

# CIOCONNECT

big world thinking

winter 2007



## SPECIAL REPORT: VANGUARD CIOs

LEADING FROM  
THE FRONT ARE:

**Financial Times'** Yasmin Jetha  
**e2v's** Ed Heffernan  
**DTZ's** Duncan Smith  
**Co-op Group's** Gerry Pennell

**BEST BEHAVIOUR**  
Three CIOs who developed  
best practice approaches  
to governance

**COMPLETELY SATISFIED**  
Three CIOs who helped  
their firms to improve  
customer satisfaction

**WHO DARES WINS**  
The CIOs who bet on bold  
moves and seed their firms  
with new ideas



# eternal triangles

EDF Energy's **Benoit Laclau**  
has devised a three-sided  
measure of IT's value contribution

GOOD IT GOVERNANCE IS NOT THAT COMMON – BUT THREE CIOs WHO’VE ADVANCED THE GOVERNANCE AGENDA IN THEIR OWN ORGANISATIONS, PROVIDE WISE ADVICE ON HOW IT ORGANISATIONS BENEFIT FROM BEST BEHAVIOUR

# best behaviour

WORDS  
KEVIN WHITE  
PICTURES  
DAVID DRY AND PAUL HAIGNEY

**P**ervasive use of technology has created a critical dependency on IT that calls for a specific focus on IT governance. CIOs accept there’s an absolute need for a mix of leadership, good organisational structures, well-managed processes and relational mechanisms to ensure that the IT operation sustains and extends an organisation’s strategy and objectives. And if it all sounds like common sense, think again: good governance is not that common.

## Mike De Boer, CIO, GE Money UK: There must be rigour in any governance process

More than 250 separate IT changes take place each and every month at GE Money UK, and CIO Mike De Boer looks to his governance programme as a means of building what he calls “a level of persistent consistency” for his organisation’s change processes.

“The way we’ve worked on governance has helped establish a process framework which allows the business to understand and anticipate how a business change will be handled through IT,” he says.

In the last two years, the soft-talking American has expanded the governance direction from IT security, disaster recovery and user access management services. Governance drives the management of change and controls throughout the IT function and fully extends across all change programmes.

Each group is responsible for IT governance and is exploiting it for their own purpose. Governance processes at GE Money UK help ensure that behaviours are being actively managed but that they are also consistent across the organisation’s change programme, De Boer says.

“Financial products like ours are all about speed to market, and competitive edge comes from being able to offer variants of products and services, fast. IT has to be extremely agile, without sacrificing availability or quality.” His objective, he says, is to be able to work at pace while minimising risk.

GE Money, the consumer financial services unit of GE, has more than \$190bn in assets and provides credit services to consumers, retailers, and auto dealers in 55 countries. De Boer says: “One of the strengths of working at GE is the tremendous reach. We draw on resources from across the globe or broker the business to a third party, depending on what would be the best and quickest option.”

So does the rigour with which change processes are handled become doubly important where resources are, in effect, location-independent?

“There is a need for rigour in any governance process, absolutely” De Boer confirms. “It also needs to be flexible enough to allow for a degree of agility in IT. We need to operate in both of those domains of rigour and agility, and governance helps drive that tolerance.”

Governance can be something that is as straight-forward as instilling good project management practices, or as complicated as planning and maintaining an enterprise-wide systems architecture. De Boer says: “I have had several years of exposure in GE to the Six Sigma process, then with Sarbanes-Oxley came the Cobit view which offered a good level of guidance to optimise risk as

we established the correct levels of controls for data management and defined our systems access policies.” It is something that he has been able to build on as he set about embedding a governance mind-set in his Leeds-based team.

Experience has shown how a good governance framework is dependent on developing appropriate and repeatable processes that are well defined and rigorously managed. But De Boer is insistent that it can also help in finding ways to establish a level of agility in the change processes, without sacrificing enterprise ability.

“It provides the guidance we need to properly articulate risk. But to really understand risk, we need to fully align enterprise requirements.” For this, De Boer relies on a programme review board, which has been set up to scrutinise the status and progress of all IT-led business change programmes.

The objective of these reviews is to set up regular toll-gate checks, so that a project is examined to evaluate if it has progressed cleanly enough to get through, but also that it stacks up against the strategic plan. This allows everyone to gain a fuller appreciation of a project, in the context of the broader business change horizon.

“We look at that plan every 90 days or so. So it is quite fluid. That creates a challenge, of course, and our governance approach does help. We align to the business direction, but every time a project comes through I want it to be moving the enterprise IT development cycle along a little.”

Despite his familiarity with recommended governance practices such as Cobit, De Boer says he is no great fan of standard methodologies. He is happy to cherry-pick where the guidance is relevant and there is a business need, but he sees nothing to be gained in faithful adoption of such frameworks.

Governance is more art than science, with dependencies that are linked to the culture and the skill-sets of the organisation, he says, and it needs to be shaped accordingly. No matter how good a standard method might be, if it is imposed onto an organisation, it will not work.

