GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

Chapter 7

"From the sublime to the ridiculous, there is only a step". **Napoleon**

Summary

Basic Reference

- R. Wyatt-Haynes. *ALIGNIT, Business Impact Through IT*. 2007, John Wiley & Sons.

"A brilliant resource!!"
Kathleen Gearhart-Filmer, Director, Walt Disney

ALIGNIT

Business Impact Through IT
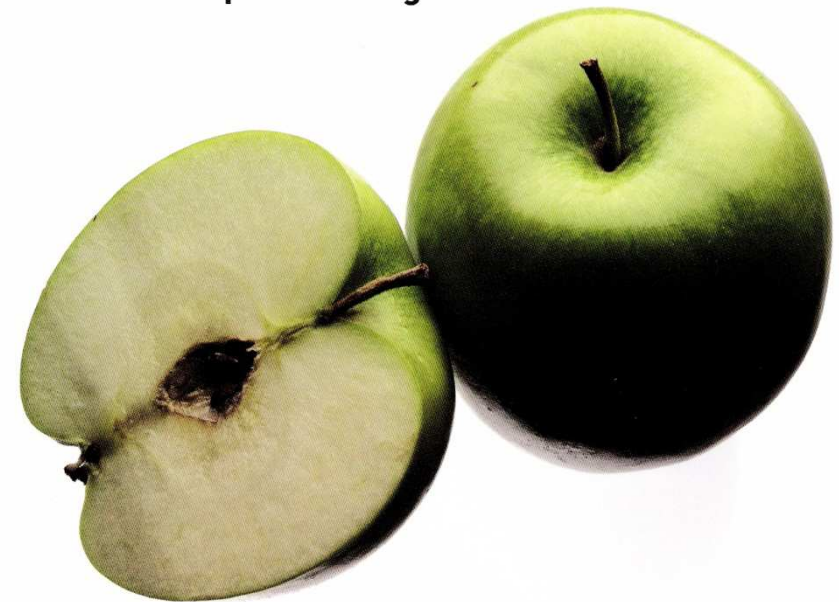
Richard Wyatt-Haines

7. Introduction

- Strategy, tactics and operation
  - Strategy: Art to direct something.
  - Tactics: Method or system to run or get something.
  - Operation: Running something
- Hierarchy of the strategy
  - The corporate strategy is the general strategy, business strategy is tactics and the functional strategy is operational

7. Introduction

- This topic is how IT is aligned with corporate strategy, tactics and operational activities.

- Just as it makes no sense that the company has a corporate finance strategy that does not align with the accounting, there is no sense that the strategy implemented by the CIO is not aligned with the IT projects.

7. Examples

- *Tesco was a simple supermarket, but turned into a chain, then a logistics company and now marketing one.*
  - *Its products range from consumer goods to banking products*
  - *They have gone from selling products with low profit margin (bread or milk) to high-margin products (such as car insurance or personal loans) => from products to products with a lot of information.*

7. Examples

- In strategic terms the company has set three main objectives:
  - Increase market core (core) in UK
  - Developing the non-food services.
  - Expand to international markets

- ## What does this mean for the CIO?
  - Being able to provide the company with processes and resources to support the implementation global capacities=> lead a logistics system to expedite supplies, reduce stocks and ensure business availability.

7. Examples

- ● What does this mean for the CIO?

  - – Which implies the ability to quickly provide information on storing to a large number of managers to make informed decisions and simple links with suppliers of Tesco.

  - – In the field of marketing, it would be to capture additional information from loyal customers (tesco card) identifying user behavior => promotions can be adjusted and the company can make decisions about what you want to offer, where and to whom.

TESCO

7. Examples

- What does this mean for the CIO?
  - In the international area, it means having the ability to support business management at all hours, with different cultures, while integrating existing systems and adapt the Tesco way of business.

