



## Understanding Val IT

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### Peter T. Davis



- IT Governance consulting
- CISA, CISSP, CMA, CMC, CISM, Accredited COBIT Trainer, ITIL, PMP
- 28 years IT security and audit experience
- Authored/co-authored 11 books
- *International Who's Who of Professionals*

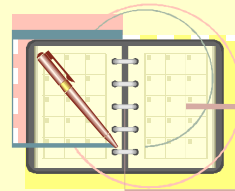


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## Agenda

- What is IT Governance and how does Val IT fit?
- How do we measure value?
- How do we deliver value?
- What is a Portfolio? Programme? Project?
- What is the Val IT Framework?
  - Principles
  - Practices
  - Value Governance
  - Portfolio Management
  - Investment Management
- The Business Case
- Case Study



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## Your Company?



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## Individual Action

- How does IT provide value to your organization?

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10 minutes preparation



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## IT Management's Challenge

### ■ Expectations:

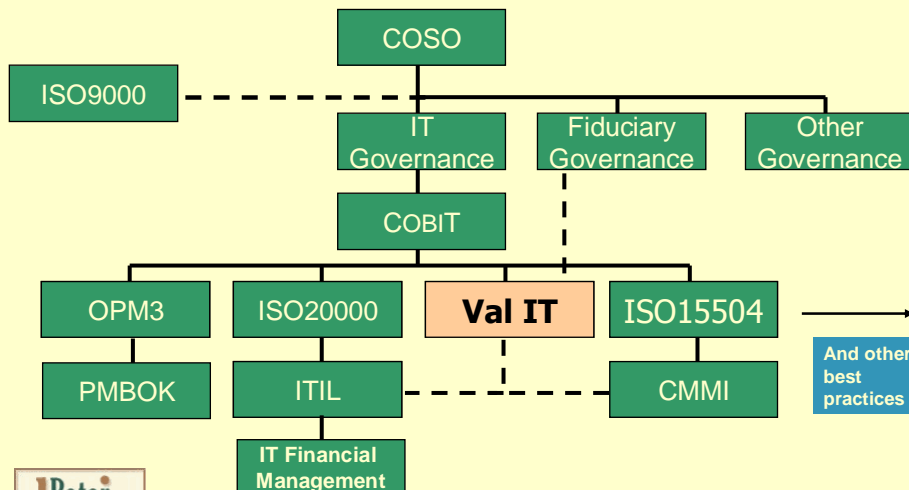
- Deliver results in ever shortening timeframes
- Deliver more functionality for less cost (usually including less resources)
- Provide a better service while reducing operational costs
- Keep everything under control in riskier environments 24x7



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## Enterprise Governance Models



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## Why is IT Governance Important?

Hot!

- Huge investments and large risks
- Increasing dependence on information, systems and communications
- Increasing pressure to leverage technology in business strategies
- Marginal ROI/productivity gains on technology investments
- Increasing impact of IT failures on reputation and enterprise value
- Potential for technologies to dramatically change organizations and business practices, create new opportunities and reduce costs
- IT service levels that are disappointing
- IT costs perceived to be out of control



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## Is Your IT as Effective as This Sign?



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## IT Governance Delivers



- Alignment of IT with business needs
- Improved value delivery (operational and project)
- Optimized costs
- Management of IT-related risks
- Improved Quality of Service



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## The COBIT Pentagon

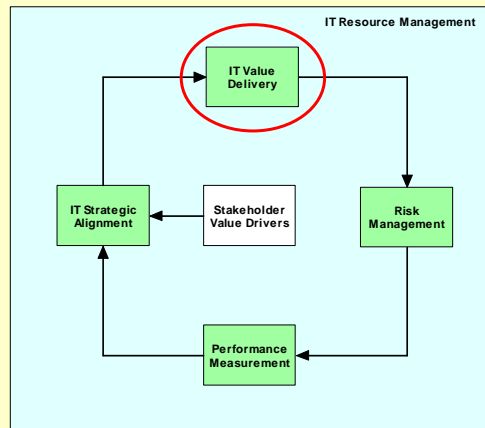


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## Focus Areas of IT Governance



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## The COBIT Framework

### 1. Strategic Alignment

- Aligning with the business and providing collaborative solutions

### 2. Value Delivery

- Focus on IT costs and proof of value

### 3. Resource Management

- IT assets, knowledge, infrastructure and partners

### 4. Risk Management

- Safeguarding assets, business continuity and compliance

### 5. Performance Measurement

- Metrics, IT BSC and dashboards



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## IT Governance Focus Areas

	Goals	Metrics	Practices	Maturity Models
Strategic alignment	P	P		
Value delivery		P	S	P
Risk management		S	P	S
Resource management		S	P	P
Performance management	P	P		S



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## Value Delivery

- Capable organization with delivery focus
- Experienced people in key positions
- Efficient and effective operations
- Successfully delivering multiple projects
- Strong portfolio of growth opportunities



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## Management's POV

- Overarching Issue of Corporate Governance
  - Capital Formation – Equity: Debt
  - Cost of Capital and Protection of Capital
- Joys - Free Enterprise – Business Growth
- Fears - Government Regulation - Expenses



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## IT Governance Delivers

- Alignment of IT with business needs
- Improved value delivery (operational and project)
- Optimized costs
- Management of IT-related risks
- Improved Quality of Service




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## Frameworks Compared

Category	Type	Examples
IT Governance	Focus on how to manage information and information and communications technology efficiently and effectively	COBIT, Val IT
Information Management	Focus on how to perform and organize IT management, such service delivery and support	Generic Framework for Information Management, ITIL
Quality Management	Focus on quality standards, applied to specific IT domains	ISO 9000, ISO 20000, ISO 27001
Quality Improvement	Focus on improvement of processes or performance	IT BSC, ITS-CMM, Six Sigma
Project Management	Focus on portfolio, program and project management	MSP, PMBOK, PRINCE2
Risk Management	Focus on identifying and managing risk	M_o_R, OCTAVE, FIRM

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## COBIT Objectives

- Focus on **IT Alignment** by linking Information Criteria, IT Resources and IT Goals to Business Goals
- Focus on **Value Delivery** by using value-oriented IT goals to focus on the IT processes that are critical to deliver effectively
- Focus on **Risk Management** by using risk-oriented IT goals to focus on the IT processes that are needed to manage risk
- Focus on **Resource Management** by using Maturity Models to ensure there is a capability to deliver
- Focus on **Performance Management** by using metrics and scorecards to ensure plans are on track and deviations are identified and corrected

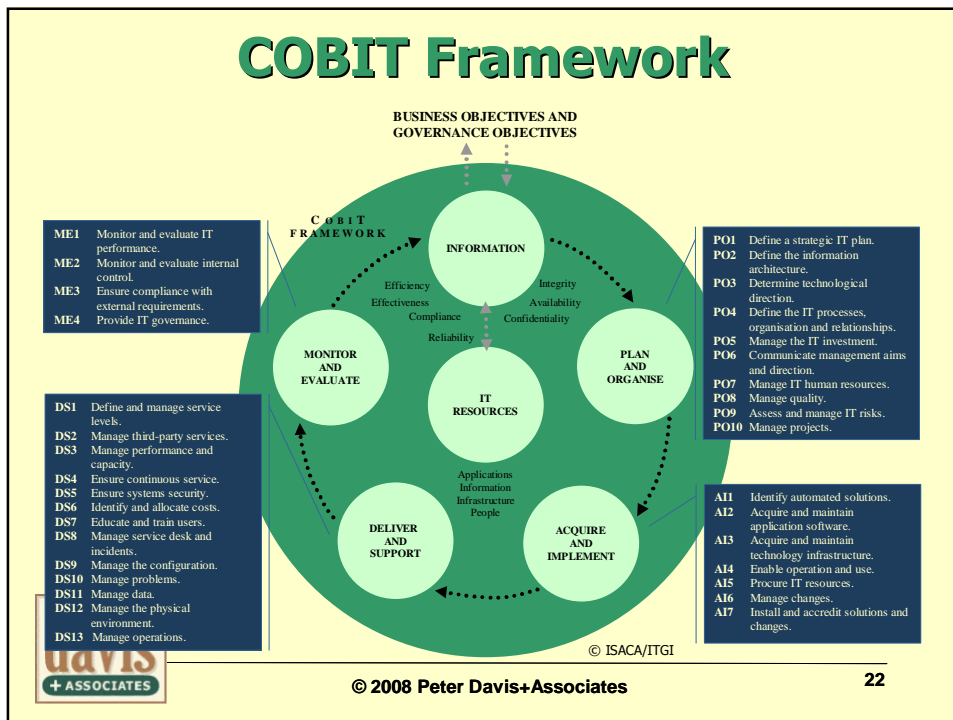
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COBIT Domains	
Plan and Organize	Deliver and Support
PO1 Define a strategic IT plan	DS1 Define and manage service levels
PO2 Define the information architecture	DS2 Manage third-party services
PO3 Determine technological direction	DS3 Manage performance and capacity
PO4 Define the IT processes, organization and relationships	DS4 Ensure continuous service
PO5 Manage the IT investment	DS5 Ensure systems security
PO6 Communicate management aims and directions	DS6 Identify and allocate costs
PO7 Manage IT human resources	DS7 Educate and train users
PO8 Manage quality	DS8 Manage service desk and incidents
PO9 Assess and manage risks	DS9 Manage the configuration
PO10 Manage projects	DS10 Manage problems
Acquire and Implement	Monitor and Evaluate
A11 Identify automated solutions	ME1 Monitor and evaluate IT performance
A12 Acquire and maintain application software	ME2 Monitor and evaluate internal control
A13 Acquire and maintain technology infrastructure	ME3 Ensure regulatory compliance
A14 Enable operation and use	ME4 Provide IT Governance
A15 Procure IT resources	
A16 Manage changes	
A17 Install and accredit solutions and changes	

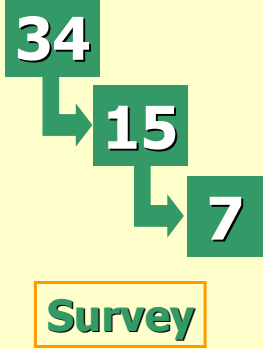
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COBIT sees this as a process

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## The Most Important IT Processes



- PO1** Define a strategic IT plan
- PO3 Determine the technological direction
- PO5 Manage the IT investment
- PO9** Assess risks
- PO10** Manage projects
- AI1 Identify solutions
- AI2 Acquire and maintain applications s/w
- AI5 Install and accredit systems
- AI6** Manage changes
- DS1 Define service levels
- DS4 Ensure continuous service
- DS5** Ensure system security
- DS10 Manage problems and incidents
- DS11** Manage data
- ME1** Monitor the processes

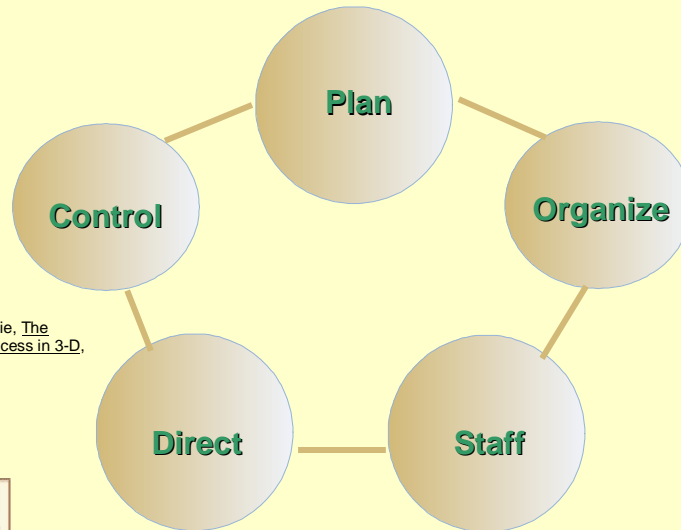


	COST OPTIMISATION	IT SERVICE DELIVERY	SELECTIVE OUTSOURCING	SECURITY	ENTERPRISE ARCHITECTURE	SYSTEMS INTEGRATION	PRIORITISING AND PLANNING	APPLICATION CONTROLS	APPLICATION SECURITY
Define a Strategic IT Plan	X	X	X	9	10	11	X	13	14
Define the Information Architecture					X	X	X	X	X
Determine Technological Direction				X	X	X	X	X	X
Define the IT Processes, Organisation and Relationships	X	X	X	X	X	X	X	X	X
Manage the IT Investment	X	X	X	X	X	X	X	X	X
Communicate Management Aims and Direction	X	X	X	X	X	X	X	X	X
Manage Human Resources	X	X	X	X	X	X	X	X	X
Manage Quality	X	X	X	X	X	X	X	X	X
Assess and Manage IT Risks	X	X	X	X	X	X	X	X	X
Manage Projects	X	X	X	X	X	X	X	X	X
Identify Automated Solutions	X	X	X	X	X	X	X	X	X
Acquire and Maintain Application Software	X	X	X	X	X	X	X	X	X
Acquire and Maintain Technology Infrastructure	X	X	X	X	X	X	X	X	X
Ready Operational Solutions	X	X	X	X	X	X	X	X	X
Procure IT Resources	X	X	X	X	X	X	X	X	X
Manage Changes	X	X	X	X	X	X	X	X	X
Install and Accredit Systems	X	X	X	X	X	X	X	X	X
Define and Manage Service Levels	X	X	X	X	X	X	X	X	X
Manage Third-party Services	X	X	X	X	X	X	X	X	X
Manage Performance and Capacity	X	X	X	X	X	X	X	X	X
Ensure Continuous Service	X	X	X	X	X	X	X	X	X
Ensure Systems Security	X	X	X	X	X	X	X	X	X
Identify and Allocate Costs	X	X	X	X	X	X	X	X	X
Educate and Train Users	X	X	X	X	X	X	X	X	X
Manage Service Desk and Incidents	X	X	X	X	X	X	X	X	X



## IT Control Diagnostic

## The Management Process



R. Alec Mackenzie, *The management process in 3-D*, HBR, 1969.



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## PO5 Manage the IT Investment

### ■ Process Description

A framework is established and maintained to manage IT-enabled investment programmes and that encompasses cost, benefits, prioritisation within budget, a formal budgeting process and management against the budget. Stakeholders are consulted to identify and control the total costs and benefits within the context of the IT strategic and tactical plans, and initiate corrective action where needed. The process fosters partnership between IT and business stakeholders; enables the effective and efficient use of IT resources; and provides transparency and accountability into the total cost of ownership (TCO), the realisation of business benefits and the ROI of IT-enabled investments.



