

JAMES A ROBERTSON AND ASSOCIATES

EFFECTIVE STRATEGIC BUSINESS SOLUTIONS



7. Some Considerations With Regard To Information Technology Governance

Why your ERP is NOT delivering and how to FIX it

The Critical Factors for Information Technology Investment Success

Two Day Course

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CRITICAL EXECUTIVE QUESTIONS

Questions Every Executive Should Answer Before Saying "YES"



1. Value proposition
2. Achieving the outcome
3. Acceptance of effort
4. Business commitment
5. Acceptance of executive accountability
6. Accountability of business leader
7. Accountability of technologists

RECAP

I.T. is ALL about PEOPLE!



Custody of business outcome

THE ESSENCE OF GOVERNANCE

CRITICAL FACTORS TO BE MANAGED



1. Executive Custody (25%)
2. Strategic Solution Architect (18%)
3. Clear Strategic Perspective and Alignment (16%)
4. Business Integration and Optimization (14%)
5. Programme Schedule, Budget and Resource Management (12%)
6. Data Engineering (10%)
7. Technology Components (5%)

**I.T. is ALL about
PEOPLE!**

I.T. GOVERNANCE



1. Multi-faceted
2. Diversity of knowledge and experience
 - very difficult (not possible?) to find in one individual
3. Involvement and focus in different areas
 - very difficult (not possible?) for one individual to manage
4. Tension can be useful

