Defining Business-Driven IT Strategies

IBM CIO Club of Excellence
March 10, 2015

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Agenda

Introduction
The Big Picture
Business Drivers
IT Drivers
Strategic Goals and Initiatives
Ensuring Traceability
Summary
Introduction

- In theory, a business-driven IT Strategy can be derived from a company's Business Strategy using a straightforward top-down approach.

- In practice, various factors can lead to situations where insufficient input is available to clearly define the business context needed to define a business-driven IT Strategy using a classic top-down approach.

- Using real-world examples, this presentation will illustrate how to leverage various tools, techniques and assets in a hybrid top-down / bottom-up approach to define realistic and implementable business-driven IT Strategies that clearly illustrate how IT can help support the achievement of the strategic business goals.
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The Big Picture

Business Drivers

IT Drivers

Strategic Goals and Initiatives

Ensuring Traceability

Summary
IT Strategy is driven by business and IT considerations
Ideally, IT and Business Strategy are fully integrated.
Introduction
The Big Picture

**Business Drivers**

IT Drivers
Strategic Goals and Initiatives
Ensuring Traceability

Summary
Business drivers

Business drivers are **strategic business goals** and **key business principles** that in some way have an identifiable impact or relevance for the strategic positioning of an IT organization.

In aligning itself to the business drivers, an **IT organization must ensure it provides the IT capabilities required by the business** in order to enable the business to achieve its strategic goals.

Business Drivers are typically found in **Business Strategy** or **Rolling Strategic Planning**

**Examples**

- **Agility** – React quickly to changing market demands (Flexibility)
- **Time to Market** – Quickly introduce products and solutions
- **Business Resiliency** – Proactively identify areas of risk in order to ensure business stability in face of adverse business conditions
- **TCO** – Reduce total cost of ownership
Dimensions of Business Drivers

A. Efficiency
- Improve Competitiveness
- Reduce Costs
- Improve Processes
- Push common competencies

B. Customer Value
- Power to Innovate
- Increase Sales Volumes
- Increase Value Generation Capability
- Penetrate into new Markets
- Increase After Sales Business

C. Product Leadership
- Increase Value Generation Capability
- Improve Competitiveness
- Improve Robustness, Industrialization
- Be prepared for external Growth
- Develop tools & new Control System

Corporate
Division 1
Division 2
IBM Best Practice
Business / IT Alignment is driven from the business architecture
IBM Component Business Model
Example: Consumer Products

A component business model is used to map business functions vs. the dedicated IT support available today and required in the future.

**What it is:**
- Analytical technique that breaks business functions into a structured collection of components
- Maps existing IT support and desired future IT support against requirements of business components
- Generates views ("heat maps") that show where transformation opportunities (overlaps and gaps) lie
- Can serve as basis for developing business case for IT transformation initiatives

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<tr>
<th>Strategy</th>
<th>Product Management</th>
<th>Customer Relationship</th>
<th>Manufacturing</th>
<th>Supply Chain &amp; Distribution</th>
<th>Business Administration</th>
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<td>Inbound Logistics</td>
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<td>Manufacturing</td>
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<td>Transportation Resources</td>
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<td>Plant Inventory Management</td>
<td>Facilities and Equipment Management</td>
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<td>Development</td>
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<td>Product</td>
<td>Customer Directory</td>
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<td>Management</td>
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<td>Product Directory</td>
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*Example of a CBM map for a consumer products company*
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The Big Picture
Business Drivers

**IT Drivers**
Strategic Goals and Initiatives
Ensuring Traceability

Summary
IT Drivers represent **strengths and weaknesses** of the current **IT Organization**, as well as the **future optimization potential**

**Examples**

- **TCO**
  - Minimize complexity & costs for development and operation of integration products
  - Buy before make - Commercial solutions are available for many integration scenarios

- **Organization/Skills**
  - Align IT skills to complexity of integration products

- **Governance/Compliance**
  - Governance / management capabilities ensure consistent use of integration products and technologies
IT Drivers derived from Strengths & Weaknesses Analysis of IT Organization

1. **IT-Strategic Planning**
   - Guidelines defined and communicated
   - IT-Role & Contribution, Acceptance & Trust
   - IT in line with Business Strategy and Goals

2. **Applications**
   - Integratability (Heterogenity, Interfaces)
   - “Best-in-class” Applications (Planned / In Use)
   - Management Information and Dashboards
   - Ability to support multiple business lines
   - Ease of access
   - User friendly

3. **Architecture**
   - Network (Cabling, Bandwidth, Capacity, Availability)
   - Server (Homogenity, State of the art)
   - Clients (Homogenity, State of the art)
   - Standards (OS, DB, HW, SW, Communications, Systems Management)
   - Business Resiliency
   - Support for Cloud

4. **Organization**
   - Structure, Process Implementation
   - IT Business Cooperation
   - User Support (Reaction times, Customer Orientation, SPoC)
   - Controlling & Planning (Feasibility, SLA)

5. **Projects**
   - Project Controlling, Project Portfolio, Prioritization
   - ITPM Method (capability, usage)
   - Resource Planning (capability, usage)
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The Big Picture
Business Drivers
IT Drivers

