



Transformation  
Business excellence  
Leadership



*“Excellent value from people  
who really know what they  
are talking about”*

**How to optimise the  
business value  
derived from IT:**

The CIO's perspective.

**Report on the SMS-TBL  
Thought Leadership  
Workshop held on  
Tuesday 15<sup>th</sup> May 2007.**

**May 2007**

*The first in the planned series of Thought Leadership Workshops focussed on the CIO's view of delivering business value from IT. Presentations from Margaret Smith (former CIO with Legal and General, and ex-CEO of CIO Connect) and Grant Rule, MD of SMS, stimulated an excellent debate on the issues. The points raised are summarised under the following headings:*

### **Marketplace image of IT**

- Press coverage focuses on failures and doesn't want to know about successes. This has a negative PR impact – the public do not get to hear about approaches that work.
- Although there are now more examples of CIOs who communicate well, people with IT expertise are typically poor at communication and PR.
- Some CIOs are never turned down on budget issues because they have a record of delivery which has given them the necessary credibility. Credibility can be established by satisfying the business preoccupation with instant gratification – delivering a short-term “quick-win” allows the CIO space to educate the board in the necessity for a longer development time for new and complex systems.
- When considering IT, the board is sometimes gripped by FUD. Fear, uncertainty and doubt. IT is so vital to the business operation it can seem to hold the business to ransom. CIOs can and should do things behind the scenes to make their (internal) customers look good – win friends and influence people!
- One of the speakers told the story, as a CIO, of delivering new products involving changes to applications in 5 weeks when, in the past, the board were used to 9 months. This was achieved not by any changes within IT but by advising the business to buy-out the remaining customers holding an old product that new IT systems struggled to service. The saving in IT costs more than made up for the costs of replacing the old product with a new higher-value option for the customer. Business understanding of where IT costs come from enables less wasteful strategies to be pursued.
- Businesses do not realise the knowledge lost to their organisation when a major proportion of IT services is outsourced.
- There is however increasing recognition that hiding behind an outsourcing contract does not deliver results. The outsourcing partnership needs good management and the skill set necessary to manage these contracts is different to the “normal” IT skill set.
- IT is often seen as a large and expensive sea going tanker. Most businesses wants fast small boats that are flexible and focused, AGILE

*"This was an excellent event. If I had known it was going to be so good, I would have invited my CFO".*

and RAPID techniques can deliver desired results. AGILE and RAPID require a different mindset and skill set that can be quickly learned.

### **IT's image of IT**

*" We discussed the real issues and practicalities - very good"*

- Too often, CIOs (particularly those new to the company) and IT departments focus on delivering the objectives given (ie by the Board) without challenging the objectives. Therefore, when the IT department fails to deliver what the customer wants, it is seen as a failure; IT succeeded in delivering what was asked for, but the business asked for the wrong thing! It is important to challenge objectives given and make sure you understand their implications.
- IT people sometimes want to promote an image that IT can do anything and IT people are really, really, really helpful. This has to be squashed in a balanced way. In practise, many projects cannot be done, and it damages the business to invest in – and continue to invest in - something which has no chance of delivering, whatever the political pressure dictates. (This particularly applies to large and complex IT projects, which have a notoriously bad track record.) One of the attendees was recruited by his business to facilitate recovery from a major IT project failure. This contrasts to the good business track record of the organisation; the business now perceives that it cannot afford to have a poor record on IT performance.
- The Relative Size Scale allows for a quick and intuitive understanding of the size of a proposed project and the associated likelihood of success or failure.
- CIO assertiveness is key to survival. The perception that IT is a “new boy” or “junior partner” must be dispelled. IT people must act like equal partners and must treat themselves that way too.

### **The IT-Business interface**

- Realising the business benefits of IT means “realising value” as in “delivering value”; and also as in “understanding the value delivered”. Delivering value from IT means different things to different ‘C’ level executives and businesses. The CIO needs to understand it in the context of their own organisation.
- It is an equal partnership. IT has to help the business understand the importance and constraints of IT and the value it delivers; the business has to recognise that the capability of software development/maintenance must be taken into account in future plans. Focussing on cost at the expense of value leads to poor decisions.
- There is no such thing as an IT project - we should all be talking in terms of business projects. Virtually all major business projects will have a high IT content.

