

Successful IT Organizations

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Agenda

W5 + 1



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1. Introductions
2. 2011 Gartner ExP CIO Survey Results
3. Key Principles of Successful IT Organizations
4. IT Organizational Maturity Model
5. Discussion: Best Practices IT Metrics
6. Discussion: Successful IT Models
7. Wrap-up

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Three Transitions are reshaping the environment facing the Enterprise and IT.

- Economic conditions are in transition as markets, regulatory and customer markets define the terms of competition and success.
 - There is a premium on focus and speed of execution to capture volatile market opportunities.
- Enterprise strategies are in transition as they move from a focus on consolidation and efficiency to growth and productivity.
 - Firms will face their own challenges based on industry, geography and size.
- Technology is in transition as heavy weight owner-operated models are giving way to light weight service based models.
 - Cloud Computing, Social Media, Mobile and other technologies change IT capabilities, economics and responsibilities.

CIOs see the future in building business relevance and raising IT productivity.

What are the most important issue facing IT between now and the next three years?

Positioning the IT organization to be perceived as partners with the business	20.4	51.2
Demonstrating IT's value proposition to the business	11.9	
Raising collaboration across the enterprise and with external parties	10.0	
Raising business productivity by more than 10%	8.9	

Managing a common set of technology priorities across multiple business units	6.4	23.7
Reorganizing IT to raise its performance (efficiency, quality, productivity)	6.0	
Improving IT investment priorities and decisions (e.g. higher ROIC)	5.8	
Assessing and securing the right level of IT skills to deliver IT's mandate	5.5	

Consolidating business operations	4.6
Improving IT productivity and quality (e.g. Six Sigma, Lean for IT etc.)	3.1
Incorporating cloud computing into IT's strategy and operations	3.0
Adopting social computing and Web 2.0 technologies into the enterprise	2.4

Addressing new information and data security requirements	2.3
Supporting new reporting requirements to the board, regulators, and customers	2.3
Managing a heavily outsourced IT organization (greater than 75%)	2.2
Defining and managing an IT services catalogue	1.3

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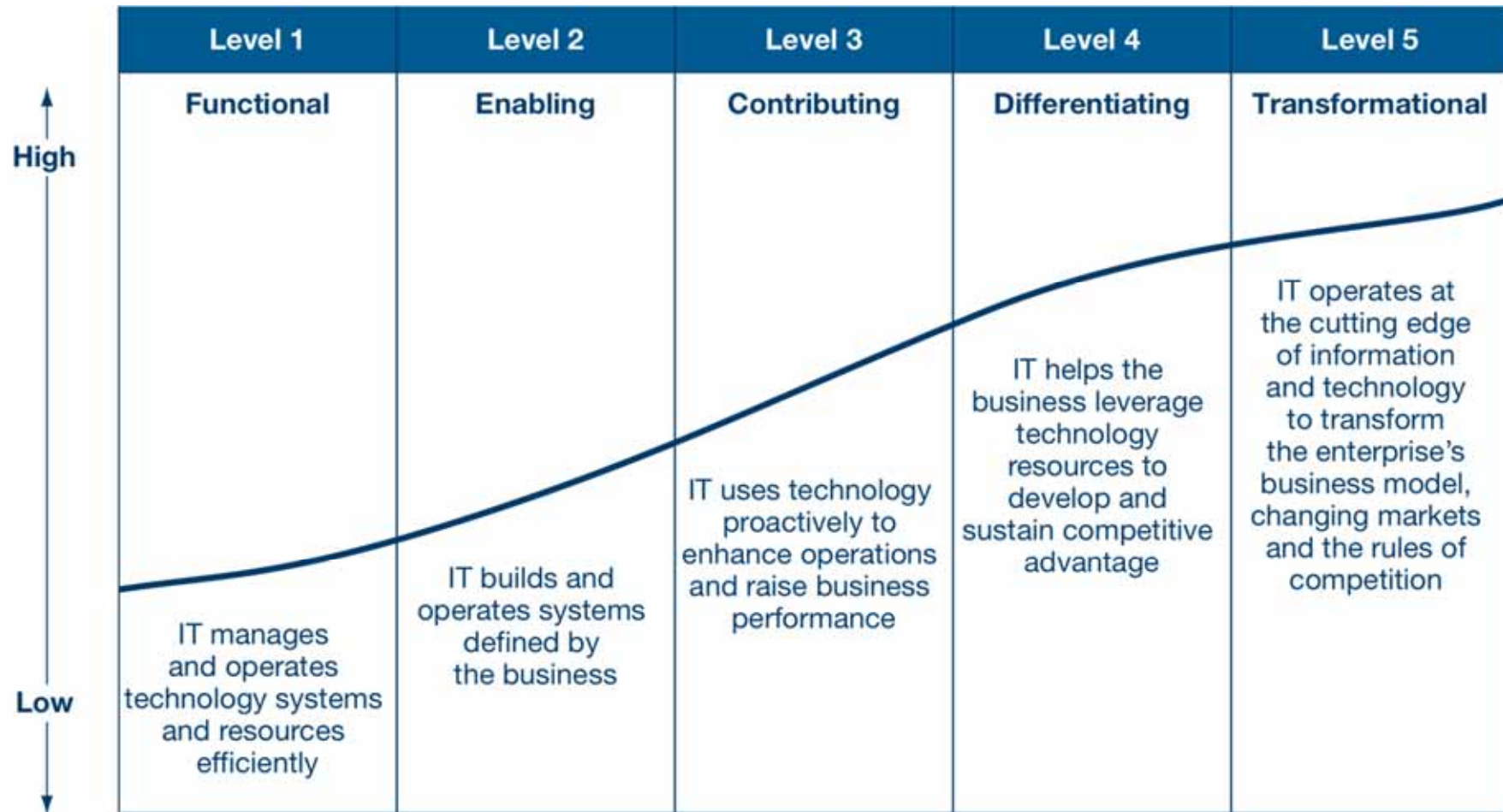
Characteristics of Successful IT Organizations

