iExec Enterprise Essentials Companion Guide

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Introduction

Welcome to the Business Essentials Program

This program seeks to provide information technology (IT)-related business education that will enable you to develop new strategies to transform your organization or business through the strategic use of IT and Internet applications.

This program features a blended learning model composed of an e-learning portion as well as an instructor-led portion.

The Business Essentials Program web-based component is 15.5 hours, and the instructor led component is 34.5 hours. The total course consists of 50 hours of instruction and training, 14-hour facilitated course—34 hours.

Course Overview

Critical Business Decisions

Throughout this e-learning course, you will be helping a medium-sized business owner enhance business processes for his company. You will help him to strategically apply IT and Internet applications to his business, Oasis Office Furniture.

Although sales have been good and profits are up, Oasis Office Furniture is faced with a few challenges. The owner believes his market share is on the verge of shrinking instead of expanding. He has some critical business decisions to make if he wants to stay competitive over the long run.

Course Objectives

After completing the Business Essentials e-learning course, you will be able to do the following:

- Describe the global trends and impact of the Internet and IT on business.
- Explain the business and market drivers using the Internet and IT.
- Describe the various strategies to increase productivity, efficiency, innovation, and profitability and create a networked virtual organization (NVO).
- Explain the concepts of IT governance.
- Assess your organizational readiness and explain the need for readiness planning.
- Describe the uses and value of Internet-enabled solutions in improving business processes.

- Perform an external and internal situation analysis.
- Create an e-vision for success.
- Apply the principles of portfolio planning and management.
- Identify and prioritize opportunities for process improvement using the Internet and IT.
- Describe the importance of change management to the success of your Internet and IT initiatives.
- Recognize when and how to build a business case.

In the last few years of the 20th century, IT came into its own. With the widespread implementation and adoption of the Internet and the realization that real services could be delivered over it for real money, IT came to be viewed as an essential enabler of higher customer service and greater business value. However, like other major technological innovations, it had a period of significant hype in which companies overinvested in IT technology under the mistaken impression that merely implementing IT was enough to ensure success.

For a while, IT investment and infrastructure buildout improved communications, and getting businesses online was enough to give companies a competitive edge. In the belief that the web would be a disruptive technology that would displace "bricks and mortar" business, venture capital flowed freely to anyone who had an idea; good or bad did not seem to matter. This "irrational exuberance" led to the dot-com bubble and ultimately its collapse in 2001. The collapse served to drive some businesses back to the equally irrational view that IT was critical to the success of a company. The resulting swing in business strategy was to significantly depress the IT market as companies retrenched their automation efforts. The overall market grew enough to consume the excess computing capacity that had been delivered to start-ups and established enterprises.

However, as the Internet has grown from its infancy, we are learning each day that the Internet and IT are disruptive technologies that have intensified competition, enabled transformational growth, and completely changed businesses, industries, and even countries. Concurrent with the rapid buildout and collapse of IT and its carrying capacity, IT moved from a simple business enabler to the foundation on which business was conducted. The concept of IT as a business enabler was innovative and forward thinking; the speed at which bandwidth was implemented without bandwidth consuming applications and customer demand was the root of the dot-com bubble burst. As small businesses consumed IT-enabled capabilities to capture market share from larger enterprises, there came a slow realization that large investments in plant and fixed infrastructure, capital expenditures (CapEx), were no longer necessary to generate large recurring revenue streams. It has, in recent years, become apparent that such investment ties up investment dollars that could be used to generate intellectual property and extend differentiating business services to the customer. In fact, investment in fixed plant, with long-term depreciation cycles, can impose such a taxing overhead on a business that its very survival can be threatened.

Now, in the first decade of the 21st century, it is easy to see that business will be fundamentally different from its historical predecessors. The combination of global markets with the commoditization of the means for production ensures that the most successful businesses of the 21st century will be intellectual property creation. This means that IT and its ability to transcend geographic distance, enable collaboration, and reduce fixed plant investment must be fundamental to all strategic business planning.

IT as a core component of business strategy is a relatively new concept, and many companies still do not grasp the potential growth opportunities it represents. Companies that understand and embrace IT as a core business imperative when applied to its value creation and delivery will be rewarded with substantial market advantages.

For some time now, IT budgets have been focused on cost reduction rather than value creation. This approach fundamentally ignores the value side of IT and fails to recognize that business processes, without tightly integrated automation, cannot survive in a competitive environment.

One of the contributing factors to firms not understanding the value of technology within business has been the lack of understanding on the application of IT to specific business issues. Although many MBA curricula cover information technology, most do not discuss IT in the context of business strategy and innovation. This book and the course on which it is based offer some approaches and remedies for this situation.

This book addresses the value of IT to the business and shares some sensible approaches to exploring how to apply IT to nearly any business. In this way, it provides a context for business that is more in keeping with the realities of business in the Information Age.

Organization of This Book

This book is designed to be a companion to the *Cisco Business Essentials Program*. Although the book is written to match the main course headings, it can also be used in an independent context as source material for individual or classroom instruction.

This program has eight modules. Following is a brief description of each module:

Module 1 introduces global trends, opportunities, and strategic imperatives driving the use of the Internet and IT.

Module 2 explains IT-enabled business strategies to increase productivity, efficiency, innovation, and profitability. It also covers how to create the concept of an NVO.

Module 3 explores how to assess and build organizational readiness and how to improve IT governance, as well as the importance of organizational readiness to enrich business outcomes.

Module 4 examines Internet-enabled solutions to enhance business processes and how to apply the solutions to internal and external business processes.

Module 5 describes strategy and planning processes, including the portfolio management approach, and how to use them to create a successful Internet-enabled business roadmap.

Module 6 introduces the principles behind process, project, and change management, and how they promote project success and adoption.

Module 7 explores what a business case is, why it is important to create a business case for your Information Technology (IT) initiatives, and briefly reviews the main components of a business case.

Module 8 is the Conclusion. Upon completion of this course you should have enhanced your knowledge of the opportunities, tools, and approaches required to plan and implement better strategies.

The following sections quickly preview each module.

Module 1: Strategic Imperatives

In Module 1, you will learn how current global business trends can help incorporate Internet and IT initiatives into your business strategies.

Upon successful completion, you will be able to describe the following:

- The global business trends, and how businesses are using IT to respond to those trends
- The impact of IT on your business plans, innovation, productivity, performance, efficiency, and customer satisfaction programs
- Market and business drivers, and the strategic importance of Internet and IT in your business plans
- Ways to increase your financial performance and value to the customer by integrating business processes with new technologies

Module 2: Management Strategies

In Module 2, you will learn about management strategies and how Internet and IT add value to an organization. You will learn how IT and various strategies can improve innovation, productivity, efficiency, and customer satisfaction. You will also learn about the evolution of the NVO, key NVO strategies, and their impact on governments, industries, and businesses. This knowledge will help you and your organization move one step closer to successfully implementing Internet and IT initiatives.

You will be able to explain the following:

- Key management strategies
- Ways that Internet-enabled business strategies add value to your organization
- What a Business Value Framework is, and how it works
- The strategies for becoming an NVO

Module 3: Organizational Readiness

In Module 3, you will learn about the process of planning for organizational readiness as well as how to use some of the tools to determine how close your organization is to being "Internet-savvy." You will also learn about the value and characteristics of organizational readiness and the process of becoming an Internet-ready company.

You will be able to describe the following:

- The value and characteristics of organizational readiness
- The importance of IT governance to the success of IT initiatives
- The four key principles of IT governance
- The importance of leadership and culture
- Why taking into account the IT governance process during planning is vital to the success of IT initiatives
- How to use the Net Readiness Scorecard to assess your readiness for organizational success with IT
- How to create an Organizational Readiness Improvement Plan for your organization

Module 4: ICT Solutions

In Module 4 you will learn about Internet-enabled solutions. You will examine workforce optimization, customer facing, and supply chain solutions.

By the end of this module, you should be able to

- Compare the value of Internet-enabled solutions
- Recognize process maps and their role in solutions
- Recognize several different solutions that focus on processes within an organization or that extend outside the organization to external entities
- Identify how solutions can be applied to address organizational needs

Module 5: Strategy Development

In Module 5, you will learn how to build a strong business case with a complete portfolio of new IT initiatives for your organization. You will discover how to identify, prioritize, and create business justifications for these new initiatives.

You will be able to do the following:

- Define the elements of a comprehensive business case
- Conduct internal and external situation analyses

- Create an e-vision statement
- Use metrics to select projects, and manage a project portfolio
- Develop a business strategy
- Generate a portfolio of initiatives, and prioritize them
- Conduct internal and external situation analyses
- Use the portfolio approach to create an Internet-enabled business roadmap

Module 6: Portfolio Management

In Module 6, you will learn about the elements of project success and various management methods for promoting it in your organization.

You will be able to describe the following:

- The principles of business process management and define, measure, analyze, improve, and control (DMAIC)
- The challenges and principles of project success
- Ways to successfully implement a project with project lifecycle management
- The importance, approaches, and principles of change management
- The steps to create a change management plan
- Adoption strategies and the continual adoption planning process

Module 7: Business Case

In Module 7, you will explore what a business case is, why it is important to create a business case for your Information Technology (IT) initiatives, and briefly review the main components of a business case. You will be able to answer the following questions:

- What is a business case and how is it used to create a project proposal?
- When should you create a business case and project proposal?
- What are the major components of a business case and a project proposal?

Upon completion of this module you should be able to

- Recognize when to create a business case
- Identify the major components of the business case
- Compare financial and non-financial justifications
- Apply financial calculations to support a business case

Module 8: Conclusion

This course should enhance your knowledge of the opportunities, tools, and approaches required to plan and implement better strategies.

