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CIO Office and EA

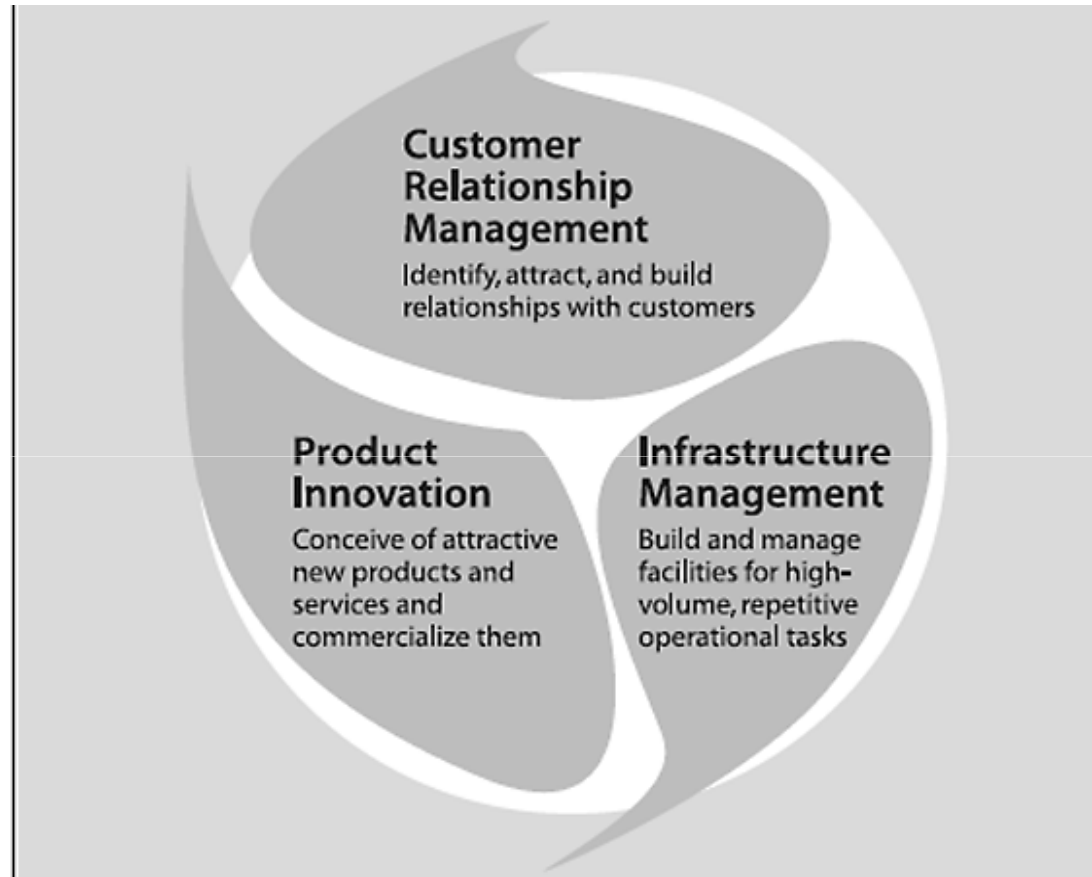
4th Nordic EA Summer School 2013
Marco Halén



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**One company,
Three businesses**

Rethinking the Traditional Organization



Source: Hagel & Singer, HBR 1999

Rethinking the Traditional Organization

Product Innovation	Customer Relationship Management	Infrastructure Management
Economics		
Early market entry allows for a premium price and large market share; speed is key	High cost of customer acquisition makes it imperative to gain large shares of wallet; economies of scope are key	High fixed costs make large volumes essential to achieving low unit costs; economies of scale are key
Culture		
Employee centered; coddling the creative "stars"	Highly service oriented; "customer comes first"	Cost focused; stress on standardization, predictability, efficiency
Competition		
Battle for talent; low barriers to entry; many small players thrive	Battle for scope; rapid consolidation; a few big players dominate	Battle for scale; rapid consolidation; a few big players dominate

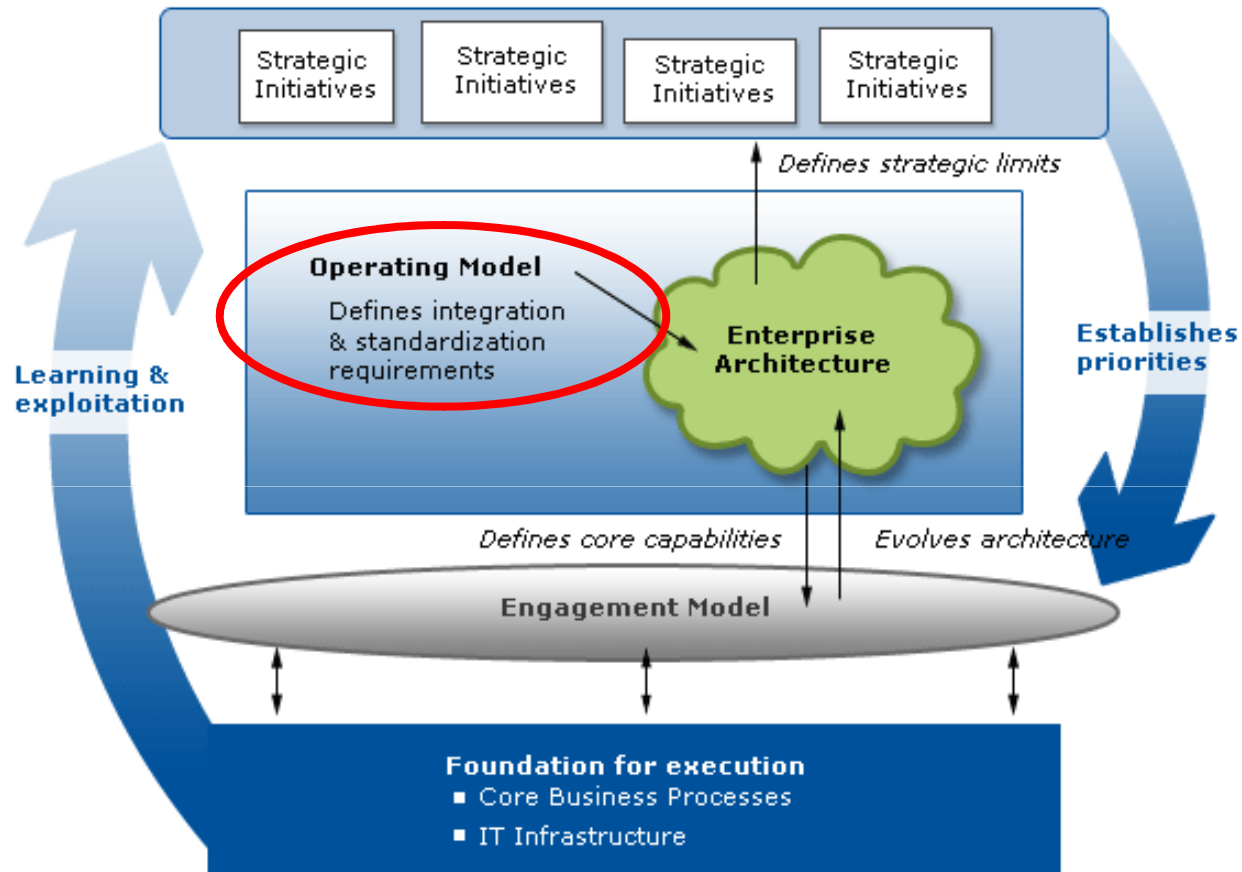
Source: Hagel & Singer, HBR 1999



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Operating model


Enterprise Architecture as Strategy



Authors: Jeanne Ross, Peter Weill and David Robertson

Four Types of Operating Models

Business Process Integration	High	<p>Coordination</p> <ul style="list-style-type: none"> Unique business units with a need to know each other's transactions Examples: Merrill Lynch, Toyota Motor Marketing Europe, MetLife Key IT capability: access to shared data, through standard technology interfaces 	<p>Unification</p> <ul style="list-style-type: none"> Single business with global process standards and global data access Examples: Delta Air Lines, Dow Chemical, Pepsi Americas Key IT capability: enterprise systems reinforcing standard processes and providing global data access
	Low	<p>Diversification</p> <ul style="list-style-type: none"> Independent business units with different customers and expertise Examples: Johnson & Johnson, Carlson Companies, GE Key IT capability: provide economies of scale without limiting independence 	<p>Replication</p> <ul style="list-style-type: none"> Independent but similar business units Examples: Marriott, CEMEX, ING DIRECT Key IT capability: provide standard infrastructure and application components for global efficiencies
		Low	High
		Business Process Standardization	


Center for Information Systems Research

Source: Enterprise Architecture as Strategy: Creating a Foundation for Business Execution, J. Ross, P. Weill, and D. Robertson, Harvard Business School Press, June 2006.
© 2006 MIT Sloan CISR – Ross

