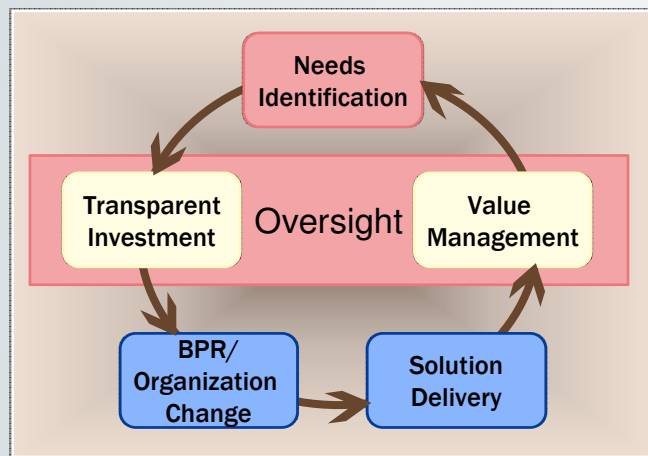


IBM-MIT Sloan CISR Senior Executive Program: IT for New Business Value
Lima, Peru — August 23-25, 2010

The Value of Transparency in IT Management



George Westerman
Nils Olaya Fonstad
Cyrus F. (Chuck) Gibson

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Peter Weill and Richard Hunter collaborated in the research.



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- Founded in 1974; CISR has a strong track record of practice-based research on how firms manage & generate business value from IT
- Research is disseminated via electronic research briefings, working papers, research workshops & exec. ed. programs

2010 CISR Research Projects

The World is Changing—Now What?

- Agile IT Decision-Making with Accountability
- Adopting Business Applications in the Cloud
- IT's New Look
- Innovating the Future of the Enterprise

Working Smarter with IT

- Building the Information-based Organization
- Digital Intelligence: Capturing the Value of Unstructured Data
- Collaboration Platforms: Managing the Opportunities of Web-based Business Practices
- Increasing Reuse to Improve Enterprise Performance

What Works? Surveying Best Practices

- The MIT CISR Value Framework—How Firms Achieve Superior Business Value from IT
- Transparency: A Critical IT Management Competency
- What we Measure Matters: Key Measures for Digitization

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Cambridge, MA 02142

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What Causes Difficulty in Getting Value from IT?

- Ineffective prioritizing
- Poor project planning and execution
- Disconnect between IT and business strategy
- Stifling rules and “bureaucracy”
- Lack of business knowledge



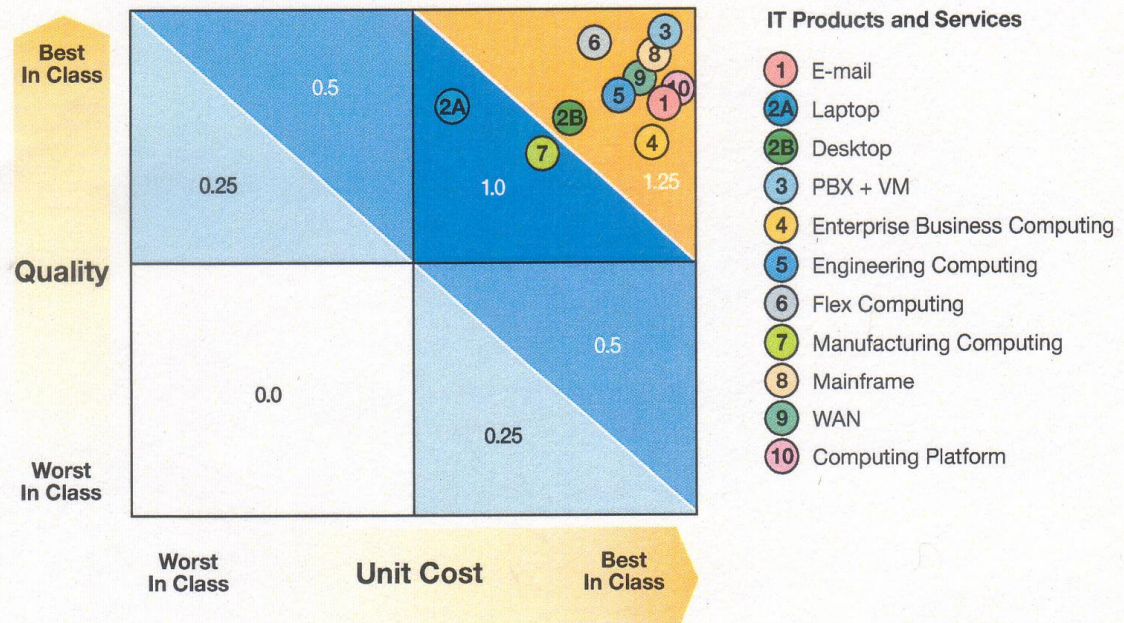
- Conflicting demands
- Not managing change to process and organization
- Unwillingness to link short term to long term
- Impatience with standards and procedures
- IT leaders not included in key discussions

