

Churchill

“Man will occasionally stumble over the truth, but usually manages to pick himself up, walk over or around it, and carry on”

– Winston Churchill



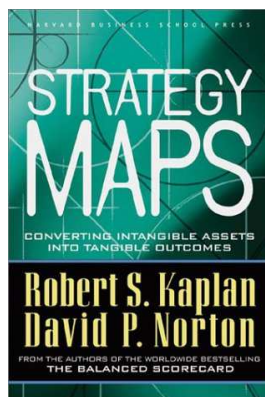
The Truth...



- Actual enterprise change practices are largely inadequate and dysfunctional
- Strategic success necessitates attention to enterprise design
- Unified and integrated enterprise design is a prerequisite for successful change
- Enterprise Governance and Enterprise Engineering are essential competencies



Strategic Successes



What is the percentage of success?

“Various studies indicate that 70 percent to 90 percent of organizations failed to realize success from their strategies”¹

1. Harvard Business School Press 2004



Many Failures...

Total Quality Management

Six Sigma

Activity Based Costing

Business Process Management

Business Process Reengineering

Learning Organization

Customer Relationship Management

Supply Chain Management

Enterprise Resource Planning

Mergers and Acquisitions



Technology Implementations

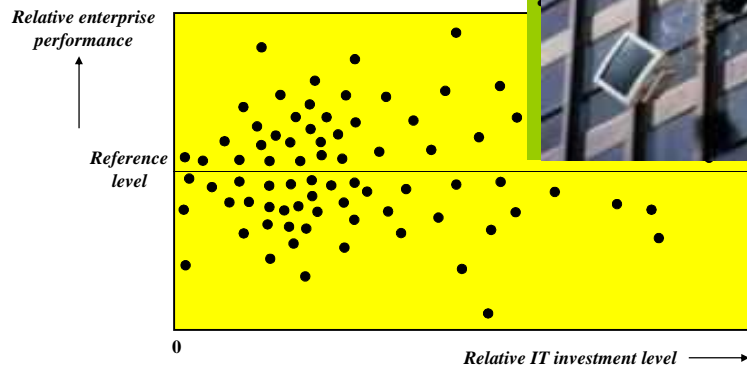


- The majority (50%-70%) of technology implementations fail¹
- 75% of all attempts to introduce automation to the workplace have failed¹
- Technology introduction requires **(major) changes outside the technology domain**, which the technology introduction does not “automatically” bring about²
- Looking at technology alone is insufficient for making technology “work”²

1. Rechtin, E. (2000). *Systems Architecting of Organizations*.
2. Scott Morton, M.S. (1991). *The Corporation of the 1990s*.



IT Results



1. Pisello, T., Strassmann, P. (2003). *IT Value Chain Management - Maximizing the ROI from IT Investments*.
2. Strassmann, P., (1990). *The business value of computers*.



Success Is Not Overwhelming...