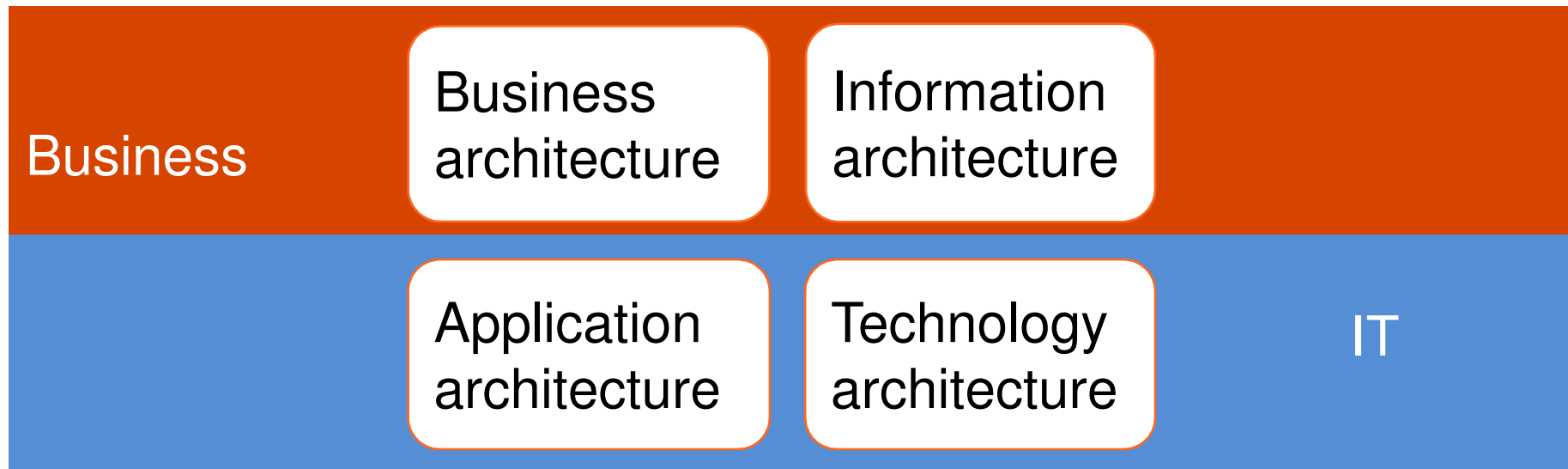
Source: Ross, Weill & Robertson, HBR 2006

Characteristics of Four Operating Models

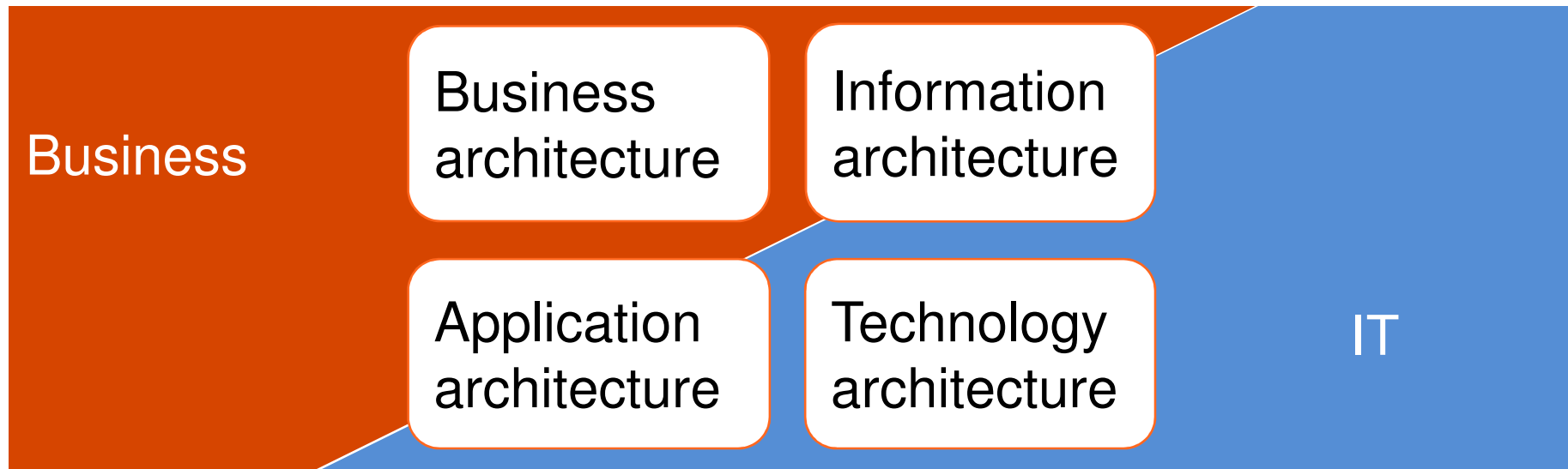
Business Process Integration	High	<p>Coordination</p> <ul style="list-style-type: none"> Shared customers, products or suppliers Impact on other business unit transactions Operationally unique business units or functions Autonomous business management Business unit control over business process design Shared customer/supplier/product data Consensus processes for designing IT infrastructure services; IT application decisions are made in business units 	<p>Unification</p> <ul style="list-style-type: none"> Customers and suppliers may be local or global Globally integrated business processes often with support of enterprise systems Business units with similar or overlapping operations Centralized management often applying functional/process/business unit matrices High-level process owners design standardized process Centrally mandated databases IT decisions made centrally
	Low	<p>Diversification</p> <ul style="list-style-type: none"> Few, if any, shared customers or suppliers Independent transactions Operationally unique business units Autonomous business management Business unit control over business process design Few data standards across business units Most IT decisions made within business units. 	<p>Replication</p> <ul style="list-style-type: none"> Few, if any, shared customers Independent transactions aggregated at a high level Operationally similar business units Autonomous business unit leaders with limited discretion over processes Centralized (or federal) control over business process design Standardized data definitions but data locally owned with some aggregation at corporate Centrally mandated IT services
		Low	High
		Business Process Standardization	

Source: Ross, Weill & Robertson, HBR 2006

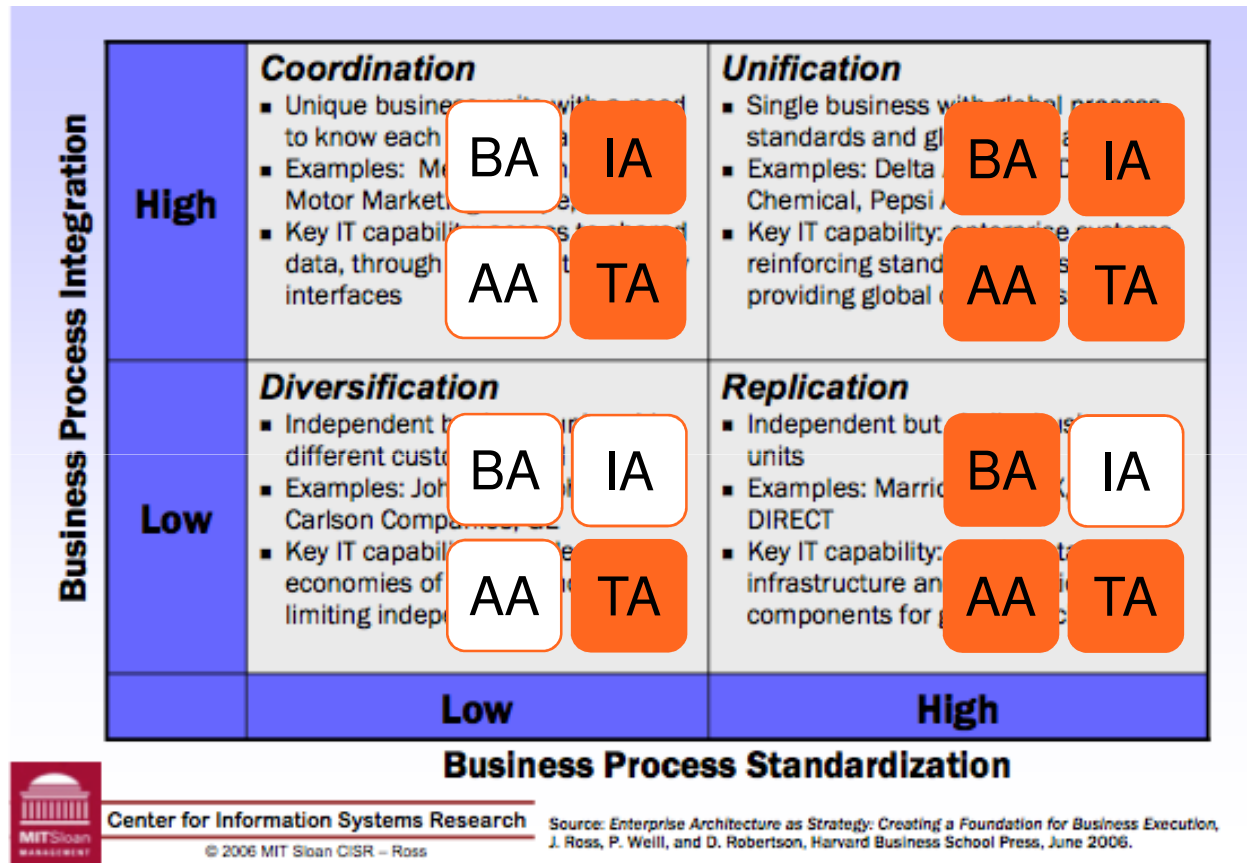
Enterprise Architecture domains and responsibilities