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## Example Management Guideline Structure – P05

**Control over the IT process of Manage the IT investment that satisfies the business requirements for IT of** continuously and demonstrably improving IT's cost-efficiency and its contribution to business profitability with integrated and standardised services that satisfy end-user expectations

**by focusing on** effective and efficient IT investment and portfolio decisions, and by setting and tracking IT budgets in line with IT strategy and investment decisions

**is achieved by** forecasting and allocating budgets; defining formal investment criteria (ROI, payback period, net present value [NPV]) and measuring and assessing business value against forecast

**and is measured by** percent of reduction of the unit cost of the delivered IT services; percent of budget deviation value compared to the total budget; and percent of IT expenditure expressed in business value drivers (e.g., sales/services increase due to increased connectivity)



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## Control Objectives – P05

- P05.1 Financial Management Framework
- P05.2 Prioritisation Within IT Budget
- P05.3 IT Budgeting
- P05.4 Cost Management
- P05.5 Benefit Management



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## ITIL Financial Management for IT Services



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## Concepts



- Budgeting
- Accounting
- Charging
- Cost Categories: Direct/Indirect Costs;  
Fixed/Variable Costs;  
Capital/Operational Costs
- Cost Types: Equipment, Software,  
Organization, Accommodation, Transfer  
Cost Unit (TCU), Cost Accounting (CA)



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## Objectives

- To provide cost-effective stewardship of the IT assets and resources used in providing IT Services
- To account fully for the spending on IT Services and to attribute these costs to the services delivered to the organization's Customers
- To assist management decisions on IT investments by providing detailed business cases for Changes to IT Services



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## Benefits

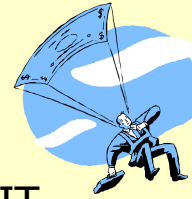
- Reduced long term costs
- Increased confidence in managing budgets
- Accurate cost information
- More efficient use of IT
- Ensuring funds are available to provide service
- Enables the recovery of costs
- Influences customer behaviour
- Allows comparison with alternative providers



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## Benefits



- Accurate information to support IT investments
- Budgeting Benefits
- IT accounting Benefits
- Changing Benefits



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## Relationships

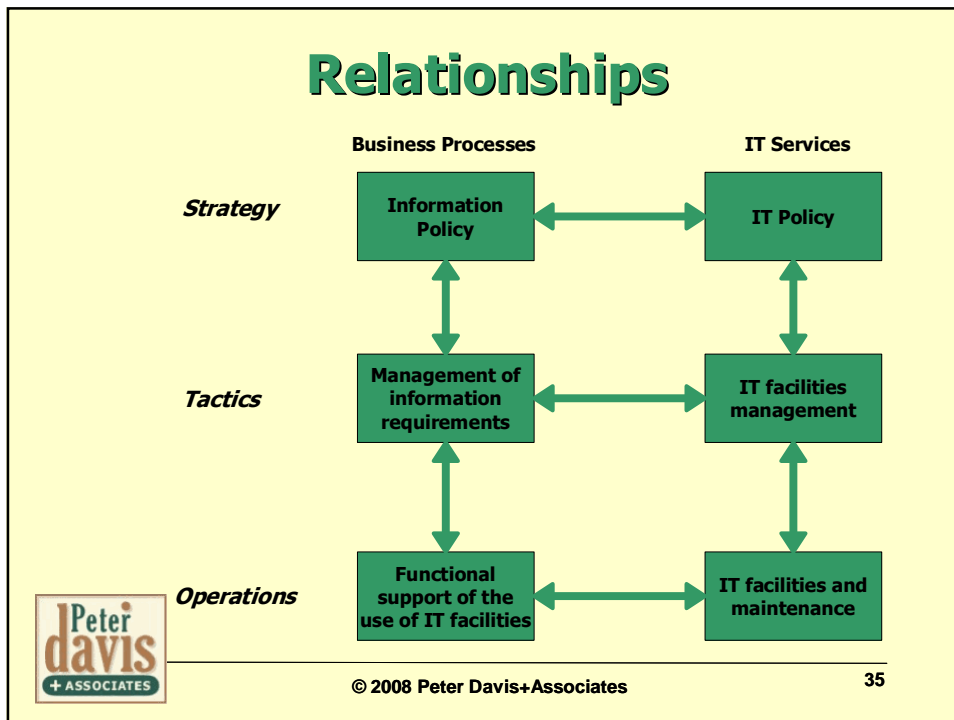


- Business: Vision, strategy and plan
- Service Level: Charging policy
- Capacity: Develop pricing strategies
- Configuration: CMDB used for historical cost data




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## IT Financial Management KPIs

- Accurate cost-benefit analysis of provided services
- Customers consider the charging methods reasonable
- The IT organization meets its financial targets
- The use of the services by the customer changes
- Timely reporting to Service Level Management
- Creditor/Debtor management
- Other specialized accounting measurements (e.g. liquidity of assets)

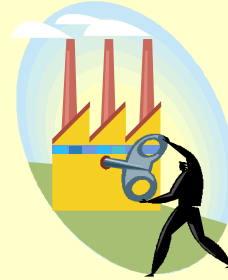



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## Example Management Guideline IT KGIs – P05

### Manage the IT investment

- Percent of IT investments exceeding or meeting the predefined business benefit
- Percent of IT value drivers mapped to business value drivers
- Percent of IT spend expressed in business value drivers (e.g., sales increase due to increased connectivity)



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## Example Management Guidelines Process KGIs – P05

### Manage the IT investment

- Number of budget deviations
- Percent of budget deviation value compared to the total budget
- Percent reduction of the unit cost of the delivered IT services
- Percent of IT investments delivering predefined benefits



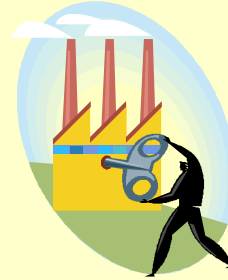
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## Example Management Guideline KPIs – P05

### Manage the IT investment

- Percent of projects with the benefit defined up front
- Percent of IT services whose costs are recorded
- Percent of projects with a post-project review
- Frequency of benefit reporting
- Percent of projects where performance information (e.g., cost performance, schedule performance risk profile) is available



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## Example Management Guideline Inputs – P05

### Manage the IT investment

- PO1: Strategic plan and tactical IT plans, project and service portfolios
- PO3: Infrastructure requirements
- PO10: Updated IT project portfolio
- AI1: Business requirements feasibility study
- AI7: Post-implementation reviews
- DS3: Performance and capacity plan (requirements)
- DS6: IT financials
- ME4: Expected business outcome of IT-enabled business investments



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## Example Management Guideline Outputs – PO5

### Manage the IT investment

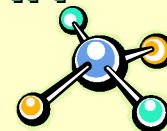
- Cost-benefit reports→PO1 AI2 DS6 ME1 ME4
- IT budgets→DS6
- Updated IT service portfolio→DS1
- Updated IT project portfolio→PO10



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## Generic Process Guideline MM – PO5



- **0 Non-existent** when: There is no awareness of the importance of IT investment selection and budgeting. There is no tracking or monitoring of IT investments and expenditures.
- **1 Initial/Ad Hoc** when: The organisation recognises the need for managing the IT investment, but this need is communicated inconsistently. Allocation of responsibility for IT investment selection and budget development is done on an *ad hoc* basis. Isolated implementations of IT investment selection and budgeting occur, with informal documentation. IT investments are justified on an *ad hoc* basis. Reactive and operationally focused budgeting decisions occur.



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## Generic Process Guideline MM – PO5



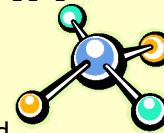
- **2 Repeatable but Intuitive** when: There is an implicit understanding of the need for IT investment selection and budgeting. The need for a selection and budgeting process is communicated. Compliance is dependent on the initiative of individuals in the organisation. There is an emergence of common techniques to develop components of the IT budget. Reactive and tactical budgeting decisions occur.
- **3 Defined Process** when: Policies and processes for investment and budgeting are defined, documented and communicated, and cover key business and technology issues. The IT budget is aligned with the strategic IT and business plans. The budgeting and IT investment selection processes are formalised, documented and communicated. Formal training is emerging but is still based primarily on individual initiatives. Formal approval of IT investment selections and budgets is taking place. IT staff members have the expertise and skills necessary to develop the IT budget and recommend appropriate IT investments.



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## Generic Process Guideline MM – PO5



- **4 Managed and Measurable** when: Responsibility and accountability for investment selection and budgeting are assigned to a specific individual. Budget variances are identified and resolved. Formal costing analysis is performed, covering direct and indirect costs of existing operations, as well as proposed investments, considering all costs over a total life cycle. A proactive and standardised process for budgeting is used. The impact of shifting in development and operating costs from hardware and software to systems integration and IT human resources is recognised in the investment plans. Benefits and returns are calculated in financial and non-financial terms.

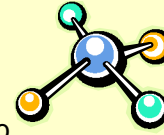


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## Generic Process Guideline MM – PO5



- **5 Optimised** when: Industry good practices are used to benchmark costs and identify approaches to increase the effectiveness of investments. Analysis of technological developments is used in the investment selection and budgeting process. The investment management process is continuously improved based on lessons learned from the analysis of actual investment performance. Investment decisions incorporate price/performance improvement trends. Funding alternatives are formally investigated and evaluated within the context of the organisation's existing capital structure, using formal evaluation methods. There is proactive identification of variances. An analysis of the long-term cost and benefits of the total life cycle is incorporated in the investment decisions.



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## Group Action

You saw that COBIT process PO5 focuses on IT investment. In this exercise you will look at the CMM for PO5.

The class will split into groups for this activity. Each group will focus on the attributes in the CMM. With your group talk about the maturity level of your organization.