Through the strategic use of the Internet and IT, you should be able to create an actionable proposal and business justification for an Internet-enabled business application that will provide measurable benefits to your organization.

Having completed this program, you should now be able to

- Identify global trends and the impact of the Internet and IT on businesses.
- Describe how the Internet and IT can be used to address the challenges and opportunities facing your business.

MODULE 3

Organizational Readiness

Introduction

The previous two modules defined and explored the value of information and communication technologies (ICT) and the networked virtual organization (NVO) in a broad sense. This module goes a little deeper and discusses what it means to be organizationally ready, and why companies desiring strong market presence and market share need to move quickly to implement IT for strategic advantage. You will learn what organizational readiness means and discover what the relationship is between information technology (IT) governance, business planning, and project success.

You will also assess your own organizational readiness for success and develop an organizational readiness plan.

By the end of this module, you should be able to do the following:

- Define the characteristics that make an organization ready to embark on Internet and IT initiatives.
- Explain how to move your organization closer to organizational readiness.
- Describe the four keys to IT governance.
- Describe the importance of planning for organizational readiness.
- Explain the steps to plan for organizational readiness.
- Explain why the IT governance process during planning is vital to the success of IT initiatives.
- Use organizational readiness planning tools to assess your state of organizational readiness (Net Readiness Scorecard).
- Identify organizational readiness improvements for your organization.

What Is Organizational Readiness?

Organizational readiness refers to the level at which an organization has optimized key attributes required to successfully implement Internet-enabled business strategies and initiatives.

Without first addressing its general readiness to implement Internet-enabled strategies and initiatives, the IT initiatives of an organization can fail.

Organizational readiness is built on four pillars, as noted in Figure 3-1, that can enhance the ability of an organization to successfully implement Internet-enabled strategies and initiatives:

- Leadership
- Governance
- Competencies
- Technology

Figure 3-1 Four Pillars of Organizational Readiness

Organizational readiness is a journey, not a destination. Through continuous improvement, your organization can more easily deploy and use Internet-enabled business processes that are focused, accountable, and measurable.

Together, the four pillars can help drive organizational success. If the foundation of one pillar is not as strong as the others, the organization can falter in its path to longer-term success.

Leadership: The First Pillar of Organizational Readiness

What does it mean to be a leader? Why is it important for organizational leaders to be not just IT aware, but IT savvy when it comes to application of the overall business strategy? Historically, the most successful organizations have had strong leadership teams who believed in the power of IT. They understand how a movement to Web 2.0 applications, application mash-ups, and web-based processes has created new opportunities for innovation, productivity, and efficiency—all keys to competitive differentiation, as noted in Module 2, "Management Strategies." The decision to extend internal and external processes to the web must be made at the executive level.

Strong leadership sets the company vision, goals, and objectives. A strong team understands and communicates the value of using ICT solutions in a strategic manner. Firms that use ICT solutions strategically are better able to understand what and how to change more quickly to best meet changing market requirements; how to attract and motivate good people; and how to build a strong organizational culture across geographically dispersed facilities. Strong

leadership is the backbone of an organization. Without it, the other pillars of organizational readiness, even if executed well, will not be enough to succeed in a rapidly changing, dynamic market.

Strong leadership teams typically exhibit the following characteristics:

- Actively promote change throughout the organization.
- Engage and empower the organization to use the Internet as a tool.
- View information technology as a strategic asset rather than a cost center.
- Encourage and reward measured risk-taking in the organization.

It is not enough to have strong leadership, no matter how visionary it might be, if the team is technology adverse or even just technology neutral. Technology—specifically Internet-based technology—is the key to being a highly successful company in the twenty-first century. A strong leadership team must embrace technology and understand its unique role as a competitive differentiator against existing as well as emerging competitors. A strong leadership team that is also IT savvy is the one-two punch that drives a firm to great success.

Characteristics That Define IT-Savvy Leadership

- Views ICT as strategic transformation tools that can be used to get things done better, faster, and more effectively.
- Sets expectations and promotes change throughout the organization, highlighting accomplishments and successes.
- Ensures that decisions and power are distributed evenly in the organization, online tools are shared, and all employees, including top management, are held accountable for results.
- Engages and empowers the organization to use the Internet as a tool.
- Creates an open environment for the sharing of information and expertise.
- Promotes an Internet culture by encouraging both experimentation and initiatives that best utilize the web.
- Accepts a certain amount of risk to gain a competitive advantage. This leadership encourages employees to be comfortable with change and movement.

Governance: The Second Pillar of Organizational Readiness

Governance is the operating structure of a company. Governance includes company authority, roles, responsibilities, and accountabilities. It defines the overarching operating model of the company and is typically established by the leadership team. In essence, corporate governance is the glue that holds together and defines the nature of the organization.

Governance defines the overall operating model of the company. Corporate operations encompass IT and its role as a business enabler. In addition to defining the operational structure and model of the company, governance addresses the following:

- Organizing, funding, and executing IT initiatives
- Executing defined IT initiatives in business and customer-centric ways
- Defining and establishing decision metrics for measuring IT implementation successes
- Defining and establishing decision metrics that measure the overall impact of each IT initiative individually, as well as its impact collectively on the firm
- Establishing a closed loop process that provides feedback on the initiative to identify components of success, components needing adjustment, components that become a core competency, and components that could be optimized via outsourcing or out-tasking

Companies defined as having high organizational readiness have governance models that focus on setting new business and interpersonal dynamics both inside and outside the organization. They rely less on Industrial Era business models of established hierarchies and bureaucratic procedures and more on communication and collaboration across the organization. Generally speaking, strong governance follows solid leadership.

ICT-Centric Governance Characteristics

Several proven governance models meet brick-and-mortar business needs. These models are typically institutional in nature, meaning they are designed to be rigid and generally inflexible. Companies seeking to take advantage of the Internet and its numerous positive impacts on business must adjust their organizational governance models to better match the dynamic nature of the Internet. The most successful Internet-ready organizations will have identified, established, and implemented flexible governance models.

An Internet-ready governance model emphasizes the following:

- The focus on near-term business results and tangible returns on IT investments
- Active promotion of web-based applications and standard tools
- Active elimination of time-consuming, error-prone traditional applications and manual processes even though they might be more familiar

The desire of a firm to establish itself as Internet ready will be defined within the leadership team. It is critically important to engage multiple levels of the company in a collaborative process when considering moving to becoming an Internet-ready company. Make sure business decisions are made by the business owners and its leadership; engage the IT department as a strategic consultant to support the decision-making process and define the technology roadmap required to meet readiness in the most expedient, cost-effective manner.

Competencies: The Third Pillar of Organizational Readiness

Organization competencies are the collective skills within a firm that determine how it responds to or addresses changing market needs to achieve its purpose. The skills are distributed throughout the organization, its divisions, its departments, and its employees. Competencies, then, can be equated to the collective talent of firm personnel, its decision-making processes, and the effectiveness of its feedback loop.

Competencies can be divided into four primary skill sets: strategic skills, operational skills, managerial skills, and technical skills.

- **Strategic skills** address the ability of the company to plan, adapt, and execute. Strategic skills include a strong vision to support the need of a firm for agility to anticipate market changes and drive the necessary internal changes ahead of its competitors.
- **Operational skills** focus on the overall operations of the company. These skills include the ability to define authority, roles, responsibilities, and accountabilities across the organization. Operational skills, then, are the macro view of the firm.
- **Managerial skills** are the micro view of the firm. These competencies provide the metrics that track success, provide concise directions to project owners and customers, and drive and support corporate culture changes.
- **Technical skills** address the requirements of the firm to understand technical foundations and tools and apply them to solve business problems. Technical competencies require the understanding of existing technologies and how they can or will map to emerging technologies to smoothly integrate with and support an Internet-ready business.

Collectively, a firm that has strong skills across each of the competencies would be considered an Internet-savvy organization. For example, an Internet-savvy firm handles increased complexity in the business environment with grace and ease. It has interrelated, fast-moving activities that readily adapt to changes in the market. In addition, an Internet-savvy firm has two characteristics:

- It is knowledgeable and skilled on standard technology platforms, tools, and applications. Due to this knowledge and implementation, this company is highly responsive to changing market demands and can implement operational changes quickly.
- It understands the value of interrelatedness and interoperability of different tools and applications as they relate to customer facing, self-service, and partnering to achieve company goals and objectives.

A business with strong competencies across the four primary skill sets can achieve organizational readiness relatively quickly. Characteristics of firms with strong competencies, and the business value that the strength provides include the following:

- Being highly responsive to customer needs and executing new programs to meet those needs quickly. These firms also develop strong partnerships with competitors and complementary organizations to help achieve their goals.
- Responding immediately to challenges such as globalization and reduced barriers to entry. Coherence, particularly in business cultures where experimentation and failure is advocated and supported, is critical for promoting successful Internet business initiatives.
- Being capable of managing multiple relationships simultaneously. These firms know how and when to dissolve and form relationships or partnerships to respond to the customer-facing needs.
- Making calculated investments in developing core competencies to create competitive advantage and customer value.
- Encouraging the sharing of information, increasing the power of individuals and groups across the organization.
- Having employees who are capable of building networks of relationships that can adjust to market changes quickly without disrupting the business.