Enterprise Architecture domains and responsibilities in real life



Potential of Enterprise Architecture





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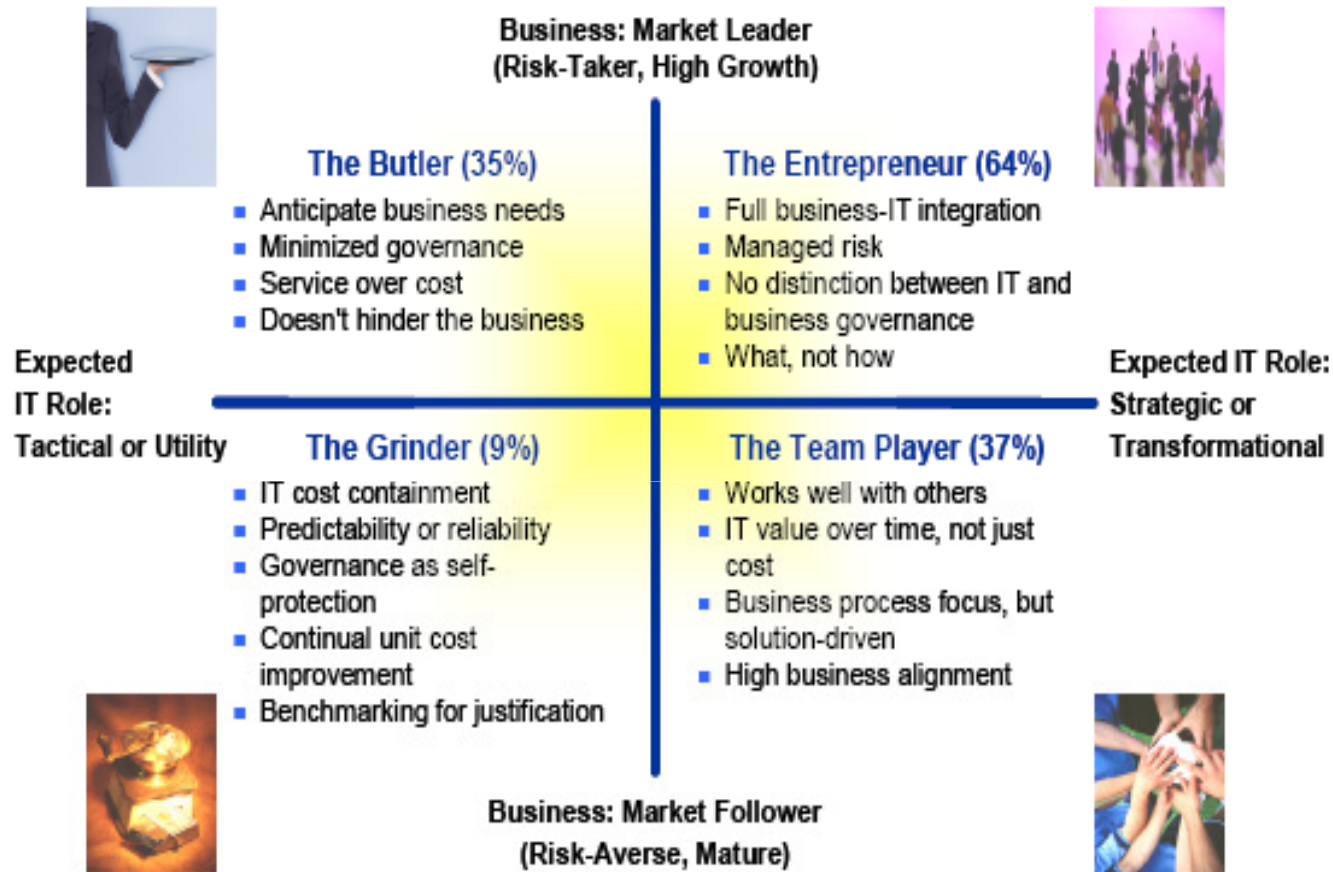
Lesson 1: Face the facts



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What is the Role of IT in the Organization ?

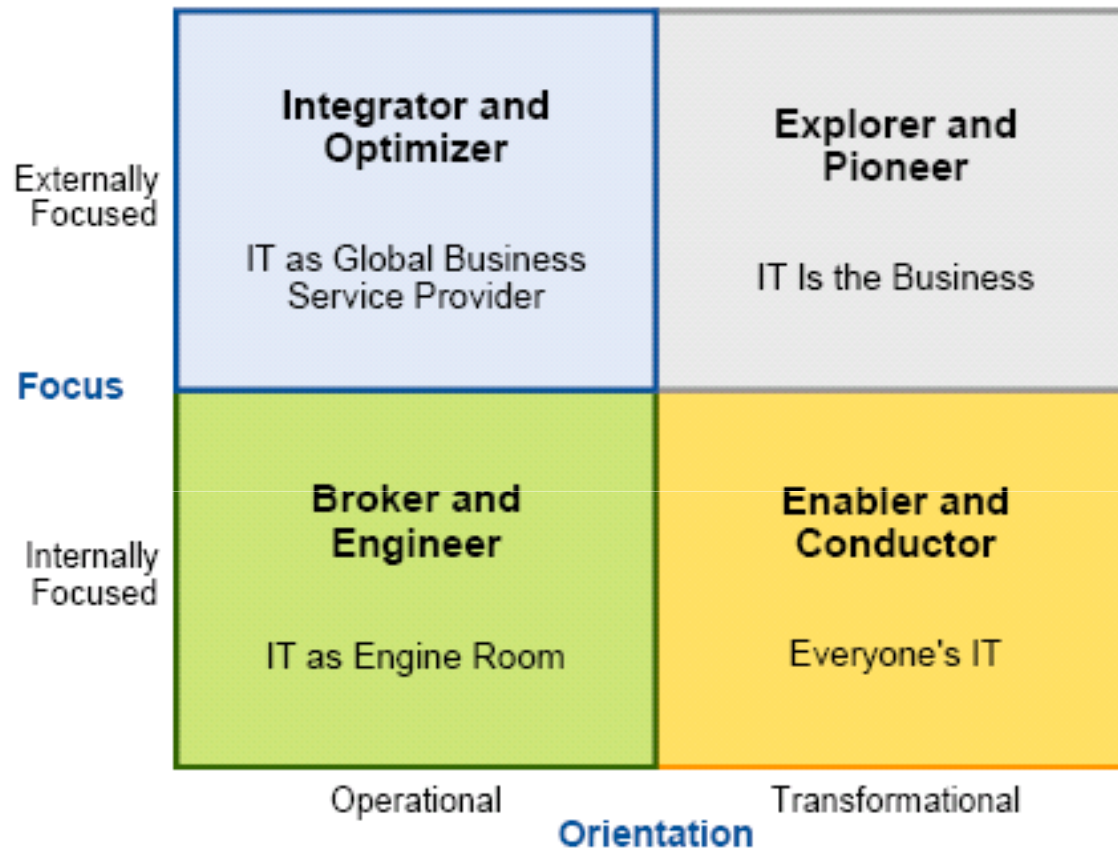
Role of IT in the Organization



Note: More than one response was allowed.