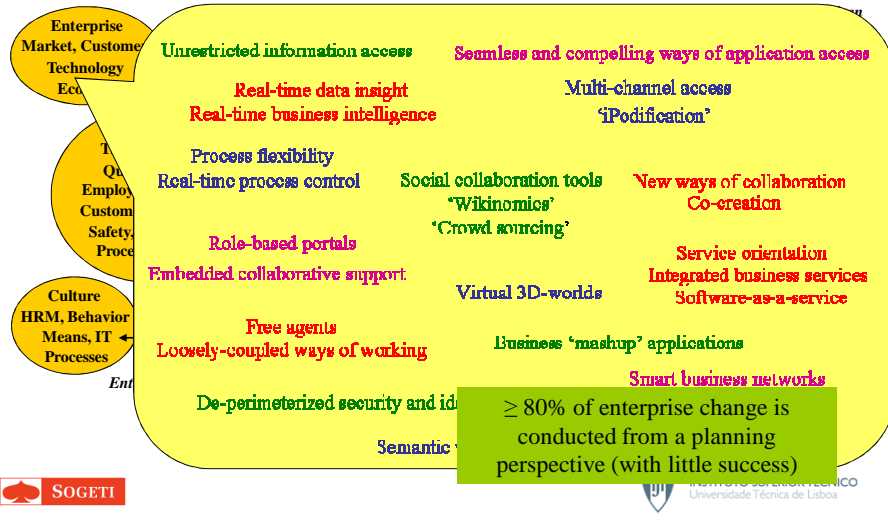


**It's all about
'organizational
alchemy': approaches
that are ineffective and
often dysfunctional**



The Organizational Alchemy Process

The context



Alchemy Examples



The US Government Performance and Results Act (1993) requires federal agencies to develop **strategic plans**, **performance plans**, **performance measures**, **annual performance plans**, and **annual performance reporting** with a focus on **linking** organizational goal-setting and performance measurement to **individual performance planning and appraisal**

“Strategies therefore are **plans** defined to provide mechanisms for achieving organizational goals. Organizational-level goals are then **passed down** to individual managers and their staffs. This enables units to understand what must be achieved at a micro, and ultimately an individual level, to ensure that the organization is successful” [Perks and Beveridge 2004]

“Once the **corporate planning system** has been set up, immediate and lasting benefits will **percolate downwards** from it and exert a unifying influence on the efficiency of the whole organization” [Jenkins 2003]

“The key cause and effect on the bottom line is **management action**” [Benson et al. 2004]

Strategy deployment: “The implementation of strategy comprises of sub-activities that are primarily **administrative** in nature. If purpose is determined, then resources of the company can be mobilized to accomplish it” [Andrews 1999].



About Business/IT Alignment...

I hope the problem of business/IT alignment is fixed before I graduate!



1980's: First publications about Business/IT alignment

Why is Business/IT alignment still not fixed!?



25 Years later....



Business/IT Alignment Still an Issue

IT Governance in Practice
Insight from leading CIOs



Highlights of the 2006 Report:

- Business/IT alignment is the highest rated driver for IT governance
- IT governance is driven by top-management
- IT governance is primarily viewed as a control mechanism (costs, compliance, projects)
- Maturity level of IT governance is low
- A holistic view that considers all dimensions of IT governance is not widely found

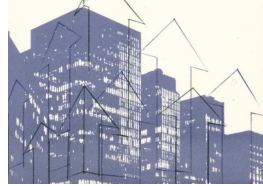


Different Perspective Required

Robert E. Quinn

BEYOND RATIONAL MANAGEMENT

Mastering the Paradoxes and Competing Demands of High Performance



- Seek approaches that can master the paradoxes and competing requirements for excellent enterprise performance
- Avoid 'schismogenesis': do not use organizational governance and change methods that create 'schisms' rather than unification and integration
- Recognize and acknowledge the limitations of the traditional top-down, 'mechanistic', rational-deductive, either-or approach
- Recognize and acknowledge the importance of the holistic, dynamic, generative-learning perspective

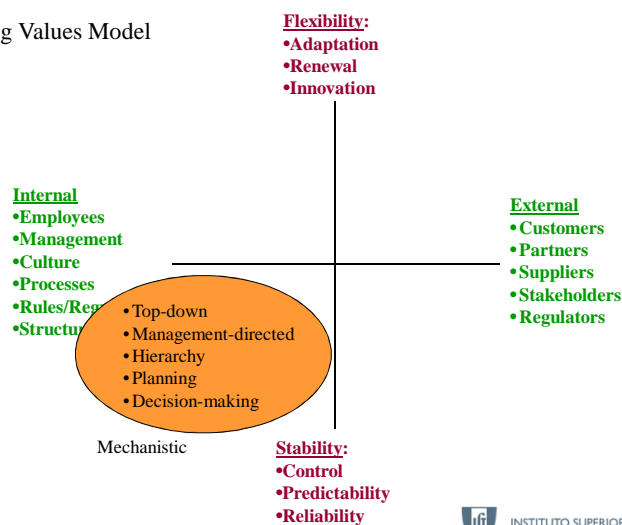
Another perspective on governance
Focus on enterprise design