**30 minutes preparation, 10 minutes class discussion**



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## PO5: RACI Chart

Activities	CEO	CFO	BE	CIO	BPO	HO	CA	HD	HA	PMO	CARS
Manage the programme portfolio	A	R	R	R	C					I	I
Manage the project portfolio	I	C	A/R	A/R	C		C	C		C	I
Manage the service portfolio	I	C	A/R	A/R	C	C				C	I
Establish and maintain the IT budgeting process	I	C	C	A		C	C	C	R	C	
Identify, communicate and monitor IT investments, cost and value to the business	I	C	C	A/R		C	C	C	R	C	C

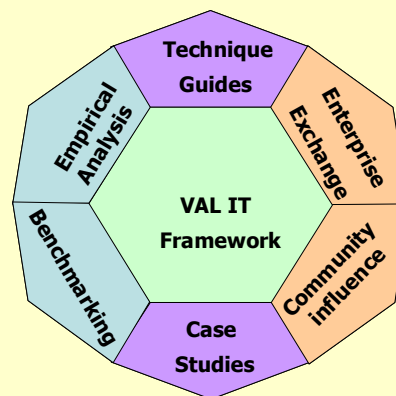


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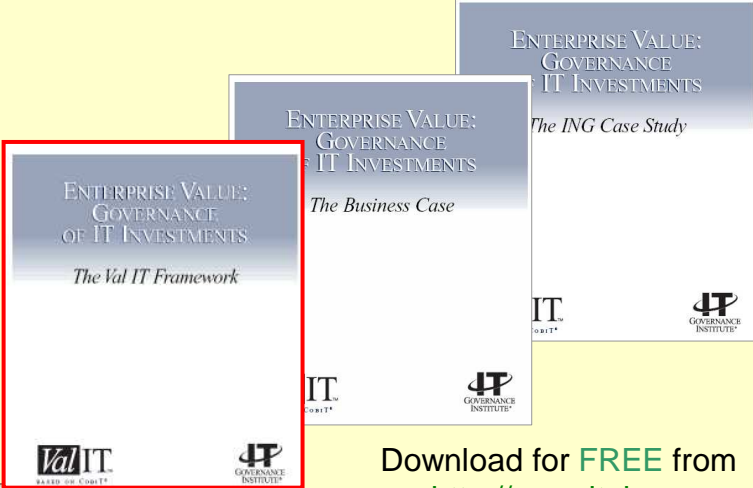
## The Val IT Initiative

Research  
 Framework  
 Supporting Publications  
 Services




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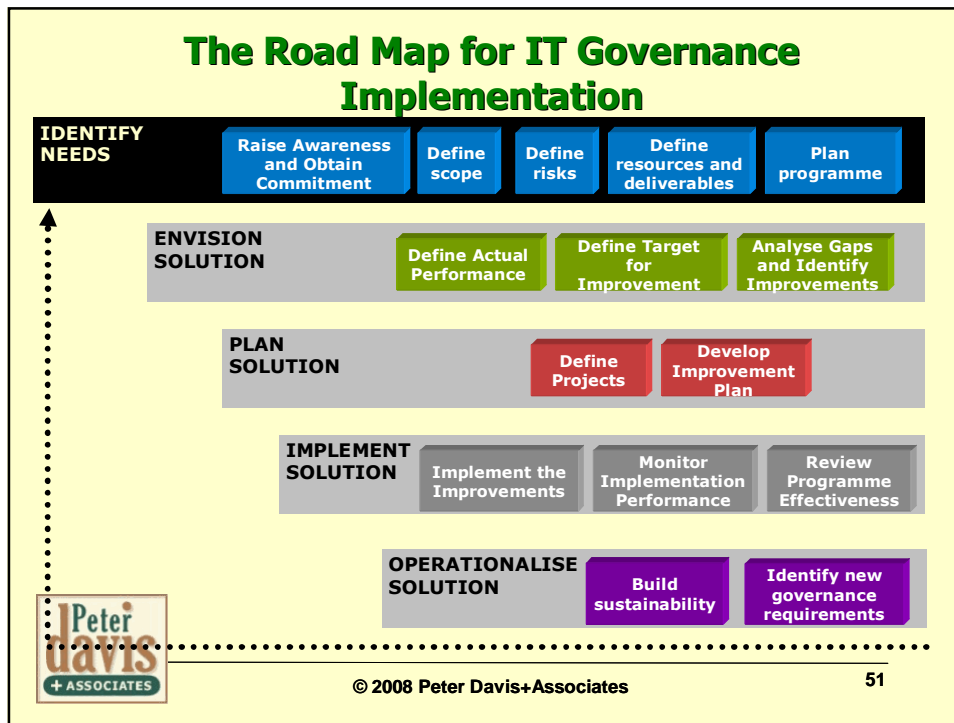
## Implementing IT Governance with Val IT

- **Val IT extends and complements COBIT**

The goal of the Val IT initiative is to help management ensure that organizations realize optimal value from IT-enabled business investments at an affordable cost with a known and acceptable level of risk

Val IT provides guidelines, processes and supporting key management practices to assist the board and executive management in understanding and carrying out their roles related to such investments





### COBIT and Val IT Support for Phase 1—Identify Needs

COBIT and Val IT provides the following support for Phase 1:

- A matrix showing the relationship between generic business goals (aligned to the balanced scorecard) and IT goals
- A matrix showing the relationship between the IT goals and the IT processes
- The information criteria, which help define the business value and business risk reduction requirements for information
- The IT resources, which help define the resources required to manage delivery of information to meet business value and business risk requirements
- The IT processes, which help select critical IT processes
- The control objectives and control practices, which provide guidance on critical control requirements
- Val IT – The Business Case

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## Val IT Principles

- IT-enabled investments will be managed as a **portfolio of investments**.
- IT-enabled investments will include the **full scope of activities** that are required to achieve business value.
- IT-enabled investments will be managed through their **full economic life cycle**.
- Value delivery practices will recognize that there are **different categories of investments** that will be evaluated and managed differently.
- Value delivery practices will define and monitor **key metrics** and will respond quickly to any changes or deviations.
- Value delivery practices will engage all stakeholders and assign **appropriate accountability** for the delivery of capabilities and the realisation of business benefits.
- Value delivery practices will be **continually monitored, evaluated and improved**.



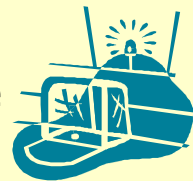
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## Val IT Goals

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

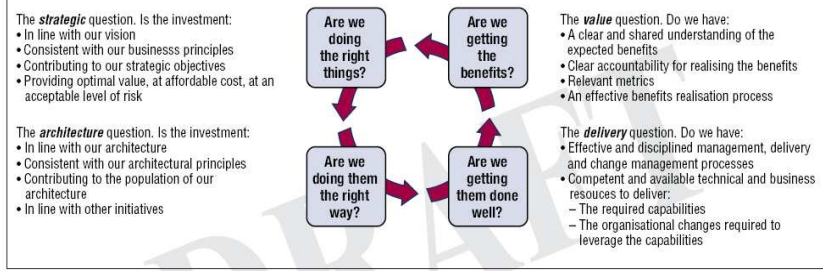


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# Implementing IT Governance With Val IT

Figure 15—'Four Ares'

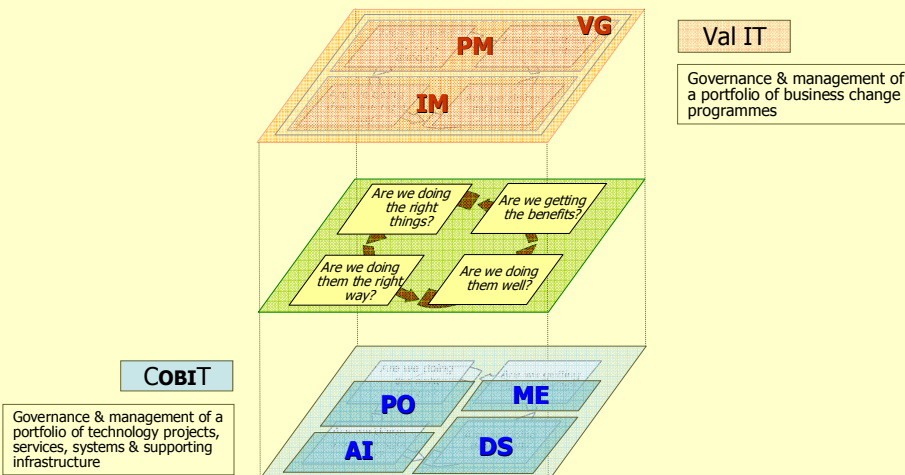


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# Val IT Framework



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## Val IT Relationships

### Value IT supports the business goal of

Realizing optimal value from IT-enabled business investments at an affordable cost with an acceptable level of risk



### and is guided by

A set of principles applied in value management processes



### that are enabled by

Key management practices cross-referenced to COBIT key controls



### and are measured by

Key outcome and performance metrics



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## Val IT Structure

### ■ Three **PROCESSES**:

- Value Governance (VG)
- Portfolio Management (PM)
- Investment Management (IM)

- The **PROCESSES** consist of 40 key management practices



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## Value Governance (VG)

- The goal of value governance is to optimize the value of an organization's IT-enabled investments by:
  1. Establishing the governance, monitoring and control framework
  2. Providing strategic direction for the investments
  3. Defining the investment portfolio characteristics



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## Portfolio Management (PM)

- The goal of portfolio management is to ensure that an organization's overall portfolio of IT-enabled investments is aligned with and contributing optimal value to the organization's strategic objectives by:
  1. Establishing and managing resource profiles
  2. Defining investment thresholds
  3. Evaluating, prioritizing and selecting, deferring, or rejecting new investments
  4. Managing the overall portfolio
  5. Monitoring and reporting on portfolio performance



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## Investment Management (IM)

- The goal of investment management is to ensure that an organization's individual IT-enabled investment programs deliver optimal value at an affordable cost with a known and acceptable level of risk by:
  1. Identifying business requirements
  2. Developing a clear understanding of candidate investment programs
  3. Analyzing the alternatives
  4. Defining the program and documenting a detailed business case, including the benefits details
  5. Assigning clear accountability and ownership
  6. Managing the program through its full economic life cycle
  7. Monitoring and reporting on program performance



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## Key Management Practices

- Represented in tables
  - Process description
  - Key management practices
  - Cross-reference to COBIT
  - RACI chart



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## Val IT Example Practice

Domain: Value Governance (VG)		CobIT Cross Ref.	RACI Chart		
Process Description	Control Objectives		Exec	Bus	IT
<ul style="list-style-type: none"> <li>Establish governance, monitoring and control framework</li> <li>Establish Strategic Direction</li> <li>Establish portfolio characteristics</li> </ul>	<b>VG1 Ensure informed and committed leadership</b> The reporting line of the CIO should be commensurate with the importance of IT within the enterprise. All executives should have a sound understanding of strategic IT issues such as dependence on IT, technology insights and capabilities, in order that there is a common and agreed understanding between the business and IT of the potential impact of IT on the business strategy. The business and IT strategy should be integrated clearly linking enterprise goals and IT goals and should be broadly communicated	Primary: PO1.2, PO4.4, ME3.1, ME3.2	A,R	C	C
	<b>VG2 Define and implement processes</b> Define, implement and consistently follow processes that provide for clear and active linkage between the enterprise strategy, the portfolio of IT-enabled investment programmes that execute the strategy, the individual investment programmes, and the business and IT projects that make up the programmes. The processes should include: planning and budgeting; prioritisation of planned and current work within the overall budget; resource allocation consistent with the priorities; staging of investment programmes; monitoring and communicating performance; taking appropriate remedial action; and benefits management such that there is an optimal return on the portfolio and on all IT assets and services.	Primary: PO4.1, ME1.1, ME1.3, ME3.1 Secondary: PO5.2-5, PO10.2	A	R	C
	<b>VG3 Define roles &amp; responsibilities</b> Define and communicate roles and responsibilities for all personnel in the enterprise in relation to the portfolio of IT-enabled business investment programmes, individual investment programmes and other IT assets and services to allow sufficient authority to exercise the role and responsibility assigned to them. These roles should include, but not necessarily be limited to: an investment decision body; programme sponsorship; programme management; project management; and associated support roles. Provide business with procedures, techniques, and tools enabling them to address their responsibilities. Establish and maintain an optimal coordination, communication and liaison structure between the IT function and other stakeholders inside and outside the enterprise.	Primary: PO4.6, PO4.15 Secondary: PO4.8, PO4.9	A	R	C
	<b>VG4 Ensure appropriate and accepted accountability</b> Establish a supporting and appropriate control framework that is consistent with the overall enterprise control environment, and generally accepted control principles. The framework should provide for unambiguous accountabilities and practices to avoid breakdown in internal control and oversight. Accountability for achieving the benefits, delivering required capabilities and controlling the costs should be clearly assigned and monitored.	Primary: PO1.1, ME3.1-3, ME3.3 Secondary: ME3.2	A	R	C



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## Val IT Processes and Key Management Practices

- VG1 Ensure informed and committed leadership
- VG2 Define and implement processes
- VG3 Define roles and responsibilities
- VG4 Ensure appropriate and accepted responsibility
- VG5 Define information requirements
- VG6 Establish reporting requirements
- VG7 Establish organizational structures
- VG8 Establish strategic direction
- VG9 Define investment categories
- VG10 Determine a target portfolio mix
- VG11 Define evaluation criteria by category