Source: Gartner (December 2007)

Role of IT in the Organization 2.0



Source: Gartner (March 2013)

IT's Evolving Role in the Enterprise

IT as Cost Center	IT as Engine Room	IT as Global Service Provider	IT "Is" the Business
<ul style="list-style-type: none"> ■ Supply-driven ■ Technology-centric ■ Functionally and technically siloed ■ Insulated and monopolistic ■ Cost-obsessed 	<ul style="list-style-type: none"> ■ Demand-driven ■ Solution-centric ■ Predominantly outsourced ■ Orchestral and externally aware ■ Operationally obsessed 	<ul style="list-style-type: none"> ■ Capability-driven ■ Internal-customer-centric ■ Functionally process-based ■ Competitive and engaged ■ Service-obsessed 	<ul style="list-style-type: none"> ■ Goal-driven ■ External customer-centric ■ Business process-based ■ Integrated ■ Market- or industry-obsessed

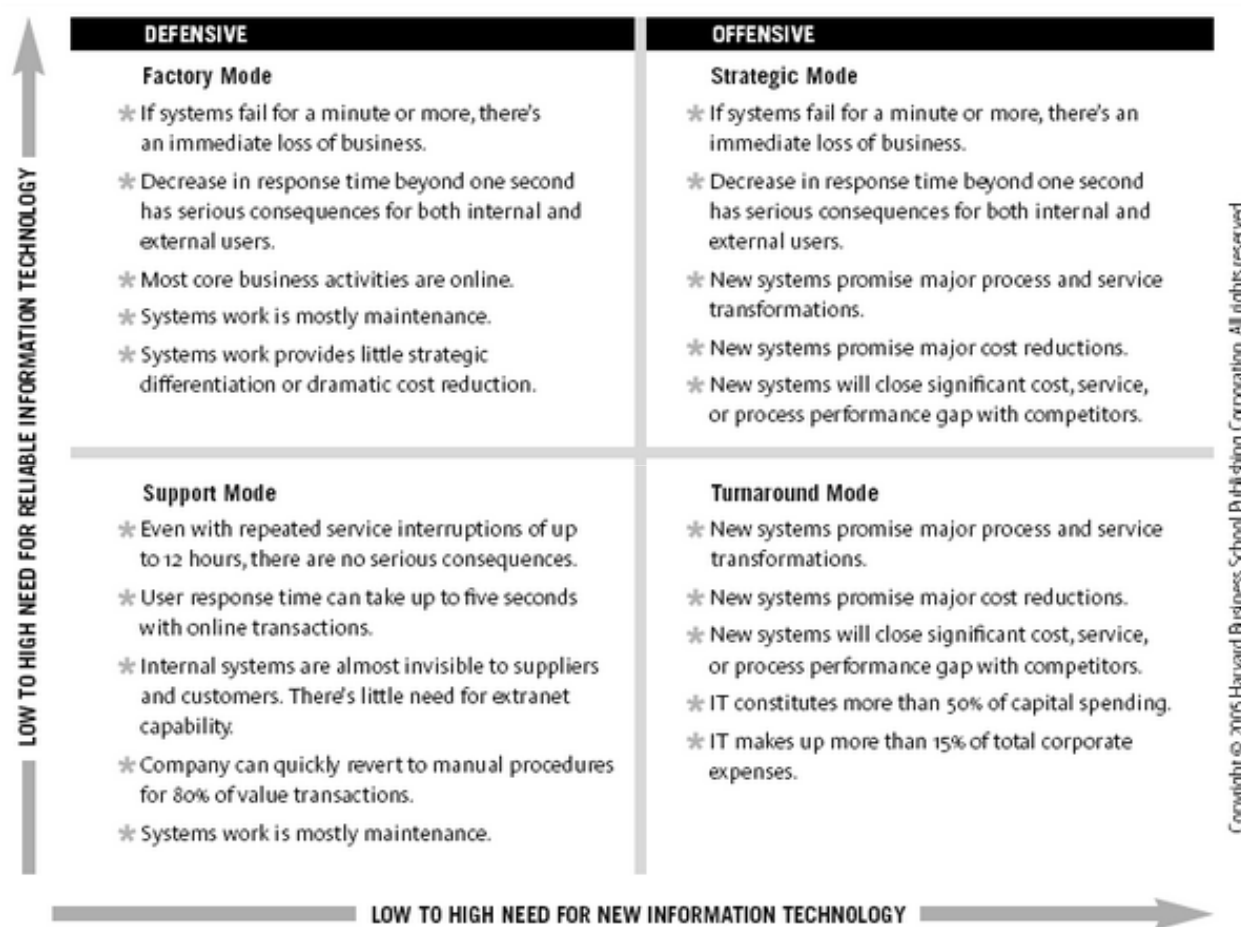
Source: Gartner (April 2012)

The CIO's Evolving Role in the Enterprise

IT as Cost Center	IT as Engine Room	IT as Global Service Provider	IT "Is" the Business
<ul style="list-style-type: none"> ■ Application purveyor ■ Vendor manager ■ Project manager ■ Asset manager ■ Problem manager ■ Skills manager 	<ul style="list-style-type: none"> ■ Solution purveyor ■ Financial analyst ■ Vendor manager ■ Negotiator ■ Conductor 	<ul style="list-style-type: none"> ■ Capability purveyor ■ Operational analyst ■ Change agent ■ Lobbyist ■ Recruiter ■ Leader 	<ul style="list-style-type: none"> ■ Knowledge purveyor ■ Strategic planner ■ Venture capitalist ■ Conceptualist ■ Innovator ■ Economist ■ Risk manager ■ Politician

Source: Gartner (April 2012)

Role of IT in innovation and efficiency



Source: Nolan & McFarlan, HBR 2005



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Lesson 2: Face the facts

**Operating model and Role of IT
define the boundaries for
implementing Enterprise Architecture.**

**Be realistic, but when possible push
the boundaries.**



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Best Practices for IT Governance

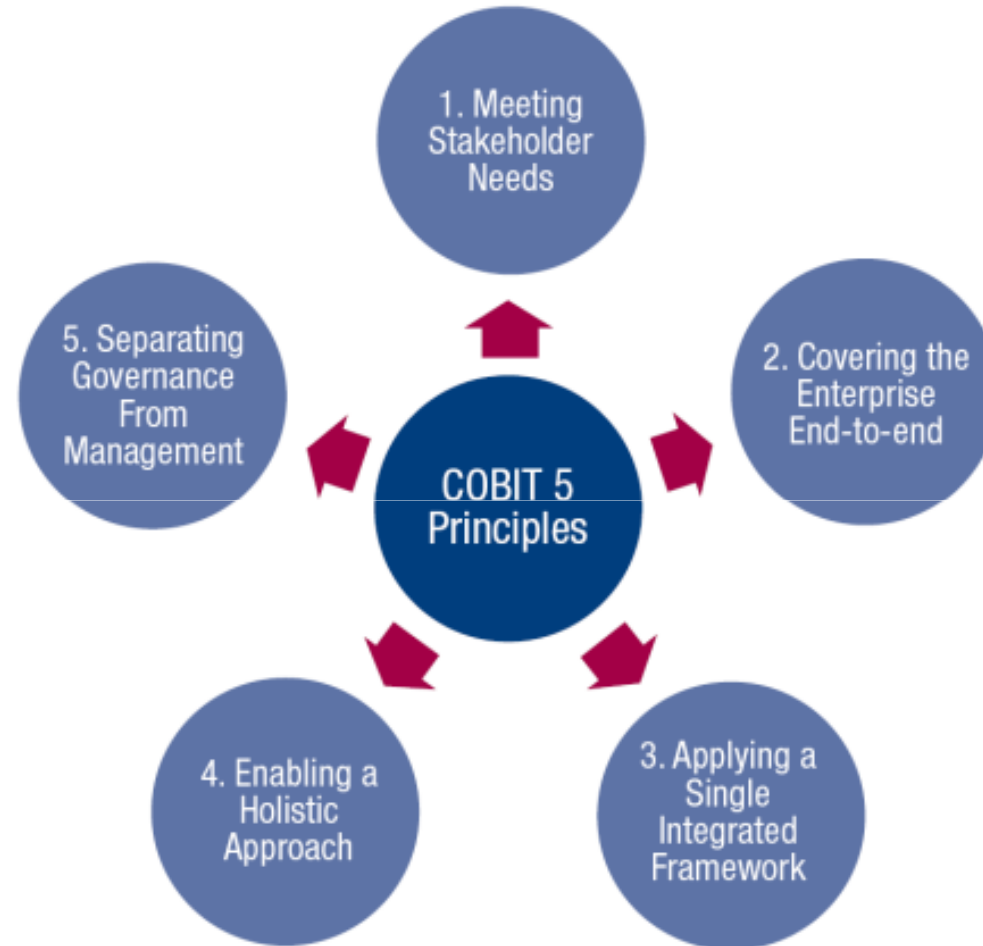
Purpose of IT Governance by IT Governance Institute

The purpose of IT governance is to direct IT endeavors, to ensure that IT's performance meets the following objectives:

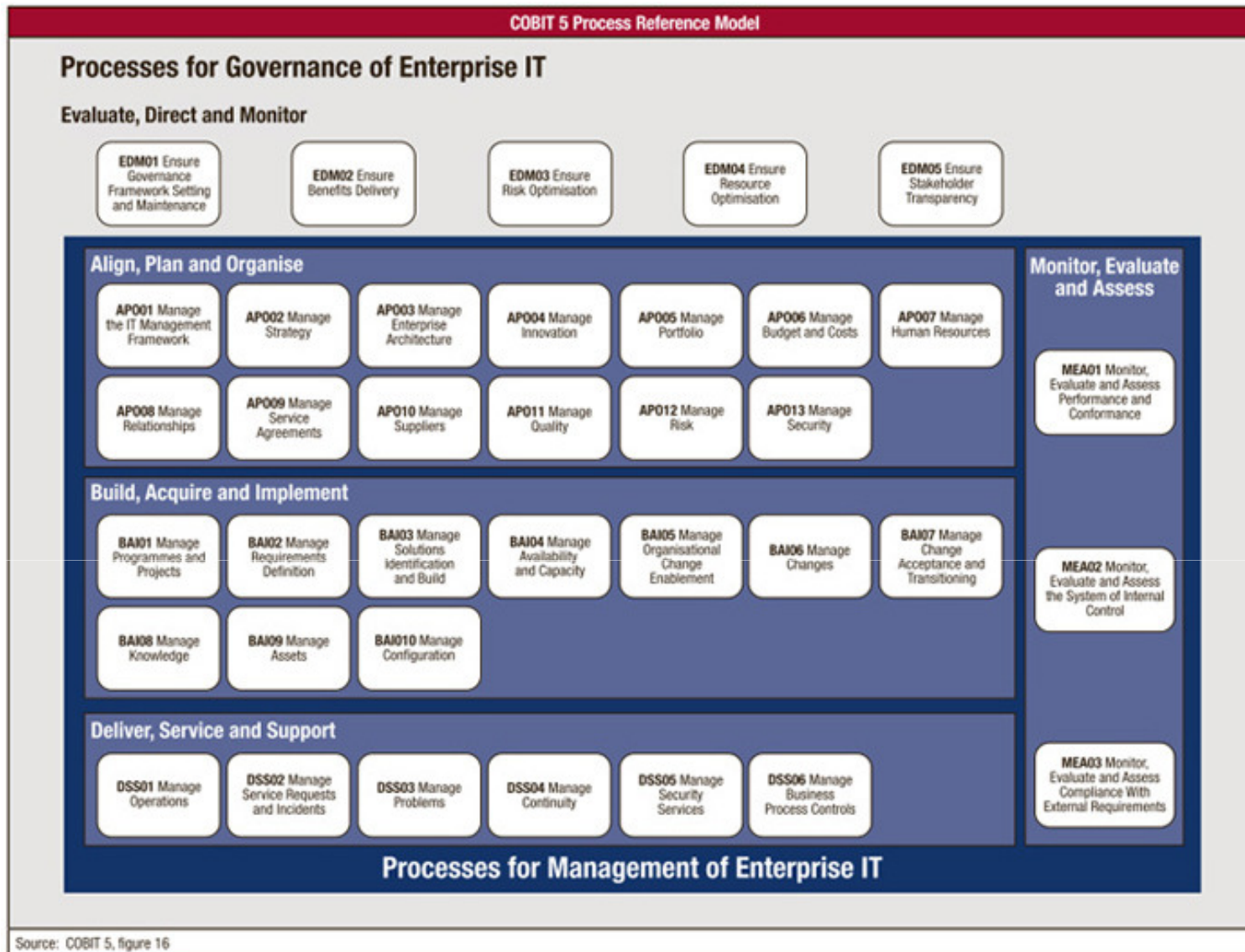
- For IT to be aligned with the enterprise and realize the promised benefits
- For IT to enable the enterprise by exploiting opportunities and maximizing benefits
- For IT resources to be used responsibly
- For IT-related risks to be managed appropriately

Source: www.itgi.org

5 principles of COBIT 5



Source: www.itgi.org



Source: www.itgi.org

7 categories of enablers

1. Principles, policies and frameworks
2. Processes
3. Organizational structures
4. Culture, ethics and behavior
5. Information
6. Services, infrastructure and applications
7. People, skills and competencies

Source: www.itgi.org

7 necessary practices for Enterprise Governance of IT

1. IT steering committee
2. IT project steering committee
3. Portfolio management
4. IT budget control and reporting
5. CIO reporting to the CEO/COO
6. IT leadership
7. Project governance/management methodologies

Source: Van Grembergen & De Haes, 2010

3 questions for effective Governance

1. What decisions must be made ?
2. Who should make these decisions ?
3. How will we make and monitor these decisions ?

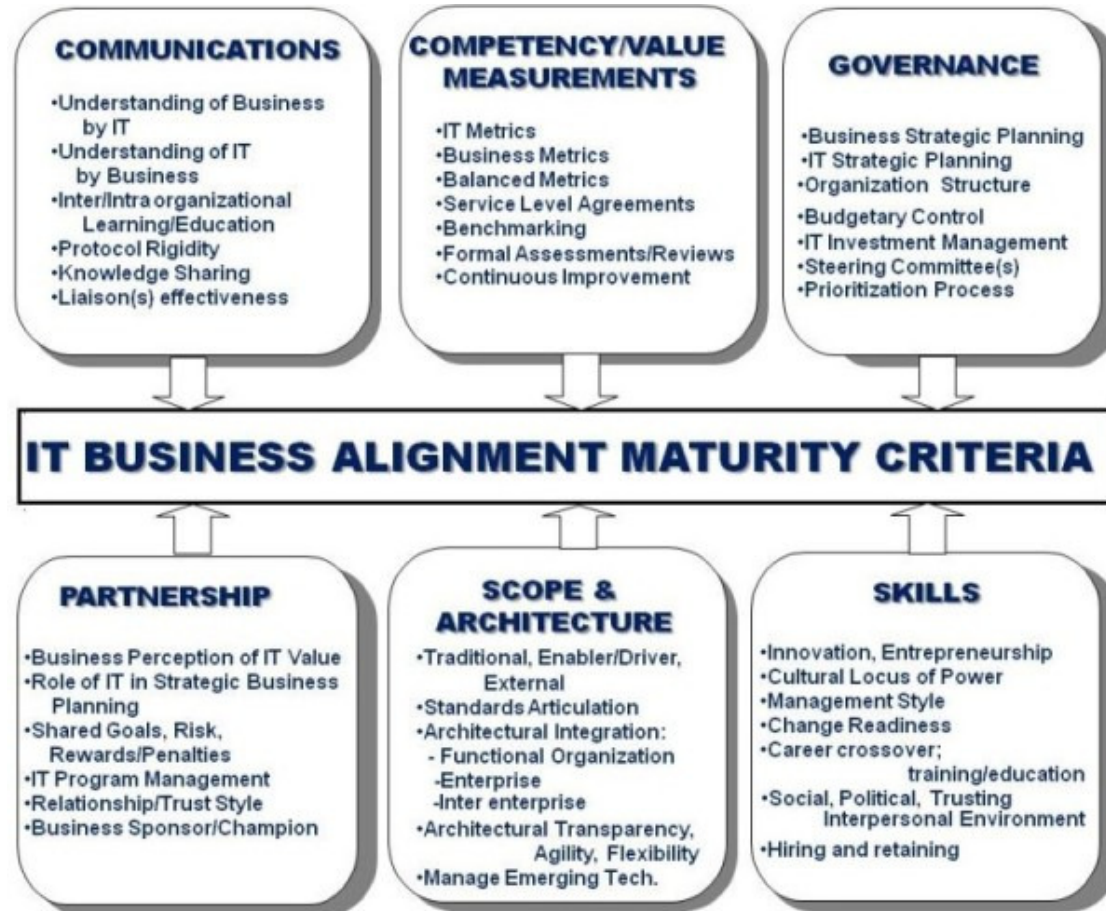
Source: Ross & Weill, 2004

Key IT Governance Decisions

1. IT principles
2. IT architecture
3. IT infrastructure
4. Business application needs
 - Fostering creative solutions
 - Disciplined execution
5. IT investment and prioritization
 - How much to spend ?
 - How to allocate IT investment ?
 - How to align investment with strategic needs ?

