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IT Value

IT Value Special Compilation

Featured articles:

Val IT™

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IT Value Special Compilation

This special publication is a compilation of six articles that appeared in the *ISACA Journal's* IT Value column during 2008 and 2009. The articles touch on the practicalities of introducing and establishing the Val IT framework. These articles have drawn on the authors' many years of experience working with enterprises to introduce and embed value management. The articles cover the need for Val IT, the steps for introducing it, practical guidance on implementing the three Val IT domains and the critical success factors for introducing Val IT.

The publications of the Val IT project can be downloaded free from the ITGI web site, *www.itgi.org*, and include: *Enterprise Value: Governance of IT Investments, The Val IT Framework 2.0*; *Enterprise Value: Governance of IT Investments, Getting Started With Value Management*; and *Enterprise Value: Governance of IT Investments, The Business Case*. Please visit *www.isaca.org/valit* or contact Brian Selby at *bselby@isaca.org* for further information regarding Val IT.

ISACA and the *Journal* invite feedback on this series of articles. They are keen to hear about experiences in implementing value management and Val IT, and what has worked or not worked for *Journal* readers. Please send comments and experiences to *valitcomments@isaca.org*.

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Recognising the Need for Val IT: Identifying Tipping Points for Value Management

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Executives, even if they are aware of the need for more effective governance and management of information technology (IT), may not recognise that many of the day-to-day business challenges they face involve issues of value management. Val IT provides proven value management principles, processes and practices to enable enterprises to maximise the delivery of business value from investments involving IT.

This article identifies some of the most common tipping points—the pain points or "trigger" events that are likely to, or at least should, spur executives to improve their enterprise's value management practices.

Experience shows that the tipping points can come from two sources:

- **Internal events**—Experiences that bring into question the contribution of IT to the enterprise. Examples include major IT project failures, serious budget overruns, the enterprise's inability to absorb the changes delivered by new technologies, business executives not understanding the business value of IT, and IT executives (or indeed major IT suppliers) needing to prove the value to the business of the services delivered.
- **External events**—Influences from beyond the enterprise that necessitate the changing of IT priorities. Examples include mergers and acquisitions, a major shift in the marketplace with respect to competitors' actions or economic conditions and the need to share services or outsource a business process.

INTERNAL TIPPING POINTS

The most common internal tipping points include:

- **A major IT project failure**—Every enterprise has had at least one of these. Enterprise resource planning (ERP) and customer relationship management (CRM) investments are classic examples. A major IT project has become a disaster when/if it is exhibiting all or a combination of the following symptoms:
  – Being delivered too late
  – Cost overruns
  – Not delivering the benefits

  Such a project probably struggles on until it is either declared closed with nothing much delivered, or a new chief executive officer (CEO) kills it. Sometimes it gets relaunched with a new name only to suffer the same fate. Such failures, apart from being costly, can be highly visible, resulting in bad press, reduced market valuation and/or damage to the enterprise's credibility. Executives ask:
  – Where is the value expected from this IT project?
  – How could this go so terribly wrong? Why didn't anyone warn us?
  – We have trained our people in project management, how could this project fail?
  – Was this our fault or the supplier's fault?

  This is a fairly common tipping point. No one likes costly failures, especially highly visible ones, and executives who have experienced major investment failures do not want to get burnt again.

> "Val IT provides proven value management principles."

- **Recognition by executives that they do not know everything they should about their IT-related expenditures**—This is especially likely with the appointment of a new CEO, chief financial officer (CFO), chief information officer (CIO) or IT director. Questions may be asked by the executive that probe the completeness and effectiveness of their governance processes. These questions may include:
  – Do we have an inventory of assets and projects/investments?
  – Are we investing in projects that align to what the business currently wants to do?
  – How do we prioritise the allocation of scarce resources to deliver maximum business value and how do we define 'business value' anyway?

– Do we have ownership and accountability for the business change and outcomes we expect from our IT projects?
– Why are we continuously juggling investments and changing priorities within our limited capabilities and constraints?

The tipping point comes when unsatisfactory answers create anxiety at the executive level as to whether business value from the IT spend is being maximised—or realised at all.

- **Business executives not seeing proof of the business value delivered by IT**—IT is a key enabler for the business to operate and grow successfully and to create value. However, the contribution of IT to the success of the enterprise is frequently implicitly assumed by proponents of technology rather than explicitly stated and, therefore, is difficult to justify and even harder to measure. In this environment, how can executives feel comfortable with business benefits that are promised from new investments involving IT, and how can they determine if they were realised? The tipping point comes when executives are asked to approve investment decisions in cases where they can see no readily identified business justification to do so.

EXTERNAL TIPPING POINTS

The external tipping points include:

- Major shift in the enterprise's situation in relationship to the market, economy, competitors, etc.—Market and economic factors may necessitate the enterprise to quickly respond or suffer the consequences. Executives will be asking:
  – How fast can we introduce new products (with associated enabling of IT)?
  – How could we handle a merger/acquisition in terms of integration of IT?

