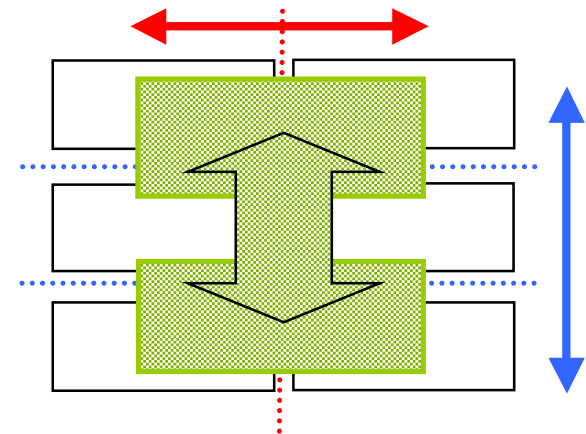


# THE IT ENGAGEMENT MODEL: HOW FIRMS USE PROJECTS TO ACHIEVE BOTH SHORT-TERM AND LONG-TERM OBJECTIVES

**Dr. Nils Olaya Fonstad**  
**Associate Director, INSEAD eLab**  
**[nils.fonstad@insead.edu](mailto:nils.fonstad@insead.edu)**

**ISACA Malta**  
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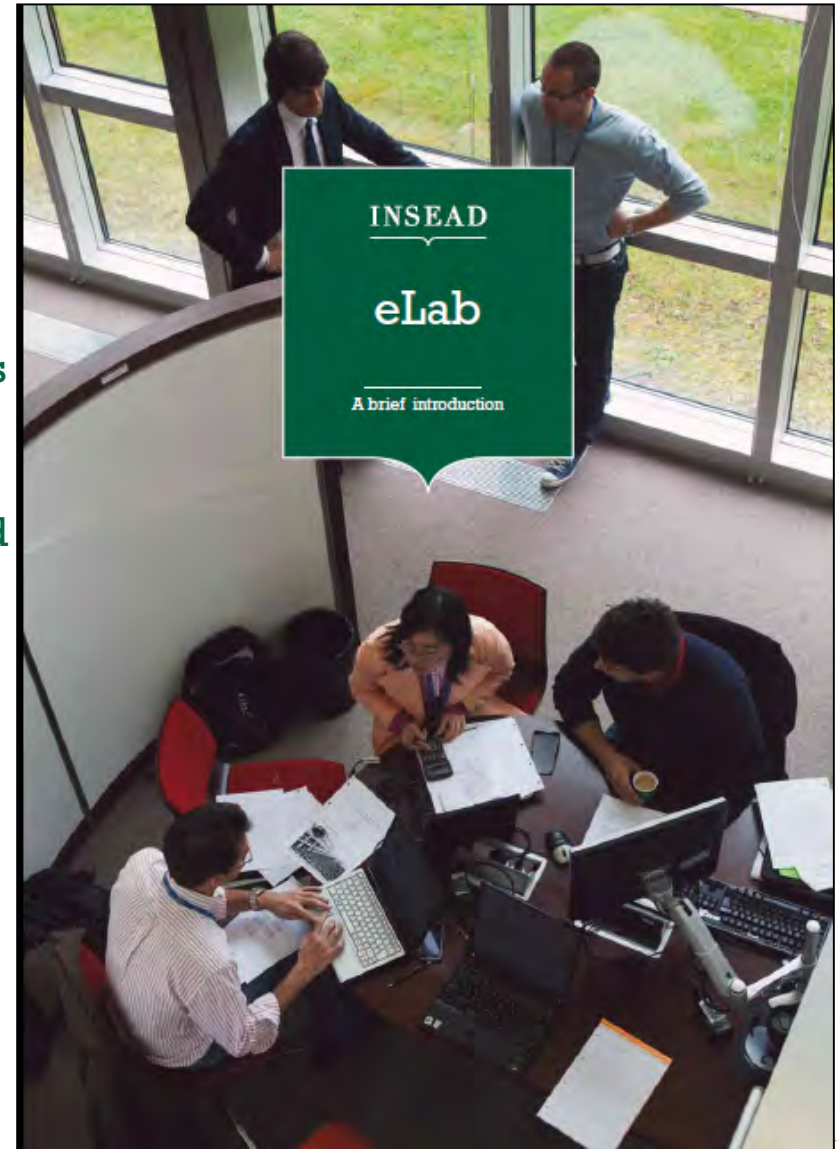
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# About INSEAD eLab

- As one of the world's leading and largest graduate business schools, INSEAD brings together people, cultures and ideas from around the world to change lives and to transform organisations. A global perspective and cultural diversity are reflected in all aspects of our research and teaching.
- INSEAD eLab is INSEAD's center of excellence for thought leadership, community outreach and value creation in the knowledge economy
- INSEAD eLab focuses on three overlapping domains:
  - Managing Knowledge and Skills in Networked Organizations
  - Enabling Outstanding Performance Through Technology
  - Creating Value in the Knowledge Society and Economy
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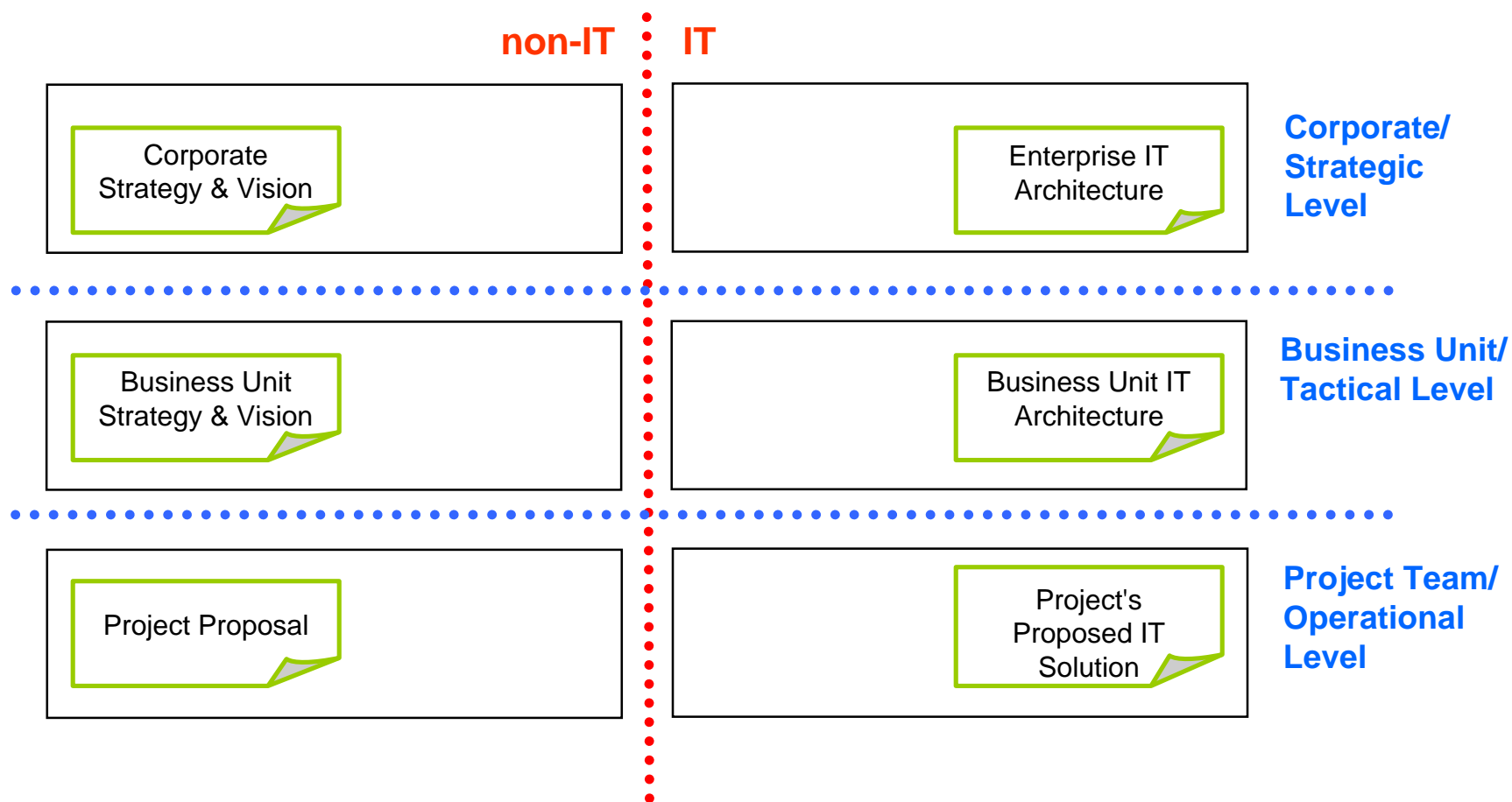
## The IT Engagement Model was developed from a variety of methods and theories

