

JAMES A ROBERTSON AND ASSOCIATES

EFFECTIVE STRATEGIC BUSINESS SOLUTIONS



1. Context and Definitions and World Class ERP Capability

Why your ERP is NOT delivering and how to FIX it

The Critical Factors for Information Technology Investment Success

Two Day Course

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THE CRITICAL FACTORS FOR I.T. INVESTMENT SUCCESS



THIS COURSE

- ▶ Business solution orientated approach
- ▶ Drawing on engineering principles
- ▶ Equip with **ESSENTIAL KNOWLEDGE** in order to create a context for successful outcomes
- ▶ **MINIMIZE** risk
and
- ▶ **MAXIMIZE** long term business return

POSITIONING THIS COURSE



1. Appropriate, well implemented information technology applications can add substantial value
2. Sometimes they can add dramatic value
3. Such I.T. solutions can be delivered successfully
4. Such I.T. solutions can be delivered economically and in realistic time frames
5. Doing it right is cheaper than doing it wrong
6. Doing it wrong is always more expensive than the client organization can afford
7. As evidence of my conviction that dramatic success is economically attainable it is important to note that I have spent most of my career seeking ways of getting IT right first time reliably and sustainably

CONTEXT: INFORMATION TECHNOLOGY

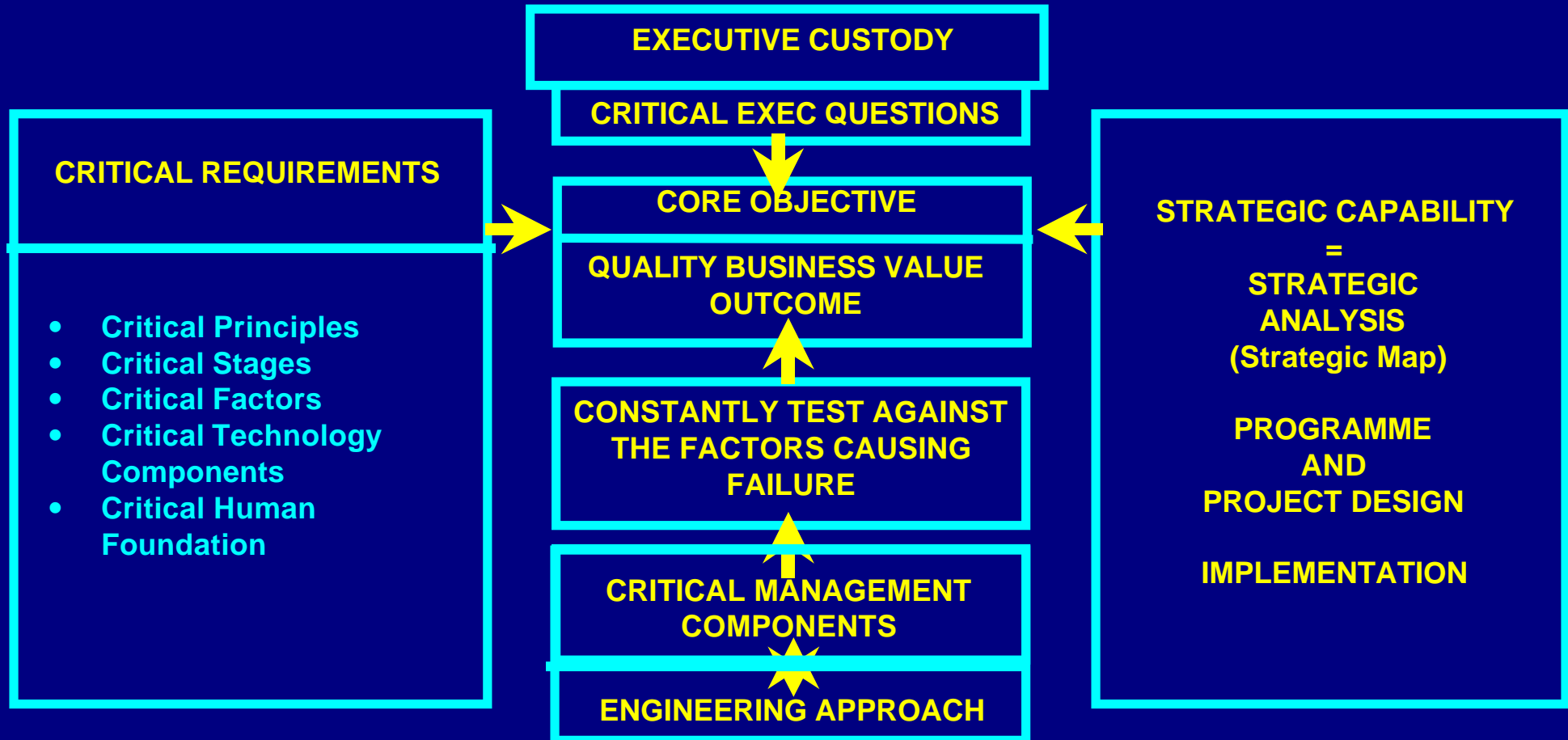
SOME DIAGNOSTIC INDICATORS



1. Poor communication with I.T. staff
2. Replacement of systems - “got the wrong” software
3. Cannot get the information I need
4. Reliant on spreadsheets for management information
5. "Technology is moving so fast we cannot keep up"
6. Outsource or insource?
7. We cannot integrate without buying new systems



SOLUTION & COURSE MAP



CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE DEFINED BY KING



1. Governance = Care!
2. How does this company make money? What are our competitors doing?
What can destroy our business? More satisfied employees. More Capital.
3. I.T. -- should we take something like COBIT and enforce or have certified managers?
4. Board is responsible for I.T. Systems and does it have effective control,
part and parcel of strategic view.
5. Ultimate responsibility is business success. Balance conformance and performance. Legislation is NOT the recipe for good governance.
Increased cost of running the business.

Presentation on "I.T. Governance" to the I.T. Governance and Strategy Summit on 22 August 2006 by Professor Mervyn King SC, former High Court Judge and author of the King reports on Corporate Governance. Free hand notes taken by J Robertson during the presentation.

CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE



1. “This [I.T.] is an area where boards of directors will be named in stockholder suits”
2. “Senior management is not engaged enough in strategic information technology decisions and situations that could put the company at risk.”
3. “Information systems could cause the next outbreak of Enron-like corporate scandals.”
4. “I.T. is the next corporate disaster waiting to happen”

“Creating an IT Watchdog for the Board by Assembling an I.T. Oversight Committee” presented to the I.T. Governance and Strategy Summit by Professor Rossouw von Solms of Nelson Mandela Metropolitan University quoting Richard Nolan of Harvard Business School in Harvard Business Review

CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE



1. I T is now seen as being an integral part of enterprise strategy rather than a mere enabler within organizations
2. Almost all organizations today are absolutely dependent on I.T.
3. Major I.T. Write-Offs
 - After spending seven years and close to half a billion dollars implementing a mainframe E.R.P. system, the Dow Chemicals Co stopped and started over with a client-server version
 - Nike -- \$400 million against their supply chain management system
 - Disney -- \$878 million against its go.com web portal
 - Kmart -- \$195 million against supply chain hardware and software
 - Gateway -- R143 million against I.T. projects no longer fitting its strategy

“Creating an IT Watchdog for the Board by Assembling an I.T. Oversight Committee” by Professor Rossouw von Solms of Nelson Mandela Metropolitan University at the I T Governance and Strategy Summit

CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE



1. **“I.T. Efficiency and Effectiveness are Waning”**
2. **"85% of problems are caused by I.T. changing something"**
“Achieving I.T. Governance Through Service Management and Transformation” by Alkesh Patel, IBM Global Technology Services speaking at the IT Governance Summit
3. **The Strategy Story**
 - a. **Only 10% of organizations execute their strategy**
 - b. **Barriers to strategy execution**
 - i. **Vision Barrier -- Only 5% of the workforce understands the strategy**
 - ii. **People Barrier -- Only 25% of managers have incentives linked to strategy**
 - iii. **Management Barrier -- 85% of executive teams spend less than one hour per month discussing strategy**
 - iv. **Resource Barrier -- 60% of organizations don't link budgets to strategy**

“Measuring I.T. Performance by Developing and Applying a Strong, Usable KPI Framework with a Scorecard” by Leon Briel, EBS South Africa speaking at the IT Governance and Strategy Summit, developed from material developed by Robert S Kaplan and Danied P Nolan

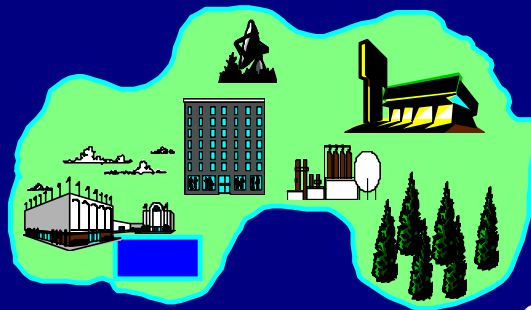
CONTEXT: INFORMATION TECHNOLOGY GOVERNANCE



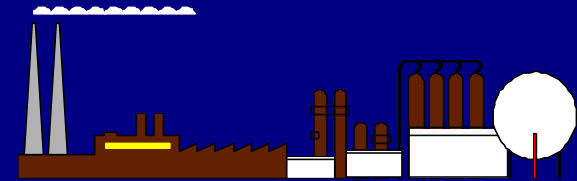
SO WHAT WE FIND IS -- What the board thought they were getting (metaphorically):



or



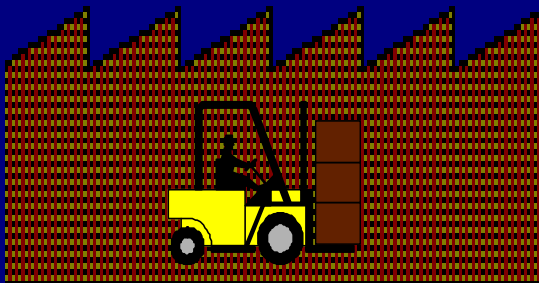
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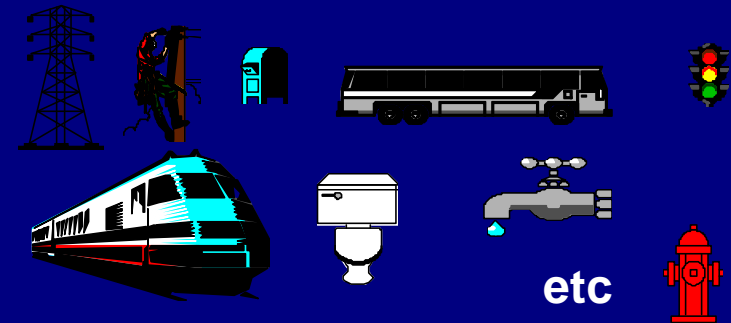
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or



or



etc

CONTEXT: INFORMATION TECHNOLOGY AN INDUSTRY CHARACTERISED BY FAILURE



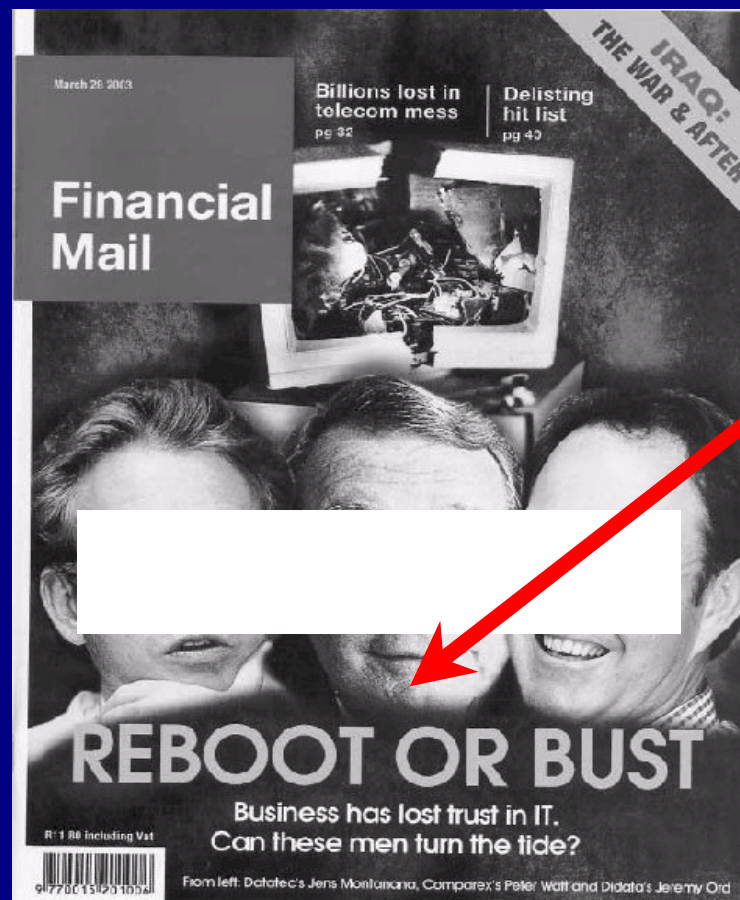
AND -- What the board frequently gets (metaphorically):



70% of I.T. Investments fail totally!

“NO DUMPING
NO TRESPASSING”

CONTEXT: INFORMATION TECHNOLOGY AN INDUSTRY CHARACTERISED BY FAILURE



“19 out of 20 E.R.P. Implementations do NOT deliver what was promised”

Duncan McLeod

CONTEXT ESSENTIAL / CRITICAL QUESTIONS



If one asks the wrong questions one will get the wrong answers

This course is intended to equip you to know which questions to ask

For example:

"is our business getting left behind with regard to I.T?"

OR

"what can we do to deliver greater value from this business?"

and "is there technology that will assist us?"

CONTEXT: INFORMATION TECHNOLOGY AN INDUSTRY CHARACTERISED BY FAILURE



1. **Seventy percent of I.T. investments fail TOTALLY**
2. Another twenty percent fail to fully satisfy the original business requirement
3. *"19 out of 20 E.R.P. implementations do not deliver "what was promised"*
McLeod
4. Ninety percent of strategic plans fail
5. Seventy percent of B.P.R. investments fail
6. *"Most organisations are not making better decisions than they did five years ago."*
Gartner



Engineers do NOT design bridges to stand up



They design them NOT to fall down



Engineer against failure

A CRITICAL PRINCIPLE FOR SUCCESS

Engineer Against Failure



How a client saw it (after a successful project outcome)



