

CIO Desk Reference

IT Business Planning

Dynamic, continuous strategic IT planning ensures the IT organization (ITO) not only aligns with line-of-business (LOB) needs, but also delivers optimal value from the organization's IT investment. Savvy CIOs will use the process discussed in this chapter to further increase IT value and become a full and equal partner of the business.

The information economy places new pressures on ITOs to deliver information products, with industry leaders adept at creating information value networks and information architectures. As successful information service providers, leading CIOs concentrate on increasing the business perception of information dependence while also developing repeatable processes for sustaining information delivery.

Traditional IT strategic planning is a yearly, typically static, and discrete process. It takes considerable time (often four to six months) to produce a large, static document that details projects and timetables from a technology-versus-business viewpoint.

Our research shows strategic IT planning is evolving away from this traditional approach toward a dynamic and continuous process that has both traditional and highly strategic, digitally innovative components based on portfolio management concepts. Leading (<20%) Global 2000 organizations will adopt this dynamic process as a best IT planning practice. They will achieve both a significant competitive edge and improved IT employee morale as a result, having achieved continuous, ongoing alignment of IT initiatives with business imperatives and opportunities. Most G2000 organizations will maintain traditional IT strategic planning as a best practice, while leading-edge organizations (<20%) will integrate business and technology strategy planning into a seamless, ongoing value optimization process.

An IT business plan is a high-level vision of the role and value of IT in an organization. The plan does the following:

- □ Relates business strategies to IT initiatives and investments
- □ Represents the vision for IT's role in the enterprise
- □ Briefly summarizes the current state of IT
- □ Prioritizes and guides IT activities toward achieving the business strategy
- □ Communicates the value and priorities of IT investments to the business

A best-in-class IT business plan should highlight the following:

- □ The requirements of a particular audience — business executives, LOB leaders, and general staff do not necessarily want or need to see all the same information
- □ Key projects and operations activities
- □ What IT is capable of — what is easy to do versus what requires major upgrades
- □ What technologies are strategic and the focus of standardization, including associated guidelines
- □ Identification of how to use these technologies
- □ Appropriate packaging of these technologies for specific audiences

- □ How to get enough of the right information to the right people at the right time
- □ Improvement initiatives for the ITO regarding internal processes and issues
- □ Continuous improvement goals and the establishment of parameters that are measured through a balanced-scorecard approach

The benefits of evolving toward this IT strategic planning approach accrue to both LOBs and the ITO

- □ Agility in supporting the LOBs' competitiveness:
 - Accelerating innovation
 - Streamlining processes
 - Improving customer service
 - Meeting regulatory requirements
 - Reducing costs
 - Increasing profitability
 - Improving flexibility (adaptability)
 - Implementing changes quickly (agility)
 - Enabling more accurate business, market, or customer assessments
 - Forecasting of technology-based costs and benefits
 - Guiding internal technology decisions (or business investment decisions)
 - Reducing risk
- □ Constant clarity of focus on doing the right things ("top 10" value generators to work on — determining where and when to invest scarce IT resources, then doing it and staying in sync all the while) to achieve ongoing strong alignment between business needs and IT initiatives. That is, IT initiatives are focused, on a continually refreshed basis, on specifically generating the business value targeted by the LOBs, with appropriate impact discussions when more work is requested than can be immediately undertaken — the tradeoff game.
- □ Clear communication between the ITO and LOBs, linking business imperatives to benefits generated, to IT initiatives, to specific projects, to resource requirements — from both plan and actual/status perspectives.
- □ Clear communication within the ITO and improved alignment of IT staff members toward achieving business value (providing explicit IT vision and mission statements).
- □ Improved public relations (PR) between the ITO and its client LOBs. The IT strategic plan itself is a PR vehicle and the basis of quarterly and annual IT reports.
- □ Heightened perception of the value of the ITO. This approach results in gaining broader permission from the LOBs to drive business value initiatives, thus moving up the IT value perception chain.
- □ Increased awareness of the positive impact of technology on business value (educating LOBs on current technologies and technology trends via business impact statements).

Plan Structure

A best-of-breed IT strategic plan is high-level and short — 10 or fewer pages in length (with supporting details in appendixes); otherwise, it becomes another dust collector on a shelf rather than the working document it needs to be. A clear, simple-

to-understand presentation, backed up with concise supporting documents, is the format of choice. It should be based on the following components:

- Business drivers and imperatives/goals
- Current technology trends with their business impacts
- Competitive landscape
- Matrix of the IT investment portfolio showing business imperatives, anticipated benefits, technology needs, and IT initiatives
- Gap discussion and resource requirements
- Organizational impact

Business Drivers and Imperatives. These are from the business strategic plan. The drivers are the high-level (four to eight) strategic directions of the business (e.g., growth by acquisition); the imperatives are the (three to five) specific, measurable goals for each driver. Some business drivers could be derived from the following sample statements:

- The organization will differentiate in its market based on ____ (e.g., one or more of the following: customer intimacy, product quality, operational excellence, etc.)
- The organization will leverage economies of scale to reduce costs across the entire enterprise
- The organization will improve its customer focus to offer a superior value proposition to ____ (e.g., one or more of the following: high-net-worth individuals, large businesses, small and medium businesses, etc.)
- The organization will leverage its brand to expand into additional markets (e.g., one or more of the following: new geographies, new products, new customer segments, etc.)

The implication of these drivers on the IT environment must also be addressed in terms of:

- Overall information technology
- Information
- Applications
- Infrastructure
- Operations
- Information technology human resources
- Sourcing and vendor portfolio
- Risk (security, business continuity, etc.)