- Align, align, align
- Communicate in business terms
 - Demand management (“business relationship mgmt”) → portfolio management
 - Explicitly IT goals/strategies/initiatives to business drivers
 - Present the IT Budget in 100% business terms
- Business services → IT services → IT processes → IT organizational structure
 - IT Services catalog
 - More than one “right” way to organize IT → use “right” process
- CIOs asked to participate directly in external customer-facing activities
- Often asked to take on business functions (“back office”)
- Become indistinguishable from “the business”
- Measure to improve
 - Business Performance Framework (“Demand”, “Supply”, “Support”)

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IT's role determines capabilities required for success - Gartner CIO/IT Organization Maturity Model



Gartner CIO/IT Organization Maturity Model

Domain	Functional Level 1	Enabling Level 2	Contributing Level 3	Differentiating Level 4	Transformational Level 5
Strategy and vision	<ul style="list-style-type: none"> The IT organization is responsible for operating technology assets 	<ul style="list-style-type: none"> The IT organization operates applications and infrastructure driven by business requirements 	<ul style="list-style-type: none"> IT is directly involved in delivering products and services, and business processes 	<ul style="list-style-type: none"> The enterprise uses technology as a basis for market differentiation 	<ul style="list-style-type: none"> The enterprise uses IT to evolve its business model and position in the industry
Executive leadership	<ul style="list-style-type: none"> The head of IT is a managerial role responsible for managing operations 	<ul style="list-style-type: none"> The CIO is an executive role with a defined IT organization 	<ul style="list-style-type: none"> The CIO is an executive and part of the management board or operating committee 	<ul style="list-style-type: none"> The CIO is an executive and member of the management board or operating committee, with additional responsibilities outside of IT 	<ul style="list-style-type: none"> The CIO is a member of the board of directors and a senior executive reporting to the CEO
Business and financial management	<ul style="list-style-type: none"> The business becomes involved when IT performance falls (quality of service, cost, etc.) Funding levels are based on the prior year's operational requirements 	<ul style="list-style-type: none"> Business involvement concentrates on providing requirements for IT IT budgets are fixed, based on the cost of operations and the resources required to develop new solutions 	<ul style="list-style-type: none"> Business personnel are involved full-time, as projects are joint business-IT projects IT budgets are flexible, based on generating an expected business return from the IT portfolio 	<ul style="list-style-type: none"> Business personnel blend with IT personnel and share responsibility for defining and developing solutions IT funding is based on expected revenues generated from products and services 	<ul style="list-style-type: none"> There is no distinction between business personnel and IT personnel Enterprise funding is based on requirements to deliver the enterprise strategy
People and skills	<ul style="list-style-type: none"> IT personnel jobs and skills are defined by the vendor- and technology-specific expertise required for IT operations 	<ul style="list-style-type: none"> IT personnel skills are defined in terms of the application systems and solutions they support 	<ul style="list-style-type: none"> IT personnel skills are specific to industry knowledge and experience 	<ul style="list-style-type: none"> IT personnel are defined by their unique knowledge of the business, including its operations and products 	<ul style="list-style-type: none"> IT personnel and skills are no different from business executive and leadership skills
Technology leadership and management	<ul style="list-style-type: none"> The head of IT organizes resources around IT's operational responsibilities and supported hardware 	<ul style="list-style-type: none"> The CIO and other IT leaders lead through organizing projects and teams around major IT assets such as the ERP system 	<ul style="list-style-type: none"> The CIO and other IT leaders lead through setting goals for IT operations and investments 	<ul style="list-style-type: none"> The CIO and other IT leaders lead through setting business goals and targets for IT's role in creating results 	<ul style="list-style-type: none"> The CIO and other IT leaders are leading enterprise change and restructuring across the enterprise
Performance management	<ul style="list-style-type: none"> IT performance is measured by operational metrics related to cost, quality of service and availability 	<ul style="list-style-type: none"> IT performance is measured in terms of conformance to plan, scope, schedule and quality 	<ul style="list-style-type: none"> IT performance is measured in terms of business value created and delivered across IT resources and assets 	<ul style="list-style-type: none"> Business/IT performance is measured in business terms and the changes to business performance and financial metrics 	<ul style="list-style-type: none"> IT performance is measured in terms of its market value-add

