A strategic approach to corporate planning, management and governance

IT Governance Conference
**25 November 2009**

Dr James A Robertson PrEng

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A challenge

- What presentation software?
- What drawing software?
- What year (give or take two years)?
- Minimum retrospective backward compatibility policy?
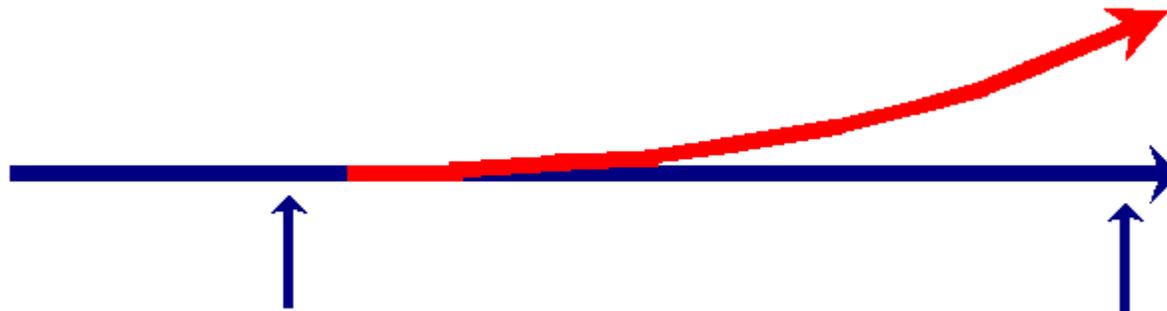
I.T. versus bridges

Engineers do NOT design bridges to stand up

Engineers design bridges NOT to fall down

Vision

Angus Struan Robertson

Experiencing failure

Governance

Governance = Care!

Mervyn King

Information technology

An industry in crisis

March 28 2003

Billions lost in telecom mess
pg 32

Delisting hit list
pg 40

IRAQ: THE WAR & AFTER

Financial Mail

REBOOT OR BUST

Business has lost trust in IT.
Can these men turn the tide?

R11,80 including Vat

"19 out of 20 E.R.P. (business system) Implementations do NOT deliver what was promised"

Duncan McLeod

Business system failure can trash your business

"The next corporate disaster waiting to happen"

Richard Nolan

An industry characterized by failure

"Attendees of Gartner's Business Intelligence Summit in London last month were not surprised to hear that most enterprises are still failing to use business intelligence (BI) strategically. Gartner's survey of over 1300 CIOs returned some unimpressive findings about the state of BI implementations: Gartner's vice: president of research summed up the situation nicely by saying:

"*Most organisations are not making better decisions than they did five years ago*"

Computer Business Review Africa May 2005

Extreme failures

1. Seven years and half a billion dollars -- international chemicals company

2. $400 million -- multinational shoe corporation

3. Multinational entertainment giant -- $878 million

4. Major supermarket chain -- $195 million

Professor Rossouw van Solms
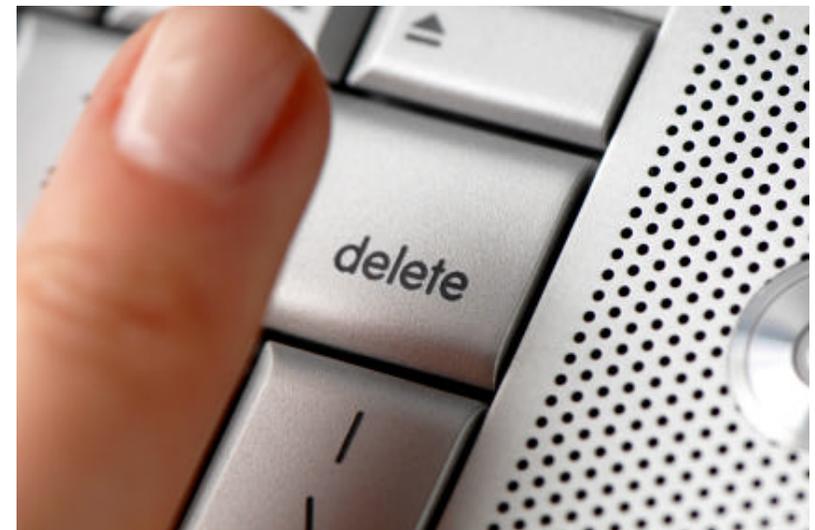
Delete or ...?
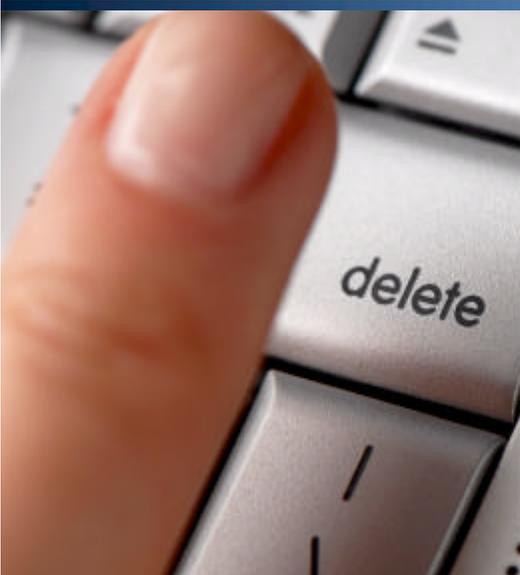
or refurbish?

There is a need for a new approach

What is NOT an engineering approach?

Time for a peer reviewed and moderated professional body

Voluntarily established

Statutory underpinning

License to practice

Professional indemnity insurance

Like engineers, doctors, lawyers, accountants, etc

Engineering Council of South Africa

This is to certify that _____

is registered as *Professional Engineer*

in terms of the Engineering Profession Act, 2000 (Act No. 46 of 2000)

Date   18 July 2002

Registration Number   20020147

President

Chief Executive Officer

There IS great opportunity
IT can and should add value

# Adding value with IT
Motivating statements

"*You produce exceptional high value outcomes in ridiculously short time frames at ridiculously low cost*"

"*You transformed what would have been a pedestrian, poorly thought out system, into an ERP that is already functional and will ultimately transform our analytics and IT offensive capabilities*"

"*You have provided some key pieces of my jigsaw puzzle, now I understand why ERP Implementations are failing*"

Different view of ERP / IBIS
(Integrated business information systems)

Common view
of best practice

10

0

Real potential
of ERP
software

**10**

0

The REAL
opportunity

10

0
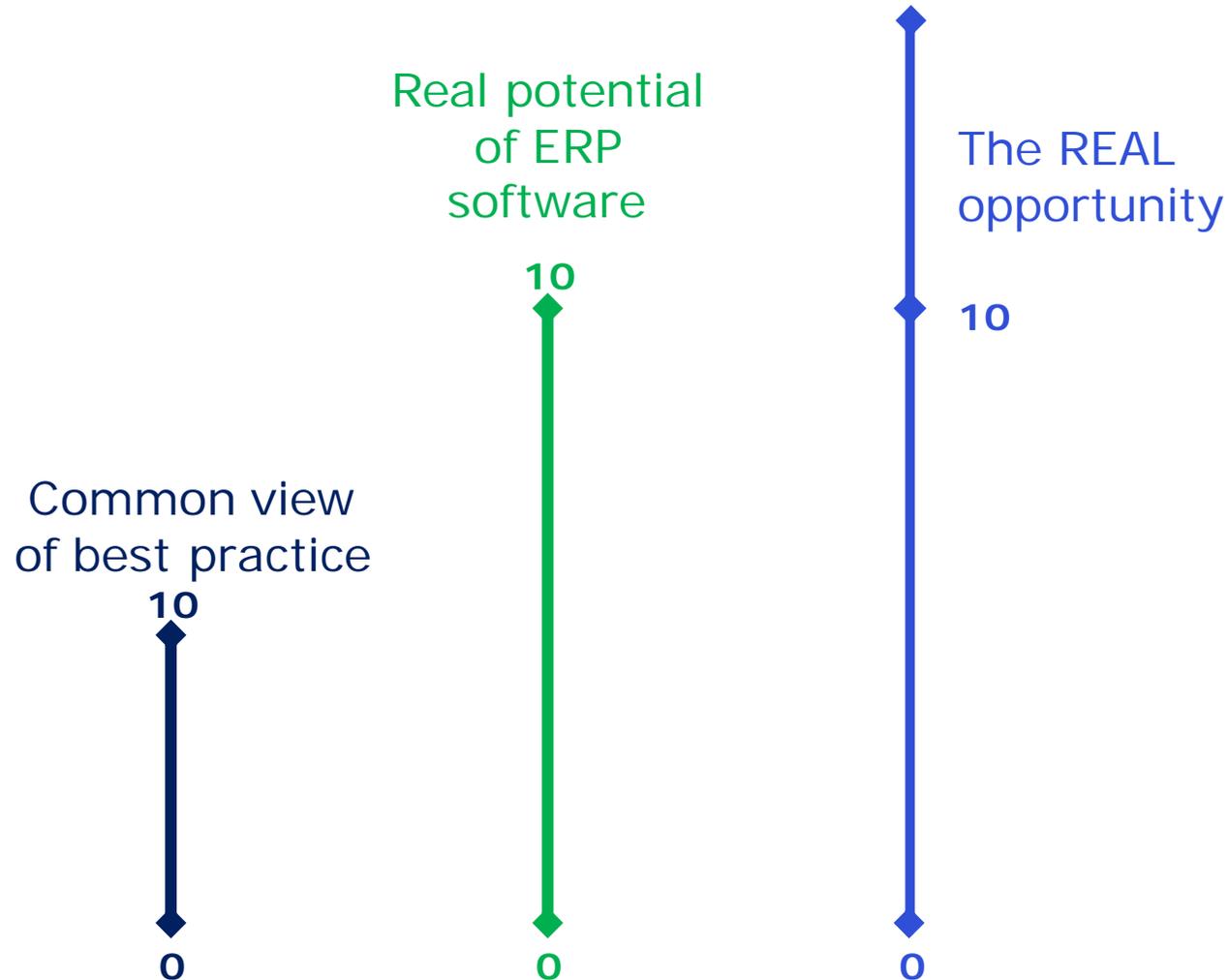
Adding value with IT
A major opportunity

