Executive Summary

INTRODUCTION

In organizations a variety of standardization initiatives are carried out. These initiatives are typically to ensure quality of products and services or to reduce operational costs, to name but a few goals. Studies on the business impact of standards mostly focus on the consequences of product standards for market share whereas others look, for example, at the needs of entrepreneur’s vs. those of society. For information technology (IT), however, the effects especially of company-internal standardization are not normally taken into account, and neither are they properly understood. Typically, in standardization there are significant uncertainties on the factual costs and benefits as well as on adequate planning and control strategies. One of the classic problems facing standardization and standards usage in organizations is that of demonstrating its contribution to the company’s total success. Given these limitations and uncertainties in the field of (corporate) IT standardization and standards, this book will be focusing on the effects of IT standardization and IT standards on a company.

OVERALL OBJECTIVE AND APPROACH

An in-depth analysis is provided of how organizations can derive the envisaged business benefits from company IT standardization, or in other words how organizations can deliver the anticipated business benefits from company IT standardization. This includes how company IT standards – and corporate standardization – should be managed. To answer the above question an initial framework has been created and tested in three case studies, as described in Chapters 5 to 7. The initial framework (Figure 1) was further detailed in Chapter 8 and was successfully validated in the case study as described in Chapter 9.

SELECTION, IMPLEMENTATION AND USE

A company IT standardization process is a process that is carried out by an organization with the objective of providing specifications for an IT product or process (which may include the accompanying data used in that process) to be repeatedly and consistently used in that company. Such products or processes are called company IT standards. The components of this process are the selection “the way the company IT standard is chosen”, the implementation “the way the company IT standard is put into operation” and the use “the way the company IT standard is operated”.
With respect to the process of company IT standard selection, the level of involvement and cooperation between Business and IT is important. Although business drivers for standardization such as cost reduction and quality improvement may be clear, the absence of proper business alignment can counteract the potential benefits of company standards. Regarding the implementation of the company IT standard, the quality of project management plays an important role. But of equal importance is to ensure that a prescribed set and/or standard way of implementation is pursued, especially for standards that are being implemented across organizational units (see HRM case study, Chapter 7). Failure to do so could result in incompatible instances of the standard, severely diminishing its benefits. As far as the use of the company IT standard is concerned, there are several important elements that determine whether such a standard is being used effectively. Important elements include: 1) processes and procedures that support the usage of the standard, such as the way exceptions are dealt with and whether these are integrated in the existing standard; 2) the type of standard, as process standards typically have more impact on the way staff work than product and data standards have; 3) the level of Management support of the standard from both IT and Business and the enforcement by the IT organization. For company IT standards with an enterprise wide reach, efficient usage becomes even more challenging, because what is perceived as beneficial by one unit does not necessarily hold good for another organizational unit.

An important observation, especially when implementing and using process standards, is that one can not change the way staff is working without giving careful attention to changes in behavior as well (see case studies in Chapters 6 and 7). So, an organizational change process accompanying the implementation of company IT process standards boosts its effectiveness. Another important observation is that the implementation sequence a) product, process vs. b) process, product impacts on the usage. In other words, to first agree on process standards, and only then on the supporting product standards pays off.

Variables that contribute to the effectiveness of company IT standards include: 1) the level of endorsement by Business and IT management; 2) the level of prescription and enforcement of related processes and procedures; 3) the level of collaboration between Business and IT. As part of the second item, so-called implementation standards are of importance. It constitutes a detailed description of how
to implement a chosen company standard in order to prevent incompatible versions of the same standard. Such activities should be monitored by a central authority.

The case studies described in this book show that business benefits are accomplished by using the company IT standards and that the three components (selection, implementation and use) are essential elements in the process of company IT standardization. In addition, the case studies also show that two other components are essential to accomplish intended business benefits from company IT standardization: its respective governance and management.

GOVERNANCE AND MANAGEMENT

There are two components that constitute the company IT standardization management framework, which are governance and management of the company IT standards.

