Strategic IT Management

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A Toolkit for Enterprise Architecture Management

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Preface

Changes in business models and faster-paced innovation and product lifecycles pose a big challenge to IT managers – who are already tasked with keeping operations running reliably. You have to anticipate the impact of changes taking shape ahead, and take decisions rapidly, backing your choices by solid fact. To do this, you need an overall perspective of how business and IT interact.

This is exactly where a toolkit for strategic management of the IT landscape can help, by building greater transparency into the current IT landscape and making explicit its contribution to the business success of the enterprise. The enterprise strategy and business requirements are cascaded into requirements for IT: an ongoing process that entails building a picture of the target architecture, designing implementation plans and managing the process for taking plans into action.

Right from the start, the toolkit must enable management of the enterprise from a helicopter viewpoint and accommodate every aspect of the enterprise architecture: business and IT structures, processes and organisation, as well as software support. Yet it also has to be introduced in achievable stages that deliver tangible success. Senior management, business departments and IT teams all have to be convinced by success. Only if its value is apparent will the concept be given the go-ahead for further investment.

So how do you arrive at a workable toolkit? How do you go about it, and what investment and effort can you expect to make? What is the payoff?

The relevant literature investigates a number of approaches. Yet information is patchy and lacking real-life application for many of the relevant aspects. Inadequate documentation and lack of standardisation both leave their mark, making it difficult for IT and business managers and their teams to navigate this challenging territory.

Motivated by the challenge of assembling a comprehensive, practicable toolkit for the strategic management of IT landscapes, I set to work on this book. It condenses the experience of many projects with customers, and insights from many hundreds of hours of discussion with experts from client companies, consultancies and academia. The book takes a holistic view of the IT landscape management process, above all giving specific guidelines on how to establish and how to roll out strategic IT landscape management in the enterprise and ensures it becomes established practice.

This book will help you embark successfully into strategic IT landscape management and evolve it effectively. The first step is what matters. There is rarely a second chance.

Munich, August 2009 Inge Hanschke

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And a special thank-you to my family, who kept me going and encouraged me with their feedback.

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Introduction

Every morning in Africa, a gazelle wakes up.
It knows it must run faster than the fastest lion or it will be killed.
Every morning a lion wakes up.
It knows it must outrun the slowest gazelle or it will starve to death.
It doesn't matter whether you are a lion or a gazelle.
When the sun comes up, you better start running.
Thomas L. Friedman: The World Is Flat, 2005

Against a backdrop of globalisation, mergers, mounting competition and accelerating innovation cycles, organisations are forced to review and adjust their business models more frequently than ever before. Organisations need their IT solutions to implement these altered business requirements – simply, quickly and affordably. So, right in line with the morale of Friedman's story, IT has to be made ready for the next big run.

Figure 1.1 shows the scenario common in many organisations. Permanently changing business requirements have over time spawned landscapes of such

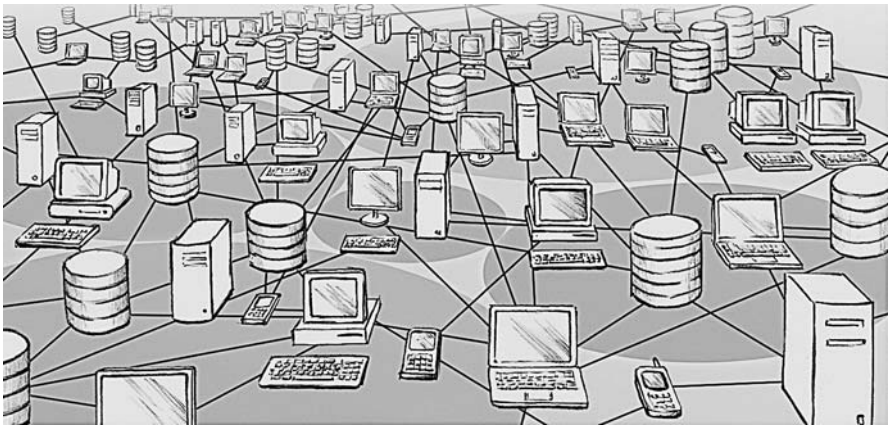

Fig. 1.1 A common situation

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heterogeneity and complexity that cost-efficient and above all speedy action is virtually impossible. The IT landscape resembles a patchwork of systems, home-grown processes, technologies, methods and standards. Yet taken individually, every component was originally a good, solid, technically mature performer – and well up to its job. So where exactly is the problem?

In many organisations, the IT landscape has evolved organically over decades. Once in place, systems or interfaces would usually be left well alone unless intervention was absolutely essential, the golden rule being "never touch a running system". When extensions were made, they were bolted on haphazardly rather than being cleanly integrated. This creates nonessential interfaces – and technological diversity where none is required. Pressured by the need to deliver quick answers to business requirements, developers all too often resort to the easier option of a new standalone solution. The tough option – to consolidate the landscape – is the IT equivalent of open-heart surgery. Unsurprisingly, enterprises tend to steer clear of such undertakings, because even minor changes to such complex systems can have disastrous impact.

New technology, legal requirements and tougher security and compliance legislation exacerbate the situation. Fresh technologies are often introduced without retiring an equivalent volume of legacy technology. But the older an IT system or interface gets, the more difficult it becomes to service or replace: technology moves on, knowledge on the details of the implementation grows stale as time progresses, the employee who knows the system leaves the company, and the documentation – if any – exists only in rudimentary form.

If you want to take charge of your IT costs and be prepared for your next "big run", you'll have to tidy up the patchwork landscape. Strategic management of your IT landscape helps you do precisely this.

1.1 Strategic Management of IT Landscapes

Strategic management of the IT landscape creates an overview of the structures that exist in IT and the interactions between IT and the business. Framed by the parameters of strategic IT management, it provides a toolkit for planning and directing the evolutionary development of the landscape. The key elements of this planning toolkit are IT landscape management and technical standardisation (see Fig. 1.2).

