IT Capability Maturity Framework

Introduction to IT-CMF
Executive Summary

• IT-CMF is a powerful new tool which we recommend
• It focuses on the business value of IT
• It allows users to understand how their IT organization is performing
• Aims to move IT from a business necessity to a business changer
Why IT-CMF?

• Managing IT like a Business
• Managing the IT Budget
• Managing the IT Capability
• Managing IT for Business Value
The Business Value of IT

- DCG’s The Business Of Value of IT, published in March 2008, provided answers to the challenges of measuring and managing the value of IT. Mike Harris, David Herron and Stasia Iwanicki of DCG shared their experiences and lessons learned in this foundational analysis.
- Since publication, DCG has helped a number of clients with IT Governance issues at the Business-IT interface.
- At the same time, we have been participating and monitoring the state of the art and how the subject matter has moved forward.
- The strongest initiative has been led by Intel and the Innovation Value Institute and has resulted in the IT Capability Maturity Framework (IT-CMF).

“The challenge is to characterize how an IT investment, for new capabilities or for “keeping the lights on,” helps the business that bears the cost to achieve its financial performance targets and business objectives.” Harris, Herron & Iwanicki, “The Business Value of IT,” page 15.
IT-CMF Macro Processes

Managing IT like a Business

Managing the IT Budget

Managing IT for Business Value

Managing the IT Capability

SICT – Sustainable Information & Communication Technologies – An up-front cohesive SICT lens brings a unified and consistent influence to bear on the development of critical processes – facilitating the development of sustainable, practices, outcomes and metrics.
The Innovation Value Institute & IT-CMF Powerful Advocates

- After additional research and discussions with IVI, DCG knows IT-CMF will be valuable for our clients
- Therefore DCG has joined the IVI organization as an implementation partner
- Sent our lead consultants for training
- … and now this powerful new tool to help identify and maximize the Business Value of IT is available to DCG clients!

IVI has 70+ members from leading industry, consulting, not-for-profit and academic organisations.
Why another framework?

In short, the other frameworks have strengths (DCG is an SEI Partner for CMMI) but identifying and enhancing business value is not one of them.
How does IT-CMF relate to the other frameworks?

IT-CMF is complementary. It combines strengths and fills gaps.
IT-CMF Challenge – how to keep the gap small?

The key here is to only focus on those areas that are most important for the business.

The diagram shows a graph with axes for Complexity and Mgmt. Practices, with IT and Business targets numbered 1 to 4. The key is to focus on the areas indicated by the red line, which shows how time and gap can be managed to keep the gap small.
IT-CMF – A journey (not a certificate) of small steps

Illustrative journey

High-level assessment

Identify strategic focus, e.g.:

- Operational Excellence
  - Organizational capabilities
  - Service delivery
- Cost leadership
  - Cost reduction
  - Outsourcing readiness
- Business alignment
  - Business and IT alignment
  - Strategic planning
- Flexibility and innovation
  - System flexibility
  - Innovation and value creation

1. High-level diagnosis
   - Connect with senior management and players
   - Map strengths & weaknesses
   - Identify key capability gaps

2. Define primary strategic focus, identify cluster
   - Identify most relevant cluster of CPs
   - Assess CPs for identified cluster
   - Develop roadmap for improvement
   - Execute transformation, track benefits
   - Build mgmt capability (training, recruitment, performance mgmt)

3. Re-assess and focus
   - Re-assess identified CPs
   - Validate benefits delivered
   - Re-focus improvement measures
   - Extend assessment to next priority topics

4. Embed IT-CMF throughout management processes
   - Incorporate into performance mgmt
   - Build into operational processes

Align people and business strategy

Source: INVI INNOVATION VALUE INSTITUTE
Critical Processes

Managing IT like a business:
- ITG: IT Leadership and Governance
- BPM: Business Process Management
- BP: Business Planning
- SP: Strategic Planning
- DSM: Demand & Supply Management
- CFP: Capacity Forecasting & Planning
- RM: Risk Management
- AA: Accounting & Allocation
- ODP: Organisation Design & Planning
- SRC: Sourcing
- IM: Innovation Management
- SAI: Service Analytics & Intelligence

Managing the IT budget:
- FF: Funding & Financing
- BGM: Budget Management
- PPP: Portfolio Planning & Prioritisation
- BOP: Budget Oversight & Performance Analysis

Managing the IT capability:
- EAM: Enterprise Architecture Management
- TIM: Technical Infrastructure Management
- PAM: People Asset Management
- KAM: Knowledge Asset Management
- RAM: Relationship Asset Management
- RDE: Research, Development & Engineering
- SD: Solutions Delivery
- SRF: Service Provisioning
- UTM: User Training & Management
- UED: User Experience Design
- PPM: Program & Project Management
- SUM: Supplier Management
- CAM: Capability Assessment & Management

Managing IT for business value:
- TCO: Total Cost of Ownership
- BAR: Benefits Assessment & Realisation
- PM: Portfolio Management
## Relevant Processes defined by Strategic Focus e.g.

