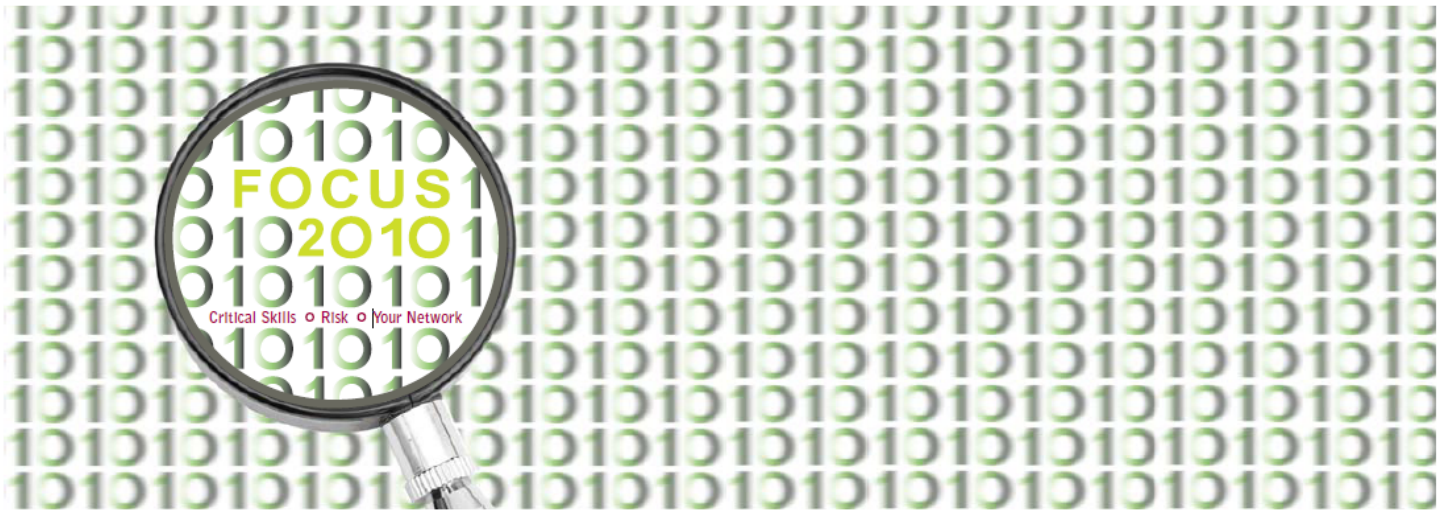


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## S24: Value Management Governance

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# Value Management Governance

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## Agenda

### ○ Introduction

- What is Value Management?
- Importance
- IT Investment Categories
- Strategies to achieve business value of IT
- IT & Value Mgmt Trends

### ○ Benefits Realization

- What is benefits realization
- Techniques
- 3 Fundamentals
- 3 Necessary Conditions
- Examples

### ○ Val IT™

- The 7 Principles of Val IT™
- Why Val IT™ ?
- How Val IT™ works
- Benefits
- Examples

### ○ Conclusions

- Reasons for Adoption
- Leverage
- Executive Buy-in Strategy
- Outcome



# Introduction



## What is Value Management?

- **What is Value<sup>1</sup>?**
  - Relative worth or importance of an investment for an organization or its key stakeholders
- **Ensure value obtained from IT investments**
  - Select & manage investments throughout lifecycle
- **Maximize returns on IT investments**
  - Business cases, hurdle rates, portfolio management, metrics – IRR, NPV, payback period

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



## Value Management Importance<sup>1</sup>

- Ever increasing IT investments. IT costs second only to staff costs.
- Businesses increasingly dependent on IT. Need to select optimum IT investments and ensure value delivery.
- Some IT investments have not delivered proportionate business efficiency & productivity. Several IT investments fail.
- Difficult to determine value from IT investments & its contribution to stakeholder value.
- Meta survey from 2004:
  - < 35% approved projects have valid benefits statements
  - < 10% of organizations ensure benefits are realized post project
  - < 5% organizations hold project stakeholders responsible for benefits attainment

<sup>1</sup> ITGI, Optimizing Value Creation From IT Investments (ITGI, 2005)



## Strategies to achieve business value of IT<sup>1</sup>

- Manage for IT business value to maximize benefits
- Manage IT budget to enable cost reduction & flexibility. Shift funds from low to high-yield investments
- Manage IT capability to enable sustainable competitive advantage to be delivered from IT.
- Manage IT like business

<sup>1</sup> ITGI, Optimizing Value Creation From IT Investments (ITGI, 2005)



## Value Management Trends<sup>1</sup>

- Although most Senior Management strongly agrees IT investments create value, the agreement is not strong as we go down lower levels of organization.
- High cost of IT with unproven ROI is a major IT problem and its trend has increased significantly since 2005.
- Only 18% have implemented IT Governance and the trend has reduced since 2005. 44% have not started its implementation.
- Lack of understanding of IT governance is a very big obstacle.
  - 76% have not implemented/completely implemented measures to improve IT Value Delivery aimed at better customer relationships.
  - 91% have not implemented/completely implemented measures to improve IT Value Delivery aimed at higher product/service leadership/innovation.