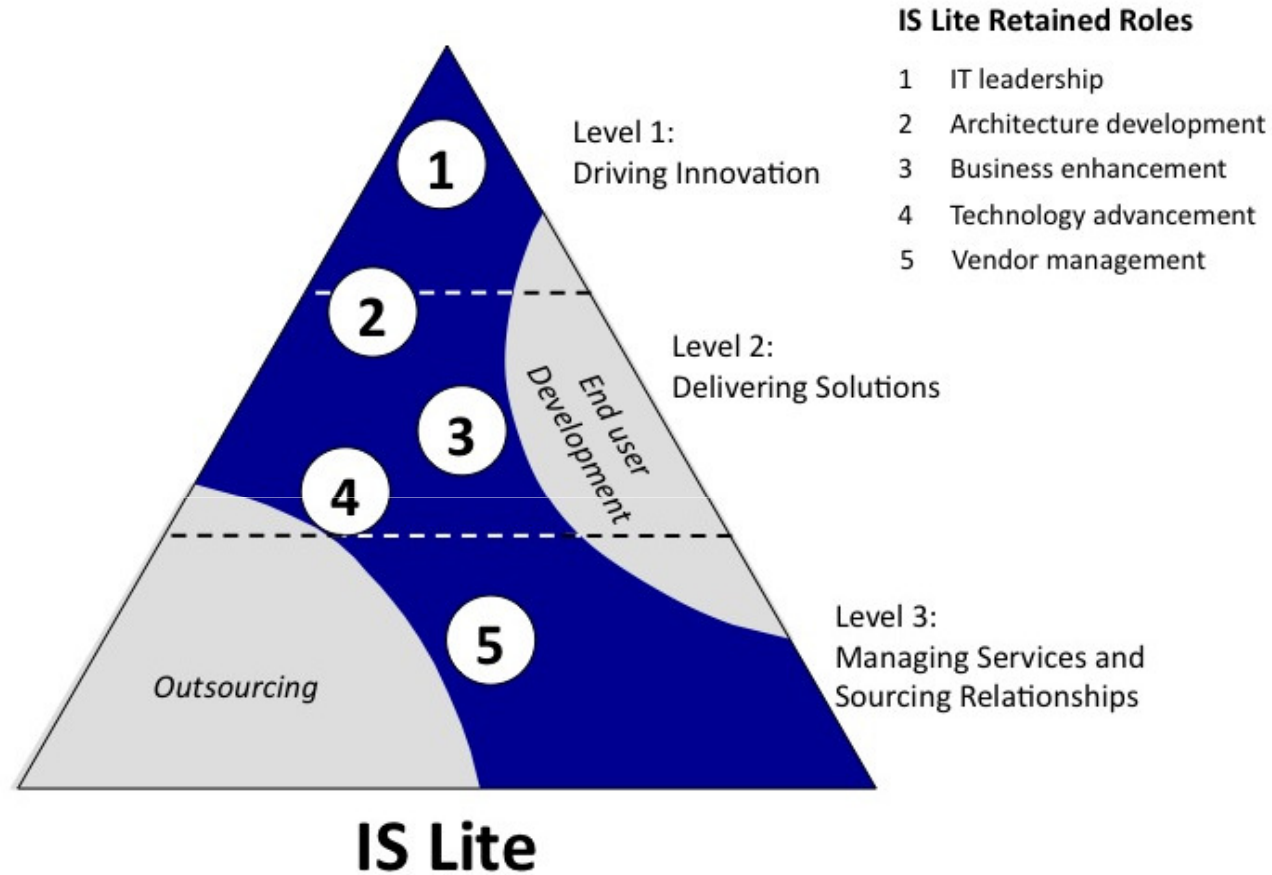
Source: Ross & Weill, 2004

IT-Business alignment maturity assessment



Source: Luftman

IS Lite by Gartner



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Source: Gartner

Demand and Supply sides of IT

Typical CIO's tasks:

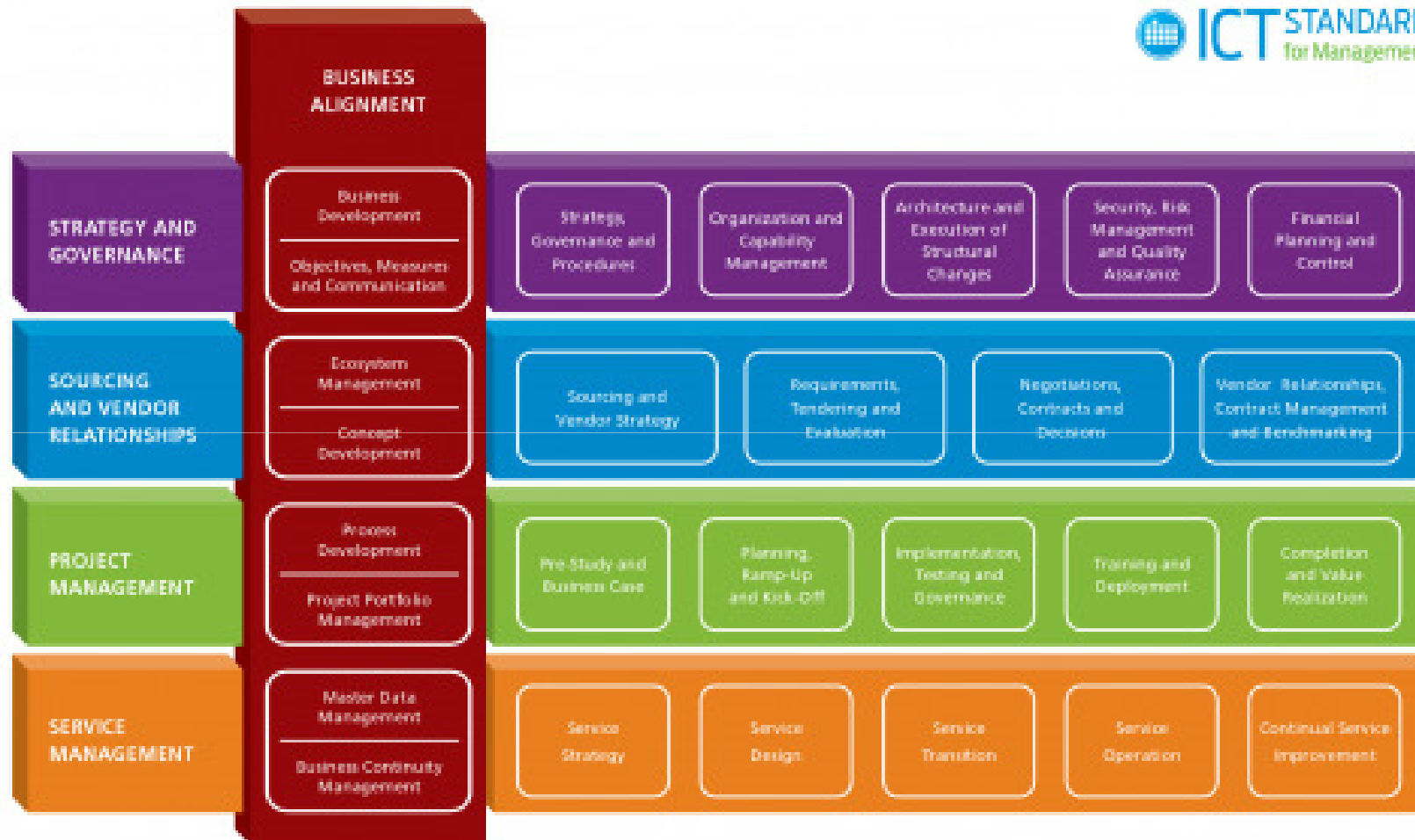
- IT strategy as an integral part of the business strategy
- Business and information architecture
- Innovation in business processes and exploitation of new technologies
- Business case development and approval
- Investment prioritization
- Portfolio management
- Risk management
- IT governance
- IT principles
- IT financial management and performance management

Typical Chief IT Operating Officer's tasks:

- Service delivery for an agreed portfolio of services
- Providing customer support through a service desk
- Meeting SLAs
- Technology architecture
- Disaster recovery
- Maintaining secure environment
- Asset management
- Project management
- Resource management
- Budget management and cost benchmarking
- Supplier management

Source: Gartner

ICT Standard for Management





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Lesson 3: Build a solid foundation for overall IT Governance



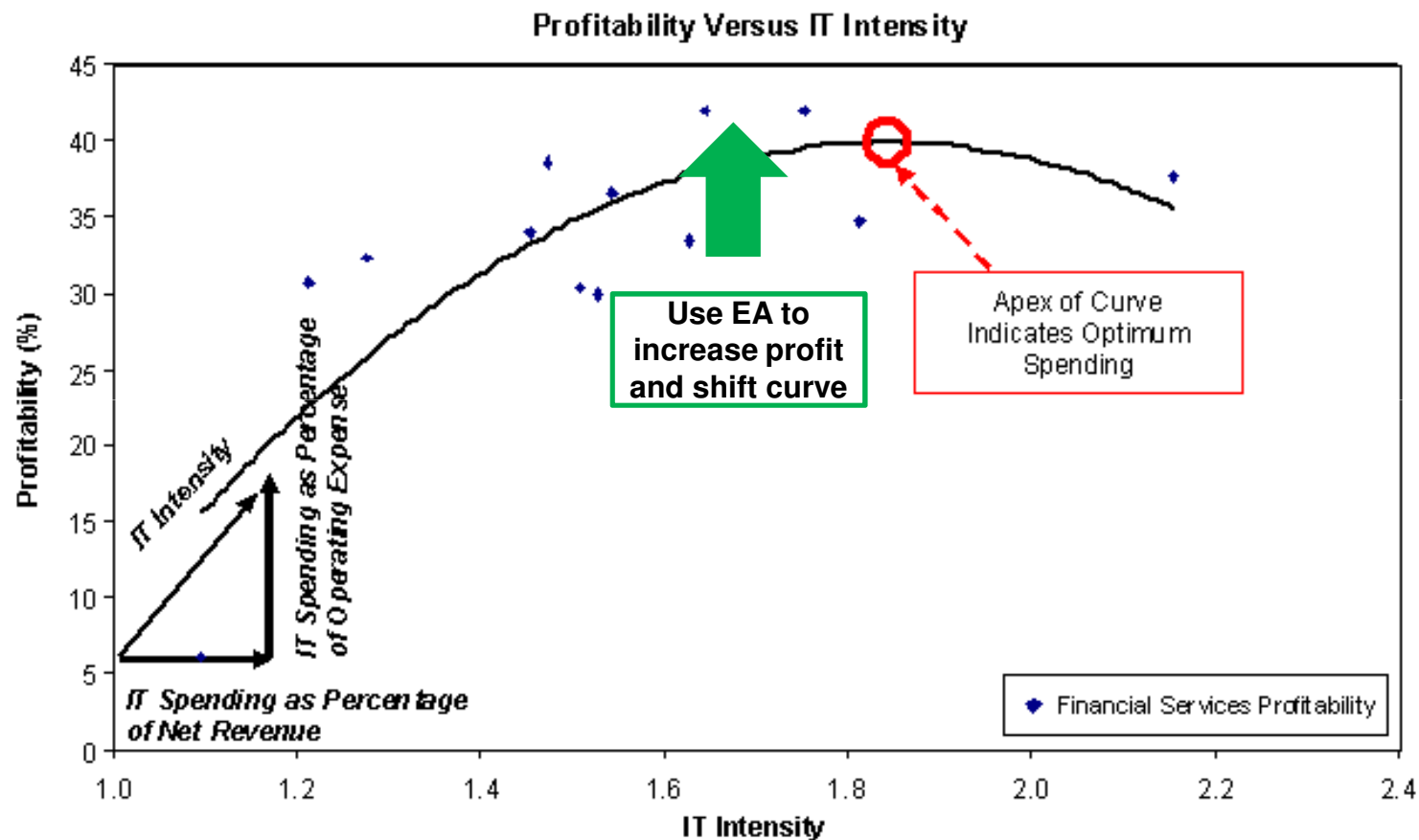
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Establish the value of Enterprise Architecture

