



## POINT OF VIEW

# The Case for Enterprise Governance of IT Programs in Financial Services

## What is Enterprise Governance?

Technology investments do not create value for an organization in isolation. It is only when technology assets are properly leveraged and integrated into business processes then real value is created.<sup>1</sup>

The Enterprise Governance of IT involves the creation and articulation of processes and structure that enable both business and technology units to achieve their responsibilities while maximizing the value created from the organizations' technology related investments and assets<sup>2</sup>. In other words, Enterprise Governance ensures that the business prioritizes, participates in and appropriately leverages technology to execute on the company's strategy.

## Why is it Important?

Banks are under tremendous pressure to invest in order to reduce technical and operational risk. They are focused on activities such as replacing aging infrastructure and core systems to better secure customer information, comply with increasing regulatory demands and enable new strategic capabilities that will allow them to acquire, service and grow customer relationships. All this during a period when bank margins have been depressed due to regulatory pressures, the highly competitive environment from large global banks and changing consumer expectations. More than ever, banks need to be judicious in what initia-

tives they decide to pursue and to make sure that the expected return is realized from these initiatives.

**Sixty-one percent of top executives acknowledge that their firms often struggle to bridge the gap between strategy formulation and its day-to-day implementation<sup>3</sup>. According to the PMI Institute's 2014 Pulse study very few organizations (nine percent) rate themselves as excellent on successfully executing initiatives to deliver strategic results. Consequently, only fifty-six percent of strategic initiatives meet their original goals and business intent.**

The wasted capital, human investment and time can have significant economic impact on businesses ranging from write-offs to competitive disadvantages to existential threats. **Poorly performing organizations lost on average \$230 million for every \$1 billion invested. This nominal loss does not reflect opportunity cost.**

At the core of the poor performance is misalignment between organizational strategy and individual projects, lack of execution discipline and a lack of consistent focus on people, processes and outcomes.

- <sup>1</sup> Steven De Haes and Wim Van Grembergen, *Moving From IT Governance to Enterprise Governance of IT*, ISACA Journal, 2009, Volume 3.
- <sup>2</sup> Van Grembergen, Wim; Steven De Haes; *Enterprise Governance of IT: Achieving Strategic Alignment and Value*, Springer, 2009.
- <sup>3</sup> Economist Intelligence Unit. *Why Good Strategies Fail: Lessons for the C-Suite*. July, 2013.



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## Characteristics of High Performing Organizations

High performers — these are organizations that lose, on average, less than \$20 million for every \$1 billion invested and tend to have some common characteristics that are worth emulating.

- **Executive Alignment** – High-performing organizations are characterized not only by a high-degree of alignment between the executives on the right priorities, they also have consistent executive sponsorship – ensuring alignment of corporate priorities with individual projects, active coaching and guidance, and a focus on outcomes!
- **Organizational Agility** – When executives act as the glue between corporate strategy and individual initiatives, it allows for the efficient flow of information, which in-turn enables the organization to be more agile by adapting quickly to changes. For example, a large systems integration project may be able to save a lot of waste through timely knowledge of a divestiture or an acquisition.
- **Organizational Project Management Maturity** – When organizations have a well understood, institutionalized methodology, tools, templates and trained staff to guide and effectively manage project and program delivery, outcomes improve dramatically. There are four essential components that determine organizational maturity with respect to project and program management -
  - Enterprise knowledge & skills.
  - Execution discipline.
  - Timely tracking and reporting of key metrics.
  - Communication & Change Management.
- **Focus on Outcomes** – The focus needs to be on desired outcomes instead of just achieving project milestones or achieving a spend target. Often, the broad changes required for an initiative to achieve its desired outcomes go beyond the individual streams of work in project silos. Results are achieved through the effective alignment of organization, processes and enabling technologies.
- **Disciplined Investment Process** – Top performing organizations have a clearly articulated and institutionalized process for –
  - Determining the target spend in a given fiscal period.
  - Agreeing on the target initiatives.
  - Estimating the time, cost and resource requirements for each initiative.
  - Allocating resources across initiatives.
  - A formal project, program, portfolio management methodology to track and report schedule, spend and earned value, and achievement of desired outcomes.

## Framework for Enterprise Governance

An effective enterprise governance program requires a comprehensive framework that covers the four main towers of focus –

- **Executive Alignment** – Processes and protocols for formally establishing organizational target spend, consistent projected ROI estimation and validation, expense estimation and categorization (capital, expense, recurring), prioritization and approval process for target initiatives, and alignment of target initiative outcomes with corporate strategy.



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- **Enterprise PMO** – Standards, tools, templates for consistent project delivery and a formal project, program and portfolio management process.
- **PM Talent Management** – Standards and methodologies are tools that are effective when wielded by trained resources. Shortage of PM talent is often a roadblock at a lot of companies.
- **Measurement & Reporting** – Centralized tracking and reporting of project metrics that allows for consistent, timely sharing of information at every level within the organization. This allows for management by exception.

## Enterprise Governance Framework

Executive Alignment	Enterprise PMO	PM Talent Management	Measurement & Reporting
<ul style="list-style-type: none"> <li>▪ Guiding principles</li> <li>▪ Processes and protocols               <ul style="list-style-type: none"> <li>– Organizational Spend</li> <li>– ROI Estimation</li> <li>– Project Costs, including business process enhancements</li> <li>– Enterprise prioritization</li> <li>– Alignment of initiative outcomes with corporate strategy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Organize projects, programs, portfolios</li> <li>▪ Identify &amp; document project sponsors and portfolio owners</li> <li>▪ Project management standards</li> <li>▪ Approved project management methodologies</li> <li>▪ Project governance</li> <li>▪ Tools and templates</li> <li>▪ Project-program dependencies</li> <li>▪ Cross initiative coordination and communication</li> </ul>	<ul style="list-style-type: none"> <li>▪ Formal PM development process</li> <li>▪ Competency and career path</li> <li>▪ Demand management</li> <li>▪ Talent sourcing, vetting, deployment, repatriation</li> <li>▪ Mentoring</li> <li>▪ Certification</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business case template</li> <li>▪ Pre-implementation baseline</li> <li>▪ Post-implementation validation</li> <li>▪ Project, program status collection, dissemination</li> <li>▪ Performance against internal and external benchmarks</li> </ul>



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Prior to joining DecisivEdge in 2011, Sukumar spent nearly twenty

five years successfully leading large-scale technology enabled business transformation programs and helping clients to implement and institutionalize enterprise governance. He has served clients in multiple industries in the United States, the United Kingdom, Europe, Asia and the Middle East.

Sukumar earned a bachelor’s degree in economics and math from Delhi University, India, and a MBA from Temple University – Fox School of Management.

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