*CIOs have the opportunity to lead the way – Value Stream Management is about applying systems thinking to business.*

- Issues around software performance and capability are critical to business success and need to be recognised as such to make the case for return on investment.
- Activity based costing /Activity Based Management can reveal where money is being wasted on business projects and where there is opportunity to improve operational performance using IT and /or process improvement.
- The IT Institute has a consolidated list of questions that the board should ask of IT, sensible CIOs will ensure that they have the answers to these questions at all times.
- The business world is constantly changing- it is not a one-size-fits-all situation.
- Many business planning processes start with a business plan which is passed to the CIO for IT planning. Result: the numbers don't add up and the benefits are not realised. We need to have an integrated business planning process whereby IT contributes to the whole process. This way, issues and opportunities are identified early and are better understood by the COO, CFO, CIO and CEO. It may be that a decision is made as a leap of faith, but everyone understands why and what the business hopes to achieve
- Speed of delivery depends on user commitment and the management team working as a partnership. Short-term tenure of CIOs and CEOs makes it difficult to form an effective management team. Non Executive Directors (NEDs) often know more about IT than the executive board members – their informed support can be valuable.
- Don't try to fit your business to IT solutions. It has to be the other way round. The business needs to be able to trust the CIO to understand what they really want and to deliver it in a timescale that benefits the business. However, when buying a software package, there is a general necessity to fit the business to the package or else don't waste money on buying the package.
- Before producing estimates, find out what the business can afford. Fit the proposed solutions to the budget available, rather than trying to cut back an unaffordable solution. The business needs to understand that it can't buy a new Porsche for the price of a second-hand Ford. (but it could get a very serviceable second-hand Ford!)
- Some CIOs have had success with using time-boxing. 90-day time boxing works but you need different and additional skills. 10-day time boxing works for AGILE and RAPID work on components of a large project.
- We can learn from the manufacturing industry. Lean and agile practises work in IT and are delivering real improvements in business value. CIOs have the opportunity to lead the way – Value Stream Management is about applying systems thinking to business.



*Many problems are essentially business problems rather than IT problems.*

- Many CIOs have been recruited to sort out what are perceived as IT issues. They are usually a result of poor relations between the board and IT.
- Governance, Compliance and security issues force the Board to consider IT matters, and CIOs need to exploit these opportunities
- Many problems are essentially business problems rather than IT problems. While they may have significant IT content, they are often a problem which needs addressing by the CEO or CFO or COO. The challenge to the CIO is to be as good a business person as the rest of the business people. The point is to focus on business issues first and then see how IT solutions can help. Which ever way we look at it, the business and IT must work together in an integrated way. Predictability is key.

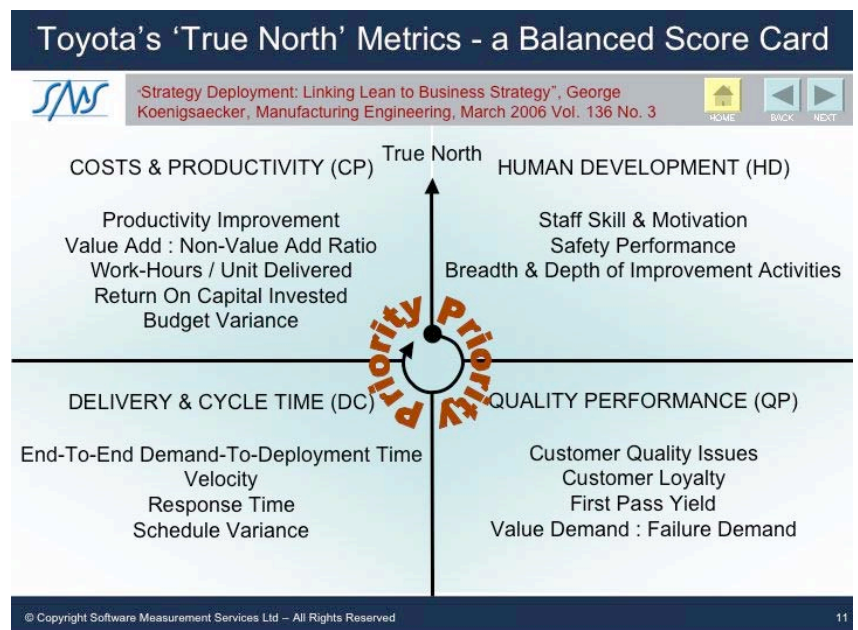
### **Innovation, Legacy, Costs and Value**

