My Objective:

To share with you my observations and experiences of:

- The changing nature and role of **governance, leadership and management in this digital age**
- How contemporary **value management approaches** can be applied to support and realise value from **digital transformation**.

My key message:

1. Digital is changing everything – how we live and work, our business models
2. Digital requires a more agile and inclusive approach to governance, leadership and management – the industrial (“IT”) era approaches won’t work in the digital era
3. We need more than ever a business value based foundation to be successful in the digital age

Today is as much a conversation as it is a presentation.....

At the end of our session, you won’t have all the answers, but will have a better understanding of the questions you need to be asking!
“The failed promises of the Information Age add up to the longest-running disappointment in business history. On the other hand, information technology has produced an enormous transition, something that companies should be grappling with and studying every day.”

Jack Welch
Why public sector projects fail – OGC

1. Lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success.
2. Lack of clear senior management and Ministerial ownership and leadership.
3. Lack of effective engagement with stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Too little attention to breaking development and implementation into manageable steps.
7. Lack of understanding of, and contact with the supply industry at senior levels in the organisation.
8. Lack of effective project team integration between clients, the supplier team and the supply chain.

UK’s National Program for NHS IT (NPfHIT)

- Possibly will be the biggest “IT Project” failure in history!
- UK’s PAC June 2011 public hearings - amazing theatre!
- From those hearings:

**Approach and Governance**
- Clinician engagement was 5 years too late
- Conversations were on the how (eg. the IT), not the outcomes
- SRO could not articulate how much he spent per week on governance for the programme. SRO Deputy chaired the Programme Board

**Benefits**

**PAC Conclusions**
- “It is not a software issue but a management issue”
- “How long do we go before we call time?”
- “Worst example of value for money for taxpayer”
Why Did This Happen?

- Failure to acknowledge complexity
- Focused on, and driven by technology and technologists
- Limited/no senior business ownership or accountability
- Limited/no business stakeholder ("victim") engagement (and, as a result buy-in)
- Woefully inadequate business cases (based on "delusional optimism" and "strategic misrepresentation")
  - Limited/no clarity of desired outcome(s)
  - Limited/no understanding of scope ("depth" and "breadth" of organizational change)
  - Failure to balance "attractiveness" with "achievability"
  - Limited/no relevant metrics ("lead" and "lag")
- Failure to "manage the journey"
- Failure to manage the benefits

Overall...a failure of Governance
The 4 areas I am focusing on today..

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The 4 areas I am focusing on today..

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Driving a digital transformation is not automating existing workflows or layering new tools and technologies on top of traditional processes. It isn’t an IT strategy trying to catch up with a business strategy. It isn’t cloud, collaboration, systems or applications. And it isn’t just a technology issue.

Leading digital companies connect all the motions of our business—from engineering, to servicing customers, and everything in between—in a synchronized and agile way. It’s about creating a continuous cycle of innovation ….. in the operating model. It’s about going to market more efficiently without institutionalizing old processes. It’s about reaping all the benefits of technology, new processes, great talent and the reams of information sitting in our data systems.
Change in the digital world is unrelenting

- Everything as a service
- Everything and everyone connected
- Data about everything
- Analytics for anyone
- Technology embedded in everything we do
  - Smart everything – phones, cars, houses, buildings, cities, etc.
  - We are becoming increasingly embedded in everything technology does

This is changing the nature of work and how we manage it
We have to acknowledge that the way we have governed and managed our “IT” investments has been woeful!

How many of these have you observed?

1. **An all too often blind focus on the technology itself**, rather than the business change – increasingly significant and complex change – that technology both enables and shapes.

2. The **unwillingness of business leaders to get engaged** in, and take ownership of this change – preferring to abdicate their accountability to the IT function.

3. **Failure to involve the stakeholders affected by the change**, without whose knowledge, understanding and “buy-in” failure is pretty much a forgone conclusion.

4. A **lack of rigour at the front end** of the investment, including, what is an almost a totally ineffective business case process.

5. **Not actively managing the value**.

Source: Based on John Thorps blog – Transforming governance and leadership for the digital economy - May 2014
Evolution of Use of IT

**Automation of Work** (Efficiency – run the business)

**Management of Information** (Effectiveness – change the business)

**Transformation of Business** (Innovation – change the game)

Investments in business change are increasing and... ... complexity is increasing!

Source: Adapted from *The Information Paradox* by John Thorp. McGraw Hill 2003

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Change is increasingly complex and chaotic

- **INFORMATION**
  - Simple/ordered
    - Best practices

- **TRANSFORMATION**
  - Complicated
    - Proven practices

- **AUTOMATION**
  - Complex
    - Emerging practices

- **EXPLORATION**
  - CHAOS

Source: Cynefin Framework Cognative Edge
So in our thinking about digital business, what has to change?