7. Examples

- This bank has a simple strategy: sell the maximum of financial products to its existing customers.
  - Wells Fargo estimates that the cost of selling a product to an existing customer is only 10% to sell it to a new customer.
  - The bank employs "economies of skill," if an Office gets an additional 5% of sales than the others, the bank wants to use this "knowledge" in the rest of the company.
  - The bank acquires other companies only if they lead to a quick profit.

7. Examples

- What does this mean for the CIO?
  - The bank provides systems and technology to improve the image of the customer and their needs and make them accessible to all on the bank.
  - Applications available for decision-making on financial products sold to each customer.

7. IT and strategy

- In particular, IT is added value to the customer through the use of that information. So that, IT is:
  - Support: At its most basic level, IT systems provide technology to support the core activities, work processes more effectively, secure and accessible way for customers.
  - Link: IT must connect several business activities, connecting systems transparent to the user.
  - Competition: IT set new levels of efficiency that make it difficult to get new players into the market.

7. IT and strategy

- Added value: IT can improve the value of a product or service by increasing the amount of information either on the product or its distribution.

- Innovation: alert the board of directors on new technologies and developments, and how they can be applied to the business of the company itself.

7. IT and strategy

– Improve productivity: in addition to support and enhance competitiveness, IT is the flow of data, information and knowledge throughout the company and therefore can adjust the size of the business.

7. IT and strategy

– But not only should improve productivity through operational efficiency, IT must produce in other ways:

- Teleworking, groupware, intranets, ... lead to better business autonomy

- Transforming the organization: the task dimensions, people, structure and technology are closely related, changes in one dimension have an impact on the others.
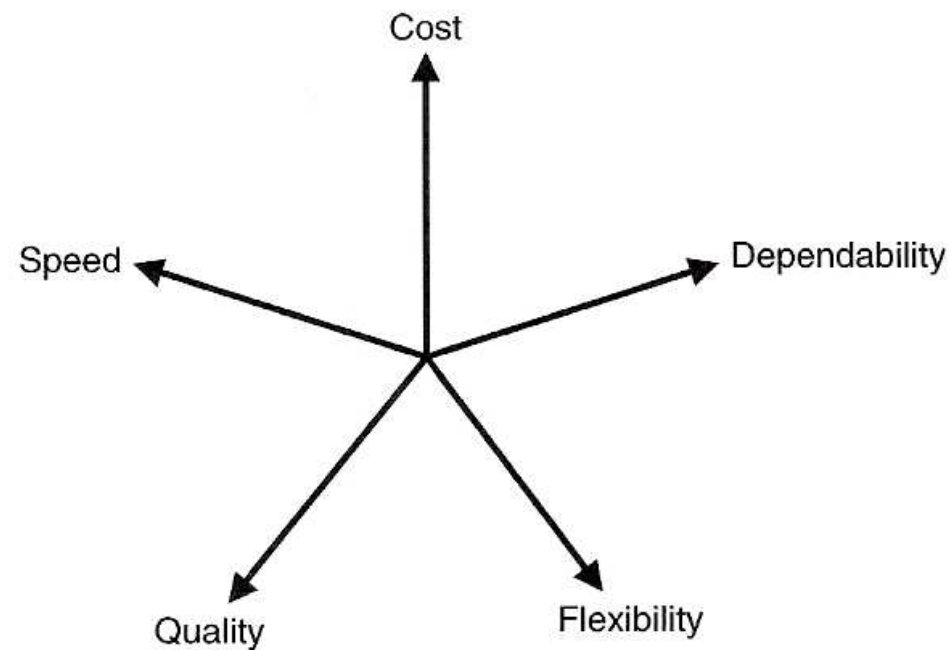
7. IT and strategy

Figure 2: The drivers of operational success (Slack *et al.*, 2005)