  The tipping point comes when the executives see that the speed of decision making and responsiveness of the enterprise to rearrange priorities in response to market and economic changes is ineffective and keeping the enterprise lagging behind its competitors.
- Regulatory changes or budget cuts—Enterprises, particularly heavily regulated ones or those in the public sector, face the need to respond in a timely fashion to legislative, policy and funding changes. Executives will be asking:
  – Can we comply with new regulatory requirements without impacting our transformational change programmes?
  – How do we best manage the impact to our current projects of a budget-funding cut?

  The tipping point comes when the executives realise they cannot readily provide the answers to the 'what ifs' and analyse the impact of externally mandated changes.

The Tipping Point Challenge

How many of these tipping points can you recognise within your own enterprise? It is not enough to recognise them as problems—the challenge for business and IT executives is to take action. The Val IT framework provides useful guidance on proven processes and practices that enable effective governance of investments involving IT. This guidance is found in the three domains of Val IT:

- Value Governance (VG)—Ensuring that value management practices are embedded in the enterprise
- Portfolio Management (PM)—Ensuring that the enterprise secures optimal value across its portfolio of investments involving IT
- Investment Management (IM)—Ensuring that the enterprise's individual investments each contribute the value expected of them

Five Steps to Introducing Val IT: Applying Val IT to Introduce or Improve Value Management in an Enterprise

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Introducing or improving value management practices in an enterprise is not an easy task, and will take time. It may require significant change in terms of executive thinking and action around decision making, value and accountability. However, this should not deter enterprises from taking action—action that must balance achieving the longer-term vision with realising near-term value by taking an incremental approach within the context of an overall vision and plan.

This article describes five basic steps needed to introduce value management successfully using the Val IT framework. Identification of these five steps comes from experience working with many different enterprises over more than a decade. Key to success is to take a measured and structured approach with a focus on incremental change.

The five steps are defined in the following sections and in **figure 1**.

Looking at each of these steps and focusing concentrated effort on the first two steps will draw out the activities required for the remaining steps.

STEP 1—DEFINE THE JOURNEY

The first step is to work out and get agreement as to the journey or plan to introduce value management and Val IT thinking and practices into the organisation—articulate what must be achieved and what needs to be done to get there.

This includes the following:

- **Create the vision.** Establish a clear picture of what will be achieved with value management. What is the ideal future state? How should things look in one year? In three years? What are the consequences of not doing things in the new way?
- **Assess the current governance around IT value management.** How do enterprise and IT governance relate? Assess the organisation's capability and readiness for the acceptance of business governance of IT-enabled investments.
- **Enlist the support of the most senior executive possible.** Determine who 'owns' value in the organisation, or who owns the 'problem' of value delivery and leakage from IT-enabled investments. Get them to own the goal and vision of value management. Start informing other senior executives about value management and what effect improving it would have on their roles in the organisation. Focus on how the pain points they are suffering will be improved.
- **Document the change programme the enterprise needs to undertake to achieve the desired level of value management maturity.** Quantify and justify the financial investment needed to establish and sustain value management—essentially developing a business case. Identify how any adverse change impacts and inhibitors will be addressed, e.g., overcoming subjective or defensive views on organisational decision making.
- **If necessary, seek help for the journey.** A recent international survey of organisations introducing frameworks[1] concluded: 'Implementing process frameworks straight "out of the box"… isn't going to work very well for you…. Getting help from people who have been there before is likely the best advice that I can give you'.

STEP 2—SELECT A STARTING POINT TO ASSESS APPETITE AND SEE WHAT WILL WORK

Getting practical and demonstrated value from the application of value management and the Val IT management practices is the next step. People may accept the theory but ask: 'So how would that improve things for us, specifically? We are unique'.

The new *Getting Started With Value Management* guide from the Val IT series *Enterprise Value: Governance of IT Investments* identifies a number of common pain points or 'trigger' points (such as questioning the value of IT, a major investment failure or a change in funding) that can indicate the most logical starting scenarios in introducing

value management using Val IT. These starting scenarios include:
- Building awareness and understanding of value management
- Clarifying the value of individual investments
- Implementing or improving governance
- Undertaking an inventory of investments

The starting point has to be one where success will bring visible value to the organisation. It makes sense to start with the point that is giving the executives the most pain, as demonstrating a quick win here will help greatly in engaging senior stakeholder support for more widespread changes. Success will be achieved when senior executives are comfortable that the organisational changes arising from the introduction of value management will bring enterprise value. Those sitting on the fence or doubtful of the benefits will feel more comfortable throwing their hat into the ring once benefits of the approach have been proven.

STEP 3—DEFINE AND GROW INTERNAL CAPABILITIES

Investment will probably be required to introduce or extend current internal capabilities for value management. This requires an investment of at least time in the areas of executive, management and staff training and awareness. It is possible that expertise may need to be brought in to support changes in governance structures and processes, information needs, templates, and possibly tools—all the things needed for the change programme to succeed.

