

## ENHANCING ENGAGEMENT AT BT: AN UPDATE

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At the start of 2002, one of Europe's largest communications companies, BT plc (BT), dramatically changed its strategy, replaced its CEO, and embarked on transforming itself from a traditional telecommunications company organized around telephone numbers to a global leader in networked IT services organized around customers. The new CEO, Ben Verwaayen, launched "OneBT" to bring the different parts of the company together to improve the customer experience, reduce operating costs, and grow new streams of revenue.

Critical to BT's integration efforts, and to those of other organizations we studied, was introducing a system of governance mechanisms—roles, processes, and decision-making bodies—that strengthened organization-wide IT governance, project management and links between the two. We have described this system as the IT engagement model.<sup>1</sup> We have followed BT's transformation in depth for over four years. During that period, we interviewed over 30 key IT decision makers and observed them build BT's IT engagement model. In addition, we examined the IT engagement model of over 15 other companies. This briefing describes what BT did to enhance engagement.

### **Transforming IT at BT**

Figure 1 describes BT's IT engagement model in May 2004, when Al-Noor Ramji joined BT as Chief Information Officer of BT Group and CEO of BT

<sup>1</sup> Previous research briefings have discussed the IT engagement model (Fonstad and Robertson. "Engaging for Change: An Overview of the IT Engagement Model," Vol. V, No. 1C, Mar. 2005), examples of engagement mechanisms (Fonstad and Robertson. "Linking Mechanisms at TD Banknorth." Vol. VI, No. 1D, Mar. 2006), and key alignment mechanisms (Fonstad. "Engagement Matters: Enhancing Alignment with Governance Mechanisms," Vol. VI, No. 3E, Dec. 2006).

Exact, BT's technology and IT operations business.<sup>2</sup> Since Verwaayen's "OneBT" announcement two years earlier, BT senior management had focused its efforts on strengthening organization-wide IT governance. Meanwhile, each Line of Business (LoB) had developed its own distinct IT engagement model, some more mature than others. Although this collection of mechanisms had improved engagement relative to two years earlier, it was insufficient to support the degree of integration that BT needed for "OneBT." For example, it was not possible to assess the cumulative value of multiple projects from throughout the organization to customers.

Figure 2 describes BT's IT engagement model in May 2006. During his first two years at BT, Ramji continued to build organization-wide IT governance and link it to projects.<sup>3</sup>

### **Strengthening Organization-wide IT Governance**

Ramji sought to reduce costs by \$200M (USD) (about 16% annually), by achieving three specific changes:

1. Transition 4000 workers from internal IT work to revenue generating ICT work
2. Reduce number of high-cost suppliers
3. Radically reduce systems estate of 3696 systems.

To accomplish these changes, Ramji re-framed all IT activities around BT's customers and re-organized IT activities around three core processes: lead to cash ("buying stuff"); trouble to resolve ("fixing stuff"); and concept to market ("innovating stuff"). To assess the progress of the three core processes, Ramji drew on two productivity metrics:

*We've got two customer-facing metrics, measured from the customer's viewpoint. One is cycle time. What's the cycle time taken from the time the customer asks for something till the time it's working and he or she*

<sup>2</sup> In a previous research briefing, we described in greater detail BT's IT engagement model: Fonstad and Robertson, "Realizing IT-Enabled Change: The IT Engagement Model," Vol. IV, No. 3D, Oct. 2004.

<sup>3</sup> In what follows, mechanisms shown in Figure 2 are first mentioned in bold text.

*acknowledges it? The second one is percentage right first time. So how often do you get that cycle right the first time? And the customer says that. Not me, the IT guy; or me, the network guy; or me, the sales guy. But me, the customer.*

Ramji believed that increasing the percentage right first time and reducing cycle time would naturally lead to two other important outcomes: reducing the cost of the cycle and increasing customer satisfaction.

Ramji pulled IT operations from all the business units and collected them into a single central IT organization called **One IT**. To help manage, re-skill, and transition IT employees into revenue generating work, Ramji created a resource management process called **The Bench**, where employees not assigned to a project would receive training to be re-skilled.