7. IT and strategy

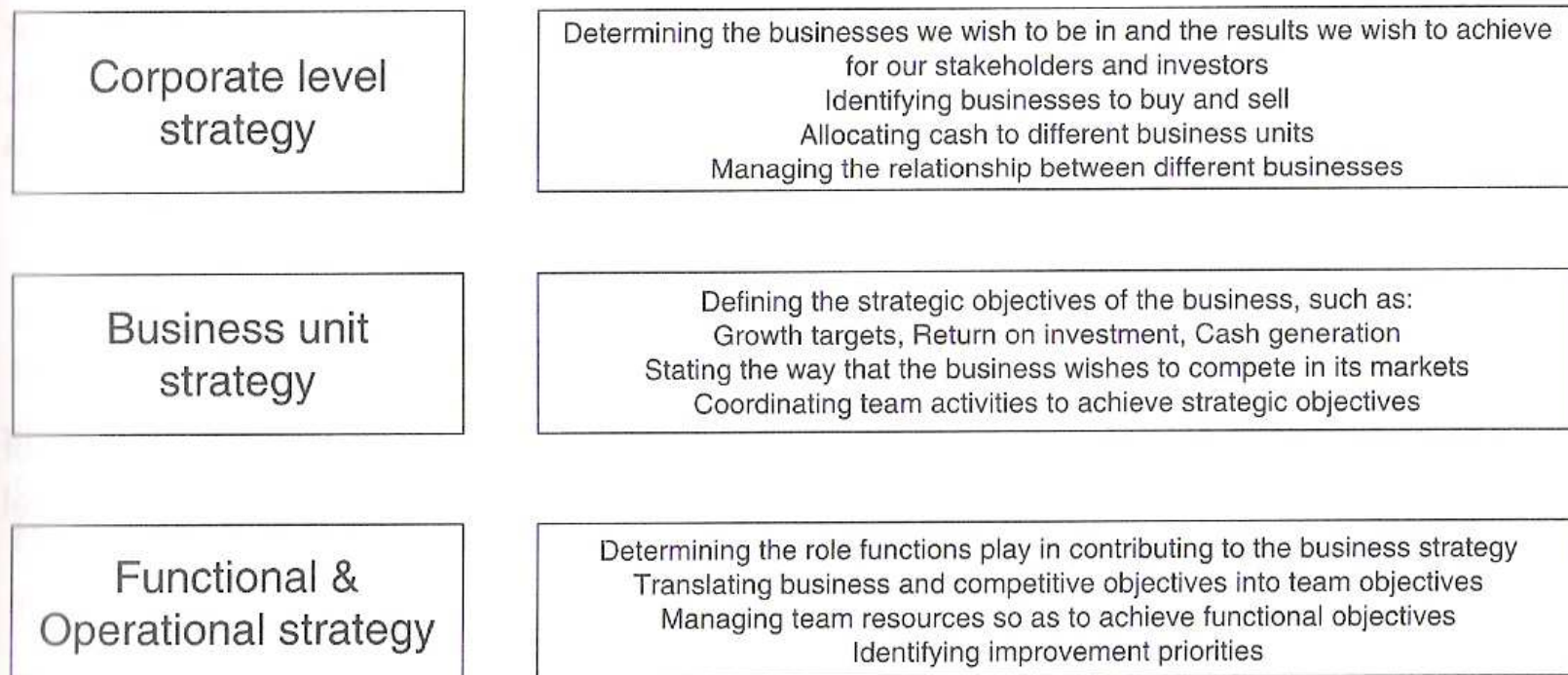|	
Corporate level strategy	Determining the businesses we wish to be in and the results we wish to achieve for our stakeholders and investors Identifying businesses to buy and sell Allocating cash to different business units Managing the relationship between different businesses
Business unit strategy	Defining the strategic objectives of the business, such as: Growth targets, Return on investment, Cash generation Stating the way that the business wishes to compete in its markets Coordinating team activities to achieve strategic objectives
Functional & Operational strategy	Determining the role functions play in contributing to the business strategy Translating business and competitive objectives into team objectives Managing team resources so as to achieve functional objectives Identifying improvement priorities

Figure 2: The strategic hierarchy

7. IT and strategy

Our strategic purpose	Our strategic purpose Why does the IT function exist?		
Strategic themes and goals	A brief description of strategic theme 1 (taken from the strategy map)	A brief description of strategic theme 2	A brief description of strategic theme 3
Our aspir-ation are:	Why are we doing this and what do we hope to achieve as a result?		
We know we will have arrived when:	If we are successful, what will the world look like when we have arrived?		
We will measure our success by:	What measures and targets will we use to record our success?		