- There are major opportunities to create more value for business

- Frequently this requires the same or more expenditure

- BUT in different directions
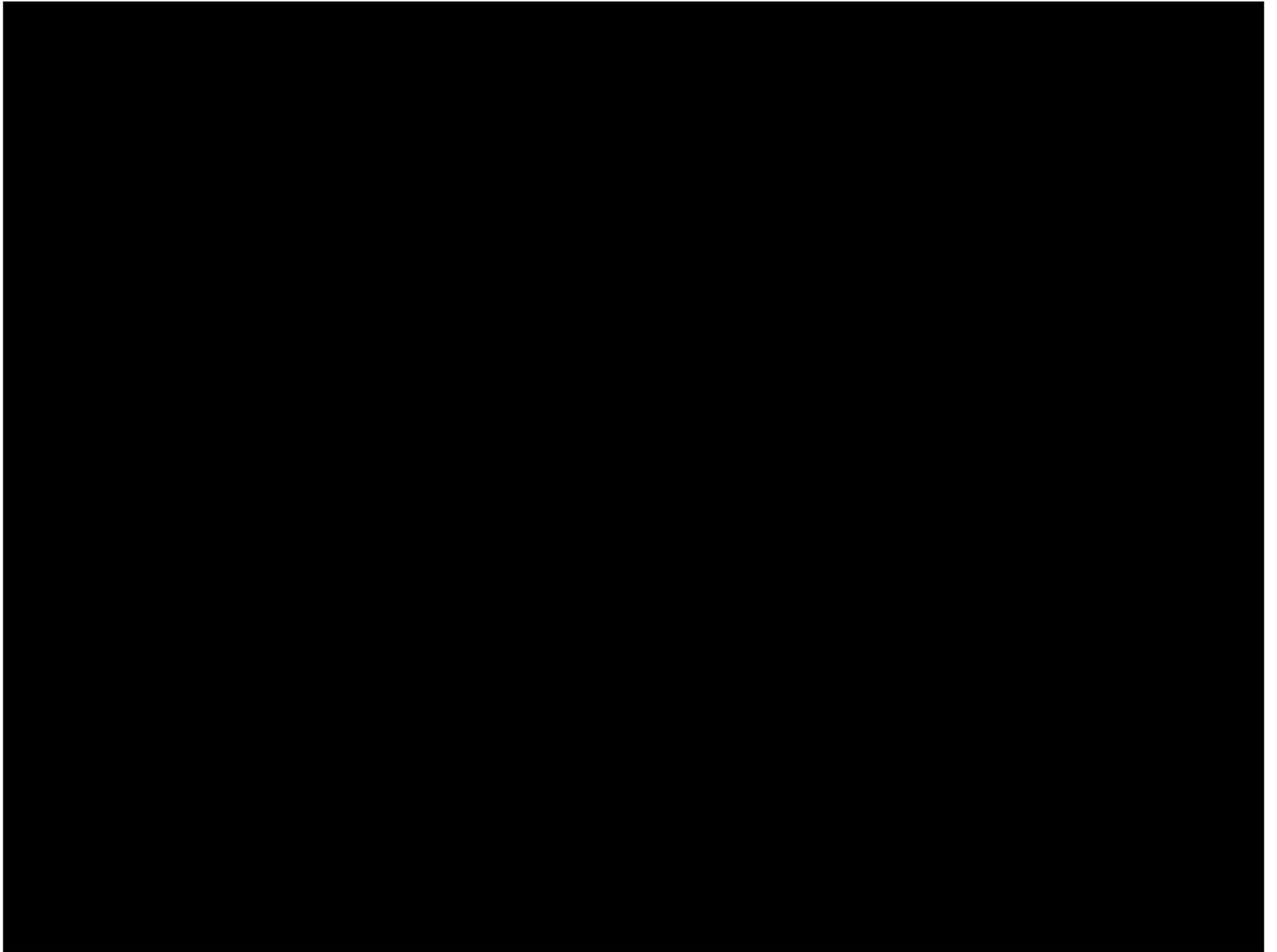
Factors causing IT failure
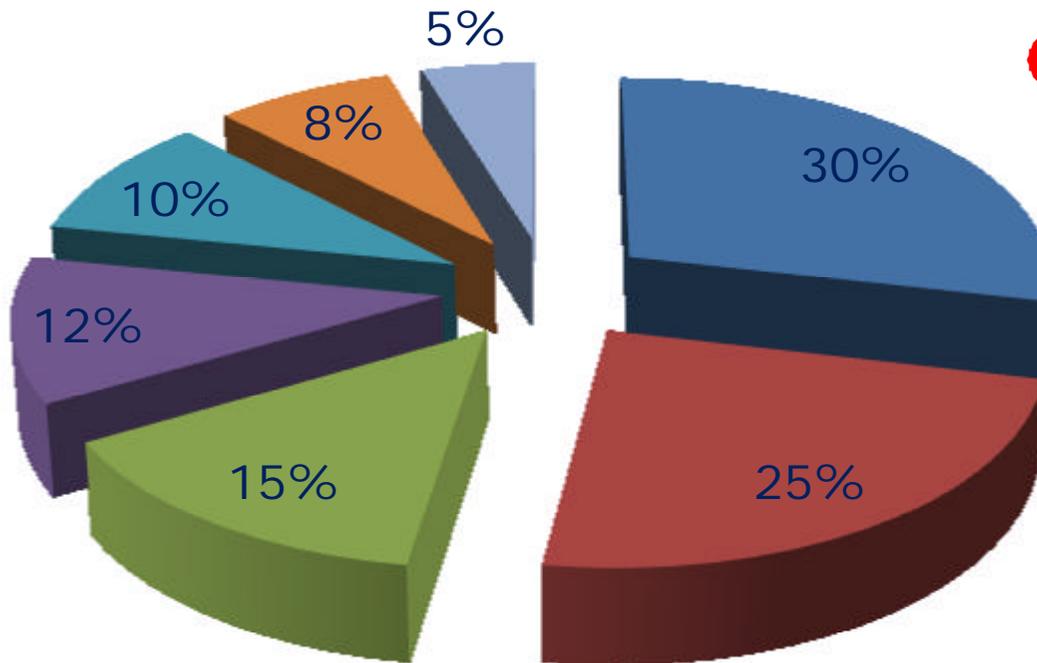
Legend:
- 1. IT Mythology -- 30%
- 2. Lack of executive custody -- 25%
- 3. Poor strategic alignment -- 15%
- 4. Lack of an engineering approach -- 12%
- 5. Poor data engineering -- 10%
- 6. People issues -- 8%
- 7. Technology issues -- 5%

# The value of technology is determined by the person using the technology

Technology is only 5% of what causes failure

Software defects CAN be prevented
**Take a stand**

What is IT? REALLY?
The MOST important skill?
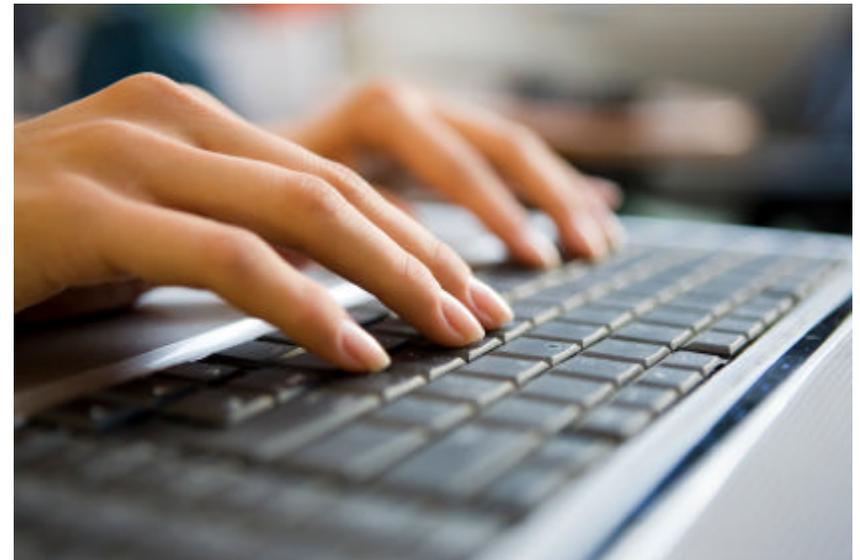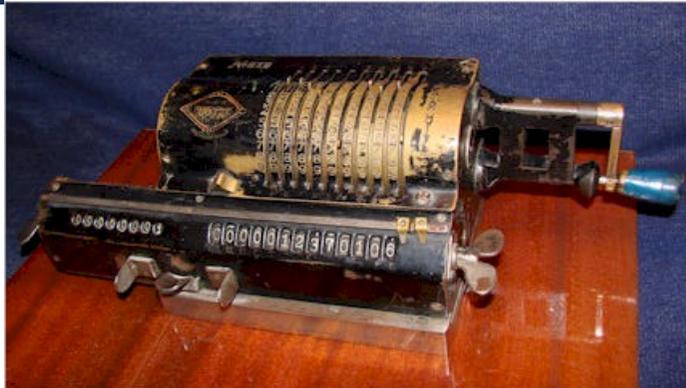
Policy