A CRITICAL PRINCIPLE FOR SUCCESS

Engineer Against Failure



In order to succeed focus on avoiding failure

Once you have DEFINED SUCCESS then

IF you do NOT fail you WILL SUCCEED



COMPLEXITY



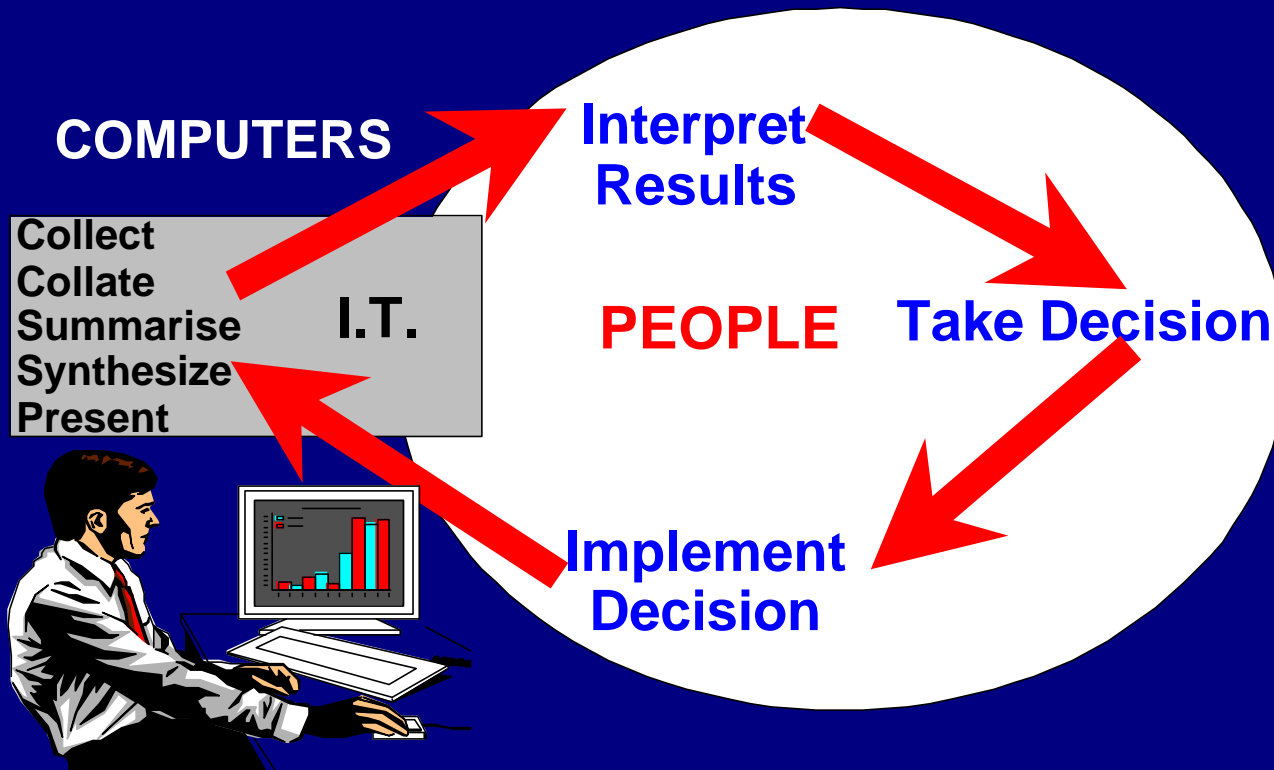
1. Business is extremely complex
2. What, why, when, how, etc
3. Simple to use systems accurately model REAL complexity
4. Internally "simple" systems that do NOT accurately reflect real complexity are DIFFICULT to use
5. Internally "complex" systems that reflect reality are EASY to use

Optimise system complexity versus ease of use - Be Real

COMPUTERS versus PEOPLE



The role of computers and the role of people

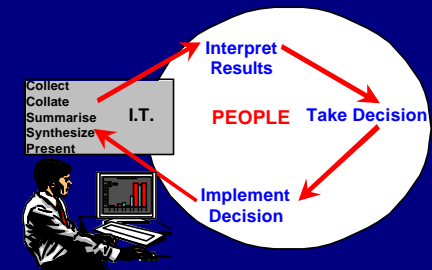


DATA ENGINEERING



→ The definition of information **content**

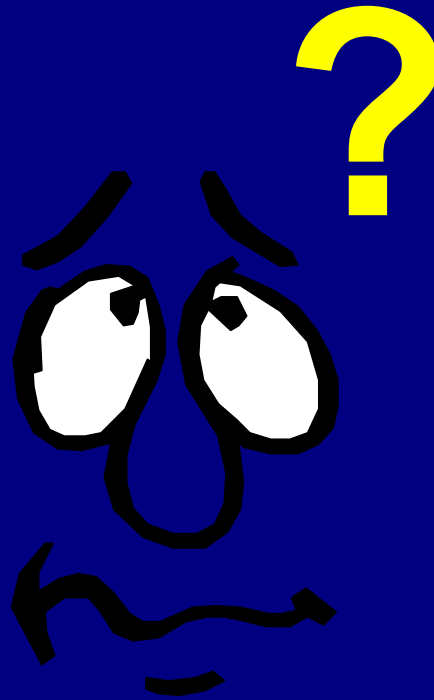
- ✓ in a way that is structurally (taxonomically) fundamentally meaningful to human beings who understand the business
- ✓ and the translation of this content into structured codes which faithfully and accurately reflect human understanding in a way that the computer can manipulate
- ✓ with minimal human intervention
- ✓ so that the computer system appears to be intelligent



STRATEGY DEFINED



WHAT IS STRATEGY?



STRATEGY DEFINED



Why define strategy?

1. The essence of why a business exists and where it is going
2. Vital context to I.T.
3. I.T. failure is primarily a failure of corporate strategic capability