IT landscape management embraces all the processes for documenting and analysing the landscape and for governing and controlling its evolution in line with strategic business objectives. It promotes better understanding of the enterprise as a whole – and of how IT helps drive forward the enterprise's business success. It also creates a common language between business and IT, forging links between business structures – processes, functions and products – and the structures in IT such as information systems and interfaces, and rendering explicit the complex interdependencies that exist between and within these domains. This enables you to identify trends, pinpoint where action is needed, and where there is potential

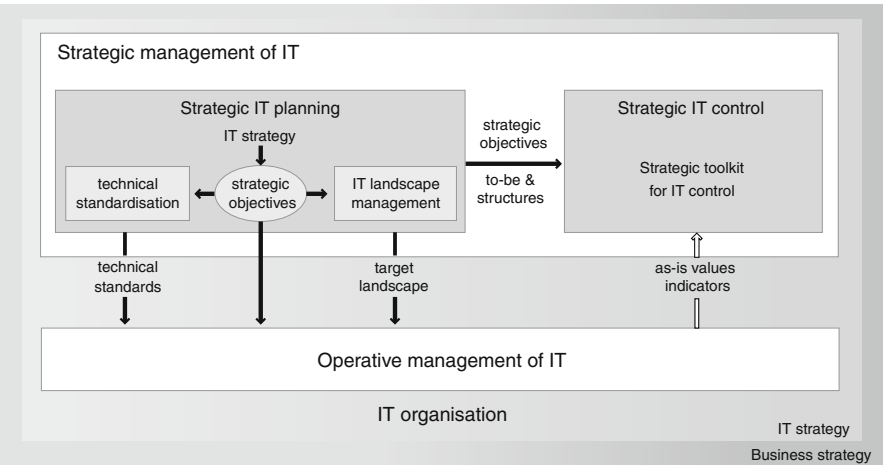

Fig. 1.2 IT management

for improvement. The resulting transparency helps satisfy the need for information from multiple perspectives and creates a solid basis for decisions.

By working with technical standardisation – i.e. by defining technical standards and managing compliance – it is possible to provide reasonably priced IT support which is custom-tailored to business requirements.

Corporate strategy, IT strategy and operative business requirements are all channelled into designing the future IT landscape and choosing technical standards. These strategies and requirements set the framework for evolutionary development of the IT landscape on the operational IT management level.

A key input for strategic IT control is transparency: clarity on the interdependencies that exist in the landscape, a clear statement of progress made toward goals, and the extent to which planning and business requirements have been enacted. Progress toward goals is measured by comparing the as-is values with targets on indicators from operative IT management.

1.2 Navigating This Book

The structure of this book reflects the patterns that exist in strategic management of IT landscapes (see Fig. 1.3). The starting point is strategic IT planning, where the strategic goals are defined (Chap. 2). Taking into account the structures predicated by the enterprise architecture (Chap. 3), these goals inform the design of the target landscape (Chap. 4) and choice of technical standards (Chap. 5). Moving beyond the planning stage and into practice, implementation is underpinned by embedding the practices in the organisation and by applying an array of control levers, tools and governance entities (Chap. 6).

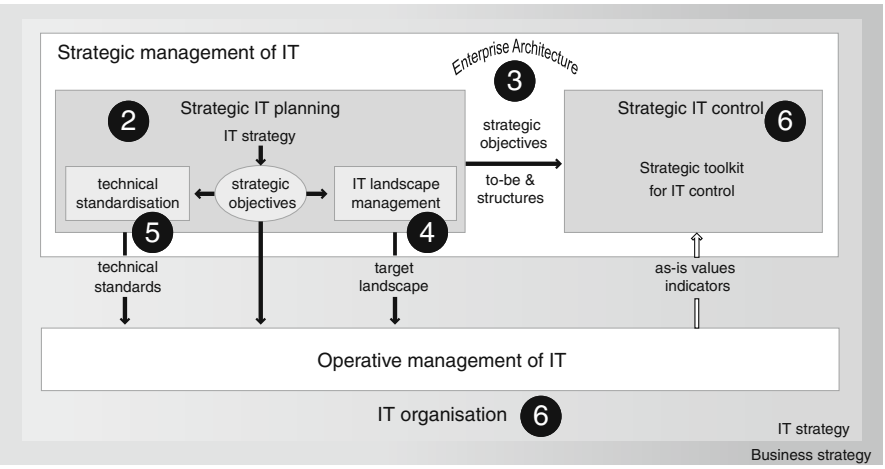

Fig. 1.3 Suggested path through this book

You can read the chapters in the given order, or dip in and out as you wish. Each chapter is a cohesive unit.

Chapter 2 surveys the components of strategic IT planning, focusing on IT strategy development and how this interacts with strategic management of the IT landscape. As the key "takeaway" from this chapter, you gain a good all-round idea of how strategic goals draw a framework around IT landscape planning.

Chapter 3 introduces the nomenclature and structures of Enterprise Architecture Management (EAM) and provides guidelines for adopting your own enterprise architecture.

Chapter 4 explains how you can ensure the evolutionary development of your IT landscape proceeds in alignment with your strategic business goals. The chapter provides an explanation of content and processes, and pointers on how to embed IT landscape management practices in the organisation. It also includes guidelines on how to adapt IT landscape management to your particular needs.

Chapter 5 introduces the process of technical standardisation and its components. The guidelines and "how-to" roadmap will help you introduce technical standardisation into your enterprise.

Chapter 6 contains a set of measures for embedding IT landscape management in your enterprise and directing the evolutionary development of IT.

Each chapter contains numerous references for recommended reading to deepen your understanding of the subject under discussion.

