The Role of Governance & Program Management in the CIO office
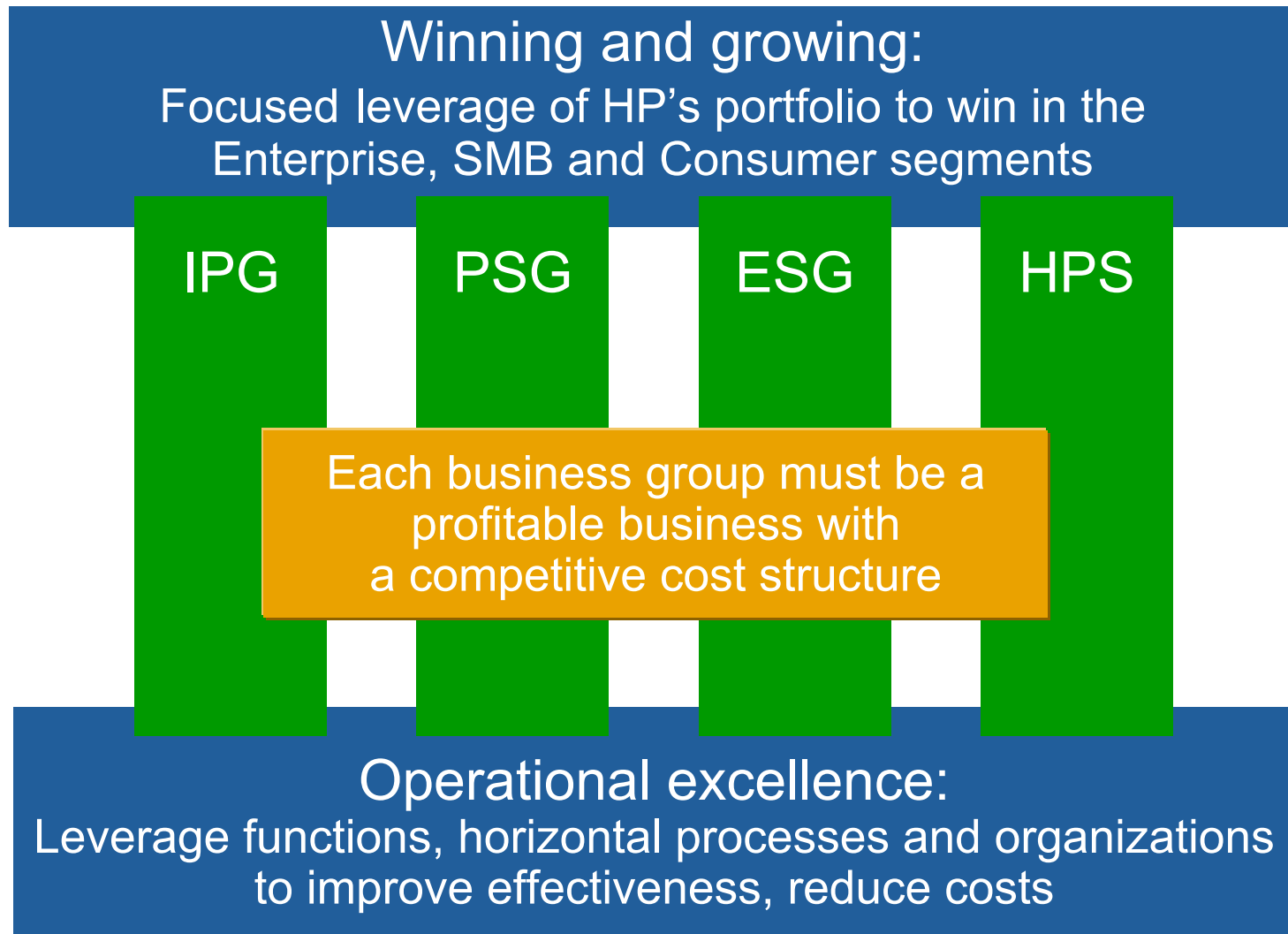
John Buda

Vice President Global Operations / IT, Strategy & Planning

13 August 2003

HP WORLD 2003
Solutions and Technology Conference & Expo

Our Operating Model

Winning and growing:
Focused leverage of HP's portfolio to win in the Enterprise, SMB and Consumer segments

IPG   PSG   ESG   HPS

Each business group must be a profitable business with a competitive cost structure

Operational excellence:
Leverage functions, horizontal processes and organizations to improve effectiveness, reduce costs

Today's Reality

"Every Business Decision Drives an IT Event"

Business Decision:
    HP Acquires Compaq

IT Event:
    ……..think about it.