Transparency is the answer:
Clarity on performance, decision processes, and roles

The Value of Transparency at Intel

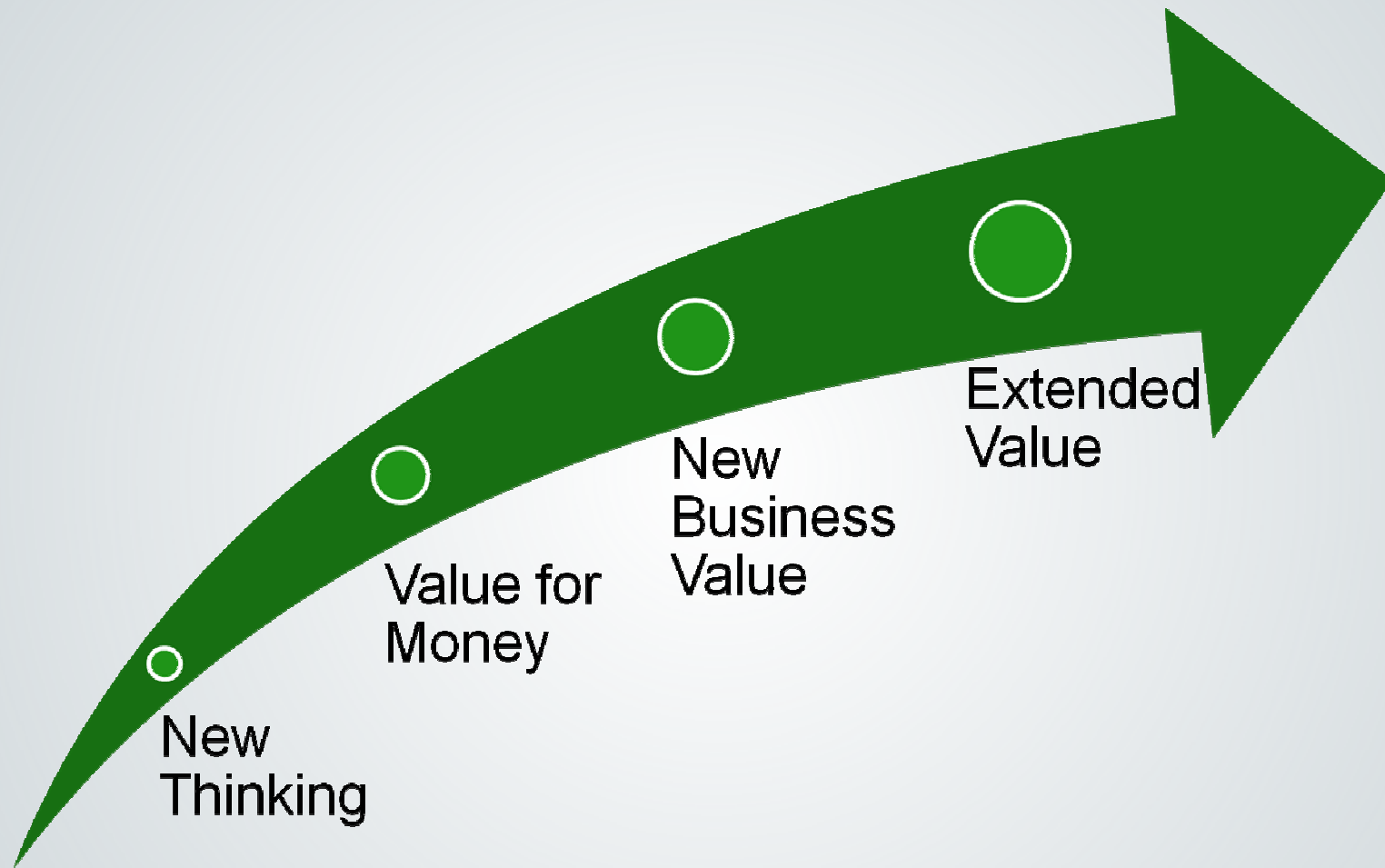


2003 IT Benchmarks: How Our Products and Services Compare



Intel IT conducts detailed benchmarking with a consortium of peer IT organizations. We compare cost and quality for our highest impact products and services. In 2003, benchmarking results showed continued improvement in absolute terms, and strong relative quality and cost results for each product or service.