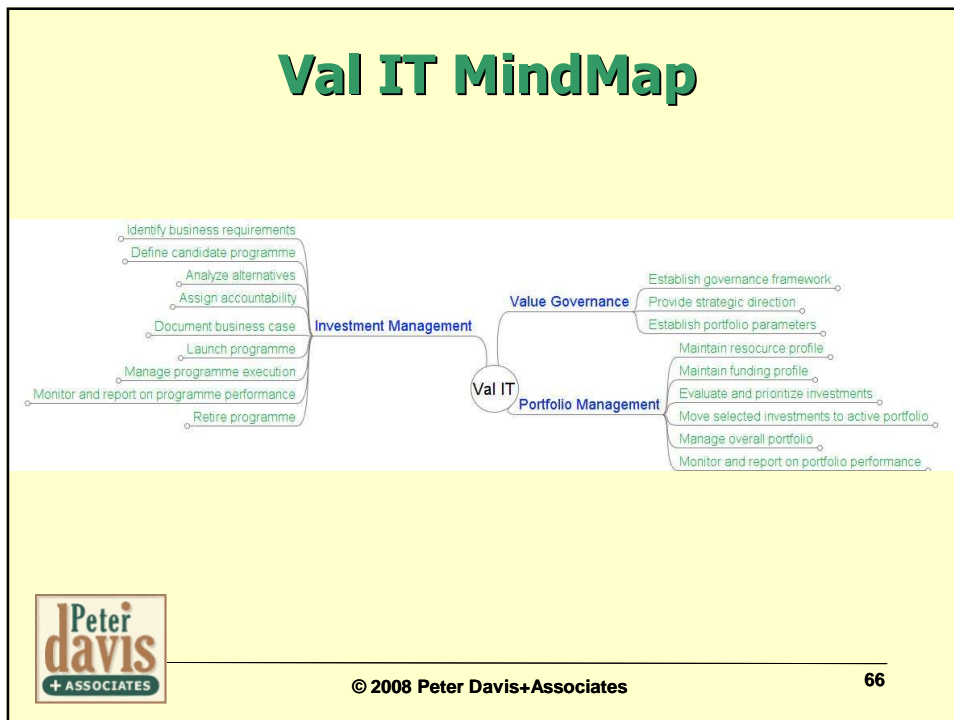
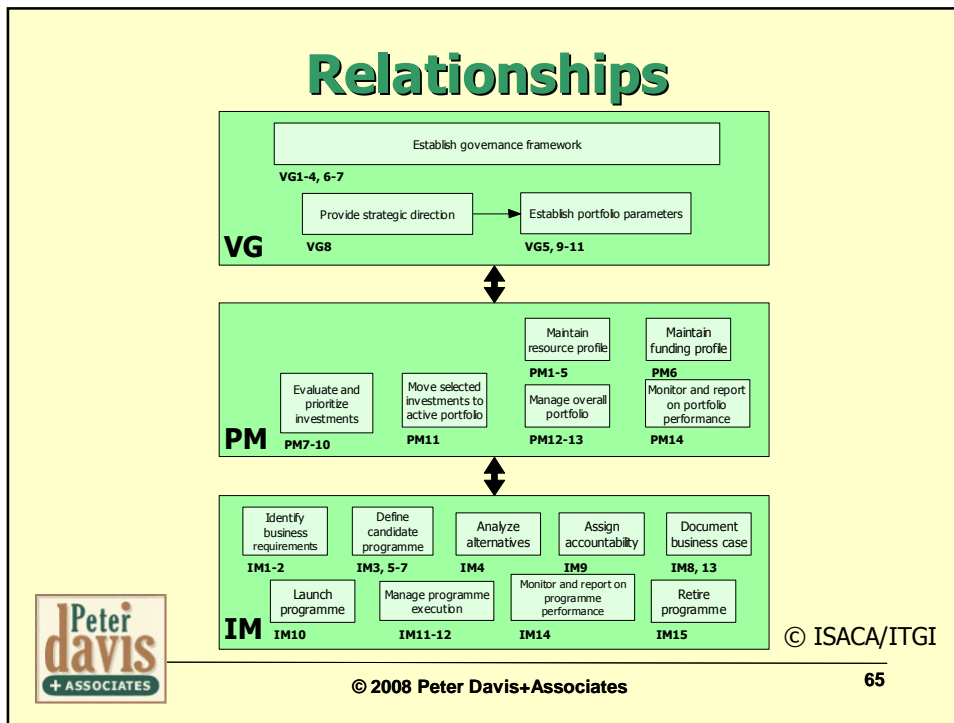
- IM1 Develop a high-level definition of investment opportunity
- IM2 Develop an initial programme concept business case
- IM3 Develop a clear understanding of candidate programmes
- IM4 Perform alternatives analysis
- IM5 Develop a programme plan
- IM6 Develop a benefits realization plan
- IM7 Identify full life cycle costs and benefits
- IM8 Develop a detailed programme business case
- IM9 Assign clear accountability and ownership
- IM10 Initiate, plan and launch the programme
- IM11 Manage the programme
- IM12 Manage/track benefits
- IM13 Update the business case
- IM14 Monitor and report on programme performance
- IM15 Retire the programme

- PM1 Maintain a human resource inventory
- PM2 Identify resource requirements
- PM3 Perform a gap analysis
- PM4 Develop a resourcing plan
- PM5 Monitor resource requirements and utilization
- PM6 Establish an investment threshold
- PM7 Evaluate the initial programme concept business case
- PM8 Evaluate and assign a relative score to the programme business case
- PM9 Create an overall portfolio view
- PM10 Make and communicate the investment decision
- PM11 Stage-gate (and fund) selected programmes
- PM12 Optimize portfolio performance
- PM13 Re-prioritize the portfolio
- PM14 Monitor and report on portfolio performance



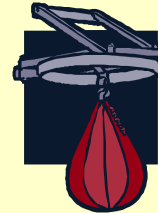
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## VG1 Ensure Informed and Committed Leadership

- CIO reporting structure should match importance of IT within the enterprise
- All executives should have a sound understanding of strategic IT issues, such as dependence on IT, and technology insights and capabilities, so there is a common and agreed understanding regarding the potential impact of IT on the business strategy
- Integrated strategy, clearly linking enterprise goals and IT goals
- Strategy broadly communicated



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*"There is nothing more difficult to plan, more doubtful of success, more dangerous to manage than the creation of a new system."*

Machiavelli, 1513



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## COBIT Cross-References

### ■ Primary

- PO1.2 Business-IT Alignment
- PO1.4 IT Strategic Plan
- PO4.4 Organisational Placement of the IT Function
- ME4.1 Establishment of an IT Governance Framework
- ME4.2 Strategic Alignment



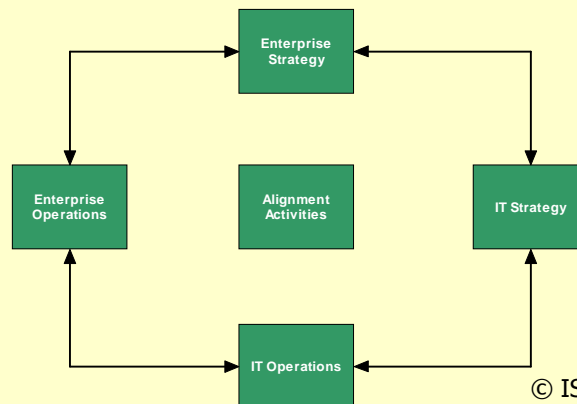
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## IT/Enterprise Alignment

The Board should drive business alignment by:

- Ascertaining that the IT strategy is **aligned** with the business strategy
- Ascertaining that IT **delivers** against the strategy through clear expectations and measurement
- Directing IT strategy to **balance** investments between supporting and growing the enterprise
- Making considered decisions about where IT resources should be **focused**

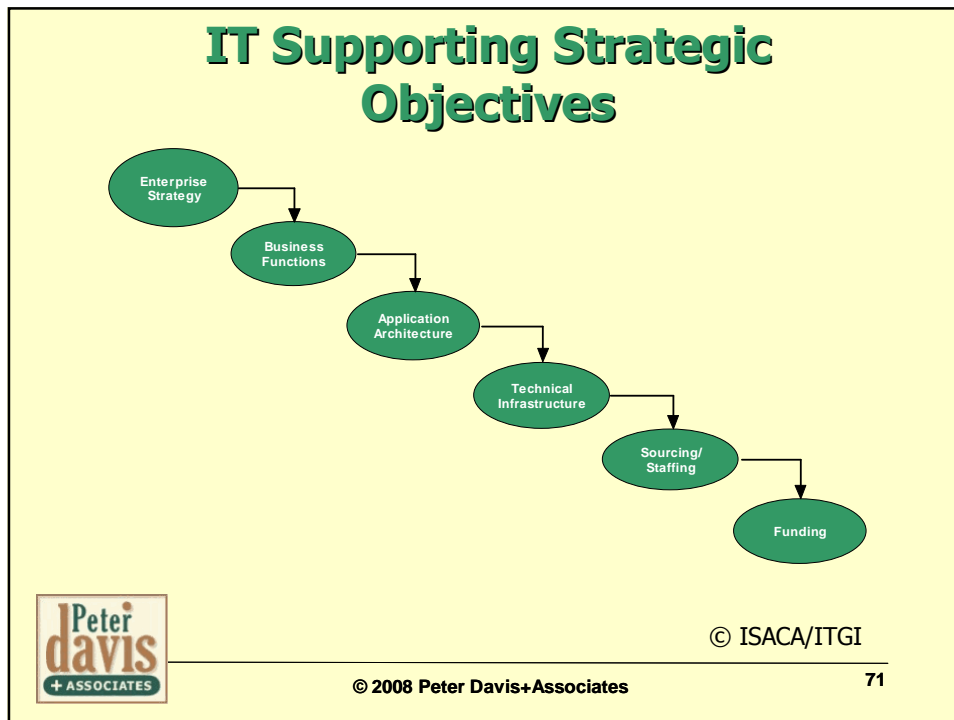


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## Enterprise Architecture Value

- Enterprise Architecture is a reference framework, a layered architecture that sets the stage for individual projects
- Sets common "patterns" for business & IT
- Enables the use of standard components where possible
- Enables electronic data exchange
- Enables the building & operation of applications, infrastructure & networks
- Used as basis for a gap analysis
- Coordinates the investigation, evaluation & piloting of emerging technology

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## Enterprise Architecture Perspectives

- Senior Management Perspective (People)
- Financial and Operations Perspective (Processes)
- Technical Perspective (Technology)



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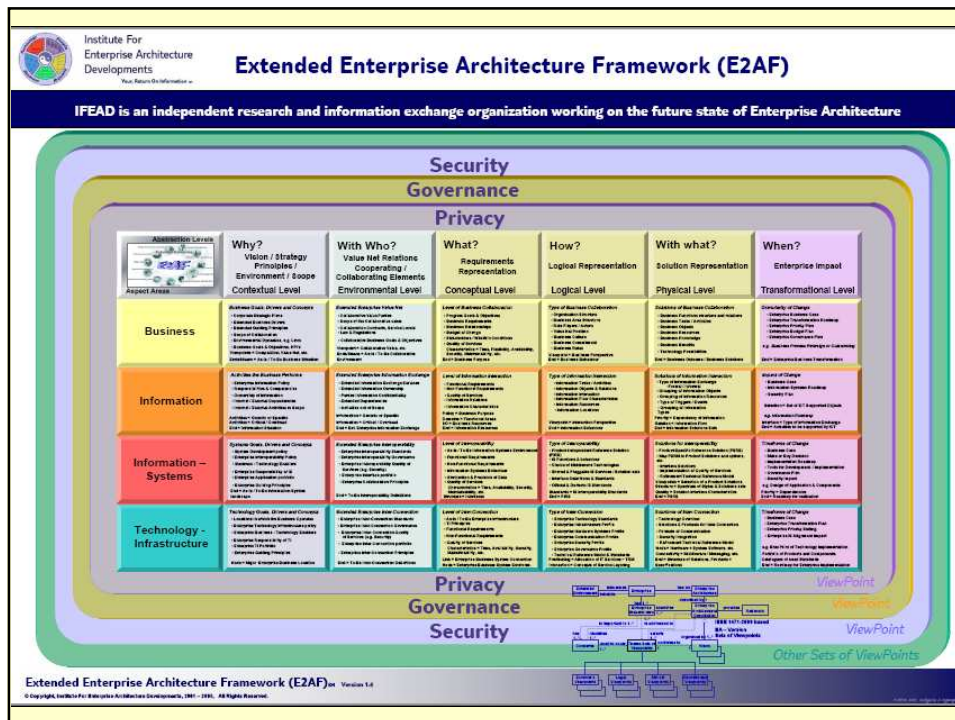
## E2AF Issuer

- Extended Enterprise Architecture Framework
- Institute for Enterprise Architecture Developments
- <http://www.enterprise-architecture.info/>




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## TOGAF

- The Open Group Architecture Framework
- An "open source" industry standard architecture framework for any organization that wants to develop an information systems architecture
- The Open Group
- <http://www.opengroup.org/togaf/>