Life 101

"It is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change"

– Charles Darwin

HP Information Technology

Strategy

- Focus IT innovation
- Simplify IT solution portfolio
- Showcase HP's Adaptive Enterprise
- Deliver the best "high tech" IT

Values & behavior

- Drive customer view
- Balance local & global
- Balance common & custom

Structure & processes

- Streamline business processes
- Implement standard business processes management tools & methods
- Deliver low cost IT with best IT governance & architecture

Metrics, results & rewards

- Reduce IT to 3.5% of revenue
- Double IT innovation to more than 50% of IT spending

HP IT Delivers Adaptive Enterprise

HP delivers more.

Best TCE

High-tech

Low cost

Implement the power of +

Focus IT innovation

- Double the rate of IT innovation
- Right target: objective + process + innovation
- Right execution: people + process + technology

Transform IT operating model

- IT architecture: simplify the portfolio
- Minimum maintenance cost
- Best infrastructure RoIT

High-tech solutions

- Showcase the best HP technology
- Optimize best of breed partner solutions
- Develop focused leading edge solutions

Building the Right IT Foundation

"Get the IT Infrastructure Right & Everything is Possible"
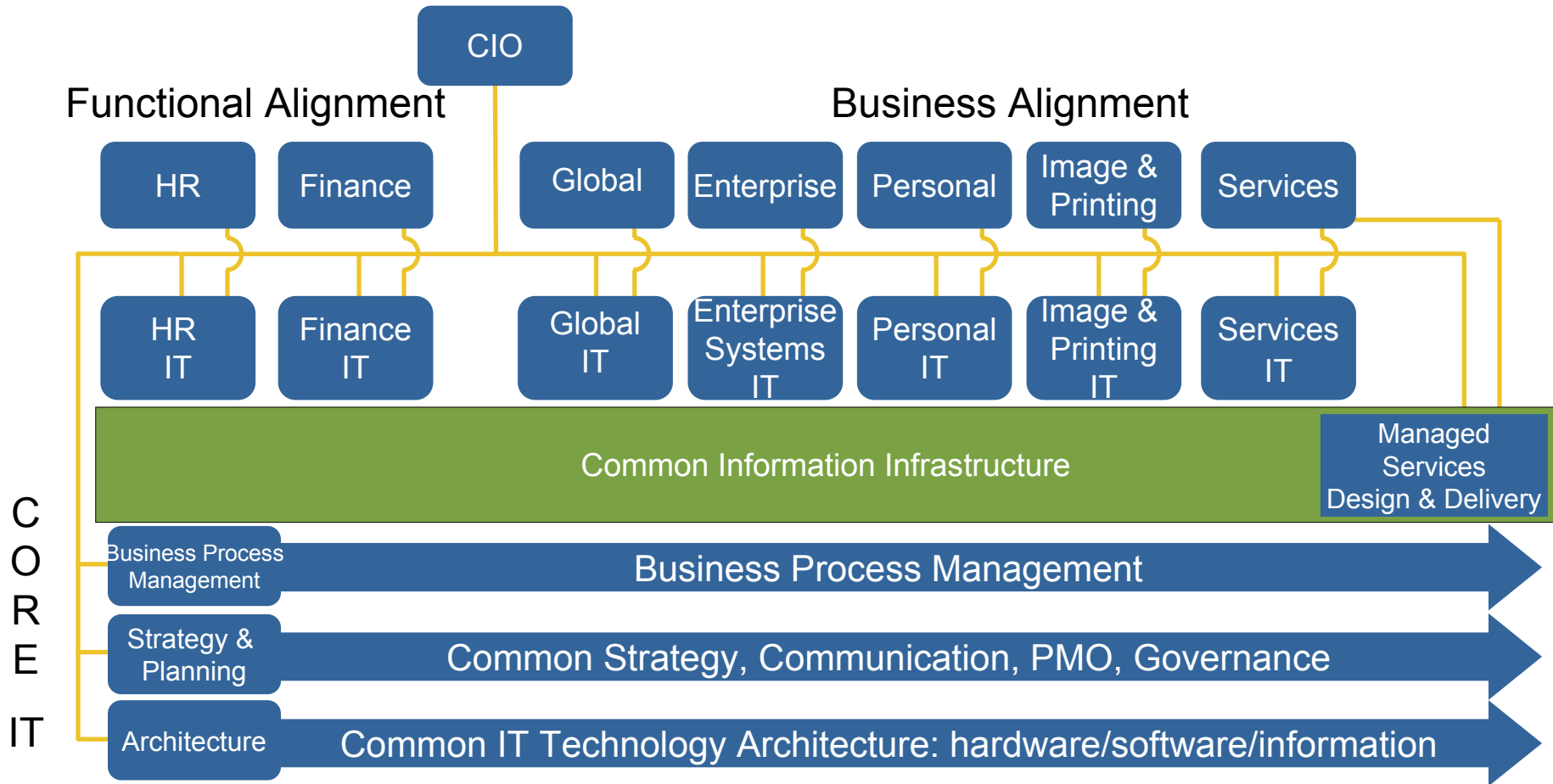
IT Infrastructure:
Data Centers, Telecom   —   the physical foundation