- **Interpretive Longitudinal Field Study of BT**
  - Three years of data collection
  - Data: interviews (over 30 managers); attendance of key meetings; internal and public documents.
- **Twelve in-depth case studies**
  - IT and non-IT managers interviewed at each company
  - Collected data on IT governance, project management, and linking mechanisms
  - Examples: Direct Energy, TD Banknorth, State Street
- **Survey data**
  - Survey data from 162 companies on how they use linking mechanisms
- **Theoretical Foundations**
  - Coordination theory
  - Control
  - Cross-boundary knowledge sharing
  - Business-IT alignment

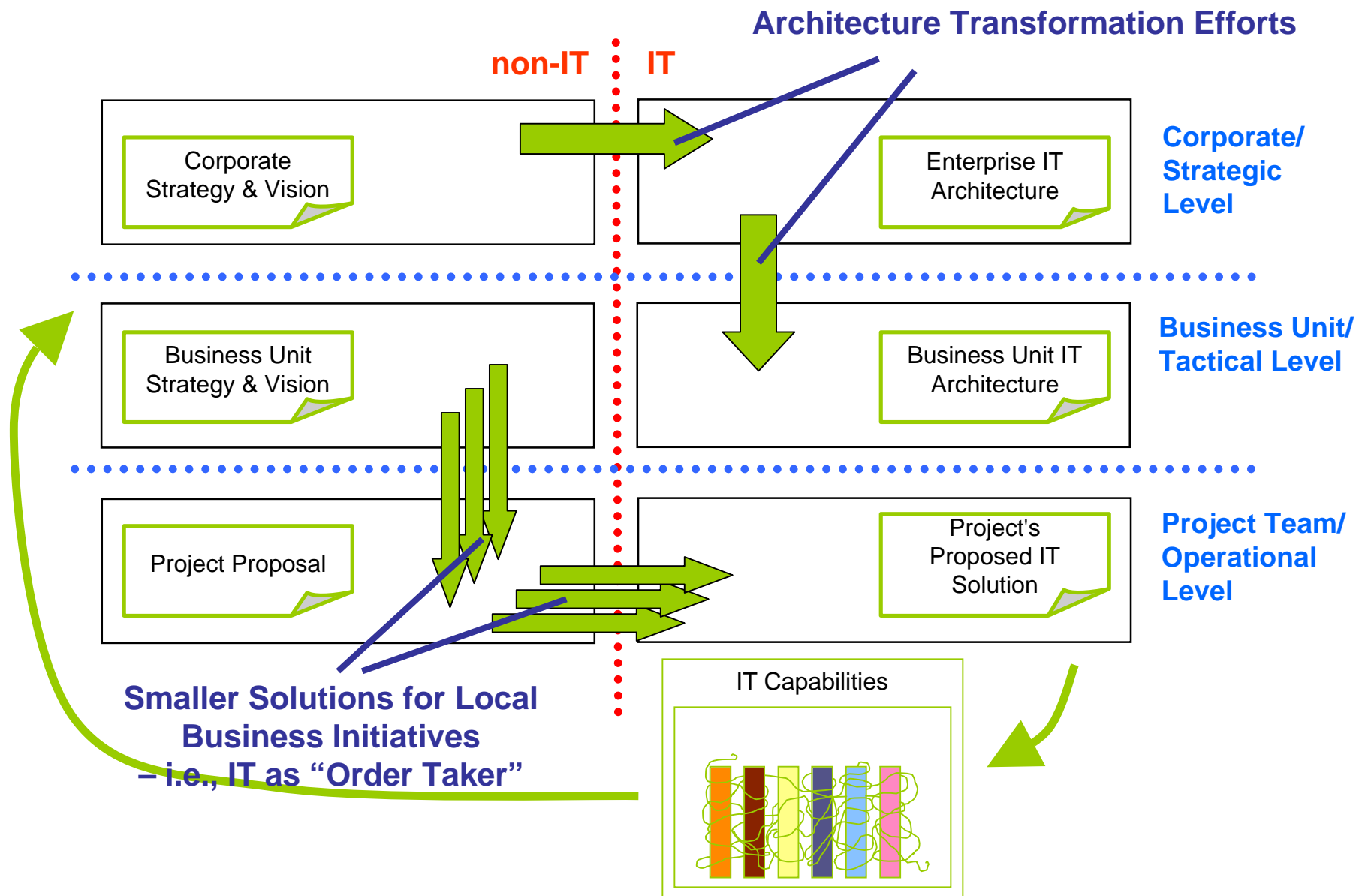
# Agenda

- **The challenge**  
How to use IT to achieve both local and global objectives  
Why traditional approaches are limited
- **The solution**  
Linking company-wide IT governance and project mgmt.
- **The three components of an IT engagement model**
  - Company-wide IT governance
  - Project management
  - Linking mechanisms
- **Case studies and Survey findings**
- **Defining, Accessing and Fostering Talent for Effective Engagement**
- **Lessons learned**

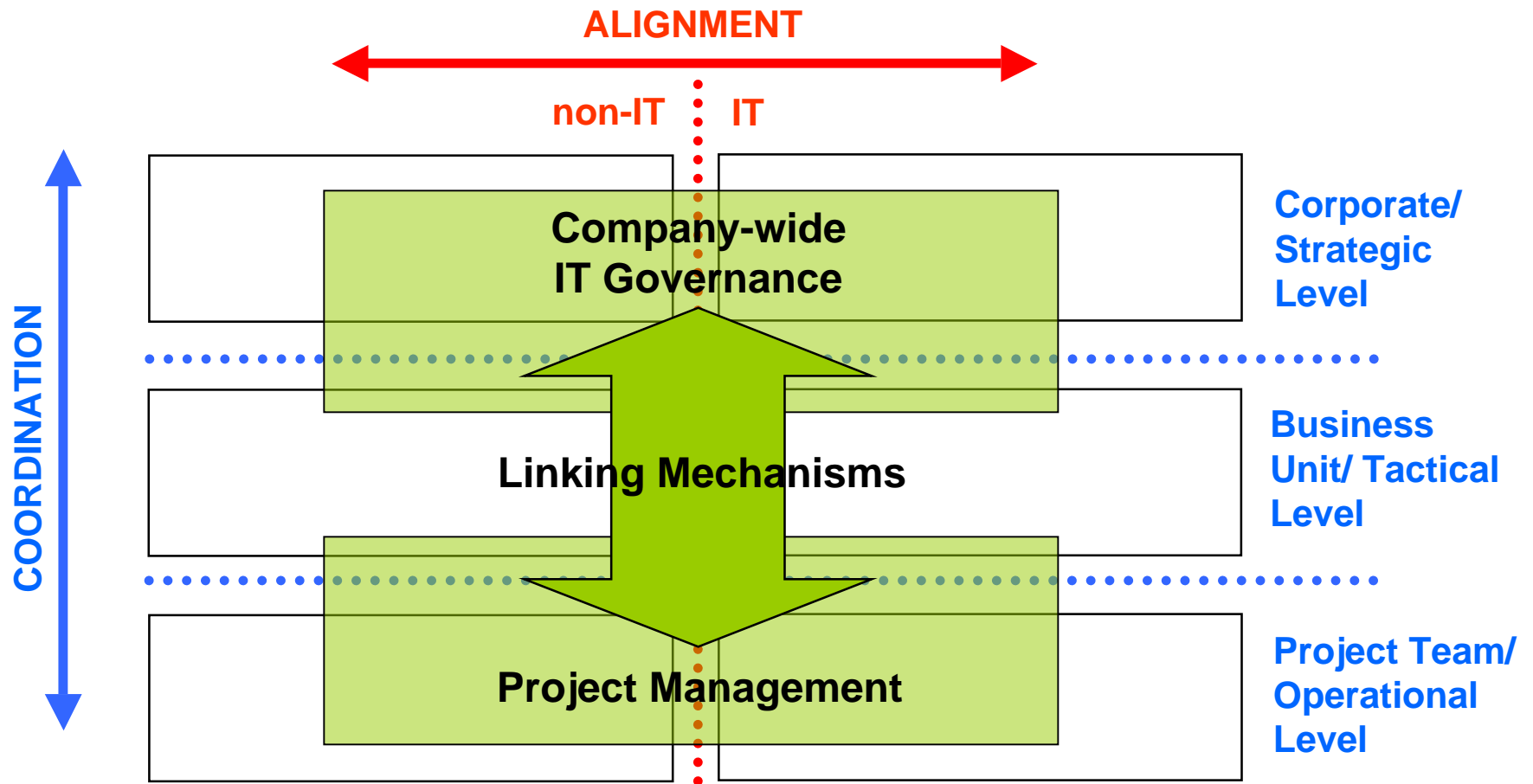
# Achieving Both Local and Global Objectives Involves Engaging Six Key Internal Stakeholder Groups



