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What's Plaguing IT Departments Today?
Managing Current IT Issues

IT's Role: Star or Team Player?

IT is critical to most business organizations today, yet the CIO is the least understood executive in the executive community. IT often operates without the intimate involvement of the senior management team. Without coordination and oversight by corporate management, IT fills competing requests of different corporate functions. This type of ad hoc, under managed process has resulted in companies creating and populating dozens of legacy information systems, each with millions of lines of code, that do not talk to one another.

The result is that more and more resources are required just to keep the systems functioning properly. In consequence, IT is often an expensive mess: orders are lost, help desks are not helpful, problems are bandaged with money, and accurate metrics are nearly impossible to obtain. According to Gartner Research, the average business wastes 20% of its corporate IT budget on purchases that fail to achieve their objectives. This adds up to approximately $500 billion wasted worldwide. The biggest offenders are major industries, including insurance, transportation, telecommunications, and banking.

Most companies continue to battle with outdated, costly technology and discouraged IT organizations. "Solutions" such as ERP, CRM, data warehouses, portals, mobile computing, dashboards, and outsourcing are too often poorly implemented which has only added to the problems. The success of IT solutions has little to do with technology itself. Instead, it depends on the same things that other parts of the business do including inspired leadership, superb execution, motivated people, and the thoughtful attention and high expectations of senior management.

What's more, most IT organizations are complex and have individual initiatives that function independently, each with its own business applications, technologies, culture, data definitions, and orientation. Because individual teams are often isolated, few teams reuse each other's components. Combine this with the fact that companies are running hundreds of heterogeneous hardware and software systems and it is clear why IT costs run rampant.

It doesn't have to be this way!

Aligning IT with the Enterprise

In a survey conducted by the Strategic Alignment Research Study, it was reported that two-thirds of IT organizations were not aligned with their organizations' business unit and enterprise strategies. Correcting this misalignment and transforming support units so they are focused on meeting the needs of their internal customers provides an opportunity for substantially increasing shareholder value. IT departments develop a portfolio of strategic services, including decision-support applications, transaction-processing applications, and infrastructure. Once the portfolio of strategic service offerings has been determined, the support unit must develop a strategy

through which it will deliver these promised services to corporate and to the business units.

The support unit should have the same overarching goal as the enterprise: generating some measure of shareholder value. For a support unit, the traditional financial perspective of an enterprise strategy map is divided into two components - functional efficiency and functional effectiveness. Efficiency deals with traditional issues like cost of service delivered and adherence to the budget. Effectiveness describes the impact that the support unit has on the enterprise strategy.

The support unit generally has two classes of customers: (1) the business unit managers whom it directly services and (2) the employees or external constituents who are the recipients and beneficiaries of its services. Every support unit should understand his customers' strategies and use its functional expertise to create and deliver solutions that contribute to its customers' success.

How should IT balance priorities?

A critical aspect of effective corporate management is managing IT priorities. This is often an ad hoc process determined by the IT team without the input, coordination, and oversight by the executive team to ensure alignment with the company's strategy and vision. Companies have limited IT budgets and are often faced with functional leaders independently requesting IT solutions.

A sample method of prioritizing competing IT projects: The first step is to create a "blueprint" of the business. The blueprint would include:

- A hierarchical and prioritized view of all major goals across the enterprise
- An enterprise wide function model that displays all major activities in the corporation
- An enterprise wide information inventory
- An organization model mapped to the functions
- A Current State systems inventory mapped to the major functions of the enterprise

The blueprint provides a framework for a formal governance and prioritization process. It provides a means of categorizing organizational activity (including IT projects) and relating them in a logical way to the company's strategy and its' ability to execute strategy. It is desirable to include several groups in the organization as part of this process. The IT group would provide guidance and approval of the project selection and prioritization. The Project Management Office (PMO) would perform the administrative efforts in the project proposal and approval process. And a group composed of representatives from eBusiness teams within each business unit would categorize projects, assess their business impact, discern their alignment with company goals, make tradeoff decisions, and finally develop a list of projects for which funding is recommended. This is both a critical and lengthy

process that would be expected to take at least three months.

Unlocking Sustained Business Value from IT Investments

There are many situations where a strong business case has been made for an investment together with a well-considered ROI calculation, yet the business benefits sought never actually materialized, despite the fact that the project was delivered on time, within budget, and met the technical specifications.