STRATEGY DEFINED



DOING THE RIGHT THINGS

Professor Malcolm McDonald , Cranfield School of Management

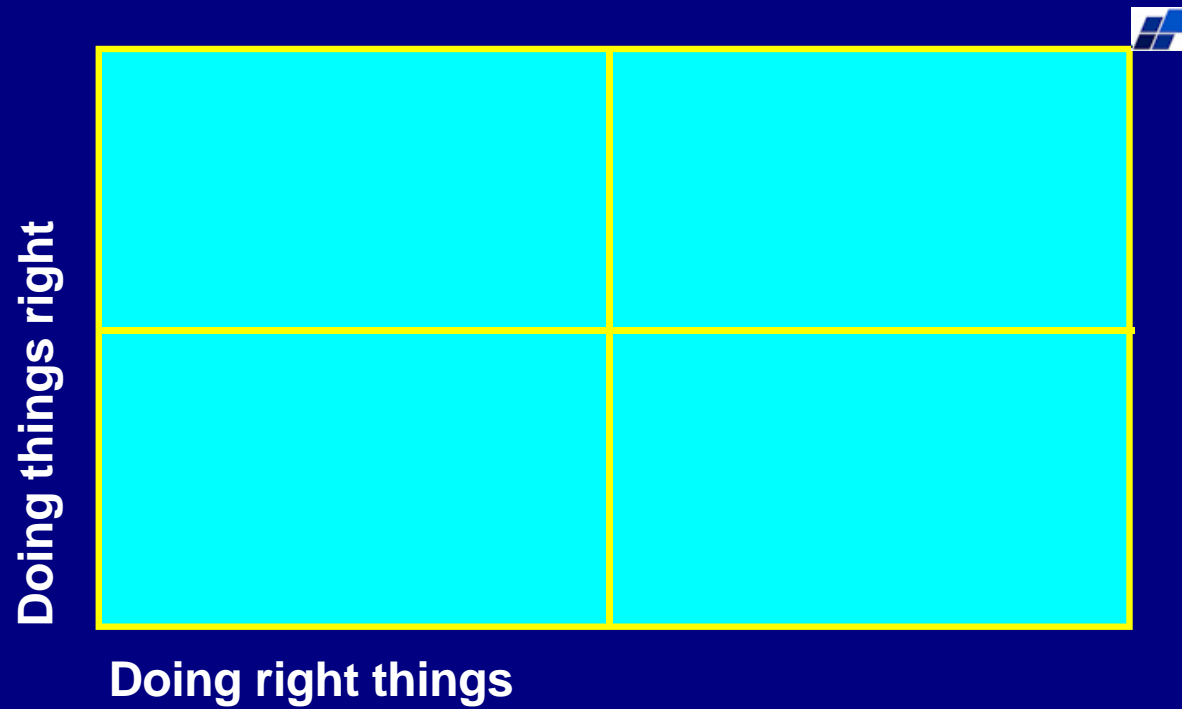
TACTICS DEFINED



DOING THINGS RIGHT

Professor Malcolm McDonald , Cranfield School of Management

STRATEGY vs TACTICS : A DEFINITION



Professor Malcolm McDonald , Cranfield School of Management

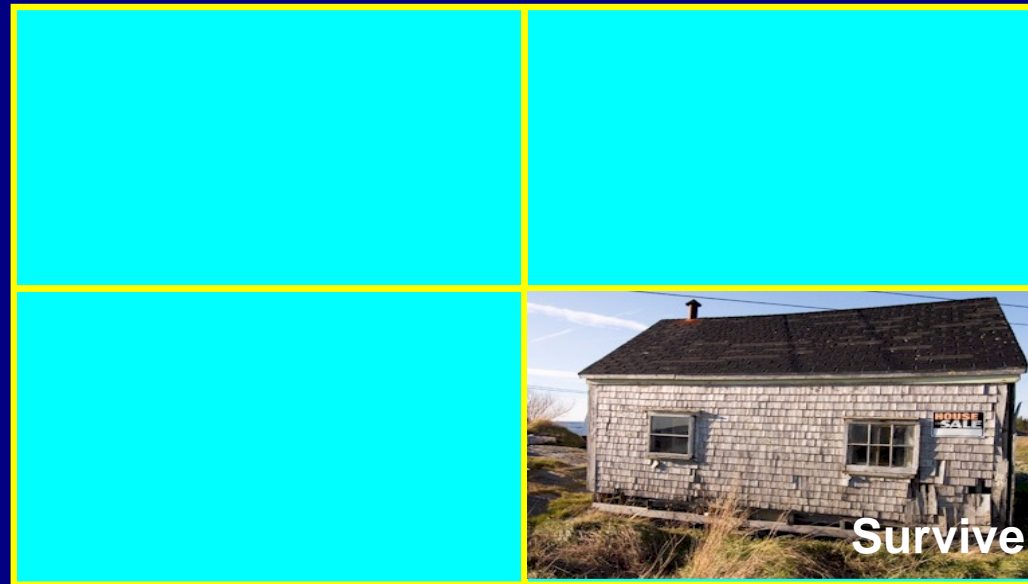
STRATEGY vs TACTICS : A DEFINITION



STRATEGY vs TACTICS : A DEFINITION



Doing things right

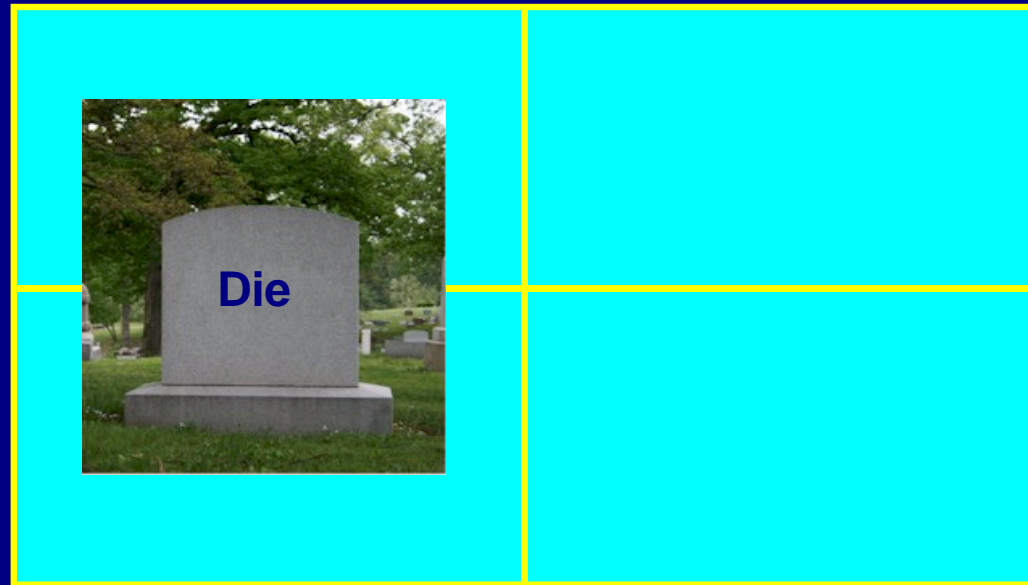


Doing right things

STRATEGY vs TACTICS : A DEFINITION



Doing things right



Doing right things

STRATEGY vs TACTICS : A DEFINITION



Doing things right



Doing right things

STRATEGY vs TACTICS : A DEFINITION



Doing things right



Doing right things

Professor Malcolm McDonald , Cranfield School of Management

STRATEGY DEFINED BY PROFESSOR MICHAEL PORTER



WHAT IS STRATEGY?

- Strategy is the creation of a unique and valuable position involving a different set of activities
- Strategy is making trade off's in competing, and choosing what not to do

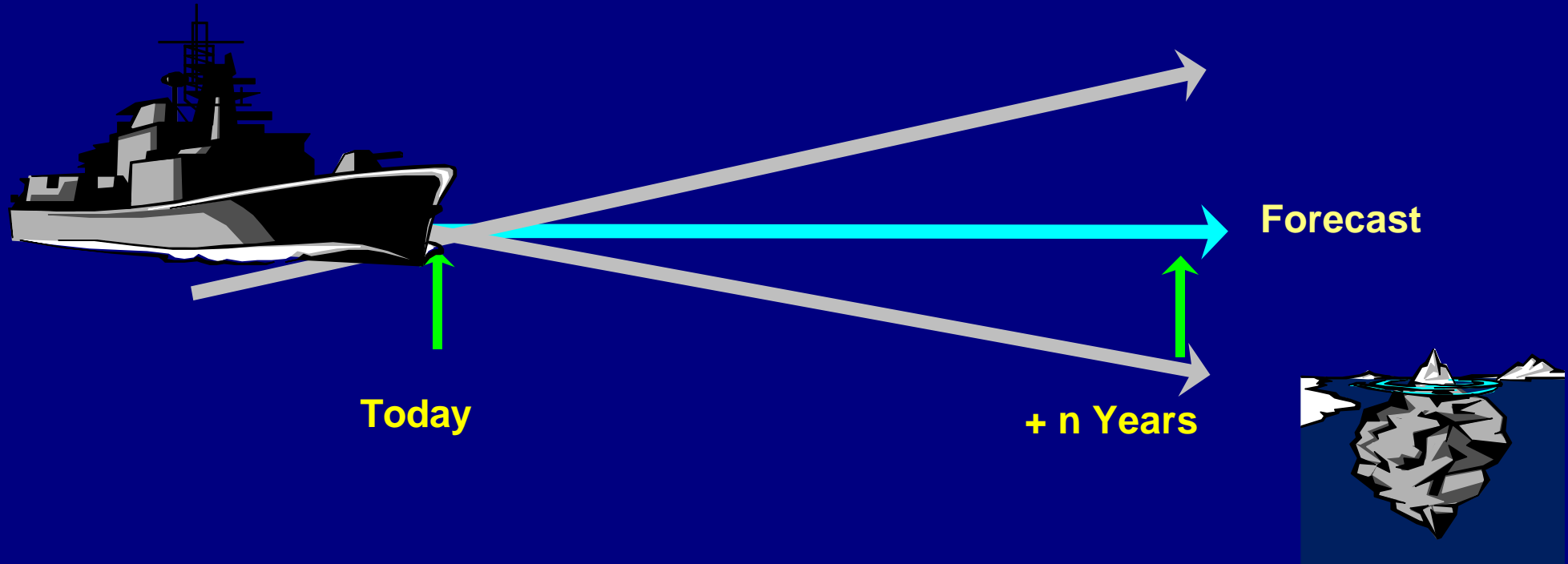
WHAT IS NOT STRATEGY?