# Traditional Approaches to IT Are Limited Due to Insufficient Engagement



# The IT Engagement Model Has Three Components



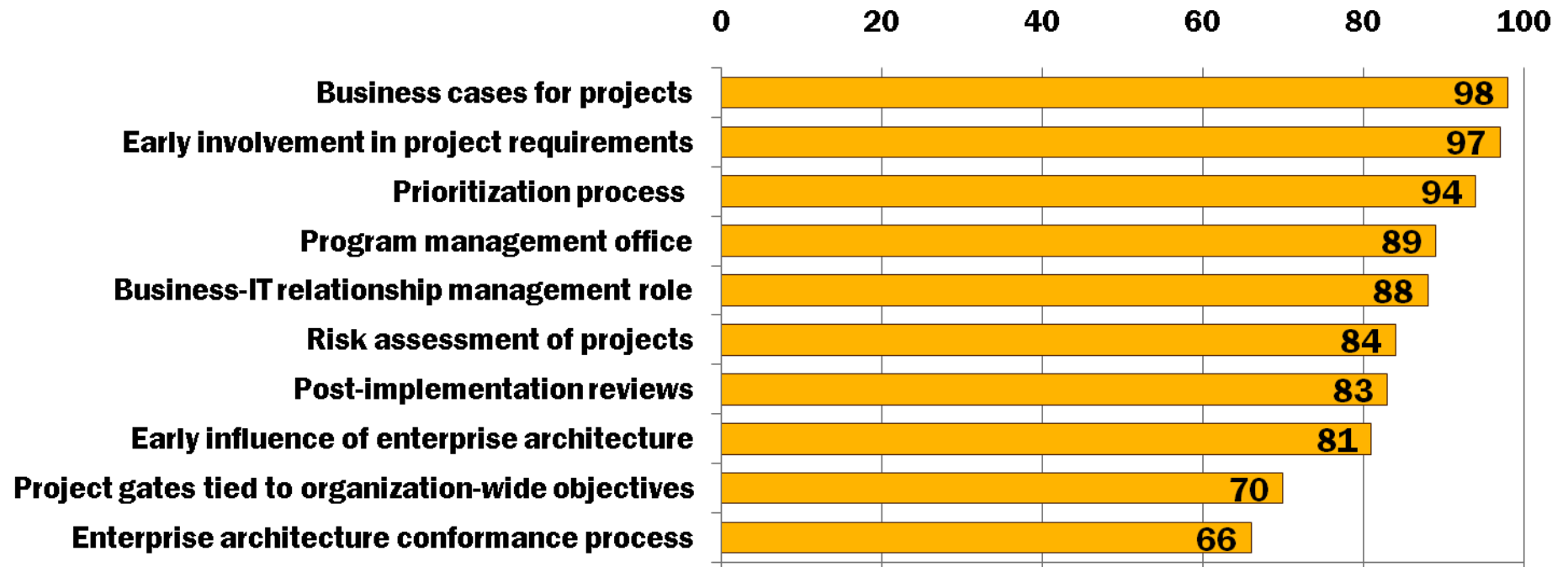
## IT Engagement Model

**Definition:** A system of governance mechanisms targeted at ensuring that IT-enabled change projects achieve both local and enterprise-wide objectives

### **An effective IT engagement model:**

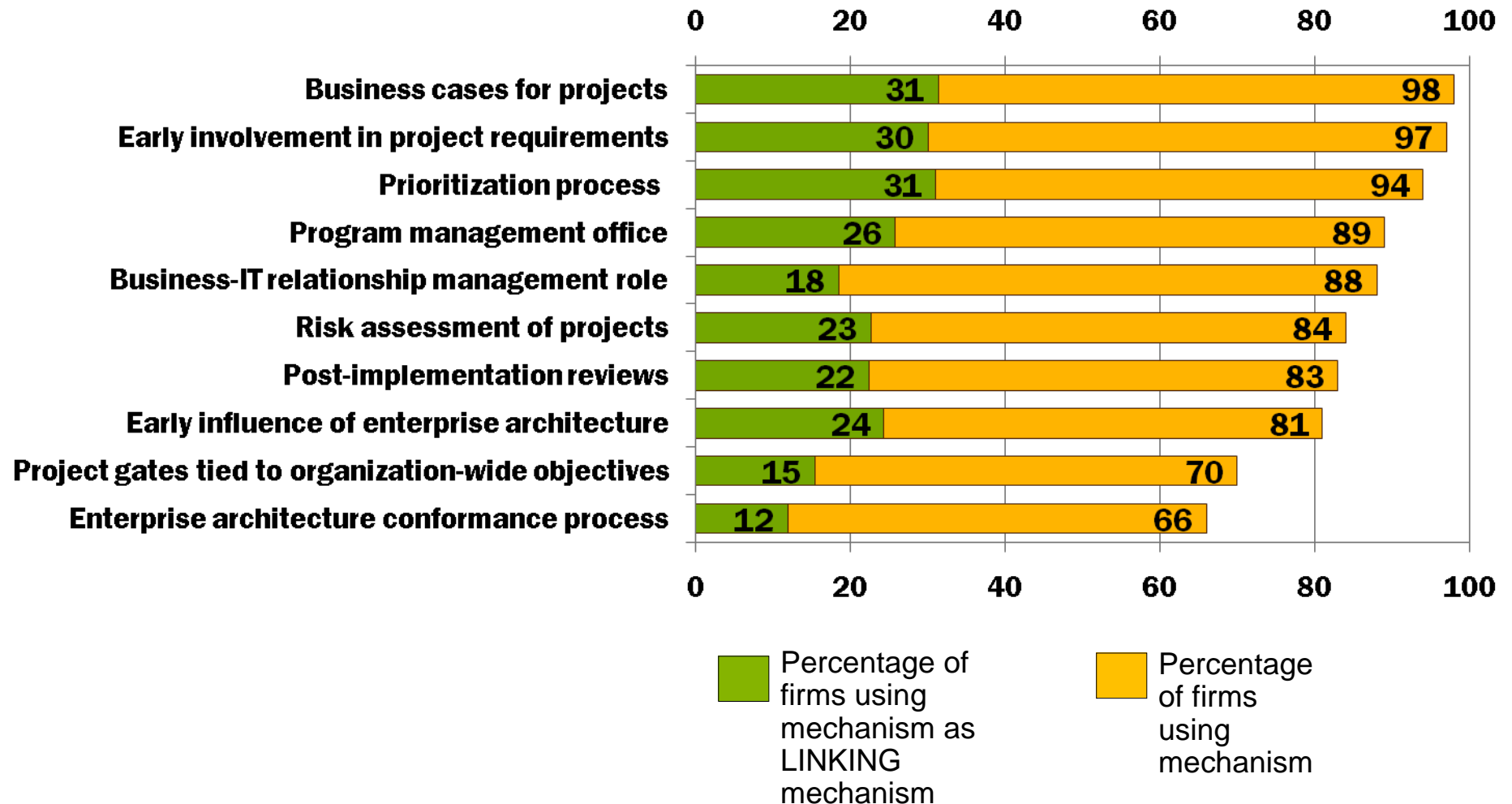
- 1) **Aligns** the interests and efforts of IT and non-IT stakeholder groups; and
- 2) **Coordinates** the interests and efforts of different business units and organizational levels (e.g., coordinate between project, LoB, and enterprise level efforts).