1. Hand-me-down principle

2. Long term partnership (20 years) with business system suppliers

3. Business focus
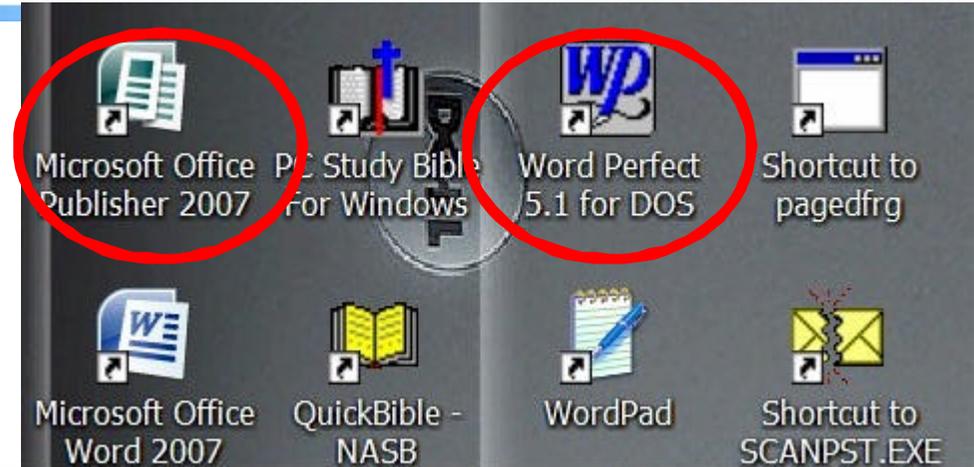
Precision configuration versus …

500528 Waste Material Consumed
500530 Loss from valuation of external materials
500540 Loss from valuation of own materials
500550 Losses - inventory variance -consignment
       sale
500560 Safety Clothing
500565 Safety Equipment
500570 Sand & Stone
500575 Scraper Rope
500580 Scrapers
500585 Services
500590 Signs
500595 Skips & Cages
500600 Finished Goods Inventory Offset
500605 Smelting & Refining
500610 Production Order Settlement - Variance
500615 Steel Other
500620 Steel Sections
500625 Steel Sheets & Plates

MOBILE PLANT

Loader's

Dump trucks

Drill rigs

Other off road

LDV's

etc

Lack of consistency in detail in Chart of Accounts, random mapping, difficult and costly to maintain, VERY DIFFICULT to report on strategically

Leadership

1. Executive custody is critical

   -- 50% leadership

2. "Business systems department" instead of "IT department"

Factors for ERP reimplementation success
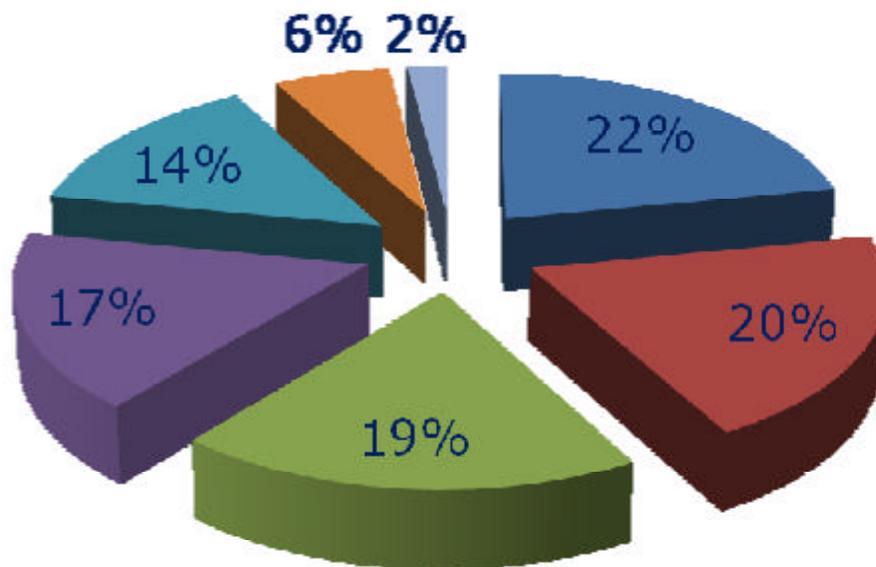
- 1. Executive custody, strategic solution architect, accountability -- 22%
- 2. **Effective change facilitation -- 20%**
- 3. Strategic architecture, alignment, etc -- 19%
- 4. Data engineering and configuration -- 17%
- 5. Engineering approach, design against failure, precision, etc -- 14%
- 6. Business integration, training, processes, CBT -- 6%
- 7. Technology - 2%

What is strategy?