1 ITGI Global Survey 2008



## Benefits Realization



## What is Benefits Realization<sup>1</sup>?

- Deliver business results more consistently and predictably.
- Continuous process of envisioning results, implementing, checking intermediate results and dynamically adjusting the path leading from investments to business results.
- IT alone cannot deliver business results

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



## Benefits Realization Techniques



## The Business Case

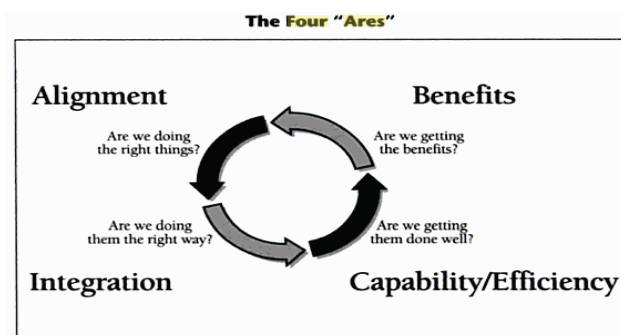
- A business case captures the reasoning for initiating a project or task.
- Traditionally, its sole purpose is to obtain funding.
- **Benefits Realization View – Value Case<sup>1</sup>**
  - Holistic View
    - **Linkage:** Make explicit linkages between projects needed to bring about a particular business outcome
    - **Reach:** Encourage stakeholders to think reach of impact
    - **People:** Look at changes needed on people/culture
    - **Time:** Benefits realization over time
  - Updated & summarize work done to date
  - Provide answers to Four “Ares” question
  - Allows investments to be killed if no longer relevant

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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## Four “Ares” Value Assessment Technique<sup>1</sup>



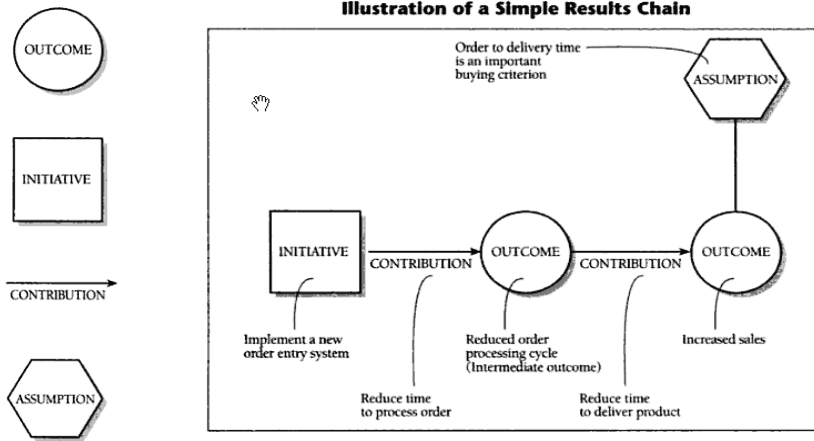
- Provides a rich framework for assessing value
- Incorporate them into measurement instruments for comparison
  - How well programs contribute to current business objectives
  - Achieve future strategic vision
  - Supporting goals of parent organization

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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# Results Chain Modeling<sup>1</sup>

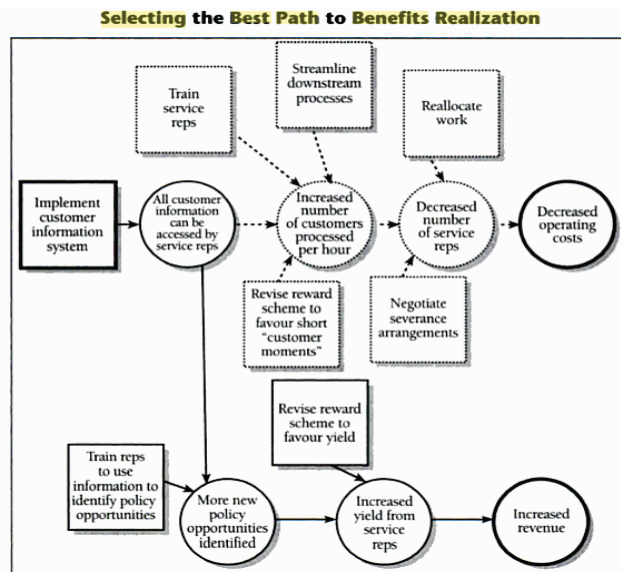


- Comprehensive & accurate model of organization's benefits realization process
- Powerful selling tool

