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IT Best Practices – How the Best Financial Institutions in the World Do It!

by Patrick Durbin

Recently, a group of senior-level it officers from some of the nation's top financial service firms gathered in Austin, Texas, to attend an executive IT financial services forum to share their thoughts on industry trends and exchange best practices with their peers in a non-competitive environment. These forward-thinking executives took time out of their busy schedules because they realized that they could improve their organizations' performance by learning from others. Cosponsored by Wells Fargo, Key Bank and PlanView, Inc., these 50 senior level IT executives from more than 30 financial institutions were asked what best practices they would like to review and how they self-assessed their current performance. The results were ranked on an IT process maturity scale to let executives compare themselves with their peers and with overall industry standards.

Many business executives consider IT spending to be wasteful and out of control. For years people shook their heads and exclaimed that it was a shame. Yet, the issues have only recently been taken seriously. Years ago, global spending for IT was growing rapidly. Enter the technology bust. While many negatives came out of the technology slow down, one benefit has been the empowerment of business executives to take back control of their technology spending.

Now, IT executives are listening and learning. The results of the survey revealed that most IT processes are well defined, but not routinely repeatable. The group selected seven IT process areas and agreed that they needed benchmarks to better understand and communicate their individual process strengths and weaknesses. Several of the organizations agreed to begin this benchmarking by sharing information.

The executives' survey responses regarding their process discipline were converted using a scale of one to five, with one being low on the process maturity scale and five being outstanding. A rating of one corresponded with an informal or undefined process maturity level. A score of two meant that processes were defined but not consistent. Respondents who gave themselves a three asserted that their processes were consistently followed and repeatable, and four meant that not only was the process defined and repeatable, but accurate metrics were consistently measured. A rating of five corresponded with an outstanding process maturity level that built on all the elements of the previous maturity levels but also continued to measure and hone these processes in the pursuit of excellence.

This year, business advisory group Hackett Consulting released research they compiled from more than 200 companies that assessed that world-class IT organizations do more with less.[1] Of those 200 companies, less than 10 percent were identified as world-class organizations. These world-class organizations spent 18 percent less and utilized 36 percent fewer resources than the other 90 percent - all the time contributing higher service levels to their organization! They did so through the use of best practices, a high level of process discipline, simplification and standardization, and high alignment with the business goals. Simply put, their processes were based on best practices and implemented with methods that were disciplined, repeatable and auditable.

A foundation for world-class organizations is the discipline of portfolio management. It is not

surprising that financial institutions have a clear idea of portfolio management. It was first used in analyzing stocks and other investments. Then portfolio management moved to loan portfolios and other financial groupings. It is only natural that these organizations apply the principles of portfolio management to their technology spending.

The seven process areas that the group chose to study included managing the demand for IT services, managing relations with the business units, analyzing where to invest IT funds, estimating the size of projects, managing project changes, rationalizing what services to offer to the business units and what information to put on a portfolio dashboard to measure performance.

The process area that came in the weakest was rationalizing IT services offered to the business units. Service rationalization gives companies insight into the total cost of offering services to help them make better investment decisions. Almost 60 percent said that a formal rationalization process didn't even exist within their organization. Many who participated in the roundtable said they did not have the information to evaluate the total cost of delivering a service, despite the fact that the financial services industry has gone through a number of mergers and acquisitions resulting in services being discontinued due to redundancies. Obviously, this area is a key focus for additional process improvements.

The next category in need of strong improvement involved the existence and maturity level of portfolio dashboards. Portfolio dashboards provide timely monitors of key and critical performance indicators in an organization - supporting quicker response times to issues, organizational agility and better decision-making. Approximately 30 percent of the organizations surveyed do not implement portfolio dashboards. The overwhelming majority reported that they had dashboards in place but that they were not updated regularly.

Another key process area surveyed was IT investment fund analysis. Respondents scored themselves a 2.3 on the scale. Investment analysis provides a repeatable and auditable process for evaluating possible investments and making funding decisions. The process supports the ranking of new and current investments based on quantifiable criteria to maximize return on investment and strategic alignment within corporate objectives. Most organizations surveyed had at least some level of investment analysis for projects and service-level agreements, but less than 10 percent were able to say that they included investment analysis metrics as part of an integrated IT governance process. Properly defining portfolios, auditing results and creating a post-project benefit analysis were the biggest hurdles indicated in implementing investment analysis measures.

The next category surveyed involved managing relationships with the other business units or internal customers. This includes all aspects of interaction with other lines of business within an organization. Clear communications and understanding of expectations lead a positive perception of IT within the organization and drive customer satisfaction. While none of the respondents were able to say that they had formalized satisfaction metrics driving improvement to the operation, more than half those surveyed had an established process for communicating with other lines of business and a small percentage actually utilized customer satisfaction feedback. Some of the challenges they face include adoption management and defining a common set of metrics useful across all lines of business within the organization.

Managing the demand for IT services is the process through which work requests are categorized and routed to the appropriate person to scope the work, get the right approvals and get it done. The good news is that nearly 90 percent of the individuals surveyed reported that their work request processes were at least documented and most were defined and consistently applied. Many of the executives reported that prioritizing the many requests from the different lines of business within their organization proved challenging. Several others noted that tracking and managing requests presented a problem.

Today's IT shops have pretty disparate process maturity levels when it comes to estimating the

size of projects. Most collected metrics on the actual performance of the project compared to the estimated projections and used the variance for organizational and individual reviews. Key challenges in the estimation process ranged from not even having a standard process in place to lack of estimation metrics, to coming up with the scarce personnel resources required for estimating projects.

Many technology projects suffer from scope creep and changing business requirements during execution. Making those trends part of the process review and using them to drive life cycle templates and resource capacity planning allows an organization to remain flexible. Almost half of those surveyed were able to report that their company delivers projects through a consistent and repeatable process but are hampered by what they see as inflexibility by the lines of business they serve and lack of acceptance by non project management managers. They feel that changes are not formally evaluated against resource availability.

The average score for the seven key process areas was 2.5 (in the "defined" range), with the highest collective score in the change management category. Although this indicates that most IT shops are halfway between an informal and an outstanding organization, there were several that scored themselves as outstanding in certain process areas. The results are characteristic of most organizations today. As a whole, the industry is making an effort to improve process maturity but is still in the nascent stages. The challenge for these shops is to prove the value of their IT organization to senior executives through defined, repeatable and measurable process improvements. The senior IT executives who attended the Executive Financial Services Forum in July already know this to be true and are well on their way to achieving that 10-percent status known as world class.

The results of the complete survey are available at http://www.planview.com/it_maturity.asp.

Reference:

1. World-Class IT Organizations Do More With Less - Hackett Group Survey, June 3, 2004.

IT Process Maturity Survey

In July of 2004, PlanView, in conjunction with cosponsors Wells Fargo and Key Bank, conducted an IT process maturity survey of the world's largest financial institutions. The executive summary of these results is featured in this article.

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