Strategy versus tactics
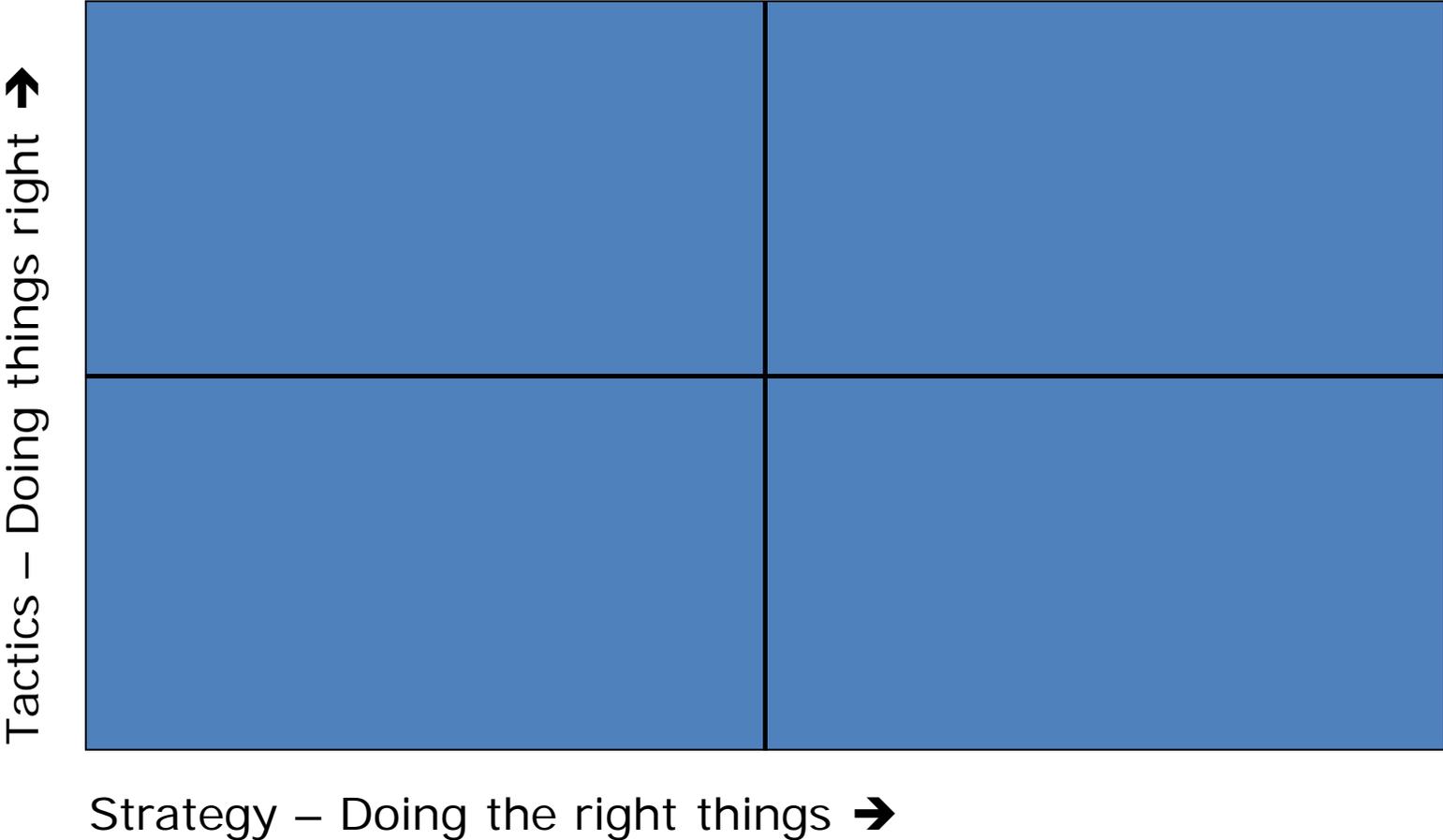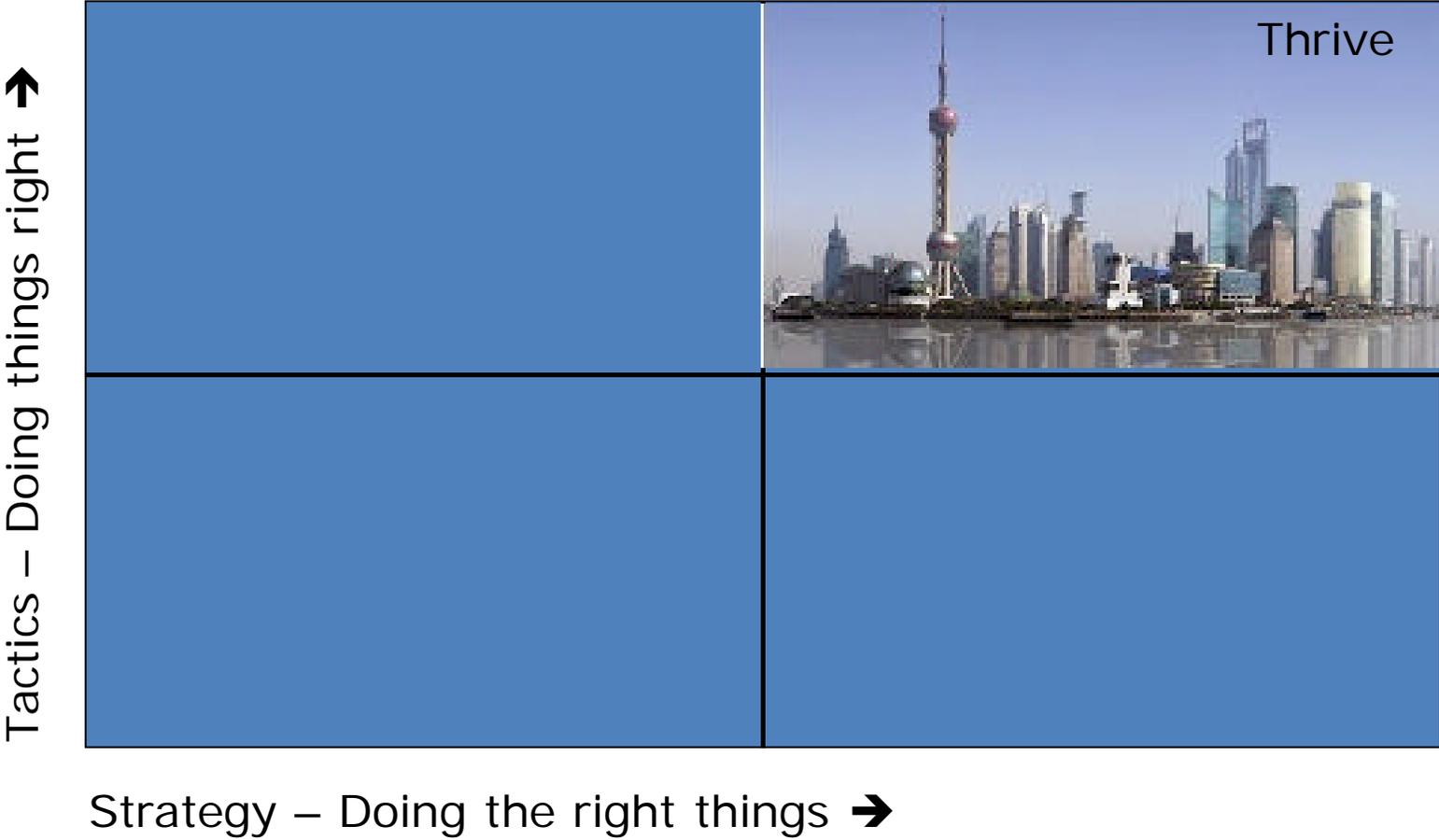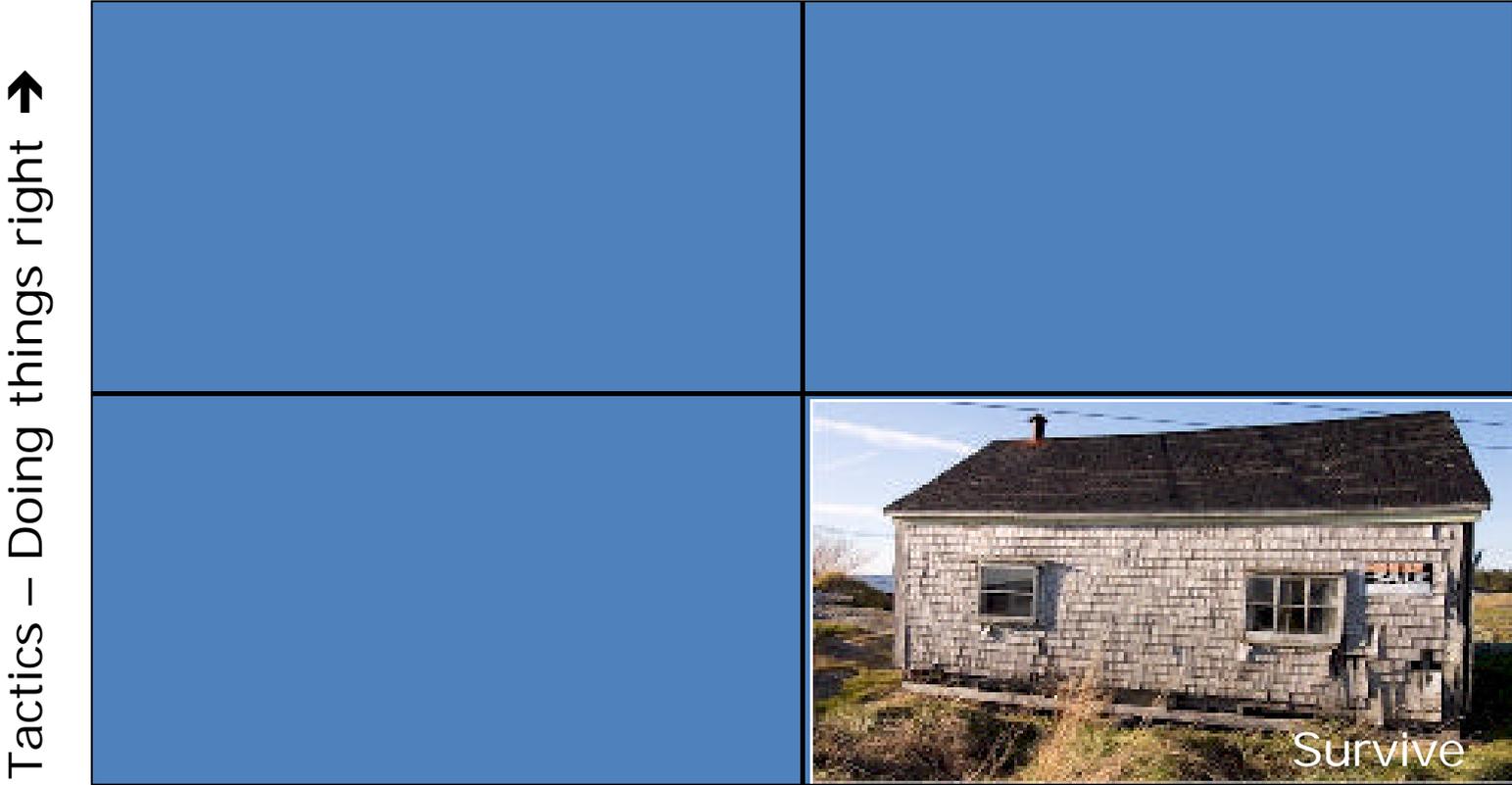
Tactics – Doing things right ↑