<table>
<thead>
<tr>
<th>Strategic focus</th>
<th>Clusters</th>
<th>IT-CMF Critical Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Excellence</td>
<td>Service delivery</td>
<td>SAI Service Analytics and Intelligence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TIM Technical Infrastructure Mgmt</td>
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<tr>
<td></td>
<td></td>
<td>DSM Demand &amp; Supply Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CFP Capacity Forecasting &amp; Planning</td>
</tr>
<tr>
<td>Cost leadership</td>
<td>Organisation Design and Planning</td>
<td>ODP Organisation Design and Planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CAM Capability Assessment and Mgmt</td>
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<tr>
<td></td>
<td></td>
<td>KM Knowledge Mgmt</td>
</tr>
<tr>
<td>Sourcing maturity</td>
<td>Budget Mgmt</td>
<td>BGM Budget Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BOP Budget Oversight and Performance Analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TCD Total Cost of Ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BAR Benefits Assessment and Realisation</td>
</tr>
<tr>
<td>Business alignment flexibility and innovation</td>
<td>Sourcing</td>
<td>SRG Sourcing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DSM Demand and Supply Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM Risk Mgmt</td>
</tr>
<tr>
<td>Strategic planning</td>
<td>Strategic Planning</td>
<td>SP Strategic Planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PPP Portfolio Planning and Prioritisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EAM Enterprise Architecture Mgmt</td>
</tr>
<tr>
<td>Business and IT alignment</td>
<td>IT Leadership and Governance</td>
<td>ITG IT Leadership and Governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RAM Relationship Asset Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BP Business Planning</td>
</tr>
<tr>
<td>Systems flexibility</td>
<td>Business Process Mgmt</td>
<td>BPI Business Process Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EAM Enterprise Architecture Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SD Solutions Delivery</td>
</tr>
<tr>
<td>Innovation and value creation</td>
<td>Innovation Mgmt</td>
<td>IM Innovation Mgmt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BAR Benefits Assessment and Realisation</td>
</tr>
</tbody>
</table>
Who has used it?

**Financial organisation** recognised the immense internal and external business expectations for significant and rapid increase in scale and pace of IT. Needed IT team and business buy-in and support before embarking on change programme, and to complete exercise in three weeks for planning and budgets **Executive assessment as initial step**

**Energy company** needed to assess current maturity of business architecture, set a standard and vision, and identify requirements to meet that vision **Individual process assessment of enterprise architecture within broader engagement to accelerate our work**

**Global technology company** assessed maturity across IT and used it as input to a targeted programme of improvements across multiple IT processes. Re-assessed one year later to measure specific maturity improvement and value delivered **Executive and multiple individual process assessments**

**Global oil and gas company** assessed a single process critically important to them, and re-assessed one year later to measure improvement. Progressed to identifying key issues in the sector to use as an ‘organising force’ for IT **Assessed six processes - benchmarked with five other organisations in the sector**
“Like any successful partnership, the business-IT partnership will succeed through mutual support and mutual understanding of the expectations in both directions.”

## IT-CMF Maturity Levels

<table>
<thead>
<tr>
<th>Maturity Levels</th>
<th>Managing IT like a Business</th>
<th>Managing the IT Budget</th>
<th>Managing the IT Capability</th>
<th>Managing IT for Business Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>Unmanaged</td>
<td>Unmanaged</td>
<td>Unmanaged</td>
<td>Unmanaged</td>
</tr>
<tr>
<td>Basic</td>
<td>Cost center</td>
<td>Predictable Performance</td>
<td>Technology Supplier</td>
<td>Total cost of ownership</td>
</tr>
<tr>
<td>Intermediate</td>
<td>Service center</td>
<td>Systemic cost reduction</td>
<td>Technology Expert</td>
<td>ROI and business case</td>
</tr>
<tr>
<td>Advanced</td>
<td>Investment center</td>
<td>Expanded funding options</td>
<td>Strategic business partner</td>
<td>Options &amp; portfolio management</td>
</tr>
<tr>
<td>Optimizing</td>
<td>Value Center</td>
<td>Budget amplification</td>
<td>Corporate core competency</td>
<td>Optimized value</td>
</tr>
</tbody>
</table>
“The important point here is that IT and IT Providers are inseparable parts of the operations of most businesses. A small failure or improvement of IT can have a dramatic effect on the business’ ability to operate and perhaps influence its profitability.” Harris, Herron & Iwanicki, “The Business Value of IT,” page 5.
Managing the IT Budget