The Five Cs of Core Competencies

A firm builds its core competencies over time and through iterations of activities that have been tested and proven to be successful. Core competencies center on five areas: complexity, concurrency, coherence, connectivity, and coordination. Ultimately, each of the objectives of these areas is to meet rapidly evolving customer demands ahead of the competition. A useful way to think about core competencies, then, is that they are actionable in some way. Each of the competency areas is explained next:

- **Complexity:** Part of becoming an ICT-ready organization is addressing the inherent complexity of working within a virtual world. The Internet replaces physical constraints with the constraint of complexity. Doing business in virtual space can become even more complex because of the limited ability for humans to manage increasingly complex, interrelated, and fast-moving activities.
- **Concurrency:** Conducting business across the Internet accelerates the speed of business. Information flows, business activities, and transactions occur on-demand and in near-real time. To excel in this climate, organizations must feel comfortable with multitasking at every level.
- **Coherence:** Coherence defines the integrity of the organization. The firm might be extremely dynamic and willing to change, but it must have a foundation and boundaries established and be clearly defined to its constituents so that it does not become chaotic. External boundaries include legal and government regulatory compliance. The leadership and the governance teams establish the internal boundaries.

- **Connectivity:** Connectivity is a requirement for becoming an ICT-ready organization. Connectivity establishes the ability for employees to collaborate, increasing the power and self-sufficiency of each person and enforcing a company-wide value of sharing knowledge. Standards-based IT connectivity also enables ready communication up and down the supply chain and with customers.
- **Coordination:** This is enabled and enhanced through connectivity. Coordination is required between your firm and established partners with well-known brand names. They gain the power of your Internet knowledge and processes, and you gain the support of their name recognition. A connected, coordinated partnership is mutually beneficial when the objectives and responsibilities of each party are explicitly defined.

Technology: The Fourth Pillar of Organizational Readiness

It is not enough for a company to implement technology as a business enabler. This type of implementation can be viewed as technology for the sake of technology and is counterproductive to any long-term strategies that the company is pursuing. Technology, just like business strategy or product development, must be highly calculated, weighing a technology investment against the value it provides the firm. A sound technology strategy includes an implementation roadmap, measurable metrics, and vigilant execution.

Success with IT begins with a robust enterprise-wide IT architecture based on industry standards. A standards-based platform enables easier external integration and faster migration to new systems over time, while being able to sweat existing assets to maximize the return on investment (ROI). IT managers must be able to implement web-based applications rapidly, without having to make repeated improvements in the computing infrastructure.

The technology pillar of organizational readiness helps organizations acquire key technology capabilities needed for success, such as security, standardization, flexibility, adaptability, scalability, and reliability. This degree of functionality enables interoperability and makes it easier for employees to readily collaborate and develop new capabilities.

An Internet-ready organization has the technology infrastructure (network services, hardware, and software) and skill competencies in place to develop, scale, and support these Internet initiatives.

Nearly all companies can claim that they possess the elements of IT: skills, applications, and infrastructure; however, it is the degree to which these elements are current, integrated, and web enabled that defines a company as being organizationally ready to implement a web-based business.

IT-Ready Elements

Three essential Internet-ready technology elements exist:

- **Skills:** The organization is strong across all technology domains, including security and IT operations. The IT department collectively has certifications for the critical components of the infrastructure, including applications, and keeps the certifications up to date. In addition, the IT department partners closely with the organization and with the companies selected to outsource and out-task noncore activities.
- **Applications:** The Internet-enabled solutions of the organization adapt to rapid change and are scalable and customizable for the needs of the company, its customers, its suppliers, and its partners. Application choices and application development are selected based on a holistic perspective to ensure optimal information flow and data sharing across all aspects of the firm.
- **Infrastructure:** The organization establishes and abides by a standard IT infrastructure. Corporate policies for security, wireless access and wireless devices, infrastructure devices, administrative privileges, and so on are developed and defined at the highest level within the governance pillar and in tight partnership with the technology pillar members. Backend systems are continually maintained and upgraded to meet future organizational requirements. Employees and customers can access all critical information.

Strong technology characteristics allow the organization to do the following:

- Build itself around an architecture that is robust and comprehensive, without being constrained by proprietary implementations. Establish organization-wide standards against which all employees must comply to ensure interoperability, with minimal customization, with partners up and down the supply chain as well as customers and prospective customers.
- Train personnel on technology standards, and ensure the certifications are kept current. Develop or purchase only flexible applications that run on standard platforms.
- Standardize IT architecture, which enables new applications to emerge easily, cheaply, and quickly.

What Makes Internet-Enabled Organizations Successful?

A firm can spend a substantial amount of time and resources planning and strategizing its Internet-enabled business strategies. Primary and secondary research can be conducted and reviewed, models built, and teams set up. However, at the end of the day, success or failure hinges on organizational readiness. Organizational readiness is a continuous process, not a one-time strategy process as illustrated in the circular graphic in Figure 3-2.

In this section, you will learn about the importance of organizational readiness for success and its impact on the performance of your organization with IT.

Figure 3-2 Formula for Success with IT

Formula for Success with IT

As discussed, a strong leadership team is fundamental to the ability of a firm to execute on an organizational readiness strategy. You learned the characteristics of strong leadership and necessary skills to be a strong leader. Strong, successful leaders understand the need to develop the organization, its culture, and its infrastructure. The leaders are the team that coordinates activities and initiatives across all the other pillars of organizational readiness. As the organization develops and executes its strategies, it needs to do four things:

- Ensure that IT strategies and initiatives are linked to organizational goals and objectives.
- Monitor and measure that the activities and initiatives the firm engages in, in the pursuit and execution of organization readiness, are in compliance with established governance.
- Evaluate and establish that the company has the competencies across all its departments and divisions to execute quickly and efficiently.
- Make ongoing improvements to organizational readiness to enhance its ability to execute IT initiatives.

What makes one organization ready for success with IT while another never seems to be ready in spite of ongoing IT initiatives? A successful organization demonstrates one set of characteristics, called *enablers*, whereas the unsuccessful one flounders with characteristics called *barriers*. The following table illustrates enabler and barrier characteristics.

Enablers to Success with IT	Barriers to Success with IT
Strong execution	Inadequate leadership mind share
Metrics driven	Build-it-and-they-will-come strategy
Focused on immediacy	Inadequate execution and network infrastructure
"Visioning" philosophy	Partially automated responses
Customer-focused and technology enabled	Islands of websites
Scalable applications and standard network architecture	Following the competition
Driven by company vision	One-time effort mentality

(Adapted from Amir Hartman, John Sifonis, and John Kador. *Net Ready: Strategies for Success in the E-conomy*. New York: McGraw-Hill, 2000.)

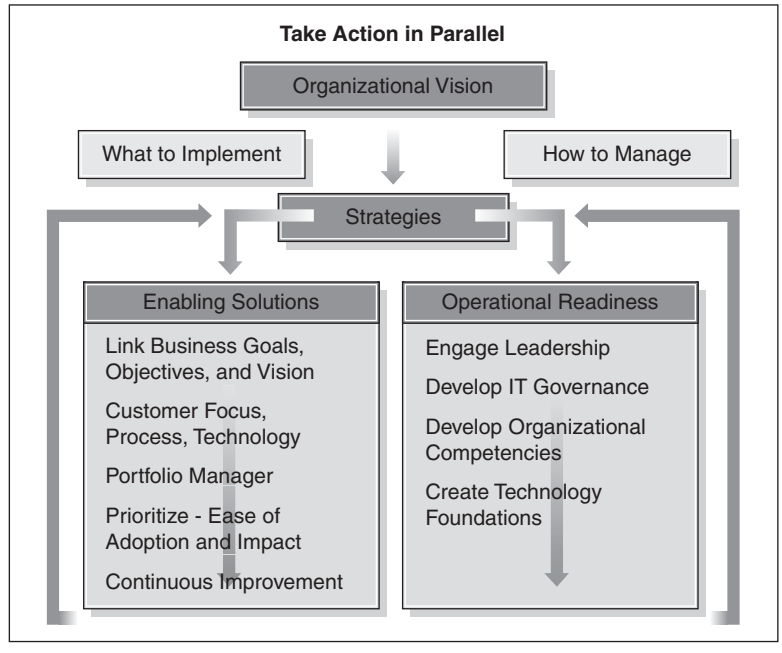
When you expand on these enablers and barriers, you can see how each point can positively or negatively impact the success of a company with IT. When examined collectively, you can readily identify the strength or harm that the total solution impact for success or failure with IT can have on the organizational readiness of a firm:

- **Strong execution:** An organization must have the ability to identify, execute, and deliver.
- **Inadequate leadership mind share:** This is failure of top management to link business strategies and IT strategies to achieve core goals and objectives of the organization.
- **Metrics driven:** Internet-enabled capabilities are linked to organizational goals and objectives and are measured and evaluated on a continuing basis.
- **Build it and they will come:** This is the illusion that customers, employees, and partners will naturally use web-enabled applications without incentives, training, and a solid management effort.
- **Being focused on immediacy:** Internet-enabled applications should be acquired or developed and deployed within 3 to 6 months. Large complex projects should be organized into smaller projects based on customer priorities and delivered in phases.
- **Inadequate execution and network architecture:** This is failure to build a technology foundation that links all the departments and divisions, as well as integrates with the supply chain. This type of infrastructure creates islands of isolation and limits future growth opportunities.
- **A "visioning" philosophy:** Successful organizations recognize the need for continuous self-examination, development, and modification.
- **Partially automated responses:** The failure to understand and redesign business processes completely creates delays and errors due to the use of manual processes.
- **Being customer focused and technology enabled:** Firms must offer a product or service that has clear value to a customer—the *customer value proposition*—and focus on creating new value through innovation.
- **Islands of websites:** This involves creating pockets of automation, frequently redundant and without integration between the sites.
- **Scalable applications/standard network architecture:** Companies need to create technology foundations that optimize applications and are interoperable.
- **Following the competition:** Companies that follow the competition do not innovate new products and services. Instead, they copy what their competitors are doing.
- **Being driven by vision:** Companies that articulate and act on a clear vision for the use of IT deliver greater customer value. In addition, vision-driven companies are capable of transforming their processes for greater efficiency and productivity.