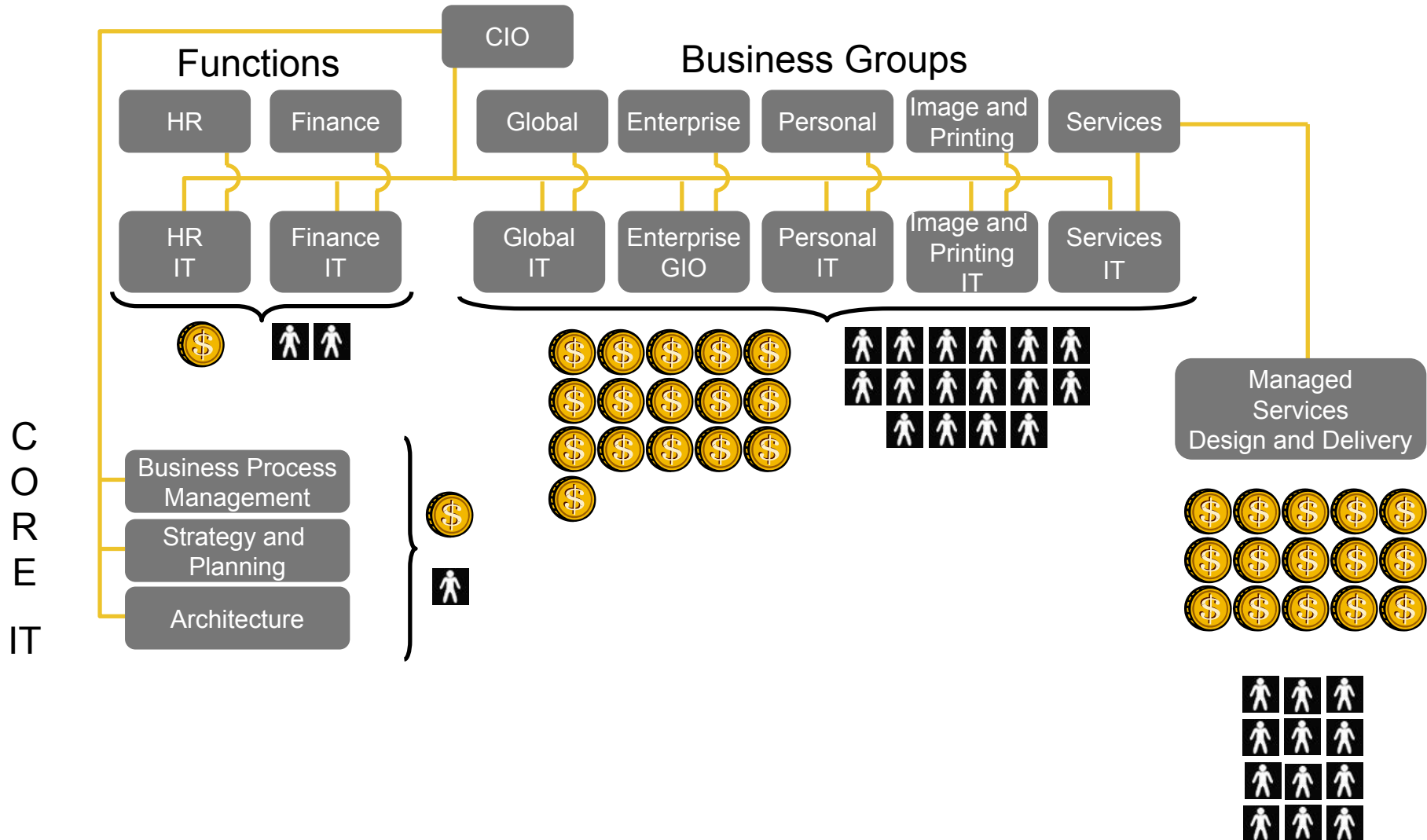Application Portfolio   —   the logical foundation