Challenge is to create a stable, sustainable, balanced management structure

I.T. GOVERNANCE -- SUGGESTED KNOWLEDGE, EXPERIENCE & RESPONSIBILITY



1. Strategic Architecture

- overall strategic guidance of entire solution

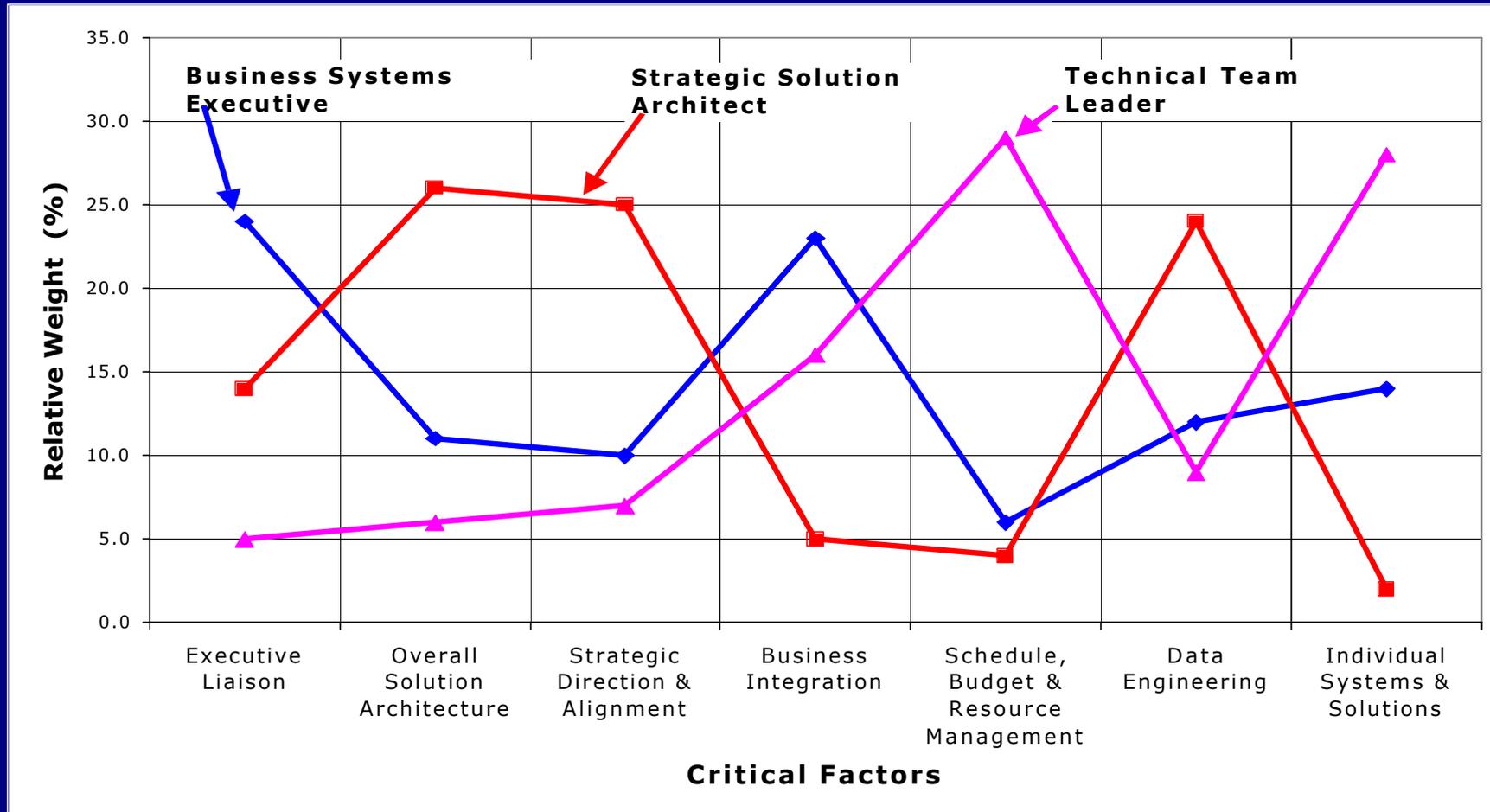
2. Executed Business Solution

- manage business interface and business integration
- ensure required level of business input, etc
- management of the entire I.T. operation
- staff position

3. Technology

- the technical aspects

I.T. GOVERNANCE -- SUGGESTED KNOWLEDGE, EXPERIENCE & RESPONSIBILITY



I.T. GOVERNANCE



An effective sustainable solution to these issues is a vital requirement for reliable and successful outcomes

The design for each organization must take account of the existing knowledge, experience and accountability profile