## Most organizations use a variety of mechanisms ...

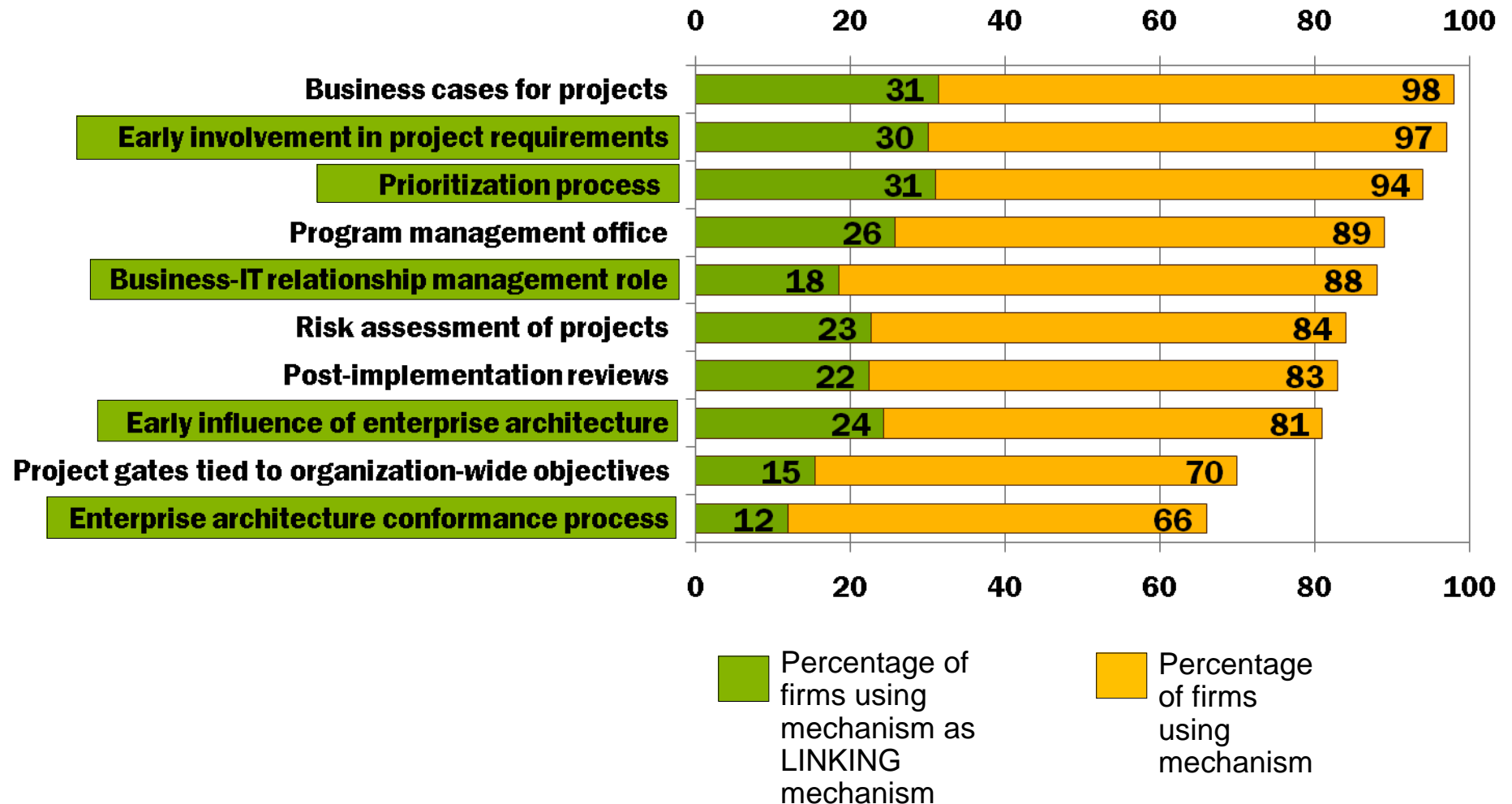


Percentage of firms using mechanism

## Few organizations use mechanisms to link corporate-level and project-level stakeholders



# The most effective firms distinguished from other firms by their use of five linking mechanisms



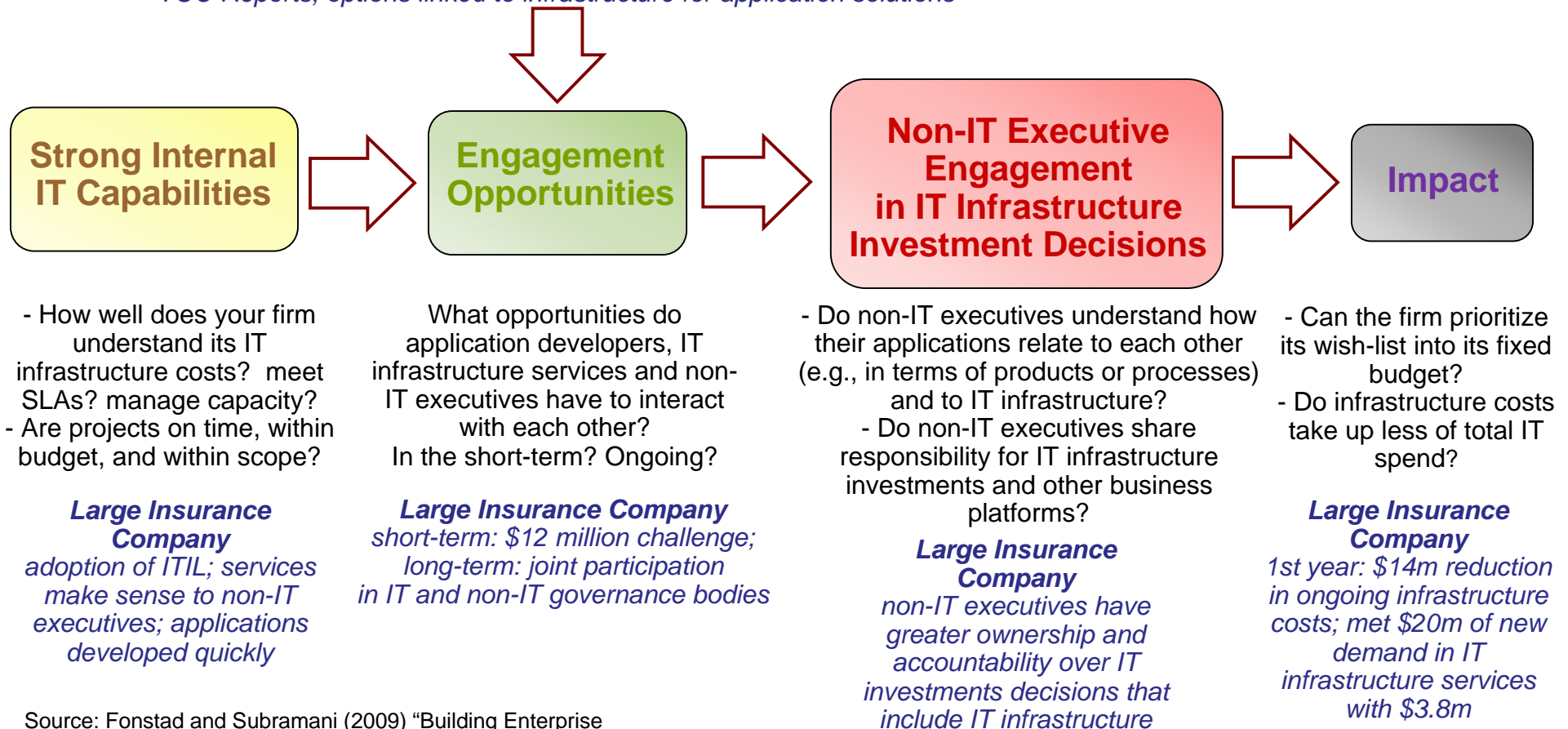
# Linking non-IT Executives with Infrastructure Investments to Develop an Optimized Core

## Resources for Managing Interdependencies

- Is there a document that relates local and global resources?
- Does IT provide non-IT executives with choices that represent trade-offs?

### Large Insurance Company

*TCO Reports; options linked to infrastructure for application solutions*



## An excerpt of one view of TCO Report: Linking products to core processes by application

Process Group	Level 1 Process	Level 2 Process	Product 1	Product 2	Product 3	Product 4
Client Acquisition	Sales	Sales to Employer	Application A	Application B	Application B	Application C
		Sales to Individual	Application D	Application E	Application D	Application D
	Group Underwriting		Application F	Application F	Application F	Application F
	Case Implementation		Application G	Application H	Application I	Application J
	Eligibility		Application K	Application K	Application K	Application L
Disbursements	Claims Adjudication		Application M	Application M	Application P	Application M
	Funds Out		Application O	Application O	Application N	Application N

Source: Fonstad and Subramani (2009) "Building Enterprise Alignment: A case study." *MISQ Executive*. 8:1. March 2009.