<table>
<thead>
<tr>
<th>Traditional Approach</th>
<th>Digital Approach</th>
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<tr>
<td><strong>Context</strong></td>
<td></td>
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<tr>
<td>Industrial economy enterprise thinking</td>
<td>Digital economy ecosystem thinking</td>
</tr>
<tr>
<td>Simplistic, cause and effect</td>
<td>Complex, dynamic relationships</td>
</tr>
<tr>
<td>Stable and predictable – change just</td>
<td>Disruptive and uncertain – change is constant</td>
</tr>
<tr>
<td><strong>Strategy and Governance</strong></td>
<td></td>
</tr>
<tr>
<td>Compliance and risk focused</td>
<td>Value focused where value is defined by customer needs</td>
</tr>
<tr>
<td>Strategy as an “annual” event, tightly connected to the budgeting cycle and process</td>
<td>Strategy as an on-going process – continuous improvement on a general sense of direction - de-coupled from, but interacts with, the budgeting cycle</td>
</tr>
<tr>
<td>Structure (architecture) comes later</td>
<td>Structure (architecture) integrated with Strategy</td>
</tr>
<tr>
<td>Long time frames</td>
<td>Short time frames within a long-term context – exploring with minimal viable prototypes, iterating – failing early &amp; scaling fast</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
</tr>
<tr>
<td>Leadership as a hierarchical position – “the leader”</td>
<td>Leadership as a behavior – leadership capabilities recognized, nurtured and empowered throughout organizations</td>
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The 4 areas I am focusing on today..

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Peter Drucker’s wisdom...

1. “Doing the right thing is more important than doing the thing right.”
2. “If you want something new, you have to stop doing something old.”
3. “There is nothing quite so useless as doing with great efficiency something that should not be done at all.”
4. “What gets measured gets improved.”
5. “Results are gained by exploiting opportunities, not by solving problems.”
6. "Management is doing things right. Leadership is doing the right things"
Addressing the mind-shift changes: recognising the Big Disconnect between Strategy & Operations

Miracle Thinking...

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We know P3M helps to bridge the disconnect to deliver business change.

Objective selection of a portfolio of Investment Programs to maximise overall enterprise value, based on both attractiveness & achievability with proactive monitoring and adjustment of the portfolio based on performance & business context.

Management of programs containing structured grouping of projects that are both necessary and sufficient to optimize the realization of clearly defined business benefits.

Management of projects comprised of a structured set of activities required to deliver a defined capability based on an agreed specification, schedule and budget where the capability is necessary but NOT sufficient to realize the desired benefits.
And we need to recognise that we are investing to build assets & will need Enterprise Architecture.
And recognise we are actually making investments in capabilities and change.
Finally we need Governance & Performance Mgt to also bookend the management disciplines.
Separating Governance into Value & Delivery we have a complete Value Management Framework

Doing The Right Things

Doing Things Right

Enables the organisation to dynamically sense and respond....
Value Management directly addresses the Value Leakage issue...wastage from implementing capabilities not needed!

53% Strategic Leakage

15% Execution Leakage

32% Structural Leakage

**Mind-set changes:**

Key changes to how we govern and manage value

<table>
<thead>
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<th>Moving from .......</th>
<th>..... towards</th>
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<tr>
<td><strong>Fundamentally:</strong></td>
<td></td>
</tr>
<tr>
<td>Focus is on doing things right...</td>
<td>... focus is on <strong>doing the right things</strong>, and then doing things right</td>
</tr>
<tr>
<td>Change happens</td>
<td>... <strong>change needs to be managed</strong> as an integral part of the investment...</td>
</tr>
<tr>
<td>Managing our various disciplines in siloes...</td>
<td>...<strong>linked up thinking</strong> for all our management disciplines</td>
</tr>
</tbody>
</table>

**Our decision making about digital investments**

<table>
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<tr>
<th>Investments viewed as incremental change...</th>
<th>...investments viewed through their <strong>Portfolio of enterprise transformation lens</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labelling and governing with an “IT” tag... e.g IT Governance, IT Strategy, IT Architecture, IT Project</td>
<td>...<strong>Digital (IT) is a normal part of business governance.</strong></td>
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The major contributor to business value is not the technology itself – it is the organizational change that technology both shapes and enables – increasingly complex change that must be owned and led by the business.

All this is giving rise to a fundamental rethinking of how digital businesses are governed, lead and managed, and the capabilities that are required to ensure and assure that the use of technology contributes to creating and sustaining business value in the digital world.

We need to go beyond “tweaking” or re-engineering to re-imagining.
Portfolio Management helps “pick the winners”...

- Many organisations manage their portfolio only for costs and resourcing...not for value - mainly because they have no credible understanding or knowledge of “value” - btw what is “value”?
  - It helps ensure decision-making is **transparent**
  - It provides a **consistent** and **rigorous** understanding and representation of what is relative value
  - It helps focus on **the important few** rather than the irrelevant many
  - The portfolio must be “kept alive”, with its composition continuously adjusted and balanced.
Portfolio Categorisation enables balancing the investment portfolio and ensures like for like investment decisions.