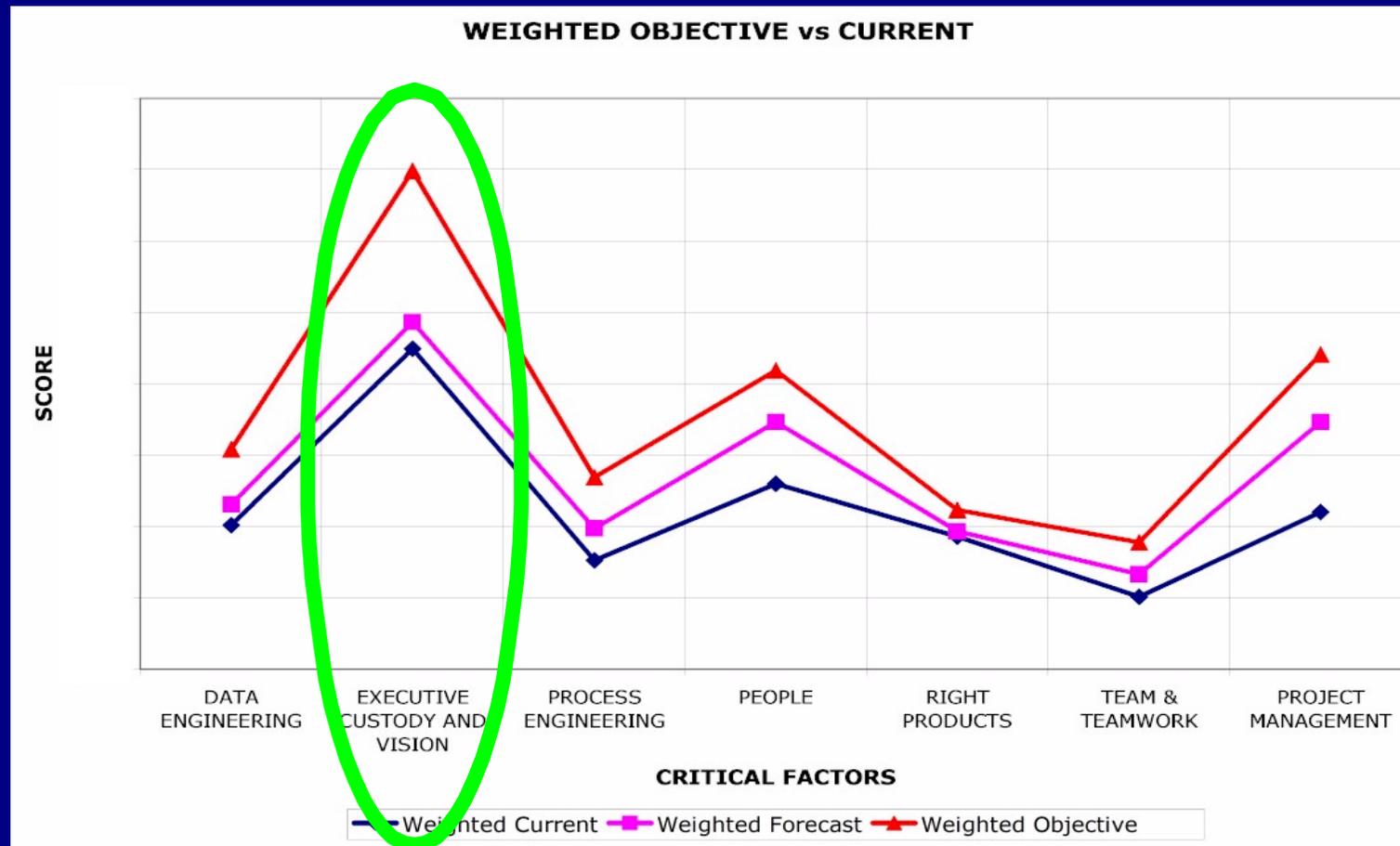
EXAMPLE

PROPOSED FUNCTIONS: HEAD OF BUSINESS SYSTEMS



- 1. Strategic analysis, design, architecture, alignment, etc -- 14%**
- 2. Business integration -- 22%**
- 3. Decision support information, forecasting and other executive information support -- 20%**
- 4. Programme and project management -- 12%**
- 5. Information management including maintenance of codes, data quality, business intelligence, etc -- not a technology function -- 14%**
- 6. Business information system support and development -- 13%**
- 7. Information technology management -- 5%**

EXAMPLE OF TECHNICAL TASK TEAM CRITICAL CONCERNS



FROM GOOD TO GREAT

THE LEVEL 5 LEADERSHIP HIERARCHY



✓ LEVEL 5: LEVEL 5 EXECUTIVE

- Builds enduring greatness through a paradoxical blend of personal humility and professional will

✓ LEVEL 4: EFFECTIVE LEADER

- Catalyzes commitment to, and vigorous pursuit of, a clear and compelling vision, stimulating high performance standards

✓ LEVEL 3: COMPETENT MANAGER

- Organizes people and resources toward the effective and efficient pursuit of predetermined objectives

✓ LEVEL 2: CONTRIBUTING TEAM MEMBER

- Contributing individual capabilities to the achievement of group objectives and works effectively with others in a group setting

✓ LEVEL 1: HIGHLY CAPABLE INDIVIDUAL

- Makes productive contributions through talent, knowledge, skills and good work habits

“From Good to Great” by Jim Collins page 20

WHAT IS EXCELLENCE?

THE CRITICAL COMPONENTS OF CORPORATE EXCELLENCE



1. Leadership (Strategic and Operational) -- 28%
2. Governance and Custody -- 20%
3. Strategic Definition -- 18%
4. Strategic Capability -- 16%
5. Standards and Policies -- 8%
6. Systems, Methods, Tools, etc -- 6%
7. Continuous Improvement -- 4%

*I.T. is ALL about
PEOPLE!*

WHAT IS SABOTAGE?

THE OPPOSITE OF EXCELLENCE



1. A conscious or unconscious response to unwanted or threatening change that results in actions that hinder, delay, obstruct, damage or wreck a change initiative.
2. Coming late, leaving early, "too busy" ...
3. "Project hero" -- "my way so you clone me no matter how inefficient for the computer system"
4. Fear of unemployment, pride, holding on to personal investment in the legacy, etc
5. Frequently difficult to identify
6. Requires clear leadership and constructive actions and psychology

Natural and almost inevitable at some level unless effectively managed

I.T. IS ALL about PEOPLE!