Source: "Leading in Times of Transition: The 2010 CIO Agenda," Gartner Executive Programs report, January 2010.

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Executive IT Dashboard – Mature IT Organization

	Target	Stretch
<ul style="list-style-type: none">•• “Business Value”<ul style="list-style-type: none">- Business leaders reviews of IS quarterly- Financial performance against budget- Quarterly business value delivered- % invested in top projects (top 20)• “Always On”<ul style="list-style-type: none">- Response time KPI's- Uptime KPI's- Base service levels met• “Best People”<ul style="list-style-type: none">- Target IS employees to get substantial career advancement each year- Staff with training plans- Training per employee- Voluntary turnover• “Excellence in Execution”<ul style="list-style-type: none">- Relationship managers satisfaction- Projects On-Time, On-Budget, In Scope- Customer Satisfaction of Delivery- Speed to Market → Projects < 6 months• “Top 10 Project Status” – See Page 2		

Freescale Semiconductor: IT services that touch the user directly. What's the *user performance* implied by these metrics?

IT Services	Cost Metrics	Service Level Metrics	Industry Benchmarks
PCs	<ul style="list-style-type: none"> • Cost Per PC • Desktop/Laptop Ratio 	<ul style="list-style-type: none"> • Time to Install • Time to Resolve Problems 	Hackett, Compass, Gartner, others
Email	<ul style="list-style-type: none"> • Cost Per Mailbox • Mailboxes 	<ul style="list-style-type: none"> • Availability • Message Delivery Time 	
Helpdesk	<ul style="list-style-type: none"> • Cost Per Contact • Contacts / User 	<ul style="list-style-type: none"> • Time to Resolve Problems • User Satisfaction 	
Infrastructure Services <ul style="list-style-type: none"> - Voice Network - Data Network - Servers - Telecom 	<ul style="list-style-type: none"> • Total Cost = • Unit Cost x • Volume 	<ul style="list-style-type: none"> • Availability • Performance 	
Business Applications	<ul style="list-style-type: none"> • Cost / Function Pt • Cost By Business Area 	Projects: <ul style="list-style-type: none"> • Delivery to Schedule • Delivery to Budget • Defects in Production Support: <ul style="list-style-type: none"> • Time to Resolve Problems 	

Pinellas County: IT services that touch the user directly.

What's the *user performance* implied by these metrics?

BTS Services	Included in Service	Cost Metrics	Service Level Metrics
Network	Internet Access, Wide Area Network (WAN), Local Area Network (LAN), 100Mb at the port and Business Continuity	Cost per active port	Availability
Telephones	Phones, phone numbers, voicemail, caller ID, call waiting, local and LD calling and Business Continuity	Cost per phone	Availability
Email	Individual, group and facility Email and calendar accounts, Sunshine law compliance for archiving and retrieval and Business Continuity	Cost per mailbox	Availability
Customer Support Center	Incoming contacts, infrastructure monitoring, ticket creation, first level resolution or escalation, Incident tracking, tape management and loaner equipment services	Cost per customer contact	<ul style="list-style-type: none"> • Incident resolution • compliance % • Time to answer • Customer satisfaction scores
Personal Computing Services	PC Image creation, testing & maintenance for all PC models. Base software lifecycle management. Packaging of customer software for distribution. Maintenance of distribution software tools	Cost per device	Availability

Pinellas County: IT services that touch the user directly. What's the *user performance* implied by these metrics?

