

Finding Your True IT Transformation

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Three core competencies—strategy, solution, and implementation—should be put into practice as concurrent activities: organizations can’t achieve true IT transformation and thereby enterprise success without mastery of all three.

T rue IT transformation is a reinvention of the organization to consistently achieve new process benefits with every project’s completion. The acid test as to whether your IT is truly effective comes down to the numbers underneath the three letters R, O, and I. You’ve achieved true IT transformation when you know the direct relationship between completed process improvements and accumulated benefits from those finished projects.

Only two kinds of activity go on in any enterprise: that which is production-oriented, and that which is change-oriented. A simple boat metaphor helps explain the difference—if you aren’t rowing the boat or performing some operational duty at any given moment to help maintain its course, the only other thing of use you can do is to improve the boat itself (for example, by painting the deck, fixing the railing, or hoisting up a new sail).

In an IT organization, projects are the vehicles we use to organize and manage “change” activities. Our success or failure as a senior leadership team comes from how well we work in the project management realm. However, it isn’t uncommon in larger corporate environments to find confusion about who’s supposed to measure realized costs and benefits against forecasted results: the project manager is sometimes re-allocated at the end of an initiative, the IT portfolio manager sometimes isn’t close enough to the business

side of the problem, the CIO often doesn’t consider the full cycle to be exclusively under IT, the CFO often lacks the original project knowledge, and the president or CEO often wants to avoid lower-level details or might not have pertinent IT knowledge. It shouldn’t be surprising, then, that many companies never seem to learn from the massive damage of repeated project mistakes. The missing ingredient is quite often simple organizational continuity and good old-fashioned follow-through, which are a result of “strong leadership with competent staff support.”¹

In addition, three critical ingredients can help you achieve a true transformation of your IT life cycle: *strategy*, *solution*, and *implementation*. Don’t think of them as sequential steps but as core competencies of IT excellence. Your job in leadership is to develop all three competencies in your organization by cultivating the necessary skills and techniques within your staff, and then to cause each competency to happen continuously and concurrently. When these changes become the organization’s new habits, you’re on the path to true transformation.

Competency One: Strategy

If you and your staff have any chance at improving a business process, it makes sense to start by analyzing that process’s current state. This takes some finesse: users don’t typically want to talk

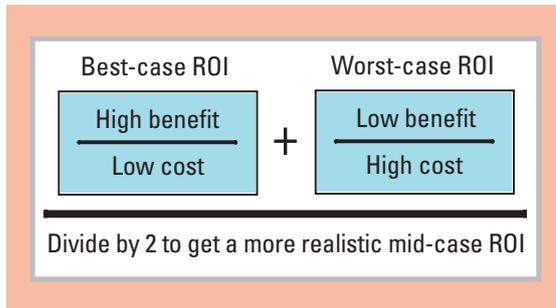


Figure 1. Estimating the return on investment. Divide the low estimate for benefit dollars by the high end of the cost estimate to get your worst-case ROI.

about their existing operations, so you'll probably hear, "We already know how our business works." If your department earned a dollar for every time it heard this excuse, you'd probably be able to fund all your projects for an entire year. Nevertheless, getting the business side to take the time to define its knowledge of an "as is" process is the first and most important step of the entire IT life cycle.

The goal of understanding the as-is business process is to identify opportunities for improvement before defining the "to be" process. Think of this activity as if you were examining the enterprise's operational details in one complete pass with a magnifying glass. To do so effectively, you must first be quite knowledgeable of your company's overall business and market strategy so that you can recognize all the opportunities for improvement. Without strong knowledge of the business strategy, you could still identify some good opportunities for improvement, but you would miss out on some key ways to achieve organizational synergy.

Another essential ingredient for optimal success is to have up-to-date knowledge of the technology changes happening in the IT marketplace—for example, being aware of the latest software packages. Because the landscape of prebuilt core systems and functional packages changes constantly, one of these solutions might provide a great fit for a functional need in your to-be process vision.