The Internet or any technology

THE TIME DEPENDENCY OF STRATEGY



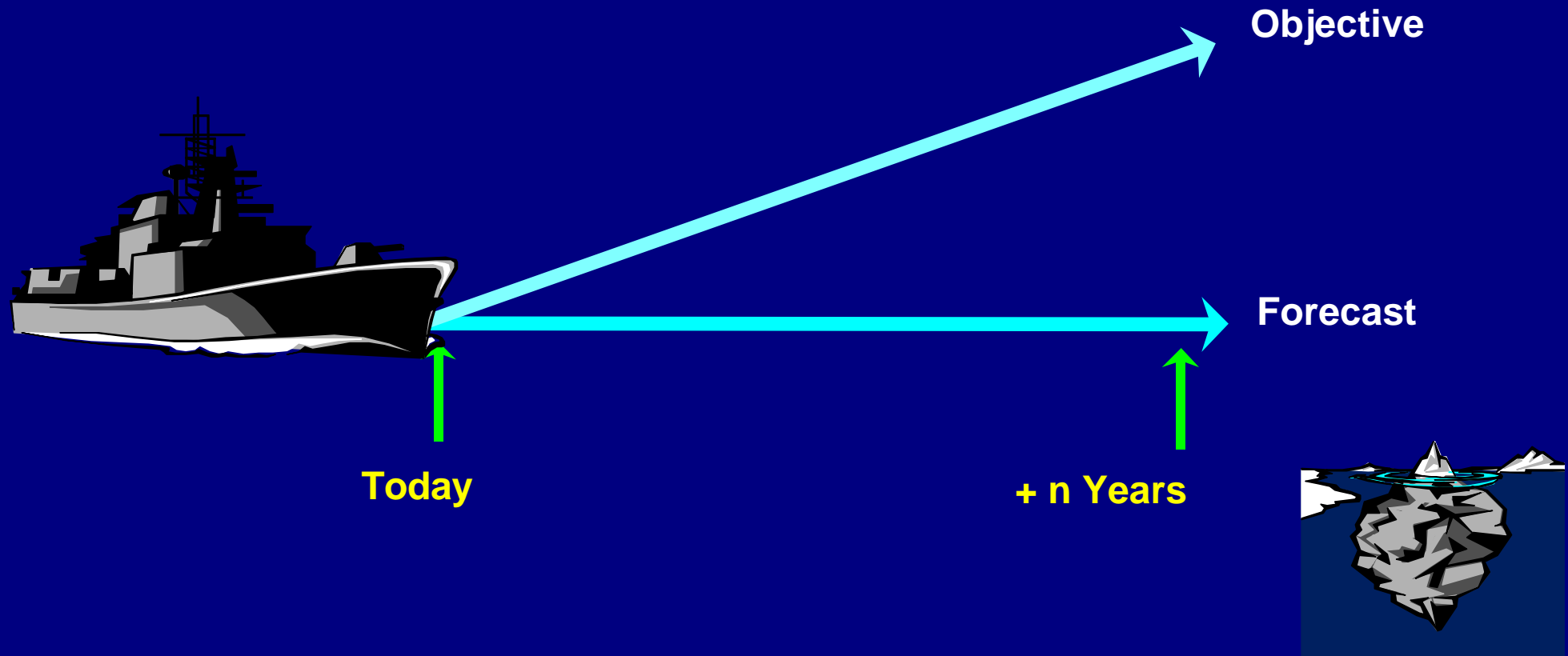
NOT A FORECAST



THE TIME DEPENDENCY OF STRATEGY



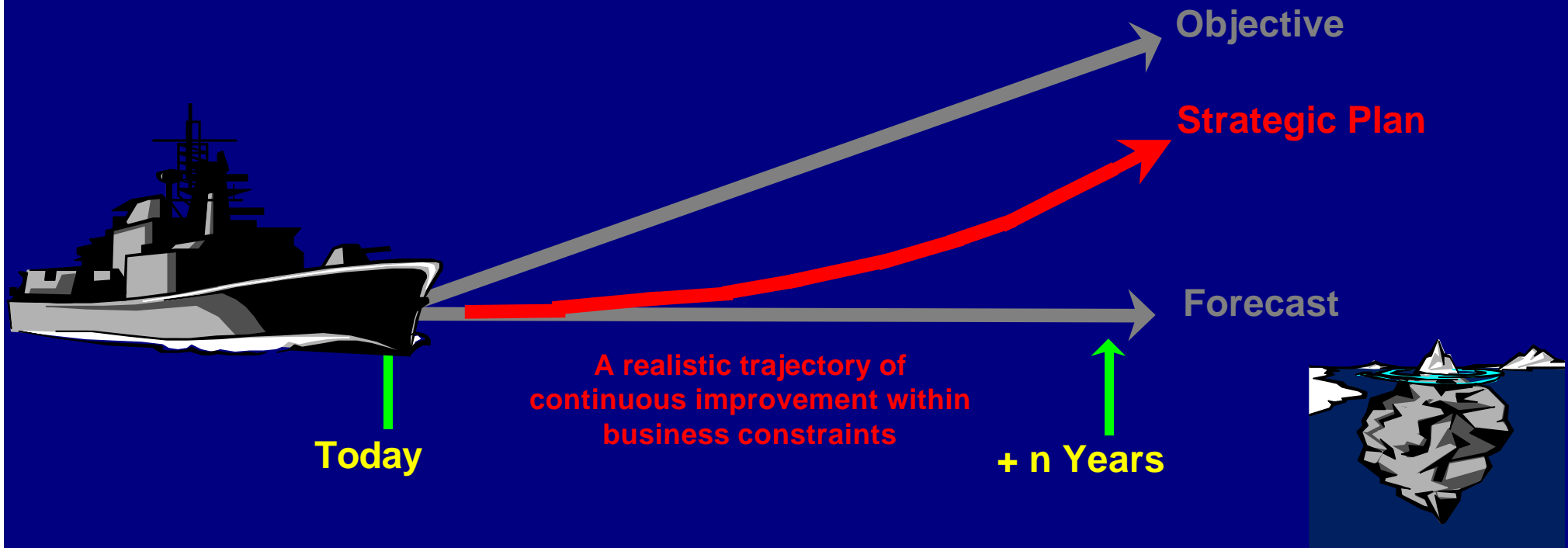
NOT AN OBJECTIVE



THE TIME DEPENDENCY OF STRATEGY



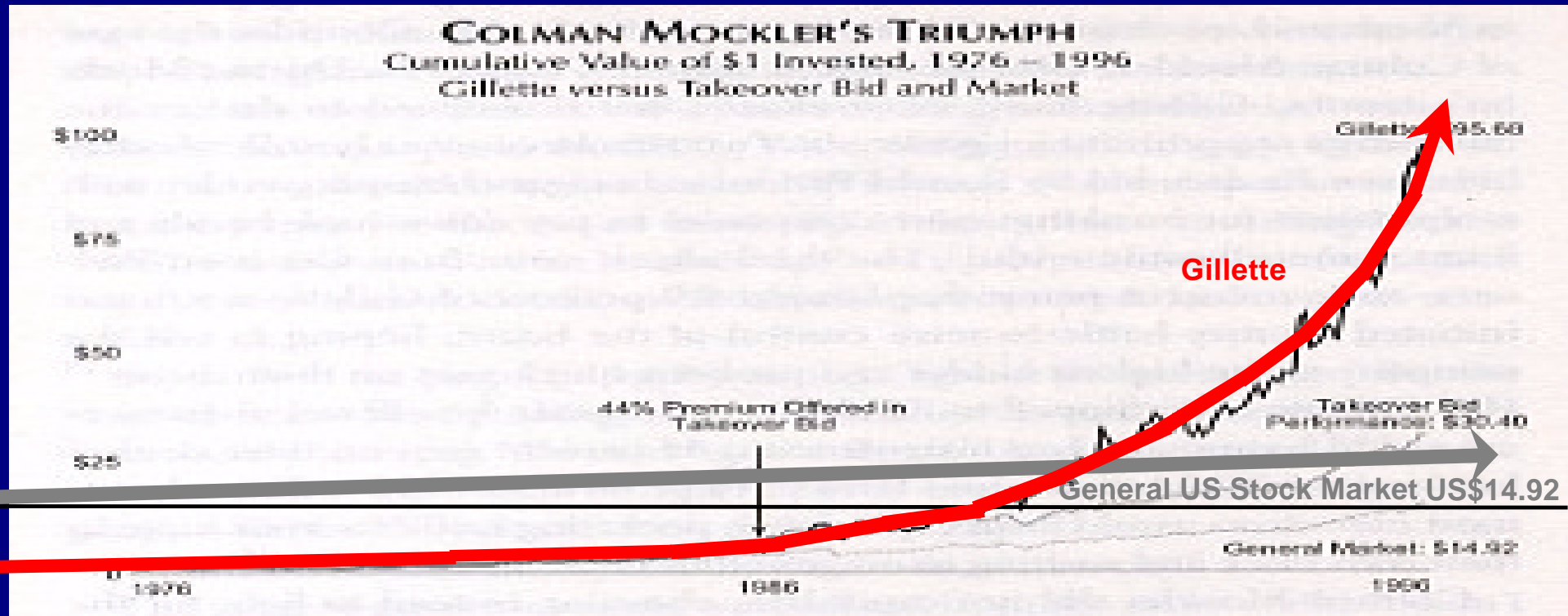
**STRATEGIC PLAN =
THE PATH TO COMPETITIVE ADVANTAGE**



Fundamentally an exponential curve or catenary

FROM GOOD TO GREAT

THE TRAJECTORY OF GOOD TO GREAT



↑
 1975
 Colman Mockler
 Appointed CEO

↑
 1986
 Hostile takeover
 thwarted

↑
 1991
 Mockler
 retires

↑
 1996
 End
 Study

THE TIME DEPENDENCY OF STRATEGY



Strategic plans must be future focused

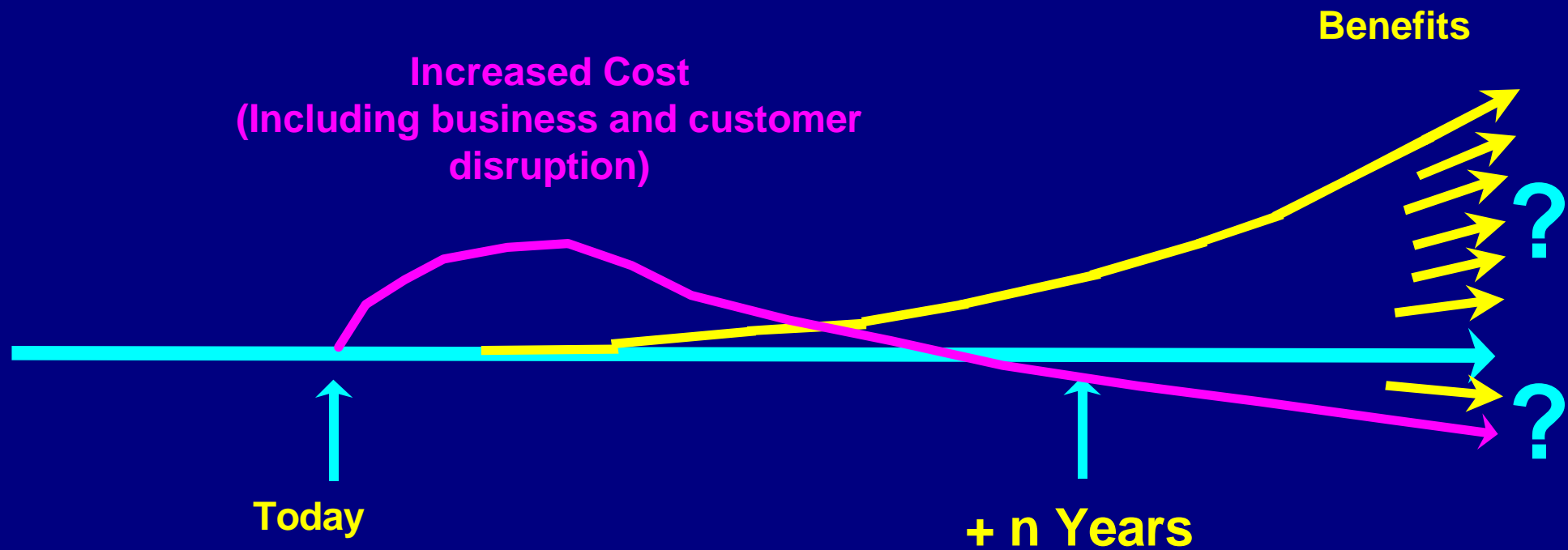
Design your I.T. solutions for the future - NOT the past