1.3 Who Should Read This Book?

This book is intended for anyone in business or IT involved in documenting, designing and planning the IT landscape. The following stakeholders in particular will receive answers to key questions:

- CIO and IT managers and IT function units
  - How do you render explicit the interdependencies and connections that exist within and between business and IT structures?
  - How do you recognize that action needs to be taken, and how do you identify potential for optimisation in IT?
  - How do you unearth interdependencies and the impact of changes in IT?
  - To what extent is your IT landscape standard-compliant?
  - How do you effectively steer the evolutionary development of your IT landscape?
  - How do you make apparent the contribution of IT to the business success of your enterprise?
- Business managers and stakeholders from process management or business process optimisation
  - How do you scope out the need for action and potential to optimise IT support for the business?
  - How can you tell whether the IT landscape is future-proof, simple and robust, or complex and unstable?
  - How do you reveal where interdependencies exist and scope out the impact of business changes?
- Managers of business transformations such as mergers or restructuring
  - How do you identify sections of business and IT which are loosely or tightly connected?
  - How can you analyse and appraise the potential impact of restructuring?
  - How can you evaluate and compare planning alternatives?

1.4 Scope of This Book, Further Reading

This book touches only briefly on issues relating to operative IT management. A detailed treatment can be found in [Blo06], [Buc05], [Buc07], [Fer05], [Foe08], [GPM03], [Krc05], [Mai05], [Rom07], [Tie07] and [Zin04]. Likewise, you can find further information about IT controlling in [Ahl06], [Blo06], [Hei01], [Küt06], [Küt07] and [KüM07].

This book makes no explicit differentiation between strategic and tactical IT management, since no clear boundary can be drawn between the two, and nor would such a distinction make any difference to the guidelines and toolkit which the book presents. The distinction between strategic and tactical levels is dealt with in literature such as [Mül05].

Operational infrastructure planning is not addressed in detail in this book; interested readers might like to refer to [Joh07] and [itS08].

I have included only brief references to tool support. You can find a comparison of commercial EAM tools in [Seb08]. You might also like to investigate the Open Source product iteraplan (www.iteraplan.de), which helps enterprises make a quick, easy start to strategic management of their IT landscape.

Chapter 2
Strategic Planning of IT

Do today what others will not think until tomorrow – because nothing endures but change

Heraclitus, 450 B.C.

Against a backdrop of globalisation, mergers & acquisitions, mounting competition and accelerating innovation and product lifecycles, organisations are being forced to review and adjust their business models more frequently than ever before. With IT that is in gear with their business requirements, organisations are far better positioned to beat their competitors to market with innovative products and chart a pathway into new domains.

Strategic planning of IT has a key role to play here. The objective of planning IT strategically is to align it with overarching corporate goals and business requirements and make it agile enough to deal with constant change in the company and its environment. By creating a holistic understanding of the business model, corporate strategy, strategic positioning of IT and IT itself, strategic planning of IT codifies the planning assumptions and precepts on which IT decisions are based (see Fig. 2.1).

Key to strategic planning of IT is the process of developing the IT strategy (see Sect. 2.5). This process stakes out general directions and purposes, defines technical standards and the target ("to-be") picture of the landscape, creating the signposts in the overall roadmap for IT development (see Fig. 2.1). IT strategy development makes use of IT landscape management (see Chapter 4) to define the landscape toward which the enterprise is working. The technical standardisation process (see Chapter 5) serves to define the technical standards – technology and also bought-in products such as databases – that will best fulfil the strategic objectives of the IT strategy roadmap.

Questions answered in this chapter:

- What is the difference between strategic and operational planning of IT?
- How do I find out how IT is currently positioned in my enterprise? How do I determine the present performance potential?

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- How do corporate goals translate into goals for IT?
- What principles and strategies are appropriate for me?
- How do I define the future standing of IT and its future performance potential?
- What's in an IT strategy? What does an IT strategy document look like?
- How do I arrive at an appropriate IT strategy?

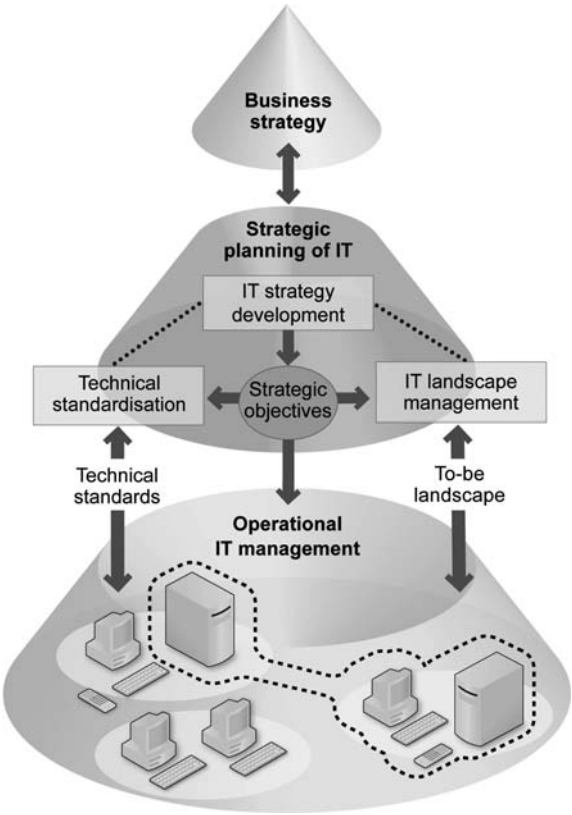

Fig. 2.1 Scope of strategic planning of IT

2.1 Scope and Definition

In planning IT strategically, you align it in strategic terms with your business model, and lay down an authoritative framework to guide and inform how IT is managed at the operating level. You also decide on technical standards and medium-term and long-term target views of the enterprise architecture. This provides a basic set