Current Technology Trends With Their Business Impacts. These educate LOBs on gross industry trends by reviewing the core 7-10 trends from a business impact (how this trend affects/drives innovation and business value) and sets the stage for linking the technology initiatives to the business imperatives.

Competitive Landscape. This focuses on the impact on business strategy of the external, competitive context/opportunities/constraints in which the organization operates.

Matrix. The matrix documents the current plan and its status, via a summary representation of the IT investment portfolio, with columns showing the following

- Business drivers
- Business imperatives/goals

- Business benefits — planned and then achieved (i.e., why are we doing this?)
- Technology needs — what high-level technology is required
- IT initiatives — the actual projects themselves
- Milestones planned and achieved (established to deliver perceived value in three month increments)

Gap Discussion. This describes how to get from the current state to achieved milestones, focusing especially on risk identification and management as well as resource requirements and timing.

Definable and Measurable Performance Objectives. These identify strategic enterprise wide business goals that may include mission improvements (costs, time to market and quality) attributable to IT business services and technology solutions. Some of those targets may include business imperatives, such as:

- Percentage of increase in market share (market penetration)
- Percentage of increase in customer base
- Percentage of increase in revenues
- Percentage of increase in profitability
- Percentage of decrease in the cost of sales
- Other performance objectives, such as portfolio management, financial investment benchmarking performance, and IT resource allocation

Strategic IT planning is one of the ITO's core competencies and therefore is one of a linked set of synergistic best practices CIOs should focus on deriving optimal value from the entire IT investment:

- Dynamic, continuous strategic IT planning
- Program management office
- Project/portfolio prioritization
- Business case development and presentation

Crisp communication of the strategic plan can be difficult. IT personnel tend to write poorly, have too much technical jargon, and do not connect IT activities to business objectives. IT strategic plans answer the question of what is the most important work to be done now (annually, this quarter). Powerful IT strategic plans communicate via these best practice components:

Short executive introduction: In no more than half a page (250 words), CIOs state the purpose of the plan. This section includes paragraphs (one each) on background (purpose of document), reminding readers of past IT achievements, future priorities, and how to contact appropriate people. This half-page document sets the tone and educates executives on high-priority I initiatives and how the strategic plan fits into an overall IT taxonomy.

Overview of key initiatives: The brief piece provides an executive summary of the top three initiatives. This section states the key business sponsors, projected ROIC, anticipated successes against the corporate balanced scorecard, and the potential barriers to success. This section integrates strategic IT initiatives into a desired future state.

- **Single-page overviews of each initiative:** The next three pages cover each strategic initiative, with one initiative per page. Although key information is listed, the page is not meant to be an all-encompassing project description, plan, or report card. At a minimum, individual pages cover the initiative's description, key features, significant milestones, critical solutions, and responsible personnel. There should not be a page for every project or work activity undertaken by the ITO. The purpose of the strategic plan is to secure agreement on the highest value-added work of the ITO, not to list all the work within an ITO. The strategic plan is not a project portfolio, operational plan, or annual (performance-oriented) report, nor is it an IT budget; therefore, it should not contain the entire mapping of IT resources, funds, or monies. Many good strategic plans point to tactical artifacts such as project plans, schedules, budgets, resource maps, interfaces, and data flow diagrams; data, security, and application architecture blueprints; monthly report cards; quarterly IT reports; and service level agreements. Strategic plans also link to other strategic artifacts such as IT mission, vision, values, annual reports, budgets, and portfolios.
- **Overview of business drivers:** This portion of the plan covers the business drivers, corporate success measures, and how the top initiatives stack up against these drivers and success factors. The purpose of this section is to integrate everything. In lieu of corporate success factors, this section can reference the corporate vision, mission, and values. If a corporation has no business drivers, business approvals or sponsor lists can be used instead. Most IT strategic plans fail to have such a section.

Taking Cues From the Leaders

Leading organizations have distinct characteristics in obtaining and maintaining their competitive advantages. Clearly, the rate of change in business processes is increasing faster than forecast in traditional strategic planning models and will accelerate in the future.

Consequently, the speed of strategic business planning must accelerate to be faster than the need for change in business processes. Given a continuous improvement process speed, therefore, an ITO's planning processes become more critical than does its breadth of planning, which becomes more critical than its depth of planning. Organizations must develop and implement an effective digital-planning process that must execute faster than the business pressures for change. Key elements include the following:

- Broad participation by senior business and IT managers
- Continuous environmental assessment, rather than static business plans and static evaluation
- Better development of intelligence about competitors and market directions
- Faster identification and assessment of threats than the competition
- Continuous evaluation of business partners
- The use of technologies that can be deployed in innovation, including knowledge management, business intelligence, e-business, and productivity management
- Identification of "targets of value"
- Ongoing alignment of the aforementioned in near real time

To use this model, the ITO develops scenarios and performs value analysis. Organizations that have implemented a digital-planning approach to supplement their traditional strategic-planning processes stand a much better chance of moving into the high/high quadrant of the C/D Matrix. A continuous planning process cannot