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## Zachman Framework

- Complete overview of IT business alignment
- Two-dimensional
- Intent
- Scope
- Principles
- Zachman Institute for Framework Advancement
- <http://www.zifa.com/>



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## Security Architecture Models

- ISO 7498-2:  
<http://www.iso.ch/iso/en/CatalogueDetailPage.CatalogueDetail?CSNUMBER=14256>
- Moriconi, Xiaolei and Riemenschneider Methodology:  
<http://citeseer.ist.psu.edu/moriconi97secure.html>
- NIST Special Publication 800-27:  
<http://csrc.nist.gov/publications/nistpubs/>
- SABSA: <http://www.sabsa-institute.org/>
- Whitman & Mattford Methodology:  
[http://www.amazon.com/Principles-Information-Security-Michael-Whitman/dp/0619216255/sr=8-1/qid=1168271358/ref=sr\\_1\\_1/105-8440691-5565264?ie=UTF8&s=books](http://www.amazon.com/Principles-Information-Security-Michael-Whitman/dp/0619216255/sr=8-1/qid=1168271358/ref=sr_1_1/105-8440691-5565264?ie=UTF8&s=books)

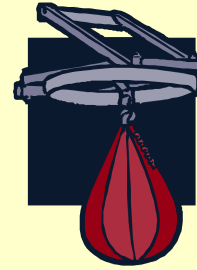


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## VG2 Define and Implement Processes

- Develop management processes that provide for clear and active linkage of the strategy and programs that execute the strategy
- Processes should include:
  - Planning and budgeting
  - Prioritization of planned and current work within the overall budget
  - Resource allocation consistent with priorities
  - Stage-gating of investment programmes
  - Monitoring and communicating performance
  - Remedial action
  - Benefits management



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## COBIT Cross-References

- Primary
  - PO4.1 IT Process Framework
  - ME1.1 Monitoring Approach
  - ME1.3 Monitoring Method
  - ME4.1 Establishment of an IT Governance Framework
- Secondary
  - PO5.2 Prioritisation Within IT Budget
  - PO5.3 IT Budgeting
  - PO5.4 Cost Management
  - PO5.5 Benefit Management
  - PO10.2 Project Management Framework

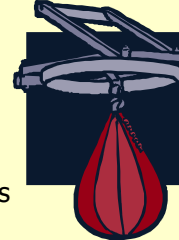


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## VG3 Define Roles and Responsibilities

- Define and communicate roles and responsibilities
- Allow sufficient authority to exercise the assigned roles and responsibilities
- These roles should include:
  - Investment decision body
  - Program sponsorship
  - Program management
  - Project management and associated support roles
- Develop procedures, techniques and tools
- Establish and maintain an optimal co-ordination, communication and liaison structure between IT and its stakeholders



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## COBIT Cross-References

- Primary
  - PO4.6 Establishment of Roles and Responsibilities
  - PO4.15 Relationships
- Secondary
  - PO4.8 Responsibility for Risk, Security and Compliance
  - PO4.9 Data and System Ownership
  - PO10.1 Programme Management Framework
  - PO10.2 Project Management Framework

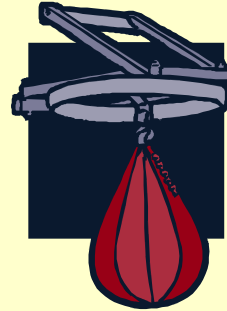


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## VG4 Ensure Appropriate and Accepted Accountability

- Provide unambiguous accountabilities and practices to avoid a breakdown in internal control and oversight
- Clearly assign and monitor accountability for achieving the business benefits, delivering required capabilities and controlling costs



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO6.1 IT Policy and Control Environment
  - PO6.2 Enterprise IT Risk and Control Framework
  - PO6.3 IT Policies Management
  - PO6.4 Policy, Standard and Procedures Rollout
  - ME4.1 Establishment of an IT Governance Framework
  - ME4.2 Strategic Alignment
  - ME4.3 Value Delivery
- Secondary
  - ME4.2 Strategic Alignment

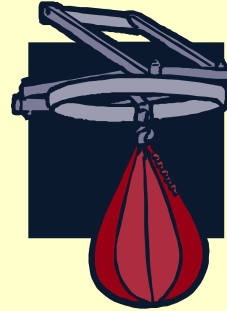


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## VG5 Define Information Requirements

- Define a balanced and approved set of performance objectives, measures, targets and benchmarks
- Establish processes to collect timely and accurate data to report on progress against targets
- Deploy a method (e.g., balanced scorecard) that provides a view of portfolio, program and IT (technology and functional) performance
- The method should fit within the enterprise monitoring system



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## COBIT Cross-References

- Primary
  - ME1.1 Monitoring Approach
  - ME1.2 Definition and Collection of Monitoring Data
  - ME1.3 Monitoring Method
  - ME4.1 Establishment of an IT Governance Framework

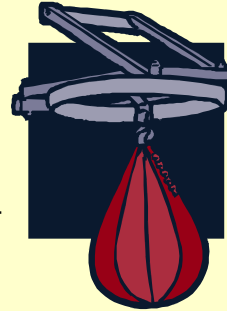


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## VG6 Establish Reporting Requirements

- Relevant portfolio, program and IT (technology and functional) performance should be reported to the board and executive management in a timely and accurate manner
- Management reports should be provided for senior management's review of the enterprise's progress toward identified goals
- Status reports should include the extent to which planned objectives have been achieved, deliverables obtained, performance targets met and risks mitigated
- Integrate reporting with similar output from other business functions
- Upon review, appropriate management action should be initiated and controlled



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## COBIT Cross-References

- Primary
  - ME1.5 Board and Executive Reporting
  - ME3.5 Integrated Reporting
  - ME4.1 Establishment of an IT Governance Framework
  - ME4.6 Performance Measurement

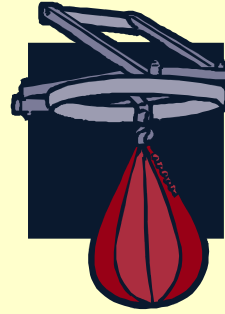


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## VG7 Establish Organisational Structures

- Establish appropriate boards, committees and support structures including, but not limited to, an IT strategy committee, an IT planning or steering committee, and an IT architecture board
- Establish and maintain an optimal co-ordination, communication and liaison structure between the IT function and various other stakeholders inside and outside the IT function, such as users, suppliers, security officers, risk managers, the corporate compliance group, outsourcers and offsite management



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## COBIT Cross-References

- Primary
  - PO3.5 IT Architecture Board
  - PO4.2 IT Strategy Committee
  - PO4.3 IT Steering Committee
  - PO4.15 Relationships
  - ME4.1 Establishment of an IT Governance Framework

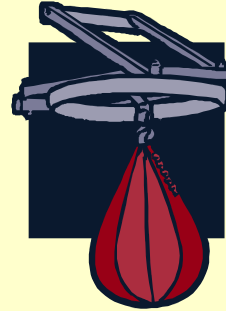


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## VG8 Establish Strategic Direction

- Make sure the business direction to which expenditures on IT-enabled business investments should be aligned is understood, including the business vision, business principles, strategic goals and objectives, and priorities
- Make sure there is a common and agreed understanding between the business and the IT function regarding the potential impact of IT on the business strategy and the role of IT in the enterprise, and ensure that this is broadly communicated



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## COBIT Cross-References

- Primary
  - PO1.2 Business-IT Alignment
  - ME4.2 Strategic Alignment

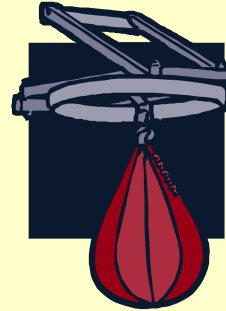


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## VG9 Define Investment Categories

- The governance processes must recognize that there are a variety of investment types that differ in complexity and the degree of freedom in allocating funds
- These different investment types must be categorized
- Categories could include:
  - Mandatory
  - Continuity
  - Sustaining
  - Discretionary: Strategic or transformational (to gain competitive advantage or major innovation), informational (to provide better information), transactional (to process transactions and reduce the cost of doing business) and infrastructure (to provide shared services and integration)



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## COBIT Cross-References

- Primary
  - PO5.1 Financial Management Framework

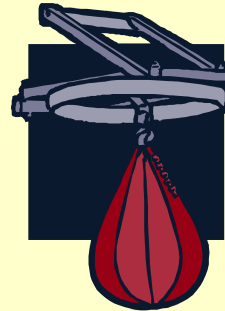


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## VG10 Determine a Target Portfolio Mix

- Align the portfolio mix with the strategic direction of the enterprise
- Right balance of investments:
  - An appropriate balance of categories
  - Short- and long-term returns
  - Financial and non-financial benefits
  - High-risk vs. low-risk investments



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The screenshot shows a web browser window displaying the 'Fix your mix' tool on CNN Money.com. The page includes a navigation menu, a search bar, and a 'Top Stories' section. The main content area features a 'Fix your mix' section with two steps: '1 Fix your mix' and '2 Goals'. Step 1 includes dropdown menus for 'When do you need the money?' (set to 3-5 years) and 'How much risk can you handle?' (set to Not much at all). Step 2 includes radio button options for 'How flexible are you?' and 'During market sell-offs, do you...'. A 'Calculate' button is at the bottom of the form. To the right, there is an 'ASSET ALLOCATOR' section with explanatory text and a 'More investing tools' list. At the bottom right, there is an advertisement for 'The Ladders' with the text 'ONLY \$100k+ JOBS' and a grid of city abbreviations (BOS, OH, STL, PIT, BTL, NYC, LA, LV, MIL, DAL, ORL, IND, PHX, AUS).

## COBIT Cross-References

- Primary
  - PO5.1 Financial Management Framework
- Secondary
  - ME4.5 Risk Management

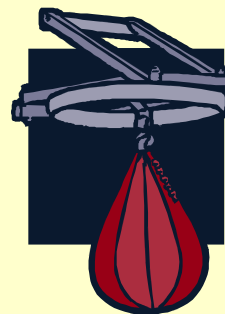


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## VG11 Define Evaluation Criteria by Category

- For each category of investment, evaluation criteria must be in place to support fair, transparent, repeatable and comparable evaluation
- Evaluation criteria could include:
  - Alignment with the enterprise's strategic objectives
  - Benefits, both financial and non-financial
  - Overall financial worth (as determined by the practices of each enterprise)
  - Risk, both delivery risk (the risk of not delivering a capability) and benefits risk (the risk of not realizing the expected benefit from the capability)
- For each category of investment, weightings should be applied to the evaluation categories to allow an overall relative score to be derived for each investment



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## COBIT Cross-References

- Primary
  - PO5.1 Financial Management Framework
- Secondary
  - PO1.2 Business-IT Alignment
  - PO2.1 Enterprise Information Architecture Model
  - PO5.2 Prioritisation Within IT Budget
  - ME4.5 Risk Management



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## Portfolio Management

- Translating organizational strategies into specific initiatives or business cases that become the foundation for programs and projects
- Identifying and initiating programs and projects
- Providing, allocating and reallocating resources to programs, projects and other activities
- Maintaining a balanced project portfolio
- Supporting the organizational project management environment



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## OPM3 Constructs

- Process execution depends on inputs, appropriate tools and techniques, and proper controls, all of which results in outputs
- Controlling variability within a process depends on controlling the variability of its inputs, along with tools and techniques, and proper controls
- Controlling Portfolio Management processes is dependent on the ability to control the outputs from Program and Project Management processes, which become inputs to Portfolio Management

$$y = \int(x_n)$$

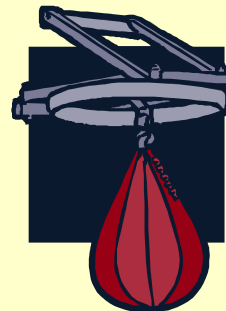


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## PM1 Maintain a Human Resource Inventory

- Create and maintain an inventory of people and their competencies, and their current and committed utilization
- Identify and pay special attention to key IT personnel in short supply



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## COBIT Cross-References

- Primary
  - PO4.5 IT Organisational Structure
  - ME4.4 Resource Management
- Secondary
  - PO4.13 Key IT Personnel

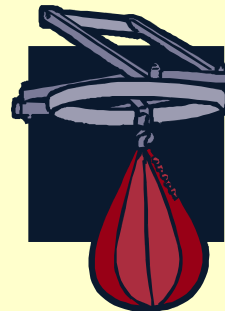


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## PM2 Identify Resource Requirements

- Understand the current and future demand for IT resources based on the portfolio
- Identify and pay special attention to key IT personnel in short supply



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## COBIT Cross-References

- Primary
  - PO4.5 IT Organisational Structure
  - ME4.4 Resource Management
- Secondary
  - PO4.13 Key IT Personnel