LEADERSHIP = ENTHUSIASM THROUGH APPRECIATION AND ENCOURAGEMENT



“I consider my ability to arouse enthusiasm among my people,” said Schwab, “the greatest asset I possess, and the way to develop the best that is in a person is by appreciation and encouragement.”

“There is nothing else that so kills the ambitions of a person as criticisms from superiors. I never criticize anyone. I believe in giving a person incentive to work. So I am anxious to praise but loath to find fault...”

Charles Schwab, one of the first American executives to earn US\$1 million per annum as first President of the newly formed United States Steel Company in 1921

-- cited by Dale Carnegie in “How to Win Friends and Influence People”

What happens when the corporation puts an end to a system that many employees have invested hugely in?



CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE DEFINED BY KING



1. Governance = Care!
2. How does this company make money? What are our competitors doing? What can destroy our business? More satisfied employees. More Capital.
3. I.T. – should we take something like COBIT and enforce or have certified managers?
4. Board is responsible for I.T. Systems and does it have effective control, part and parcel of strategic view.
5. Ultimate responsibility is business success. Balance conformance and performance. Legislation is NOT the recipe for good governance. Increased cost of running the business.

Presentation on “I.T. Governance” to the I.T. Governance and Strategy Summit on 22 August 2006 by Professor Mervyn King SC, former High Court Judge and author of the King reports on Corporate Governance. Free hand notes taken by J Robertson during the presentation.

CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE



1. "This [I.T.] is an area where boards of directors will be named in stockholder suits"
2. "Senior management is not engaged enough in strategic information technology decisions and situations that could put the company at risk."
3. "Information systems could cause the next outbreak of Enron-like corporate scandals."
4. "I.T. is the next corporate disaster waiting to happen"

"Creating an IT Watchdog for the Board by Assembling an I.T. Oversight Committee" presented to the I.T. Governance and Strategy Summit by Professor Rossouw von Solms of Nelson Mandela Metropolitan University quoting Richard Nolan of Harvard Business School in Harvard Business Review

THE HARSHTEST JUDGE



Why?

CAUSES OF INFORMATION TECHNOLOGY INVESTMENT FAILURE



1. Information technology mythology (30%)
2. Lack of executive custody and inappropriate policies (20%)
3. Lack of strategic alignment (15%)
4. Lack of an engineering approach (12%)
5. Poor data engineering (10%)
6. People / soft issues (8%)
7. Technology issues (5%)

65%

The first three require quality **EXECUTIVE** decisions and limited time

RESEARCH

I.T. is ALL about PEOPLE!

WHERE IN THE WORLD IS I.T. GOING? WHERE SHOULD WE FOCUS OUR ATTENTION?



1. Dramatic failures, litigation and legislation (5%)
2. Software company shake outs (6%)
3. Long software product life spans (7%)
4. Less is more (10%)
5. Executives take custody (20%)
6. Emphasis shifts to decision support (22%)
7. Corporate level solution innovation (30%)



**Radical redefinition
of the industry**



**Leading edge
technology mothballed**



**Run of the mill
technology = worlds
most successful aircraft**

A challenging and exciting place to be

THE CRITICAL FACTORS FOR SUCCESS



1. Executive Custody (25%)
 2. Strategic Solution Architecture (18%)
 3. Strategic Alignment (16%)
 4. Business Integration and Optimization (14%)
 5. Programme and Project Management (12%)
 6. Data Engineering / Information Management (10%)
 7. Technology Components (5%)
- 59%

COMPONENTS OF ACHIEVING EXECUTIVE CUSTODY



1. Engagement -- 30%

2. Leadership -- 50%

3. Prove it works -- 5%

4. Make it work -- 15%

RECORD

I.T. IS ALL about
PEOPLE!

Executive Custody is an attitude, a state of mind, NOT a large amount of work

ESSENTIAL TECHNOLOGY KNOWLEDGE

I.T. KNOWLEDGE FOR INFORMED DECISIONS



1. Computers Are Adding Machines (On / Off Switches)
2. Databases Are Warehouses
3. Automation Software Products Are Like Machines
4. Networks Are A Postal Service
5. Graphics is A Presentation Or Navigation Aid - Versus Text
6. Validation Codes Are the Primary Way Computers Know About Your Business
7. People and Business Strategy Determine the Value Delivered

**I.T. IS ALL about
PEOPLE!**

EXECUTIVE INVOLVEMENT



How involved should executive management be in I.T. strategy?