Strategy – Doing the right things ➔

Professor Malcolm McDonald

Strategy versus tactics

Tactics – Doing things right ↑

Thrive

Strategy – Doing the right things ➜

Professor Malcolm McDonald

Strategy versus tactics

Tactics – Doing things right ↑

Strategy – Doing the right things ➔

Survive

Professor Malcolm McDonald

Strategy versus tactics

Tactics – Doing things right ↑

Die

Strategy – Doing the right things ➔

Professor Malcolm McDonald

Strategy versus tactics

Tactics – Doing things right ↑

Die fast

Die slowly

Strategy – Doing the right things ➔

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Strategy versus tactics

Tactics – Doing things right ↑

Die fast

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Survive

Strategy – Doing the right things ➔

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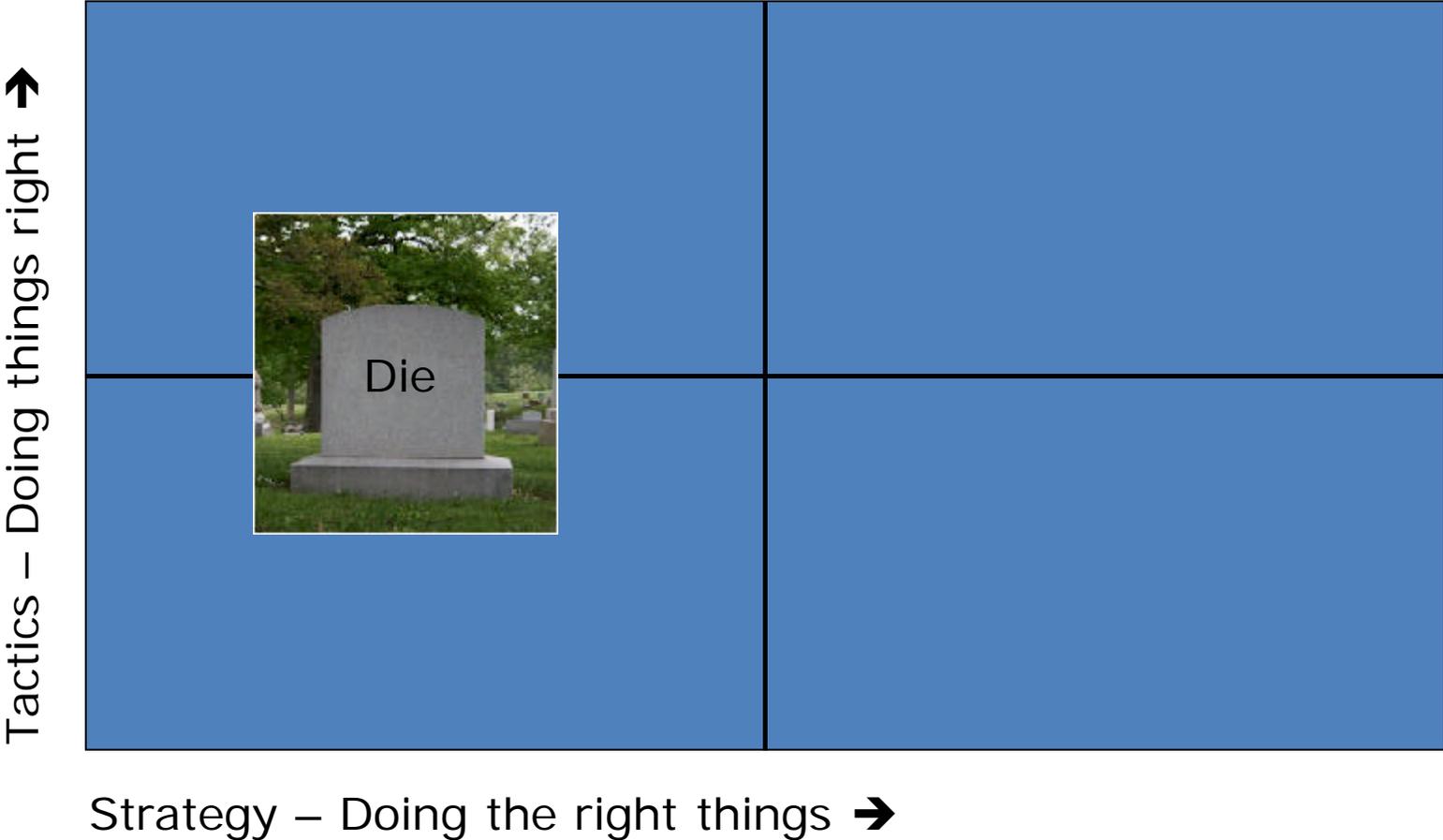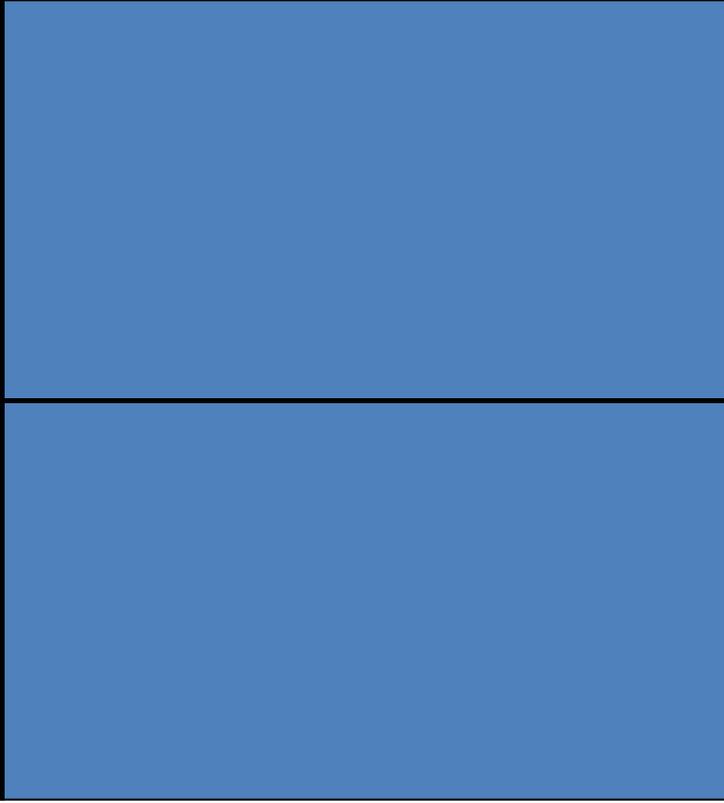
The essence of strategy
create competitive advantage

The essence of strategy is integration - the ability to see in a complex holistic way

Michael E Porter: Global Competitive Strategy : 9 June 2003

Michel Robert
strategic driving force

1. Product
2. User
3. Market
4. Technology / Know-How
5. Production Capacity or Production Capability
6. Sales / Marketing Method
7. Distribution
8. Natural Resources
9. Size / Growth
10. Profit

Every organization should have ONLY ONE of these as driving force

the others are managed within the context of the strategic driving force

Michel Robert

What is strategy?

- The essence of why an organization exists and how it thrives

Essential components of strategy
What is critical to YOUR organization

1. Core economic driver

Compare:
Pick 'n Pay
Edgars
Woolworths

2. Core human resource driver

3. Core market differentiator / value proposition / sales or marketing method

4. Core customer / market / user

5. Core asset / product / natural resource / size / growth

6. Core technology / capability / know-how / distribution

7. Core values

8. Other

The strategic environment

CORE STRATEGIC PARAMETERS

Strategy and strategic drivers, also what NOT done

4. EXTERNAL STRATEGIC ENV

Horizon, medium term, short term, immediate incl threats, opp's, etc

5. INTERNAL STRATEGIC ENV

Strengths, weaknesses Operation, Systems, Managers, Staff, Workers

Systems

Manual, mechanical, computerized, etc

1. SHAREHOLDER CSF'S

CORE STRATEGIC OBJECTIVES
Maximize value creation minimize value destruction

7. CORPORATE STRATEGIC GOVERNANCE

2. MARKET AND PRODUCT FACT

MAF, CSF, product fact, Market portfolio, etc Countered by alienators

3. SUPPLIER FACTORS

Supplier relationship and other supplier factors

6. STRAT CAPABILITY
(The Solution Map)

Ess Q's, realisation (value), StratProc, Crit Fct Success Mgmt of failure factors, etc

The time dependency of strategy

- NOT a forecast

Professor Malcolm McDonald
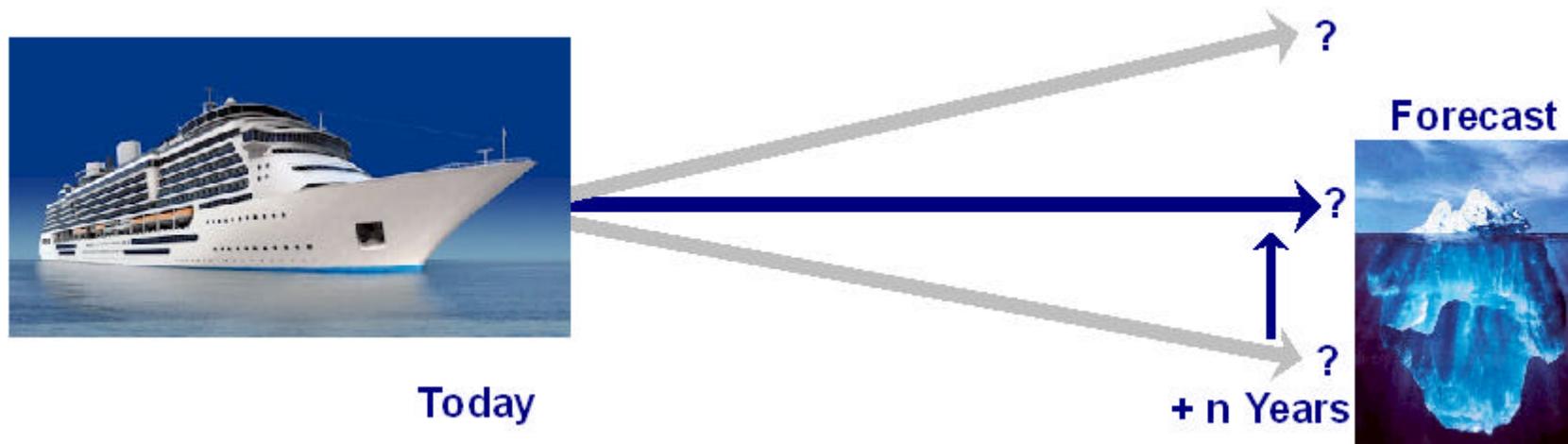
The time dependency of strategy