Figure 5: Creating measures for a themed IT strategy map

7. Performance and Behaviour

- Establish performance measures in the context of:
  - Business Values
  - Culture that try to create
  - Offered services

7. Performance and Behaviour

- These measures have three roles:
  - Provide focus:
    - Based on the strategy, tactics and operational
    - Creating alignment
    - With meaning for everyone in the organization
    - Consistent with the organization
    - Balanced with the financial aspects

7. Performance and Behaviour

- These measures have three roles:
  - Add clarity:
    - Accuracy and credibility of the measures
    - Simple, with understandable calculations
    - Observable and accounting
    - Few
    - No Overlapping

7. Performance and Behaviour

- These measures have three roles:
    - Lead to action:
        - Must provide results for progress
        - Available on time
        - Helping to predict
        - Identifying areas for improvement
        - Balancing cost and benefit
        - Getting the information and its use
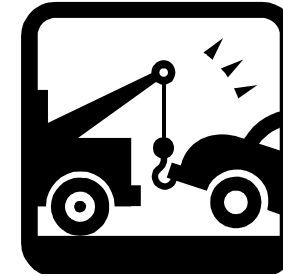
7. Examples

- Followers:
  - IT spending vs. Global spending
  - IT spending vs. user user spending
  - IT vs. budget outsourcing
  - % Up time
  - failures
  - % Availability on SLA
  - % Resolved incidents
  - IT salaries vs. Cost
  - Personnel in IT vs. Total
  - Skills and abilities
  - Utilities, hardware, software
  - 24/7 coverage
  - % SLA services
  - % Projects completed on budget or time
  - ...

7. Examples

- Enablers:
  - Annual Survey of user satisfaction, reputation of IT
  - Minutes of meeting of finished projects
  - Management of postincident visits
  - Departments with their own IT(% of reduction)
  - Hours of contact with sponsors
  - Speed resolution of failures and incidents
  - Selection of projects: time, cost, value
  - IT development plan
  - IT infrastructure costs
  - Employees IT awards, congratulations
  - Personnel from IT in projects
  - Visits per year to business units or other dept.…
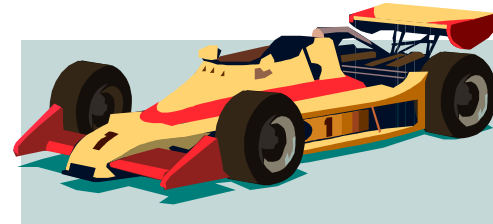
7. Examples

- Leaders:
  - Feedback on the results of satisfaction
  - Access to use the system
  - Productivity or sales generated
  - ROI
  - Performance vs. Investment
  - % Effort from IT in projects vs. Total effort
  - IT vs. Cost, Profits or savings
  - Time-to-market, number of days to start a new assignment
  - Hits on the Web
  - Hits on the intranet
  - Link Popularity
  - Percent of total intranet users
  - Partner Access
  - ...

From Commodity to Value

Generating the
numbers
On cost & time projects
New concepts brought to
market

The right behaviour
Involving IT earlier
Joint project teams
established

Delivering greater
value
Faster response times
One touch solution rate
Business satisfaction

Staff willingness and
capability to deliver
Staff satisfaction
Staff skill levels
Productivity

Internal quality
IT system performance
System simplicity

Figure 6: The service to profit chain in IT

7. IT Alignment

Anticipating and leading

- Leading business thinking & development
- Externally focused & leveraging knowledge for impact
- Using data to improve decision making
- Embracing risk taking
- Testing a portfolio of initiatives

Absorbing uncertainty

- An entrepreneurial culture
- Possessing the required IT capabilities
- Modular & flexible infrastructure

Agile and flexible

- Modular & flexible processes

Strategically aligned

- IT team aligned with the business strategy
- IT understand drivers of business success
- IT able to leverage business value
- IT resources focused on what makes us distinctive
- A CEO who believes & actively supports
- Delivering resposiveness & quality
- Trusted, able to collaborate & manage conflict
- Resourceful, proactive & opportunistic

Right people with the, right skills

— Where are we now? —— Where do we want to be?