## Ronald Saull, CIO, Power Financial Corporation: Governance develops in step with the organisation’s management maturity

Ronald Saull, CIO of Power Financial Corporation headquartered in Winnipeg, Canada, is acknowledged as someone who has helped write the book on IT governance. He is a past vice president of the Information Systems Audit and Control Association, which promotes IT governance, and helped shape the CobiT materials that are designed to support the governance process.

Despite the availability of such best practice frameworks, CIO approaches to governance will differ, Saull says. “It’s been my experience that the approach to governance will evolve in step with the management maturity of the organisation.” Different CIOs will need to have a different focus.

For an IT shop that has service delivery issues, governance can be confused with and focused on the adoption of ITIL, the best practice service management guidelines laid down as part of the IT Infrastructure Library. It’s that that is used as a governance model, in terms of developing a service delivery

relationship with the business.

Then the focus might well shift onto application development using Capability Maturity Model Integration (CMMI) to assist, and Project Management Institute (PMI) to define a governance framework that encompasses project management. Saull says: "Once that is solved there is a need to focus on risk, with ISO 1779 and models like CobiT contributing factors in developing an approach, as there is still no all-encompassing framework. Then the focus will centre on value."

Interviewed in Winnipeg for this summer's European Summit on Value Management in Nice, Saull suggested that the new Val IT governance framework (see panel on page 33) stands as a useful mechanism for managing IT investments. Specifically, Val IT focuses on the investment decision and the realisation of the benefits, whereas the complementary CobiT framework helps drive attention on the execution.

Saull has recently started to adopt and deploy Val IT at Power Financial, notably in one of the insurer's lines of business, as the organisation changes gear from merger and acquisition to organic growth as a business strategy. "Our focus has changed with the change in business strategy. M&A is all to do with consolidation and cost containment. Organic growth strategies bring a whole new risk dimension to governance, since revenue growth through organic business development is only a probability."

Val IT is being positioned to promote the notion of enterprise governance of IT, as opposed to governance of IT by IT. It is also seen as a way of identifying and linking accountability and the responsibilities of various parties across the organisation.

"We use a terms of engagement document to define the responsibilities at the executive level, the line of business level and in IT. As good fences make for good neighbours, so too do clear responsibilities make for good partnerships."

One of the main challenges facing the CIO, is that there can be decreased level of understanding and commitment to governance at levels of the business below the executive. Executive and business leadership get it: they understand the need for the controls that need be put in place, but at the middle management level and beyond there can be growing levels of resentment.

Most employees accept the need for security measures or disaster recovery planning, but at some point they may start to resent being forced into something they are being made to do, and see IT as the gate-keeper which to some eyes only puts the IT department in conflict with the business.

"That's the biggest challenge," Saull confirms, but it can largely be countered through a process of education. At Power Financial, other steps have been made that signal the support of the executive for the governance programme, such as building responsibilities into updated job specifications.

Saull explains: "It will take time before governance becomes institutionalised, but unless people see the organisation getting serious about governance by embedding it into the job it's going to be hard. There are some basic principles of good governance that are enduring and which can be taught. Doing nothing is not an option: without governance, you are putting the business at risk, and your career at risk."

He is also starting to promote use of portfolio investment methods as a means of tuning the level of certainty about an investment according to the line-of-business. There is also a need, Saull suggests, to consider all of the various business benefit outcomes of an investment, something that Val IT incorporates.

"There's a need to think of value beyond the financial terms. How we measure success is very important. Ultimately, the business is measured on achieving its growth strategies and on the management processes that guide it.

"Our organisation has been strong at building business growth cause-and-effect relationships. They are built in and well understood. It gives the business complete transparency so that we can fully understand the consequences of spending or not spending."

**Peter O'Shea, CIO, Electricity Supply Board:**

## Our governance must not add extra complexity or cost

IT governance takes on a whole new dimension when a business is investing in new systems and new business processes at the pace and the level of Ireland's Electricity Supply Board (ESB).

"One of the challenges we face is the level of forward commitment to investments which will often have an external impact," explains CIO Peter O'Shea. He is referring to the introduction of the country's new wholesale electricity market in November 2007, and the major investment by ESB over the past two years in a range of processes and systems to support the launch of the new electricity trading model.

Such change programmes call for a fine balancing act if must-do projects mandated by legislation are to be delivered to acceptable quality standards and also at minimum cost. "We find ourselves in a position where there is not much headroom for manoeuvre, and we regularly will have to take a long hard look at our resource and at our capability," O'Shea says. Governance is a key mechanism by which O'Shea is able to better orchestrate resources, but it is also a means for him to enhance the organisational capability of his IT group.

ESB is a vertically integrated utility with some 7,500 staff working in a number of divisions, which are ring-fenced and operate independently in the electricity market. O'Shea's IT group works with the independently operated units via a series of agreed operating standards, which provides adequate levels of central control under an over-arching governance framework.