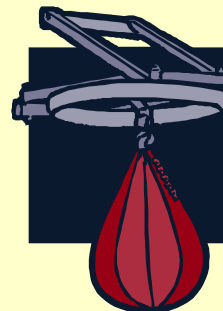


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## PM3 Perform a Gap Analysis

- Identify shortfalls between current and future IT and business resource demand and current and planned IT and business resource supply
- Develop strategies and plans to address the shortfall



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## COBIT Cross-References

- Primary
  - PO4.5 IT Organisational Structure
  - ME4.4 Resource Management
- Secondary
  - PO4.13 Key IT Personnel



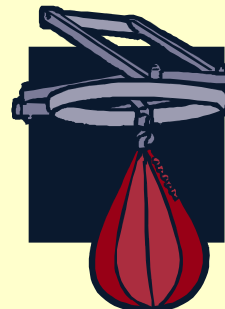
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## PM4 Develop a Resourcing Plan

- Create and maintain tactical IT plans for resources that are required to support the portfolio of IT-enabled investment programs and the IT strategic plan
- These tactical plans describe how IT initiatives will contribute to the programs, which resources are required, and how the use of resources and delivery of the expected contribution will be monitored



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## COBIT Cross-References

- Primary
  - PO4.5 IT Organisational Structure
  - ME4.4 Resource Management
- Secondary
  - PO4.13 Key IT Personnel
  - PO7.1 Personnel Recruitment and Retention
  - PO7.2 Personnel Competencies
  - PO7.5 Dependence Upon Individuals

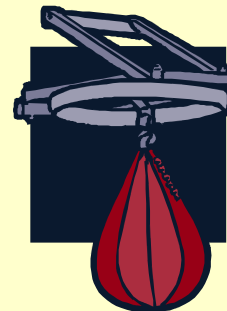


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## PM5 Monitor Resource Requirements and Utilisation

- Periodically review the IT function and business organizational structure and adjust staffing requirements and sourcing strategies to meet expected business objectives and respond to changing circumstances



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## COBIT Cross-References

- Primary
  - PO1.5 IT Tactical Plans
  - PO4.5 IT Organisational Structure
  - ME4.4 Resource Management
- Secondary
  - PO4.13 Key IT Personnel

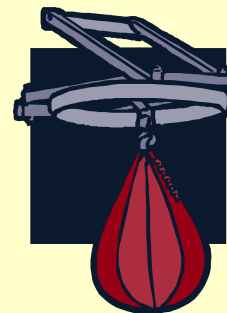


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## PM6 Establish an Investment Threshold

- Determine the overall budget available for the portfolio, the current commitment of that budget, the current approved spend and the actual spend to date



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## COBIT Cross-References

- Primary
  - PO1.5 IT Tactical Plans
  - PO5.3 IT Budgeting

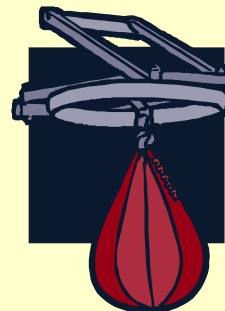


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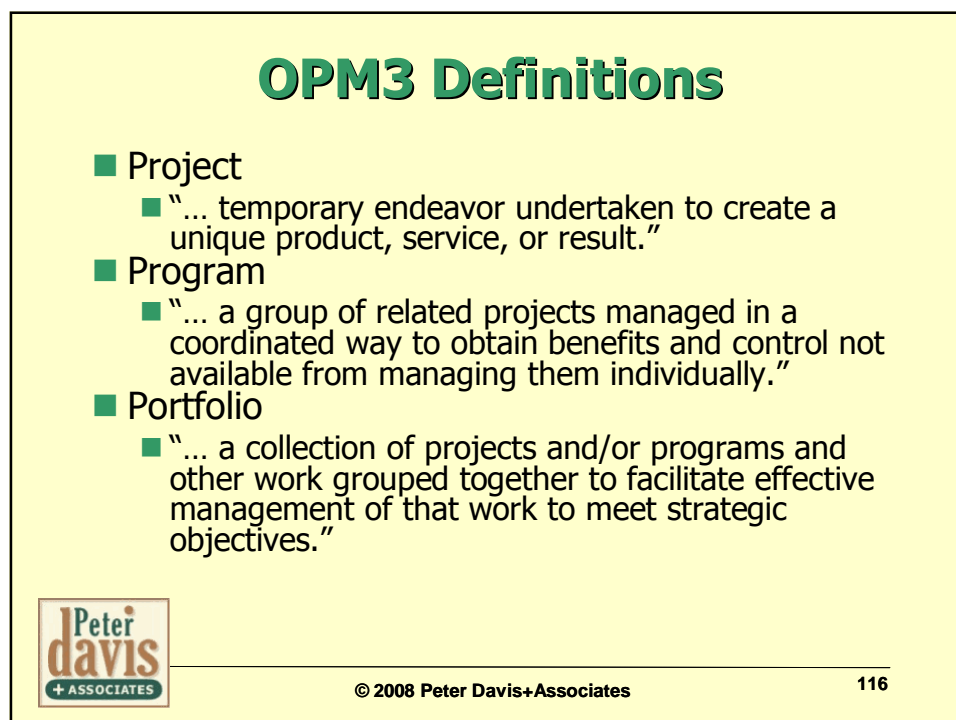
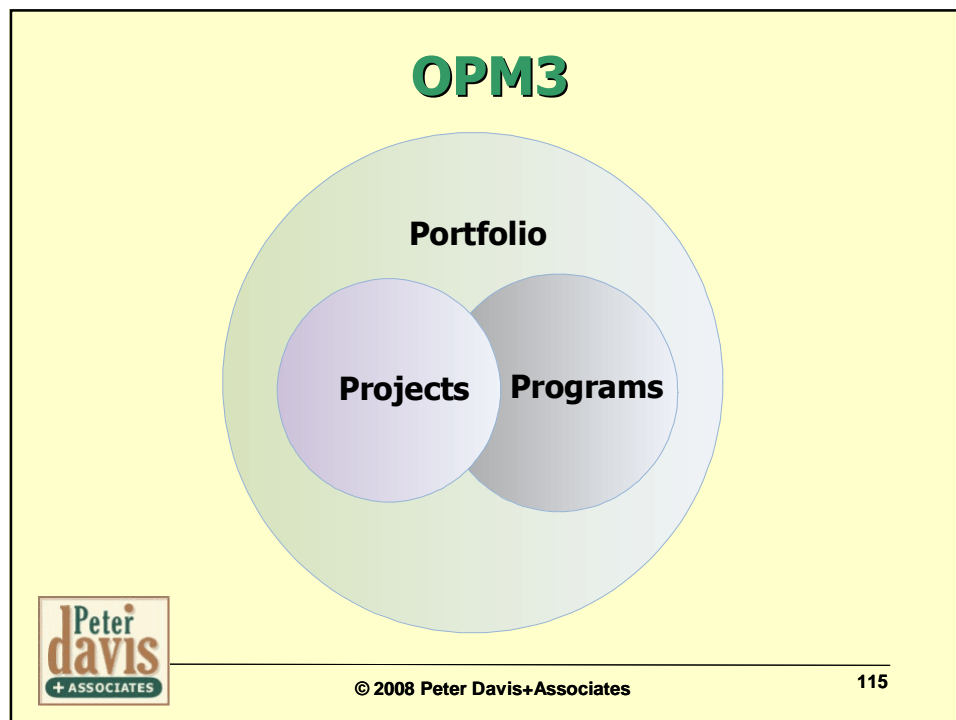
## PM7 Evaluate the Initial Programme Concept Business Case

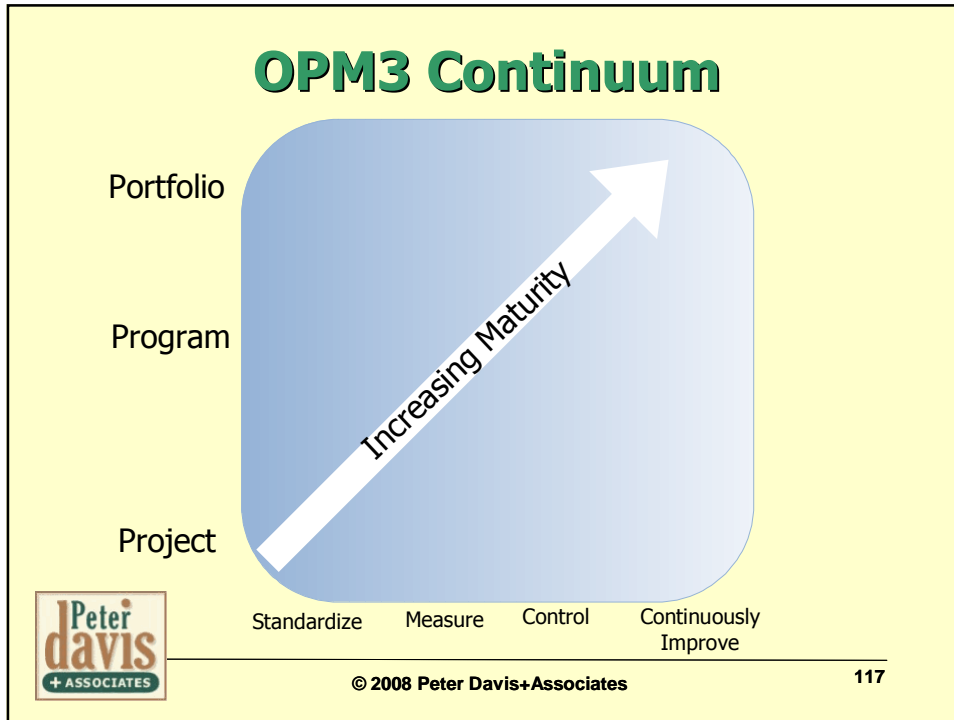
- Perform an initial, high-level assessment ('triage') of the program concept business case looking at strategic alignment; benefits, both financial and non-financial; overall financial worth and risk; and fit with the overall portfolio
- Determine whether the program concept has sufficient potential to justify proceeding to full program definition and evaluation



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### Individual Action

List 3 critical IT programs in your organization:

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

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## Individual Action

List 3 critical IT projects in your organization:

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

**10 minutes preparation**



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME4.3 Value Delivery

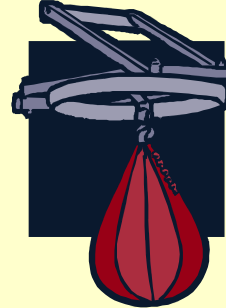


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## PM8 Evaluate and Assign a Relative Score to the Programme

- Perform a detailed assessment of the program business case evaluating strategic alignment; benefits, both financial and non-financial; financial worth; risk, including delivery risk and benefits risk; and availability of resources
- Assign a relative score to the program based upon evaluation criteria and their weighting for this category of investment



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME4.3 Value Delivery

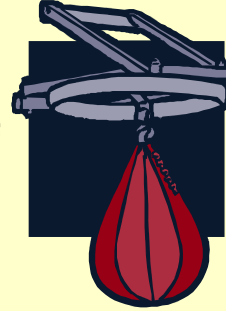


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## PM9 Create an Overall Portfolio View

- Assess the impact on the overall portfolio of adding a candidate program
- Determine the impact on the portfolio mix
- Identify any changes that might be required to other programs in the portfolio as a result of adding this program
- Assess the impact and viability of those changes



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME4.3 Value Delivery

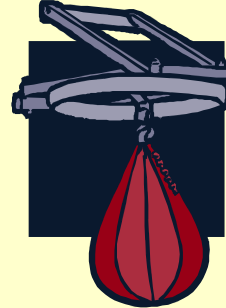


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## PM10 Make and Communicate the Investment Decision

- Determine whether the candidate program should be selected and moved to the active portfolio
- If the program is not selected, determine whether it should be held for consideration at a later date, held and provided with some 'seed' funding to determine whether the business case can be improved or eliminated from further consideration
- Communicate and review the decision with the business sponsor



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME4.3 Value Delivery

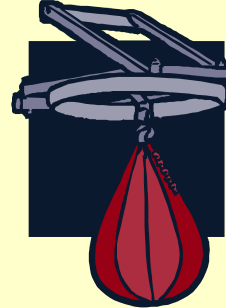


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## PM11 Stage-gate (and Fund) Selected Programmes

- Determine the required stage-gates for the program's full economic life cycle
- Confirm business case requirements at each stage-gate
- Commit total program funding, release funding to next stage-gate and identify funding requirements at subsequent stage-gates
- Move the program into the active portfolio



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME4.3 Value Delivery

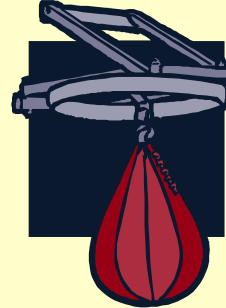


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## PM12 Optimise Portfolio Performance

