Managing IT for Business Value
Introduction to the Innovation Value Institute

February 2008
Introduction

Context
• This document provides an overview of the Innovation Value Institute, current efforts to develop a new standard for measuring maturity in managing IT for business value (IT-CMF), and next steps / plans for future development

Target audience of briefing pack
• Potential new members (CIOs, Business leaders)
• Organisations who may have an interest in validating / refining initial outputs

Permitted distribution
• External parties – please provide a list of organisations to the IVI office for membership development planning and follow-up
Introduction

Who are we?
- The innovation Value Institute – a consortium of leading players interested in improving the business value that IT delivers

What are we developing?
- Developing an industry standard for managing IT for business value, the IT capability Maturity Framework (IT-CMF)
- The framework covers 36 critical processes to run an IT organisations, built on foundational learning in IT transformation at Intel, refined by academic and industry input
- Includes maturity curves, assessment tools, practices, outcomes and metrics to increase maturity level, case studies and illustrations of best practices

Why should this interest you?
- Improve practices within your organisation and deliver more business value
- Contribute to industry thought-leadership, share experiences with other leading companies
- Develop staff and expertise
IT value management is a key topic for CIOs

Important issue for CIOs ...

- CEO/CFO demanding better ways to demonstrate value: 71%
- Find it difficult to calculate ROI: 62%
- Executives "skeptical" of ROI from IT: 52%
- Metrics don't adequately capture business value: 45%
- Do not measure business value from IT investments: 40%

... with a tangible opportunity

- Budget flexibility coupled with strategic IT alignment leads to 50% greater IT payoffs
- Improving management practices alongside IT investment drives 20% higher IT yields

Source: Industry surveys
1. CIO Insight Survey 2. CRTO research 2. LSE, IVI Survey

Growing evidence of an important gap in the IT industry
CIOs lack a framework for describing business contribution

**IT process frameworks**

- How to deploy service oriented architecture?
- How to implement best in class security?
- How to manage a data center?
- How to deploy virtualization?

**Business value**

- **Financial value delivered**
  - Cash flow
  - ROI
  - EVA
  - ROCE
  - ROE
  - NPV

- **Operational value of IT**
  - Customer
  - Supplier
  - Managerial
  - Employee
  - Partner
  - Societal

- What is the average return from your IT investments?
- What is the cumulative return from your IT investments?
IVI is focused on realizing more business value from IT

"IVI's vision is to transform organizations to consistently realise IT value from IT investment and practices...

... through researching, developing and disseminating an empirically proven and industry validated IT best practice model.

IVI's mission is to develop a unifying approach for managing the delivery (or realisation) of Information Technology investments ...

... and to validate that these approaches have a broad applicability across differing industries and contexts."

- Innovation Value Institute

Provide new perspectives on value-based IT management

Develop an end-to-end view of IT processes and capabilities

Develop a roadmap to help CIOs select strategies and improve capabilities

Collect best practice case studies across industries, understand key value drivers

Consortium of leading industry, consulting, not-for-profit and academic organisations
Consortium of leading players designing approaches to managing IT for business value

- **BCG**
  - Strategy consulting.
  - Cross-functional industry expertise, intellectual capital

- **Intel**
  - $1.6B IT budget managed for cost and innovation; primary sponsor and contributor
  - IT provides innovative products that drive core business revenue

- **Chevron**
  - One of the largest, most successful, and active IT R&D organizations

- **Google**
  - Access to academic resources, consortium infrastructure

- **Ernst & Young**
  - Independent providers of IT advice & assurance to support the business agenda
  - Best practices, particularly in Enterprise Architecture, systems design

- **Microsoft**
  - Expertise and customer experience in technical asset management and financial management
  - IT services viewed as competitive differentiator; integral to brand, image

- **SAP**
  - Strong investors in value based mgmt, innovation value

- **NUI Maynooth**
  - Additional 20+ non-core medium and large sized companies (EU and US)

- **SUMERIAN**
  - Niche provider of IT services and business value analytics
## Initial focus is on developing Capability Maturity Framework (IT-CMF)

<table>
<thead>
<tr>
<th><strong>What</strong></th>
<th>Develop an integrating framework that enables CIOs and business management to deliver more value from IT investments and practices</th>
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</thead>
</table>
| **Why**  | To assess current practices  
To understand opportunity and value of increasing maturity  
To bridge structural gaps in other assessment frameworks |
| **How**  | Working Groups that input from consortium members, academics and company experience  
Reviewing material with Technical Committee for Consortium  
Testing and validating and validating findings over time |
| **When and where** | Initial outputs in early 2008  
Output initially for Consortium members, then to wider audience |
IT-CMF : Four key macro processes

IT Capability Maturity Framework

Managing IT Like a Business

Managing the IT Budget

Realising & Assessing Value

Delivering IT Capability

IT management functions

Financial investment/value delivered

Traditional information technology operations, development, and services
IT-CMF: 36 critical processes to run an IT organisation

Managing IT Like a Business
- IT Leadership & Governance
- Business Process Mgmt
- Business Planning
- Strategic Planning
- Demand & Supply Mgmt
- Capacity Forecasting & Planning
- Risk Management
- Accounting & Allocation
- Organisation Planning & Design
- Sourcing
- Resource Mgmt
- Innovation Mgmt
- Performance & Quality Mgmt
- Service Analytics & Intelligence

Managing the IT Budget
- Funding and Financing
- Budget Management
- Portfolio Planning & Prioritisation
- Budget Oversight & Performance analysis

Delivering IT Capability
- Enterprise Architecture
- Infrastructure Mgmt
- People Asset Mgmt
- Intellectual Capital Mgmt
- Relationship Asset Mgmt
- Research, Development & Engineering
- Solutions Delivery
- Service Provisioning
- User Mgmt & Training
- User Experience Design
- Program & Project Mgmt
- Supplier Mgmt
- Value Chain Mgmt
- Capability Assessment & Mgmt

Realizing & Assessing Value
- Total Cost of Ownership Mgmt
- Benefits Assessment & Realisation
- Portfolio Mgmt
- Service analytics and Intelligence
Each process has a maturity curve and an assessment tool

Maturity level defined for each process ...