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



# Program Management Results Chain<sup>1</sup>



<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)





# Benefits Realization Fundamentals<sup>1</sup>

- **Program Management**
  - Manage group of related projects to achieve business benefit
  - Exploit economies of scale, reduce coordination costs & risks
- **Portfolio Management**
  - Structured groupings of investment programs
  - To achieve defined business results
  - Meet clear risk/reward standards
- **Full Cycle Governance**
  - Implements benefits realization approach “concept to cash”
  - Operationalizes Program & Portfolio Management
  - Stage gates: Progressive commitment of resources

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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# Portfolio Management<sup>1</sup>

- **Manage risk to increase value**
  - Diversify risk across variety of investments
  - Portfolios should maximize benefits for given risk level
  - Progressive resource commitment
- **Adjust portfolio composition to reflect changing conditions in the business environment:**
  - **CASE 1 - OVER/UNDER EXPENDITURE WITHIN CATEGORIES?**
    - Mandatory/sustaining over budget? Transfer resources from discretionary projects like business opportunities
  - **CASE 2 - PROGRAMS THAT DIMINISH IN VALUE?**
  - **CASE 3 - WHEN NEW OPPORTUNITIES ARISE?**

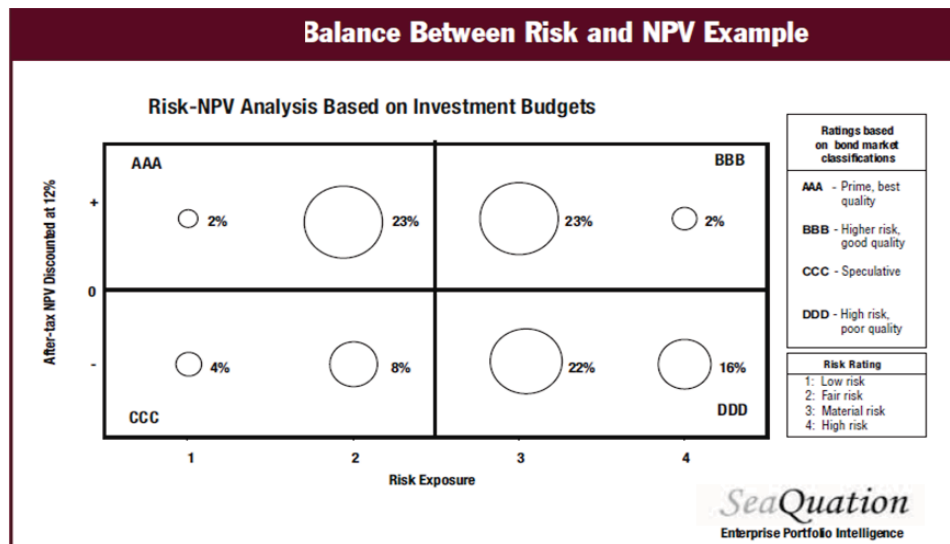
<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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## Exercise Portfolio Management<sup>1</sup>



<sup>1</sup> ITGI, Optimizing Value Creation From IT Investments (ITGI, 2005)



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## 3 Necessary Conditions<sup>1</sup>

- **Activist Accountability**
  - **Investment Decision Board (IDB):** Accountable to Sr. Mgmt
    - Review / approve business cases
    - Assign business sponsor
    - Review program status, approve funding, conflict arbiter
  - **PMO/VMO:** Accountable to IDB
    - Track various programs / facilitate issues
    - Support programs in developing business cases
  - **Business Sponsor: Most critical role.** Accountable to IDB chair
    - Accountable for delivering benefits of programs
    - Provides clear vision of benefits
    - Communicate big picture and expected benefits
- **Relevant Measurements**
- **Proactive Management of Change**

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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# Examples



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## Examples

### Benefits Realization & Full Cycle Governance

- **National Bank of Canada<sup>1</sup>**
  - Clearly map proposed program, id benefits sought, business changes required to reap benefits, paths & obstacles.
  - Make dynamic adjustments to key program parameters, based on changes in business & IT environment
- **Nova Gas Transmission<sup>1</sup>**
  - Able to assess value of 50 programs and surface the top 10-15 worth \$20M. Scrapped dozen.
  - Uses full cycle governance: applied stage gates in programs where relative value assessed before it is allowed to proceed.