Recent market deregulation has been responsible for driving significant changes at the organisation, such as retail market operations, but recent critical business development programmes, such as the implementation of HR/payroll consolidation based on SAP and development of an integrated asset management system, have also been a priority.

"While I see governance as being an absolutely crucial function, I didn't want our framework being viewed as putting an additional element of complexity or cost into the business. I want it to be providing us with a lens - a means of really understanding where the business is going, where investment needs to be prioritised, and where resources are going to be needed."

In that context, there is a good level of buy-in at the IT management and business director level, O'Shea confirms, because the governance framework allows the executive to shape and share a disciplined view of a three-year IT/business plan. "From that position we can make better informed decisions together. We also have incorporated some standard approaches on how business change projects are scoped, how they are reported on, and how they are measured."

The business benefits of an IT-led business change programme should always be there, O'Shea insists, but he cautions that benefits need to be managed with the business. On that front, he is very positively disposed toward the Innovation Value Institute (IVI). This is a new initiative, led by Intel and National University of Ireland, Maynooth, of which ESB is a founding member. It provides a number of IT management devices that are all to do with managing IT for business value.

Explains O'Shea: "IVI effectively covers a series of processes that are common to IT, and which address four key pillars - IT budget management, IT capability, IT for business value, and managing IT like a business. My line on IVI is that it helps me rationalise what's happening in the business to provide me with a way of better shaping my strategy blueprint."

IVI, in effect, codifies an IT capability maturity framework in which the effective management of the IT function within an organisation is focused on those four major strategies, with the IT budget essentially the input to the production process, the IT capability as the production engine, and IT value as the output. Managing IT like a business effectively closes the loop, in that it provides the feedback mechanism for adjusting inputs to optimise value. These four views can then be aligned to the organisation's overall business strategy and the business context it is operating within.

Over the past year or so, O'Shea and his executive IT team have worked to apply the IVI framework in ways that would better inform internal thinking

**PETER O'SHEA:  
MANAGING IT  
LIKE A BUSINESS  
OPTIMISES VALUE**



PHOTO: PAUL HAIGNEY

about how the CIO team could develop key management processes using a process that assesses IT management maturity in all key IT and business service disciplines.

The organisation has long been an advocate of formal IT management methods like Prince for project management and ITIL for service management excellence and, accordingly, has felt comfortable in its adoption and adaptation of IVI. Initially, a cadre of 20 senior managers in the IT department were surveyed using a structured questionnaire to elicit personal views as to where these key managers believed the organisation stood.

That exercise helped to create a baseline of where the function stood in terms of its maturity levels in the 40 or so processes that are defined by IVI. Customer surveys and diagnostic tools provide some additional inputs to the maturity assessment process.

IVI uses generic maturity levels of ad hoc (or no processes), basic, intermediate, advanced and optimising which have been inspired by the Capability Maturity Model used for software development. The idea is that improvements stem in moving from ad hoc to repeatable processes that are well defined and well managed and which over time can be optimised, helping drive incremental improvements.

"We went through a couple of loops before we were able to flag up where the areas for improvement were. Of the four areas, we scored highly on budget management, which didn't surprise me as we have a strong financial discipline across the whole organisation. Likewise, scores for IT capability were good, because the organisation is noted for its strength of skills in successfully delivering large and complex projects."

The areas of value and IT management pulled lower scores, however. "I now know that there is room for improvement there. We need to make sure that benefits are delivered to the business. As a result, I want to look at refinements that could be made to the benefits tracking process, so that we have a repeatable and optimised process for benefits delivery.

"Overall, I'd say the IVI exercise has helped bring a new level of focus to the group, and it certainly has helped validate some of the assumptions I had been making about where we are good, and where we need to make improvements." ●

## Val IT introduction: THE "FOUR AREs"

Are we  
Doing  
the right  
things?

### The strategic question. Is the investment:

- ✔ In line with our vision
- ✔ Consistent with our business principles
- ✔ Contributing to our strategic objectives
- ✔ Providing optimal value at affordable cost and acceptable risk

Are we  
getting  
the  
benefits?

### The architecture question. Is the investment:

- ✔ In line with our architecture
- ✔ Consistent with our architectural principles
- ✔ Contributing to the population of our architecture
- ✔ In line with other initiatives

Are we  
doing them  
the right  
way?

### The value question. Do we have:

- ✔ A clear and shared understanding of the expected benefits
- ✔ Clear accountability for realising the benefits
- ✔ Relevant metrics
- ✔ An effective benefits realisation process

Are we  
getting  
them done  
well?

### The delivery question. Do we have:

- ✔ Effective and disciplined management, delivery and change processes
- ✔ Competent and available technical and business resources to deliver:
  - The required capabilities
  - The organisational changes required to leverage the capabilities

See <http://www.isaca.org/Content/ContentGroups/Research1/Deliverables/VALIT-framework.pdf>