STEP 4—OPERATIONALISE THE GOVERNANCE CAPABILITY

Once the starting scenario(s) outlined in step 2 has been introduced, it needs to be operationalised within the organisation. Again, this is best done on an incremental basis. The change programme for introducing value management needs to identify and drive the adoption into the most valuable areas for the enterprise first. This will smooth the way for the lower-level, behind-the-scenes changes needed to operationalise the improvements. This may include revising templates such as business cases and board remits.

STEP 5—CONTINUOUSLY IMPROVE CAPABILITIES

The introduction of value management is a journey of possibly a year or more. Lessons from the previous steps need to be reflected in a continuous improvement process for value management. The framework must have an accountable owner, and regular reviews of its suitability must be conducted, at least annually, preferably at least every six months.

Further, the sustainment of value management requires investment in the maintenance of capability, e.g., the inevitable staff turnover and the loss of knowledge. This applies to stakeholder turnover as well as turnover amongst the owners of the value management approach.

CONCLUSION

In summary, introducing value management using the Val IT framework thinking, principles and management practices can be illustrated in the steps and actions described in **figure 1**.

Figure 1—Steps to Introducing Value Management

Steps	Key Actions
Step 1: Define the journey.	• Enlist senior executive support. • Understand current and target maturity. • Develop a change programme.
Step 2: Select a starting point to assess appetite and see what will work.	• Adopt starting scenarios where value can be maximised and delivered quickly. • Ensure that senior executives see the value.
Step 3: Define and grow internal capabilities.	• Invest in awareness and education, governance structures and processes, information needs and tools, etc.
Step 4: Operationalise the governance capability.	• Adopt an incremental approach. Make use of regular cycles.
Step 5: Continuously improve capabilities.	• Adopt lessons learned from steps 1 through 4.

Readers are encouraged to review Val IT, as described in *Enterprise Value: Governance of IT Investments, The Val IT™ Framework 2.0* and *Enterprise Value: Governance of IT Investments, Getting Started With Value Management*, and share them with key governance stakeholders within their enterprises.

ENDNOTES

1 Ambler, Scott W.; 'How Effective Are Process Frameworks?', *Dr. Dobb's Agile Newsletter*, March 2008, *www.ddj.com/architect/206905819*

Practical Guidance on Establishing the Val IT Value Governance Process

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Implementing Val IT in an established, complex enterprise is not necessarily easy. Is it worth it? Well, if the enterprise wants to get the maximum business value from its IT-enabled investments—yes! But, where does one start? Addressing the Value Governance (VG) process first is the ideal answer, because VG establishes the governance framework on which the other two domains of Val IT, Portfolio Management (PM) and Investment Management (IM), depend.

This article describes six typical issues that might be encountered when implementing VG and offers practical guidance on how to overcome them.

TYPICAL ISSUES IN IMPLEMENTING VG

The typical issues in implementing the VG process include:

- **Underestimating the emotions and politics involved**—Governance is a touchy subject; it is about the power structure of an enterprise and the individual behaviour expected within that structure. Humans are naturally resistant to behavioural change, especially if they have not bought into the reasons for it. Whatever changes are proposed will not be accepted and certainly cannot be sustained, unless there is backing and sponsorship at the highest levels. This is also necessary because most of the significant issues that need tackling run across multiple areas of the enterprise and cannot be solved by lower levels of management.
- **Assuming who calls the shots**—Val IT calls for clear and active linkage between the enterprise strategy and the portfolio of IT-enabled investment programmes. Decisions on what should be included in the portfolio of active investments may be fragmented between the chief information officer and business executives, who may each make assumptions regarding how and by whom decisions should be made.
- **Designing in isolation**—An enterprise's governance framework is rarely holistic but rather a mishmash of elements operating in silos. It may well have evolved over time, in a rather piecemeal fashion, with policies and processes sporadically implemented to address specific *ad hoc* issues or requirements.
- **Ignoring established and successful methods**—Enterprises that exist, particularly those that have grown and succeeded in difficult markets, must be doing something right. To suggest that well-established, tried and tested methods and approaches should be cast out in favour of new ones will be a hard message to sell to the stakeholders.
- **Thinking about reports, but not what is done with them**—Governance is about getting the right information to the right people at the right time to enable them to make the right decisions. It is easy enough to design a new report, create a board to scrutinise it and organise a meeting at which they discuss it; however, change happens only when actions follow the board's decisions.
- **Assuming the enterprise will stand still**—Markets change and so must strategy if the enterprise wants to keep up with the changes. Even in the public sector, policies are constantly changing, as do the department's spending priorities. Governance needs to support the enterprise; it must contain adequate controls to avoid exposure to unacceptable risk, yet it must be lean and easy to change. This last point is critical if the enterprise needs its governance to support agility rather than prevent it.