Projects are the mechanism whereby an organization brings about change towards the objective -- such projects MAY include information technology investments



THE TIME DEPENDENCY OF STRATEGY

THE REAL COST OF I.T. AND STRATEGY



THE ESSENCE OF STRATEGY

Create Competitive Advantage



The essence of strategy is integration - the ability to see in a complex holistic way

Michael E Porter: Global Competitive Strategy : 9 June 2003

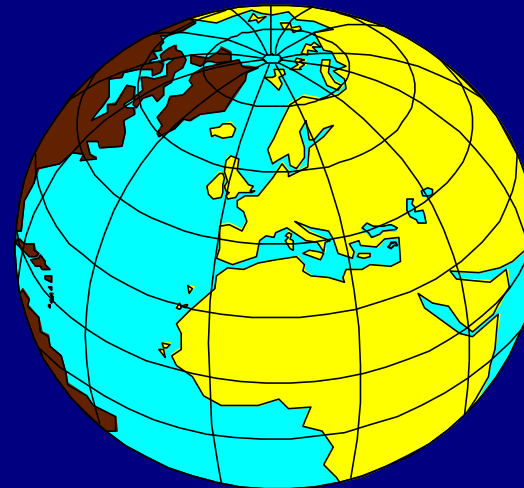
THE CORE OBJECTIVE -- DIFFERENTIATION

Create Competitive Advantage



ECONOMIC TRENDS : HISTORICAL DIFFERENTIATORS

- 60's Production
- 70's Sales
- 80's Finance
- The 90's and 2000's
 - Excess supply
 - Single division cannot solve
 - A boom is unlikely!!
- Strategic Issues are Vital



Implies a Holistic, Integrated Business Approach Including Effective I.T.