The Path to IT Value: Transparency is Fundamental



Improving Operations: Value for Money

- IT delivers ‘Value for Money’ when it provides the right services for the right price and the right level of quality
- Communicate about IT performance in useful terms
 - Unit costs
 - Consumption volume
 - Quality
- Link IT operations to business operations
- Benchmark performance, internally or externally

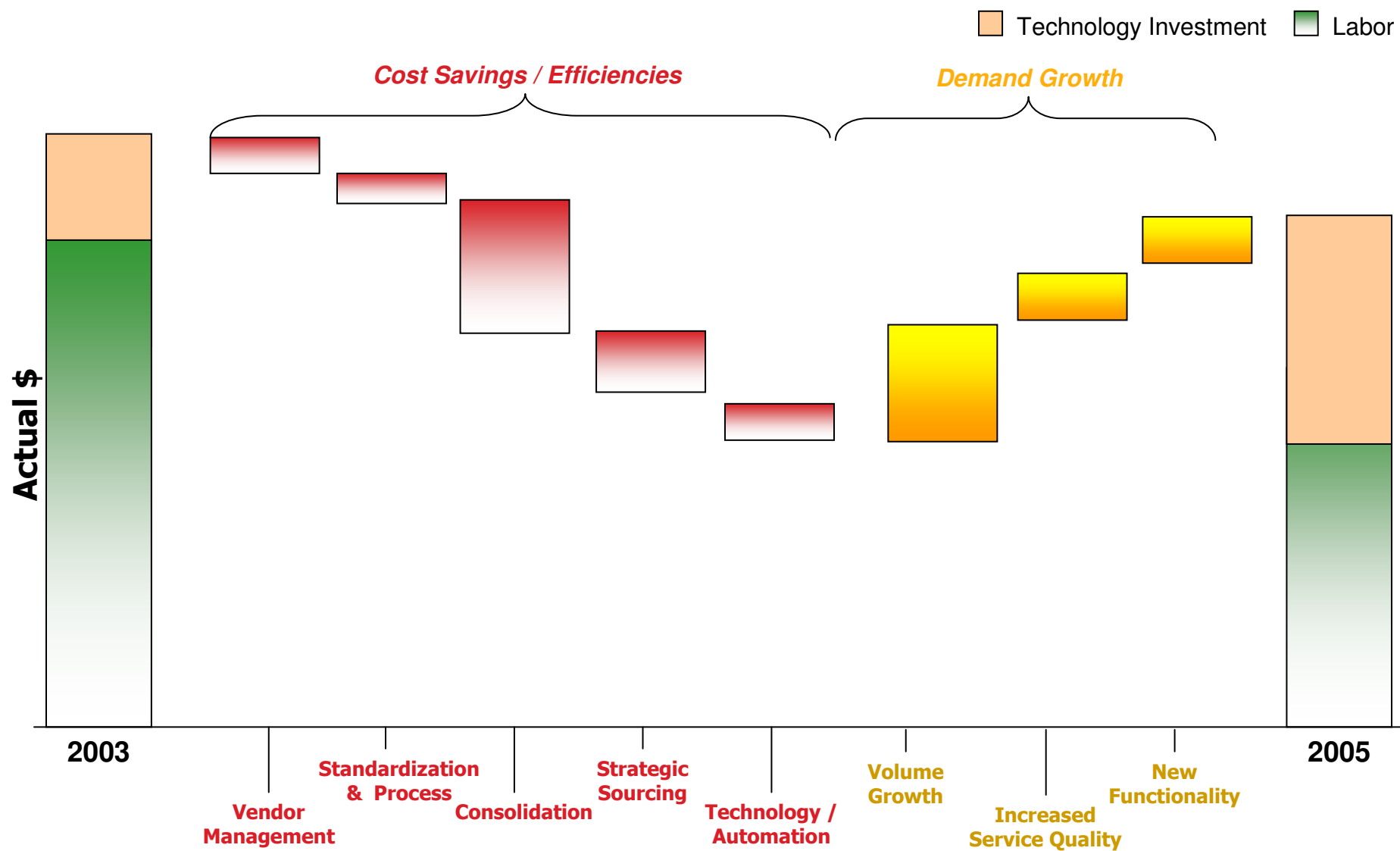


Getting Started: Service-Level Metrics at Freescale Semiconductor

IT Services	Cost Metrics	Service Level Metrics
PCs	<ul style="list-style-type: none"> ▪ Cost Per PC ▪ Desktop/Laptop Ratio 	<ul style="list-style-type: none"> ▪ Time to Install ▪ Time to Resolve Problems
Email	<ul style="list-style-type: none"> ▪ Cost Per Mailbox ▪ Mailboxes 	<ul style="list-style-type: none"> ▪ Availability ▪ Message Delivery Time
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Business Applications	<ul style="list-style-type: none"> ▪ Cost/Function Pt ▪ Cost By Business Area 	Projects: <ul style="list-style-type: none"> ▪ Delivery to Schedule ▪ Delivery to Budget ▪ Defects in Production Support: <ul style="list-style-type: none"> ▪ Time to Resolve Problems