- As applications are delivered and deployed, the maintenance costs grow over time to around 70-80% of the IT systems budget. There is little money left for delivering new systems. It is vital that organisations know where they are in this cycle.
- Compliance/Regulation can be a real inhibitor to flexibility and innovation.
- Compliance is labelled as an IT cost which it isn't. It is a business cost and it can also be used to advantage.
- As technology costs go down year-on-year, boards ask why IT costs go up. CIOs need to be able to explain the reasons in simple terms – eg. The cost per transaction may be going down, but volumes of transactions are increasing. This should be supported by objective, output-based, measures of performance.
- Too rigorous a Business Case process often squeezes out innovation.
- Governance and IT are sometimes seen to restrict growth and innovation within required timescales.
- Business models are different today but the IT systems that support them are still supporting old business models. SOA may help us if we learn our lessons and go about it in a better way.
- An attendee offered an example where a 38 step business model had been reduced to 8 steps. Revenues are up and costs are down.

*Organisations with no learning culture.... lose invaluable experience and knowledge.*

## Education

- Many quality problems are traced to defects in systems analysis and design. Organisations with no learning culture frequently bring in new ideas which “throw out the baby with the bath-water” and lose invaluable experience and knowledge.
- Toyota is an example of a learning organisation. Toyota is now the #1 car manufacture in the world. They build each car in 7 days from when it is ordered to the customer’s specification. They don’t make it until it is ordered. And Toyota’s new product development cycle is half of their nearest rivals.
- The lack of a learning culture in most organisations means they do not have effective evolution strategies. Toyota’s approach places Human Development as the most important business priority – recognising the value to the company of its employees’ experience and knowledge of its business.



- Understanding who influences the decision-makers in an organisation is the first step to getting the ones with positive influence on your side. Executive Assistants, gatekeepers to the C level executives, typically have significant influence.
- Be open about what is going well and what isn’t (and what steps are being taken to address what’s not going well ) and try to establish a common and open way of communicating across the C level executives and their reports.
- Often there is no user training when new systems are deployed – or there may be good initial launch training but very little support afterwards. The user’s problems with learning the new system are therefore seen as failures of the system.

- IT people need training to maximise their ability to contribute to improving the value IT delivers to the business; particularly in areas such as leadership, decision making, communication and listening skills.
- A key issue is the ability of an organisation to do user testing. The recent NHS problems have been mainly user testing problems not IT problems as has been reported.
- There are excellent User Guides to project and process management. An example is Prince2. But all too often, the steps are followed without any real engagements and understanding of the roles and responsibilities taken on.
- Large organisations are often an amalgam of different business cultures – the same terms/titles can be used to mean slightly different things. Models can be useful, but must be applied with caution. Unless the culture of the business accepts the underlying principles, no change will result.

*“It’s about aligning IT and business goals and projects.”*

## Conclusions

- It’s about aligning IT and business goals and projects. The True North model is being successfully applied in some organisations to achieve this common alignment.
- Department True North goals must be aligned with corporate True North goals.
- The key lesson is that we must have joint teams of business and IT people.
- We can then present business projects with all the resources and costs, including IT, as components of a business project.
- For some CIOs their life goal is survival. Including True North approach as part of the business strategy deployment can act as an education in terms of the mindset required and the clear definition of roles and responsibilities for IT and the business.
- Value stream models and value management approach are worthy of consideration.
- We can be firm and assertive with our decisions and recommendations when we have clear and communicated facts, based on objective performance measurement.
- SLAs often exasperate users because, in their eyes, they measure the wrong things. SLAs don’t tell you; “it doesn’t work”. So, measure what the business measures.
- A good sponsor is worth their weight in gold.
- Remember, **perception is reality**. IT people have difficulty understanding this.



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Software Measurement Services is a specialist, independent UK consultancy working with decision-makers in blue-chip companies and government departments to improve the results delivered by the development of software and computer systems. SMS consultants are at the forefront of developing and supporting best practice in managing software process performance.

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