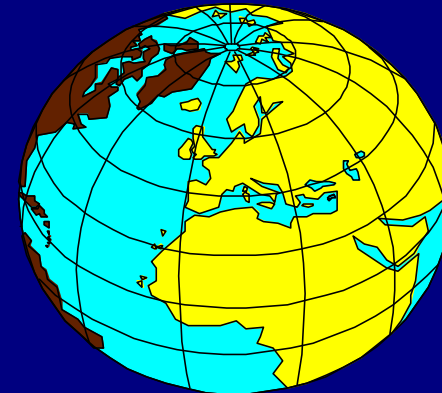
THE CORE OBJECTIVE -- DIFFERENTIATION

Create Competitive Advantage



THE KEY DIFFERENTIATORS IN 2000 AND BEYOND

- Market Focused Strategy
- Utilization of the Human Resource
- Effective Management Decision Making



Requires Information To Make The Right Decisions

World Competitiveness Report; McDonald & Others

VALUE



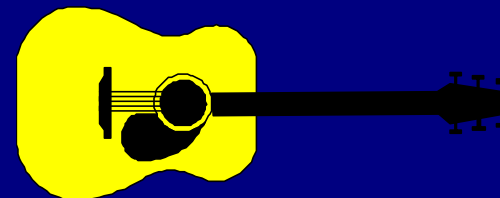
1. Experienced / defined by people
2. Intuitive / gut feel
3. Transaction = exchange of value between recipient and provider
4. NOT money / cash / finance



Money = medium of exchange / proxy / surrogate for value

= MEANS OF MEASUREMENT

therefore easy to measure



ECONOMIC VALUE



1. Money is medium of exchange
 - Convert value into money to finance I.T. investment
2. Economic value is essential component of value proposition
 - Derived from other sources of value
3. The business must use I.T. as a means to create economic value to finance the I.T. investment

Find ways to measure the value that REALLY generates money

This course will examine how value is created and how to determine the value that will generate the economic return to finance an I.T. investment



THE CORE OBJECTIVE -- DIFFERENTIATION

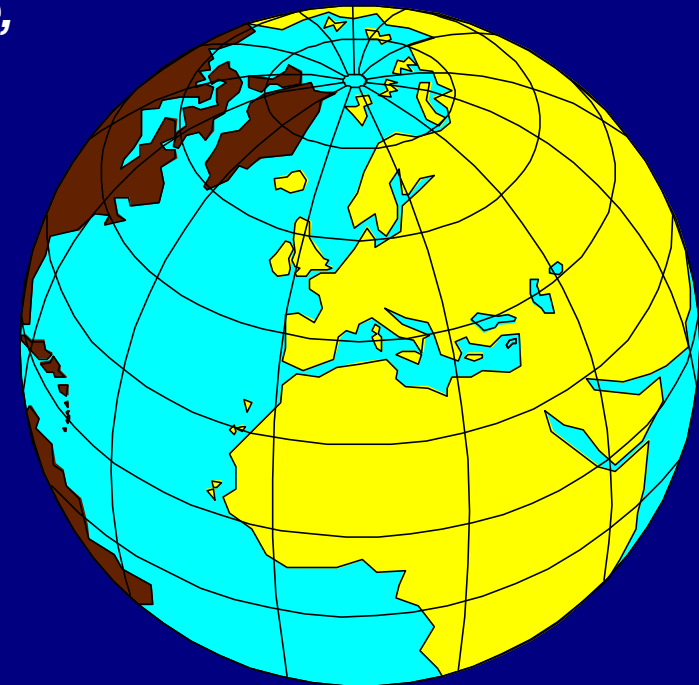
Create Competitive Advantage



THE CHALLENGE FOR BUSINESS

*Getting the right information, to the right people,
at the right time and in the right place
in order to make the
right decision!*

**A major requirement for business
information systems**



WHAT IS STRATEGY?



The essence of why an organization exists and how it thrives

STRATEGY DEFINED

SO --- WHAT IS STRATEGY?



1. Strategic constants

2. Strategic variables

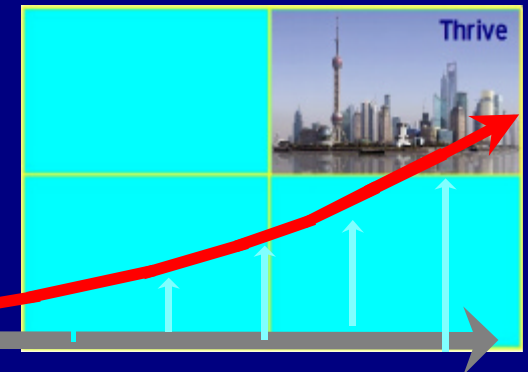
3. Strategic Plan

4. What will NOT do

5. NOT

- NOT Strategems - wheeling or dealing or manipulation
- NOT a way of doing things or a method or a way of running projects or operating a business
- Should NOT change every year
- NOT three days at a conference venue once a year

Core strategy is constant (Porter, Robert)



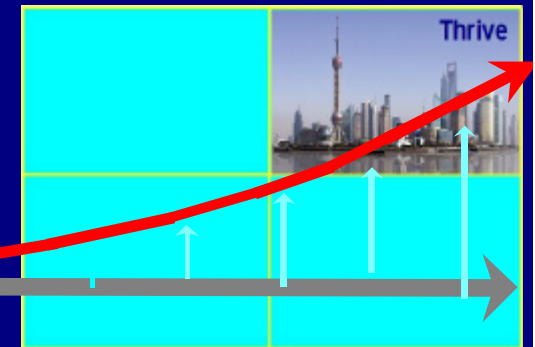
STRATEGY DEFINED

SO --- WHAT IS STRATEGY?



5. STRATEGY IS

- Multifaceted, complex, abstract, holistic
- Requires cognitive thinking to define, describe and translate into action
- Describes the essence of the market forces that impact the business and how the business interacts with the market in order to succeed and plans to interact with the market in the future
- Strategy impacts every facet of the organisation



Every organisation has markets, whether they pay for products with money or with votes or something else

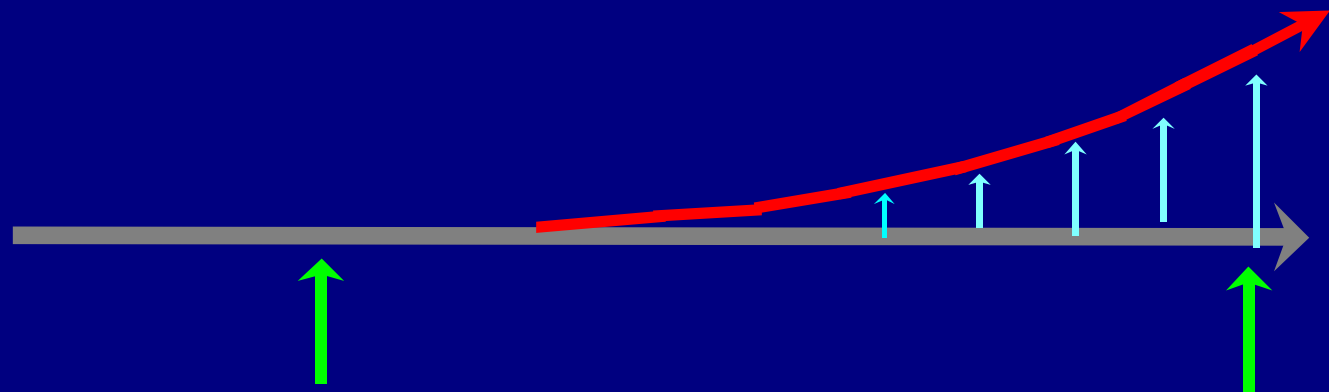
STRATEGIC ALIGNMENT



1. If you don't know where you are going, any road will get you there!
2. Strategic alignment is about defining where the business wants to go and then aligning all activities to support the business to reach that destination