- Review the portfolio on a regular basis to identify and exploit opportunities for synergies and to identify, mitigate and minimize risks



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO1.6 IT Portfolio Management
  - PO5.1 Financial Management Framework
  - ME1.4 Performance Assessment
  - ME1.6 Remedial Actions
  - ME4.3 Value Delivery

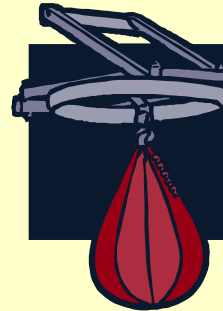


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## PM13 Reprioritise the Portfolio

- When changes occur to the internal or external business environment, or when program business cases are updated to reflect changes in requirements or program performance, re-evaluate and reprioritize the portfolio to ensure that the portfolio is aligned with the business strategy and the target mix of investments is maintained so the portfolio is achieving maximum overall value
- This may require programs to be changed, deferred or retired, and new programs started



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO1.6 IT Portfolio Management
  - PO5.1 Financial Management Framework
  - PO5.2 Prioritisation Within IT Budget
  - ME1.4 Performance Assessment
  - ME1.6 Remedial Actions
  - ME4.3 Value Delivery

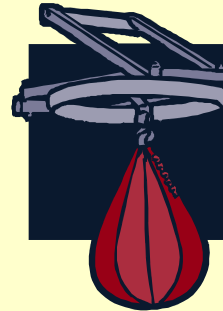


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## PM14 Monitor and Report on Portfolio Performance

- Provide a succinct, all-round view of the performance of the portfolio to the board and executive management in a timely and accurate fashion, and in a way that fits within the enterprise monitoring system
- Management reports should be provided for senior management's review of the enterprise's progress toward identified goals
- Status reports should include the extent to which planned objectives have been achieved, deliverables obtained, performance targets met and risks mitigated
- Upon review, appropriate management action should be initiated and controlled



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## The 80/20 Rule Examples

- 20% of the time expended produced 80% of the results
- 80% of your phone calls go to 20% of the names on your list
- 20% of the streets handle 80% of the traffic
- 80% of the meals in a restaurant come from 20% of the menu
- 20% of the paper has 80% of the news
- 80% of the news is in the first 20% of the article
- 20% of the people cause 80% of the problems
- 20% of the features of an application are used 80% of the time



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## COBIT Cross-References

- Primary
  - ME1.1 Monitoring Approach
  - ME1.3 Monitoring Method
  - ME1.5 Board and Executive Reporting
  - ME4.3 Value Delivery
  - ME4.6 Performance Measurement
- Secondary
  - PO5.4 Cost Management
  - PO5.5 Benefit Management



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## IM Components

- Business case development—Supporting selection of the right investment programs
- Program management—Managing execution of the programs
- Benefits realization—Actively managing the realization of benefits from the programs

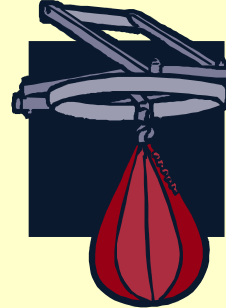


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## IM1 Develop a High-Level Definition of Investment Opportunity

- Recognize opportunities for investment programs to create value to support the business strategy or to address operational or compliance issues
- Categorize the opportunity
- Clarify expected business outcome(s) and identify, at a high level, business, process, people, technology and organizational initiatives required to achieve the expected outcomes
- These requirements should be owned by business management acting as sponsor for the overall opportunity including the necessary IT projects



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## COBIT Cross-References

- Primary
  - PO1.2 Business-Alignment
  - PO1.3 Assessment of Current Capability and Performance
  - AI1.1 Definition and Maintenance of Business Functional and Technical Requirements

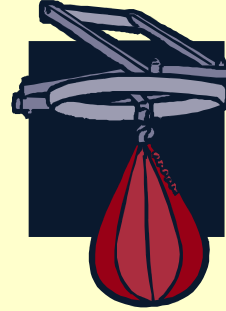


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## IM2 Develop an Initial Programme Concept Business Case

- The business case should describe the business outcome(s) to which the potential program contributes, the nature of the program's contribution, and how to measure it
- Estimate high-level benefits, both financial and non-financial, and costs for the full economic life cycle of the



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.3 IT Budgeting

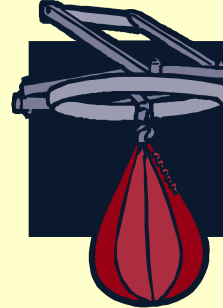


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## IM3 Develop a Clear Understanding of Candidate Programmes

- Utilize appropriate methods and techniques, involving all key stakeholders, to develop and document a complete and shared understanding of the expected business outcomes (both intermediate, or 'lead', and end, or 'lag', outcomes) of the candidate programs, how they will be measured, and the full scope of initiatives required to achieve the expected outcomes
- The initiatives should include any changes required to the enterprise's business, business processes, people skills and competencies, enabling technology and organizational structure
- The nature of each initiative's contribution, how that contribution will be measured and all key assumptions should be identified
- Relevant metrics or similar indicators to monitor the validity of these assumptions should be identified
- Key risks, both to the successful completion of individual initiatives and to the achievement of the desired outcomes, should also be identified



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - AI1.1 Definition and Maintenance of Business Functional and Technical Requirements
  - AI1.2 Risk Analysis Report

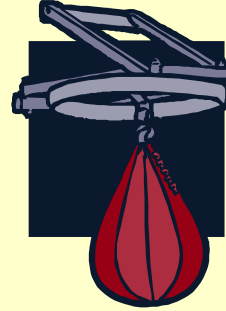


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## IM4 Perform Alternatives Analysis

- Identify alternative courses of action to achieve the desired business outcomes
- Assess the relative benefits, costs, risks and timing for each identified course of action
- Select the course of action that has the highest potential value, at an affordable cost with an acceptable level of risk
- Document the rationale for recommending the selected course of action
- Business management should assess the business impact of the alternative courses of action, and IT should assess the technical impact



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - AI1.3 Feasibility Study and Formulation of Alternative Courses of Action

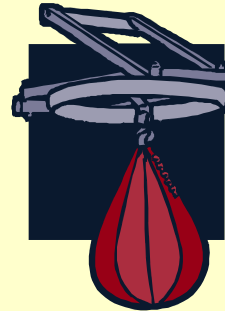


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## IM5 Develop a Programme Plan

- Define and document all projects, including business, business process, people, technology and organizational projects, required to achieve the program's expected business outcomes
- Specify required resources, including project managers and project teams as well as business resources where applicable
- Specify funding, timing and interdependencies of multiple projects
- Specify the basis for acquiring and assigning competent staff members and/or contractors to the projects



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO10.1 Programme Management Framework
  - PO10.7 Integrated Project Plan
  - PO10.8 Project Resources
  - ME4.4 Resource Management

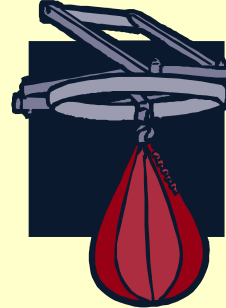


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## IM6 Develop a Benefits Realisation Plan

- For each key outcome
  - Identify and document baseline and target measurements to be achieved, the method for measuring each key outcome, the accountability for achieving the outcome, the expected delivery schedule, and the monitoring process, which should include some form of detailed benefits register
  - Identify and explain the risks that may threaten the achievement of each key outcome and how those risks will be mitigated



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.5 Benefit Management

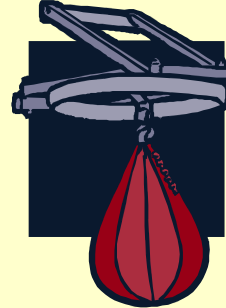


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## IM7 Identify Full Life Cycle Costs and Benefits

- Prepare a program budget that reflects the full economic life cycle costs and financial and non-financial benefits
- Submit it for review, refinement and approval by the business sponsor



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.3 IT Budgeting

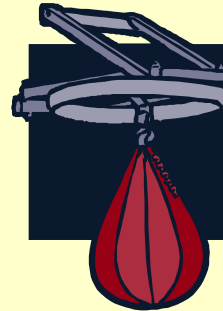


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## IM8 Develop a Detailed Programme Business Case

- Develop a complete and comprehensive business case for the program consistent with the enterprise's standard business case requirements
- The program value assessment should include full economic life cycle costs and benefits, both financial and non-financial; overall financial worth; strategic alignment; risks, both delivery and benefits risks; the programme's overall relative value scoring; and any key assumptions
- The program plan should include component project plans, a benefits realization plan, the approach to risk and change management, and the program governance structure and controls
- The IT function manager signs off on the technical aspects of the program
- The business sponsor approves and signs off on the business case



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## Programme Business Case

- The business case should include:
  - executive summary
  - a description of the program purpose,
  - objectives, approach and scope
  - program dependencies, risks and milestones
  - organizational change impact of the program
  - a value assessment
  - a program plan



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## Project Selection – Core Components

**Business Case** – The business case is a high level articulation of the area of concern. This case answers two primary questions; one, what is the business motivation for considering the project and two, what is our general area of focus for the improvement effort.

**Project Charter** – The project charter is a more detailed version of the business case. This document further focuses the improvement effort. It can be characterized by two primary sections, one, basic project information and simple project performance metrics.

**Benefits Analysis** – The benefits analysis is a comprehensive financial evaluation of the project. This analysis is concerned with the detail of the benefits in regard to cost & revenue impact that we are expecting to realize as a result of the project.



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO5.3 IT Budgeting

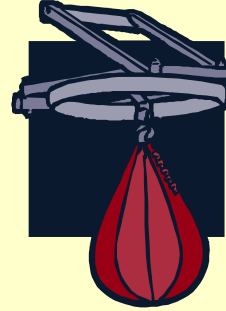


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## IM9 Assign Clear Accountability and Ownership

- Clearly and unambiguously assign and monitor accountability for achieving the benefits, controlling the costs, managing the risks, and coordinating the activities and interdependencies of multiple projects



Where accountability is

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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO6.1 IT Policy and Control Environment
  - PO10.1 Programme Management Framework

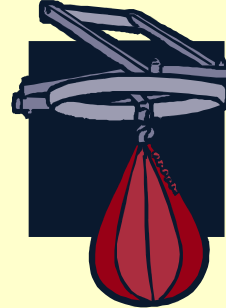


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## IM10 Initiate, Plan and Launch the Programme

- Plan, resource and commission the necessary projects required to achieve the program results



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## COBIT Cross-References

- Primary
  - PO1.1 IT Value Management
  - PO10.3 Project Management Approach
  - PO10.6 Project Phase Initiation

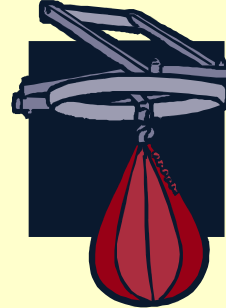


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## IM11 Manage the Programme

- Manage program performance against key criteria (e.g., scope, schedule, quality, cost and risk)
- Identify deviations from plan and take timely remedial action when required
- Monitor individual project performance related to delivery of the expected capability, schedule, costs and risks to identify potential impacts on program performance, and take timely remedial action when required



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## COBIT Cross-References

- Primary
  - PO10.13 Project Performance Measurement, Reporting and Monitoring
  - ME1.4 Performance Assessment
  - ME4.3 Value Delivery

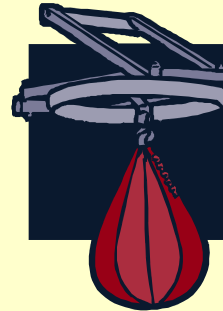


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## IM12 Manage/Track Benefits

- Implement a benefit monitoring process to ensure that planned benefits are achieved, sustained and optimized
- Benefit delivery should be monitored and reported
- The performance against targets should be regularly reviewed and root cause analysis performed for deviations from plan
- Remedial action to address the underlying causes should be initiated and controlled



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## Benefits Capture – Basic Guidelines

- Benefits should be calculated on the baseline of key business process performance that relate to a business measure or KPI(s)
- The Project Measure (Primary Metric) has to have a direct link between the process and its KPI(s)
- Goals have to be defined realistically to avoid under or over setting.
- Benefits should be annualized.
- Benefits should be measured in accordance with Generally Accepted Accounting Principles (GAAP)



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## Benefits Capture - Categorization

**A**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Projects directly impact the Income Statement or Cash Flow Statement.

**B**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Projects impact the Balance Sheet (working capital).

**C**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Projects avoid expense or investment due to known or expected events in the future (Cost avoidance).