Within One IT, Ramji distributed decisions rights across three committees:

- The **IT Board** was the governing board charged with ensuring business value from IT across BT. The membership of IT Board was approximately 13 senior pan-BT and IT business leaders, appointed by CEO Verwaayen.
- The **IT Committee** consisted of approximately 15 members from IT whose role was to deliver the IT strategy and run the operations. Responsibilities included monitoring the operations of One IT and implementation of the One IT Strategy and ensuring continuous improvement in the customer experience as measured by the two metrics.
- The **Technology Leadership Group (TLG)** was made up of approximately 45 “key influencers” from across BT. TLG members were elected on an annual basis, enabling a refresh of the membership to extend leadership development to as many employees as possible.

With the pooled resources of One IT focused on operations, Ramji directed Line of Business (LoB) CIOs to provide strategic guidance to the LoB CEOs. Each LoB CIO had a team of about ten IT managers. IT managers worked with a program team to meet a business need by defining the problem and navigating a solution in accordance to BT’s enterprise architecture.

#### **Linking Organization-wide IT Governance with Projects**

When Ramji arrived at BT, there were over 4200 individual projects underway throughout BT, with limited, if any, coordination or standardization

between them. Within a few months, senior management formed 29 programs within which all projects at BT had to belong or be discontinued.

One IT also introduced **Agile Delivery**, where each one of the 29 program teams was required to follow the same set of procedures. A program first had to conduct a **hothouse**, to determine the scale and scope of the program. A hothouse was three intense days where six teams of IT and non-IT participants from throughout BT competed to develop the best prototype and then agreed on the development work for the 90-day delivery cycle. Neil Winton, One IT’s hothouse manager explained:

*What’s hothousing really about? It’s about bringing people together, forcing them to talk to each other, creating something tangible and agreeing, and going away and doing it. We have had people say, you feel like three months work was done in three days.*

Within ten days of the completion of the hothouse, program leaders were required to develop an **ROI Business Case**, prioritize resources, and receive funding approval. Program leaders also participated in a post-implementation review (**PIR**) **handshake** session, where they defined, agreed on, and documented PIR targets and measures. Forty percent of the PIR process occurred at this early stage.

Approved cases went into **90-day life cycles**. At the end of 90 days, all programs went through a **PIR**. A program was scored based on five criteria: ROI, impact on the end to end customer experience, business partner satisfaction, implementation of transformation practices, and lessons learnt. The detailed results of all PIRs were published on BT’s intranet and available in a table with programs ranked according to PIR outcome. **Bonuses** were based on 90-day PIR results and an annual performance rating.

Another aspect of Agile Delivery was the **Architecture Conformance Framework Process (ACF Process)**. Members from One IT helped develop ROI business cases for architecturally compliant solutions. Once a business case was approved, it was registered in the ACF Project Register and assigned an Architecture Lead. In addition, to enhance alignment with business, reduce complexity and improve operations, One IT introduced a **Calendar of Commitments** to coordinate releases from the programs. The calendar showed when program teams were scheduled to release a particular deliverable and who was responsible. According to IT managers, the

calendar provided a level of transparency, coordination, and accountability that was lacking before.

Many of the executives we interviewed credited these changes with several benefits. For example, the IT group increased its internal business partner satisfaction rate from 65% to 80%. BT was also able to reduce overall IT costs by 14% and service delivery lead time by ten days. BT's IT engagement

model continues to evolve. In several programs, customer representatives are included in the hot-house. In September of 2006, Ramji was given responsibility for the Customer Experience, a core and strategic pan-BT business process focused on ensuring BT creates consistently positive customer experiences across all products and cost segments.