Value of Enterprise Architecture

1. Holistic view of enterprise, where does our competitive advantage come from ?
2. How can we make the transformation needed ?
3. Long term agility allowing even short term changes to be made quickly (time-to-market), cost effectively and with lower risk
4. Bring simplicity into complexity
5. Build once, use many times. Use all means (e.g. cost allocation) to enforce desired behavior
6. Get more value out of the money spent

Value from IT investments has a limit but Enterprise Architecture can shift the curve



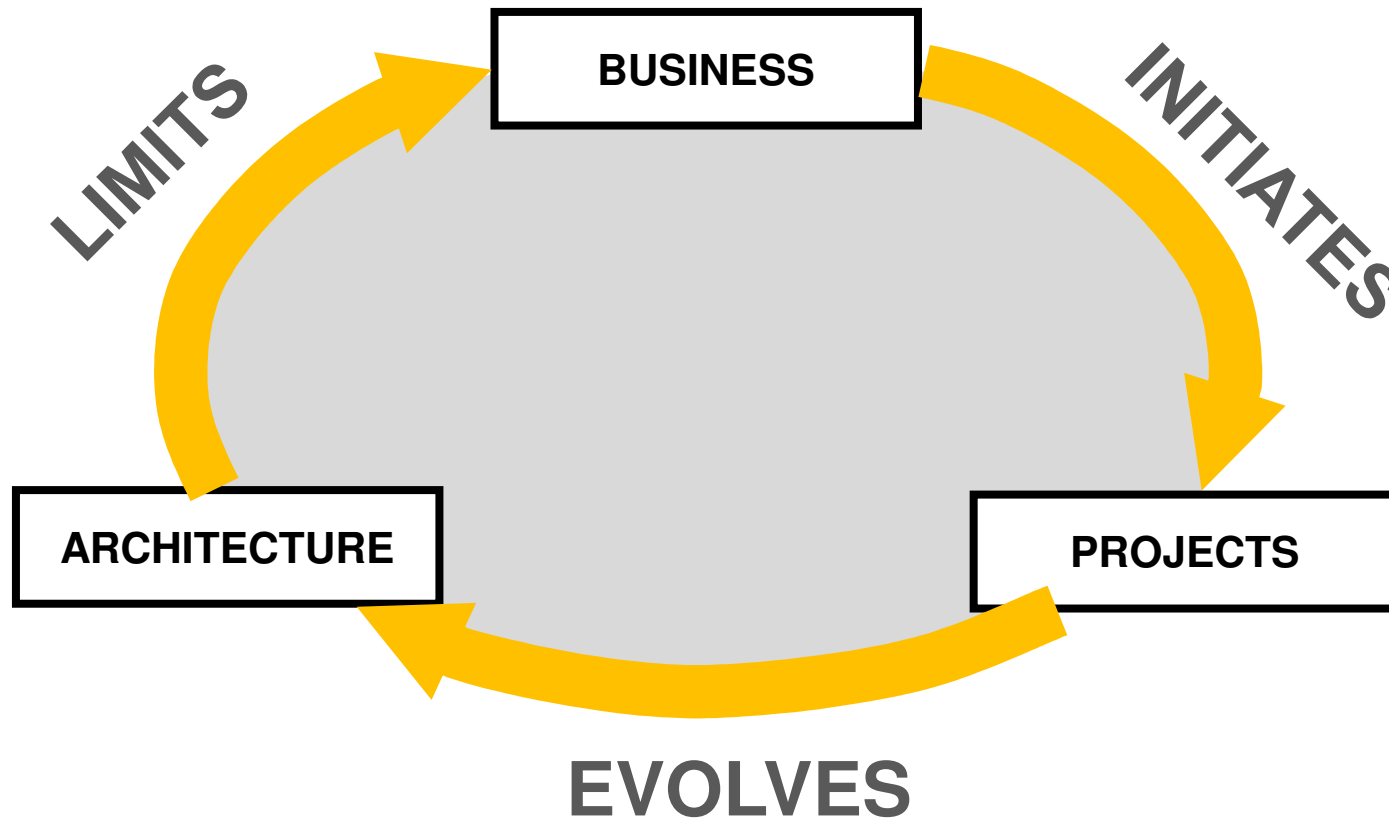
Source: Gartner, 2011



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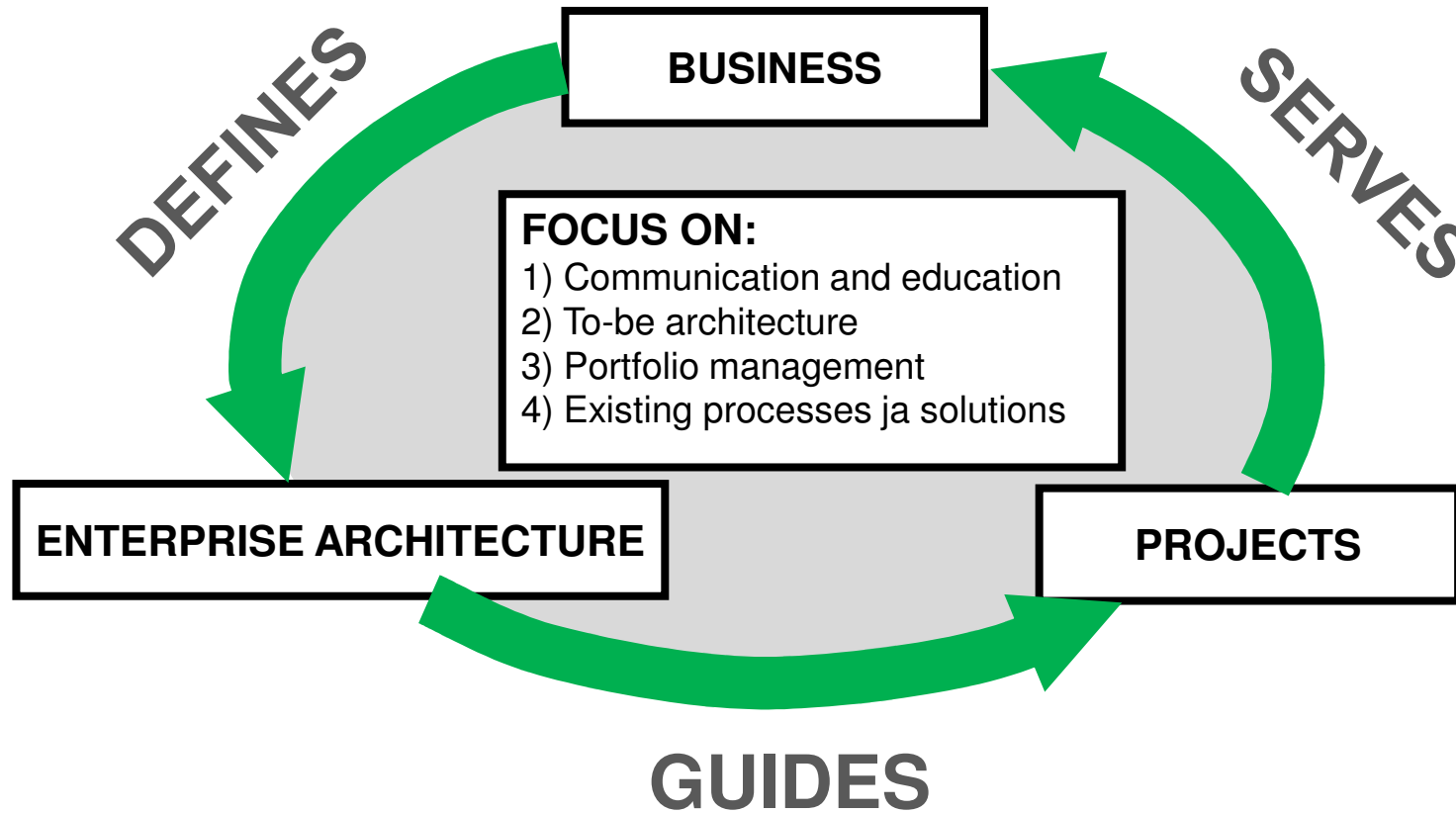
Experiences from real life