IT Operating Model   —   the people foundation
& Governance

IT Infrastructure: The People

Functional Alignment

Business Alignment

```
                          CIO
```

| HR | Finance | | Global | Enterprise | Personal | Image & Printing | Services |

| HR IT | Finance IT | | Global IT | Enterprise Systems IT | Personal IT | Image & Printing IT | Services IT |

Common Information Infrastructure — Managed Services Design & Delivery

C O R E

IT

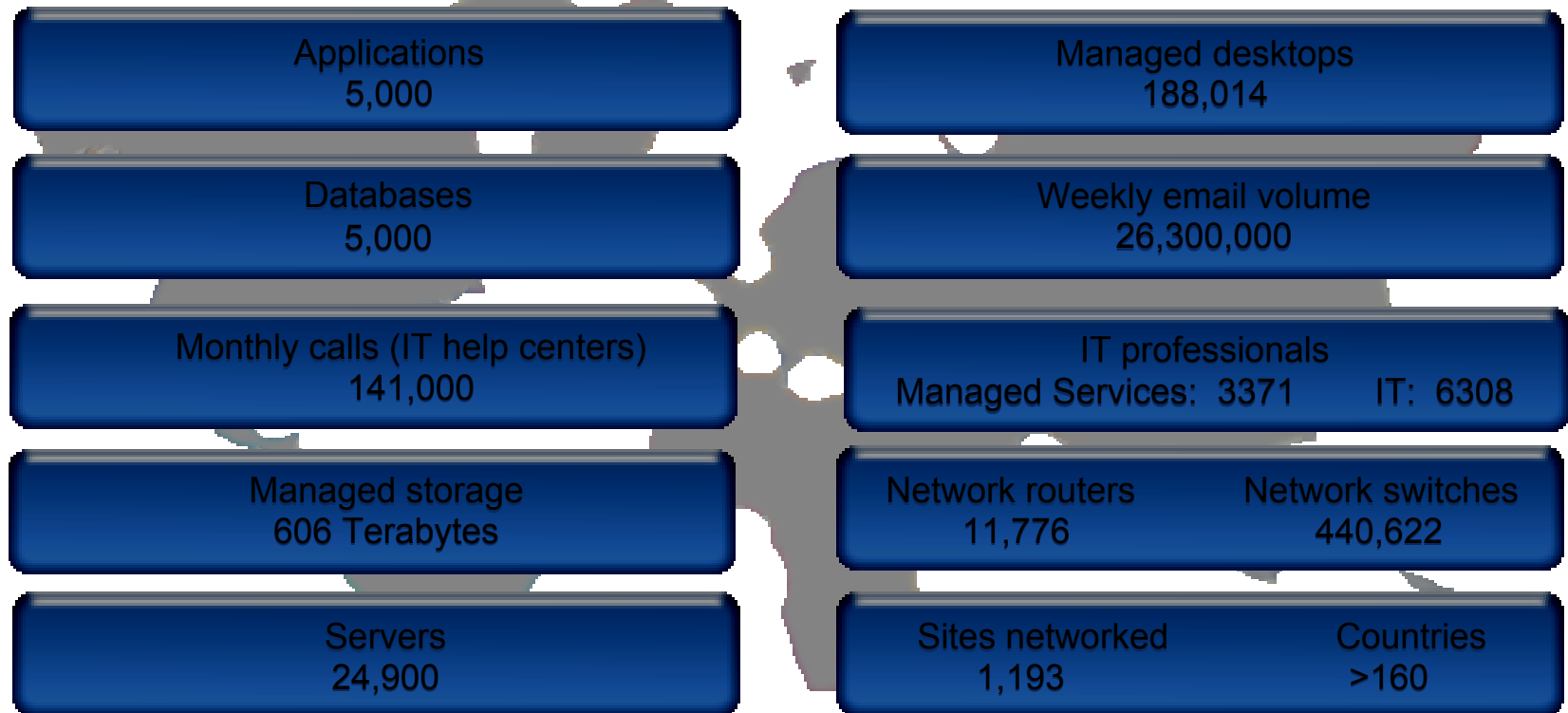| Business Process Management | **Business Process Management** |
| Strategy & Planning | **Common Strategy, Communication, PMO, Governance** |
| Architecture | **Common IT Technology Architecture: hardware/software/information** |