- **One-time effort mentality:** These companies deploy new systems and capabilities once without an effective IT roadmap designed against the overall company strategy. These firms fail to monitor and improve the applications used or the network infrastructure over time, leading to rapid obsolesces.

What can a firm do to ensure it does not develop islands of isolation with its IT implementations as it aims to achieve organizational readiness? For a company to be successful in its efforts, it must focus on coordinating parallel efforts. As illustrated in Figure 3-3, success starts with the IT strategy being driven through the organization by the overall company vision. The vision determines what needs to be implemented and how it will be managed. Strategic roadmaps, metrics, and milestones are developed for executing enabling solutions and operational readiness. Continuous communication and feedback loops ensure that the company is executing for success with IT solutions built on defined strategies that map directly to the corporate vision. As a loop implies, this methodology is not a singularly executed process, but an ongoing one that requires vigilant attention. Vigilant attention to technology allows a firm to quickly take advantage of emerging opportunities.

Figure 3-3 Parallel Actions for Successful IT Implementations



Value of Organization Readiness

What is the value to firms in determining its readiness to execute an Internet-based business strategy? Most businesses already have a website, can electronically interoperate with their supply chain, and have built their leadership team and employee base. Technology is inherently pervasive to these firms, so that fact alone should make them nearly Internet ready.

However, that is not completely accurate. As discussed, there are enablers and barriers to organizational readiness. Time spent up front in the planning and preparation stages will reap great returns on the backend, allowing these companies to move at increasing speeds to meet changing customer requirements.

Companies that build their foundation solidly will be able to grow, change, and evolve at the same rate as their customers and markets. A quick recap of the value that each organizational readiness pillar provides illustrates the strength of the individual pillar and the collective strength of the entire framework:

- **Leadership**
  - Determines the way a firm addresses a market need or achieves its purpose
  - Encourages the sharing of information, increasing power across the firm
- **Governance**
  - Involves organizing, funding, and executing an Internet-based business
  - Ensures that decisions and power are distributed evenly in the organization
- **Competencies**
  - Identifies what and how to change, attract/keep good people, and build an effective culture
  - Ensures that business owners make business decisions with IT acting in a consulting capacity
- **Technology**
  - Enables easier integration and faster migration to new systems
  - Ensures that the organization builds itself around a robust, standard, and comprehensive architecture

Conclusion

This section looked at how the four pillars of organizational readiness—leadership, governance, competencies, and technology—help organizations build a successful Internet-enabled business. Organizational readiness is purely a measure against which firms can determine if they are capable of taking advantage of the Internet for success. This section can assist companies in determining where they are strong and where they need to exert some effort to become better prepared to take advantage of the Internet for business success.

Successful organizations demonstrate the enablers of Internet-ready success, whereas those that have failed display the barriers to Internet-ready success.

IT Governance and Planning

Previously, this module talked about governance as one of the four pillars to organizational readiness. Governance, as a pillar to organizational readiness, spans the entire organization. This section drills down specifically on governance as it relates to IT. You will learn why IT

governance is essential to your organization. IT governance helps you manage the transactions, information, and knowledge necessary to initiate and sustain your new Internet initiatives. This section covers the following topics:

- Four keys to IT governance
- Importance of IT governance planning

IT Governance: What Is It?

IT governance could be a subset of the overall governance team for a firm, or, if the firm is a small to medium-sized company, be the same group of leaders. The governance team is a board or senior management responsibility specifically related to IT that ensures five things:

- IT is aligned with the business strategy. In other words, IT delivers the functionality and services in-line with the current and planned needs of the organization, so that the organization can accomplish what it aims to do.
- Implementing IT and new technologies facilitate the organization to do new things that were not previously possible.
- Because of the improved efficiencies, IT provides increased customer satisfaction, partner satisfaction, and loyalty.
- IT-related services and functionality are delivered at the maximum economical value, in the most efficient manner. In other words, resources are used responsibly.
- Most risks related to IT are known and managed, and IT resources are secured.

(The IT Governance Institute and PricewaterhouseCoopers International Survey Unit, internal report on survey results.)

The Role of IT and IT Governance

Strategies for Implementing a Successful IT Program

Previously, you learned the importance of strong leadership within the organization to establish company goals and strategies. The IT governance team, as a subset of the overall leadership team, must carry the leadership strengths with it as it focuses on IT governance and aligning IT with business strategy. After you have established strong communications and a successful partnership between the business and IT leaders, you can evaluate your organization to see how prepared the organization is, as a whole. Writer and consultant Eric J. Adams suggests seven leadership strategies for successful IT programs:

1. Align IT to business strategy.
2. Make IT governance a priority.
3. Use metrics, but do not let them dictate strategy.
4. Commit to unified, standard information architecture.

5. Create a shared business and technology leadership vision.
6. Develop IT organizational skills beyond technology.
7. Know when and how to partner. (Adams 2003)

Companies of all sizes are searching for new ways to successfully deploy complex, mission-critical, and often costly IT initiatives. These seven strategies will enhance the success of those initiatives.

How to Manage Funding for IT Governance

Researching IT options and measuring results prevents organizations from overspending or underspending on their Internet initiatives. One of the biggest myths about IT is that the more you spend, the more value you reap from IT.

The likely reason for this myth to have developed is that large IT projects more often than not fail. Projects fail for numerous reasons. The most common reasons for IT project failure are these:

- Insufficient leadership
- Unclear goals and objectives
- Changing or evolving requirements
- Long development times
- Unproven technology

IT governance issues raise multifaceted questions for organizations when they focus on new IT initiatives. The issues are amplified when the initiatives are aimed at Internet-enablement:

- How do you build a company that is capable of changing as quickly as the marketplace it serves?
- How do you enhance customer satisfaction without overburdening employees?
- How do you build a nimble company and still be able to leverage existing IT implementations?

IT plays some role in answering these questions. The scope of that role varies by organization.

IT Governance and Planning

IT Governance Risk

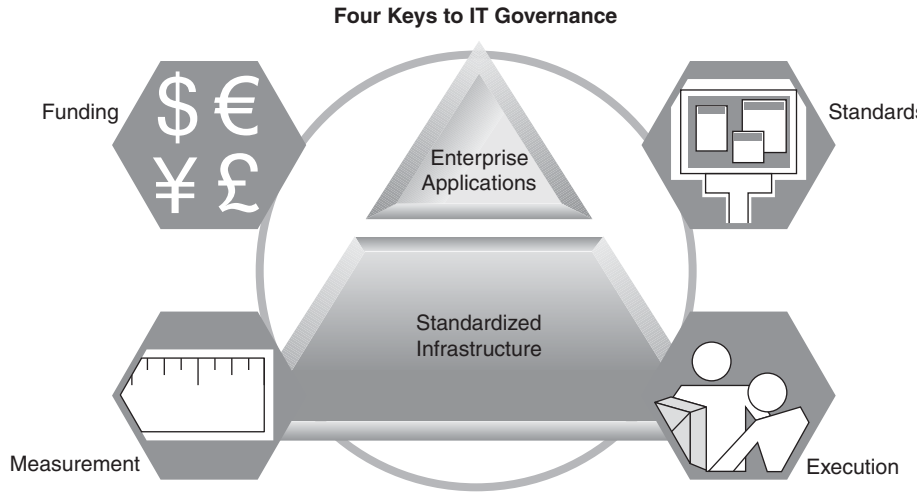
IT implementations are not risk free. Potential barriers are associated with IT Internet-enabling implementations. Along with calculating and enjoying the benefits of Internet initiatives, your organization needs to manage the risks associated with implementing new technologies. The most common risks associated with IT initiatives can be mitigated with a proper planning and implementation rollout. Companies run into problems when they seek to do massive infrastructure overhauls all at once. As discussed previously, smaller, manageable, measurable projects

are the best way for a firm to ensure its successful in IT deployment strategies. Recall that the aim was to achieve an ROI within a year for each project undertaken.

Figure 3-4 shows the four keys to IT governance. The IT governance body needs to address and therefore be able to mitigate these items. The keys are as follows:

- **Funding:** Determine how IT will obtain an appropriate amount of money to pay for the skilled people and IT systems it is requesting. In addition, the governing body needs to ensure that the proposed IT strategy aligns with the business strategy.
- **Standards:** Establish how IT defines and enforces technical standards throughout the entire company with each IT initiative without driving costs up and negatively impacting reliability to the user community.
- **Execution:** Define how IT manages the entire project life cycle, from idea origination to development to production to retirement.
- **Measurement:** Establish the metrics used to ensure that IT implementations are successful in terms of an ROI, total cost of ownership, achieved business objectives, and improved customer satisfaction.

Figure 3-4 Four Keys to IT Governance



Funding

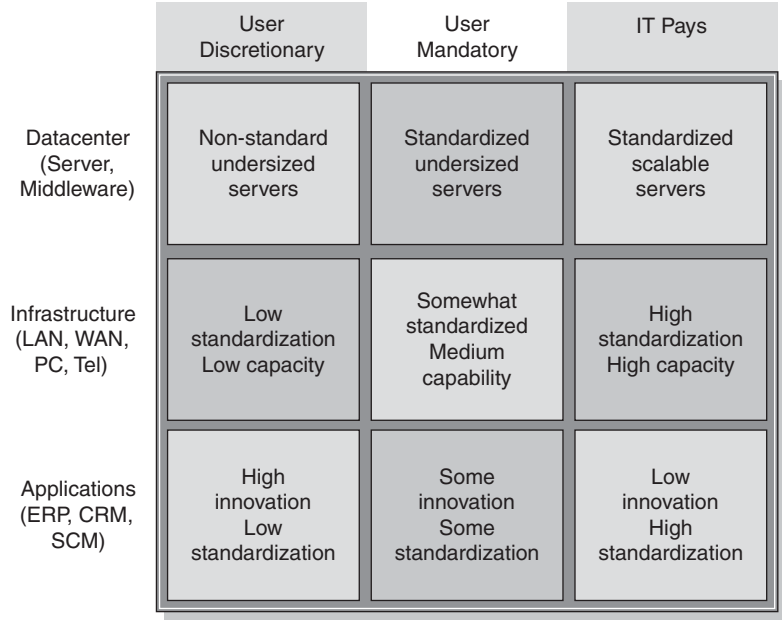
This section examines each of the four keys to IT governance more closely, starting with funding. Just as your personal cash flow impacts your consumption opportunities and behaviors, company funding impacts the opportunities and behaviors of a firm. IT spending must balance cost efficiencies and innovation with supporting business strategies. Although many think it would be great if most of the company cash flow went into IT, that is just not the reality for any firm. IT, just like you, has a budget that it must work within. This is why the IT governance body needs to ensure that all the IT initiatives undertaken ultimately support the overall business strategy.