## Another excerpt view of TCO Reports: Linking non-IT owners to IT infrastructure costs

Business Sponsor	Parent Application	Applications	Disposition	Status	2006 Plan AD Maintenance	2006 Plan Infrastructure Total	Total IT SLA 2006 Plan
Jane Doe	ParentApp X	Application B	Hold	Production	\$1,742	\$11, 898	\$13,641
		Application E	Buy	Production	\$790	\$6,352	\$7,141
	ParentApp Y	Application M	Hold	Development	\$157	\$449	\$606
		Application O	Sell	Target for Retirement	\$96	\$444	\$540
		Application P	Buy	Production	\$21	\$677	\$698
Total Jane				\$2,806	\$19,820	\$22,626	
Pat Argent	ParentApp Z	Application A	Buy	Production	\$790	\$6,352	\$7,141
		Application F	Sell	Development	\$157	\$449	\$606

### DISPOSITION

Buy: Invest in application for continued future value

Hold: Minimally invest to maintain the application

Sell: Divest in application to remove low value cost

### STATUS

Development: App is in Design or Build phase

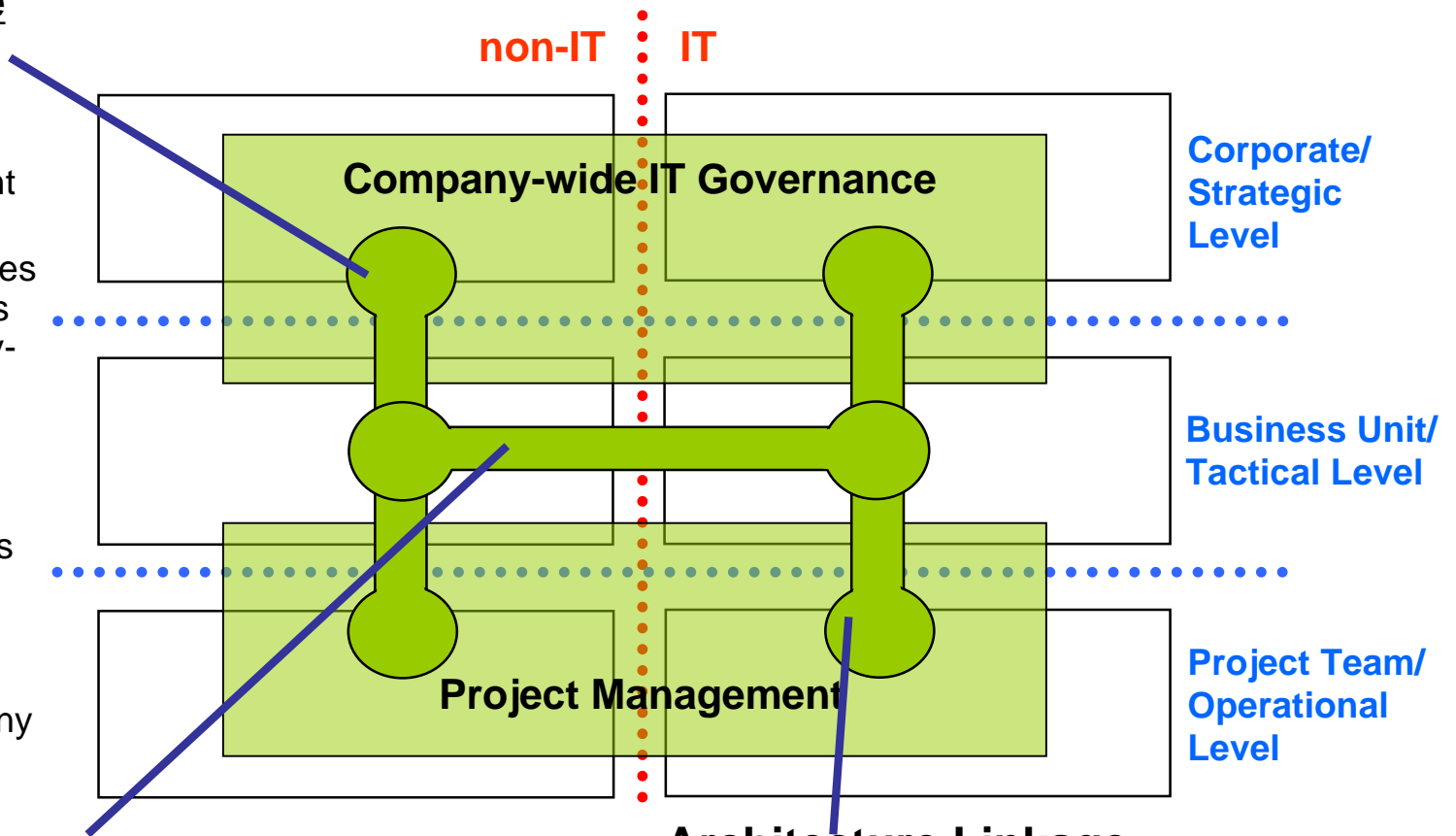
Production: App has reached Deploy stage

Target for Retirement: App is being replaced or phased out

# Examples of Linking Mechanisms

## Business Linkage

- Program prioritization
- Business sponsors for projects
- Early stage involvement of people representing company-wide objectives
- Regular project reviews conducted by company-level office
- Post Implementation Review (PIR) tied to company goals
- Bonuses and incentives tied to company goals
- "Big Bang" Programs
- Monthly review of all projects across company



## Alignment Linkage

- Business-IT relationship managers
- Demand-side CIO team
- Project gates require approval of BU Manager and Relationship Manager

## Architecture Linkage

- Project teams include architect
- Architecture exception management
- Project funding and continuation dependent upon architecture compliance
- Monthly reviews of "state of technology" of all projects across enterprise

Source: Fonstad, N., "Enhancing Engagement at BT: An Update" MIT CISR Research Briefing VII: 1B. March 2007.

## **Effective engagement requires having e-skilled professionals that can work across multiple boundaries**

- **Defining Talent**
  - Definitions must reflect expanding strategic roles of e-skilled professionals.
  - Eight core activities
- **Accessing Talent**
  - Access to e-skilled professionals no longer equivalent to ownership
  - Managing across a new set of boundaries
- **Fostering Talent**
  - How to ensure that key talent stays with your firm?

# What To Do To Enhance Engagement <sup>1</sup>

- Map your IT engagement model from two views

## Top-Down Organizational View

What mechanisms do IT governance bodies use to make decisions and implement them at the project level?

Is your governance encouraging desirable behavior appropriate for your performance goals? Assess IT governance performance.

## Bottom-Up Project View

If you were to attach yourself to an important project and follow it from inception to completion, what mechanisms would it experience?

- Assess both views together
  - Are the right people involved? Is there good involvement at all levels from both the business and IT sides of the company?
  - Is there real authority, or are people ignoring the engagement mechanisms when they're not convenient?
- **Tailor the IT engagement model to your enterprise's culture, structure, strategy & goals.**

<sup>1</sup> Adapted from Fonstad and Roberston (2006) "Transforming a Company, Project by Project: The IT Engagement Model." *MIS Quarterly Executive*. 5:1. pp. 1-14. Available at: <http://www.misqe.org/>

## Lessons from Effective Engagement

- **Engage all six stakeholder groups**

Alignment and coordination isn't possible without mechanisms linking all nine stakeholder groups

- **Distribute three key responsibilities**

System of decision rights and mechanisms for

- defining global objectives and rules, including an organizing logic
- managing projects
- enhancing engagement—both everyday and around projects

- **Use linking mechanisms to keep enterprise architecture relevant**

Engagement enables both continuous control and learning.

- **Engage within and across projects—early and regularly**

Enhance transparent, regular, two-way engagement; create overlapping roles; provide incentives and enforcement authority; and adapt to changes, learning, and appeals against decisions

# Thank you for your attention

To learn more about eLab's research, please visit:  
[http:// www.insead.edu/elab](http://www.insead.edu/elab)

or contact Dr. Nils Olaya Fonstad at:

[nils.fonstad@insead.edu](mailto:nils.fonstad@insead.edu)

Telephone: +33 (0)1 6072 9266

Mobile: +33 06 8522 1314

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eLab is a global research center within INSEAD focused on how public and private institutions create value from the digital economy. A key objective of eLab is to strengthen links across academia, business leaders and policy makers by developing research insights that are academically rigorous and relevant to private and public sector leaders.

# Three significant changes are contributing to the growing demand for e-skills by organizations.

## 1. **Organizations are developing more uses of ICT to operate and innovate**

A wide range of leading organizations are innovating new uses of ICT for both enhancing operations and expanding the ways they innovate. This is the result of three main factors: the cost of ICT and ICT services has decreased, ICT vendors are offering better and more relevant products and services, and, as more organizations use ICT, the network value of ICT has increased.