Governance of company IT standards relate to the decision rights specification and accountability (Weill and Ross, 2004). The elements of governance are to encourage desirable behavior in the selection, implementation and usage of IT standards within an organization. It deals with the capabilities and activities which should be standardized enterprise wide to support IT efficiencies, data integration and facilitating process standardization and integration, and which ones should be kept local. Another important aspect of this governance is whether to centralize or decentralize selection and implementation activities.

Management of company IT standards relate to the decision-making concerning planning, organizing, controlling, and directing the selection, implementation and usage of IT standards within an organization. As implementation of IT standards is typically carried out in projects, management of IT standards in this phase relates to Project Management, whereas in the operational phase (usage) this activity is related to IT Service Management. The selection of IT standards can be part of either of these two management activities.

The four case studies reveal that management and governance are dominant moderators for selection, implementation and usage of company IT standards. With management and governance one can affect process performance and thus contribute to the realization of the intended business benefits. Effects that influence selection, implementation and usage of company IT standards and thus indirectly process performance are:

As far as governance is concerned:

- The extent to which Business and IT were involved
- The extent of Business and IT alignment
- The level of agreed ownership of the standard and/or entities within this standard.

With respect to management, these include:

- The level of consideration paid to the business model and business drivers
- The level of endorsement by senior management
- The extent to which exception handling is carried out
- The level of restrictiveness of the standard
CONCLUSIONS

The primary value offered by company IT standards is to improve business performance that, either directly or indirectly, results in business benefits. Examples of intended business benefits are: 1) to cut costs of development and support of the IT infrastructure; 2) to improve customer satisfaction with the IT services offered; 3) to facilitate interoperability and quality of the information systems both intra- and inter-company; 4) to increase scalability and adaptability of IT systems.

In order to achieve the intended benefits from company IT standardization, it is essential a number of steps are taken. Foremost, determine what is to be standardized enterprise wide and what should remain specific to local needs. Then, based on the intended business benefits, determine which data from business processes (KPIs) have to be measured and ensure those data is collected one way or the other. Subsequently baseline these measurements to make comparisons at a later stage possible. Realization of expected business benefits is conditional to the way governance and management on selection, implementation and usage of company IT standards are carried out. The influence of governance and management have been presented in the case studies described in this book, which resulted in an overall improvement from a process performance perspective.

As far as governance is concerned, key factors for effective selection, implementation and usage of company IT standards and ultimately the intended business benefits are ownership and accountability. Ownership of the company standard should reside at the functional domain (such as IT, HR and Finance). These domain owners are accountable for the contents of the standard and make certain it reflects present-day business needs. Governance of the company IT standards should be an integral part of the overall IT governance of the company, as IT standards set specifications for (part of) the overall IT infrastructure. Paramount in the governance of company standards is that the correct stakeholders should be involved from both Business and (local) IT in the decision, implementation and use of company standards and that ownership has been assigned to the domain owners. Key contributors to effective management of company IT standards include endorsement by Senior Management and the way exceptions are being handled and thus how business requirements and the company standards remain aligned.

The overall conclusion is that company IT standards can positively affect process performance and thus provide Business benefits, provided adequate governance and management of selection, implementation and usage is set-up. In addition it should be recognized that the level of enterprise-wide company standardization depends on the level of diversification of the Businesses (i.e. the more diversification, the less the need for enterprise-wide company standardization).

With the application of IT product and/or process standards, considerable improvements on process performance can be gained. Significant positive effects were described at the financial, customer, internal and learning & growth perspectives. In other words, organizations can gain business benefits from IT standards. Furthermore this book provides an insight into significant aspects affecting process performance as a result of company IT standards.

It provides insight to the industry about how company IT standards affect business processes and provides examples and guidance on how to govern and manage such standards in practice. It allows managers to be fully aware of the potential of governance and management of company standards. Managers should be aware of the impact of allocation of decision rights and the setting of accountabilities related to company standardization. Finally, companies may wish to reconsider how they carry out selection, implementation and usage of company IT standards.