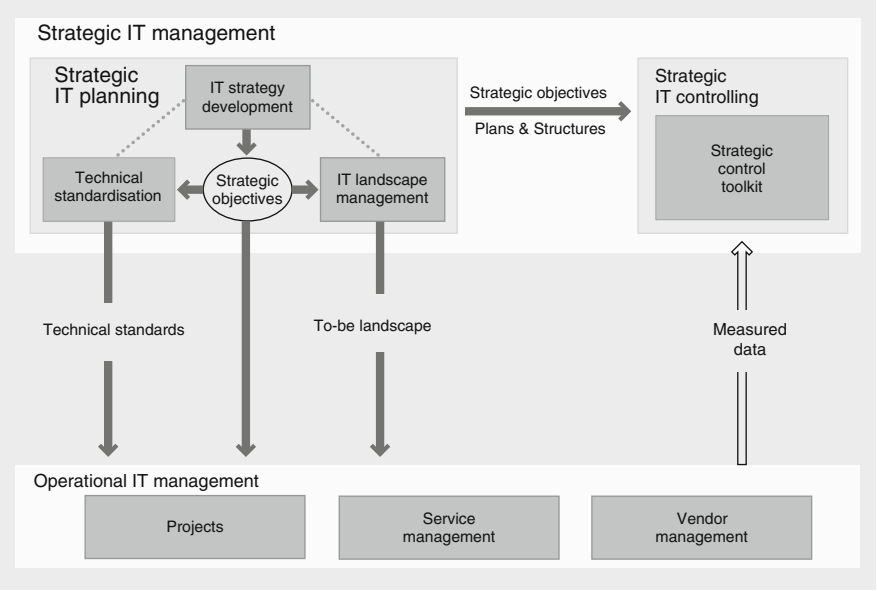

Fig. 2.2 Strategic and operational IT management

of metrics for projects and for service management and vendor management (see Fig. 2.2).

Over time, the strategic parameters are fleshed out (for instance during projects or maintenance activities) until they are detailed enough to form a basis for implementation. It may be more appropriate at operating level to deviate from these basic parameters. By benchmarking real-life values from operational-level IT management against the outcomes you originally planned, you can keep tabs on any discrepancies. Such benchmarking is part of the strategic control toolkit (see Sect. 6.3).

Compared to what is used at operating level, the information and indicators in strategic-level IT management are very coarse-grained. However, drilled down to operating level, the information is far more detailed. Table 2.1 illustrates the various granularities.

Important:

- Be sure to create clear links between strategic-level information and the more detailed information from operational IT management. Without a clear view on how the goals cascade down, you will not be able to benchmark current "front-line" values against the strategic targets you have set for relevant indicators.

Table 2.1 Examples of different granularities

Strategic IT management	Operational IT management
Process map and business processes on value chain level	Business processes on activity level (EPCs) and detailed process descriptions
Business objects such as customers or contracts	Data models Entities and attributes
Big-picture view of IT landscape	Details on all IT systems and their interaction Requirements in terms of business operation, e.g. detailed SLAs
Applications, e.g. SAP	Deployment packages, class diagrams, configuration items (CMDB)
Coarse-grained operating infrastructures such as vendor integration infrastructure	Components of IT systems, hardware units such as servers and network components, their interaction and topology Configuration items (CMDB)
Effectiveness indicators – "doing the right things" e.g. strategy and added-value contribution, business criticality, compliance with standards, strategic alignment	Efficiency indicators – "doing things right", e.g. SLA fulfilment, including availability, response times and reliability for the various IT systems
–	Scores on operating indicators and current values compared with targets

Derived from corporate goals and business requirements, the strategic direction is an overarching concept and also scopes and guides individual projects. The scope clearly stakes out the leeways for projects and maintenance activities (see Fig. 2.3). These strategic parameters are defined in IT strategy development. Usually the strategy is rolled forward annually, but major projects may also require parameters to be reviewed more frequently.

Fact file:

- The overarching strategic direction, technical standards and vision of the future IT landscape creates an authoritative scope to guide and inform the actions of IT management.
- Be sure to use appropriate granularity at each planning level. Strategic planning of IT requires a big-picture view. If you amass too much detail, you won't be able to see the wood for the trees!
- Changes – the practical interventions that enact the strategy – are usually implemented through projects and maintenance activities. Projects can take various forms, for example organisational, software engineering and infrastructure projects.

- Establish a strategic control toolkit to measure progress toward targets and compare as-is with to-be values (see Sect. 6.3).
  You won't know where you stand unless you can identify the gaps between the current situation and your strategic targets

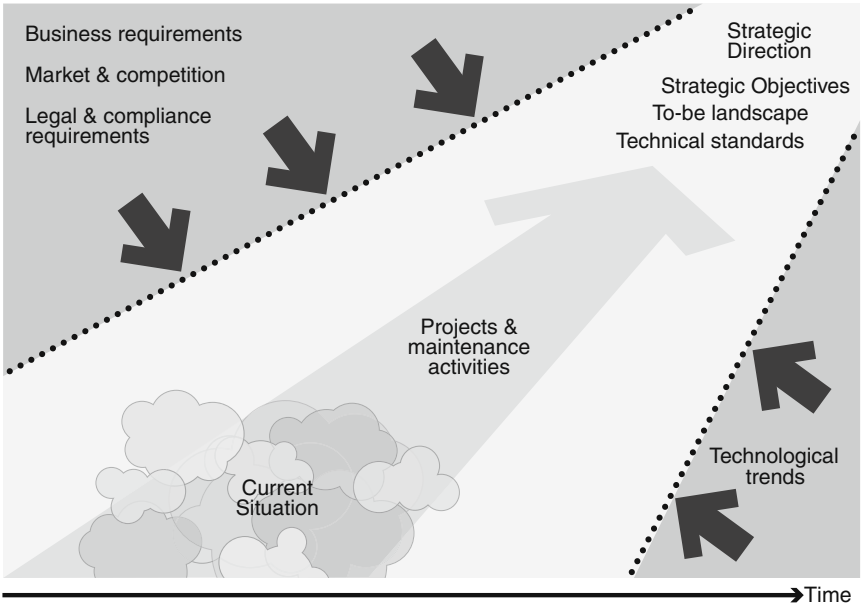

Fig. 2.3 Strategic alignment of IT

2.2 Role of IT in the Organisation

To set realistic targets, strategic planning of IT has to use the real-life situation in the enterprise as its starting point. You can determine the standing of IT – how it is positioned in your company – by asking "What part does your IT play in the enterprise?" and "What is the current performance potential of IT?"