Three Funding Models

Every company uses three basic funding models: user discretionary, user mandatory, and IT pays. These models are overlaid onto the three major components that comprise company IT systems: data centers, shared infrastructure, and enterprise applications. This three-by-three matrix is shown in Figure 3-5.

If a firm implements only a user discretionary model, the users determine how much they want to spend on a particular part of IT. This model makes the users happy because they can buy the tools they need to support their specific job function. However, the drawbacks to a pure user discretionary funding model are many, including the loss of technology standardization across the company, nominal investments in shared infrastructure, and the loss of technology investment alignment with business strategy.

Figure 3-5 IT Funding Models



The user mandatory funding model is substantially better for aligning IT investment with business strategy; however, the users might not be given the best tools for their job function. The user mandatory funding model, also known as a "charge-back" or "technology tax" model, has the IT group making all technology purchases and then charging users or departments for its operation. IT becomes highly visible within the business in this model. The benefit of using a user mandatory model is that the IT systems become more standardized. The drawback to this model is that the standardization is not comprehensive, slowing down emerging technology implementations, and users are limited in their tool selections.

The IT pays funding model is similar to the user mandatory model in that IT controls a single budget and determines how it will be spent across the three components comprising the

company IT systems: data center, infrastructure, and applications. The difference between user mandatory and IT pays is that the IT organization focuses exclusively on the IT systems. The benefit of this model is that it supports a highly standardized IT organization. The drawback to this model is that it chokes out innovation.

Clearly, no single funding model satisfies all the IT organizational readiness requirements. This is where the role of IT governance for funding comes in to the picture. The most effective approach to IT funding integrates all three funding models, taking advantage of the benefits of each model, while concurrently mitigating the drawbacks. For example, the users are well positioned to express requirements for their application needs that best support their job function. At the other extreme, users typically have little understanding of the complex datacenter hardware and software, so IT needs to be the main decision maker on those technologies.

In the middle, with end-user hardware (PCs, telephones, and networks), there should be some joint planning and decision making. All three of the IT funding models, then, are blended to maximize benefits. In addition, the IT governance board, in its role as aligning IT and business strategy, defines the standards that must be adhered to, to ensure that the three funding models blend smoothly and completely.

Standards

IT standards, or the lack of IT standards, has proven to be one of the keys to leveraging technology to a competitive advantage. Numerous studies have shown that 20 percent of the total cost of an IT system is in hardware. The remaining 80 percent is in the operating costs, including managing, maintaining, and supporting a device over the lifetime of the equipment. One way to reduce the operating expenditure is to ensure standardization.

Following are the benefits of standardized IT systems:

- **A more reliable infrastructure:** All devices are functioning in a similar manner.
- **Improved cost savings:** Maintenance and monitoring can be conducted in a clustered manner. For example, all routers from Company A can be configured in the same manner or patched at the same time.
- **Improved security:** Edge device administration is easier, faster, and consistent.
- **Better performance:** Traffic is handled in the same manner across the entire infrastructure; packets do not need to be translated at inflection points.
- **Higher availability:** Similar to better performance, the network traffic is not slowed down at inflection points, allowing greater throughput and availability.
- **Faster deployment:** IT staff is trained and certified on standard products, making IT implementations go faster and smoother due to familiarity.
- **Better defined priorities for processes:** Network traffic for critical business processes can be prioritized in a consistent manner across a standardized network. For example, customer relationship management (CRM) traffic takes a higher priority over e-mail because it impacts the customer.

The level or degree of standardization required for an organization will change depending on the stability of the technology. For example, LAN switching has been in the market for several decades and is considered highly stable. On the other hand, wireless technology is subject to numerous changes being driven by the IEEE and Internet Engineering Task Force (IETF) standards bodies. Therefore, wireless technology would be considered an emerging technology and not as easy to implement based on standards. You need to strike a balance between innovation and standardization. If your organization enforces standardization too aggressively, it can miss out on important market opportunities enabled only through emerging technologies.

How does IT and the IT governance team know when to insist on implementing standards-based technology and when to be more flexible to take advantage of emerging technologies? The table that follows provides a good guideline for technology implementations to ensure that your company is utilizing the best technology to meet its business strategies.

Stability of the Technology	What to Do	Example
When technology is rapidly changing…	Set standards on a protocol or category.	• Use IP for your network. • Buy Intel-Windows PCs.
As changes in the technology start slowing down…	Enforce stricter standardization requirements.	• Standardize on Company A routers. • Buy only Company B notebook computers.
As technology stabilizes…	Apply standardization across the organization.	• Use this configuration file. • Install this version of the operating system with these settings turned on.

Execution

You have learned the different funding options and the benefits of blending the three options. You have also seen the benefits of IT standardization and how to keep the IT initiatives moving forward, even when the technology itself is not standardized yet. The next responsibility of the IT governance team is execution.

A successful implementation of the new IT structure involves setting and aligning your business and IT priorities based on strategic goals, managing the cost of new technologies, and measuring the business value and the success of the new technology to the organization.

Your timelines will determine how quickly the IT department needs to implement each aspect of the new IT structure. Depending on your requirements and IT competencies, some activities will take longer than others. Setting up funding, standards, deadlines, and a project plan, and examining the stages of the life cycle of IT technology already deployed will accelerate the IT initiatives and Internet readiness of your organization.

As the IT team is building its implementation plans, it is important to employ the factors that will enable rapid deployment and avoid factors that will act as barriers. Remember, the goal is rapid implementations for small, manageable initiatives to achieve the optimal impact for the business.

Factors That Enable Rapid Deployment	Factors That Act as Barriers to Deployment
Buying existing software packages	Building your own programs
Adapting the package to suit your needs	Customizing massively
Adding basic features only	Having multiple vendors
Having small, focused teams that can drive change	Adding people after you have started
Defining a roadmap with milestones and firm deadlines	Having too many decision makers
Setting and adhering to success metrics	Changing success metrics
Communicating to all	Not communicating user impacts or changes

Importance of Communication

Given the rapid pace of business today, especially in the economy, organizations need to implement their new IT structures as well as new business practices simultaneously. Cultivating an IT-confident organization requires constant communication from start to finish on every project.

It is also critically important to be in constant communication with the user community, especially on projects that will directly impact their day-to-day routines. For example, if IT is considering a wholesale change-out of an application, the users impacted by the change need to be made aware of the plans prior to the change taking place. Users who are kept informed are more supportive of change than those who have change pushed at them. An informed user tends to approach change with an open mind and be more readily accepting of the changes being made.

Measurement

Why is it important for IT governance to establish a measurement program?

Measurements assess whether the IT initiatives align with business strategies, ensure that the funding allocated was appropriate based on organizational priorities, and demonstrate that your investment produced the positive results you expected.

For each IT initiative, key performance indicators (KPI) must be defined. KPIs are measurable indicators that can be used to report the progress of the project or the new result against its predefined goals. It is extremely important that realistic, concrete metrics are used in the planning stage. Changing metrics after a project has begun or at its completion obviates the

ability to measure project success or where along the implementation process the project could be improved for a more rapid deployment in the next iteration.

Static metrics highlight the strengths and weaknesses of each project plan, providing the continuous feedback mechanism necessary to make incremental improvements. Following are some examples of project metrics:

- **Time to delivery:** This includes each milestone along the defined roadmap.
- **Project budget:** This identifies hidden costs and where they typically show up.
- **Application performance:** This identifies the overall impact on the infrastructure that a specific application has; it also identifies application dependencies.
- **User adoption:** This identifies the benefit of the initiative to the overall company.
- **Cost savings:** This determines a portion of the value of the IT investment to the company; other components of value measurement are revenue generation and improved customer satisfaction.

Importance of IT Governance Planning

Organizations invest a lot of time, money, and resources into networks, IT infrastructures, applications, and maintaining the whole system. For a company seeking to move to Internet-enablement, IT readiness and IT governance planning is essential to ensure that the investments align with and support the overall business strategies.

As business processes increasingly integrate with IT, it is vital that IT projects succeed and deliver value back to the firm quickly. In many organizations, the limiting factor in successful implementation of IT is not technology or funding, but the maturity of the internal processes of the IT organizations.

Therefore, IT governance planning has become important to businesses for these reasons:

- IT is becoming increasingly more critical to operations.
- IT initiatives must link to the business strategies.
- Organizations are spending increasing portions of their budget on IT.
- Organizations need to ensure a return on their IT investment.

Other challenges, such as the availability of adequate and standardized infrastructure and the ability of IT to balance its investments across the applications, shared infrastructure, and datacenter areas, are a direct consequence of the funding model used.

Conclusion

Proper IT planning and governance will enable a more effective use of ICT and move toward a global, networked economy. As organizations push Internet initiatives forward, they must navigate between business strategies and using the proper technologies to implement them. A strong relationship between the business and IT leaders drives the success of the new Internet initiatives.