HOW TO AVOID THE PITFALLS

The following actions can help one avoid the pitfalls of the VG implementation process:

- **Acquire senior sponsorship**—The most significant factors contributing to the poor take-up of good governance are denial and internal politics. Governance arrangements need to be seen by all stakeholders as value-creating, rather than distracting resource burners. If senior key stakeholders can see how the changes proposed will make their own jobs easier, it is much more likely that their sponsorship will be acquired, which will also help to enforce and sustain the proposed changes.

- **Ensure alignment between business planning and service management planning**—The governance framework should include a board that fulfils the role of an IT strategy committee (see COBIT) or investment and services board (see Val IT). These would include senior representation from the business functions and the IT function (and major suppliers, if applicable), so that strategic direction of the enterprise can be discussed and the overall strategy of the IT service aligned with it.
- **Ensure appropriate accountability, apply the rule of subsidiarity**—Keeping the governance lean does not mean having as few controls as possible; rather, it means designing it in such a way that decisions can be made at the most appropriate level. Essentially, nothing should be done at a higher level that can be done as well or better at a lower level.
- **Develop the governance framework from the top down**—This is especially true of enterprises that have disparate business units or geographies, as they are likely to have established silos and layers of governance. Understand the scope (breadth) of the changes to governance required and then start at the top layer. Senior stakeholder sponsorship is vital in all the areas that are currently regarded as autonomous; otherwise, the change will be impossible to sustain.
- **Consider all the dimensions**—In scoping out the changes required for governance, ensure that all the dimensions of change are considered: business, technology, organisation, people and processes. Remember that some changes will affect dealings with external enterprises, so plan for appropriate communications.
- **Keep what works**—Find ways to introduce small changes at first, such as eliminating duplicated responsibilities in the various boards and forums, to enhance and improve existing systems. This will be much easier to enforce and subsequently build on, than starting from scratch. It will also help to win over internal stakeholders to support the wider-scale changes that follow.
- **Define end-to-end reporting requirements**—Reports should also be documented, with their typical contents, frequency, author/owners and recipients. Decisions that are made by these governing bodies and any actions allocated, should be recorded and communicated back to the appropriate people and, where relevant, accepted by them as actions or incorporated into the relevant plans (e.g., programme plan, service improvement plan, change plan).
- **Document and communicate roles, responsibilities and accountabilities**—Accountability for the VG process itself must be allocated. The VG process owner will be responsible for ensuring that as much as possible is documented and communicated to the right people. Documentation is important if new stakeholders need to be informed, responsibility needs to be passed on, rules need to be enforced, or changes need to be made and agreed upon.
- **Plan for more change**—Make sure there is a process in place to assess periodically the effectiveness of the governance framework, and to change it where necessary. The minimum frequency should be annually, and reviews should always assess whether any processes can be made more 'lean'.

Figure 1 provides a breakdown, process by process, of the typical issue and steps to avoid in establishing the VG process.

Figure 1—Implementing Val IT Processes to Overcome Typical Issues

Establishment of Value Governance (VG)		
Typical Issues	**Steps to Avoid These Issues**	**Val IT Framework 2.0 Processes**
• Underestimating the emotions and politics involved • Assuming who calls the shots	• Acquire senior sponsorship. • Ensure alignment between business planning and service management planning. • Ensure appropriate accountability.	• VG1
• Designing in isolation	• Develop the governance framework top-down. • Consider all dimensions.	• VG1 • VG2 • VG4 • VG5
• Ignoring established and successful methods	• Keep what works.	• VG2
• Thinking about reports but not what is done with them	• Define end-to-end reporting. • Document and communicate roles, responsibilities and accountabilities.	• VG5
• Assuming the enterprise will stand still	• Plan for more change.	• VG6

Portfolio Management

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When implementing a change programme to introduce or improve portfolio management (PM), there are the inevitable issues associated. However, with PM, the issues may be even more acutely felt because the most senior executives in the enterprise are often the people personally involved in and affected by the change. This article describes some of the typical issues that arise when introducing PM practices, and identifies how they can be overcome, based on shared experience, and tried and tested practices.

DEMOCRACY IS NOT EASY

The goal of PM is to ensure that an enterprise secures optimal value across its portfolio of (IT-enabled) investments. Implementing PM, as described in Val IT, will result in much greater transparency of the investment decisions that executives currently make behind closed doors. This may expose the business cases they personally sponsored as flawed and will highlight the programmes that are failing. They will initially feel uncomfortable and perhaps defensive or resistant to such transparency. They may, however, also recognise that the processes they *were* following carry a high risk of failure, in terms of lost value or wasted resources. Business cases may have been getting funding with little more than the cursory filling in of a token template and a compelling presentation to the board. What is certain is that without the understanding and sponsorship of executives—those who make the investment decisions—implementing PM will be extremely difficult and is unlikely to be effective. PM involves far-reaching changes to processes, mindsets, policies and governance; the executives have to both buy into the change and play a critical role in communicating the need for change to the rest of the enterprise.