It's rare to find IT management practitioners who make a habit of both defining benefits and estimating a return on technology investment. It requires great patience and a lot of attention to detail—it also requires a fair amount of courage because it's tantamount to setting expectations with your colleagues on the senior management

team as well as in your user communities.² If you don't emphasize the estimation of benefit dollars as much as you emphasize costs, you'll send two messages to the entire enterprise: first, that you view the outlay of IT project money as more of an expense than an investment, and second, that you're not exactly sure what the enterprise is getting in exchange for all this time, effort, and money. This is a surefire way to set the organization up for an expectation disconnect, so to avoid it, forecast both sides of the project.

In particular, you'll need to assign the benefits analysis task to a very strong business analyst who also understands technology. The person in this role must have solid communication skills to articulate intangible as well as tangible benefits, with a long list of detailed assumptions to explain the benefit dollar forecast. This is exactly the same technique that's considered a best practice in estimating the cost side, but for some reason, people think it's harder to estimate benefits. Predicting the future is a difficult task on either side of the project profit and loss statement, so the only way to do it right is to be definitive in your numbers—and to thoroughly put your assumptions in writing to explain those numbers. People often shy away from trying to quantify a systems project's potential benefits because they can't be sure about underlying drivers such as the number of transactions in year two or how fast the cost of internal labor will rise. No one is asking the analyst to be certain about predicting the future, but that analyst should certainly get grilled for not developing a complete financial model including input factors that can be changed with one or two keystrokes. This kind of "what if" framework provides the basis for a great planning model.

It's also very helpful to utilize a "range" approach when estimating dollars—most people are more confident with quantifying the unknown when they can declare what will probably be the low number versus the high one. When solid estimate ranges are complete for both the cost and benefit side, you can create an ROI outlook. You derive your best-case ROI by dividing the high benefit estimate by the low end of the cost estimate range. Conversely, you divide the low estimate for benefit dollars by the high end of the cost estimate to get your worst-case ROI; see Figure 1.

A good IT strategy's mission is to continuously provide the enterprise with intelligence and vision by outlining the operations and technology roadmap for the upcoming 12 quarters. To be even more specific, update this roadmap on a quarterly basis in a cohesive written form and substantiate it with a detailed and quantified model showing the return on the proposed IT investment. Think of this model—along with the IT project financial estimates—as a prospectus that key stakeholders can review periodically for changes and ratification.

Competency Two: Solution

In your transformed IT department, your IT strategy team has probably already outlined a series of new business processes at a high level after analyzing the as-is process. You probably now have in mind generally how the business process and systems will work in the future. Hopefully, you also have in mind some sensible sequence of phases to show how you're going to achieve certain benefits by completing each phase.

The to-be process's outcome will be extremely effective if someone first takes some time to define critical process characteristics. You'll also find that you can't really develop a detailed version of the to-be process until you make some decisions about the solution application itself. The reason why is twofold: one, each specific technology or application offers functionality you'll want to leverage that you might not have known about during higher-level strategy work, and two, a detailed to-be process map must include key screens and reports (the new solution's specific touch points).

A new enterprise process's definition should tell a story, so that you or your IT staff can explain to someone in detail how it's going to work. Figure 2 shows an example of how a to-be process map narrative should read: "The user will enter the customer profile information into the new system screen at this point; there will then be a review of that information by the account analyst according to the tiered scoring criteria. The account analyst will prepare a report to be summarized by each customer group. This report will be provided to the account manager on a daily basis, as a key input into the revenue forecast process." A business process is simply

the repetition of a universal sequence—supplier, input, action, output, consumer.

One key to success for developing a great solution is to utilize knowledgeable people who have excellent communication skills (both verbal and written) and the critical eye of a good analyst. The people in this role must be capable of understanding the workflow issues in summary form and in great detail, while connecting the problem to IT. They need to see alternatives clearly, imagine new ones, and steer the team toward the most compelling solutions. Your IT department will count on these individuals to help the group flesh out smart solution designs, so they must be able to "walk in the user's shoes." Many organizations develop business and system analysis talent by identifying those people who are quite inquisitive yet can distill information into an accessible form for later consumption by someone else.