## 2. **Organizations are learning to manage their ICT infrastructure more efficiently and effectively**

There are a greater number of organizations cleaning up their ICT infrastructure from disparate islands of solutions that require increasingly complex, expensive and risky ways to connect to inter-operable and reusable solutions.

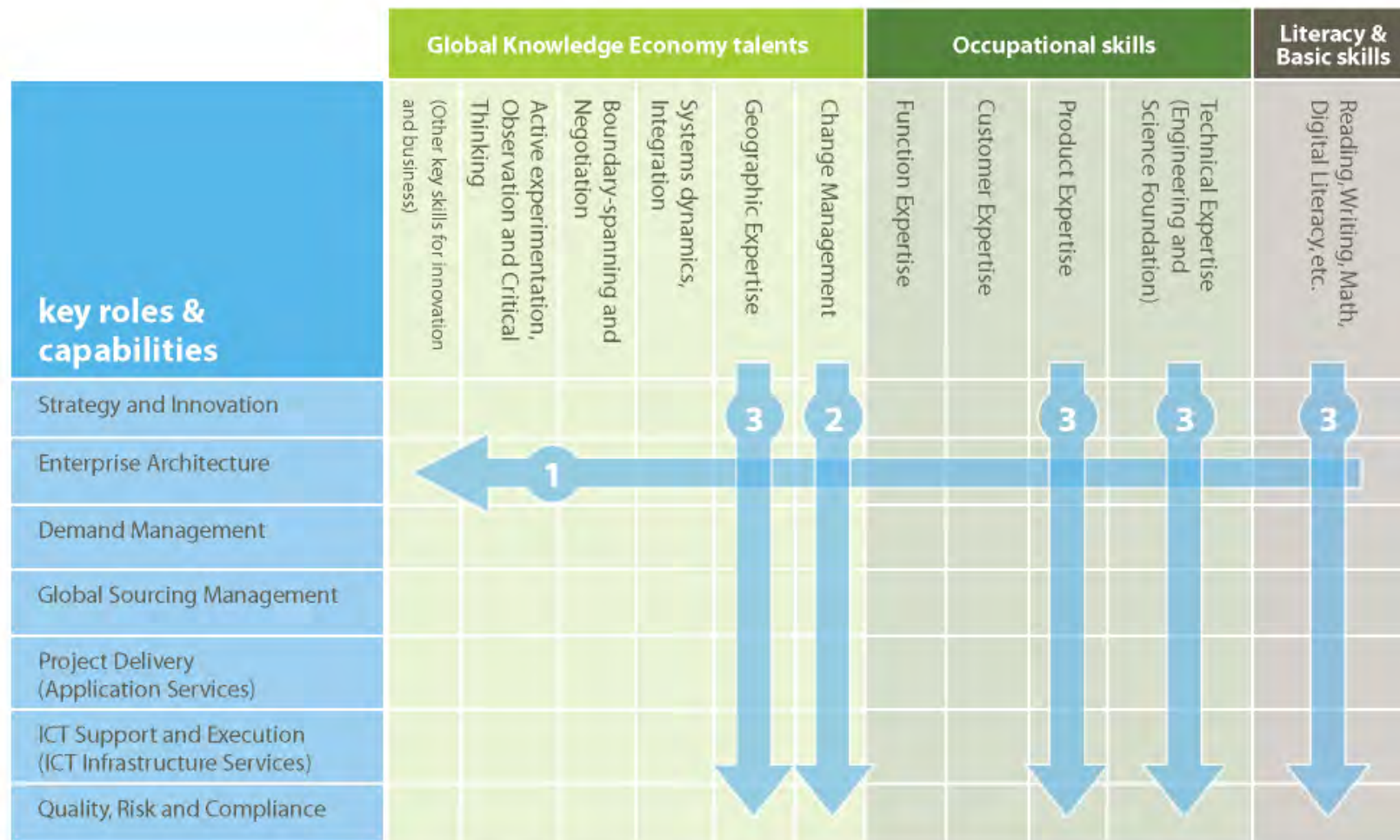
## 3. **Organizations can increasingly access ICT resources without having to own them**

Advances in ICT enable services to be provided in different parts of the world by independent organizations. Increasing demand for access to ICT resources and services no longer means owning those ICT resources and services.

**Organizations are increasingly relying on e-skills to operate, innovate and compete globally . This is evident in the expanding strategic roles of IT departments, led by Chief Information Officers.**

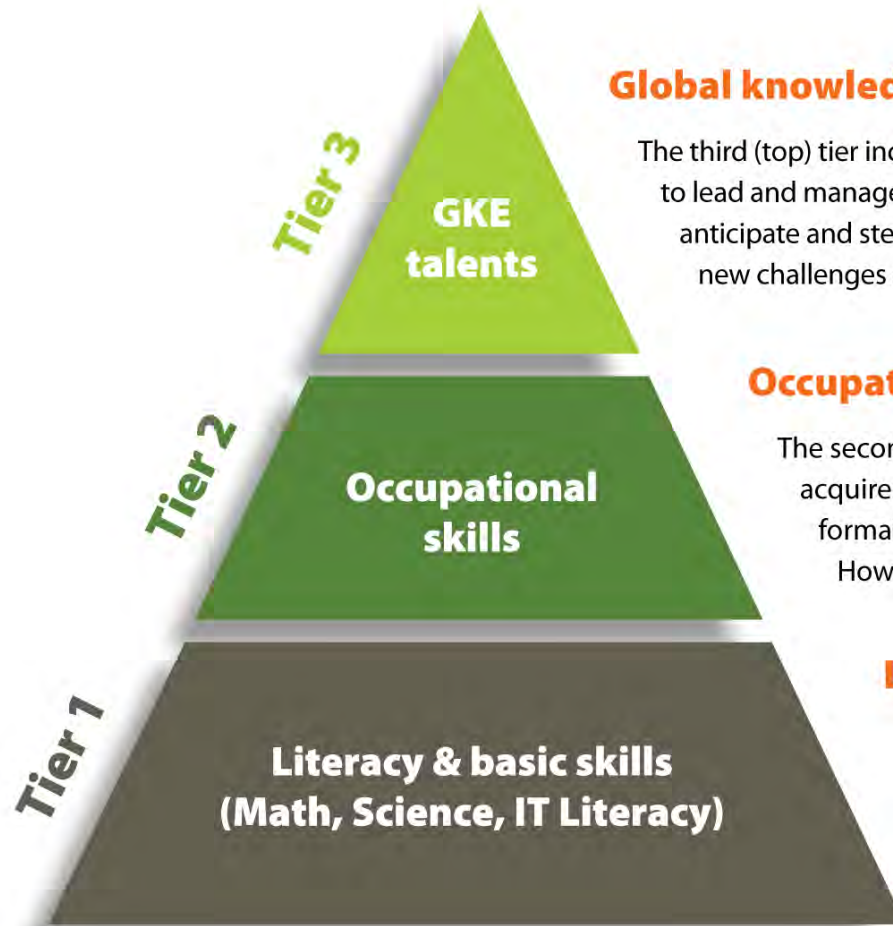
- INSEAD collected data from 130 CIOs on how much time they spent in 2010 across four categories<sup>1</sup>:
  - Managing ICT services;
  - Working with non-IT colleagues;
  - Managing enterprise-wide business processes; and
  - Working with external customers and partners
- From their responses, three distinct types of CIOs emerged:
  - **Technology-driven CIOs** – CIOs that are primarily focused on managing the IT organization to ensure delivery of IT infrastructure, applications, and related services.
  - **Business Process-driven CIOs** – CIOs who spend a greater than average percentage of time managing enterprise business processes, such as shared services, global supply chain, operations, and customer experience.
  - **Client-driven CIOs** – CIOs who spend a greater than average percentage of time meeting with external customers and partners as part of the sales, service delivery or innovation process.

# e-competences consist of three types of skills



Source: Fonstad, N. and Lanvin, B. (2010) "Final Report for the European e-Competences Curricula Guidelines Project" funded by the European Commission.

# Sustaining growth requires investing in a portfolio of three types of skills



## Global knowledge economy talents:

The third (top) tier includes the more subtle – but less quantifiable – skills required to lead and manage multicultural teams, to work in virtual teams, and to address, anticipate and steer change. These skills are critical for innovation and addressing new challenges and issues.