Source: adapted from ITGI Val IT Framework 2.0 2008; John Thorp's The Information Paradox 2003
T/G/R Source: Gartner (Meta)
Relative scoring based on several dimensions gives insight into “value”

Value is what helps us achieve our business goals.
Value for an investment is a function of it’s Strategic Alignment, Business Contribution and Risk/Readiness.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alignment</td>
<td>Measure of fit with strategic direction</td>
<td>“Direction”</td>
</tr>
<tr>
<td></td>
<td>– right way</td>
<td></td>
</tr>
<tr>
<td>Business Contribution</td>
<td>Measure of financial and non-financial contribution</td>
<td>“Velocity”</td>
</tr>
<tr>
<td></td>
<td>- how much</td>
<td></td>
</tr>
<tr>
<td>Risk and Readiness</td>
<td>Chance of not delivering and not realising benefits</td>
<td>“Uncertainty”</td>
</tr>
<tr>
<td></td>
<td>- The reality check</td>
<td></td>
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Source: adapted from ITGI Val IT Framework 2.0 2008; John Thorp’s The Information Paradox 2003
Strategic Alignment – expressed as Outcomes

Figure 1—Police Strategic Plan Represented as a Business Outcomes Map (Summary)

Source: Val IT Police Case Study – ITGI 2007
Strategic Alignment – Investments added to Outcomes

Figure 2—Police Business Outcomes Map with Projects

Source: Val IT Police Case Study – ITGI 2007

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Now we can have a conversation about the relative (% weighting) contributions – this assists understand Strategic Alignment.

Figure 2—Police Business Outcomes Map with Projects

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Key Tools for Managing Value for Digital Transformation Investments

- **The Business Case**
  - Articulates why we are investing?

- **Outcome Mapping**
  - Articulates our understanding of the contribution of spending $ to the achievement of business outcomes and value
The foundation that sows the seeds for success or failure – NOT a bureaucratic hurdle!

Business (or Value) Cases should:

- Go beyond delivery of IT projects to include realization of value from IT-enabled investments in business change
- Focus on managing the “journey” as well as achieving outcomes (both intermediate and final)
- Ensure that relevant and appropriate measurements (both lead and lag), accountability and reporting are included
- Be a living, operational management tool, updated through the full life cycle of an investment decision, with timely corrective actions taken as required

The Business Case is the key instrument for managing and realising value
Outcomes Mapping supports understanding value contribution & Business Case rigour

Clear accountabilities

Full scope of effort—All necessary IT and business initiatives, including change management

Clear understanding of outcomes

Relevant metrics

Outcomes - focused programs of change

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Source: The Results Chain™, Fujitsu
### Practical changes:

**Key changes to how we govern and manage value**

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<tr>
<td><strong>How we manage our portfolio</strong></td>
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<tr>
<td><strong>Doing too many things</strong>...attempting to undertake all investments that are proposed...and being spread to thin to do any well</td>
<td>...focusing on the important few investments, selected on the basis of their business value</td>
</tr>
<tr>
<td><strong>How we manage our digital investments</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Business cases are a once-off exercise</strong> (to secure funding) and have narrow applicability (focus on the how, $ cost and the technology)</td>
<td>....Business Cases undertaken with much more rigour in shaping business transformation &amp; the business outcomes (&amp; it is kept alive) The definition of value (benefits) goes beyond just looking at the $s.</td>
</tr>
<tr>
<td>Little benefits realisation nor validity of value for money...<strong>benefits management is rarely successful</strong></td>
<td>.....proactive and <strong>stronger business value analysis and rigorous benefits realisation</strong> focused on understanding &amp; managing outcomes</td>
</tr>
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<td>Focus only on <strong>delivery</strong> of projects....</td>
<td>.....<strong>value centric culture</strong> – focusing on program management and portfolio health for the achieving of investment <strong>outcomes</strong></td>
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"If you don’t like change, you’re going to like irrelevance even less"

- General Erik Shinseki, Chief of Staff, US Army

We need to think, manage and act differently about value in the digital era...
1. What got us here (not very well) won’t get us where we have to be
2. Digitization is not a technical issue – it is an enterprise governance issue that cuts across organisational silos, all levels of organisations and beyond
3. Surviving and thriving in the digital economy will require a dynamic, sense and respond approach to enterprise governance – one that is focused on value, while balancing rigour with agility
4. It will require changing our notion of leadership from “the anointed leader” to leadership as a behaviour embedded throughout the organization
5. All this will require evolving beyond a “command and control” culture to an “orchestrate, support and guide” culture
Looking ahead – a final word by McKinsey

- **Understand the value.** Most organisations have only a basic grasp on the value that digital can create. To reap the rewards from digitization at scale, CEOs need to push their teams to understand better what they can gain from digital initiatives and to match priorities and investments with the areas of highest value.

- **Focus on organization-wide impact.** As executives become more involved in digital efforts, they must work to ensure that their structures and business processes are set up to take full advantage of the opportunities that digital efforts offer.

Source: The digital tipping point. McKinsey Global survey results 2014

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Realising Value in a Digital World: Rethinking Governance, Leadership and Management

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Guest Lecture with New Zealand Treasury
25 January 2017