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Traditional Governance Positioned

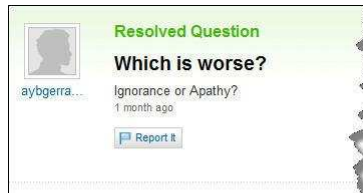
Quinn's Competing Values Model



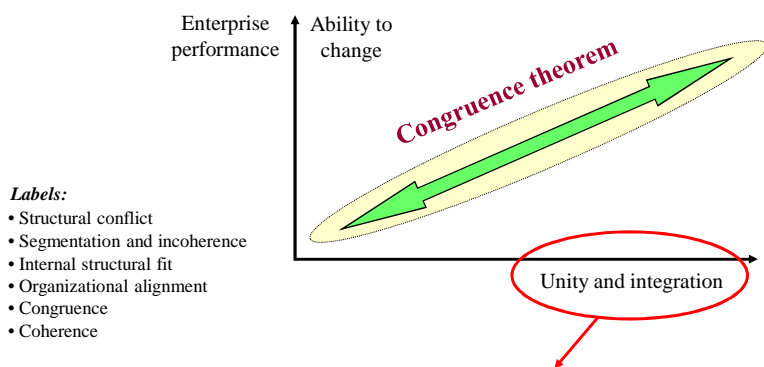
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Often Experienced Attitude

Regarding wanting to know the core reason for strategic failures:



The Core Reason: 'Schismogenesis'



Many failed change programs prove the importance of unity and integration



Business/IT Alignment



MIT research showed that companies that ‘just’ introduce IT do hardly see any increase in productivity, but companies that next to the introduction of IT **also change the organizational arrangements**, are realizing considerable productivity increase¹

“To achieve real lasting impact from information technology, the **business itself must change**”²

Enterprise performance “is optimized when **both technology and the organization** mutually adjust to one another until a satisfactory fit is obtained”³

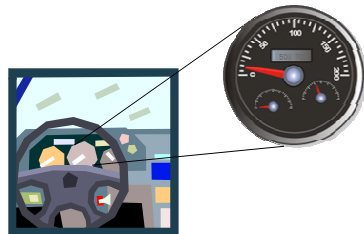
1. E. Brynjolfson et al., *Paradox Lost? Firm level Evidence on Returns to Information Systems Spending* (1996)
2. M.M. Parker, R.J. Benson, *Information Economics* (1988)
3. K.C. Laudon, J.P. Laudon, *Management Information Systems* (1998)



Lack of Unity and Integration...



The Importance of Design (1)

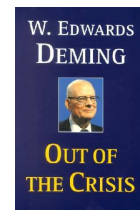


Car output

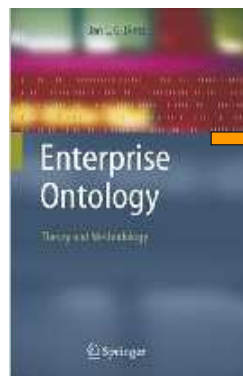
In enterprises:

- Customer satisfaction
- Productivity
- Scrap rate
- Calls per hour
- Costs
- Etc.

We should work on our processes,
not the outcome of our processes
Focus on outcome is not an effective
way to improve a process or activity



Enterprise Ontology

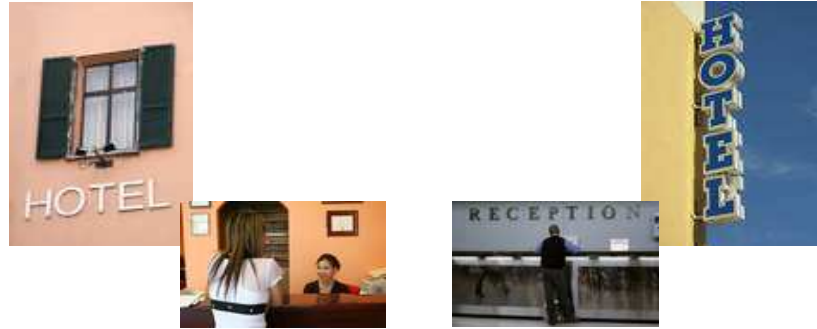


It's about understanding and designing the implementation-independent essence of an enterprise in terms of the enterprise transactions, hence processes, and core information objects

That's a major step in avoiding 'schismogenesis': designing the unified and integrated structural-functionalistic enterprise foundation, the enterprise 'skeleton'



Is the Process Focus Sufficient?