What Part Does Your IT Play in the Enterprise?

The standing of IT can be described in terms of four levels of significance (see Fig. 2.4 and [Her06]):

- **IT is a cost factor**: IT is merely an internal provider of IT commodity products – for instance, it is seen as a provider of peripheral equipment. Alongside other

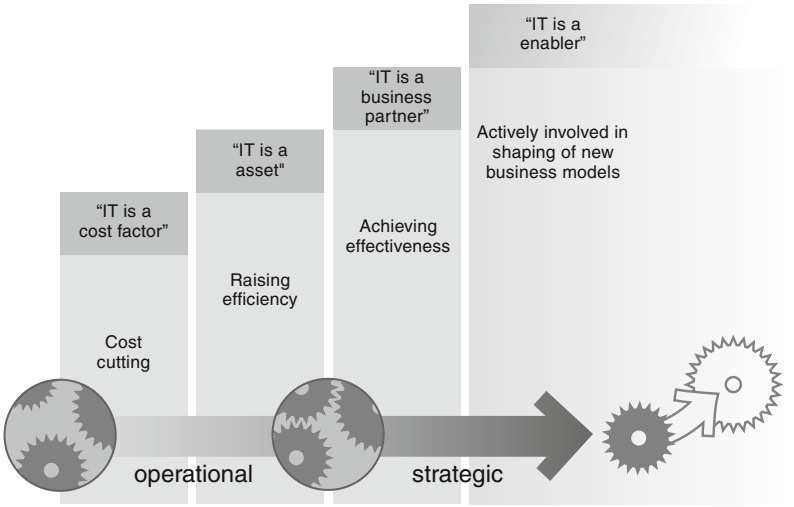

Fig. 2.4 Standing of IT

internal service providers like finance accounting, IT is seen as a necessary evil, with considerable nuisance value, and should be as cheap as possible. IT has no impact on the business.

- **IT is an asset**: IT solutions are regarded as integral to core business processes and essential for enacting security and compliance requirements mandated by law. The target for IT is to deliver operational excellence, and the focus is on raising efficiency and quality in the business and IT by enhancing business processes and decision-making. IT must provide a reliable, cost-efficient operating base, and can advise the business on ways to step up efficiency. This is IT's contribution to value proposition of the company.
- **IT is a business partner**: IT is perceived by the business as a contributor not only to value proposition but also to the enterprise strategy. As well as enabling reliable, cost-effective business operation, IT makes a key contribution to effectiveness by helping the enterprise enact its strategy. IT is expected to deliver valuable input for business decisions and to raise operational effectiveness (e.g. through standardising IT business process support). Part of IT's role is to render explicit the impact and interdependencies that exist between ideas in business and in IT. Business requirements have to be actioned swiftly and cost-effectively on the basis of IT structures which can be flexed forward into the future and sustain the enterprise on its chosen path.

  With IT planning and business planning so tightly intermeshed, managers can be certain that IT investment decisions will be taken in terms of value to the business, and deliver business-oriented IT products with SLAs designed to support the company's various functions adequately.

- **IT is an enabler**: IT is seen as an enabler when business managers perceive IT as actively involved in shaping new business models. Strong business orientation and an ability to anticipate future demands give the business fresh impetus through new technology, and flexible, sustainable IT structures give the enterprise the agility it needs to adapt quickly to change. IT has to see itself as integral to the business, able to generate new business ideas through skilful application of existing and innovative technologies.

If your IT is regarded as little more than an internal service provider for commodities (a box-provider), its influence within the company will be minimal. Services could just as easily be sourced from an external provider. IT is a cost factor, and related decisions are taken solely with cost targets in mind. In this situation, you're likely to see IT budgets being pared down with every year that passes. Nonetheless, IT is expected to offer services at prices that match market benchmarks. If cost metrics are all that matters, the influence of IT and its creative freedom will inevitably shrink. Over the long term, IT is likely to lose its ability to innovate altogether.

If this is the position you're in, you have to break the vicious circle. To increase the standing of IT, be sure to get the people from business departments round the table with you when you're planning IT solutions and projects. This is the only way you're going to change the way other people think about your IT.

Raising the standing of IT will be a long process of change in the enterprise. You will have to stay committed and tenacious as you edge forward with changes. IT has to be close to customers, learn to speak their language, be familiar with customers' problems and know what they want. IT teams can keep a constant lookout for opportunities to enhance business processes and feed ideas back into the business. Major value can be added by simplifying and standardising business processes, for instance: just by documenting business processes and their IT support, you can identify startpoints for change.

Only if people perceive your IT is closely aligned with the business – and has proved itself valuable – will IT be able to assume a more active role. IT has to deliver a demonstrable contribution to the company's value-added.

The greater its standing, the more influence IT will have. The more useful it is, the more opportunity it will have to shape the direction of the business. For example, IT can assist decision-making by providing valuable input on outcome scenarios (for business and IT), perhaps even take part in business planning as a partner or "shaper" of the business.

Before embarking on the change process, first make an accurate appraisal of where you are right now. Senior management buy-in is essential for any change: they have to agree with and communicate your appraisal of the situation. Table 2.2 lists typical indicators of the various levels, helping you determine what standing IT has in your company.