The benefits to an organization from IT-enabled change essentially emerge from three causes: either refraining from doing activities, doing what has always been done but better (i.e., cheaper and/or faster), or doing completely new things. If organizations are to increase the likelihood of success from their IT investments, they must separate out the different sources of the benefits before developing an implementation plan. Approaches to implementation will differ depending on the nature of the change involved. There are two distinct types of IT interventions: Problem-based implementation and innovation-based implementation. Both are likely to be present in any large-scale IT project, but the impact on employees and other stakeholders will be quite different and the issues that need to be managed will be very dissimilar.

Understanding the business context of the investment being considered is critically important. All too often, IT projects quickly becoming technology projects, rather than primary business change projects with an IT component. Although the tenets of CRM, including building close relationships with customers, are admirable, they are often difficult to achieve as many companies are organized along product or channel lines rather than customer. Legacy IT applications also provide added difficulty. CRM is not a product that can be purchased; it is a discipline, a framework, and strategy. Although it is supported by IT, it involved considerable organizational re-design, often changing the focus and culture of the organization. CRM implementation is not easy and the evidence suggests that many companies are struggling with their efforts.

As with any IT investment, the benefits of implementation are likely to emerge only if organizational processes are redesigned. This task of reengineering business processes should not be underestimated, as it often is in many ES implementations. The change in work practices that usually accompanies any redesign can result in staff resistance if not managed appropriately. Many IT projects fail to deliver the expected return due to their failure to manage the transition.

Key Issues in Enterprise System Implementations
- To succeed, business models will have to change and so will business and organizational relationships
- It is the business changes enabled by the ES application that produce he major and lasting business benefits
- There must be explicitly identified benefits both to the corporation and to the functional units in order to enable the business changes. However, implementing an ES system will rarely deliver sufficient immediate benefits to justify the cost and effort.
- Corporate IT initiatives are often distrusted by the business units or functions due to perception of increased centralized control and loss of autonomy
- The technology is rarely the cause of failure; it is normally the result of organizational issues being unresolved or a poor implementation process
- ES projects often have an imposed deadline that can seriously affect the likelihood of success. Figure out the requirements of the project first, then determine how long it is likely to accomplish them.
- Poorly defined or ineffectively communicated business vision and strategy will reduce the ES projects to a technology project only owned by the IT function
- Most organizations realize (after the event) that more resources and expertise should have been dedicated to managing the changes.

Effective IT Governance

Effective IT governance must address three questions:
1. What decisions must be made to ensure effective management and use of IT?
2. Who should make these decisions?
3. How will these decisions be made and monitored?

To address the first two IT governance questions, one must consider the following interrelated decisions:
- *IT principles* – Clarifying the business role of IT
- *IT architecture* – Defining integration and standardization requirements
- *IT infrastructure* – Determining shared and enabling services
- *Business application needs* – Specifying the business need for purchased or internally developed IT applications
- *IT investment and prioritization* – Choosing which initiatives to fund and how much to spend

Identifying the organization's fundamental IT principles is a critical management decision that sets the stage for everything else. By clarifying the enterprise objectives for IT, it establishes the direction for all other IT decisions. If the principles are not clear, it is unlikely that the other decisions will coalesce meaningfully. Enterprises with clarity and focus generally produce better results in any endeavor. Study after study demonstrates that enterprises achieving superior business value from IT have a small number of clearly articulated IT principles. These

IT principles are a set of high-level statements about how IT is used in the business which once articulated, become part of the IT culture.

Examples of good IT principles that can be readily translated into specific policies, standards, and guidelines include:

- Enable the business
- Ensure information integrity
- Create a common customer view
- Promote consistent architecture
- Utilize industry standards
- Reuse before buy; buy before build
- Manage IT as an investment

These guiding principles assist non-IT managers in making IT decisions that are in line with enterprise objectives. The principles should be further articulated and communicated to the organization. For example, principle #7 about investment could be expanded to note that the organization will manage IT and associated processes as an investment portfolio, adopting new solutions when cost effective and retiring existing technology that is not longer cost effective or risk acceptable. The implication and rationale behind each principle should also be clearly articulated and communicated to the organization. The IT principles will then provide a framework to clearly define desired behavior for both IT professionals and IT users.