Value for Money at JM Family

- \$10B private automotive company:
 - World's largest Lexus dealership
 - Largest Toyota distribution
 - 160 dealers with 20% market share
 - Financial services, warranty and insurance
- Many awards/rankings (for excellence and top place to work): *Fortune*, *Forbes*, *Information Week*, J.D. Power, S&P
- Shared services unit includes IT plus finance, procurement, food services, relocation, dealer and associate services
- Goal of 100% cost recovery for IT; IT cost reduced every year while increasing service levels and business impact
- Communicating about Value for Money improved IT performance and credibility



Output Service

What Is This Service?

All encompassing document copy, print, fax and scan capabilities. The service is all inclusive of output device, service, supplies, parts and maintenance.

What Is Included?

Basic Service

- BizHub Fleet located throughout Deerfield campus
- Service, supplies, parts, maintenance of equipment
- Infrastructure service, maintenance and support
- USIS providing on-site, dedicated service technicians
- BizHub locator and training materials www.bizhub

What Should You Expect?

Performance Metric

Service Restored Within
Callback

Target

4 hours
<5%

All associates will be set up to print to multiple devices to reduce any potential downtime or backlog with any single device.

[Click Here to see historical service performance](#)

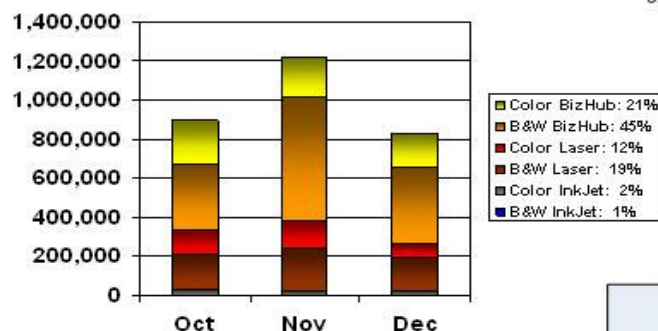
How Do We Charge?

Unit of Charge:

Actual usage, per page charge

Current Charges:

Scans = .02
Black and White Print to BizHub = .07
Color Print to BizHub = .13
Print to Laser Printer = .15
Print to Ink Jet Printer = .25



What Are The Cost Drivers?

Variability Index 5.0

The index indicates Output Service is entirely influenced by user behavior.

- Number of pages printed
- Color selection
- Type of printer

Cost-saving behavior:

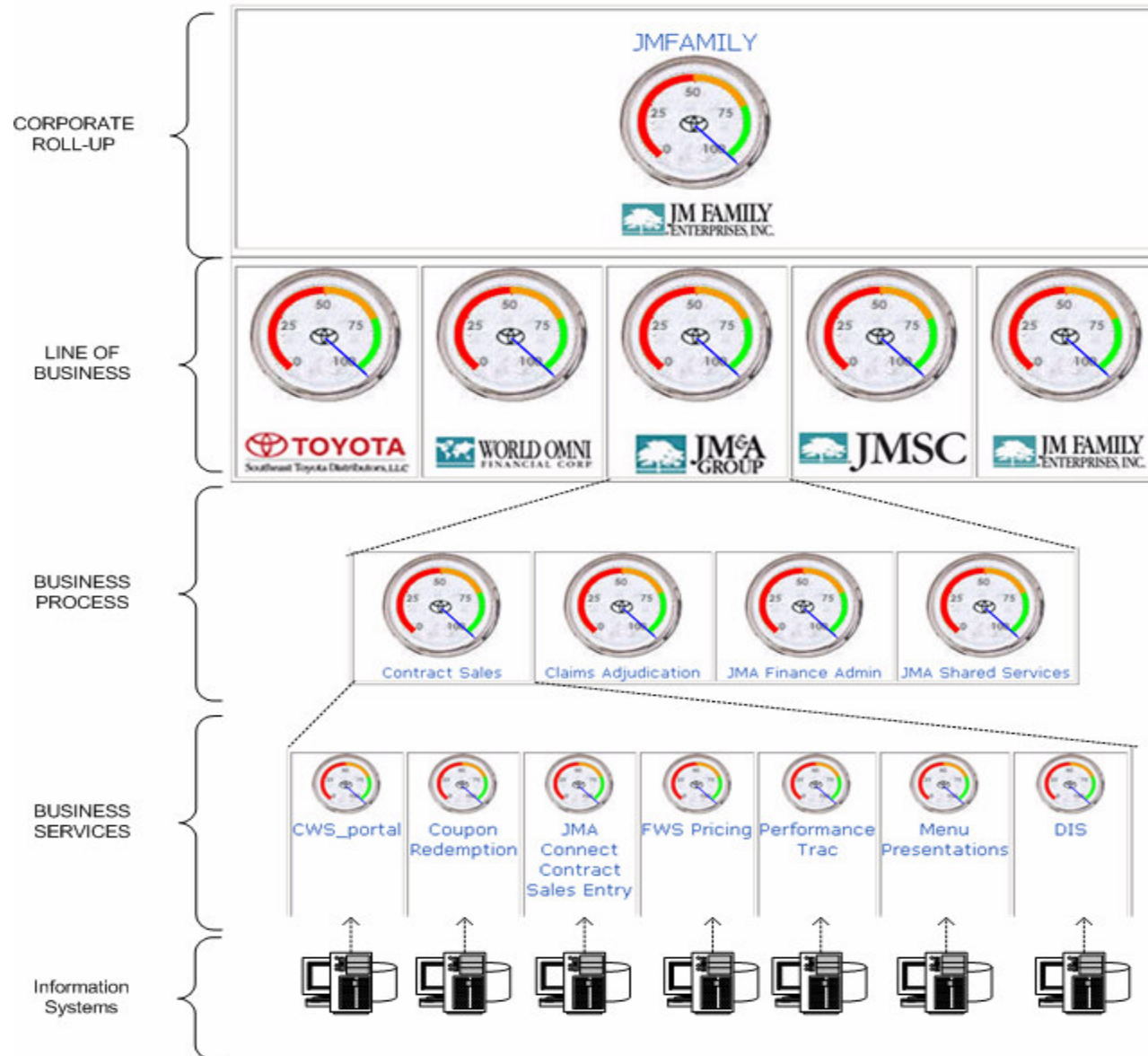
1. Utilize BizHub, least expensive device
2. Scan and distribute versus print and distribute. Allow receiptant to print if needed.
3. Print double sided.

Who Can I Contact?

Contact Matt Aschendorf, at 954-xxx-xxxx; e-mail at xxx@jmfamil.com. For service requests or supplies call 954-xxx-6800 or click the link below.

[Click Here to report an Issue with this Service](#)