EXECUTIVE INVOLVEMENT



How involved should executive management be in I.T. strategy?

How involved should executive management be in business strategy?

EXECUTIVE INVOLVEMENT



How involved should executive management be in I.T. strategy?

How involved should executive management be in business strategy?

Executive Custody is an attitude, a state of mind, NOT a large amount of work

HOW TO STRATEGICALLY POSITION I.T.

THE ESSENCE OF I.T. INVESTMENT SUCCESS



1. Determine why your organization exists and how it thrives -- one sentence -- and then core drivers and strategic map
2. Determine where I.T. is getting in the way
3. Modify accordingly
4. Determine where I.T. can be used by BUSINESS PEOPLE as a tool to assist the business in its endeavours to thrive
5. Procure or modify accordingly
6. Communicate a clear intention -- leadership
7. Make it work -- this is a business action

Clear, concise, intuitive,
cognitive thinking,
communication and action by
business executives -- the
rest is grind by the business
including the I.T. team

THE HARSHTEST JUDGE OF GOVERNANCE

CONCLUSION



- 1. Bad I.T. decisions can wreck your business**
- 2. I.T. Strategy is a BUSINESS responsibility**
- 3. I.T. Strategy is NOT about technology policy it is about business initiative**
- 4. Definition of strategy should be a concise, high intensity, business executive activity**
- 5. I.T. is a collection of tools and tools should work all the time**
- 6. I.T. will harshly judge executives who abdicate responsibility**
- 7. There is a huge opportunity for creative thinking to define concise ways for I.T. to add REAL VALUE in your organization!**

EXECUTIVE CUSTODY

Role of executives in Strategic Leadership



A key responsibility of executives is innovation that will generate high bottom line value outcomes

that is Strategic outcomes

Executives therefore define the role of information technology in creating sustainable competitive advantage