Some key guiding principles of IT governance:

- Set IT principles with a strong flavor of asset utilization via duopoly of the CIO's and the IT group. Use duopolies to make investment decisions to balance business needs with sharing and reuse.
- Create an IT architecture committee of business and IT people to design enterprise architecture and manage commitment to shared infrastructure.
- Assign business/IT relationship managers focused on achieving business value from IT for their business units and leveraging enterprise wide infrastructure.
- Establish a technical core of infrastructure and architectures providers who plan and implement the enterprise's technology platform and interact with the business/IT relationship managers.
- Institute a regular review process that brings together business unit and IT leaders to look for synergies, reuse, and trends across operational units.
- Involve IT architects in business unit projects to facilitate education and effective use of shared infrastructure and architecture standards.
- Develop a chargeback system to help business unit leaders see the value of shared services and make effective decisions on IT use.

Acquisition Integration Methodologies

Why is an integration methodology important?

Improving the acquisition integration process may be one of the must urgent and compelling challenges facing businesses today. Despite enormous growth in merger activity, acquisitions that appear to be both financially and strategically sound on paper often turn out to be disappointing for many companies. Often the acquiring company takes too many years to realize the expected synergies, is unable to get people to work together productively, or puts the companies together in such a heavy-handed way that the unique capabilities of the acquired company melt away. Therefore, it is increasingly important that executives learn how to manage the integration of acquisitions as a replicable process and not as a onetime-only event.

It is important to note that acquisition integration is not a discrete phase and does not begin when the documents are signed. Rather, it is a process that begins with due diligence and runs through the ongoing management of the enterprise.

How IT Executives should prepare for Mergers and Acquisitions

IT executives play a major role in the success of mergers and acquisitions. Preparation is essential for success.:

- Understand the business strategy and IT's role in enabling it. The IT management should contribute to setting the strategy before the merger or acquisition.
- Build the capabilities within the IT group to do multiple acquisitions if that is the business strategy.
- Analyze the IT implications (status and fit of the acquired company's IT platform, organization, etc.) as part of the due diligence process to determine whether or not to do the acquisition.
- Develop a master plan to guide changes to IT infrastructure, applications, organization, etc. in the acquisition.
- Assess and manage the impact of IT changes on customers to ensure that customers are not adversely affected by the acquisition.
- Study the company's past M&A successes and failures (particularly the failures) and best practices in other companies. What results is a knowledge base on how the company should do M&A's in the future.
- Prepare the IT group for due diligence analysis of potential M&A candidates. Develop the process, skills and knowledge to do the analysis quickly and effectively.
- Develop a master plan to guide decisions on IT infrastructure, applications, organization, etc. in a merger or acquisition. For example, what are the principles that will determine what gets replaced, what gets integrated and what is let alone.
- Develop principles for how people will be treated both in the acquired company and the acquiring company. Learn about incentives, bonuses, etc. that are effective in retaining valued employees.
- Develop incentives to retain key employees for the short term.
- Provide honest and proactive communications to employees to ensure that morale is good as possible

Alleviating IT Pain Challenges

When the IT organization is feeling pain from the challenges it faces, focused effort that targets the cause of the pain can alleviate it, and help strengthen the organization going forward.

Challenges	What Can Help
Prioritizing IT Projects	Develop an effective methodology for prioritizing IT projects ▪ Document an enterprise-wide IT framework or "blueprint" ▪ Determine groups and respective functions in the prioritization process ▪ Develop formal process steps, timelines, and parties of input and decision making for the prioritization process ▪ Assist in navigating politics and sensitivities when prioritizing limited IT resources
Monitoring and controlling IT implementations and activities	Implement an IT governance methodology ▪ Determine what decisions must be made to ensure effective management and use of IT ▪ Determine who should make these decisions and how the decisions will be made and monitored
Creating an effective IT strategy	Develop a strategy that: ▪ Holds IT accountable ▪ Focuses on internal and external customer needs ▪ Balances requirements against financial impacts ▪ Aligns IT with the enterprise ▪ Addresses needs of IT staff
Aligning IT strategy with enterprise strategy and goals	Develop an effective IT strategy that contains the same overarching goal as the enterprise ▪ Describe the impact IT has an the enterprise strategy ▪ Address costs of services delivered and adherence to budget ▪ Define key efficiency measures; cost per transaction, quality, response time ▪ Institute Service Level Agreements ▪ Obtain internal and external feedback
Determining meaningful metrics to measure IT effectiveness	Identify, select, and report on meaningful IT metrics ▪ Inventory current IT metrics ▪ Determine additional metrics for consideration ▪ Select appropriate metrics ▪ Determine methods for collecting metric data and reporting frequency