GETTING GOOD INFORMATION ALSO IS NOT EASY

Doing PM well relies on the availability and intelligent use of sufficient, accurate and timely data to describe the items in the portfolio—be they candidate, planned or ongoing investments. PM also means having a place to store all this data, preferably a central source that is regarded as being the single source of this data and under change control. Having a single source for reporting also enables the elimination of the double counting that may otherwise arise if each programme is permitted to use different sources of data and measures for its reports.

NOT ALL PORTFOLIOS ARE EQUAL

A portfolio is simply a logical grouping of investments. It is important to recognise that portfolios can contain projects, programmes or even other portfolios. Different categories of investment need to be evaluated and managed differently, just as different questions need to be asked. A compliance/regulatory portfolio may need more scrutiny of costs, while a venture/growth portfolio may need more questions about potential benefits and risk. A portfolio of enterprise change programmes will need much more rigorous evaluation from a number of perspectives than, for example, a portfolio of behind-the-scenes IT changes.

Portfolio management ought to take place wherever investment decisions are being made; however, the views of the portfolio and the questions that need to be answered will depend on whose perspective affects the decisions. An enterprise's alignment to corporate strategy may be a score used to determine 'value' at the board level, while alignment to IS/IT strategy will be of primary interest to the chief information officer.

AN ADDITIONAL TIME CONSTRAINT ON BUSY EXECUTIVES

Improving the way an enterprise creates and manages value is a change programme in itself, which will need its own business case. Even with senior sponsorship and a strong appetite for positive change, once the executives realise that the effort involved in doing things properly will, initially at least, require time and effort on their part, there is often nervousness, uncertainty and, sometimes, push-back.

The executives may also struggle with the new data and processes involved and will need guidance, coaching and support. Of course, it may not be described as such!

The intention is to save these busy executives much more in terms of resources than might otherwise be wasted by enabling them to allocate their scarce resources more wisely across the portfolio, with an acceptable level of risk and more in line with their target investment mix. Gathering lots of data and then putting them in front of those who make decisions is not necessarily the right answer. Few executives are detail-focused and very few would wish to be. They will simply see this data dump as an additional demand on their already overstretched time, or, worse, may feel unable to make a decision for fear of making the wrong one.

What is called for are the services of impartial experts who do not take the place of the decision makers, but who can offer insight, guidance and recommendations to the decision makers. These services should be offered proactively and on-demand, so that they can answer questions, including: 'Are we doing the right things?' 'Are we getting the benefits?'[1]

The 'home' of such a service may be called a value management office, portfolio office or a centre of excellence. Whatever the title, its role is essentially that of trusted advisor or secretariat to those who make the investment decisions.

IT IS HARD TO MAKE TOUGH DECISIONS

In any maturity model that assesses an enterprise's current level of PM capability, making a decision to stop a programme that is well underway appears only at the highest levels of maturity. This is for several reasons. Even when all the evidence points to a programme failing, there is, inevitably, discussion of sunk costs, senior sponsorship, too much effort having gone in, or the sense of demotivation or embarrassment for those involved.

PM does not just mean making better investment decisions in the first place; it means constantly seeking to make the best use of available resources and optimising the value being delivered from those resources. This means proactive management: monitoring the current state of the portfolio; revising the benefits; ensuring that resource and risk forecasts are in line with new information; and making decisions to start, accelerate, decelerate, suspend, replace or stop as appropriate. This requires a real change in mindset—to one that focuses on the next monetary investment rather than the sunk costs. Although the portfolio's status might be reviewed monthly, clearly it would not make sense to execute big changes every month, as nothing would ever get traction. Nor does it make sense to do planning only annually, especially in fast-moving competitive markets.

SOFTWARE, WHILE IMPORTANT, IS NOT THE MAIN ISSUE

Once the decision has been made to 'do PM', where does the expertise come from? If the expertise does not exist in-house, the enterprise may be tempted to immediately start a tendering process for a supplier of PM services. These suppliers will offer a combination of consulting and software, with the consulting primarily focused on the configuration, implementation and, sometimes, management of the software. Some enterprises award contracts of this type, only to get frustrated some months after implementation when programmes are still failing, and doubt is then cast on the value of doing PM and the software that was acquired.

Designing and implementing a software package and filling it with data are not worth doing until it has been confirmed that all the other essential elements and resources are in place or can be secured, in terms of sponsorship, appetite, stakeholder involvement, process and governance changes, and changes to support the implementation. **Figure 1** summarises the provided guidance and offers links to the most relevant processes in the Val IT framework, which present further guidance on key management practices to help in the implementation of Portfolio Management.