Table 2.2 Determining the standing of IT

IT is ...			
Cost factor	**Asset**	**Business partner**	**Enabler**
Product and service portfolio			
Commodity IT, such as provision of peripheral equipment and operating standard software	Securing business operation through reliable, cost-effective basic IT Fulfilment of security and compliance requirements	Business-relevant IT products e.g. focused on business processes or the enterprise's products Reliable, cost-effective basic IT	Impetus for business through new technologies and business-relevant IT products Reliable, cost-effective basic IT
IT planning focuses mainly on...			
Reactive planning	Operational IT planning based on business planning	Business planning and IT planning intermeshed	Business planning and IT planning intermeshed
Decision on outsourcing or in-sourcing	Transparency of IT landscape Technical standardisation	Strategic planning of IT landscape	Anticipatory planning, e.g. future scenarios
Efficiency in IT; no risky projects	Efficiency in business through IT	Efficiency and effectiveness	Effectiveness, sustainability and efficiency
IT controlling focuses mainly on...			
Cost reduction	Cost/benefit and operational excellence Benchmarks	Contribution to value-added and cost/benefit	Contribution to value-added and strategy, and cost/benefit
IT organisation			
Stand-alone service provider or profit centre	Department or business unit in the company Benchmarkable Service-IT IT consulting and advisory services	Department or business unit in the company Organised into business IT and service IT; Business-IT is organised to reflect the business Corporate functions for strategic planning of IT	Business unit in the company Organised into business IT and service IT. Business IT is organised to reflect the business Corporate functions for strategic planning of IT and innovation management integrated into business planning
Position within organisational hierarchy			
–	IT manager reports to member of executive board	IT manager on executive board	IT manager on executive board
IT cost accounting			
Entire IT costs redistributed as flat-rate contribution	Systems for internal service charging Cost centres and in part cost units	Systems for internal service charging Cost units, e.g. projects	Systems for internal service charging Cost units, e.g. projects

What is the Current Performance Potential of IT?

Another key task is to determine the current performance potential of IT to underpin the appraisal of its standing in the enterprise. This is largely about estimating whether and to what extent IT is a competent service provider to the company's departments. One measure of this is the extent to which IT actively advises users and implements their business requirements with appropriate, cost-effective IT solutions in line with the strategic objectives. Ultimately, the objective is to ascertain how well IT fulfils the following core tasks:

- **Ensuring business operations stay up and running**
  Is IT operation adequately reliable and secure? Does it enable problem-free operation? Can it deliver compliance with statutory and regulatory frameworks?
- **Appropriate, cost-effective IT support**
  Is IT support adequate for enacting business requirements? Do benefits outweigh costs? Is IT support cost-effective compared to external providers?
- **Securing the future viability of the IT landscape**
  Does strategic planning of the IT landscape take place, aligned with the corporate strategy? Have technological standards been defined to frame evolutionary development of the landscape? Are these appropriate to sustain the company along its chosen path (see Chapter 5)?
- **Optimising and enabling the business**
  Is IT contributing to optimising business support? Does it deliver fresh impetus to the business through IT innovation?

Important:

The current performance potential should be appraised both by IT itself and by external stakeholders (users and management), to determine whether self-perception and external views match up. If they do not match-up, you will have to take a more active stance in marketing, and communicate more clearly the added value of IT.

The current performance potential of IT can be appraised on the basis of product/service portfolio and structure. The example in Fig. 2.5 shows the IT portfolio, mapping the importance of IT for the various business segments and the relative effort undertaken in IT. Also part of the portfolio are consulting services (e.g. for issues relating to security), IT operation, IT infrastructure provision, and support services (see also Sect. 2.5.3).

Analysing the significance of IT for business segments and their value chains can help stake out the product and service portfolio (see [Por85]). The elements in the portfolio can be grouped by organisational areas in IT, as Fig. 2.5 shows (see Sect. 6.2).

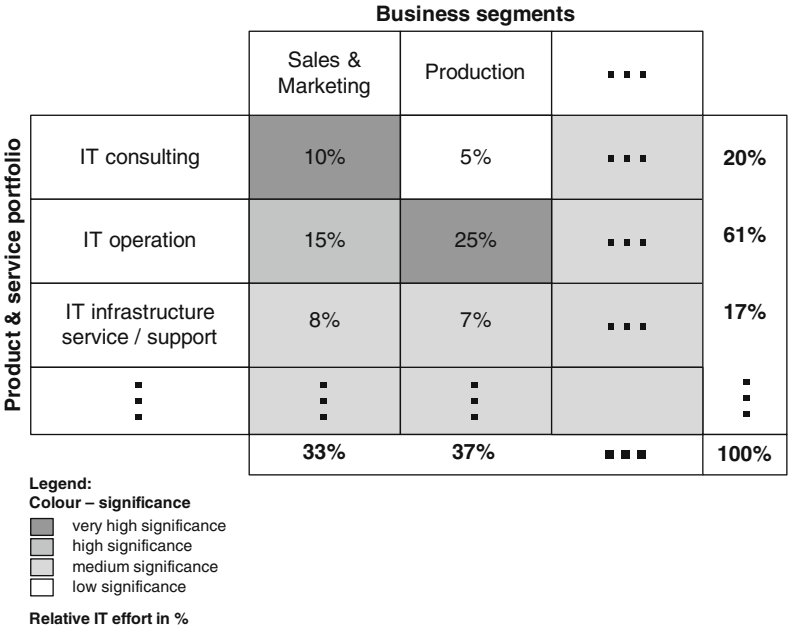

Fig. 2.5 Current performance potential of IT

To obtain a realistic estimate of potential performance, you have to appraise every IT service. It is advisable to use standardised models such as Cobit, ITIL or CMMI (see [Her06], [Joh07], [Foe08] and [Zin04]), since this will enable you to benchmark yourself against other enterprises – and you also gain a baseline for ongoing monitoring.

This product and service portfolio provides a basis for naming and also pricing IT services in the company (see [Küt06]).

Fact file:

The standing and potential performance of IT has to be appraised correctly, since this is the basis for its strategic positioning. You can use Table 2.2 as a guide for your appraisal. You should determine the potential performance on the basis of your product and service portfolio and use standardised models to help.

2.3 Strategic Positioning of IT

"Where Do We Want to Go" or "How Does IT Wish to Position Itself in the Future"?

IT has to be clear what standing it wishes to attain within the organisation. Then, armed with appropriate arguments, IT people must make a case to senior management that this is the way to go.