How many times have we remarked to each other over the years that the requirements for a particular project seem to have "changed" by the time we finished defining them? Yes, some changes do happen in the business during the course of a systems initiative, but the main cause of requirements seeming to shift under our feet is that the process wasn't properly examined early enough in the life cycle. Rather than an artificial exercise of having users list their needs, try facilitating a cross-functional group of affected individuals to examine the business process in depth. Remember when requirements came to the IT department on a napkin? Since that time, the field of requirements management has come a long way—fortunately for all of us.

Another critical point to keep in mind is resource utilization—any project that your organization owns will always require a certain amount of internal resource utilization. Spending resources on "change" activities has three major cost implications: first, the actual cost of internal resources (which includes salaries and overhead to be prorated for time spent on the project), and second, the opportunity cost to the business for what those resources now can't do during regular operational "production" (for example, supporting new revenue efforts or holding down customer service). That's real money to you whether your leadership team recognizes it or not. The third cost implication is that of using external resources. Not tracking hours holistically for

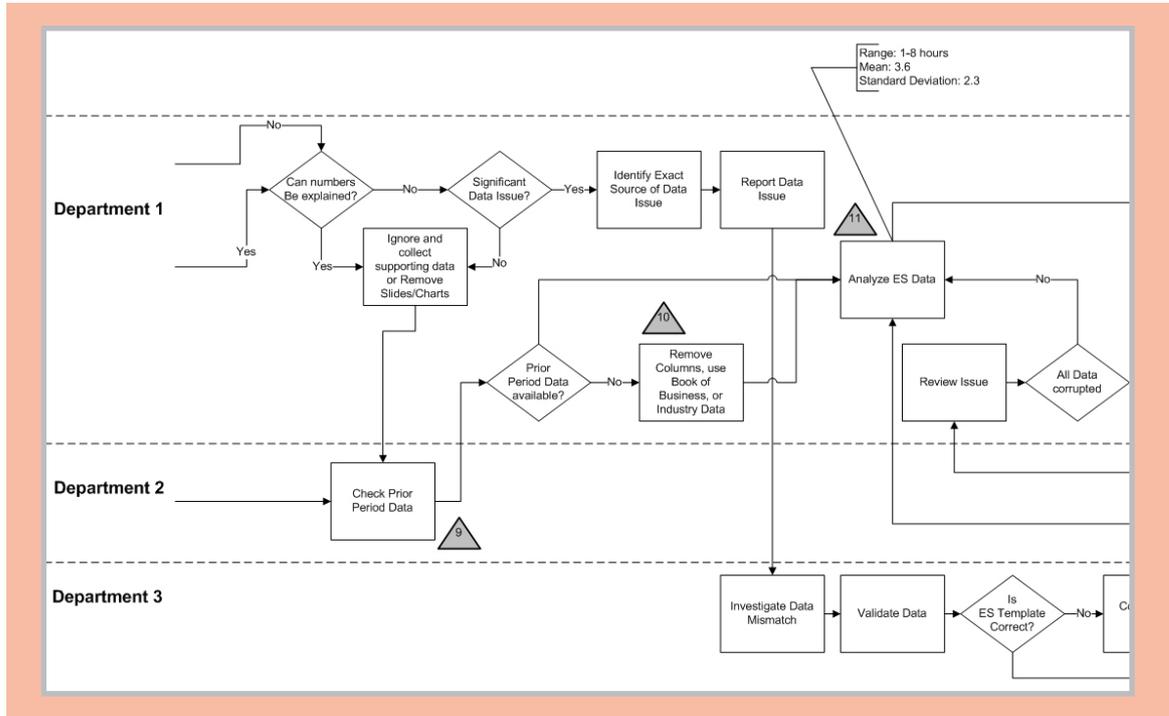


Figure 2. Visual sample of a process map. A good-to-be process map depicts how a process should work.

all three project cost areas can be deadly—your project budget for external resources is probably predicated upon a specific commitment of internal resource hours to be used on the project. If you don't deliver on that specific commitment of internal resource hours, you'll spend a lot more on external resources than you had planned to keep the project moving toward a live date. This inadvertent shortfall of internal resource availability can also jeopardize your live date if an external party isn't ready or willing to pick up the slack for your organization.