ENDNOTE

[1] Based on the 'Four Ares' as described by John Thorp in his book, *The Information Paradox,* written jointly with Fujitsu, first published in 1998 and revised in 2003, McGraw-Hill Canada

Figure 1—Summary of Implementation Guidance

Implementation Guidance	Val IT Framework 2.0 Processes
• Secure sponsorship and support from those who make the investment decisions before attempting to make their decisions transparent.	VG1
• Ensure that data are sufficient, accurate and timely, and store them in a central repository recognised as the single source.	IM1, IM2, IM3, IM4, IM5, IM8, IM9
• Manage and evaluate each category of investment differently.	VG3
• Allow for guidance, support and coaching of busy executives involved in the change. Consider provision of a value management office.	VG1, VG2
• Allow for the portfolio of investments to be actively managed; focus on the next financial investment rather than sunk costs.	VG5, PM5, PM6
• Do not acquire a tool and assume the enterprise is then 'doing PM'. Secure sponsorship and embed the PM discipline first, and ensure that the amount of data and analysis warrants the investment in tools.	NA

Benefits Realisation and Programme Management: Beyond the Business Case

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AN INTEGRATED APPROACH

The Val IT framework is designed to help enterprises find the answers to four key questions, one of which is 'are we getting the benefits?'[1] The Investment Management (IM) domain within Val IT contains guidance on a number of practical and proven governance principles, processes and practices. This guidance covers three key components:

- Business cases, needed for informed investment decisions
- Programme management, for successfully managing delivery and change
- Benefits realisation—the set of tasks required to actively manage the realisation of programme benefits

These three components are essentially integrated, as they are all focused on successfully delivering the benefits promised in the business case.

> "What should an effective benefits realisation process involve?"

There has been increasing focus on benefits in business cases over the last decade to describe the value that is created from investments, both financial and non-financial. It is even more important in the current environment of shrinking incomes and budgets to provide assurance to boards making investment decisions that their capital is being well spent and is creating value for the enterprise. Yet, if one were to ask these same boards how confident they feel that the business cases they have been approving would actually realise the benefits projected, one would find that business executives simply do not believe many of the benefits promised in business cases. Why is this?

It may be due to a lack of quality in business cases, or a lack of faith in the enterprise's programme management capability. What these executives might not realise is that even with a good business case and sound programme management in place, their ability to fully realise the benefits promised will be severely hampered unless there is also an effective benefits realisation process throughout the full economic life cycle of the investment.

As a discipline, benefits realisation is non-existent or immature in many enterprises. So, what should an effective benefits realisation process involve? How should the benefits from investments get accounted for, reported and harvested? Who is involved and who is accountable?

BUSINESS CASES—COMMON MISTAKES

The foundation of benefits realisation is the business case, yet many organisations have less-than-effective business case practices, including:

- Making benefits predictions that are clearly not achievable
- Lack of explanation as to what type of financial benefit is expected, e.g., avoided cost vs. direct savings, or revenue protection vs. incremental revenue
- Lack of clear understanding as to how or whether the benefits will be converted from 'enabled' to 'realised' or 'banked'. For instance, where a change programme delivers a workload reduction, the benefits forecast might be described as 'direct savings' using an assumed reduction in full-time employee (FTE) numbers—a benefit that the organisation cannot actually 'bank' because it has no plan to eliminate or re-deploy those FTEs.
- Attempting to convert every benefit stated into a financial value with calculations often so complicated that they are impossible to understand
- Focusing on use of metrics that will 'prove' that the benefits have been realised, as a stand-alone exercise, in 'n' years time, with no opportunity to check progress along the way
- Not counting the cost of internal resources that are regarded as 'free'

- Not factoring in risks or dependencies in terms of how they may affect the projected benefits
- Lack of ownership and accountability for benefits realisation other than the appointment of a high-level sponsor

EMERGING THINKING

As a broader base of experience develops around benefits realisation, there is an emerging view that sees benefits realisation as significantly more strategic and dynamic than purely passive reporting:

- It is about business value, not IT value. IT almost always provides new capabilities that then need to be exploited or leveraged by the business for business benefits to be fully realised.

> "There is an emerging view that sees benefits realisation as significantly more strategic and dynamic than purely passive reporting."

- It is strongly linked with the process of change. The business change required to drive home and sustain the benefits must be successfully delivered. If this is not part of the programme scope, who is going to ensure that it happens?
- The recipients of the change must be involved in its delivery and given incentives to ensure that it succeeds; otherwise, their resistance to change may severely impact the realisation of benefits.
- It is as much about the journey as the destination. Agreement must be obtained at the beginning on intermediate outcomes that need to be monitored to validate that change is being successful and the ultimate end benefits will be delivered 'downstream'.
- Benefits need to be measured routinely and reporting must be integrated with other planning and reporting functions—not regarded as an optional and stand-alone exercise.
- What is measured and monitored is important, but it is vital to understand who is empowered and responsible for making decisions if monitoring reveals that benefits are not on track.