**Strategic Goals and Initiatives**

Ensuring Traceability

Summary
Strategic Goals

**Impact** of Business & IT drivers **is reflected in the strategic goals**

**Examples**

- Integration Scenarios and Guidelines
  - Support limited number of clearly defined integration scenarios with appropriate integration solutions
  - Reduce costs (software, human resources, skills, IT Infrastructure) by harmonizing, consolidating, optimizing and simplifying current set of integration products
  - Extend the Architectural Blueprint to provide architecture principles, binding integration guidelines and policies for developers and implementation partners
  - Improve efficiency and quality of data integration by using a standard data exchange format whenever possible
  - Ensure that all data has a single point of truth

- Governance

- Introduce integration governance as part of overall IT architecture governance
Strategic Goals

Business Drivers

- Agility – React quickly to changing market demands
- Business Resiliency – Identify areas of risk to ensure business stability in face of adverse business conditions
- (smart) – Position company to take advantage of future “smarter” energy initiatives
- TCO – Reduce total cost of ownership

Conclusions / Observations

- Agility – React quickly to changing market demands
- Business Resiliency – Identify areas of risk to ensure business stability in face of adverse business conditions
- (smart) – Position company to take advantage of future “smarter” energy initiatives
- TCO – Reduce total cost of ownership

IT Drivers

- Improve performance & speed for integration of business requirements
- Minimize number of strategic platforms for business applications
- Differing levels of integration requirements exist
- Minimize number of integration products in use
- Buy before make – Commercial solutions for many scenarios
- Enable SaaS environments integration
- Ensure long term availability of integration solutions

Conclusions / Observations

- The application blueprint is evolving away from previous SOA-centric STP paradigm. Multiple levels of integration are used currently
- Remaining SOA services can be migrated from WebSphere to future integration solution.
- Commercial integration solutions are leveraging open standards
- Replacement for highly available WebSphere needed
- Product B is in use and can be used to replace WebSphere.太Few use cases to justify using a dedicated ESB product
- Product A offers flexible integration framework (Java & .NET). Product B is based on an open standards stack
- Business requirements emphasize need for reliable & stable IT infrastructure
Strategic Initiatives

- The initiatives enable achieving the strategic goals within the next 3 years
- The three initiatives address governance, integration guidelines and integration scenarios and build upon each other. The substantial potential benefits and cost savings offered by consolidating the existing portfolio of integration products can only be realized by implementing all three initiatives.

**Initiative C:** Establish integration governance

**Initiative B:** Define integration guidelines

**Initiative A:** Implement integration scenarios

- Scenario 1: Business process integration
- Scenario 2: Business logic integration
- Scenario 3: Data integration
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**Ensuring Traceability**
Summary
Initiatives support achieving the Business Drivers …
… and eliminate the IT Weaknesses identified

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<tr>
<th>Dimensions and Criteria</th>
<th>Ranking</th>
<th>Work Packages</th>
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<tbody>
<tr>
<td>1. IT Planning</td>
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<tr>
<td>IT Strategy Process</td>
<td>++</td>
<td>O1, O4</td>
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<tr>
<td>Architecture Planning</td>
<td>++</td>
<td>T2</td>
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<tr>
<td>(Applications, Data, Integration, Infrastructure)</td>
<td>++</td>
<td>O2</td>
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<tr>
<td>Program Management</td>
<td>++</td>
<td>A1-A10, T1, T2</td>
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<td>(Portfolio Business &amp; IT projects)</td>
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<td>A4, T2</td>
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<td>2. IT Architecture</td>
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<tr>
<td>Applications, Operating Environment</td>
<td>++</td>
<td>A1, A2, A3, T2</td>
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<tr>
<td>Integration (People, Applications, Information)</td>
<td>++</td>
<td>A4, T8</td>
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<td>Standardization</td>
<td>++</td>
<td>O3</td>
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<td>3. Enterprise Services (incl. Operations, Help Desk)</td>
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<td>T2, T4</td>
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<tr>
<td>Content-/Knowledge Management</td>
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<td>O2</td>
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<tr>
<td>Central Helpdesk (Bus. Applications)</td>
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<td>O2, O3</td>
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<tr>
<td>Datacenter Operations, Business Continuity</td>
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<td>O1, O3</td>
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<td>4. Organization, Skills &amp; Capabilities and Governance</td>
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<td>Program &amp; Project Management</td>
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<td>Resource Management</td>
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<td>Skills &amp; Motivation</td>
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<td>5. Key Performance Indicators (KPIs)</td>
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<td>SLA</td>
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<td>T4</td>
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<td>Availability</td>
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<tr>
<td>IT Customer’s Satisfaction</td>
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<td>T4, O3</td>
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Legend:
-- = significantly weaker than avg. | - = weaker than avg. | 0 = about industry average | + = better than avg. | ++ = significantly better than avg.
IBM Best Practice
Visualize dependencies between business strategy, IT capabilities and resources

Value Proposition: What a company needs to be in order to offer a differentiated value to the market.

Example: IKEA’s low cost, customer convenience, modular design

Capability: What a company needs to do in order to achieve its strategic positions. Capabilities perform, improve, and create the activities of the firm.

Example: Ability to design for customer assembly, Ability to merchandise in-store and online.

Resource (Capability Enabler): What a company needs to have in order to perform its capabilities. Resources represent the process, knowledge, organization and technology assets of the firm.

Example: In-house engineers and designers, store locations, store layout expertise, web developer/programmer, server…
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Summary
IT Strategy is driven by business and IT considerations

- Business Strategy
  - Business opportunities

- Business Drivers
- IT Drivers

- IT Strengths & Weaknesses
  - Optimization Potential

Scope of IT Strategy

- Vision

- Strategic Goals

- Strategic Initiatives
  - Financials
  - Roadmap

- Projects and Operationalization