Figure 7: Your strategy – do you have what it takes to deliver? An example
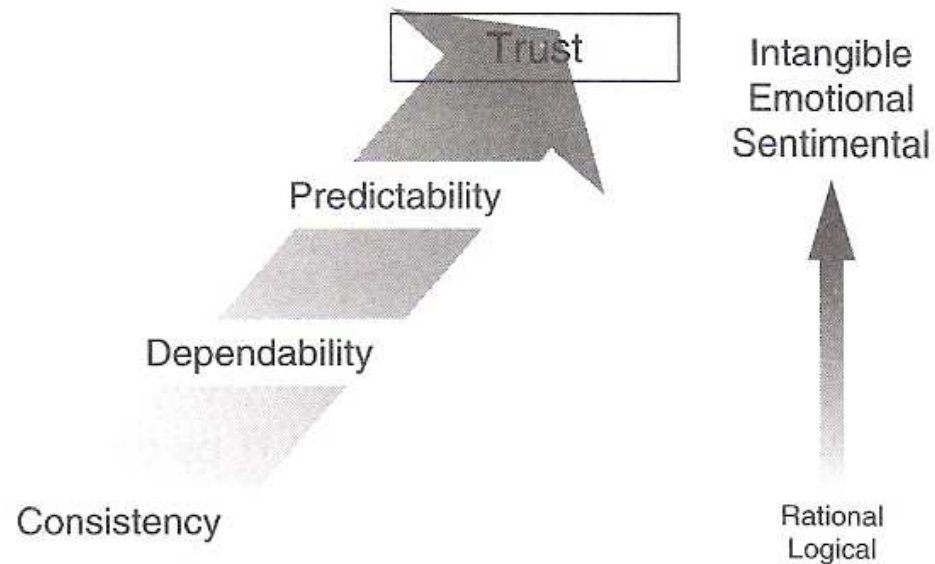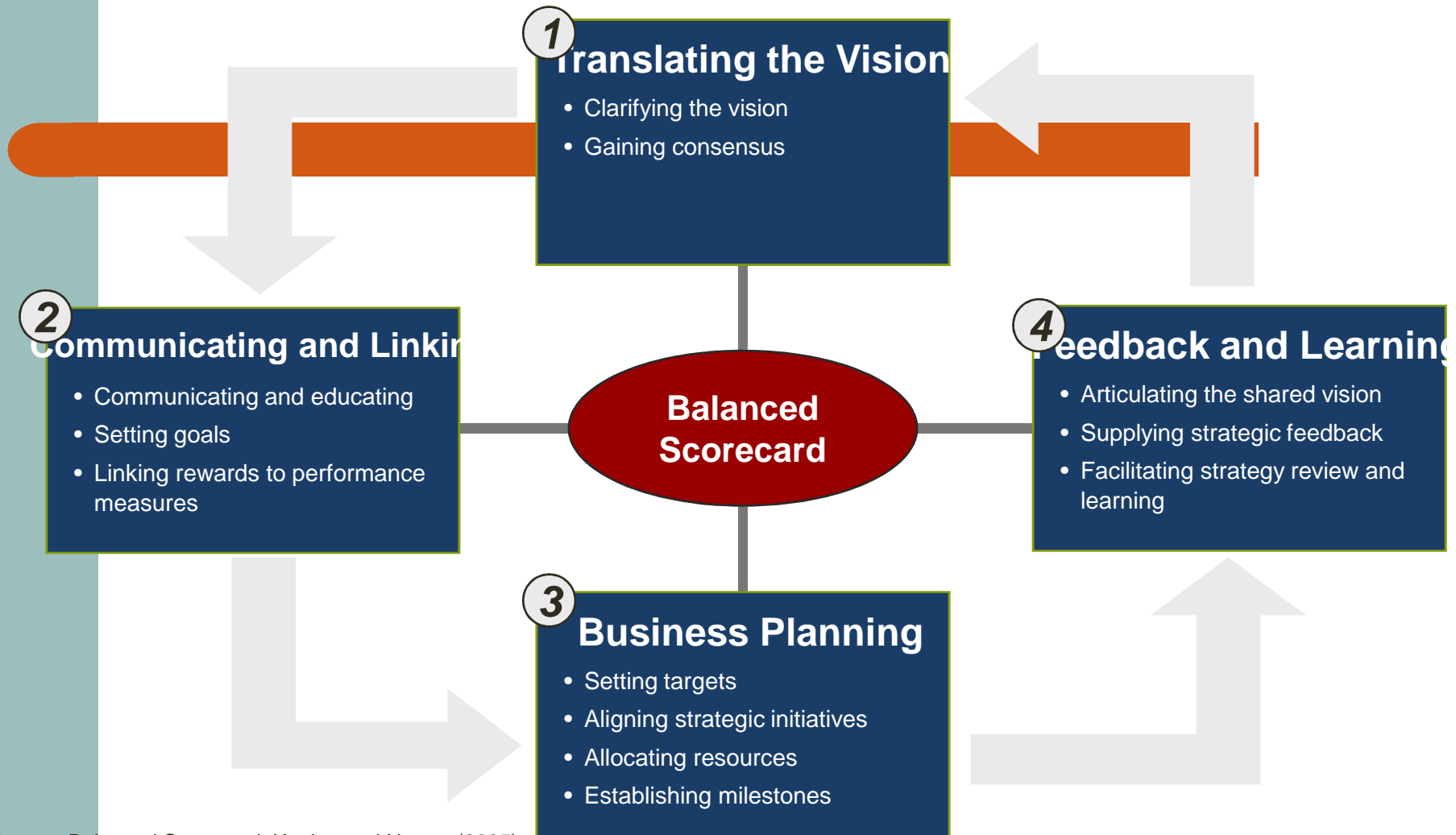
7. IT Alignment