Figure 1: BT's IT Engagement Model in May 2004

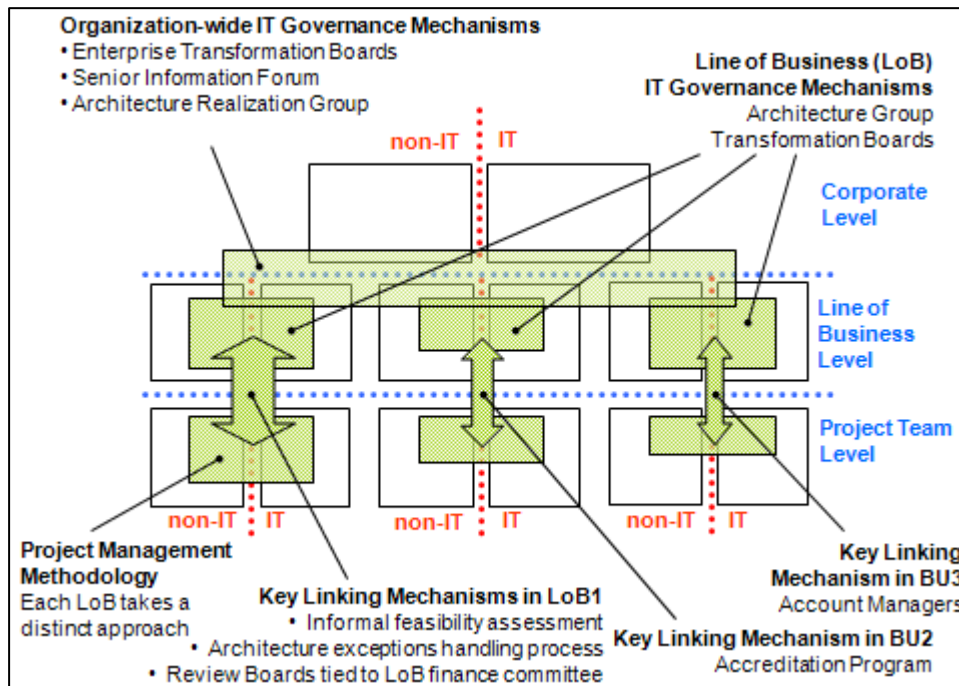
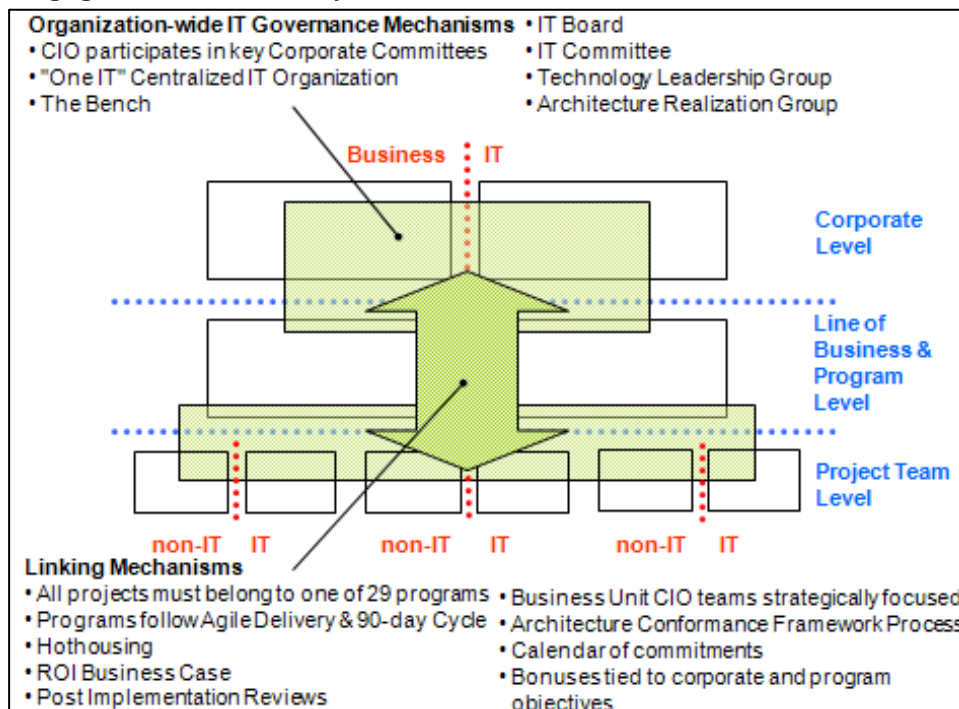


Figure 2: BT's Engagement Model in May 2006



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