PRACTICAL GUIDANCE

The following is some practical guidance (see **figure 1** to determine where to find additional information) to consider when implementing benefits realisation processes:

- **Take a pragmatic approach that reflects the enterprise's current maturity in value management, as well as management's culture and appetite for change.** Moving the organisation progressively toward better practice is going to be more effective than aiming immediately for best practice.
- **Identify the aspect of benefits realisation that is causing the biggest issue, and fix that first.** For instance, if the biggest issue is the quality of business cases, then consider steps such as providing a coaching/guidance service, issuing standard templates and 'good' examples, introducing a validation/quality assurance mechanism, and ensuring that the secretariat of the relevant decision body rejects substandard business cases.
- **Ensure that sponsors are in place and understand and accept their accountability for benefits realisation.** Although widely accepted in theory, executives who readily take accountability for the overall business benefits expected in a business case are a rarity. There is a big difference between a sponsor who says 'keep me informed' and one who has 'skin in the game'. Sponsors may need coaching regarding their responsibilities.
- **Ensure that intermediate benefits are identified and have appropriate owners.** In most, if not all programmes, there will be intermediate benefits along the way that contribute to the ultimate business benefits. The overall sponsor may not be best placed to ensure the realisation of these intermediate benefits—responsibility may better lay with managers in individual business units, such as IT, finance, human resources or sales. A benefits mapping process will help to identify the intermediate benefits that are expected and the most appropriate owners.
- **Maintain current benefits information—either forecast benefits or actual performance—and act on any variance from original targets.** Benefits are not static; benefits forecast at the outset will change over time. If the programme plan changes, the benefits' forecast should be revised accordingly. As 'actual' figures start to come in, forecasts should be revisited and adjusted. Any variance between the original and current forecasts needs to be explained, and appropriate action taken.

Figure 1—Practical Guidance and Additional Resources

Summary of Implementation Guidance	Val IT Framework 2.0 Processes	Getting Started With Value Management
• Consider the enterprise's current capability maturity in value management.		Chapter 4
• Identify and fix the biggest issue first.		Chapters 2 and 5
• Ensure that sponsors are in place and accountable.	IM1	
• Enlist appropriate owners for intermediate outcomes.	IM4, IM5	
• Keep benefit information up to date and act on variances.	IM6, IM8	
• Run the process through the full economic life cycle.	IM6, IM9, IM10	
• Ensure that lessons are learned.	IM10	

- **Ensure that accountability for the benefits realisation process runs through the full economic life cycle of the investment.** Benefits realisation is required from investment selection right through the programme plan and often beyond the official end date of the programme. This is because most programmes, especially IT-enabled change programmes, do not fully realise their benefits until long after the initial investment has been made, i.e., after most of the required capabilities have been delivered and the delivery team has been disbanded. The IT provider may have supplied the delivery team, but the benefits are going to be realised over time by the receiving business units. Recognising this, the programme closure report, usually done just before the delivery team disbands, should account for all the benefits that were expected up to that point, and should project the remaining benefits expected beyond that point, for which the sponsor remains accountable. The final post implementation review should compare the final benefits realised to the original business case. How long to forecast and report benefits is a common question. Quite often, benefits are forecast and reported for up to 24 months after the projected programme closure date. If an opportunity to recover or increase benefits' delivery is identified during this period, there should be a facility for the sponsor to request funding for a simple task (such as enhanced training) that could make the difference between partially or fully realising the end benefits, without having to create a fresh business case.

- **Ensure that lessons are learned and reflected in improved practice.** Programme closure reports and post implementation reviews are often completed just to get a tick in the box, with little thought given to producing meaningful and helpful content. A summary of lessons learned in the course of implementation is very helpful for other delivery teams involved in similar programmes and also helps decision bodies to better understand the risks involved in similar business cases. This information should be made available to the relevant people—ideally in an easily accessible format.

ENDNOTE

[1] Based on the 'Four Ares' (Are we doing the right things? Are we doing them the right way? Are we getting them done well? Are we getting the benefits?), as described by John Thorp in his book *The Information Paradox,* written jointly with Fujitsu, first published in 1998 and revised in 2003

Five Critical Success Factors for Introducing Val IT

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There are undoubtedly a number of critical success factors (CSFs) for the successful introduction of value management practices, based on a structured framework such as *The Val IT Framework 2.0*.[1] This article describes what the authors consider the top five CSFs.

Introducing Val IT shifts the business's focus toward value creation and retention and affects the whole life cycle of investment management, from selection to post-evaluation. There are many reasons for introducing a structured value management framework such as Val IT. Enterprises may experience one of the common 'tipping points',[2] but each will have its own set of circumstances and cultural behaviours. Whatever their current position, there are five CSFs that must be considered by organisations looking to embark upon the Val IT journey.