- NOT an objective

Today

Objective

+ n Years

Professor Malcolm McDonald
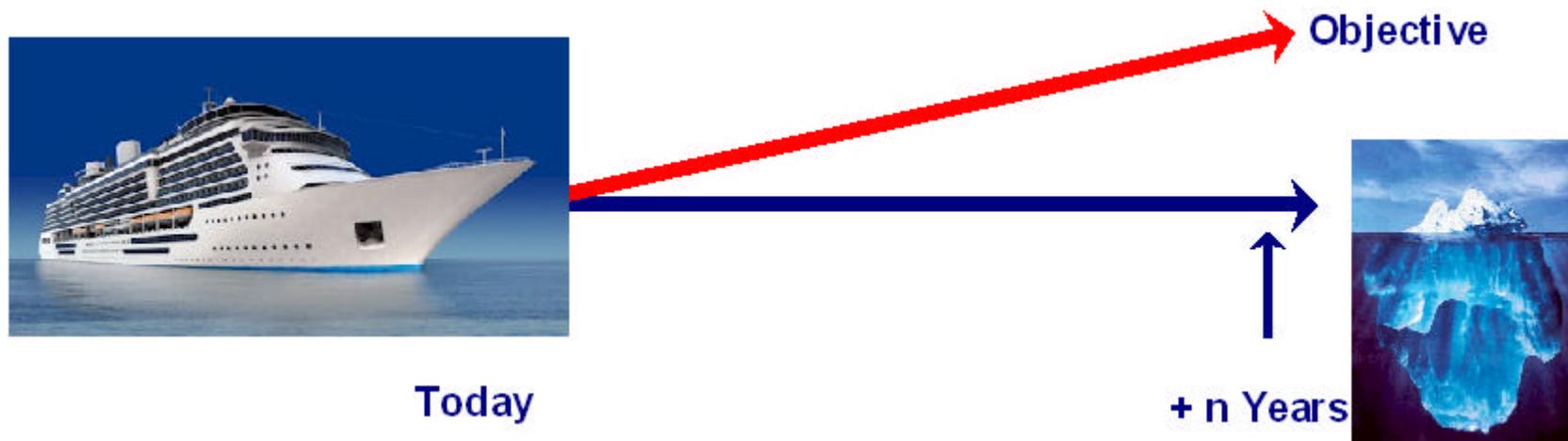
The time dependency of strategy

- Strategic plan – the path to competitive advantage

A realistic trajectory of continuous improvement within business constraints

Today

+ n Years

Systems must be optimally designed, configured, implemented and operated from the start in order to achieve a high value outcome
   – design for the future

The trajectory from Good to Great
Jim Collins

COLMAN MOCKLER'S TRIUMPH
Cumulative Value of $1 Invested, 1976 – 1996
Gillette versus Takeover Bid and Market

Gillette

44% Premium Offered in Takeover Bid

Gillette: 95.68

Takeover Bid Performance: $30.40

General US Stock Market   US$14.92

General Market: $14.92

1975
Colman Mockler Appointed CEO

1986
Hostile takeover thwarted

1991
Mockler retires

1996
End Study

"From Good to Great" by Jim Collins page 24

Historical differentiators

- 60's Production

- 70's Sales

- 80's Finance

- The 90's and 2000's and ...
    - Excess supply
    - Single division cannot solve
    - Integrated operation is critical
    - A boom is unlikely!!

- Strategic issues are vital

We are NOT there YET!

ERP should play a vital role
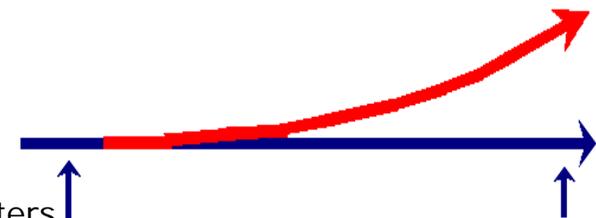
Adapted from Professor Malcolm McDonald, Peter Laburn and Iain Peters

Future differentiators

The key differentiators beyond 2000

- Market focused strategy

- Utilization of people

- Effective management decision making

We are NOT there YET!

World Competitiveness Report, McDonald and others

ERP should play a vital role

**The information to support the essence of the business**

Measures of strategic delivery

- Increased competitiveness

- Increased market share and resulting turnover

- Increased profit margins

- Increased earnings

- Increased shareholder value

- etc

Thrive

Determined by business executives and shareholders
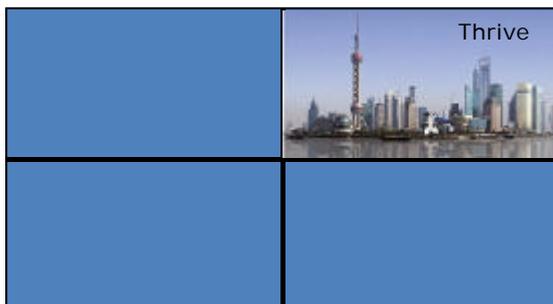
Value

- Experienced / defined by people

- Intuitive / gut feel

- Transaction = exchange of value between recipient and provider

- NOT money / cash / finance

Money

    is a medium of exchange / proxy / surrogate for value

    a means of measurement

    therefore easy to measure

Economic value

- Measuring the money is not really that important

- Find ways to measure the value that REALLY generates the money

- and there WILL be money

A huge need

   and a huge opportunity

Developing a robust strategic budget
What is required for a valuable outcome

- Add value
  to a customer who is willing to pay

- Materially and sustainably reduce operating costs
  AND do NOT destroy value in another way (e.g. morale or
  loyalty)

- Enable the creation of a product or service that currently does
  not exist
  for a customer who is willing to pay

- Defend, extend or create competitive advantage
 for a customer who is willing to pay
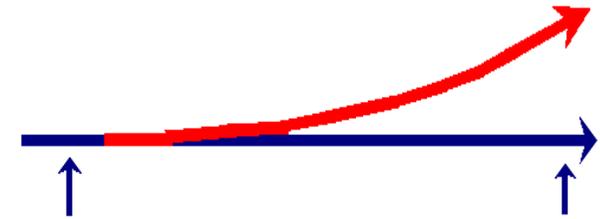
**Can you relate your IT Governance to an external
customer who is willing to pay?**

Strategic plans must be future focussed

- Budget for the future

- Projects are the mechanism whereby we bring about change

- IT investments MUST be future focussed
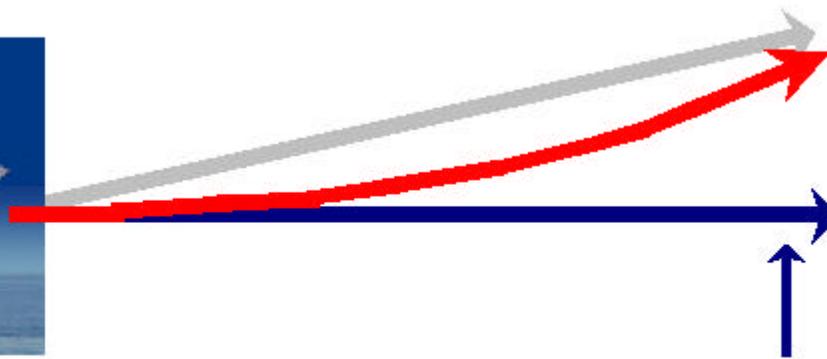
Is your governance future focussed?

Analysis and design for "doable" plans
How to determine the right things

1. Analysis of strategic environment, context, requirements, benefits, value, etc

2. Strategic gap analysis

3. Strategic design

4. Strategic governance framework

5. Strategic action plan

6. Strategic project management

7. Strategic plan business outcome auditing, monitoring, performance measurement and incentives

8. Continuous strategic improvement
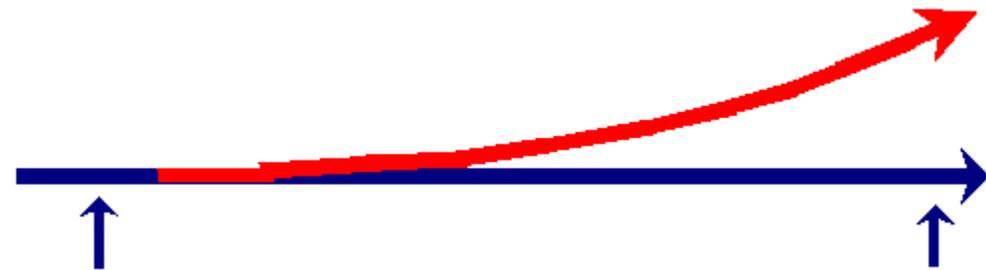
# Analysis
determine the right and wrong things