BTS Services	Included in Service	Cost Metrics	Service Level Metrics
County Web Services	Internet/Intranet hosting. Internet domain management, availability monitoring & reporting. Internet, Intranet & Extranet contributor training, support & licensing; backup/archiving; search engines. Centralized publishing & file management. Enterprise SharePoint hosting. Extranet SharePoint management. Web forms/surveys. Streaming video infrastructure & support. Internet Public notice calendaring	Cost per average number of unique users per month	Availability
Oracle eBusiness	Self Service Human Resources, Payroll, Time Keeping, Benefits, Learning Management, Purchasing, Projects Costing, Budgeting, Performance Scorecard Reporting, Accounts Payables, Accounts Receivables, Fixed Assets, Bank Reconciliations, General Ledger, User Productivity Kit, Business Intelligence Enterprise Reporting	Cost per user	Availability
Justice	Serves the Pinellas portion of the 6th Judicial Circuit for the Criminal, Civil, Juvenile, Probate & Traffic Courts	Cost per primary user Cost for total users	Availability

CIO Summary Dashboard – Simple Yet Details (25 p.) Run a \$2B IT Portfolio



		Last Reporting Period	Current Reporting Period	Key Issues
Deliver Existing Automation				
Deliver New Automation				Only 17% Projects Completed Within Budget for YTD (Page 7)
Run IT Like A Business	Cost Effectiveness			30% of Function Point counts are estimated - significantly exceeds target of 10%, (Page 12)
	Financial Results			
	Risk Management			
	Process Improvement and Quality			Plans and exception requests for date changes still pending from several projects (Page 19)
	Meeting Customer Expectations			Desktop survey results continue to drop, and several customer satisfaction drivers are below their targets (Page 20)
Modernize the Infrastructure				Major initiative this year
Develop Human Resources				Shortage of personnel with critical skills continues to exist in several portfolios (Page 24)

Legend:

- Color is lowest common denominator of all charts within objective
- Only charts with R/A/G rating, or a target/objective value used for rating

KPIs That Are Broadly Applicable to IT Organizations

	IT Maxim	Metrics	Actual	Target
IT Mission/ Value	<ul style="list-style-type: none"> – Optimize the return on IT investment – Contribute value to business processes 	<ul style="list-style-type: none"> – % of revenue spent on IT – % of IT budget spent on new investments – IT opinion survey/sat. rating 	1.2% 15% N/A	2% 50% 75%
IT Customers	<ul style="list-style-type: none"> – Optimize use of business services – Streamline business-unit services 	<ul style="list-style-type: none"> – Infrastructure alignment index – Post-acceptance satisfaction score – Application alignment index 	0.85 2.5 0.50	2.0 4.0 2.0
Internal IT Processes	<ul style="list-style-type: none"> – Technology migration – Establish value focus – Faster application development 	<ul style="list-style-type: none"> – % facilities at bus. standards – % of projects coming through value process – On-time delivery 	75% 50% 30%	95% 100% 90%
Enabling Technologies	<ul style="list-style-type: none"> – Improve moves, adds and changes (MAC) management 	<ul style="list-style-type: none"> – % SLA requests to install met – # of ver. installed at same time – # of software releases and dist. methods per platform 	70% N/A N/A	100% <3 max. 2
IT Organizational Enablers	<ul style="list-style-type: none"> – Leverage ESP – Attract and retain staff with appropriate skills for services offered 	<ul style="list-style-type: none"> – % of noncore positions outsourced – Attrition rate improvement 	25% -2% per year	95% 10% per year

Other Options:

- Cost optimization
- Innovation
- PMO

Case Study: Electronic IT Scorecard With Maxims Improved Alignment and Cut IT Spending

Actual Offense Question: What are the **right metrics** for managing efficiency of IT infrastructure and effectiveness of applications and projects?