**D**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Projects are risk management, insurance, Safety, Health, Environment and Community related projects which prevent or reduce severity of unpredictable events.



*You don't want to take this one home!*



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## COBIT Cross-References

- Primary
  - PO5.5 Benefit Management
  - PO10.13 Project Performance Measurement, Reporting and Monitoring
  - ME1.4 Performance Assessment
  - ME4.3 Value Delivery

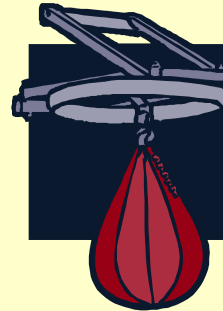


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## IM13 Update the Business Case

- Update the business case to reflect the current status of the program
- This should be done whenever the projected costs or benefits of the program change, when risks change, and in preparation for stage-gate reviews



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## COBIT Cross-References

- Primary
  - PO5.4 Cost Management
  - PO5.5 Benefit Management
  - PO10.6 Project Phase Initiation

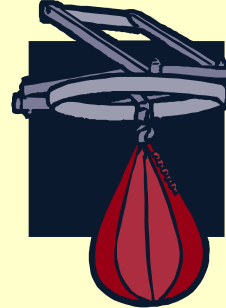


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## IM14 Monitor and Report on Programme Performance

- Define and implement enterprise practices to ensure that program performance and IT's contribution to that performance are reported to the board and executive in a timely and accurate fashion
- Reporting may include performance against the overall portfolio, IT strategy, compliance with policy and standards, benefit realization, process maturity, end-user satisfaction, and the status of IT internal control



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## COBIT Cross-References

- Primary
  - ME4.3 Value Delivery
  - ME4.6 Performance Measurement



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## Group Action

The class will again split into groups for this activity. Each group will discuss KPIs and KGIs for value governance and develop an IT BSC based on COBIT's metrics or yours.

The business objective is "Achieve cost optimization of service delivery."

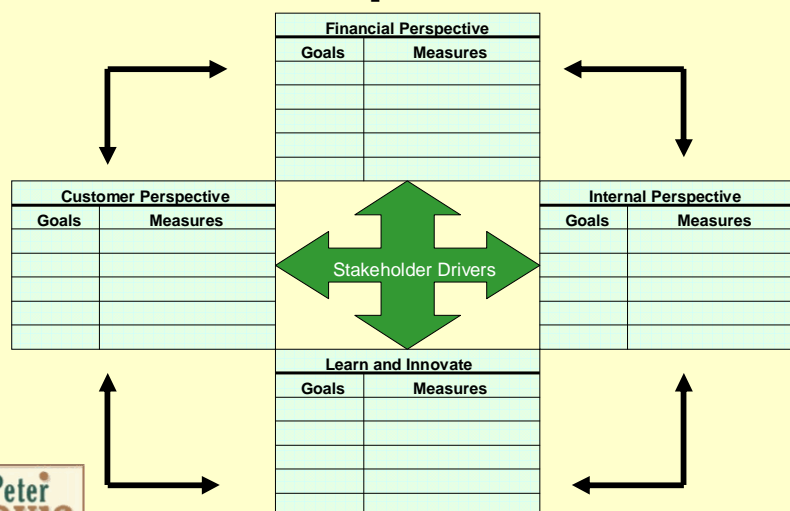
**30 minutes preparation, 10 minutes class discussion**



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## Performance Measurement: Sample BSC

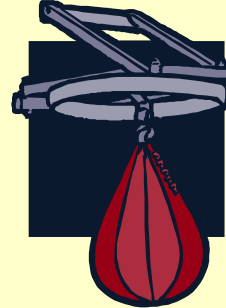


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## IM15 Retire the Programme

- When there is agreement that the desired business value has been or will be realized, ensure that the program is brought to an orderly closure, including formal approval of retirement by the business sponsor
- Program closure does not necessarily mean an end to benefits monitoring and optimization
- When the program results in an ongoing service or other asset, accountability and processes must be put in place to ensure that the organization continues to optimize business value from the service or other asset
- Once the program is closed, it should be removed from the active portfolio
- Closure should also ensure that all the lessons learnt from the program are reviewed and any necessary changes implemented to improve the program management process.



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## COBIT Cross-References

- Primary
  - ME4.3 Value Delivery
  - PO10.14 Project Closure
- Secondary
  - AI4.1 Planning for Operational Solutions
  - AI4.2 Knowledge Transfer to Business Management
  - AI4.3 Knowledge Transfer to End Users
  - AI4.4 Knowledge Transfer to Operations and Support Staff



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## Activities That Create Capabilities

- Resources are needed to develop:
  - A technology/IT service that will support:
    - An operational capability that will enable:
      - A business capability that will create:
        - Stakeholder value, which may be represented by a risk-adjusted financial return or total shareholders' return

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## Business Case Components

- Analytic model
  - Outcomes
  - Initiatives
  - Contributions
  - Assumptions



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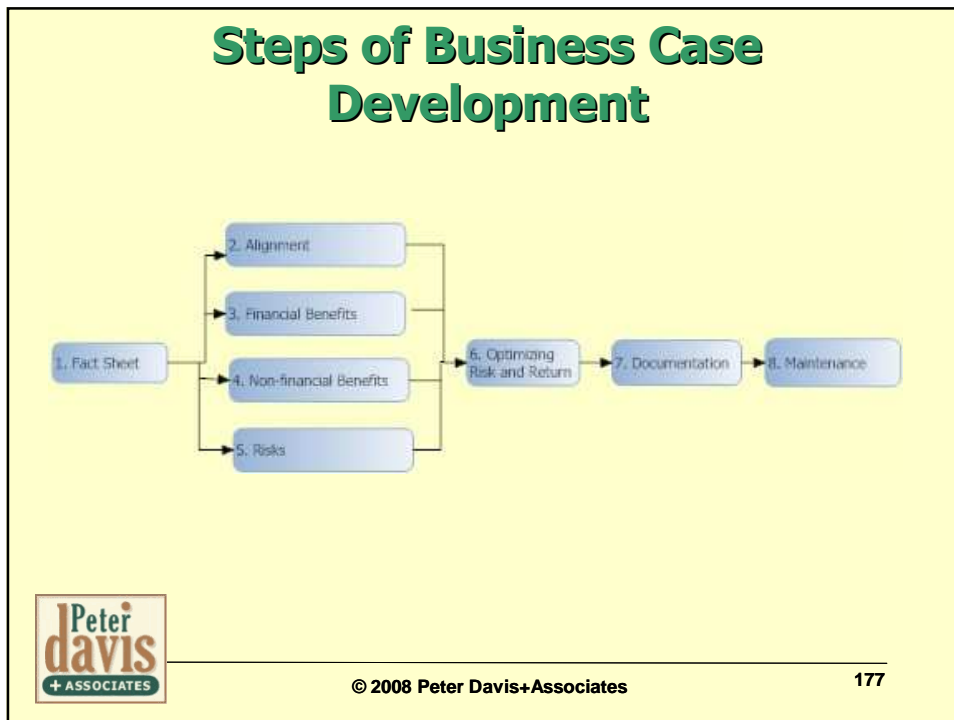
## The Business Case

- Key attributes include:
  - Completeness
  - Accuracy/Reasonableness – Costs and benefits
  - Conformity
  - Consistency
  - Strategic fit
  - Evidence of appropriate sponsorship
  - Accountability
  - Approvals
  - Etc. ...



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## Steps

Step 1: Building a fact sheet with all the relevant data followed by the analysis of the data  
*Concerning:*  
 Step 2: Alignment analysis  
 Step 3: Financial benefits analysis  
 Step 4: Non-financial benefits analysis  
 Step 5: Risk analysis  
*Resulting in:*  
 Step 6: Appraisal and optimization of the risk/return of the IT-enabled investment  
*Represented by:*  
 Step 7: Structured recording of previous steps' results and documentation of the business case  
*And finally maintained by:*  
 Step 8: Review of the business case during the programme execution, including the entire life cycle of the programme results

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## Risk Analysis

- Delivery risk
  - Not delivering required capabilities
    - Are we doing things the right way?
    - Are we getting them done well?
- Benefit risk
  - Benefits not being obtained
    - Are we doing the right things?
    - Are we getting the benefits?



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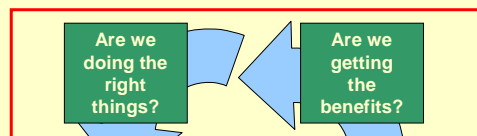
179

## The Value Questions

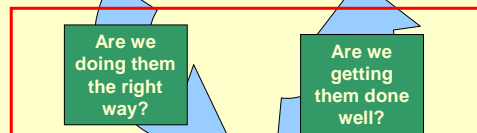
The *strategic* question.

The *value* question.

**Benefit Risk**



**Delivery Risk**



The *architecture* question.

The *delivery* question.

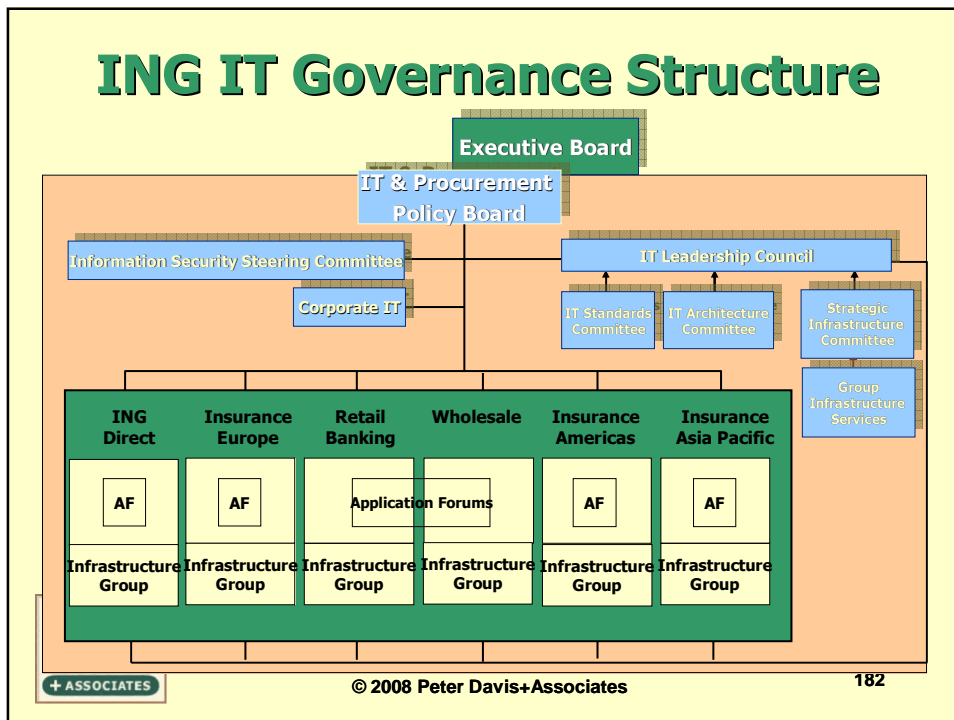


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## Future Developments

- Extend to incorporate Service Management and Resource Management
- Deepen to Activity, Input/Output and Control Practice level
- Add Case Studies: Other industries, SMEs, Public Sector
- Publish and continue Empirical Research
- Facilitate exchange through Forums and Benchmarking
- Continue to improve integration with COBIT
- Move towards tighter integration with Enterprise/Corporate Governance



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## IT Governance Action Plan

1. Adopt a governance organizational framework
2. Align IT strategy with business goals
3. Understand/define the risks
4. Define target areas
5. Analyze current capability and identify gaps
6. Develop improvement strategies
7. Measure results
8. Repeat on a regular basis



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## Remember ...

*"Process not product"*

*"Progress over perfection"*

**Thank you for your  
time and interest.**



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## Need Help

- <http://files.findlaw.com/news.findlaw.com/hdocs/docs/gwbush/sarbanesoxley072303.pdf>
- <http://www.hhs.gov/ocr/hipaa/>
- <http://www.get-best-practice.co.uk>
- <http://www.goal-setting-guide.com/smart-goals.html>
- <http://www.iec.org>
- <http://www.iso.org>
- <http://www.isaca.org/cobit>
- <http://www.issa.org/gaisp/gaisp.html>
- <http://www.issea.org>
- <http://www.itcinstitute.com>
- <http://www.itgi.org>
- <http://www.itpi.org>
- <http://www.itsmf.com>
- <http://www.oceg.org>
- <http://www.pdaconsulting.com>
- <http://www.sse-cmm.org>
- [http://survey.cxo.com/surveys/csoec\\_kk\\_raci\\_12\\_02.htm](http://survey.cxo.com/surveys/csoec_kk_raci_12_02.htm)
- <http://www.tsoonline.co.uk>



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