The mission of the solution area of competency is to create detailed plans for each solution as part of a project portfolio for improving processes. Along with the detailed plans for each project, a budget of both costs and benefits must be finalized. The process work and resulting requirements for each proposed process and systems project provides a strong foundation from which your developers and integrators can design and build. These plans must include both high and low levels of implementation detail, such as an approach for file formats and an agreed-upon encryption model.³ You'll know it's working when you have an ongoing collaborative effort between your most technically skilled people, your most business knowledgeable people, and the analysts forecasting the cost and benefit dollars.

Competency Three: Implementation

The final competency required to achieve true IT transformation is implementation. This is where the rubber meets the road, where projects ultimately succeed or fail. Assuming the output is excellent from the strategy and solution areas, implementation is all about getting to a live date on time or as quickly as possible. It helps to create a sense of urgency within the organization by reviewing the project financials and remembering that missing a live date by just one day costs the enterprise in multiple ways. In addition to the outright project expense of resources, the biggest cost is probably a loss of the project benefit accumulation. The ROI estimated in the project financials is contingent upon a certain amount of savings to be realized by the improved process and by the equivalency of the additional revenue to the company as planned. An important aspect that's often overlooked here is organizational readiness. Is everyone in your organization ready for change? People certainly need to be ready in the sense of physical preparedness—for example, new software installed, different workflow steps charted, and new patterns of interaction studied—but what about their state of mental preparedness? Someone working on the IT team's behalf should take on the very special mission of talking with people about the changes coming.

The cornerstone of great implementation competency is creating a project-oriented culture and learning how to run your projects well. Good project management doesn't actually start with filling the project-specific role of project manager—it actually starts with crucial senior management actions, such as identifying project sponsors. At all times during an initiative's duration, everyone involved should know the singular individual responsible for the project's outcome. This isn't the same person as the project manager,⁴ who shepherds precious enterprise resources to accomplish a certain goal within a certain timeframe. Rather, the project sponsor is usually a senior executive in the enterprise who's "paying" for the initiative.

By definition, project management involves a set of natural conflicts and inherent tension. The whole purpose of using a project manager is to guide the organization in executing a predefined plan through to its completion. No obstacle is allowed to stand in the way, which implies that the project manager is supposed to complete a certain scope and quality of work within a certain timeframe with limited resources. It can be a nearly impossible role to play, mainly because of the natural conflict between trying to achieve more in scope/quality with fewer resources in short time periods. Another reason that tensions rise is because most organizations don't already have an existing project culture.

A useful metaphor for a project manager to execute faithfully against a defined scope of work is the project manager triangle—to stay together, the three sides must always connect. These sides represent a certain project's scope, its duration, and the enterprise resources available. As the project manager navigates through the troubled waters of organizational reality and the imperfections of people and plans, he or she faces a constant struggle to keep the sides of the triangle connected. The challenge is to recognize the potential conflicts among the triangle's sides and then make trade-offs to enable good implementation decisions. It's especially important to identify which of those trade-off decisions belong to the project sponsor and not the project manager. A "change committee"—a small group of representative stakeholders established for the enterprise with which the project sponsor can confer about key project decisions and resource trade-offs—can help here.

Although the implementation stage isn't the time or place to discuss strategy or make plans, changes must be recognized quickly and brought to the project sponsor's attention. An implementation's success or failure depends on good management of a set of limited resources within a limited timeframe. Getting to the live date is goal number one, so that the enterprise can start getting a return on its investment.

Providing transformational leadership for IT in an enterprise starts with the leadership itself, not the technology. Great transformational leadership breeds a great culture that's ready to transform. If you and your team want to bring the enterprise to a new place, first change how you manage IT. By reinventing IT's core functions, the organization will be on its way toward a much different place. Your users will love you because you've created a better business process that's more agile, opportunistic, and competitive. Your CEO will love you because you can forecast and demonstrate a measurable IT contribution to the net income. Perhaps most important, your board and shareholders will love you because you've produced a greater return on equity. Developing the three competencies of strategy, solution, and implementation within your IT organization could be the difference between your enterprise thriving or dying. ■

References

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