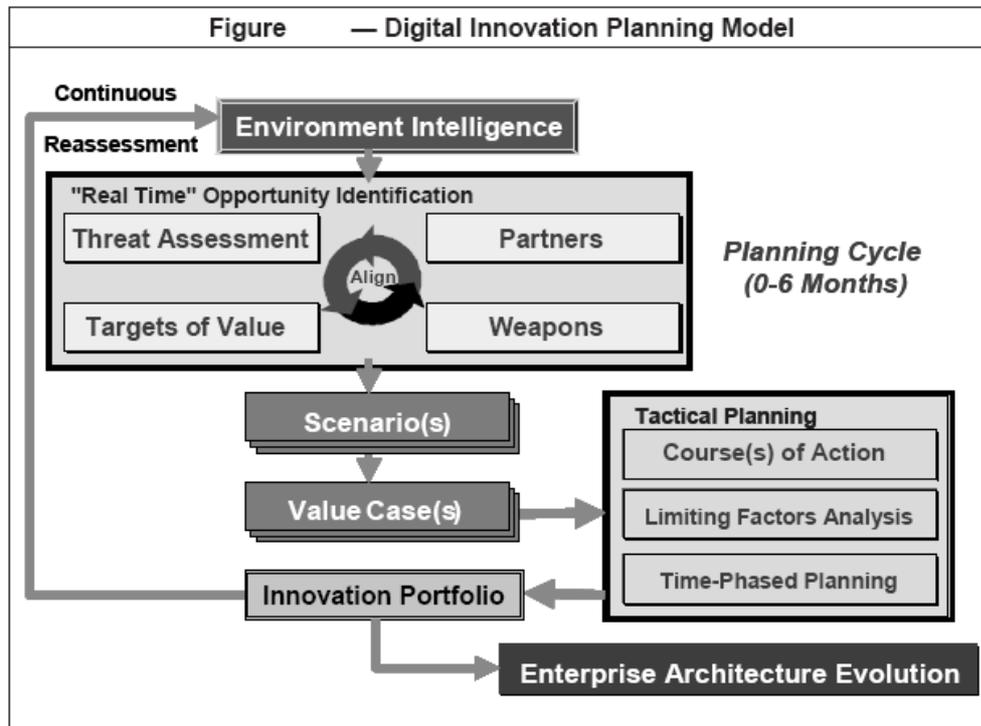
occur without tight integration between the business and IT and a high degree of credibility of IT within the business. Such a planning cycle forces the enterprise to evaluate its business strategies at cycles that are no longer than six months. By doing so, business and IT strategists must work side-by-side to determine the impacts of market changes on the enterprise's business systems portfolio and readjust the solution portfolio mix accordingly.

From identification of threats and opportunities through scenario planning and business case justification, the business and ITO work as an integrated team to continuously transform the organization. Business and IT values become inseparable as the business and ITO become equal partners.

As represented in Figure, the concept of portfolio planning is tightly integrated into the compressed planning model. Portfolio planning ensures a balance among high-, medium-, and low-risk investments in the enterprise's solution portfolio and further elevates the effectiveness of the ITO to the degree that it can work with the business in defining and implementing the innovation portfolio. Furthermore, an enterprise architecture process, when tied to a digital-planning approach to develop or refine enterprise strategy, increases the effectiveness of the ITO in quickly deploying mission-critical initiatives.

IT strategic planning can be defined as a continuous, business-integrated process in which the CIO does the following:

- □ Aligns IT resources with the LOB needs and makes decisions about the ITO's future
- □ Promotes innovative processes and technology
- □ Implements the necessary procedures and operations to support the corporate vision
- □ Measures how effective and efficient the ITO is in supporting LOB business imperatives



The Three-Tier Approach

For the CIO, IT strategic planning is a continuous, structured process that must be highly integrated and aligned with LOB business imperatives. Two key elements of a best-in-class strategic planning process are alignment with LOB business imperatives and organizational agility. CIOs should consider a three-tiered approach: 1) dynamic planning; 2) visible-horizon planning; and 3) paradigm pioneering. The primary goal of a three-tiered strategy approach is to facilitate transformation of the enterprise while maintaining a state of innovation equilibrium. By categorizing innovation opportunities in response to immediate, perceived, and either unexpected or predicted threats and opportunities, the enterprise is more able to perform profitably under current conditions while continuing to invest in strategic innovation over a broad time period. Overemphasis on reactive, short-term innovations can result in a panicked approach to innovation and lead to excess innovation ahead of market demand. Strategic focus without accounting for the requirement to perform profitably under existing market conditions can also lead to excess innovation in high-risk business models and technologies. Poor intelligence or a lack of an innovation-focused approach to strategy can result in obsolescence. In other words, the goal of a three-tiered approach is to maintain a balanced portfolio of innovation initiatives and innovation equilibrium. A three tiered strategy development approach ensures that short-, medium-, and long-range initiatives are identified during the strategic planning process:

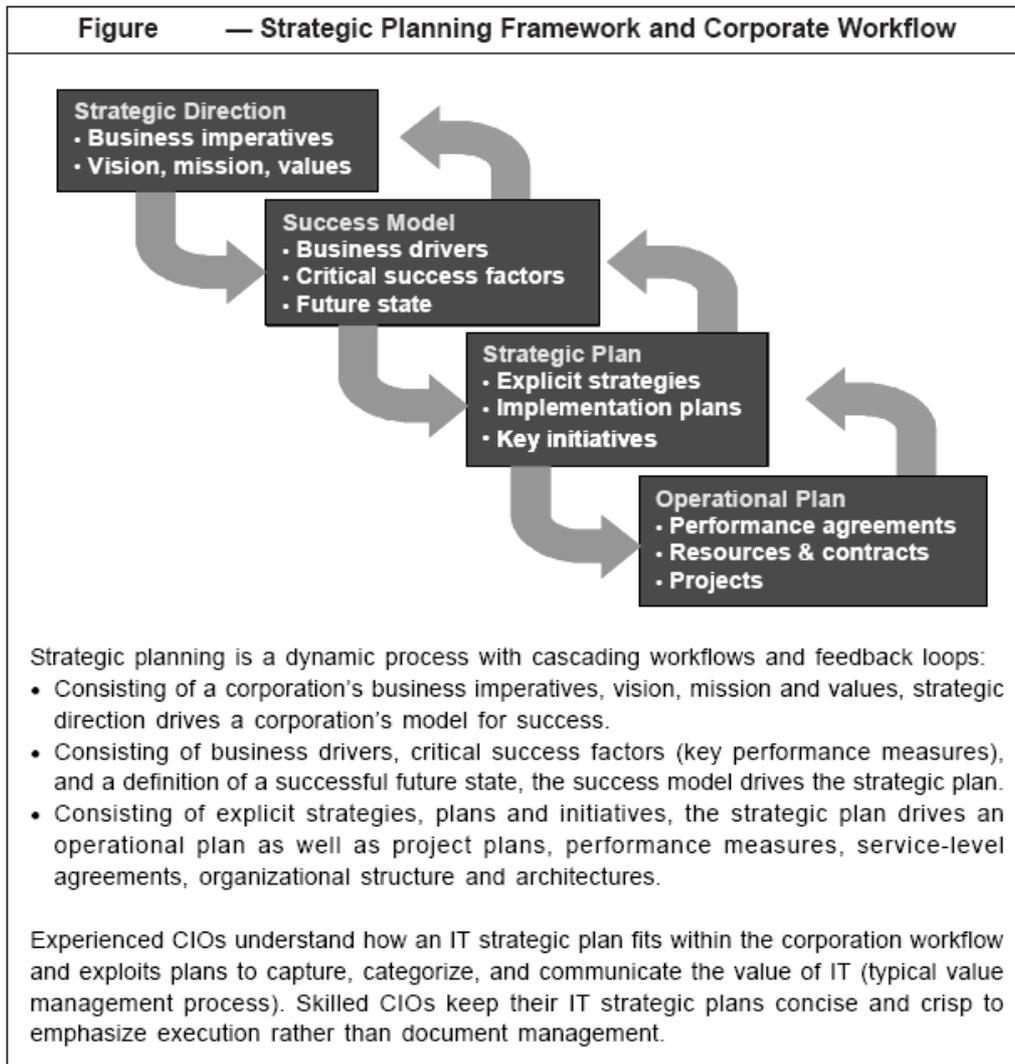
- **Tier 1 — Dynamic planning:** Dynamic planning focuses on immediate threats and opportunities. The goal is to identify change drivers based on tactical business and technology intelligence that the enterprise must respond to within an 18-month window. Because threats and opportunities in the volatile digital economy are constantly changing, dynamic planning is performed in real time. The change drivers identified in the dynamic planning cycle are evaluated, prioritized, and funded based

on gaps in the current state, and they eventually become tactical innovation initiative within the enterprise innovation portfolio.

□ **Tier 2 — Visible-horizon planning:** Visible-horizon planning focuses on perceived threats and opportunities. The goal of strategic planning is to identify change drivers based on opportunistic business and technology intelligence that the enterprise desires to respond to within a one- to three-year innovation cycle. As with the dynamic planning cycle, visible-horizon planning is performed continuously to account for fluctuations in market dynamics. The change drivers identified in the strategic planning cycle are evaluated, prioritized, and funded based on medium-range strategic objectives, and they eventually become strategic innovation initiatives within the enterprise's dynamic innovation portfolio.

□ **Tier 3 — Paradigm pioneering:** Paradigm pioneering focuses on unexpected threats and opportunities. The goal is to position the enterprise for long-term evolution. The time frame for long-term business and technology intelligence input to the cycle is three to seven years. The primary goal of paradigm pioneering is exploration of future-oriented business models and innovation opportunities that position the enterprise as an industry leader along the three core competencies of product innovation, customer intimacy, and operational effectiveness. As with the other two planning cycles, paradigm pioneering is performed continuously to account for predicted shifts in the broad marketplace. Change drivers identified within the paradigm pioneering cycle are evaluated, prioritized, and funded based on enterprise vision and long-term objectives, and they eventually become long-term innovation initiatives within the dynamic innovation portfolio.

Our research indicates planning is one of four IT core competencies. High performers develop new planning models, train their people on that methodology, and in many cases, innovate in an integrated fashion with LOBs. A key success factor is planning model simplicity — the model is easy to teach, comprehend, apply, and communicate.



Conclusions

- □ CIOs who “get” the value of information to the enterprise also understand that planning is an integral component of their success and that plans are their primary communication tool. Clear, concise, speedy, and attainable plans move the CIO, the ITO, and business toward their intended destinations.
- □ Developing, implementing, and maintaining an IT strategic plan as a living, ongoing portfolio management tool helps CIOs optimize the value of their organization's investment in IT.
- □ Savvy CIOs will consider implementing and using this process now as a tool to engage their LOB colleagues in driving maximal business value, thus driving further up the information value perception chain, from trust, through respect, toward a full seat at the executive table.
- □ Adopting and committing to an IT strategic planning process help CIOs optimize and communicate the value of the ITO. The process strategy

ensures the business imperatives are closely aligned with IT investments and organizational priorities.

- □ Effective IT planning aligns resources, improves agility, and enables a proactive “sense and respond” strategy in addressing changing markets.
- □ CIOs who effectively communicate and integrate the IT strategic planning process will drive the ITO’s credibility and value throughout the enterprise and garner themselves a full and equal seat on the executive committee.

IT Organizational Structure

The business imperative for speed and responsiveness, manifested in business externalization, highlights current organizational ambiguity. Rather than try to resolve ambiguity, IT organizations should accept it as a given and develop organizational processes and competencies aimed at responding to it effectively. This chapter examines the issues created by this situation and charts a path for the ITO.