- Root Cause: Better IT Alignment & Transparency

IT Maxim	Metric	Actual	Target	Trend	External Benchmark	Status
Financial Performance						
Operate IT in a fiscally responsible manner	Total IT Spending as a % of revenue	4.6%	3.9%	↓	4.3%	Red
	Percentage of IT spending allocated to delivering new capabilities	19%	25%	↓	30%	Yellow
Project Performance						
Deliver high quality products	Percentage of software releases deployed on time	94%	100%	↑	49%	Green
Operational Excellence						
Protect and improve customer relationships	Security Spending as a % of Total IT Spending	6.0%	5.1%	↑	4.3%	Red
User Satisfaction — Survey Responses						
Deliver high quality services & solutions	End User Help Desk & IT Services Satisfaction Level	3.5	4.1	↓	4.1/5.0	Yellow

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IT Operating Model Choice Drives Organizational Design

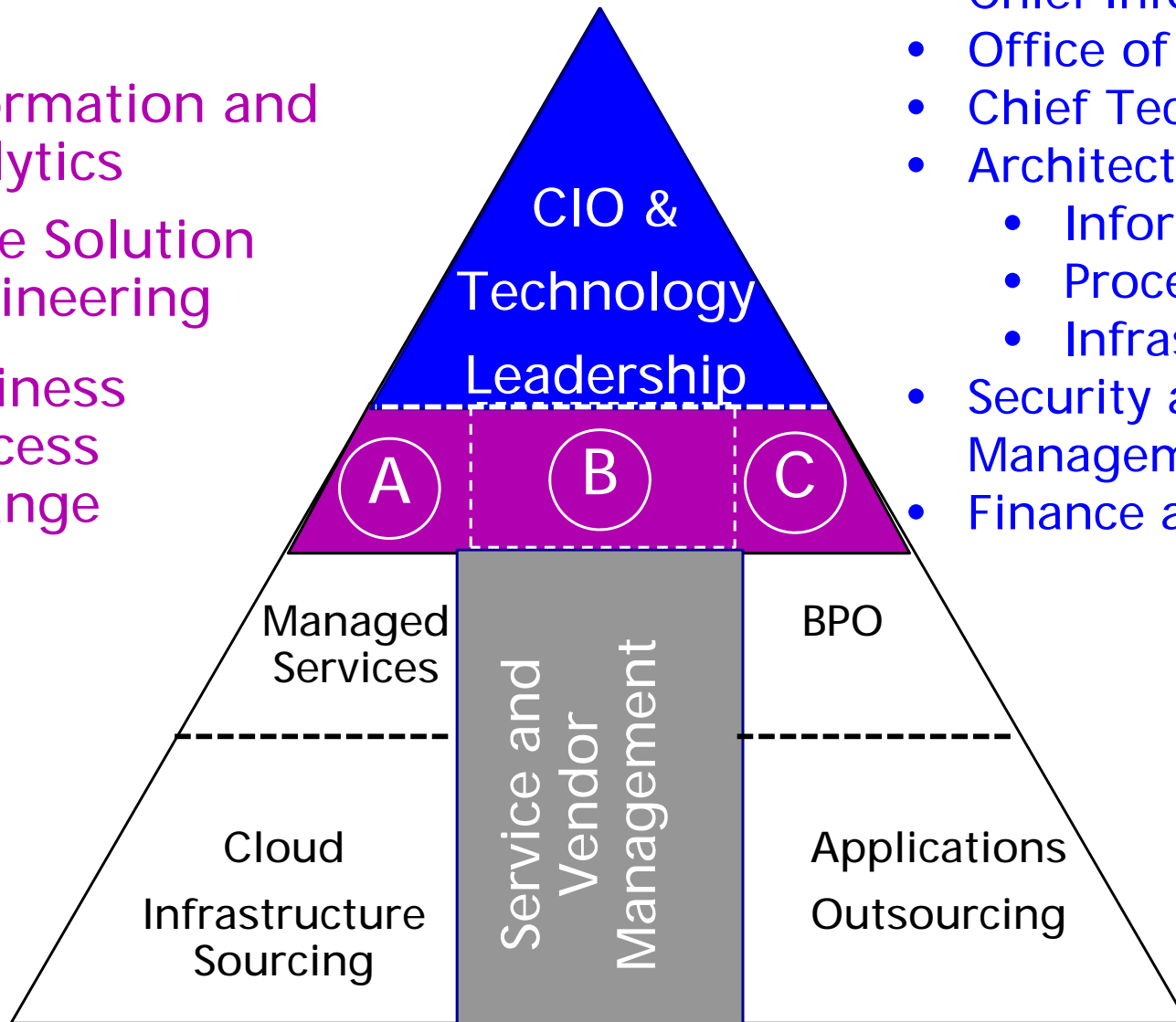
Operating model	Characteristics	Benefits	Challenges
Centralized	<ul style="list-style-type: none"> • A single CIO for the enterprise • All IT resources report through the CIO regardless of physical location • Staff may be distributed across various regions/locations or co-located with user groups 	<ul style="list-style-type: none"> • Standardized control of technology, IT processes and people • Potential for cost reduction; low-cost provider of services • Maximizes career growth and professional development 	<ul style="list-style-type: none"> • Bureaucratic • Potential for loss of business responsiveness within IT • Requires strong governance and relationship management
Decentralized	<ul style="list-style-type: none"> • Business units control dedicated IT applications • Standards and processes not necessarily consistent across business functions • Lack of enterprise-level planning 	<ul style="list-style-type: none"> • Business awareness • Responsiveness to changing business needs/directions • Local control and prioritization • Appropriateness of solutions 	<ul style="list-style-type: none"> • Architecture diffusion • Lack of long-term flexibility • Redundancy • No enterprise learning • Restricted resource utilization • Limited career development opportunities
Federated/hybrid	<ul style="list-style-type: none"> • Business units retain control of proprietary applications and/or related infrastructure • Enterprise CIO manages shared services and enterprise applications • Enterprise CIO responsible for enterprise architecture and governance • BU CIOs may direct-report or dotted-line report to enterprise CIO 	<ul style="list-style-type: none"> • Business awareness • Responsiveness to changing business needs/directions • Local control and prioritization of BU-specific solutions • Leverages existing systems • Reduces redundancy 	<ul style="list-style-type: none"> • Managing intradepartmental dependencies • Limited enterprise learning • Limited career development opportunities