1. Ad hoc/unstructured
2. Emerging/sporadic
3. Defined/implemented
4. Managed/some value
5. Optimized value

... with an assessment tool to assign maturity level

Source: Intel, inspired by SEI CMM
Target: An objective way of assessing maturity of IT management practices ...

Gaps reflect opportunities for investment, growth

Could be applied across all IT functions or in a selected set of areas
Significant amount of research underway

Managing IT Like a Business
- IT Leadership & Governance
- Business Process Mgmt
- Business Planning
- Strategic Planning
- Demand & Supply Mgmt
- Capacity Forecasting & Planning
- Risk Management
- Accounting & Allocation
- Organisation Planning & Design
- Sourcing
- Resource Mgmt
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- Performance & Quality Mgmt

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Current Working Groups

Initial Background Research

Proposal for new working group

1. Not reviewed by technical committee
Content developed using robust process
Broad Input, validation, and QA

1. Initial background research
2. Working Group
3. Validate & Test
4. Develop prose
5. Adjust content, develop key insights
6. Final approval

Technical review / QA
IVI is working on topics of great importance to our business, where innovation in IT is a way of life, and managing value is critical to our success. ... I see materials here that I can bring back to my organisation immediately, today.

The industry is looking to the IVI industry consortium to lead the way in researching the challenges facing IT today. I have great faith in the value of this approach to the field of IS management.

This consortium is a great way to see how other industries have solved the problems we’re tackling. I think there is tremendous value in participating, and contributing to IVI.

I have no doubt of the value of IVI... when I look at the output we have produced. The return has been incredible compared to the investment I have made.
## Two ways you could be involved

<table>
<thead>
<tr>
<th>Test early versions of content</th>
<th>Become a member</th>
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<tbody>
<tr>
<td><strong>Assess your current practices</strong> (initial area of focus)</td>
<td><strong>Contribute to development of leading industry framework</strong></td>
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<tr>
<td>• Innovation Management</td>
<td></td>
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<td>• Enterprise Architecture</td>
<td><strong>Gain exposure to leading practices, industry trends</strong></td>
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<td>• Benefits Assessment &amp; Realisation</td>
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<td><strong>Understand improvement opportunities</strong></td>
<td><strong>Create development opportunities for staff</strong></td>
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<tr>
<td>• Key practices</td>
<td><strong>Access a cross-industry network of IT leaders</strong></td>
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<tr>
<td>• Metrics</td>
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<td>• Transitions to increase maturity</td>
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Opportunities to pilot initial content in three areas

**Innovation Management**
Create, identify, fund and measure information technology based innovations to create business value.
- IT innovation
- New IT solutions to business needs
- New products / services

**Enterprise Architecture**
Provide models and practices to define, plan and manage the business and IT capabilities.
- Architecture framework, processes, governance and value
- Architecture Planning
- Organisation structure and skills management, communication and stakeholder management

**Benefits Assessment & Realisation**
Measure the actual return and forecast the expected value from project level investments.
- Identification, documentation and measurement of benefits of IT investments
- Benefits tracking and reporting
- Realisation planning of benefits of IT investments

**Impact**
- Accelerate time to market
- Improve quality of ideas and opportunities pursued
- Achieve bigger / broader business value and impact
- Improve architecture management practices
- Simplify architectural design
- Reduce development time
- Improve governance and regulatory compliance
- Increase IT’s ability to forecast and deliver value from IT investments
- Demonstrate IT’s contribution to achieving business goals and delivering business value
## Benefits of IVI membership

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<th>Content</th>
<th>Relationships</th>
<th>Marketing</th>
<th>Staff development</th>
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<tr>
<td>• Framework for assessing IT maturity</td>
<td>• Extended network of leading organisations, with broad and deep experience in IT</td>
<td>• Potential – be seen as contributing to leading industry thought</td>
<td>• Platform to develop expertise, networks, lead content development</td>
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<tr>
<td>• Leading practices, industry trends, &quot;hot topics&quot;</td>
<td>• Network of key opinion leaders, academics</td>
<td></td>
<td>• Approaches/tools for collaborative development</td>
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<td>• Assessment tools, &quot;health check&quot;</td>
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<tr>
<td>• Better understanding of value/return from increasing maturity</td>
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For further information, please contact

http://ivi.nuim.ie/

regunta IVI@nuim.ie

+353 1 708 6931
Backup slides
Glossary of acronyms

ABR = Accelerated Background Research
CIO = Chief Information Officer
CMM = (SEI) Capability Maturity Model
IT-CMF = Information Technology-Capability Maturity Framework
IVI = Innovation Value Institute
IVIC = Innovation Value Institute Consortiums
NUI = National University of Ireland
ROI = Return On Investment
SEI = Software Engineering Institute
WG = Working Group