and their relationships
- Managing organisational assets to optimise the use, reuse and lifecycle of each

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Completing the Picture

Strategic Enterprise Governance
Performance Management

- Executive
- Strategy Office

- Strategy Management

- Portfolio Management

- Program Management

- Project Management

- Operations Management

- Program Office

- Business Sponsor
- Program Manager
- Program Mgt Office

- Asset Owners
- Process Owners
- Process Council

- CIO
- IT Leaders
- IT Business Leaders

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“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
  
    Investment  |  Adoption  |  Value Creation  |  Value Sustainment  |  Retirement

- 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

Relevant metrics

Clear understanding of outcomes

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

Source: The Results Chain™, Fujitsu
The Anatomy of Change

Source: The Information Paradox
Portfolio Management

**Venture**

- Transform the Business
- Grow the Business

**Core**

- Discretionary Enhancements
- Non-Discretionary

**Growth**

- Transformational
- Informational
- Transactional
- Infrastructure

**Risk Alignment**

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

**Select & Monitor**

- Define Programme
- Commission Programme
- Execute Programme
- Transfer to Operations
- Mgmt Approved

**Transparency**
Full Cycle Governance

Getting ahead of the curve...

$’s

Develop complete & comprehensive Value-driven plans

Sense & respond to deviations early, quickly and decisively

Eliminate the risk of getting to the crisis stage

Prevent / Plan
Contain / React
Recover / Throw away or start again

“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 then 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!
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