Maturity Indicators

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Key Capabilities and Characteristics</th>
</tr>
</thead>
</table>
| Budget Amplification | - A stable IT budget supports the growth demands of the company  
|                      | - Budget allocations are balanced across appropriate portfolios that are based on value performance  
|                      | - IT intensity is actively managed and compared against other key corporate spending categories  
|                      | - Budget is driven by long-term organisation and business roadmaps |
| Expanded Funding Options | - IT has attracted multiple sources of funding  
|                      | - Cost savings are shifted to strategic investments or to the bottom line  
|                      | - The IT budget is in compliance with governance and with IT usage principles  
|                      | - The IT budget is aligned with long-term business value |
| Systematic Cost Reduction | - Systematic cost reduction processes are in place  
|                      | - IT unit costs are trended and reduced annually  
|                      | - A dynamic baseline IT budget approach is in place |
| Predictable Financial Performance | - A defined IT budget exists  
|                      | - IT tracks performance against periodic financial and spending plans  
|                      | - Variance between actual and planned spend remains within a specified control limit |
| Unmanaged            | - Financial performance is erratic  
|                      | - The IT budget has no clear owner  
|                      | - IT spend is invisible and fragmented  
|                      | - IT funding is not aligned with long-term business value |

“… the IT budgets of some organizations are a complete mystery to the businesses that pay for them and may not be delivering commensurate value.” Harris, Herron & Iwanicki, “The Business Value of IT,” page 15.
# Managing the IT Capability

## Maturity Indicators

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<th>Maturity Level</th>
<th>Key Capabilities and Characteristics</th>
</tr>
</thead>
</table>
| **Strategic Core Competency**   | - IT enables information and/or execution superiority over competition  
                                  | - A steady stream of solutions provides competitive advantage  
                                  | - IT is recognised as a differentiating core competency |
| **Strategic Business Partner**  | - IT leadership is integrated with business leadership  
                                  | - IT delivers solutions that provide value in specific business areas  
                                  | - IT delivers key competitive capabilities in targeted areas  
                                  | - IT leaders understand the business and proactively propose solutions to key opportunities and problems |
| **Technical Expert**            | - IT has a track record for for delivering quality services that are reliable  
                                  | - The IT organisation is sought out as source of technical expertise  
                                  | - IT provides a reliable utility IT service that is benchmarked on performance and cost |
| **Utility or Technology Supplier** | - There is growing respect for the IT organisation  
                        | - The company views IT purely as a cost centre  
                        | - IT is a cost to be continuously reduced |
| **Unmanaged**                   | - Users purchase and maintain IT systems  
                                  | - There is no formal IT presence  
                                  | - There is no integration of IT systems |
## Managing IT for Business Value

### Maturity Indicators

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Key Capabilities and Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimised Investment Return</td>
<td>- IT performs sophisticated investment and portfolio analysis in order to optimise investments and spend</td>
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<tr>
<td></td>
<td>- Returns from IT-enabled investments are equal to or greater than returns from other investment types in the company</td>
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<td></td>
<td>- Historical data enables accurate predictions of the value of future investments</td>
</tr>
<tr>
<td>Portfolio and Options Management</td>
<td>- IT has a proactive portfolio management program</td>
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<tr>
<td></td>
<td>- IT uses an options management approach to pick and manage speculative IT investments</td>
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<tr>
<td></td>
<td>- IT weighs risk and value-at-risk as key components of business cases</td>
</tr>
<tr>
<td>Simple Return-on-Investment and Business Case Disciplines</td>
<td>- There is a disciplined use and review of business cases</td>
</tr>
<tr>
<td></td>
<td>- IT has in place either investment governance or a business value program</td>
</tr>
<tr>
<td></td>
<td>- IT uses multi-metric analysis of business cases to determine best quality investments</td>
</tr>
<tr>
<td>Total Cost of Ownership</td>
<td>- IT computes total cost of ownership for major assets</td>
</tr>
<tr>
<td></td>
<td>- IT tracks total cost of ownership regularly to ensure there is continuous cost reduction</td>
</tr>
<tr>
<td></td>
<td>- IT computes total cost of ownership for the full life cycle</td>
</tr>
<tr>
<td>Unmanaged</td>
<td>- Decisions are based on cost, not value</td>
</tr>
<tr>
<td></td>
<td>- There is no comprehension or measure of the value IT provides</td>
</tr>
<tr>
<td></td>
<td>- Total cost of ownership is rampantly escalating</td>
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</tbody>
</table>
What’s Available to help improve?