Service Dashboard

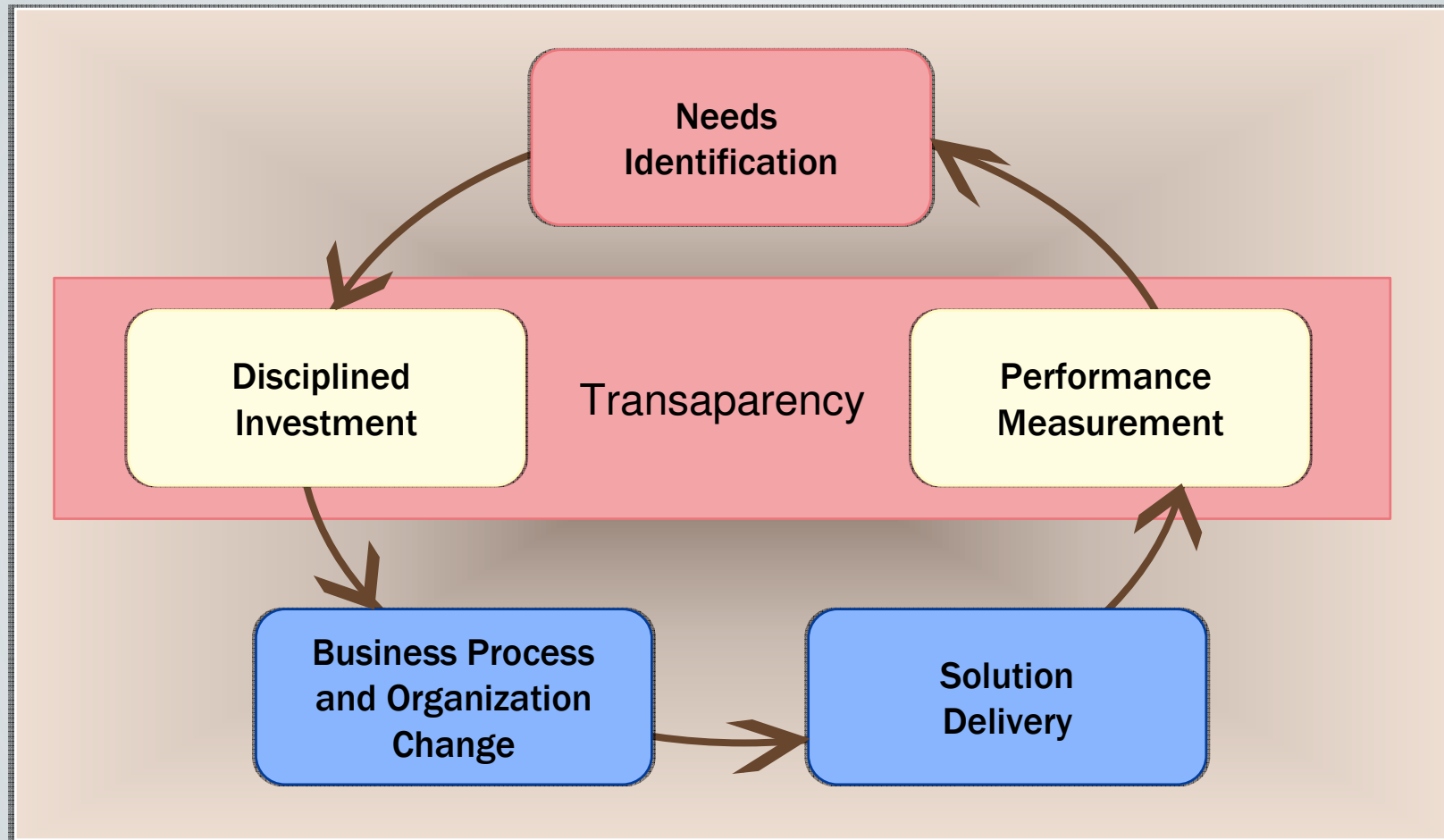


Improving Projects: IT as an Investment in New Business Value

- Establish the "Virtuous Cycle" of IT value
 - Transparent decision-making
 - Transparent value measurement ("Harvesting")
 - Transparent roles
- Identify new ways to generate value



The Virtuous Cycle of Business Value from IT



Notes: These tasks are statistically significantly related to higher business value from IT (BVIT) in a study of 153 senior non-IT executives.

BVIT is the perceived effectiveness of IT in delivering four IT objectives: cost, asset utilization, revenue growth and business agility.

BVIT is correlated

to financial performance measures such as ROE and market capital growth.

Source: Adapted from "Getting Business Value from IT: The Non-IT Executive View," G. Westerman and P. Weill, MIT Sloan CISR Research Briefing, Vol. VI, No. 3A, December 2006 and *The Real Business of IT: How CIOs Create and Communicate Value*, R. Hunter and G. Westerman, Harvard Business School Press, October 2009.

VF Corporation: Improving Prioritization and Value Delivery



- World's largest branded apparel company, also with retail outlets
 - More than \$7Billion revenue with a growth imperative
 - Decentralized company
 - IT's role is to support global growth by leveraging economies of size and scope
- Performance focus is on improving project benefits delivery
 - Operations: Delegated—Head of IT operations works with vendors to provide effective service
 - Projects: Managed effectively by central Application Development unit
 - CIO focus on enterprise prioritization and assessment process
 - Chaired by CFO, facilitated by CIO
 - Coalition heads accountable for benefits estimation and assessment; coalition CIOs assist
 - Emerging focus on IT innovation