## Occupational skills:

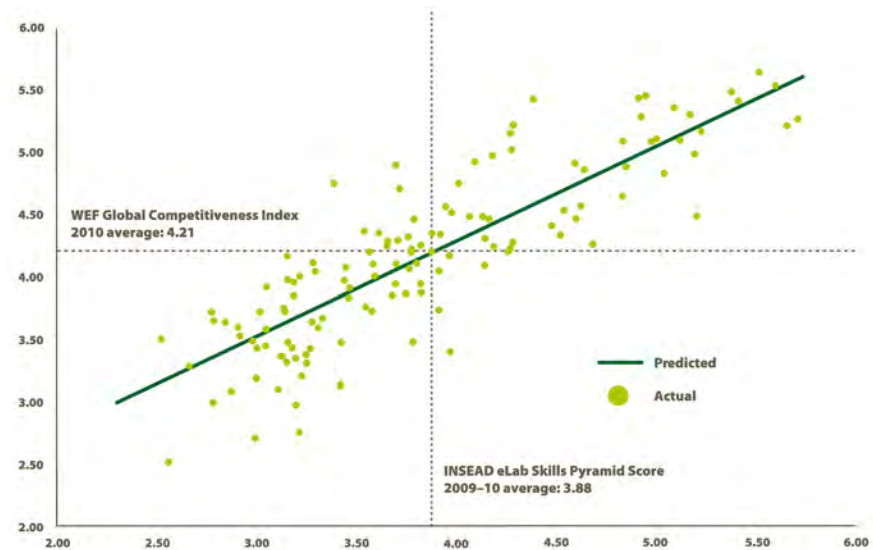
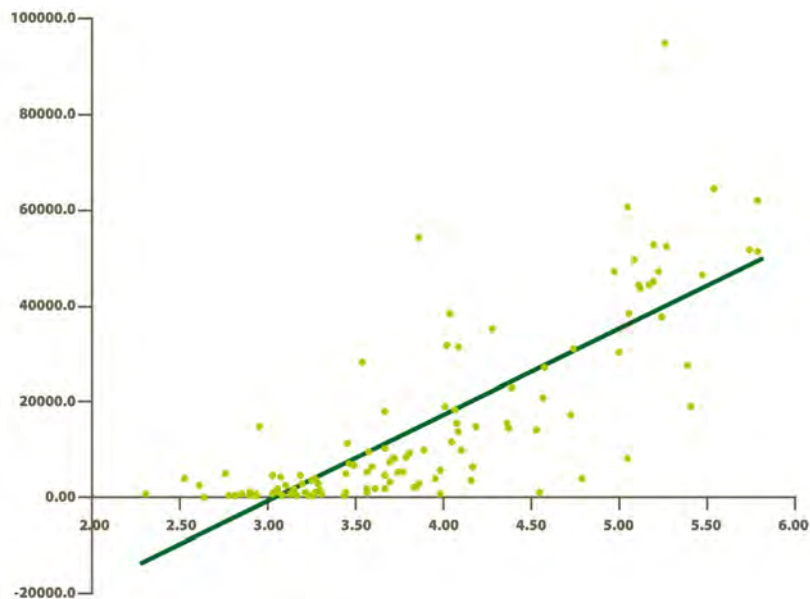
The second (middle) tier refers to the knowledge and capacities that must be acquired to qualify for specific jobs. Much of these skills can be generated through formal education (e.g., by engineering schools, law schools and universities). However, an increasing part of those skills are acquired 'on the job'.

## Literacy and basic skills:

The first (base) tier of the Skills Pyramid includes the fundamental skills and knowledge that an individual needs to live in modern societies. They include not only traditional literacies (e.g., writing, reading and basic math skills) but also increasingly, IT literacy.

# Skills matter to growth and competitiveness

Sixty-three percent of the variation of 2008 GDP per capita is accounted for by the 2007 INSEAD eLab Skills Pyramid Score



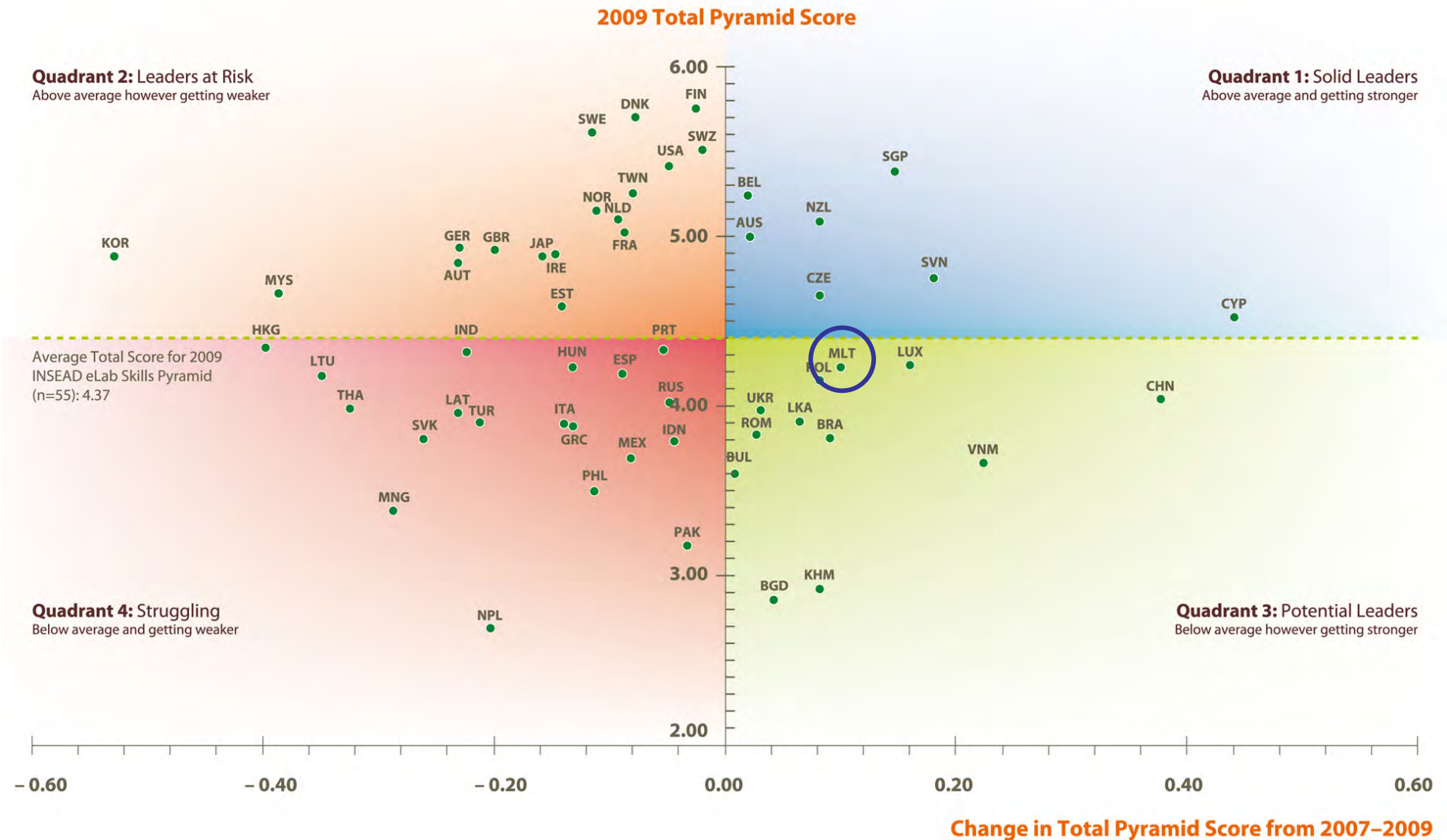
Seventy-eight percent of variations of countries' global competitiveness (as measured by the World Economic Forum) can be explained by INSEAD eLab's Skills Pyramid Score

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Source: Fonstad and Lanvin (2010). "Economic Tigers: Sustaining the Roar. The 2010 INSEAD eLab Skills Report with special focus on Asia." <http://www.insead.edu/elabskillsreport>