Moving Toward Organizational Readiness

To improve organizational readiness, your organization must look for ways to strengthen each of the pillars of organizational readiness: leadership, governance, competencies, and technology.

Improvements in these four areas will allow an organization to deploy a web-enabled business strategy more successfully. In this section there are four guides that will help you determine if your firm is ready to implement Internet-enabled solutions. These guides will also give you some ideas of the ways to move your firm toward each pillar of organizational readiness. In addition, you will learn:

- The questions to ask to help assess the current state of your organization
- The challenges, guidelines, and best practices of different organizations as they have put the four pillars in place

The Leadership Guide

This guide contains the following:

- Questions to help determine how Internet savvy the leaders of your organization are
- Guidelines for success
- The role of leaders and culture
- Leadership issues and challenges

Moving Toward Leadership Readiness

The first step in moving toward Internet and IT leadership organizational readiness is to ask these questions to determine how Internet savvy the leaders of your organization are currently. Write the answers to the questions that follow. If you cannot confidently answer these questions with "yes," think about ways your leaders could help make the change.

- Is senior management involved in the IT strategies of the organization?
- Are the IT strategies of the organization focused on value creation and productivity?
- Is the vision for the use of the Internet and IT well communicated within the organization?
- Is senior management promoting the use of web-based applications internally and externally?
- Is generating competitive advantage via the Internet and IT a top priority of senior management?

- Are the Internet and IT initiatives integrated with the business strategy of the organization?
- Does the organization have an IT strategy and roadmap in the twelve to eighteen-month timeframe, and is it communicated up and down the organization?
- Does the organization have an e-culture (web-enabled business mindset)?
- Does the organization have a culture of information sharing?

The Guidelines for Success

Following are some guidelines to help your organization move toward leadership readiness*:

- **Solve business process problems first:** Make sure that the business issues are integrated with the technology. Do not fix the technology first.
- **Drive an e-business vision in 12 to 18 months:** Plan for deliverables with rapid execution in 3 to 6 months. If projects are too large and complex to be implemented quickly, redefine project deliverables in shorter phases, delivering a working application with measurable benefits at each phase.
- **Communicate that vision up and down the organization:** Spread the news. Use your intranet to spread the vision to everyone in the organization.
- **Pay attention to opportunities and threats:** Always look at what the competition is doing. This will help the organization to survive.
- **Make generating competitive advantage your top priority:** Act now. Do not wait for the business environment to change.
- **Take personal responsibility to participate in e-business efforts:** It is critical that senior management is involved with e-business efforts. Stay involved.
- **Educate and empower employees to drive e-business:** Spend the money to effectively empower and train your employees.
- **Create a culture of sharing information:** Use the network to enable and change business processes when required.
- **Plan for change:** Identify implementation and adoption strategies early, and build a change management plan to ensure project success.

The Role of Leaders and Culture

Another element of moving toward leadership readiness is recognizing how the role of leaders and culture can improve performance.

* (Adapted from Hartman, Amir, John Sifonis, and John Kador. 2000. *Net Ready*: New York: McGraw-Hill.)

Three main criteria need to exist to develop a culture that is likely to enhance the long-term performance of an organization:

- The culture must be strategically relevant.
- The organization needs to be strong.
- The culture must have a fundamental ability to adapt to changing circumstances.

Three managerial tools can be used to help leaders develop, manage, and change their culture for better performance[†]:

- **Recruitment and selection:** Hire employees who fit the culture.
- **Social tools and training:** These create strong bonds between employees.
- **The reward system:** Culture is the informal reward system of an organization.

After leaders decide to use culture as a business tool, they must regularly review their own behavior to understand the signals they are sending to employees.

Leadership and culture also have significant financial effects:

- Increased net sales growth
- More product/stock referrals
- Increased brand momentum
- Greater employee commitment
- Agility and technology adoption

Issues and Challenges

To reach Internet readiness, leaders must face many issues and challenges:

- **Lack of executive sponsorship:** Sponsorship is critical to developing an e-culture and driving the strategy with an organization-wide focus.
- **Lack of focus:** Without such focus, organizations risk chaos from a massive number of disjoined projects.
- **Lack of information and acceptance:** The e-culture/e-business mindset is not evangelized by leaders or accepted throughout the organization.
- **No team in place to drive strategy:** Leaders must have a vested interest to become an Internet business.
- **Internet initiatives not integrated with business strategy:** Leaders must integrate Internet initiatives. They promote risk taking to stimulate an e-business culture throughout the organization.

Can you think of other challenges that your leaders currently face or will face as the organization is becoming more Internet savvy? Write the challenges or issues on the next page.

[†] (Adapted from Chatman, Jennifer A. and Sandra E. Cha. 2002. "Culture of Growth." *Mastering Leadership*, Part Four: 2–3.)

The Governance Guide

Now that you have considered how to move closer to leadership readiness, you will review moving toward governance readiness.

This guide contains the following:

- Questions to ask to help determine if the IT governance of your organization is ready for Internet-enabled solutions
- The governance and operations framework
- Governance issues and challenges
- A list of governance best practice items
- IT governance funding options

Moving Toward IT Governance Readiness

How do you align your organization to plan, implement, and use new Internet-enabled processes?

Ask these questions to help assess the level of IT governance in your organization.

Write the answers to the following questions. Governance can help provide answers to these difficult questions:

- What are the roles and responsibilities of the business and IT members of the organization on Internet-enabling projects?
- Is it clear who has decision-making authority on initiatives?
- Are the limits of accountability clearly defined?
- How are Internet-enabling initiatives funded?
- Has the organization allocated sufficient funding for ongoing maintenance?
- Does the organization have an established method for assessing and selecting Internet initiatives and for allocating resources?
- How does the organization incent Internet-enabling activities?
- Does the organization have established metrics for measuring the impact of its Internet initiatives?
- What drives the Internet initiatives (IT, marketing, customers, competitors, and so on) of the organization?

The Governance and Operations Framework

Governance defines the structure and the tools of an organization, not the processes. Organizations that are integrating e-business into their traditional activities use the governance and operations framework.

The framework consists of four core sets of disciplines[‡]:

- **Governance model:** This defines the purpose of the structure of the body that manages responsibilities for e-business. It is similar to a board of directors, which sets policies that the CEO must carry out.
- **Decision processes:** These define the decision-making and funding means for ongoing planning and management. They include decision mechanisms, funding models, and escalation or appeals processes.
- **Policies and standards:** These involve guidelines for implementation of recommendations and performance monitoring. They consist of standardization and enforcement.
- **Goals and metrics:** These define the business performance objectives and measures to guide Internet and IT administration polices and investment decisions.

Issues and Challenges

Following are some of the issues and challenges that organizations have to consider in moving toward IT governance readiness:

- Are roles, responsibilities, and accountability clearly defined?
- Is an administrative process in place for initiatives?
- Is there a method for assessing and selecting Internet strategies?
- How are e-business initiatives funded?
- What is driving the Internet initiatives (IT, marketing, customers, competitors, and so on)?
- Is a method established for allocating resources for Internet initiatives?
- Are serious and established metrics available for measuring the impact of the Internet initiatives?
- Is an effective organization in place to deliver the Internet initiatives?

Write the answers to these questions. What other challenges can you think of?

[‡](Adapted from Hartman, Amir, John Sifonis, and John Kador. 2000. *Net Ready: Strategies for Success in the E-conomy*. New York: McGraw-Hill.)

Governance Best Practices

Before you look at a specific example, read these governance best practices:

- Establish cross-functional teams. E-business initiatives must focus on the customer. This means breaking down the barriers of traditional teamwork.
- Demand near-term results. Projects should take three to six months. Focus first on the projects that have the highest impact and are the easiest to implement.
- Actively promote the use of Internet-enabled applications. Train users to adopt the new way of doing things.
- Make e-business a business-driven line activity. A business executive (not the IT department in an organization) should have ultimate decision-making responsibility.
- Make funding decisions for Internet solutions resemble all business funding decisions. Treat all e-business funding decisions by blending business judgment with ROI.
- Establish a cross-functional governance council with e-business, technology, and evangelical components. Led by a business executive, the council markets Internet-readiness throughout the organization.
- Make IT take on a free market fulfillment role. Allow IT to play the role of an e-business enabler.

Think about your organization and write whether you think your organization is following these best practices.

IT Governance Funding Options

As a refresher, these are the three ways to fund datacenters, infrastructure, and applications:

1. **IT pays for it all:** If all three parts of IT are paid for by IT, it is considered a pure cost center, and there is little visibility or choice on IT expenditure by the business. This is great for standardization and cost containment, but it can yield little innovation. The IT organization also does not develop a "customer-service" orientation, because increasing demand from users just results in greater cost (for IT).
2. **User mandatory:** In this model, all three parts of IT are charged back. This model was popular in the 1980s and early 1990s and was developed as a way to make IT respond better to the business. If IT has to charge for the services it provides, users will insist on quality and low cost. This model makes it difficult for IT to prioritize investments across different business units because it is not directly aligned with the business success measures.
3. **User discretionary:** In this model, the users determine all three parts of IT. The issue with this model is that all the control is in the hands of the users, and it is impossible to enforce organizational standards. This model leads to less efficient IT systems and often confusion on how to integrate disparate systems.

The best funding model includes a combination of the three funding options. Cisco has successfully implemented new IT programs doing just that.