- All factors that impact significantly on the business

- The critical factors = the right factors = the strategic factors

- Prioritised and quantified to support decision making

- Ask the "right questions" in order to obtain the "right" answers

Enhance / create right things

Thrive

Gap

Gap
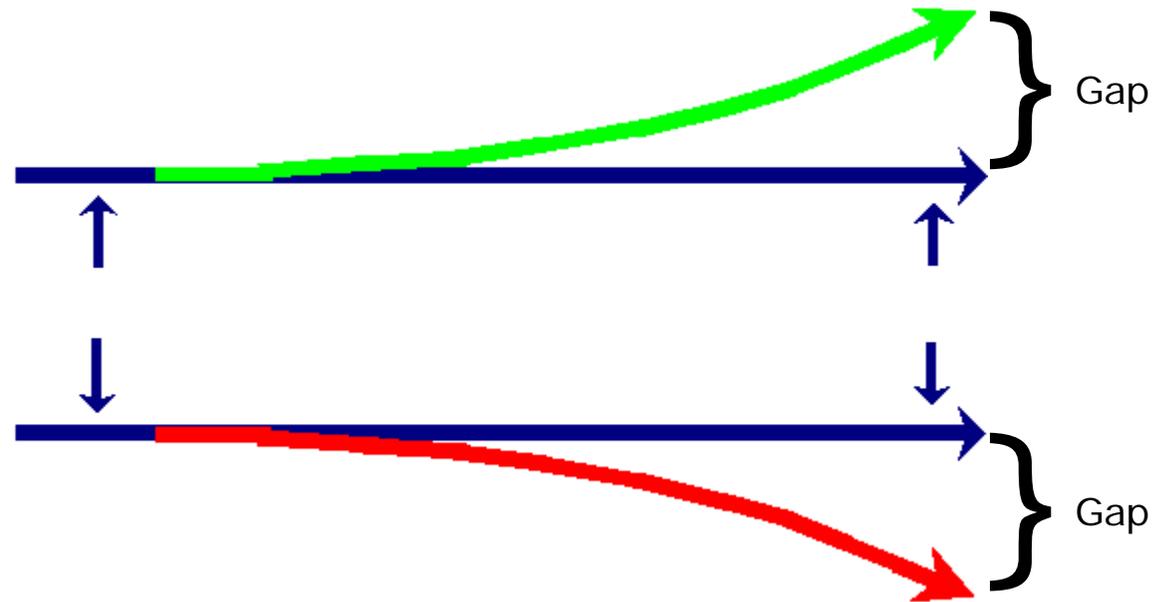
Reduce / eliminate wrong things

Die

Different views of the mountain
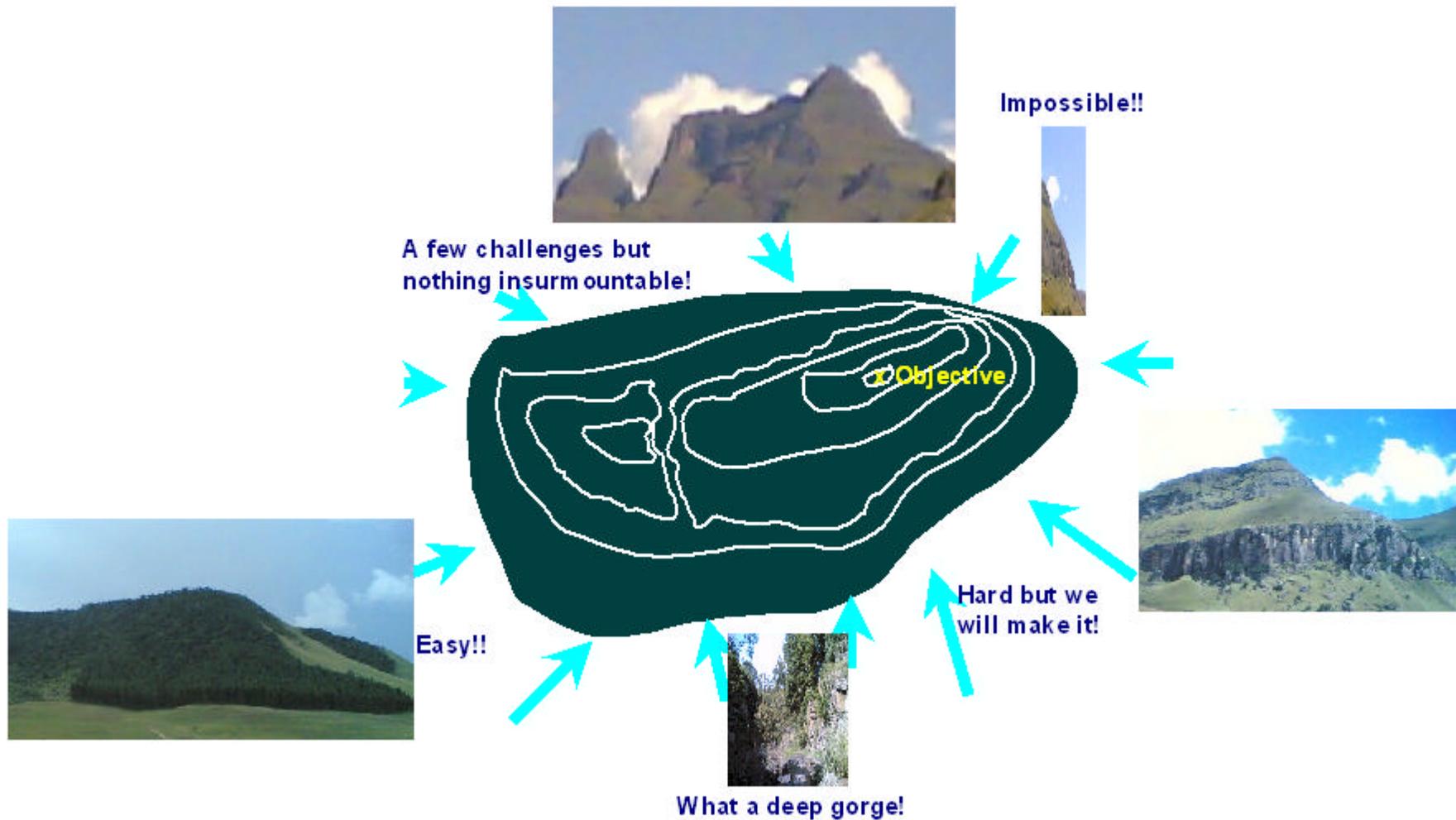
Determining the critical components

Everyone sees the problem and the solution differently

- Executive
- Production
- Operations
- Marketing
- Finance
- etc

A few challenges but nothing insurmountable!

Impossible!!

x Objective

Hard but we will make it!

Easy!!

What a deep gorge!
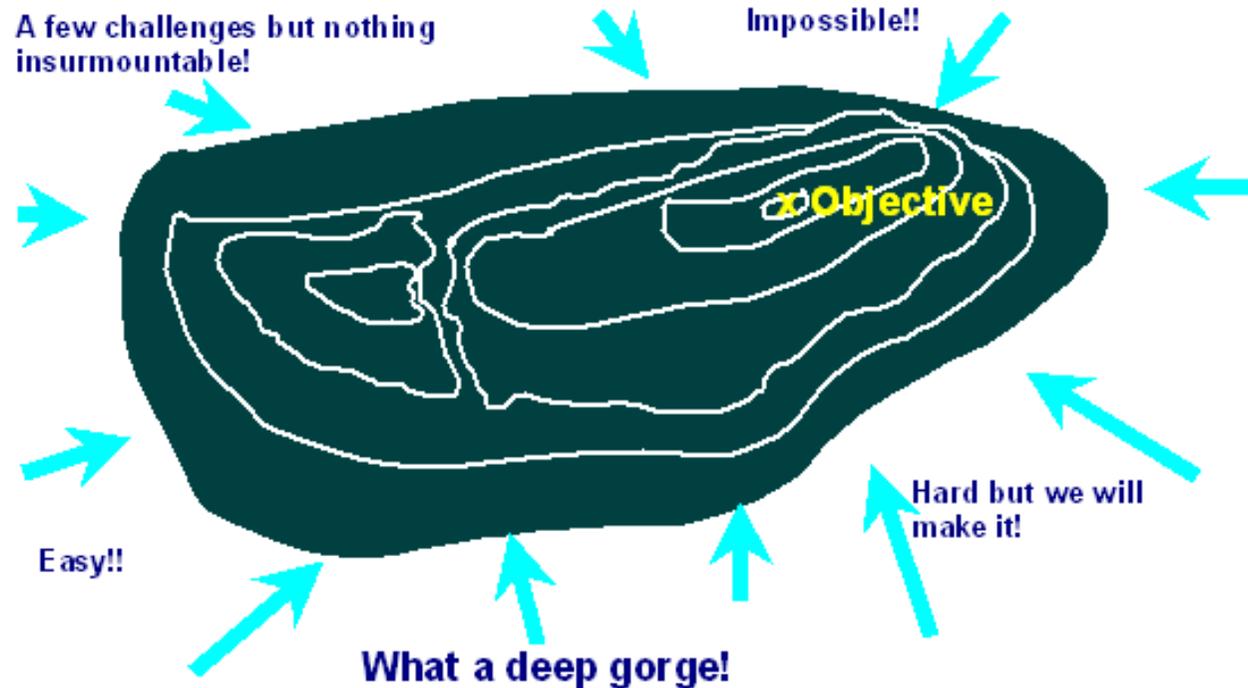
Strategic clarity provides focus