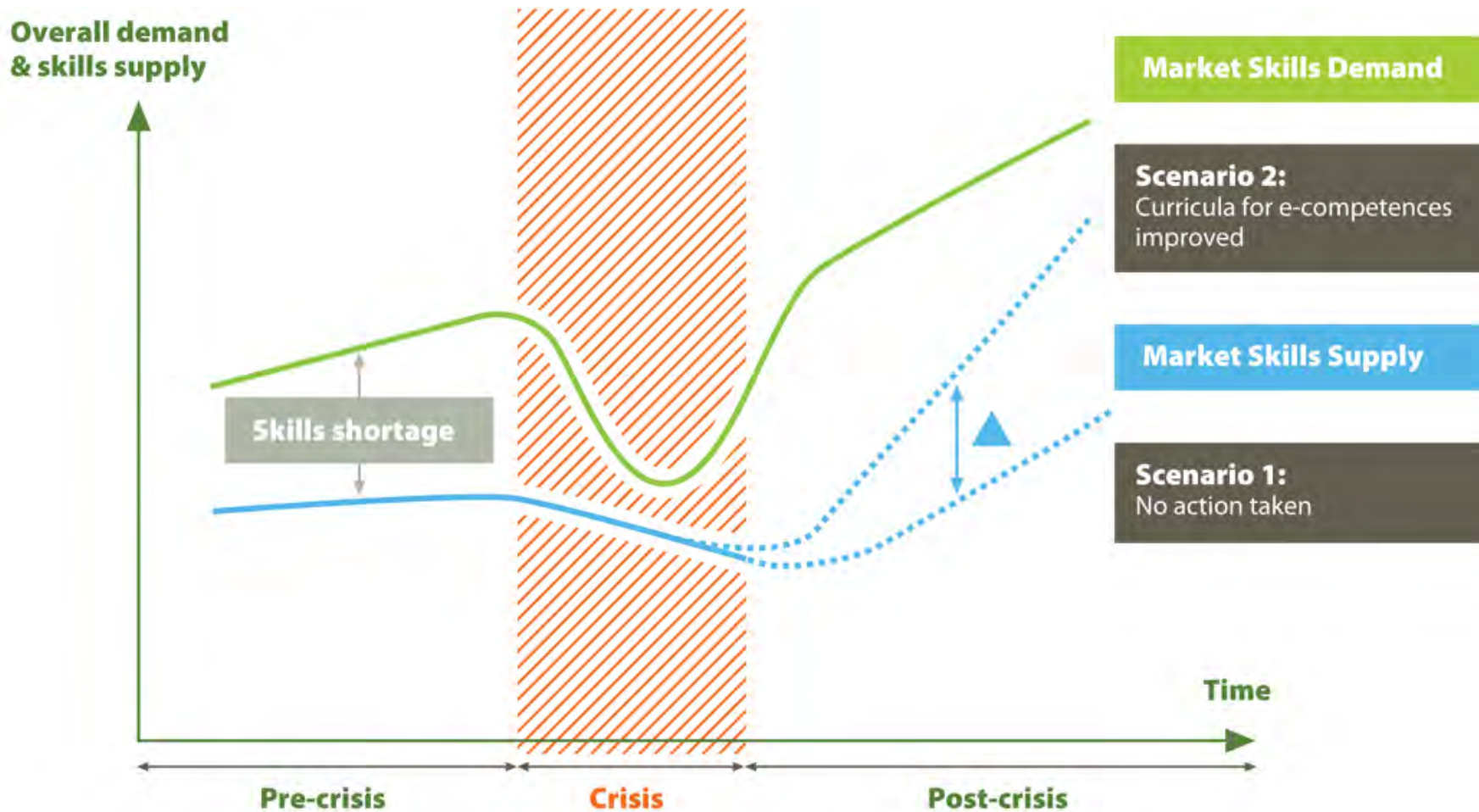
# Four types of countries based on two dimensions: Solid Leaders; Leaders at Risk; Potential Leaders; and Struggling



# Fostering global knowledge economy skills

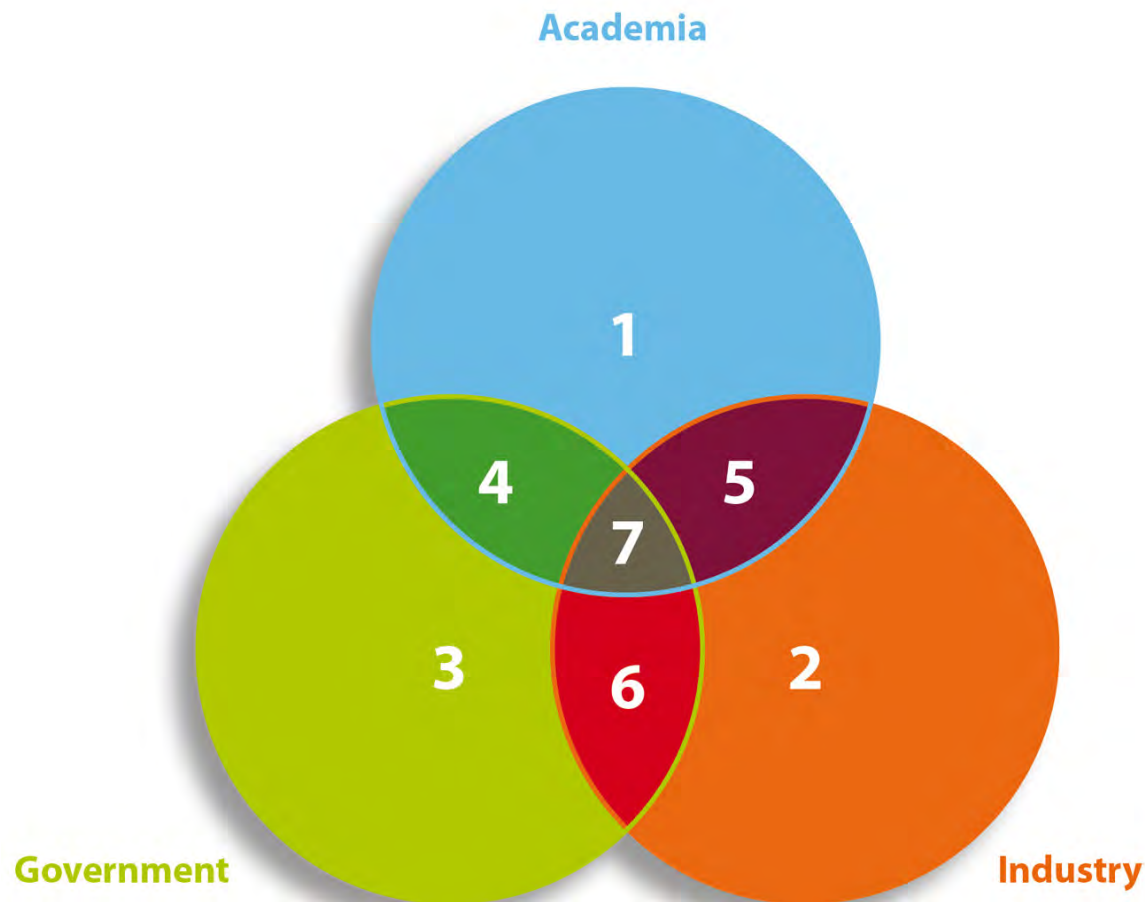


# Skills in Europe: Two post-crisis scenarios



Source: Fonstad, N. and Lanvin, B. (2010) "Final Report for the European e-Competences Curricula Guidelines Project" funded by the European Commission.

# Becoming Smarter Requires Stronger Collaboration for Coordinating the local and the global and Aligning different stakeholder groups



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Source: Fonstad and Lanvin (2010). "Economic Tigers: Sustaining the Roar. The 2010 INSEAD eLab Skills Report with special focus on Asia." <http://www.insead.edu/elabskillsreport>

# Dr. Nils Olaya Fonstad



- Nils Olaya Fonstad is Associate Director of INSEAD eLab.
- He conducts research on how businesses collaborate with universities and governments to develop new skills for competing and innovating globally.
- He is a co-leader of a three-year collaboration with the OECD that examines innovation in Latin America.
- He developed the report "IT Enabled Leadership: The expanding strategic roles of Chief Information Officers." The report presents results from a study which surveyed 130 CIOs from seven European countries and interviewed 14 of Europe's most effective CIOs (as judged by their peers).
- Together with Bruno Lanvin, he authored the 2010 INSEAD eLab Skills Report, with a special focus on Asia. The report provides the 2010 scores for of the INSEAD eLab Skills Pyramid for 55 countries; it reveals how countries have been managing their stock of skills since the start of the global crisis and identifies them as either Solid Leaders, Potential Leaders, Leaders at Risk and Struggling; and it highlights effective skills-building efforts throughout Asia.
- Dr. Fonstad joined eLab in November 2008. Before then, he worked as a research scientist at the MIT Center for Information Systems Research (MIT CISR). He earned his PhD degree in Information Technology and Organization Studies from MIT Sloan School of Management; an MS from the MIT Technology and Policy Program; and a BS in Mechanical Engineering and BA in Film Studies from Cornell University.