Same essential processes. Same experience?



Enterprise-Wide Focus Necessary

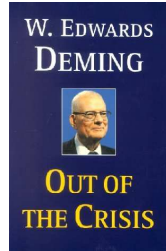


- Management practices
- Employee behavior
- Employee competencies/employment
- Culture (norms and values)
- Evaluation systems
- Reward and remuneration systems
- Reporting and communication structures
- Means
- Technology deployment
- Processes
- Operational rules (business rules)

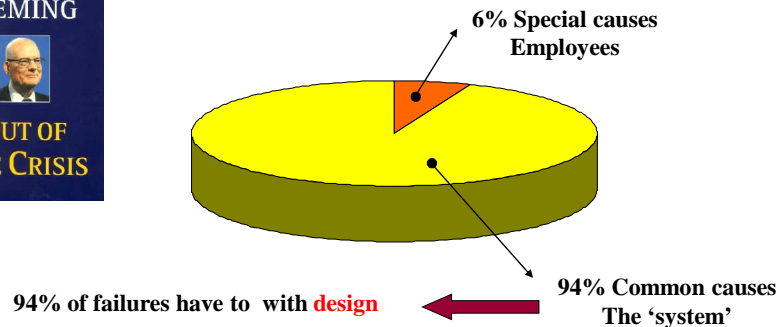
We should focus on complete, comprehensive enterprise design



The Importance of Design (2)



Causes for enterprise failures:

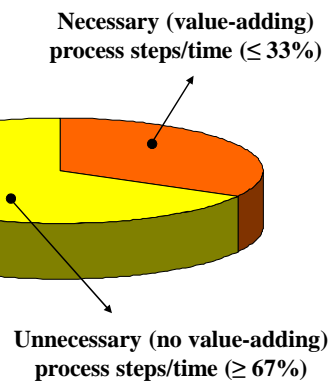


The Importance of Design (3)

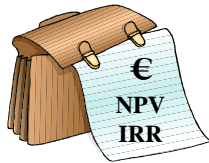


TQM

JIT



Avoiding 'Schismogenesis' Trough Project Portfolio Management?



"IT governance is the system by which an organization's **IT portfolio** is directed and controlled"¹

IT portfolio management is a "control point for the entire IT management system"²

"A central feature of the **IT portfolio management** method is that it demands accountability – complete with both the authority to meet objectives and real consequences for failing to do so – for IT investments"²

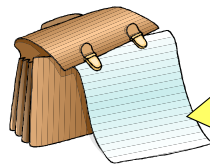
IT portfolio management "is the next best thing to a silver bullet: a practical value and revenue generating and cost reduction approach that works"¹

1. Maizlish, B., Handler, R., *IT Portfolio Management Step-by-Step* (2005)
 2. Kaplan, J., *Strategic IT Portfolio Management* (2005)



PFM is Management Alchemy

Insurance company



Does PFM lead to:

- A unified and integrated enterprise?
- Elimination of 'common errors'?
- Elimination of non-value adding process steps and process time?
- Adequate attention for areas of concern?
- Business/IT alignment?

The IT project portfolio

- Project x
- Access management
- Interactive web portal
- Identity management
- Content management
- DMZ security services
- Electronic purchasing services
- Electronic payment services
- Document management
- Application hosting servers
- **High-speed cyclotron**
- Project z
- Etc.

Projects must be defined based on design!



Unity and Integration Between Car Safety and Comfort...



Design!