Strategic alignment of information technology is absolutely vital



CRITICAL FACTORS CONTEXT AND DEFINITIONS



CONCLUSION

These factors are essential to understanding the business context of I.T. in order for I.T. investments to succeed

CRITICAL FACTORS



World Class Business Information Systems

WORLD CLASS BUSINESS INFORMATION SYSTEMS



- 1. Critical attributes / components of world class systems**
- 2. Example of relative business importance of critical components**
- 3. Example of relative cost of critical components**
- 4. Estimated benefits of a well implemented solution resulting in world class capability**
- 5. Scenarios for achieving world class capability**

EXAMPLE OF RELATIVE BUSINESS IMPORTANCE OF CRITICAL COMPONENTS



1. Appropriate fully integrated systems at data level (1%)
2. High system operational efficiency and precision (2%)
3. Integrated, holistic business operations (3%)
4. Comprehensive data engineering (4%)
5. Strategic alignment of all operational systems (5%)
6. Comprehensive management information with full drill-down (6%)
7. **Comprehensive strategic analysis and decision support capability (79%)**

EXAMPLE OF RELATIVE COST OF CRITICAL COMPONENTS



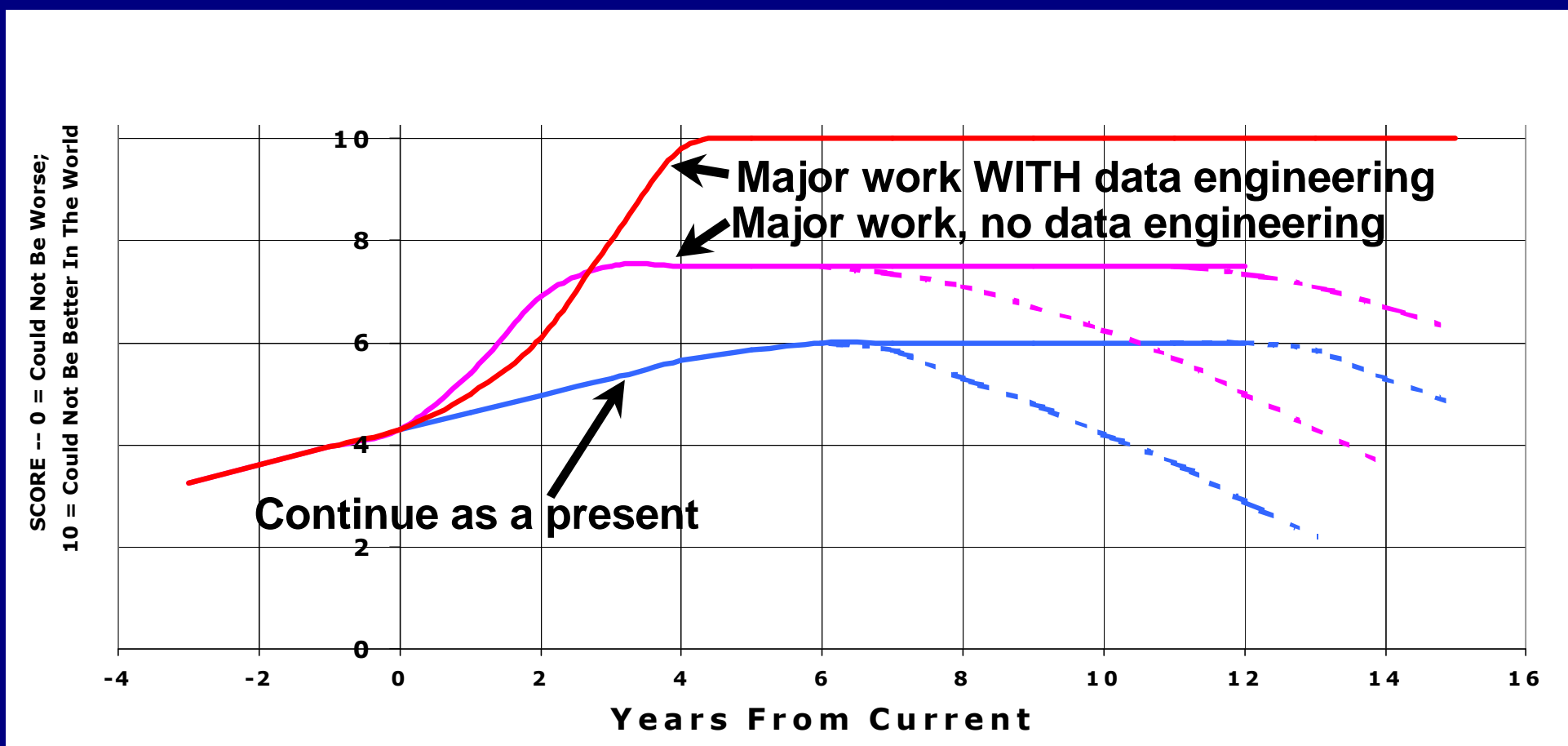
- 1. Comprehensive data engineering (15%)**
- 2. Appropriate fully integrated systems at data level (25%)**
- 3. High system operational efficiency and precision (30%)**
- 4. Strategic alignment of all operational systems (5%)**
- 5. Integrated, holistic business operations (5%)**
- 6. Comprehensive management information with full drill-down (15%)**
- 7. Comprehensive strategic analysis and decision support capability (5%)**

ESTIMATED BENEFITS OF A WELL IMPLEMENTED SOLUTION



- 1. Improved Corporate Competitiveness (40%)**
- 2. Improved Corporate Profitability, Bonuses, Stock Options, Share Value, Dividends, etc (30%)**
- 3. Effective Corporate Operation, Sustainability, Better Decisions (20%)**
- 4. Improved Personal and Corporate Relationships For Executives, Management And Team Members (4%)**
- 5. Improved Health, Quality Of Work Life and Family Life For Executives, Management, Team Members and Staff (3%)**
- 6. Recognition, Differentiation and Promotion For Executives, Management And Team Members (2%)**
- 7. Empowerment, Improved Remuneration, Job Security and Life Style For Executives, Management and Team Members (1%)**

EXAMPLE SCENARIOS FOR ACHIEVING WORLD CLASS CAPABILITY



EXAMPLE SCENARIOS FOR ACHIEVING WORLD CLASS CAPABILITY



- 1. There can be significant constraints**
- 2. These need to be understood**
- 3. Remediating the critical factors will give rise to substantial cost - benefit compared with remediating the non critical factors**

WORLD CLASS BUSINESS INFORMATION SYSTEMS



Systematic analysis and understanding of these issues and principles is vital to delivering a world class solution

Without these factors a solution can be technically world class but from the perspective of the business it may be viewed as second rate

CRITICAL FACTORS IN I.T. INVESTMENT SUCCESS CONTEXT AND DEFINITIONS



QUESTIONS?



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*Assisting clients to thrive by doing the right (strategic)
things well (tactics)*

Please remember the evaluation forms