ITO structure should flow from governance into a practical “how to facilitate best practices / processes” strategy. The “right” ITO organizational structure depends on the organization's:

- Size
- Business structure, vision, and strategy
- Geography
- Physical location (size of offices, number of people, what they do)
- Regulatory issues
- Consistency with business structure
- Personalities
- Type of business
- (Out) Sourcing strategy
- Architecture (legacy vs. Web, etc.) — current state
- IT strategy and vision

“Better structure” is often a euphemism for “improved responsiveness and internal alignment.” However, today’s ITO is caught in a quandary between aligning with the strategy of the organization and addressing the tactical needs of individual operating units focused on responding to shifting business demands. The most important steps the ITO should take in the near term are to:

- 1) Have enterprise strategy drive organization development
- 2) De-emphasize reporting structure and highlight policy and leadership development
- 3) Employ the metaphor of urban planning as a developmental model, leading to the center-of-excellence (COE) as the “best practices” model for organizing IT.

Analyzing Organizational Structures

Different types of organizations have different structures, depending on their focus.

Technology-focused organizational structures organize around major technology areas:

- Data center
- Network
- Desktops

The benefits and challenges for the technology-focused organization include:

- Benefits:
 - Availability versus ability to change
 - Optimizing, specifically data center, network, and desktops
- Challenges:
 - Groups do not get along
 - No focus on meeting vision or customers

Life-cycle focused organizational structures are built around the development process, namely:

- Plan
- Build
- Run

The benefits and challenges for these organizations include:

- Benefits:
 - Can see cost of ongoing operations versus cost of change
 - Optimizes each process
 - Implies that you are a “change organization”
- Challenges:
 - Subject to “throw it over the wall” mentality
 - Not focused on the business
 - Increases headcount
 - Who should the customer speak with?
 - Forces a waterfall approach to everything instead of iterative/reactive

Business-unit focused structures are organized around individual business units and shared services. Their challenges and benefits include:

- Benefits:
 - Economies of scale of shared services (when contracts are pooled)
 - A given business unit can react more quickly than going through corporate IT bureaucracy
- Challenges:
 - Consistency in the corporation is lost (e.g., leverage contracts with vendors)
 - Without global IT principles, the ITO can end up in major trouble

Geographic-focused structures typically have divisions for corporate, North America, Asia Pacific, and Europe. Their tradeoffs are:

- Benefits:
 - Speed
 - Global autonomy enables each group to do whatever is best for its locale
 - Challenges:
 - Global autonomy makes driving leverage a challenge

Program/project-focused structures have a separate group for each program or project (e.g., ERP, CRM). Their benefits and challenges are:

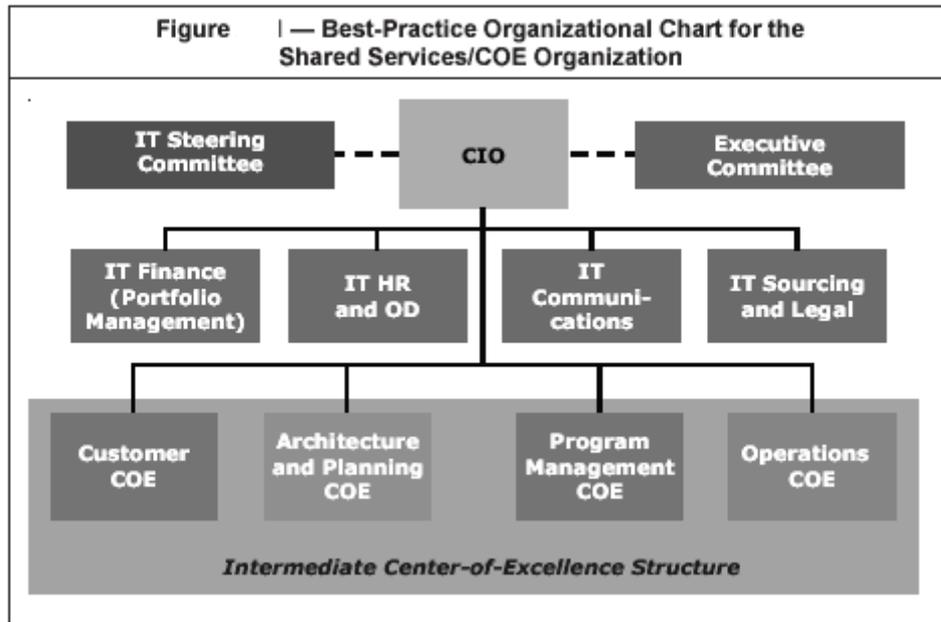
- Benefits
 - Gives visibility to critical applications in the organization
 - Aligns strongly with business strategy
- Challenges
 - Uses resources poorly (redundant resourcing)
 - Creates many problems with “over the wall”
 - Initiatives that cross the areas lead to dysfunction
 - Fails to enforce standardization and integration
 - Applications that do not rate their own groups tend to become lost

No matter what the organizational structure, other areas of concern include:

- Architecture and planning
- Change management
- Enterprise analytics and data warehousing
- IT financial management
- IT HR
- Onboarding
- Security
- Supply chain IT

Best-Practice Structure

Actually, the best-practice structure is none of those models, but rather a shared-services/ COE structure using portfolio management as its basic method of managing resources, projects, and programs.



To ensure smooth process handoffs among IT personnel, CIOs are reviving COEs. To break down stovepiped ITOs, CIOs create four COEs — for customers, operations, projects, and architecture. With COEs, ITOs cleanly and seamlessly handle the rollup of interrupt-driven activities from help desk to application support to new application upgrades, and likewise from new project capabilities to operational testing and rollout to operations. As corporations operate, upgrade, and install complex infrastructures, they will need COEs to maximize the business value of IT.

The Architecture COE enables conceptualization of solutions, performs high-level analysis and design functions, and most importantly shows how to balance short-term line-of-business and long-term enterprise requirements.