Framework
- IT-CMF

Macro processes
- Managing IT like a business
- Managing the IT budget
- Managing the IT capability
- Managing IT for business value

Critical processes
- ITG: IT Leadership and Governance
- BPM: Business Process Management
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- PPP: Portfolio Planning and Prioritisation
- EAM: Enterprise Architecture Mgmt
- TIM: Technical Infrastructure Mgmt
- TCO: Total Cost of Ownership

Core documents
- Master deck
- Stage x review deck
- Practices-outcomes-metrics
- Assessment questionnaire
- Illustrative examples
- Marketing booklet
- Kick-off deck
- Analysis tool
- Data collection template
- Summary on assessed organisation
- Awareness pitch deck

Artefacts
1. Overview and definitions
2. Lessons learned
3. Differentiation – Internal and external
4. Maturity profile
5. Assessment approach
6. Case studies
7. Illustrative examples
8. Next steps
Assessment Focus – where to start? An example

<table>
<thead>
<tr>
<th>Value</th>
<th>Cluster</th>
<th>Anchor</th>
<th>Core CPs</th>
<th>Supporting CPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agility and Innovation</td>
<td>IT enabled business innovation</td>
<td>IM</td>
<td>KM, RDE</td>
<td>CAM, SP, BP, BAR</td>
</tr>
<tr>
<td></td>
<td>Agile IT architecture</td>
<td>EAM</td>
<td>BPM</td>
<td>SD, SRP, TIM, CAM</td>
</tr>
<tr>
<td>Customer focus</td>
<td>Sustainability alignment</td>
<td>SICT</td>
<td>IM, TIM</td>
<td>ITG, RM</td>
</tr>
<tr>
<td></td>
<td>Operational partnership</td>
<td>RAM</td>
<td>SAI, PM</td>
<td>RM, IM, SICT</td>
</tr>
<tr>
<td></td>
<td>Business / IT strategic integration</td>
<td>SP</td>
<td>BP, PPP</td>
<td>PM, BAR, DSM, IM</td>
</tr>
<tr>
<td>IT operation</td>
<td>Sourcing excellence</td>
<td>SRC</td>
<td>SUM, CFP</td>
<td>DSM, SP, RM, ITG</td>
</tr>
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<td></td>
<td>Cost management</td>
<td>TCO</td>
<td>AA, BOP</td>
<td>BGM, FF, PPP, BAR</td>
</tr>
<tr>
<td></td>
<td>Project &amp; programme excellence</td>
<td>PPM</td>
<td>BGM, BAR</td>
<td>PPP, TCO, PM, ITG</td>
</tr>
<tr>
<td></td>
<td>IT organisation</td>
<td>ODP</td>
<td>ITG, PAM</td>
<td>PPM, KM</td>
</tr>
<tr>
<td></td>
<td>Service quality</td>
<td>SRP</td>
<td>CFP, DSM</td>
<td>TIM, SD, SAI, UED</td>
</tr>
</tbody>
</table>

Source: IVMI Innovation Value Institute
Approach

• Assess your current status
  – Review status against other companies
• Decide what are the most important and urgent CPs for you
  – not everyone process needs to be at the highest level
    – you decide not the model
• Assess your capability in those CPs
• Determine and deliver improvement activities
• Repeat regularly
The Method – Step 1
An Executive Assessment

• Elapsed time normally 2-4 weeks
• Plan and select experts in the Business and IT usually 6-8 people
• Participants use two and a half hours effort
  – Complete the online assessment tool (60 minutes)
  – Structured interview with assessment team (90 minutes)
• Results are collated by the assessment team and a report is generated
  – IT-CMF is supported by any tools and expertise from IVI is on hand to assist with getting the best from the assessment.
• The report is reviewed and the client is assisted to determine next steps
Typical Output of an Executive Assessment

This is only one view many more are available from the IVI toolset
The Method – Step 2
Critical Process Review (CP) or Cluster Review

• What happens next is up to the client organization
• Single process reviews take roughly the same amount of time and effort as the Executive review but concentrate on the chosen CP or CPs
• A cluster review looks at selected linked CPRs and as such take longer depending on the breadth of coverage
Assessment Outputs

Company self-assessment

IVI objective assessment (and rationale for differences)

Analysis of maturity gaps

Recommended improving maturity of capabilities with highest value potential by 2012

Recommended practices to Improve Re-Evaluation

Case study: Standardised set of business value metrics

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Assessment Outputs 2

• An assessment gives you three views
  – A benchmark – where other companies are
  – The view from within – your organization's assessment of itself based on the surveys
  – The view of the assessment team – a more objective view from the external team
• Your opportunity is to
  – Understand where your organization is on the maturity curves
  – Define what is important and what needs to change
  – Make use of the assets that back up the model
• We can help you to determine next steps and can be involved with your teams if appropriate
Conclusions

• IT-CMF is a powerful new tool which we recommend
• It focuses on the business value of IT
• It allows users to understand how their IT organization is performing
• Aims to move IT from a business necessity to a business changer
Questions