Strategy is the essence of why an organization exists and how it thrives

ESSENTIAL BUSINESS KNOWLEDGE

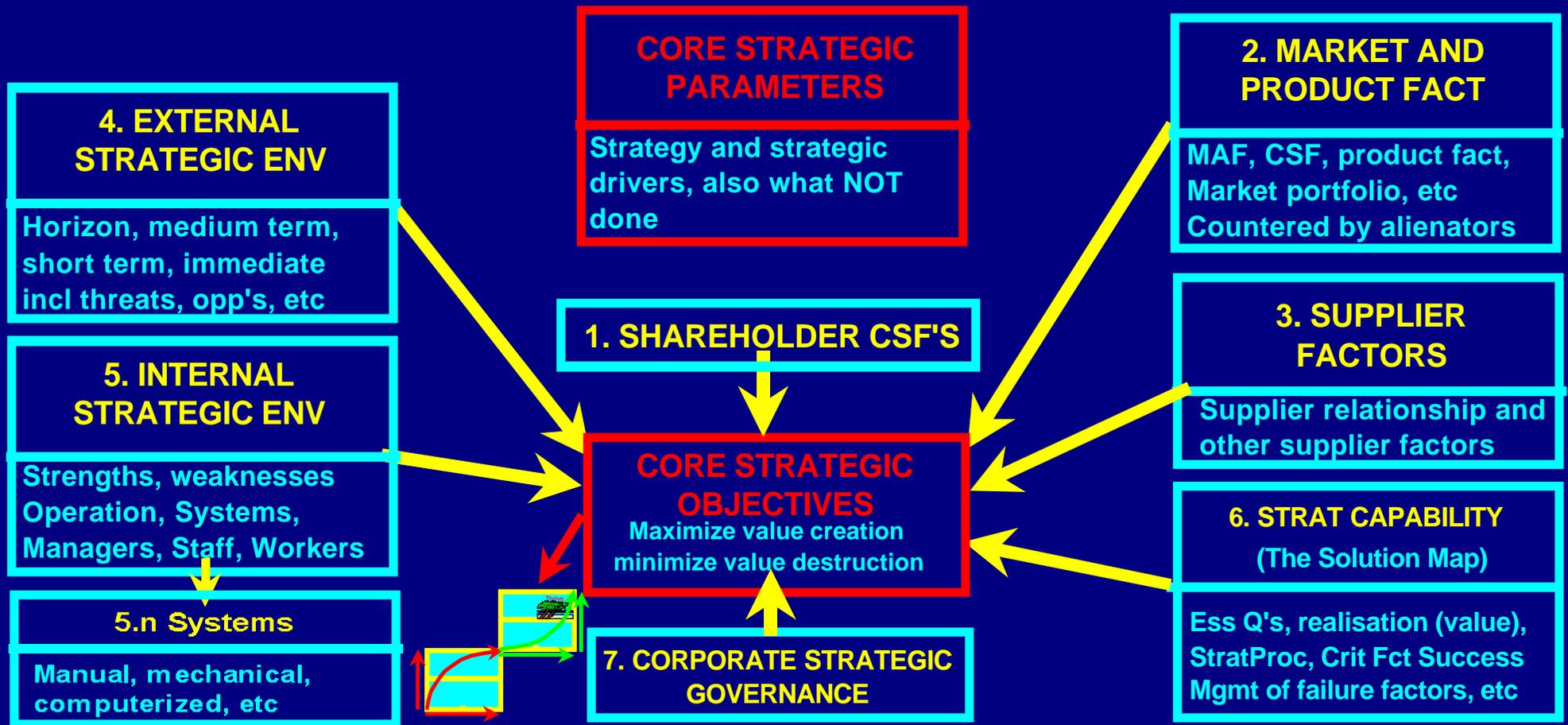
ESSENTIAL COMPONENTS OF STRATEGY



1. Core economic driver
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. Essential reason the organisation exists (generally NOT profit)
8. Core values
9. Other

STRATEGIC MAPPING

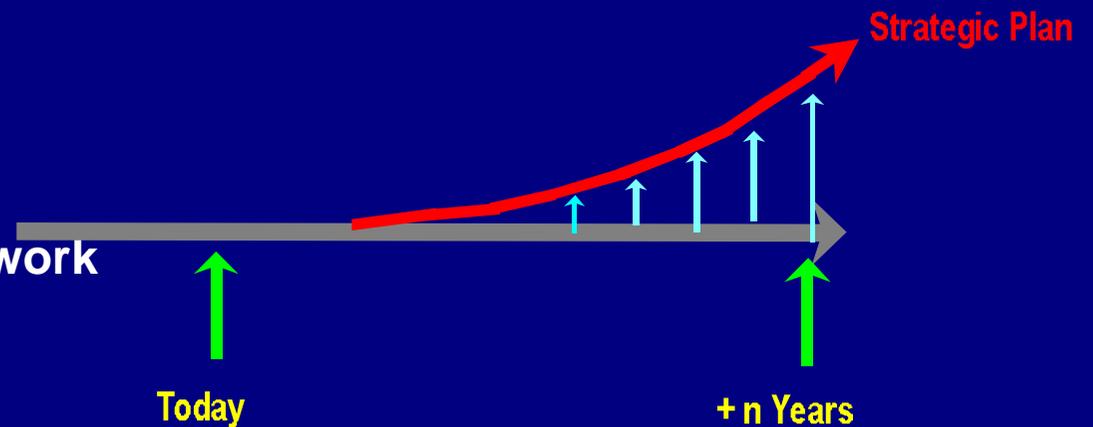
Mapping & Managing the Strategic Environment & Objectives



DEVELOPING ROBUST SPECIFICATION ANALYSIS & DESIGN FOR DOABLE PLANS



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, Journey Management
8. Continuous Strategic Improvement



TO FOLLOW

I.T. GOVERNANCE CONCLUSION



1. Business determines value proposition = requirement
2. Analyse strategic environment based on business objectives and opportunities
3. Determine value delivery opportunities
4. Determine opportunities to minimize value destruction
Avoid change for the sake of change
5. Specify what the business must do in order to deliver
6. Take decision
7. Develop I.T. requirements

**I.T. IS ALL about
PEOPLE!**

**Business case
drives I.T. specification**

I.T. GOVERNANCE



QUESTIONS?

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Finding the missing pieces of your I.T. and strategy puzzles

Please remember the evaluation forms