The Customer Advocacy COE houses help desk, marketing, and customer liaison functions, and is optimized around relationship management. It is primarily composed of account managers and Level 1 technical staff members. Advanced ITOs create account managers who are responsible for strategic IT planning with LOBs, establishing service levels, facilitating problem escalation, and increasing customer satisfaction. Our research indicates this role will become more formalized and placed within a customer advocacy COE. Account managers will evolve into true business relationship managers with end- to- end LOB customer relationship management responsibilities, including planning, budgeting, prioritizing projects, analyzing customer requirements, formalizing service-level agreements (SLAs), negotiating additional IT projects and services to solve LOB needs, integrating progress reports for customer-oriented value communications, marketing available IT services, and defining future IT services. To improve customer advocacy, CIOs measure how many times the customer is “touched” (basic), progress on defined intangibles (intermediate), the clarity of SLAs (intermediate), customer satisfaction in 360-degree performance reviews (advanced), and adherence to customer buying processes advanced). Without customer (advocacy) COEs, CIOs have difficulty reinforcing IT value to LOBs.

The Operations (Services) COE excels in delivering stable technology operations at an aggressive price point. Process teams deliver managed application and common services, where all efforts use a command-and-control center providing remote operations for data center, network, PC, and server infrastructure. Optimized points include cost reduction, configuration discipline, and enterprise systems management. The services COE is primarily composed of engineering, technician, and maintenance roles. Typical activities include “Level 2” support, system upgrades, subsystem conversions, commercial-off-the-shelf updates, performance refinements, and infrastructure operations. These COEs build structured processes around fundamental IT tasks (e.g., running periodic batch jobs, updating systems, doing moves/adds/changes). Mature operations (services) COEs handle new tasks with consistent levels of quality, resource allocation, and documentation. Advanced operations COEs are characterized by bulletproof operations or agile infrastructure. Typical starting places for operations COEs are data centers, (Unix) systems administrators, or well-respected application groups. Technical depth is a key focus area. CIOs must develop the specific operational services that create, enable, and maintain the greatest business value. Organizations moving along the operational continuum (from task to process to COE) must build realistic implementation goals and time frames for improving organizational and process maturity. Experienced ITOs apply sourcing and organizational development processes to complement changing technical skill portfolios and manage skill gaps. However, being operationally excellent is not enough to sustain high ITO performance. As LOB expectations continually rise with good IT performance, experienced ITOs create projects and customer advocacy COEs to remain agile, proactive, and aligned.

The Projects COE excels in rapidly building discrete IT solutions. Project teams build application and infrastructure products, where all efforts are driven by architectural and strategic planning principles (developed within the COE). Optimized points include identifying new business/IT opportunities, containing costs, and meeting deliverable schedules. The projects COE is primarily composed of architects, process specialists, developers, and integrators. Typical activities include “Level 3” support, programs, projects, process re-engineering, application code block upgrades, system overhauls, and architecture design. Projects COEs ensure initiated change is regular, repeatable, and responsible to LOBs. These COEs greatly accelerate ITO maturity evolution and enable purposeful business changes. Newly formed projects COEs concentrate on structured development methods and project management processes. More mature projects COEs focus on balancing value versus risk (of doing nothing) and portfolio management (what projects maximize enterprise business value). Advanced projects COEs crisply execute projects that require upfront multi-user coordination and consensus (programs).

By defining, forming, and refining COEs, CIOs will integrate individual initiatives, projects, and priority fixes with thematic horizontal processes. While the optimal number of core competencies is still unspecified, CIOs should build COEs for projects, operations, and customers to become highly performing and transforming.

The shared services/COE organization enables ITOs to define a common and cohesive vision through principle creation that streamlines organizational structure.

Enhancing structure with principles:

- Builds a solid foundation for processes
- Mitigates potential conflicts among differing goals, groups, and processes

- Creates a culture of interdependence and clarity

Deriving value from repeatable processes has been overlooked by most companies, which view the result as “commodity status,” leaving the door open to outsourcers. To the contrary, it is clear that the visibility of operational outages, coupled with the importance of highly efficient, effective, and adaptable operations support groups, will have a direct impact on overall business success. The use of outsourcers is an imperative, how-ever, when viewing the infrastructure elements in conjunction with third-party ISV application software. This puts an increased level of management responsibility on internal IT groups, requiring relationship management skills as much as the basic ability to render the delivery “seamless” from a customer perspective.

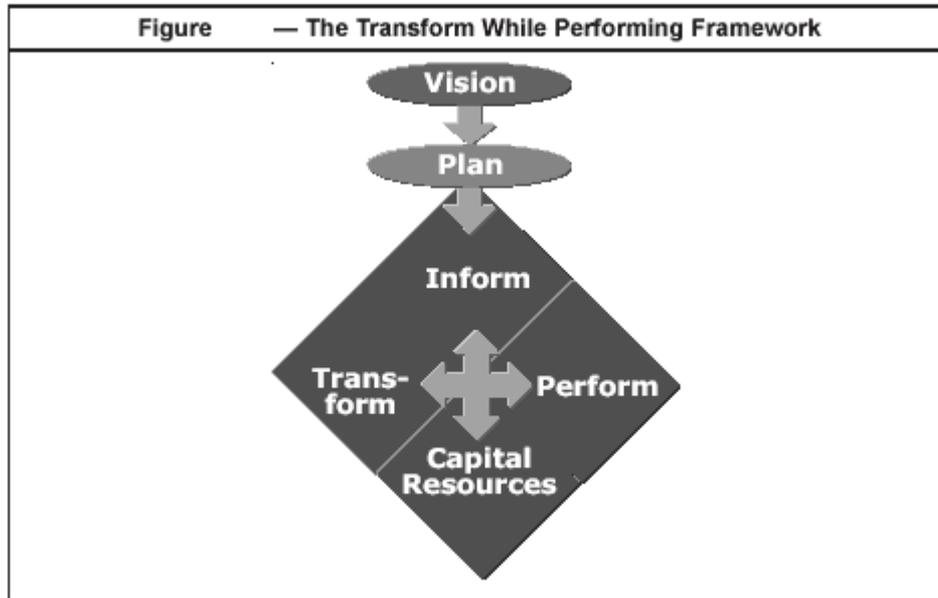
This is not easy, but it is much easier when viewed from a process standpoint. Processes show the key units of work, tied together with other elements we believe are key to completing each definition. The template, however, is cursory in comparison with a COE template, which includes a mission, mission attributes, and a process content/connection section. This ties the related processes together as well as defines the organizational boundaries for each major service component (i.e., COE). In addition, it shifts the focus of staff members from processes (a necessary step in the evolutionary process) to “process seams.” We believe 80% of operational failures occur within the seams between processes and organizations, where the handoffs occur. A COE model results in five or six major organizational units (i.e., fewer seams) and fewer units of work (i.e., six “super processes” instead of 30+ separate processes). This will be a prerequisite to excellence, and the results must have built-in continuous improvement and speed.