The big but: how do you find the right arguments? For a start, it is advisable to back your presentation with solid facts all the way, detailing precisely what contribution IT makes to value-added and strategy. As shown in Fig. 2.6, IT can contribute in a variety of ways to the present and future business models (see also [Kag06] and [Bre06]):

- **Stand out from the competition through individualisation or cost leadership**: Powerful, efficient and/or flexible IT solutions and good provision of business information can make a key contribution to differentiation. Supplying information effectively is all about providing meaningful business intelligence

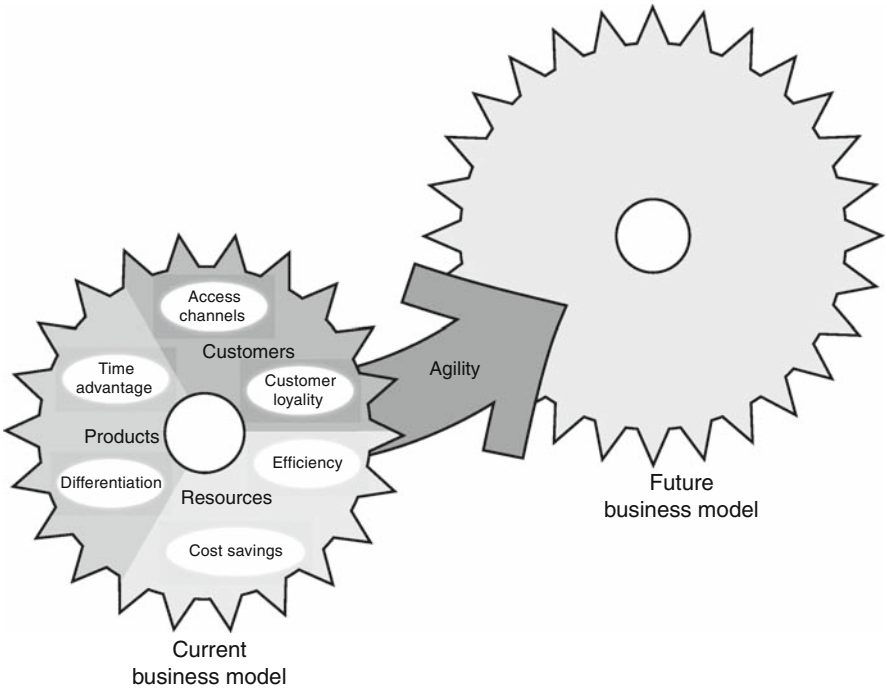

Fig. 2.6 Contribution of IT to corporate success

promptly about markets, customer requirements, competitors and their products, the cost and benefit of your customers' products, and what alternatives exist for sourcing.

- **Be faster than competitors**: Being faster than other players means relentless focus on business innovation, quicker product development and quicker time to market. Information technology can help carve out this time advantage through strategic planning to scope out future opportunities, through flexible and robust enterprise architectures, and technical innovation.
- **Create and optimise access channels for customers**: IT can make a sizeable contribution to creating easier access to your organisation for customers: self-service portals, for example, can act as sales channels and service access points which are precisely tailored to customer requirements.
- **Make customers more loyal – and more dependent**: Affordably-priced IT solutions that can be tailored to the organisation's needs will give a major uplift to its core business, greatly simplifying and streamlining operations. Extra ease of use, particularly in routine tasks, increases customer satisfaction and emotional loyalty. Individualised solutions also tie customers more closely to the organisation by increasing dependence – just think of automated integration of suppliers in just-in-time production workflows!
- **Efficient assignment of resources**: If IT is helping business processes run better – with leaner or automated workflows, with networked supply chains or electronic collaboration via portals, or simply by keeping workflows digital end-to-end – the organisation will enjoy substantial efficiency gains in business workflows.
- **Cost savings**: Standardisation or homogenisation of IT landscapes open up enormous opportunities for cost savings, not least through economies of scale. Expertise can be focused, IT can concentrate on its own core services (complementing these by outsourcing), and generate major potential for cutting costs.
- **Agility to change the business model**: Becoming and staying agile – having the ability to adapt swiftly to changing environments and new market situations – is one of the most important business challenges of all. Yet innovative solutions keep an organisation ahead of competitors only until the other players catch up. In terms of importance, how fast a company can transform itself now ranks equally with its business model. Powering virtually every modern business process, IT plays a key role here, and its reaction speed and flexibility feed directly into the success of the business. With flexible, robust enterprise architecture, the organisation is better positioned to respond swiftly to changes.

Important:

Work out which of these aspects of value-added are or could be relevant in your case, and from there build your case for raising the standing of IT in your organisation.

You might find it useful to run through the following questions when analysing how IT can and wishes to position itself in the future:

- **What contribution can IT bring to new business models?**

  Can IT contribute to making products and services more appealing, or to accessing new target segments or regions?

  Example I: family insurance and other new insurance products can be created simply and flexibly by bundling existing products via a product configurator.
  Example II: a broker portal to integrate field staff more tightly into the organisation.

- **How can IT contribute to making the enterprise more agile?**

  Can IT help give the organisation time advantages over its competitors? Can IT accelerate corporate transformation?

  Example: flexible IT architecture based on standardised interfaces such as SOA with components which can be orchestrated flexibly into the landscape.

- **How can IT raise the efficiency of business processes and deliver optimal support to the current business model?**

  Can IT contribute to reducing costs in its own domain or the business? Can it demonstrably increase business value or benefit?

  Example I: use virtual reality technology for creating marketing collaterals.
  Example II: identify redundancies and media discontinuity in processes.

- **What contribution can IT make to reducing business risks?**

  Can IT contribute to reducing business risk to an acceptable level, or help fulfil compliance, business continuity management and security requirements?

  Example: make transparent the risks inherent in processes and applications.

Ultimately, your organisation's management will have to decide on the basis of the business case you put forward how IT will be positioned – in other words, whether it will be regarded as a cost factor, asset, partner or enabler. However, by highlighting the present and potential performance of IT, you can substantially influence this decision. A compelling business case from IT professionals can raise the standing of IT in the company.