Two Design Aspects for Avoiding 'Schismogenesis'



Architecture guides the internal arrangements (the construction)



Business rules guide the way of working (operation)



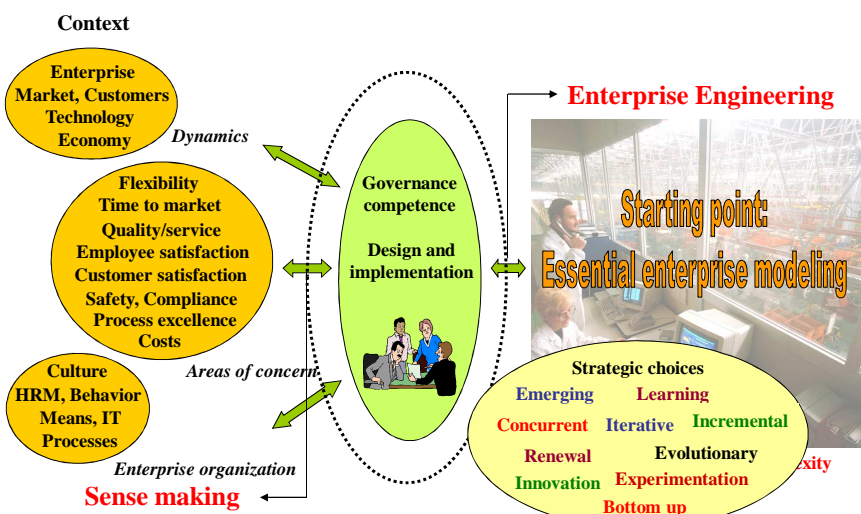
Unity and Integration Also for Operational Rules...



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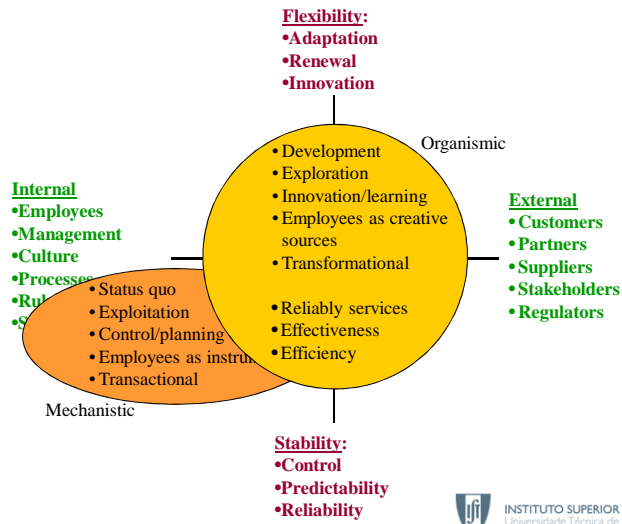
Design: Competence-based Process



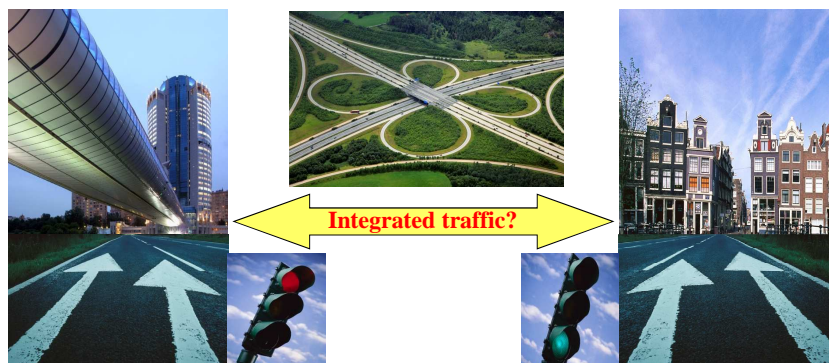
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Holistic Governance Competence



Governance level



Governance must be exercised at the level at which integration is required

Successful Change



Alchemy-driven
Planning/fragmentation

The required transition



Design-driven
Synthesis/integration

Essential enterprise modeling is a crucial first step



In Conclusion



THANK
YOU

