Why Val IT framework is a

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The preliminary results of a 2005 global survey of more than 600 executives (consisting of approximately one-quarter CEOs and three-quarters CIOs), performed by PricewaterhouseCoopers Belgium for the IT Governance Institute, confirm that the topic of realizing value from IT-enabled business investments is high on executives' agendas and they are responding with a demand for improved governance.

Val IT is an IT *governance framework* that focuses on value delivery and ensures that IT-enabled investments are managed through their full economic life cycle. Val IT complements COBIT from a business and financial perspective and will help all those with an interest in value delivery from IT. Val IT has three main domains namely *Value Governance, Portfolio Management*, and *Investment Management*.

The goal of value governance is to optimize the value of an organization's IT-enabled investments by establishing the governance, monitoring, and control framework and providing *strategic direction* for the investments and defining the *investment portfolio* characteristics. The control framework defines the processes and activities (relative to the governance of IT-enabled business investments) that occur within the context of overall enterprise governance. It defines the relationship between the IT function and the other parts of the business and between the IT function and those functions in the organization with governance responsibilities, such as the CFO, CEO and the board.

IT-enabled business *investment programs* are managed as a portfolio of investments. The programs in the portfolio must be clearly defined, evaluated, prioritized, selected and actively managed ac throughout their full economic life cycle. This will be done to optimize value for individual programs and the overall portfolio. This includes the proper allocation of resources, the management of risk, the early identification and correction of problems (including program cancellation, if appropriate) and board-level program portfolio oversight. The goal of portfolio management is to ensure that an organization's overall portfolio of IT-enabled investments is aligned with and contributing optimal value to the organization's *strategic objectives* by, establishing and managing resource profiles, defining investment thresholds, evaluating, prioritizing and selecting, deferring, or rejecting, new investments, managing the overall portfolio and monitoring and reporting on portfolio performance.

The goal of *investment management* is to ensure that an organisation's individual IT-enabled investment programmes deliver optimal value at an affordable cost with a known and acceptable level of risk. This can be done by identifying business requirements, developing a clear understanding of candidate investment programmes, analysing the alternatives, defining the programme and documenting a detailed business case, including the benefits details, assigning clear accountability and ownership, managing the programme through its full economic life cycle and monitoring and reporting on programme performance. There are three key components of investment management namely *business case* *development*, *program management*, and *benefits realization*. Business case development is concerned about supporting the selection of the right investment programs. Program management is an art of managing the execution of the programs. Benefits realization is all about actively managing the realization of benefits from the programs.

A 2002 Gartner publication that claimed that 20 percent of all expenditure on IT is wasted, representing, on a global basis, annual value destruction of US $600 billion. A 2004 IBM survey of Fortune 1000 CIOs, in which CIOs reported that, on average, 40 percent of all IT spending brought no return to their organizations. A 2004 Standish report, which found that only 29 percent of all IT projects succeeded while the remainder were either challenged or failed. It is no surprise, then, that there is an increasing demand from boards and executive management for generally accepted guidelines for decision-making and benefits realization related to IT-enabled business investments.

There are four main types of questions in Val IT implementation categorised as Strategic questions, architectural questions, delivery questions and value questions.

The strategic question: Are we doing the right things?

This question can be addressed by answering the following questions: Is the investment in line with our vision, consistent with our business principles, contributing to our strategic objectives, providing optimal value at affordable prices and at an acceptable level of risk?

The architecture question: Are we doing them the right way?

By answering the following questions, the architectural question can be addressed. Is the investment in-line with our architecture, consistent with our architectural principles, contributing to the population of our architecture and in line with other initiatives?

The delivery question: Are we getting them done well?

Managers must answer the following questions to get a comprehensive answer to the delivery issue. Do we have effective and disciplined management, delivery and change management processes, competent and available technical and business resources to deliver? This is about the required capabilities and the necessary organizational change.

The value question: Are we getting the benefits?

Value is the result of any form of investment. Management must answer the following question. Do we have a clear and shared understanding of the expected benefits, clear accountability for realizing the benefits, relevant metrics and an effective benefits realization process?

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