Different perspectives are a major challenge – facilitate change

Gap analysis -- projects / activities / components

1. What will be done?

2. How well are we doing it already?

3. Accountability

4. Timeline

Objective

Strategic plan outcome of process

Forecast

Minus n years

Today

Projects and activities to close the gap MAY include IT

Plus n years
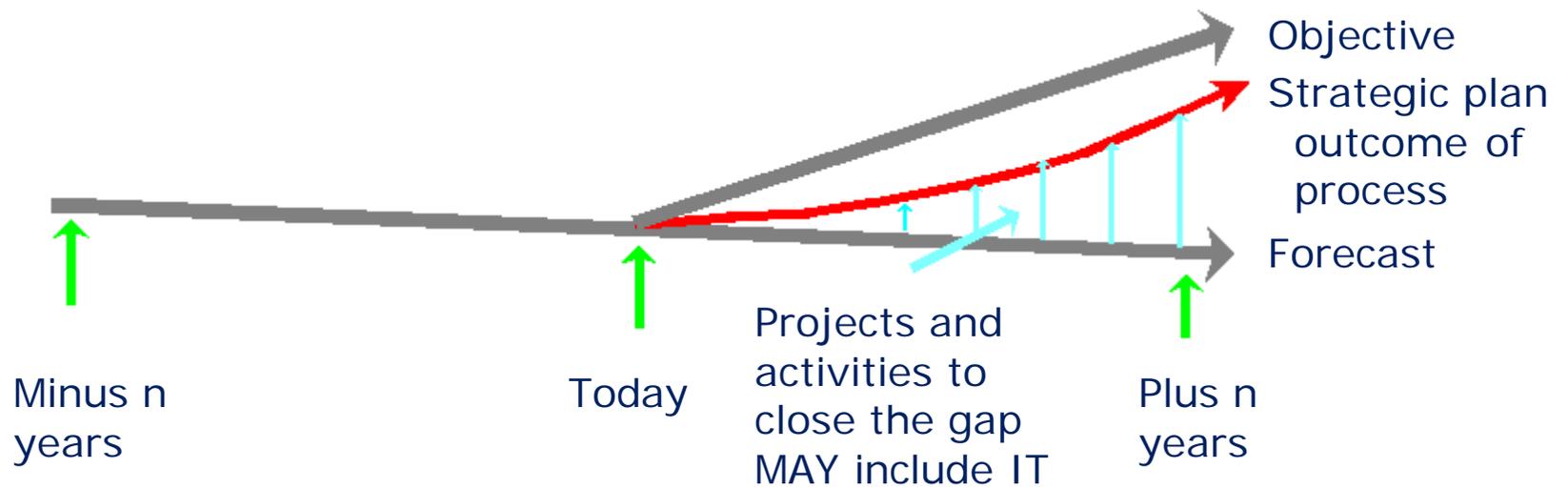
Gap analysis -- projects / activities / components

5. Resources (costs and constraints) ⎯⎯ Executive management is often the most serious constraint
    -- ask the RIGHT questions
    -- what is REALLY required?

6. Risks

7. Customer impact

8. What value and how -- economics

Example

Objective

Strategic plan outcome of process

Forecast

Minus n years

Today

Projects and activities to close the gap MAY include IT

Plus n years
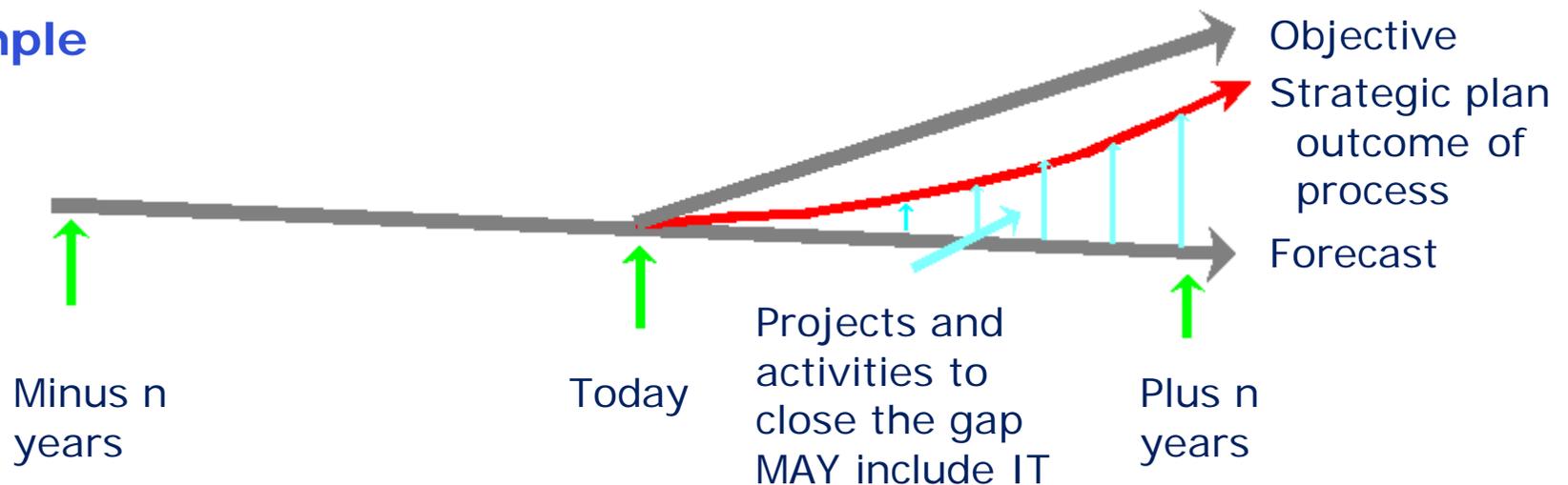
Identify the organizations strategic drivers and then strengthen them

Tactics – Doing things right ↑

Thrive
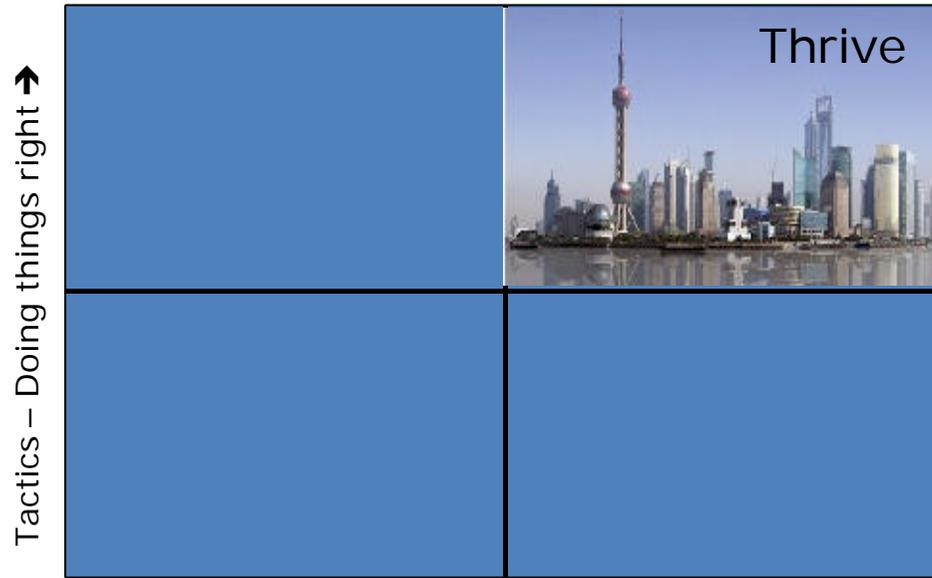
Strategy – Doing the right things ➜

A challenge – again ☺

- What presentation software?

- What drawing software?

- What year (give or take two years)?

- Minimum retrospective backward compatibility policy?

- Not important (PowerPoint 2007)

- Harvard Graphics

- 1993

- ditto
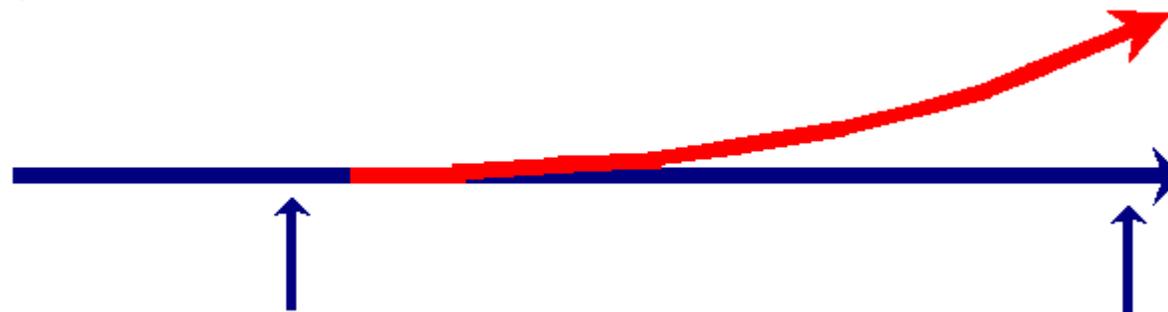
Summing up
A strategic approach to corporate planning, management and governance

1. Align your IT governance with the essence of why the organization exists and how it thrives -- strategy

2. Plan for future strategic growth

3. Design against failure in order to succeed

4. Information longevity through application continuity

5. Take another look at how IT is **led** versus governed

6. Structured strategic analysis, design, plans and budgets

7. Culture of continuous, strategically harmonious improvement

Call to action

1. What is your single most important insight from this presentation?

2. What is the single most practical action that you can take tomorrow to apply I.T. more effectively?

If you do not act within 48 hours you probably never will – act TODAY! ☺

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Design IT governance like bridges ... To last

Psalm 136:5 *"To Him who by wisdom made the heavens, for His mercy endures forever;"*

Questions?
Remember to design against failure!

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electronic copy of my book