The key ingredients to a successful organizational model include time, patience, process focus, and loose boundaries between technical, operational, and administrative / support groups. The final outcome of a process-driven organization is inevitably a successful one, because the technology, skills, and staffing, best practices, metrics, and “fit” are all defined independently of the staff that serves it. The “pieces” (or tasks) that constitute each process are about 80% generic and 20% idiosyncratic. To achieve excellence, these definitions must drive excellence in the other domains — strategy, value, and change.

Applying a Transformational Strategy

To simplify business/IT alignment and IT infrastructure complexities, CIOs should apply a transformational strategy, covering the following areas:

Inform: Experienced CIOs build their baseline processes on formal methods (e.g., COBIT, PMBOK, IEEE, AMA). They do not necessarily adopt the entire methodology at the start. Having some initial imperfections causes a maturing ITO to refine, adopt, and grow processes within its IT and business alignment contexts. This renewal strategy creates a speedy continuing improvement culture that applies to other IT processes.



Transform: One or two major initiatives must be executed during a turnaround’s first year to ensure CIO longevity. Poor IT performance typically masks long-simmering business frustrations. CIOs must determine what IT transformations are needed to enable business growth and crisply report progress on these initiatives monthly. Even if the LOBs appear content, smart CIOs practice relationship management, train leaders to handle greater ambiguity, and transform basic operations to operationally excellent ones. Maintaining mediocre performance is not a healthy prescription for tenure.

Manage Capital Resources: While good CIOs have excellent people skills to manage change, world-class turnaround CIOs are masters at creating collaborative cultures and motivating employees to perform. Infrastructure, project management, and value management are put into place to supplement change and reinforce the informing, performing, and transforming activities.

Perform: Along with relationship and value management processes for tightly integrated business/IT alignment, successful CIOs possess several fundamental characteristics. They are proactive risk takers, effective communicators, and passionate enablers. They employ master plans that embrace specific high-impact initiatives, strong CEO backing, and discretionary projects that build teams.

Focusing on these issues will help to:

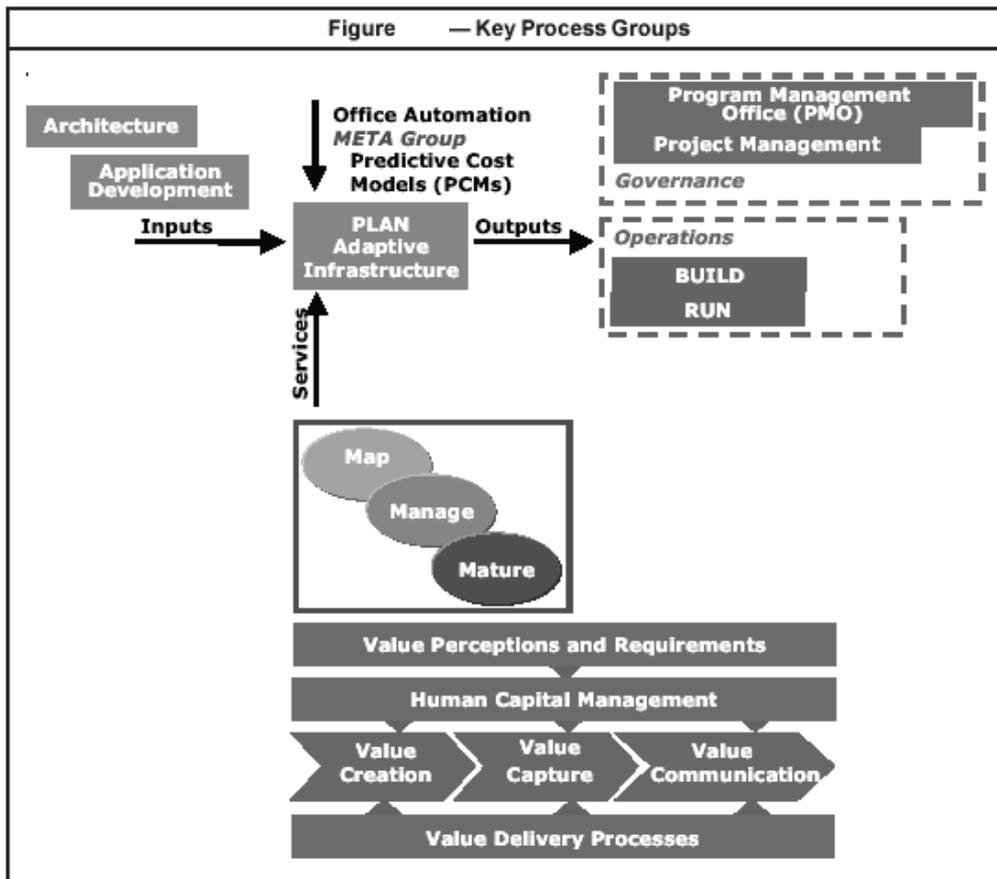
- Set dramatic goals to inspire and motivate
- Start day one with an agenda and change management processes
- Communicate relentlessly
- Lock down, baseline, and improve IT operations
- Enable business lines to succeed and grow
- Reinforce achievements with relationship, value, and performance management