	User Discretionary	User Mandatory	IT Pays All Costs
Datacenter (servers, middleware)	Nonstandard, undersized servers	Standardized, undersized servers	Standardized, scalable servers
Infrastructure (LAN, WAN, PC, Tele)	Low standardization, low capacity	Somewhat standardized, medium capability	Highly standardized, high capability
Applications (ERP, CRM, SCM)	High innovation, low standardization	Some innovation, some standardization	Low innovation, high standardization

Governance: A Best Practice Example Insert Case Study

PNB Paribas

Most companies are extremely aware of the need to ensure the accuracy of their financial records and the soundness of their infrastructure, says Robert Coghlan, head of corporate governance at PNB Paribas, one of the largest French multinational banks. Coghlan says good governance stems from four factors:

- Instilling a culture of integrity
- Integrating governance into business processes
- Creating measurement tools and metrics
- Leveraging technology to make it all happen

The Competencies Guide

You will now look at moving toward readiness in the competencies of your organization.

This guide contains the following:

- Questions to ask to help determine if your organization has achieved competencies readiness.
- Ways to improve performance and outcomes.
- Guidelines for success.

Write the answers to the questions in the space provided.

Moving Toward Competencies Readiness

Ask these questions to assess the competencies of your organization:

- Is the organization capable of dealing with rapid and ongoing change?
- Can the organization adapt and drive change quickly across the organization?
- Does the organization have the implementation competencies to execute strongly and quickly (three months or less)?
- Does the organization have the business, process, and technical competencies to support the Internet-enabled initiatives?
- Does the organization have the operations capabilities required to support its Internet and IT strategies?
- Does the organization have experience managing multiple relationships (both internal and external)?
- Can the organization form and dissolve relationships/partnerships quickly?

Improving Performance and Outcomes

How does the performance of an organization benefit from being competencies net ready?

Competencies can help in the following areas:

- **Relationships:** Managing multiple relationships is key. The organization has multiple strategic relationships at all times and can both enter and dissolve them effectively. The company is sought after for business opportunities, and it has strong relationships with partners.
- **Skills:** Expertise and cross training are crucial in technologies, in business, and in IT skills. The organization has skills in e-business implementations and can sell services both internally and externally.
- **Applications:** Continuous application development keeps the organization ahead of the curve. The organization commits to iterative projects to enhance e-business products and services. The organization exhibits ruthless execution in developing and implementing e-business solutions.
- **Competition:** Competitors can become a source for new growth. The organization continually evaluates what the competition is doing with their websites and their e-business initiatives. The organization has the internal structures for sharing key knowledge and has the ability to use this knowledge quickly.

The Guidelines for Success

Competencies net readiness requires the following of the organization[#]:

- **Have experience in managing multiple relationships:** Know how to build, manage, and sometimes dissolve relationships.
- **Be capable of dealing with rapid and ongoing change:** You must have the ability to respond, create, and manage change.
- **Drive change quickly across the organization:** Every corner of the organization must be able to abandon business practices for something new.
- **Identify and prioritize e-business opportunities:** Most companies will take too long analyzing how to perfect the execution.
- **Be able to execute strongly and quickly:** Make meaningful changes in three months or less.
- **Be confident of having the operations capabilities and technical competencies to support Internet initiatives:** Make sure you have employees with the specific skill sets to achieve these competencies.
- **Know when to stop projects:** Build capabilities to stop projects and execute them elsewhere.

Competencies: A Best Practice Example

The General Electric (GE) Energy Initiative

GE brings together a vast array of global talent to develop new products and technology. For example, the company has experts in two areas:

- **Jet engines:** These experts develop composites that allow for lighter, stronger blades in jet engines.
- **The rail business:** These experts know how to make gearing systems that operate at peak efficiency.

The company can bring the talent together at various locations that serve all of GE businesses.

The Technology Guide

Now that you have looked at how to move to strengthen your Internet competencies, you can look at moving toward readiness in technology.

[#](Adapted from Hartman, Amir, John Sifonis, and John Kador. 2000. *Net Ready: Strategies for Success in the E-conomy*. New York: McGraw-Hill.)

This guide contains the following:

- Questions to help determine if your organization is technologically ready for Internet-enabled business solutions
- The way technology benefits performance and outcomes
- Technology issues and challenges
- A list of technology best practices

Moving Toward Technology Readiness

The first step in moving toward technology readiness is to ask these questions to determine if your technology infrastructure is ready for Internet-enabled solutions. Think about what technology your organization currently has. In the space provided, write your answers.

- Does the organization have IT standards?_____
- Does the organization prefer to buy the technology instead of building it itself? ____
- Does the organization have the technological infrastructure (network services, hardware, software, security) required to develop and grow? _____
- Does the organization insist on simplicity, standardization, and flexibility in every corner of the e-business environment? _____
- Are the talents of the people across the organization best utilized? _____
- Are the solutions of the organization flexible enough to accommodate change?_____
- Are the solutions customizable to customer needs? _____

Performance and Outcomes

How does the performance of an organization benefit from technology readiness?

- With robust and comprehensive corporate-wide architectures, organizations can easily and frequently deploy applications without having to justify the cost of incremental investments in infrastructure for every value-added initiative.
- Leaders who have such an infrastructure in place are in a much better position to launch initiatives rapidly and to exploit emerging opportunities.

Organizations that have prospered during the boom market of the late 1990s and that have survived and grown stronger during the recent downturn have used the Internet and IT to do the following:

- Increase efficiency by putting information online and automating processes
- Reduce costs by using the Internet to remove a layer of administrative costs

- Increase sales by gaining new markets in places where the organization cannot establish a physical presence
- Increase adaptability and resiliency by doing the following:
  - Distributing knowledge and core functions within businesses to those closest to the action
  - Adapting to changing business conditions
  - Forming virtual teams, such as alliances and partnerships

Think about some other benefits that your organization can gain from technology, and write them in the space provided.

Issues and Challenges

What are some of the technology issues and challenges to consider when determining technology readiness?

- Will this solution be flexible enough to accommodate change?
- Does the organization have the technical competencies to support Internet initiatives?
- Is this solution customizable to the needs of the organization and the customer?
- Does the organization have the technological infrastructure (network services, hardware, software) required to develop and scale?
- Does the organization have the sufficient funding for ongoing website maintenance?
- Does the organization have the operations capabilities required to support its Internet strategy?

These are some of the issues and challenges that your organization should think about as it moves closer to technology readiness.

Best Practice List

Following are some of the technology principles that technology-ready organizations must be proficient in:

- **Ability to build and drive standards across the organization.** This includes applications, network, and security.
- **Demonstrated scalability.** Make sure that the existing infrastructure is ready and can be scaled up or down to meet emerging requirements.
- **Business-driven technological strategy.** Create a business-smart technology organizational as well as a technologically smart business organization.
- **Insistence on simplicity.** Resist the forces of complex, nonstandard, and proprietary rigid applications. Make someone in the organization (for example, the chief information officer [CIO]) enforce simplicity.
- **Human resources that are aligned with business goals.** Ensure that the talents of employees are best utilized.

Think about what your organization is doing, and determine whether these best practices are being followed. Write your answers in the space provided.

_____

_____

_____

_____

Conclusion

With the help of the guides, you should now be able to look at your organization and ask the correct types of questions and apply best practice recommendations to move your organization closer to Internet readiness.

You should now be more aware of two things:

- The questions to ask to assess the current state of the organization, and whether the four key pillars are in place
- The challenges, guidelines, and best practices in each of the four pillars, and how to apply them to your own firm

Organizational Readiness Planning

Planning: The First Step to Improvement

In this section, you will learn the importance of planning for organizational readiness and the basic steps you need to take to prepare your organization for this journey.

Discover how to do the following:

- Evaluate the strengths and weaknesses of your organization objectively.
- Build core competencies for improving organizational readiness.
- Develop a readiness plan, and review and revise it quarterly.

Why Plan for Organizational Readiness?

Organizations must expand to keep up with the ever-changing and fast-moving economy. Yet many organizations disregard planning and immediately start using the new technologies that are available. They let the technology determine the strategy, and this leads to failure.

Organizational readiness refers to the level at which an organization has optimized key attributes required to successfully implement Internet-enabled business strategies and initiatives.

Organizational readiness planning helps organizations do the following:

1. Create a more effective organizational culture.
2. Adapt quickly and easily to ongoing changes.
3. Identify areas of improvement.
4. Overcome barriers to organizational success.

Improving Organizational Readiness

Examine your organization, and find out how ready it is to implement new Internet business initiatives.

After your organization has assessed its readiness gaps and their importance, it needs to prepare an organizational readiness plan. Your focus should be on strong implementation, accountability, and measurable near-term results.

Make this plan a part of your existing organization planning process. Embed this plan in what your organization already does.

Follow these steps to build your plan:

Step One: Evaluate Your Organization

An organization with strong organizational readiness typically has strong leadership, effective governance, and an innovative approach to the use of new technologies. The effective organization can move from strategy to planning to implementation more quickly and with greater focus and innovation.

Consider several questions:

- Is your organization capable of dealing with rapid and ongoing change?
- Can it adapt and drive change quickly across the organization?
- Does it have the implementation competencies to execute meaningful Internet initiatives in three months or less?
- Does it have the technical competencies and resource talents to support Internet initiatives?
- Can it form and dissolve partnerships and relationships quickly to build and manage suppliers and partners?

Step Two: Build Core Competencies for Organizational Readiness

Organizations that have strong readiness competencies are responsive to customer needs and have the agility to execute and move quickly. More than a sum of their skills, these organizations have a culture, or at least influential departments that are more capable of reaping the benefits of web-enabling business processes.

This culture is more inclined to combine people, process, and technology to solve problems and address opportunities. This organization is more capable of responding to new complexities such as globalization, shorter product life cycles, and the entrance of new competitors due to barriers to entry. Recall the earlier discussion on the five Cs of core competencies:

- **Complexity:** Multiple factors determine the success of your organization.
- **Concurrency:** All your projects and goals are occurring at the same time.