Creating a lean and responsive IT organization

A: Information and Analytics

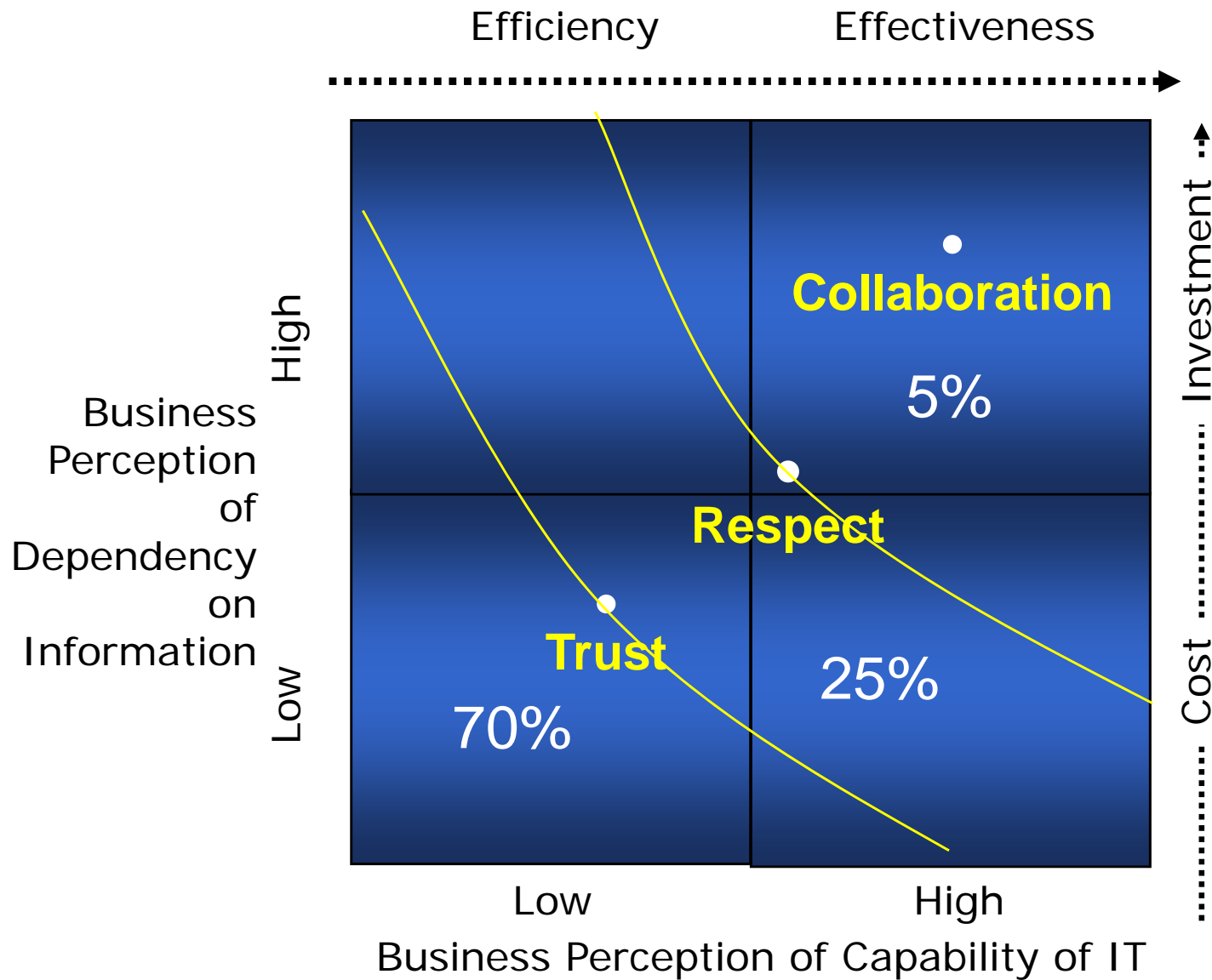
B: Agile Solution Engineering

C: Business Process Change

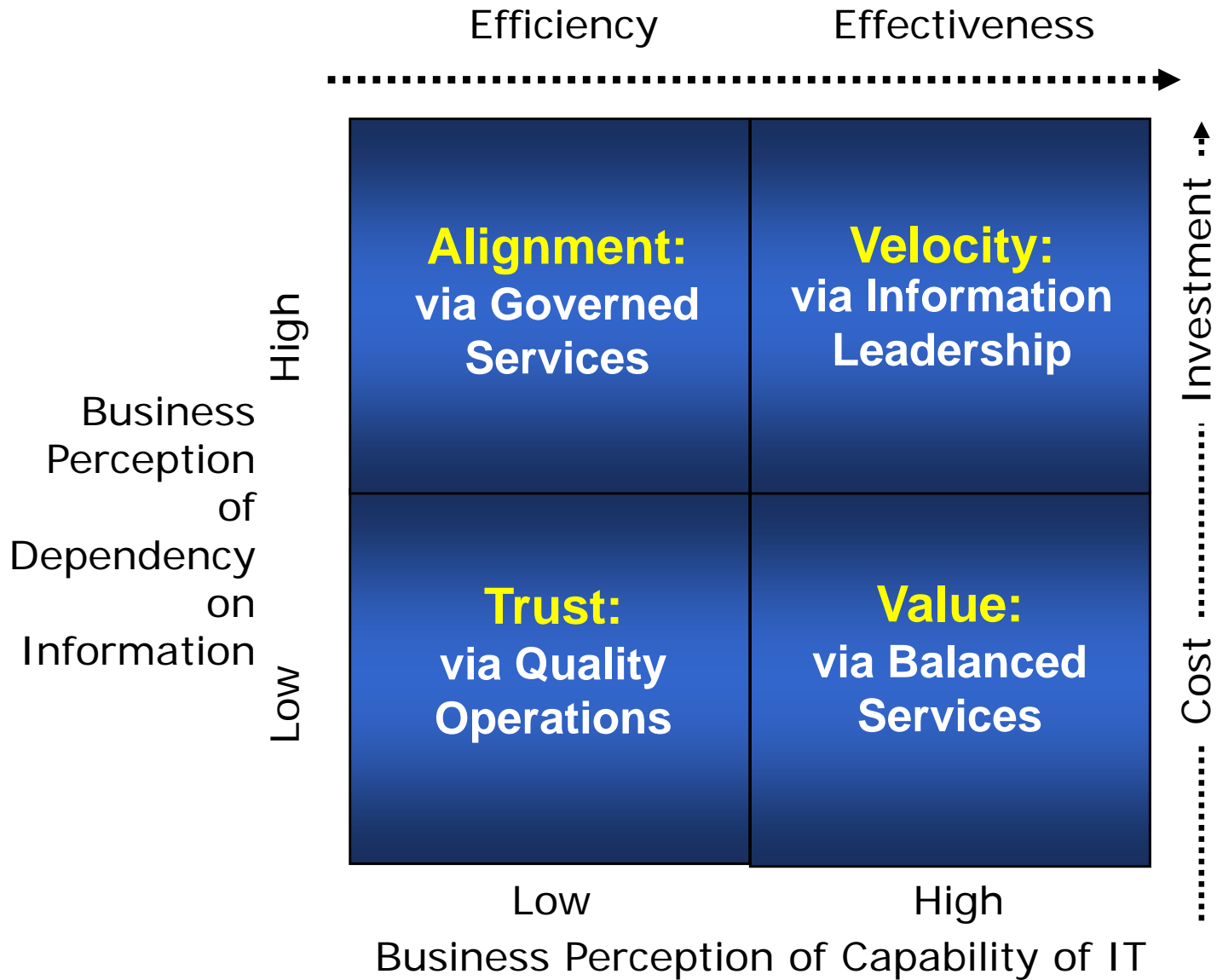


- Chief Information Officer
- Office of the CIO
- Chief Technical Officer
- Architecture:
 - Information
 - Process/Application
 - Infrastructure sourcing
- Security and Risk Management
- Finance and Measurement