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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## Examples Benefits Realization & Full Cycle Governance

- **Boeing Shared Services Group<sup>1</sup>**
  - Identify 3 high-level business outcomes targeted by 18 programs
  - Select key projects
  - Plan optimal resource commitments
  - Design individual programs with strong link to benefits
- **Oregon Dept of Transportation (ODOT)<sup>1</sup>**
  - Unified program view presented to Senior Mgmt.
  - Helped instill business change view of success.
  - Benefits measured incrementally as org changed
  - Change & BPR more realistic

<sup>1</sup> Thorp, John, The Information Paradox (McGraw-Hill, 1998)



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# Val IT™



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# The Seven Principles of Val IT™<sup>1</sup>

## IT-enabled investments will:

1. Be managed as a portfolio of investments
2. Include the full scope of activities required to achieve business value
3. Be managed through their full economic life cycle

## Value delivery practices will:

4. Recognize different categories of investments to be evaluated and managed differently
5. Define and monitor key metrics and respond quickly to any changes or deviations
6. Engage all stakeholders and assign appropriate accountability for delivery of capabilities and realization of business benefits
7. Be continually monitored, evaluated and improved

<sup>1</sup> <http://www.isaca.org/knowledge-center/val-it-it-value-delivery-/Documents/Val-IT-Overview.ppt>



# Why Val IT™<sup>1</sup>?

## Stronger governance over IT investments required:

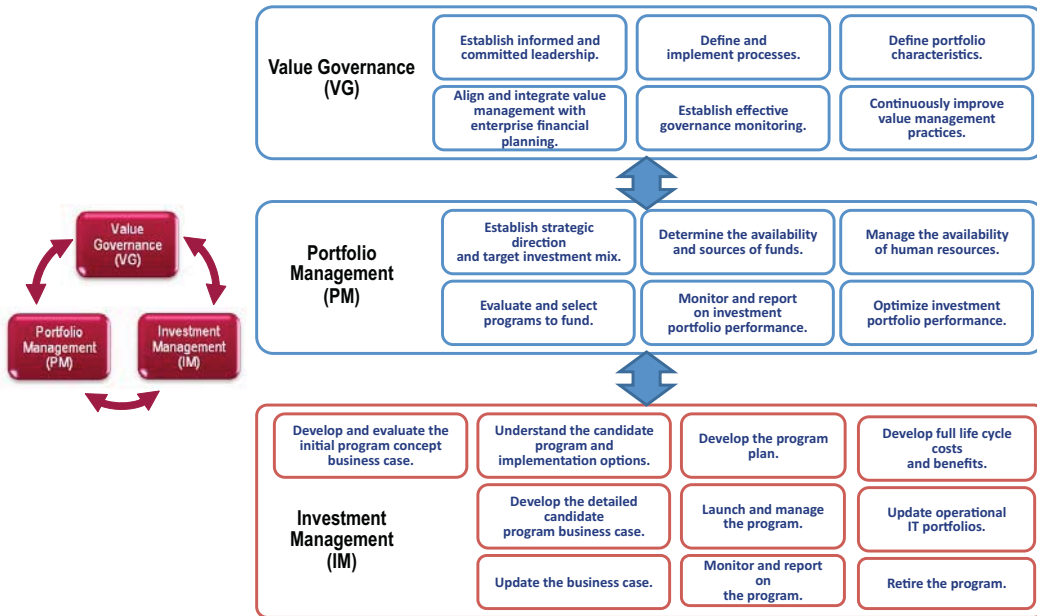
- IT investments not supporting business strategy or providing expected value
- Too many projects, resulting in inefficient use of resources
- Projects delayed, over budget, don't provide needed benefits
- Inability to cancel projects when necessary
- Regulatory compliance



<sup>1</sup> <http://www.isaca.org/knowledge-center/val-it-it-value-delivery-/Documents/Val-IT-Overview.ppt>



# How Val IT™ Works<sup>1</sup>



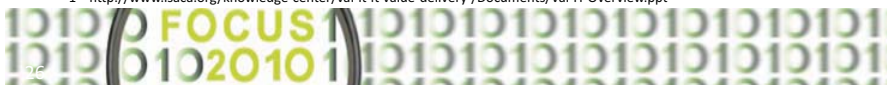
<sup>1</sup> <http://www.isaca.org/knowledge-center/val-it-it-value-delivery-/Documents/Val-IT-Overview.ppt>