Assessing Expected and Realized Benefits: "Value Dials" at Intel

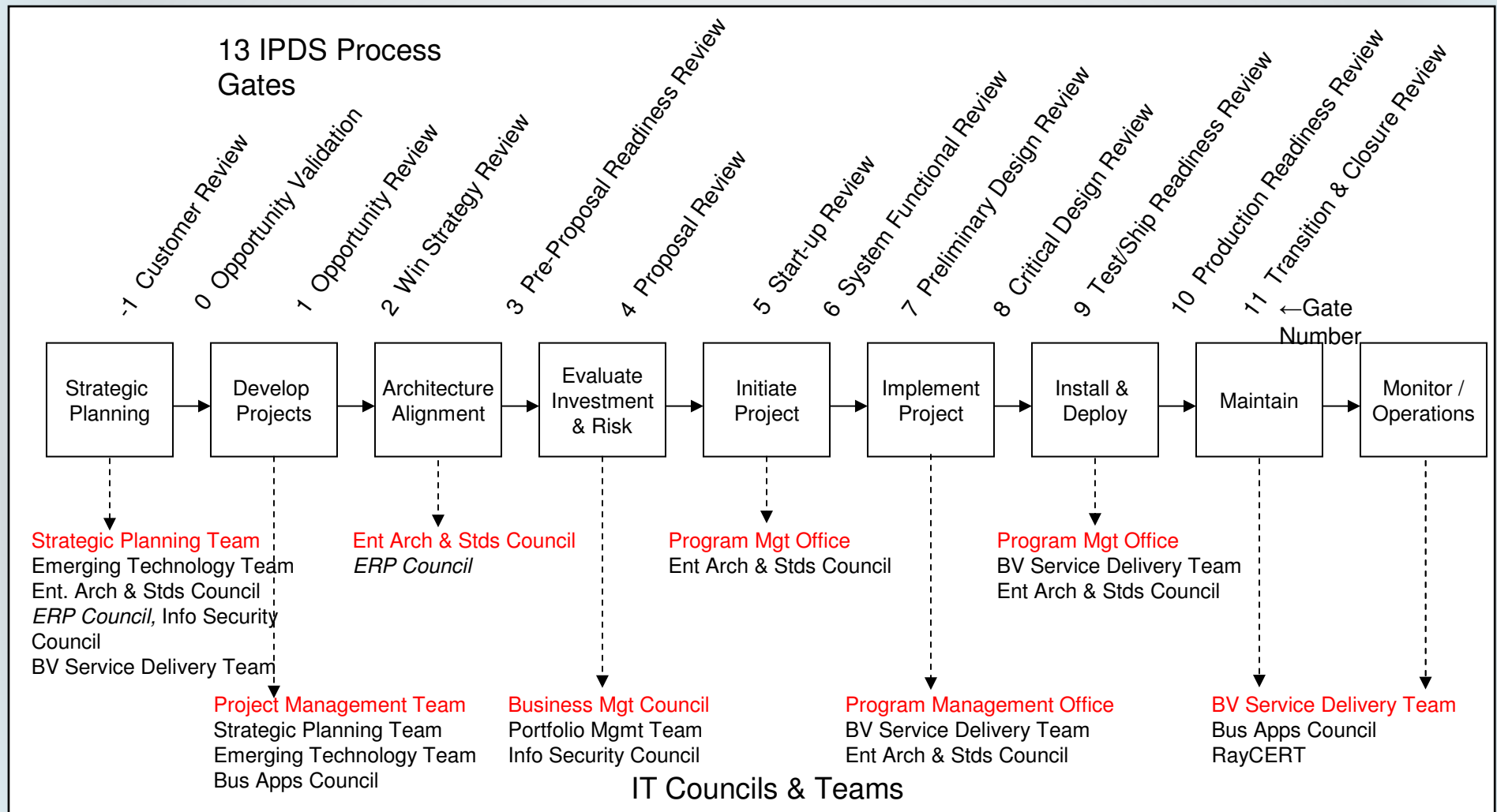
- Days of Inventory
- Days of Receivables
- Headcount
- Employee productivity
- Employee turnover
- Materials discounts
- Capital HW/SW avoidance
- Unit / other cost avoidance
- Factory uptime
- Scrap reduction
- Risk avoidance
- Time to market



Harvesting Value Through Post-Implementation Reviews

Company	Value Harvest Practice
Intel	<ul style="list-style-type: none">▪ Formal measurement conducted by finance staff, based on “clicks” of the “value dials”
BT	<ul style="list-style-type: none">▪ Full post-implementation review on all projects▪ Tied to individual bonuses
Apparel	<ul style="list-style-type: none">▪ Business benefits agreed at start of project are rolled into line-of-business financials when project ends. Estimates and follow-up by line of business CFOs, not IT.
Sappi NA	<ul style="list-style-type: none">▪ Very large projects reviewed immediately on completion, and for several years afterward▪ Smaller projects reviewed within one year of completion
High-tech	<ul style="list-style-type: none">▪ “Update all, audit some”

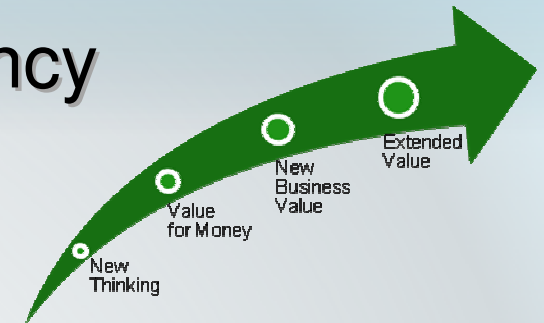
Raytheon—IT Governance Links to the Company-Wide Integrated Product Development System (IPDS)



Conclusion: The Value of IT Transparency

Build transparency to improve IT value

- Value for money in IT operations
- Value-based IT investment decisions
- Post-implementation reviews to increase learning and future value



Improve discipline and relationships

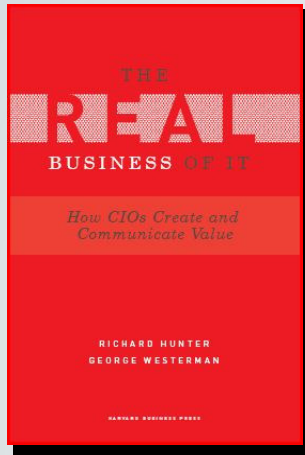
- Help everyone build discipline around IT investment and execution
- CIO should be part of strategic discussions and decisions
- Discuss together how to make the business better through IT

Topics to discuss with your colleagues

- Does IT deliver value for money (the right services at the right price and quality levels)?
- How can we link IT investment to business performance outcomes?
- How can we make the IT investment process more transparent?
- How can we improve our post implementation review practices?
- How can your CIO make your job easier (and vice versa)?