Successful IT Organizations – The Credibility / Dependency Matrix



Creating Value in Each Quadrant



Characteristics of Successful IT Organizations

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 - Business Performance Framework (“Demand”, “Supply”, “Support”)

Wrap Up

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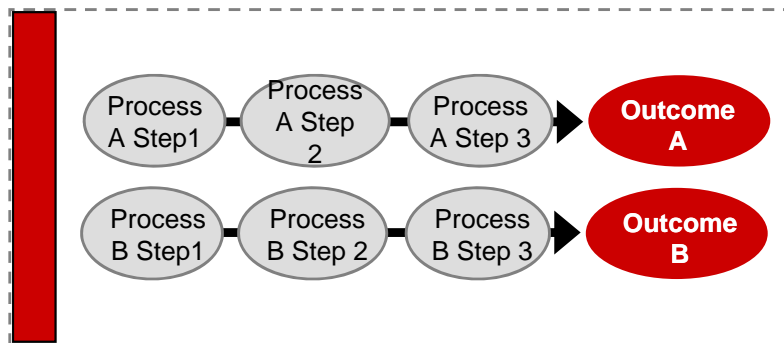
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Appendix

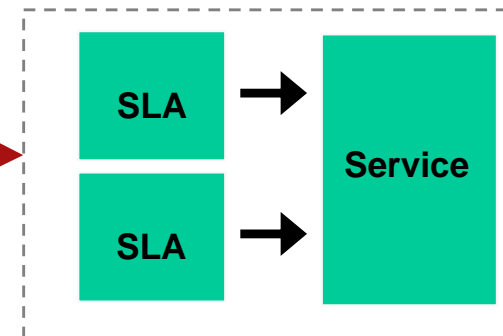
- Gartner Business Value Model

Gartner Business Value Model: The Relationship Between IT Costs and Business Benefits — Four Levels

1. IT Performance Metrics



2. Service-Level Agreements



3. Business Metrics

Demand Management	Market Responsiveness	Sales Effectiveness	Product Development Effectiveness
Supply Management	Customer Responsiveness	Supplier Effectiveness	Operational Efficiency
Support Services	Human Resources Responsiveness	Information Technology Responsiveness	Finance & Regulatory Responsiveness

Gartner Business Value Model

4. Financial Metrics

<i>Income Statement (\$ million)</i>	
Revenue	\$1,000
Less: Cost of Goods Sold	500
Gross Profit	500
Less Operating Expenses:	
Sales	200
Administrative	200
Net Income	\$100

IT has become the single biggest source of productivity improvements in our economy, yet IT is viewed as a cost center.

The Gartner Business Value Model: Align to Key Financial Metrics or the Leading Indicators of Financial Performance

Business Aspect	Aggregates	Primes			
Demand Management	Market Responsiveness	Target Market Index	Market Coverage Index	Market Share Index	Opportunity/Threat Index
		Product Portfolio Index	Channel Profitability Index	Configure-ability Index	
	Sales Effectiveness	Sales Opportunity Index	Sales Cycle Index	Sales Close Index	Sales Price Index
		Cost of Sales Index	Forecast Accuracy	Customer Retention Index	
	Product Development Effectiveness	New Products Index	Feature Function Index	Time to Market Index	R&D Success Index
Supply Management	Customer Responsiveness	On-Time Delivery	Order Fill Rate	Material Quality	Service Accuracy
		Service Performance	Customer Care Performance	Agreement Effectiveness	Transformation Ratio
	Supplier Effectiveness	Supplier On-Time Delivery	Supplier Order Fill Rate	Supplier Material Quality	Supplier Service Accuracy
		Supplier Service Performance	Supplier Care Performance	Supplier Agreement Effectiveness	Supplier Transformation Ratio
	Operational Efficiency	Cash to Cash Cycle Time	Conversion Cost	Asset Utilization	Sigma Value
Support Services	Human Resources Responsiveness	Recruitment Effectiveness Index	Benefits Administration Index	Skills Inventory Index	Employee Training Index
		HR Advisory Index	HR Total Cost Index		
	Information Technology Responsiveness	Systems Performance	IT Support Performance	Partnership Ratio	Service Level Effectiveness
		New Projects Index	IT Total Cost Index		
	Finance & Regulatory Responsiveness	Compliance Index	Accuracy Index	Advisory Index	Cost of Service Index