- **Coherence:** Organization leaders and employees contribute to the move to organizational readiness.
- **Connectivity:** Leaders, employees, partners, and organization allies share important information with each other honestly and in real time.
- **Coordination:** Your organization establishes mutually beneficial relationships with other organizations in your industry.

Step Three: Develop an Organizational Readiness Plan

For your organization to develop a plan, you must first determine if it can develop the ability to do the following:

- **Manage multiple relationships effectively:** Successful organizations can build, manage, and dissolve relationships easily.
- **Adapt easily to rapid and ongoing change:** The economy changes rapidly, and advantages are temporary. The ability to manage change is imperative.
- **Drive change quickly across the organization:** The entire organization must be willing to abandon current business practices in favor of something new.
- **Identify and prioritize business opportunities:** Act on favorable opportunities quickly. Spending too much time in analysis and decision making can lead to lost opportunities.
- **Execute strongly and quickly:** Make meaningful changes in three months or less. Break larger projects down into segments you can execute within three months. Abandon perfection, and focus on satisfactory progress to promote speed.
- **Support initiatives:** Support Internet initiatives with a talented, innovative technical staff.

Conclusion

IT-savvy organizations have a culture that is capable of responding to new challenges and opportunities. These organizations will have the agility to execute and move quickly.

Readiness Assessment and Plan Development

After evaluating your organization and understanding the role and importance of IT governance, it is necessary to assess the state of readiness for your organization and create an Organizational Readiness Improvement Plan.

In this section, you will learn how to use the Net Readiness Scorecard to help assess the organizational readiness of your firm and create a plan to improve organizational readiness.

Why Assess Your Organizational Readiness?

Organizational readiness refers to the level at which a company or an organization has optimized the attributes required to successfully implement Internet-enabled strategies and initiatives. To prepare for the move to the Internet, an organization needs to do the following:

- Discover its strengths, weaknesses, and areas of disagreement.
- Identify potential barriers to success, and develop initiatives to resolve them.
- Assess progress within a structured timeline.
- Measure progress, and continuously improve processes.

Figure 3-6 alludes to the need for you to conduct an in-depth evaluation of the organizational strengths and weaknesses. A comprehensive assessment allows you to focus your time and resources on improving weaknesses. When you understand what you need to do, you can begin to improve your organizational readiness quickly and efficiently.

Figure 3-6 Assessing Strengths and Weaknesses

Characteristics of Organizational Competencies

First, consider organizational traits:

- The organization is knowledgeable and skilled on standard platforms, tools, and applications. It is responsive and can implement ruthlessly and quickly.
- The organization is able to manage multiple relationships. It also knows how and when to start and end partnerships to respond to customer needs.
- The organization understands the capabilities required for organizational readiness, including focusing on customer needs, offering self-service functions, developing strong partnerships, and increasing technology competencies.
- The organization can handle increasing complexity. It has interrelated and fast-moving activities that adapt to changes in customer-buying patterns, markets, and competition more quickly than most organizations.
- The people can do multiple tasks and can build networks of relationships that can shift without going into chaos.
- The organization encourages the sharing of information, which increases power across the organization.

Tools for Assessing Organizational Readiness

What Is the Net Readiness Scorecard?

- The Net Readiness Survey (NRS) is an analysis tool designed to assess an organization's ability to migrate to an Internet business model. The result of the survey tool is a scorecard containing a series of statements that relate to the four critical success factors: Leadership, Governance, Organization Competencies, and Technology.
- The NRS provides recommendations in the four areas of organizational readiness based on individual or organizational inputs. These recommendations are based on the perceptions of the respondents rather than "facts." You should evaluate and adapt the recommendations to meet the specific needs and priorities of your organization. Consider these along with other actions that you can take to enhance your organizational readiness.

Why complete a series of NRSs?

If taken across an organization, the NRS can do the following:

- Provide a broad strategic insight into company culture, such as where and how it shifts from "business as usual" to make way for new business practices.
- Produce an accurate picture of the organizational readiness.
- Provide a means of communication across the functional departments and between various levels of an organization.

You should encourage your entire management team to take the NRS.

Net Readiness Survey

Choose an answer for each question that follows:	Answer
The strategic plans of the organization include an e-business strategy.	
The current e-business activities of the organization are well integrated with its business strategy.	
The organization has created a 12- to 18-month roadmap of e-business projects.	
Decision-making authority has been clearly assigned for all e-business initiatives.	
The organization has developed its own e-business culture.	

How to Use the Scorecard to Assess Your Organization's Readiness

The NRS addresses how your organization rates its preparedness in each of the four pillars:

- Leadership
- Governance
- Competencies
- Technology

To find out what strengths and weaknesses your organization has, fill out the diagnostic NRS, and then record your scores here:

Leadership:_____

Governance: _____

Competencies: _____

Technology: _____

The results will help you develop a comprehensive Organizational Readiness Plan.

Evaluating Your Scores

When you have completed the scorecard online, you will get a Net Readiness Scorecard overall score, a Best of Breed (BoB) number, and a scorecard graph that shows you where your organization is relative to the industry average.

This is an example of a Net Readiness Scorecard with the gap results.

iQ Net Readiness Scorecard Results

Critical Success Factors	Your Average	Best of Breed
Leadership	3.0	4.4
Governance/operational	2.9	3.9
Organizational competencies	2.4	4.1
Technology	2.6	4.2

In this example, the average score for the governance pillar for the organization is 2.9. The BoB score is 3.9. The gap score is 3.9 – 2.9 = 1.

You can generate your own gap score that shows the difference between the score of your organization and the BoB score by subtracting your average score from the BoB score. A low gap score indicates strength within that pillar, a higher gap score indicates weakness, and the highest gap scores indicate areas of disagreement.

Net Readiness Scorecard: What Do I Do with the Results?

Determine Strengths, Weaknesses, and Disagreements

Based on the gap scores of each pillar, you can determine some of the strengths and weaknesses in the organization. If a pillar has a particularly high gap score, try to determine what the weaknesses are.

Generate a List of Possible Solutions

After evaluating the scores and determining the strengths, weaknesses, and areas of disagreement, you should consider how to address each of those elements.

Referring to your NRS scores recorded earlier for each organizational readiness pillar, what do you think are some of the strengths, weaknesses, or disagreements of your firm? On this and the following page, write some ideas on how to address these strengths, weaknesses, and disagreements. Consider some of the following questions when thinking about your specific company:

- Where are the issues of the organization?
- How is the organization at implementation?
- What is the culture of the organization?
- How does the organization use technology?
- What are the barriers for the organization?
- What are some projects/solutions that the organization should implement?
- How can the organization measure success?

If taken across an organization, the NRS can provide a broad strategic insight into company culture, such as where and how it will be necessary to shift from old business practices to make way for new Internet-enabled practices.

Encouraging the entire management team to use the NRS will produce an accurate picture of the organizational readiness. In addition, it can provide a means of communication across functional departments and between the various levels of an organization.

Review the steps for assessing your organizational readiness.

1. Take the NRS.
2. Evaluate the scores of your organization against industry BoB scores, and use the scores to identify areas of strength, weakness, and disagreement.
3. Generate a list of strengths, weaknesses, and disagreements.
4. Create an initial list of possible solutions.

Organizational Readiness Improvement Plan

Now you can put together your own comprehensive Readiness Improvement Plan.

Sample Organizational Readiness Improvement Plan

iQ Net Readiness Scorecard Recommendations	Specific Actions	Responsibility and Time Frame
Internet initiatives are extended to enterprise partners (for example, distribution partners, suppliers, and end customers) to expand the reach of current applications.	• Provide training and tools to partners and suppliers. • Develop a proactive plan to migrate supplier communications and trade to the web. • Create business cases for extended partners.	• Procurement and purchasing team leaders • Colead from IT • 4 months
Define measurable metrics for each Internet initiative.	• Define best practices from BoB players. • Insert in the prioritization process a metrics definition activity. • Create a list of standard metrics for all initiatives.	• Strategic planning together with program and each project manager • Budgeting and control • 2 weeks metrics, 1 month process

Sample Organizational Readiness Improvement Plan

iQ Net Readiness Scorecard Recommendations	Specific Actions	Responsibility and Time Frame
Create a standard process to evaluate and select Internet initiatives that align with the business strategy.	• Develop methodology and process for systematic analysis. (Adapt the Cisco IBSG[1] methodology.) • Assess alternative financial evaluations that encourage investment in a web enablement. • Create a company-wide suggestion box for Internet initiatives.	• Strategic planning and CFO[2] • Corporate communications • 1 month

[1] IBSG = Internet Business Solutions Group
[2] CFO = chief financial officer

Conclusion

Organizational readiness assessment and planning help your organization identify its weaknesses and help you address them effectively.

Using the NRS and the Organizational Readiness Plan templates, you have all the tools you need to focus your organization on new Internet initiatives.

Conclusion

In this module, you have learned the process of planning for organizational readiness and how to use some of the tools to determine how close your organization is to being "net ready." You have learned about the readiness characteristics of successful organizations. Improving organizational readiness takes work and time, but the rewards are great.

You should now be able to do the following:

- Describe the importance of organizational readiness and its impact on organizational performance and success with ICT.
- Define the characteristics that make an organization ready to embark on Internet and IT initiatives.

- Explain how to move your organization closer to organizational readiness through assessing its current state and learning about the challenges, guidelines, and best practices of the four pillars of organizational readiness.
- Describe the importance of planning for organizational readiness.
- Explain the steps to plan for organizational readiness.
- Explain why taking into account the IT governance process during planning is vital to the success of IT initiatives.
- Utilize NRS planning tools to assess your state of organizational readiness.
- Identify organizational readiness improvements.

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