Figure 19: Building trust in your brand (Mitchell, *et al.,* 1998)

7. Balanced Score Cards

- The Balanced Scorecard is a strategic performance management framework that has been designed to help an organization **monitor its performance and manage the execution of its strategy**.

- In a recent world-wide study on management tool usage, the Balanced Scorecard was found to be the sixth most **widely used management tool across the globe** which also had one of the highest overall satisfaction ratings.

7.Balanced Scorecard

① Translating the Vision
- Clarifying the vision
- Gaining consensus

② Communicating and Linking
- Communicating and educating
- Setting goals
- Linking rewards to performance measures

Balanced Scorecard

④ Feedback and Learning
- Articulating the shared vision
- Supplying strategic feedback
- Facilitating strategy review and learning

③ Business Planning
- Setting targets
- Aligning strategic initiatives
- Allocating resources
- Establishing milestones

Source: Balanced Scorecard, Kaplan and Norton (2005)

7. Balanced Scorecard Perspectives

Balanced Scorecards have 4 perspectives:

- The **Financial Perspective** covers the financial objectives of an organization and allows managers to track financial success and shareholder **value**.

- The **Customer Perspective** covers the customer objectives such as **customer** satisfaction, market share goals as well as **product** and **service** attributes.

- The **Internal Process Perspective** covers internal operational goals and outlines the key **processes** necessary to deliver the customer objectives.