Further Information:

MIT Sloan Center for Information Systems Research (<http://mitsloan.mit.edu/cisr>)

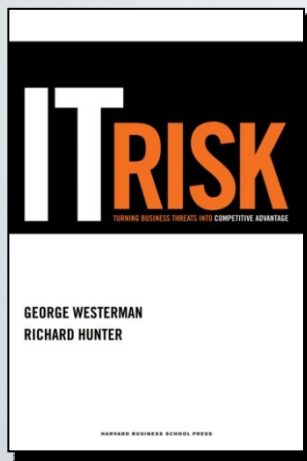


*The Real Business of IT:
How CIOs Create and Communicate Value*

Richard Hunter and George Westerman

Harvard Business School Press, 2009

“Best Books of 2009” (#1) – CIO Insight Magazine



*IT Risk: Turning Business Threats Into
Competitive Advantage*

George Westerman and Richard Hunter

Harvard Business School Press, 2007

“Best Books of 2007” (#5) – CIO Insight Magazine



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Exercise

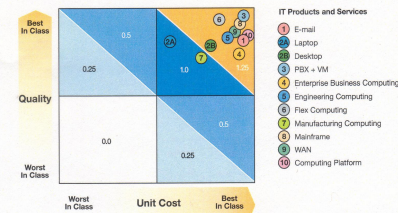
- How effective is your organization at each task in the Virtuous Cycle? Rank the tasks in order of effectiveness, from 5 (most) to 1 (least):
 - Needs identification
 - Transparent investment
 - Process and organization change
 - Solution delivery
 - Performance measurement

Additional slide(s)



The Path to Value at Intel

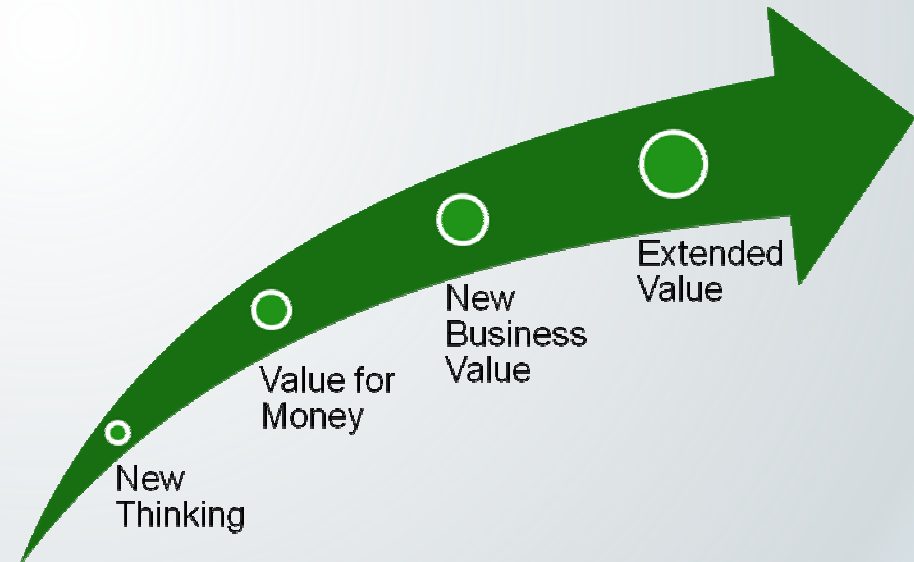
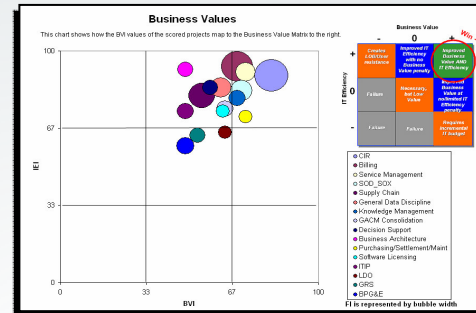
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VISION: Be recognized as a key contributor to Intel's success, both inside and outside the firm.

MISSION: Fuel Intel's success with outstanding strategic IT leadership and IT services.



Service-Level Metrics for a High-Tech Manufacturer

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Improving IT Investment Transparency at Intel