Business Driven Development



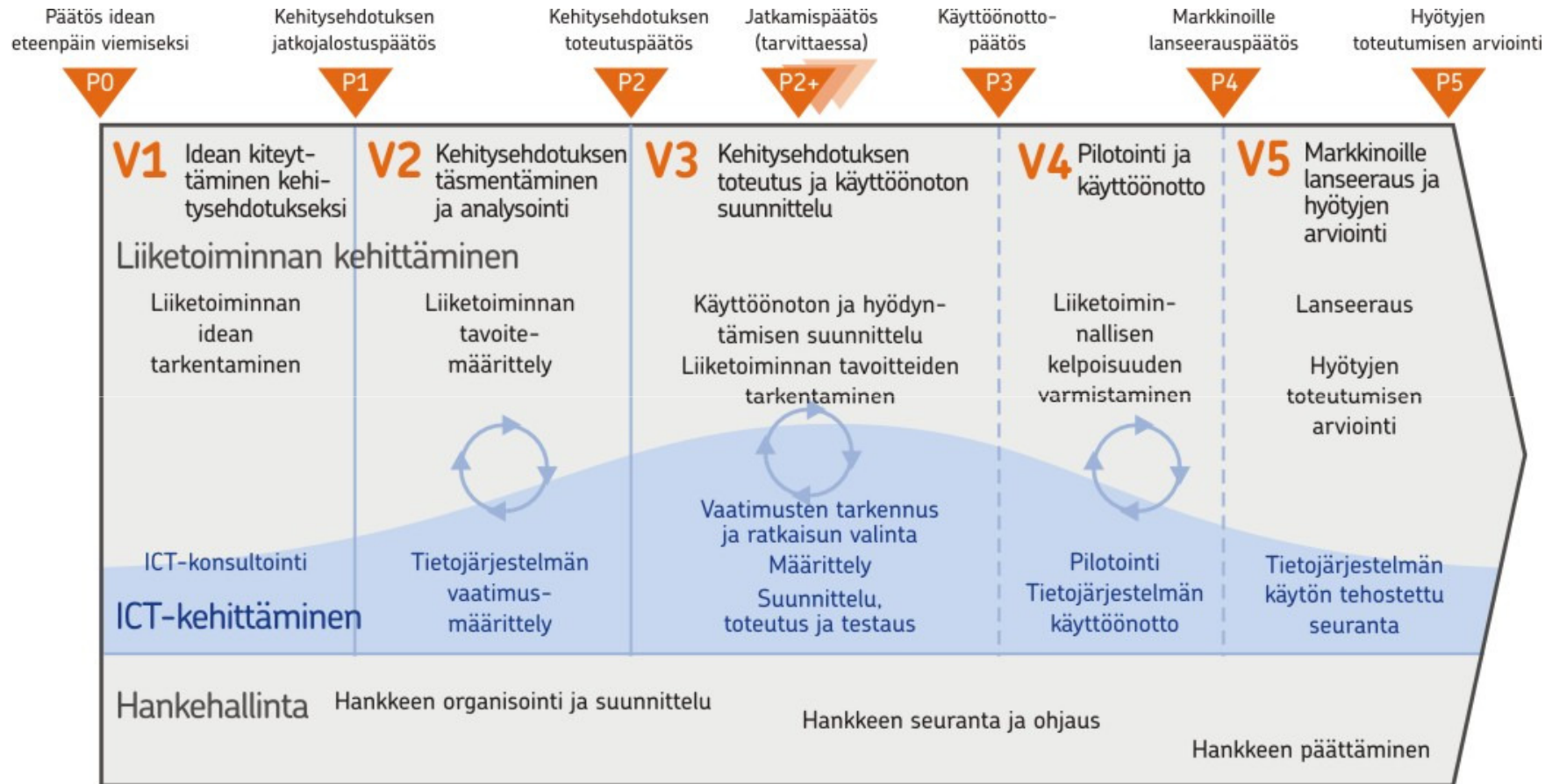
Source: OP-Pohjola, 2009

Turning the rotation



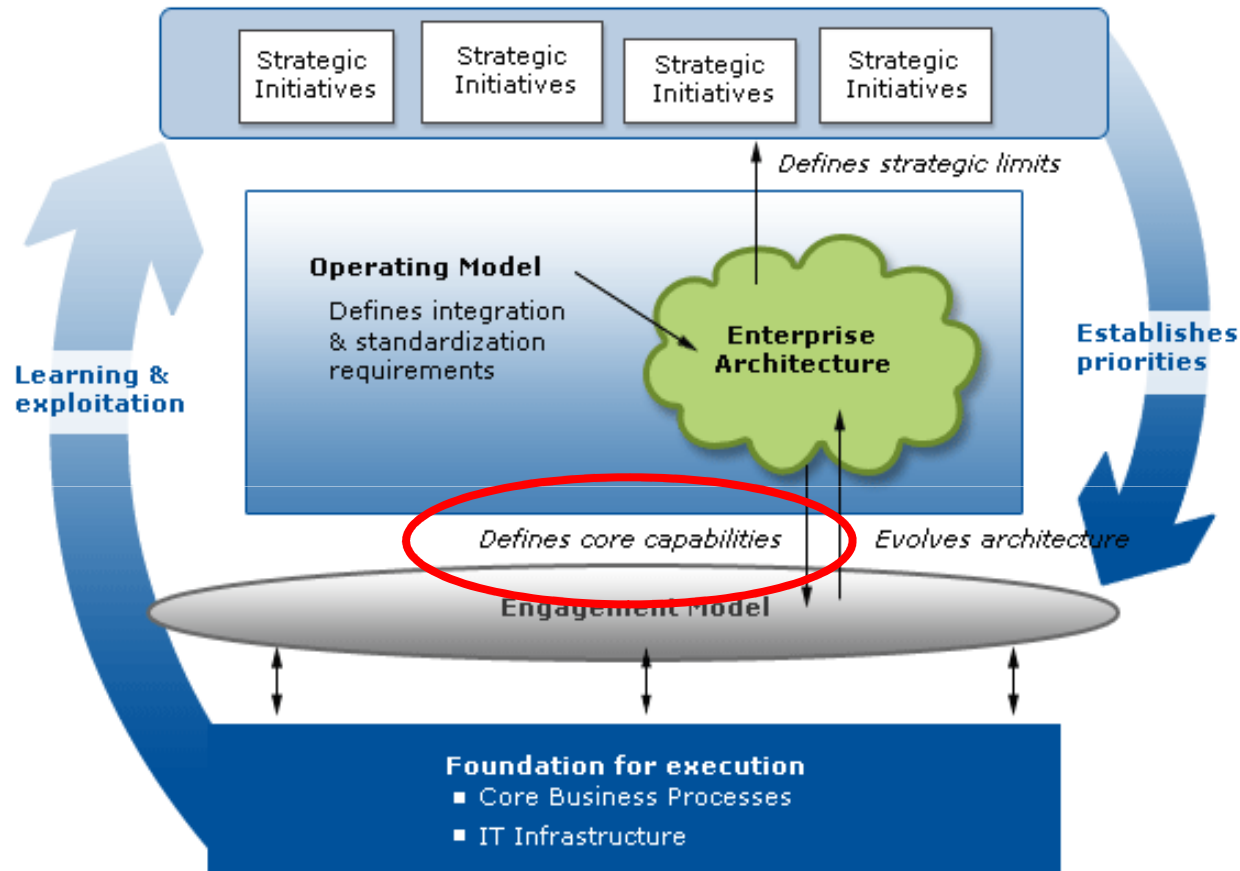
Source: OP-Pohjola, 2009

Enforce Business development process



Source: OP-Pohjola, 2010

Use Capabilities instead of Processes



Authors: Jeanne Ross, Peter Weill and David Robertson

Example: Capabilities for a Bank



Source: Gartner



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Lesson 4: Put effort to education to enhance maturity level



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CIO Office as a Green House







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Lesson 5: Foster organizational interaction



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Communication
Communication
Communication



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Lesson 6: Create plain and common language

Culture eats strategy for breakfast and governance for lunch



Key to success





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Thank you !

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