Process does matter, and a COE framework enables the ITO to manage process effectively. The key process groups are:

- Infrastructure engineering

- Enterprise architecture
- Software development and management
- Performance engineering
- Relationship management
- Value management

Getting these right first will drive dramatic changes in the efficiency of the IT organization and thus increase its credibility.



The COE structure aims to improve process, reduce politics, and increase alignment:

- Legacy organizational structures are inconsistent with value management best practices
- COEs focus on process and handoffs
- COEs often result in higher productivity

Example: Customer COE

Customer COEs facilitate and increase two-way communications and collaborations with customers:

- Goal: Apply value and customer (ETFS) management processes
- COE consists of help desk, customer service, call center, account management, and business relations personnel

- Typical activities include “Level 1” support, call center help, and documentation of operations concepts, user requirements, procedural manuals, test evaluations, and service-level agreements

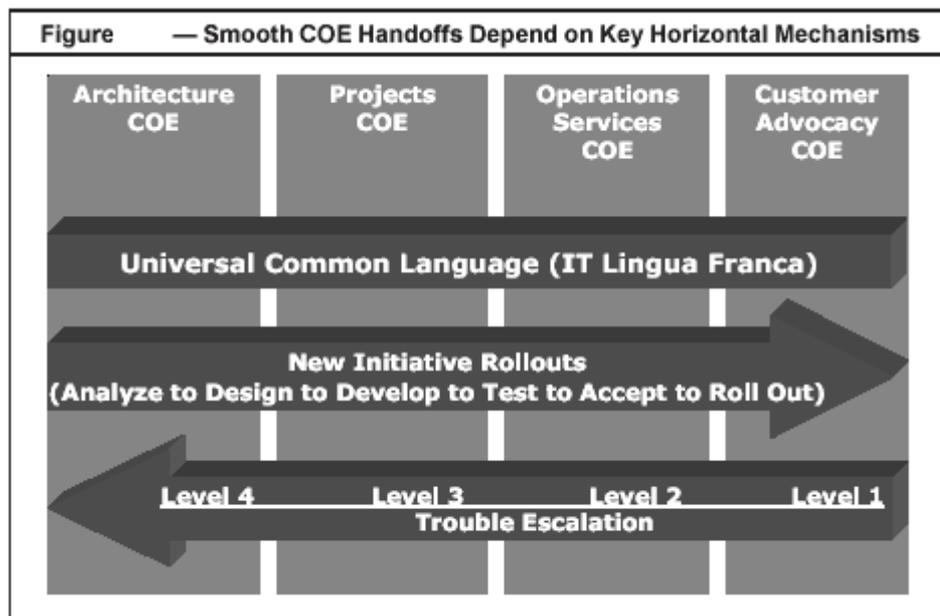
Example: Operations Services COE

Operations COEs build quality around fundamental IT tasks for bulletproof “data-tone”:

- Goal: Run and maintain regular, repeatable operations
- COE consists of systems administrators, DB analysts, data center personnel, security staff, infrastructure staff, and technology specialists
- Typical activities include “Level 2” support, system upgrades, subsystem conversions, COTS (commercial off-the-shelf) updates, performance refinements, and infrastructure operations

Smooth COE Handoffs

A COE organization must be founded on a horizontal process that links tasks, competencies, people, and skills. Only this horizontal base can prevent COEs from becoming just a new set of isolated smokestacks. These horizontal processes ensure smooth handoffs between COEs and knit them into a single organization.



Finally, human capital management is a key to successful COE implementation. Effective structures are developed with an understanding that 90% of organizational issues involve people, not boxes.

Individuals throughout the ITO will have major concerns when faced with a massive reorganization such as this. These will include:

- Who will I now be working for, and can I get along with my new boss?
- Who will I be working with, and can I work with them effectively?
- What are my new responsibilities, am I equipped to handle them, and — if not — what training will the organization offer to prepare me?

- How will the new organization work, and what will my place be in it?
- Am I losing my power base in this reorganization?

Communicating from the strategy level down through the balanced portfolio through the dashboard to the service levels shows the path for conveying a value proposition among the executives, line managers, and operations staff (along with their IT peer groups).

World-class firms have found the balanced portfolio provides a much more comprehensive view for executives, managers, and employees, while reinforcing a common and linked view of the company and its performance relative to customers, markets, and competitors. In addition, world-class firms have understood that:

- Strategic plans are becoming dynamic
- The planning horizon has shortened to months instead of years
- Technology is a disrupter and an enabler of the value chain (commerce and service)
- Feedback loops are essential to avoid doing performance engineering only for the sake of measuring

In many ways, solid performance metrics and engineering are complementary to the value process.

Conclusions

- An organizational structure's purpose is to cluster individuals in order to align goals and connect functions with lines of communication. The structure's importance, however, is optimized only to the extent that it "minimizes seams" across which individuals collaborate.
- Organizational structure does not (really) matter. Still, CIOs must define organization, information, and technology principles.
- CIOs should organize and staff according to program growth strategy, optimizing program processes accordingly.
- The ITO governance structure and processes should focus on managing organizational seams.
- Managing the human element is also critical.