# Val IT™ Benefits<sup>1</sup>

- Proven practices and techniques for evaluating and managing investment in business change and innovation
- Val IT™ helps executives:
  - Increase the probability of picking winners
  - Increase the likelihood of IT investment success
  - Reduce surprises from IT cost and delivery date overruns
  - Reduce costs due to inefficient investments

<sup>1</sup> <http://www.isaca.org/knowledge-center/val-it-it-value-delivery-/Documents/Val-IT-Overview.ppt>



## Example Val IT™ at the European Parliament<sup>1</sup>

**Process designed to assess relative priority of all requests for work & establish portfolio of planned work requests<sup>1</sup>.**

- Mgmt of sub-portfolios of related requests per business domain
  - 4 business domains: Legislative, Administrative, Communication, EP Members & Political Groups
- Better categorization of requests
  - Request assigned a level based on spending discretion
  - 2 investment types: New investment requests vs. business-as-usual
- Multi-dimensional assessment of requests
  - Criticality, exp business benefits, business risk, request maturity, costs, risk
- Improved prioritization mechanism
- Enhanced accountability

<sup>1</sup> [http://www.itgi.org/Template\\_ITGI5d71.html?Section=ITGI&CONTENTID=57313&TEMPLATE=/ContentManagement/ContentDisplay.cfm](http://www.itgi.org/Template_ITGI5d71.html?Section=ITGI&CONTENTID=57313&TEMPLATE=/ContentManagement/ContentDisplay.cfm)



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## Example Val IT™ at the European Parliament<sup>1</sup>

- Enhanced accountability
  - Request evaluation between business owners and IT Directorate
  - Request has a main sponsor & contact on business side
- One-stop shop
  - Covers all services offered by IT Directorate
- Planning period
  - Rolling horizon of 1 yr to be extended to 3 yrs
- Tool
  - Project & Portfolio Management Tool
- Benefits
  - Identify right projects to implement
  - Follow benefits generated by projects
  - Process transparency creates consensus between IT and Business

<sup>1</sup> [http://www.itgi.org/Template\\_ITGI5d71.html?Section=ITGI&CONTENTID=57313&TEMPLATE=/ContentManagement/ContentDisplay.cfm](http://www.itgi.org/Template_ITGI5d71.html?Section=ITGI&CONTENTID=57313&TEMPLATE=/ContentManagement/ContentDisplay.cfm)



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# Conclusions



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# Reasons for Adoption

- Improved and effective IT investment governance: continuous monitoring, evaluation and improvement
- Val IT™ enables IT-enabled investments to be managed as portfolio of investments
- Receive higher value for dollars spent
- Spend more time thinking about right ideas for new investment opportunities that will generate greatest benefits.
- Enables IT and business to effectively work together so that IT gains the trust of the business
- Clarifies priorities to everyone.



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## Leverage

- Helping clients select key projects to realize higher benefits & value from investments and assets
- Earning higher customer satisfaction and better customer reference-ability
- Better management of programs and projects from a solution development and delivery perspective
- Offering for a client as part of IS management proposals
- Better able to compete for business in the marketplace against leading edge service providers and competitors
- Results chain models provide a better understanding of where they fit in, what the contribution is, and serve as powerful communication tools



## Executive Buy-in Strategy

- **Project Initiation**
  - Identify opportunities & stakeholders
- **Project Planning**
  - Select prime opportunities
  - Prepare a Four “Ares” report card on the current situation
- **Project Execution**
  - Conduct stakeholder interviews
  - Perform feasibility analysis
  - Prepare implementation strategy focusing on the following:
    - Formation of governance structures
    - Change management: how Val IT™ will improve decision making and support org change
    - Implementation of benefits realization and full cycle governance
      - Define investment categories
      - Take inventory of current & planned programs
      - Estimate benefits, validate program results chains and get buy-in
      - Assess & mitigate risks
      - Build investment portfolio & start benefits management
  - Prepare and communicate business case to stakeholders and obtain buy-in



## Outcome

- Gain buy-in to make it executable with business units & accounts
- Gain buy-in from Business Development g on how clients can realize greater benefits and value from their investments
- Prove benefits realization & full cycle governance will accomplish:
  - Improvement in effectiveness of IT investment governance
    - Better management of programs & projects
    - Ensure proper IT investments are selected which are linked to improvement objectives for other elements in the broader business system
    - Val IT™ enables IT-enabled investments to be managed as portfolio of investments: improve risk vs. rewards
  - Create offering for a client as part of IS management proposals,
  - Earn higher customer satisfaction & be better positioned against competitors
  - Initiate move from thinking about stand-alone IT projects to managing IT-enabled change in the overall business system.