BEFORE STARTING THE JOURNEY

Once a business has established the need to change and to make the journey, there are two foundational CSFs to consider:

- **Enlist senior executive sponsorship.** There is often a gap between the real and the desired level of senior executive understanding and sponsorship for adoption of value management practices. Many attempts to introduce value management fail when they are pushed bottom-up with insufficient sponsorship from appropriate senior executives. Without senior executive-level sponsorship, value management may be perceived as a passive administrative role, perhaps buried in IT reporting or business operations. However, getting real value from investments starts with the decision on what to invest in and this is usually made by senior-level executives. Accountability for delivering a return on an investment should lie with the same group of people. Delegation does not work. The move to adopt value management must be actively sponsored by business executives who are accountable for the delivery of value. Already busy executives must be informed about what is involved. They must understand:
  - How value management will improve the evaluation, selection and management of investments, so as to maximise their contribution to strategic goals
  - What the journey entails, i.e., the behavioural change, maturity steps, challenges of adoption and risks
  - Their roles and responsibilities in both the journey and the end state

  Additionally, a business must be prepared to sustain sponsorship in light of significant organisation shifts, i.e., when the keenest sponsors could be displaced.
- **Recognise that introducing Val IT is about behavioural change.** Introducing Val IT involves more than publishing the framework and conducting awareness and training sessions. It is a major operational transformation programme that affects how IT governance works and changes how people think, manage and act. Decision makers, sponsors, programme managers, finance departments, audit departments and even third-party suppliers are all significantly impacted.Behavioural change requires adoption of structured value management principles, such as Val IT's seven guiding principles.[3] Taking a more structured and disciplined approach to value management involves:
  - Focusing on delivery of value as the basis for investment decisions. This is different from authorising expenditure and then just managing the plan.
  - Transparency of decision making and acceptance of the need to manage investments as a portfolio, perhaps for the first time at an enterprise level rather than in a silo view
  - Willingness to accept accountability for decisions and the achievement of value

  Whilst the prize of realising maximum value from the portfolio of IT-enabled investments is big, the organisational change elements may deter some. It is often seen as 'too hard to do' and beyond the enterprise's ability to deliver. A Val IT journey must begin with a well-mapped and funded change programme in place.

MANAGING THE JOURNEY

Once the initial CSFs have been addressed, the following CSFs will help ensure success.

- **Chart the destination and decide where to begin.** The *Getting Started With Value Management* [4] executive primer, based on *The Val IT Framework 2.0,* identifies approaches to address pain points most often identified in enterprises. Indeed, there may be many pain points exhibited such as:
  – Limited or no understanding of IT expenditures
  – Business abdication of decision making to the IT function
  – Communication gaps between the IT function and the business
  – Business questioning the value of IT
  – Major investment failure
  – Decreasing funding
  – Shifts in the market or the economy

  Not all pain points will be addressed at the start or at once. The starting point for introducing value management must recognise:
  – The urgency of business need and where the most immediate value will be delivered
  – The need to observe and measure early success to provide early 'good news' stories
  – The need for executives to be engaged and demonstrate early support
- **Take an incremental approach.** Introducing Val IT needs to be undertaken as a change programme with many small incremental steps. The 'big bang' approach does not work. Again, from *Getting Started With Value Management*, understanding the current maturity levels and future desired state scopes the entire value management journey and identifies the steps to get there. The key point about an incremental approach is to build confidence. Small successes need to be advertised and leveraged. It is tempting, but discouraged, to go straight for the end state without first putting the building blocks in place. For example, portfolio management tools can be an important enabler, but no tool is a substitute for portfolio management discipline. Instead, small value-adding steps must be taken.
- **Avoid bureaucracy.** It is easy to get carried away with establishing layers of processes, structures and templates that look good on paper but add little value and alienate stakeholders when put into practice. Changes of this type must be kept 'light', especially at the introduction stage. Where possible, it is best to modify what exists rather than start from scratch. It is best to integrate changes into existing processes and not let value management processes be isolated or removed from normal operations. The purpose of value management is to drive value, not to add burden to how an enterprise delivers and manages its programmes and portfolio.

THE RESULTS

The CSFs identified in this article are necessary for the successful introduction of value management practices. Adoption of the Val IT framework will contribute to the delivery of real business value by:

- Increasing the understanding and transparency of costs, risks and benefits
- Increasing the probability of selecting those investments with the highest potential return
- Increasing the likelihood of success in implementing the selected investments, such that they realise or exceed the expected return

By adopting a tried and tested framework such as Val IT for the value management journey, the road may be a long one, but it will be well marked and the destination well worth the effort.

ENDNOTES

[1] IT Governance Institute, *Enterprise Value: Governance of IT Investments, The Val IT Framework 2.0*, 2008, *www.isaca.org*

[2] Harrison, Peter; Sarah Harries; 'Recognising the Need for Val IT: Identifying Tipping Points for Value Management', *Information Systems Control Journal*, vol. 3, 2008

[3] *Op cit., The Val IT Framework 2.0,* page 11

[4] IT Governance Institute, *Enterprise Value: Governance of IT Investments, Getting Started With Value Management, 2008, www.isaca.org*