Still, IT managers alone will not be able to achieve a major turnaround of opinion. It takes people at top management level to champion the issue and stake out

precisely what role IT is to play. Importantly, senior management must communicate where decision-making powers and responsibilities on key issues lie. There have to be clear groundrules on who takes decisions on IT investments and on prioritizing of business requirements, and what channels are to be followed. Likewise, procedures at the touchpoints between business and IT have to be codified (see Sect. 6.2).

Important:

If the role of IT is not championed and communicated by senior management or if procedures are not explicitly codified, such questions will inevitably be left to the operational level. Without clear parameters staked out, IT will fail to exert any sustained impact on the business, and nor will it be possible to steer and direct it as required. This is exactly the line taken in the following extract from the Economist Study Business 2010 (see [Kag06]):

> The question of whether or not IT is a commodity becomes redundant – it will be a commodity for companies with poor business models and organizational processes and a competitive advantage for those companies that use it to support and execute on a strong business model.

Once defined, the strategic positioning should be documented in the mission and vision of the IT strategy. A mission is the driving purpose of an organisation; a vision is the long-term goal and direction to which the organisation's entire activities are aligned.

Example:

Vision: to be a partner of the business
We work with IT customers to identify opportunities for raising efficiency, growing the business and avoiding risks.
We underpin the operational excellence of the enterprise.
We are a team of highly qualified IT managers, business-function architects, software architects and infrastructure experts with a broad network of competent consultants.

Mission: for IT to deliver measurable value contribution
We generate benefit that shows through on financial statements, delivering return on investment for our shareholders at a level to sustain a fair, long-term alliance.

For our employees, we provide a challenging work environment that ensures individuals are highly motivated and have opportunities for continued professional development.

What Performance Potential can IT Deliver in the Future?

Once you have your strategic positioning statement, give it some weight by specifying the levels of performance you expect IT to be providing in the future. This entails defining your future IT service and product portfolio consistently with its strategic positioning. With the present portfolio as a starting point, you can then analyse what changes will be required and successively engineer these changes.

Figure 2.7 illustrates this process. Beginning with the current portfolio (see Sect. 2.2) the growth arrows show the changes in the IT product and service portfolio.

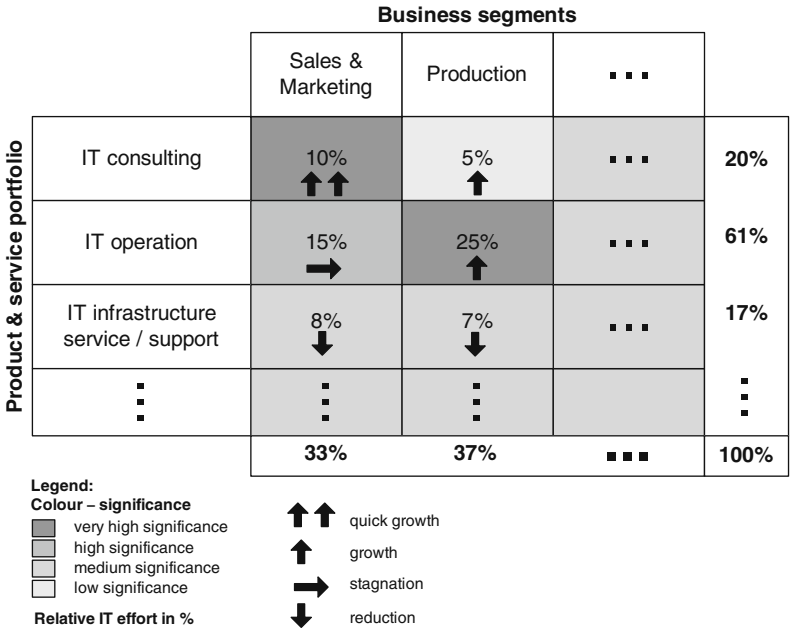

Fig. 2.7 Future IT performance potential, example

Alongside general support and resilient operation for core applications, the future portfolio could include items such as consultancy services, framed by wider issues such as process modelling. And, on the product side, technical software products might be complemented by business process-oriented products such as all-round on-site service support for field sales staff.

Fact file:

- Make sure you are clear what role and position IT is to have in future.
- The IT performance you are aiming for must be in alignment with the strategic positioning and must also be attainable.
  Take care neither to underestimate nor to overestimate potential, because this leads to false expectations among users.
- With the planned product and service portfolio as your basis, map out what performance IT will be able to deliver in future.
- Make your business case to your organisation's senior management by staking out the contribution of IT to corporate value-added and strategy, thus taking it to a higher standing within the organisation.
- The strategic positioning of IT – whatever its role – needs the buy-in of senior management and must be clearly articulated throughout the company. This is the only way IT will have a firm footing.

2.4 Strategic Objectives

The repositioning of IT is framed and informed by strategic objectives. Guided by the strategic positioning of IT, these objectives are developed on the basis of the corporate strategy and business requirements.

The strategic objectives are binding – both on strategic IT management level and at operational level. They create the metrics by which you measure progress on implementation. The key elements of strategic objectives are:

- **IT goals**: The IT goals describe the status you are aiming for. They should be formulated such that you can measure the degree of goal attainment. Be sure to set goals with care: IT goals should be SMART, meaning Specific, Measurable, Achievable, Realistic and Time-bound. (There are also other terms for this common acronym, aimed more at the "people" aspect: Stretching, Motivating, Ambitious, Rewarding and Tangible, for instance.)
- **Principles**: Principles are specific, binding policies for action: make-or-buy preferences, for instance, or best-of-breed.
- **Strategies**: A strategy is the plan of action you decide on to achieve particular goals. As such, a strategy makes a statement on how goals are to be attained. Strategies in IT can include the application portfolio strategy, a strategy for sourcing or for innovation.

The following sections provide guidelines for deriving IT goals and best practices for principles and strategies.