- The **Learning and Growth Perspective** covers the intangible drivers of future success such as **human** capital, **organizational** capital and **information** capital including skills, training, organizational culture, leadership, systems and databases.
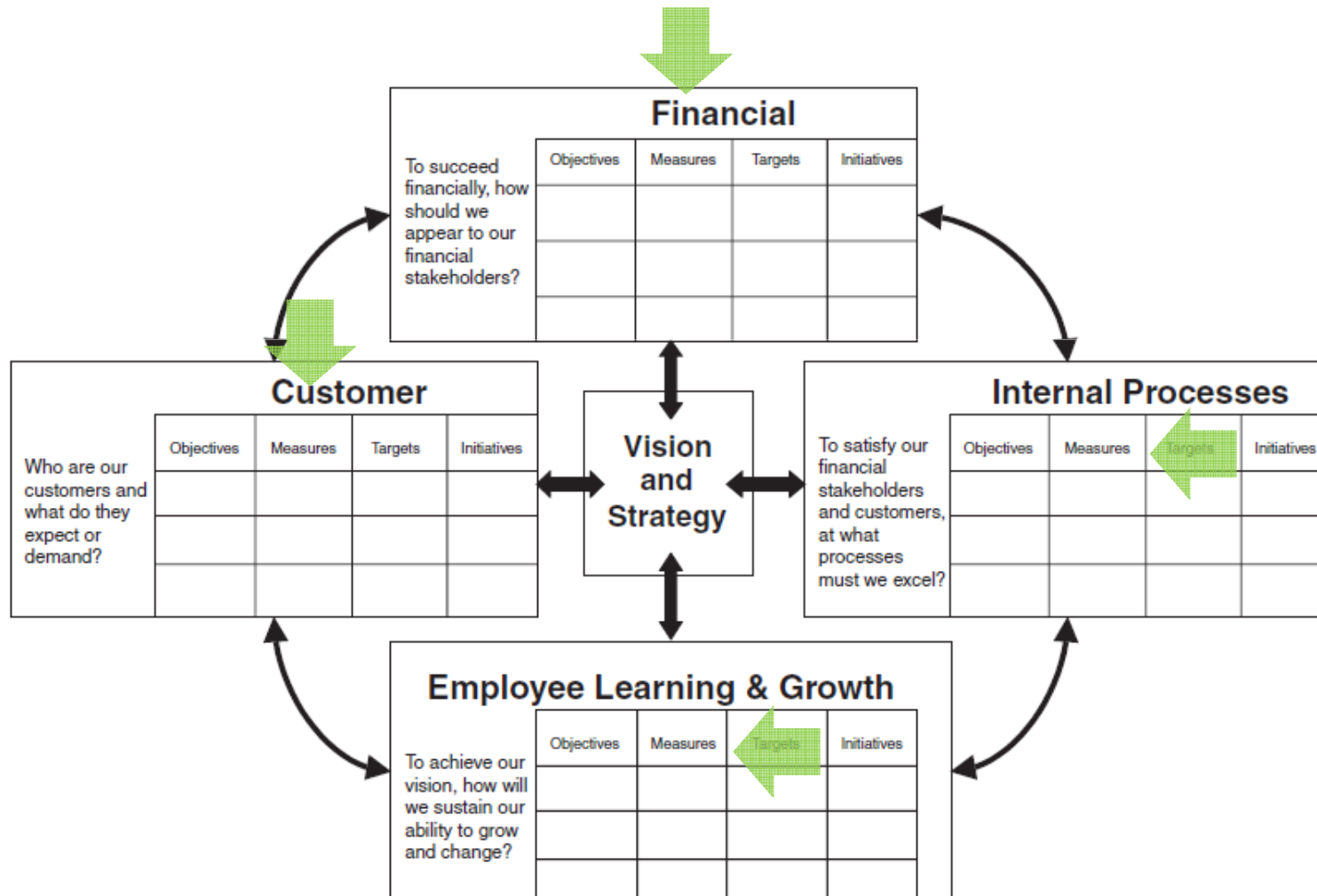
7. BSC Alignment

EXHIBIT 5.3 The Balanced Scorecard