Key to IT Governance:
Operating Model
Organization Structure

IT Governance: The Right Investment Decisions

IT Infrastructure: The Hardware

Applications 5,000	Managed desktops 188,014
Databases 5,000	Weekly email volume 26,300,000
Monthly calls (IT help centers) 141,000	IT professionals Managed Services: 3371 IT: 6308
Managed storage 606 Terabytes	Network routers 11,776 Network switches 440,622
Servers 24,900	Sites networked 1,193 Countries >160

The Best Return on IT

Industry leading flexibility and cost efficiency require relentless implementation of core IT disciplines

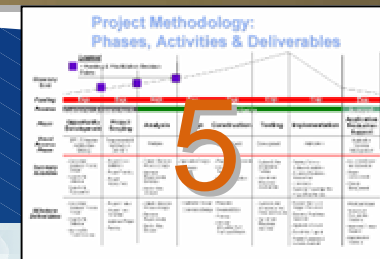Plan

Execute

Measure

Learn/Adjust

Repeat
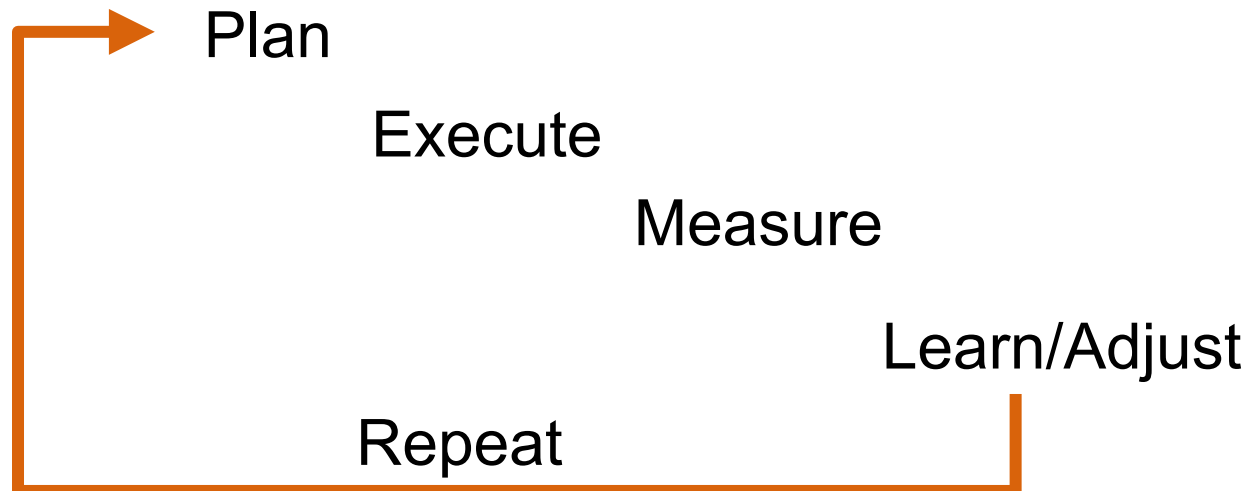
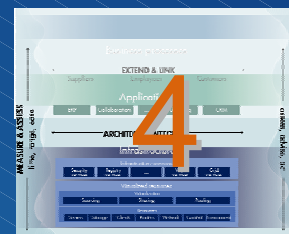# Operating Model: Drive Core IT Disciplines

1. **Strategy: Putting the wood behind the arrow - Aligned with Business Strategy**

2. **Tactics: Launch the right programs**
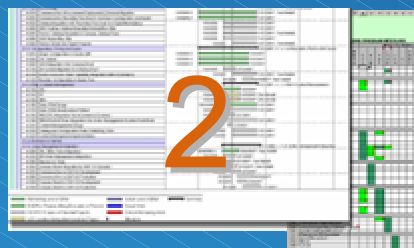
3. **Governance: Everyone makes the right decision**

Program Mgmt. Office

5

Architecture
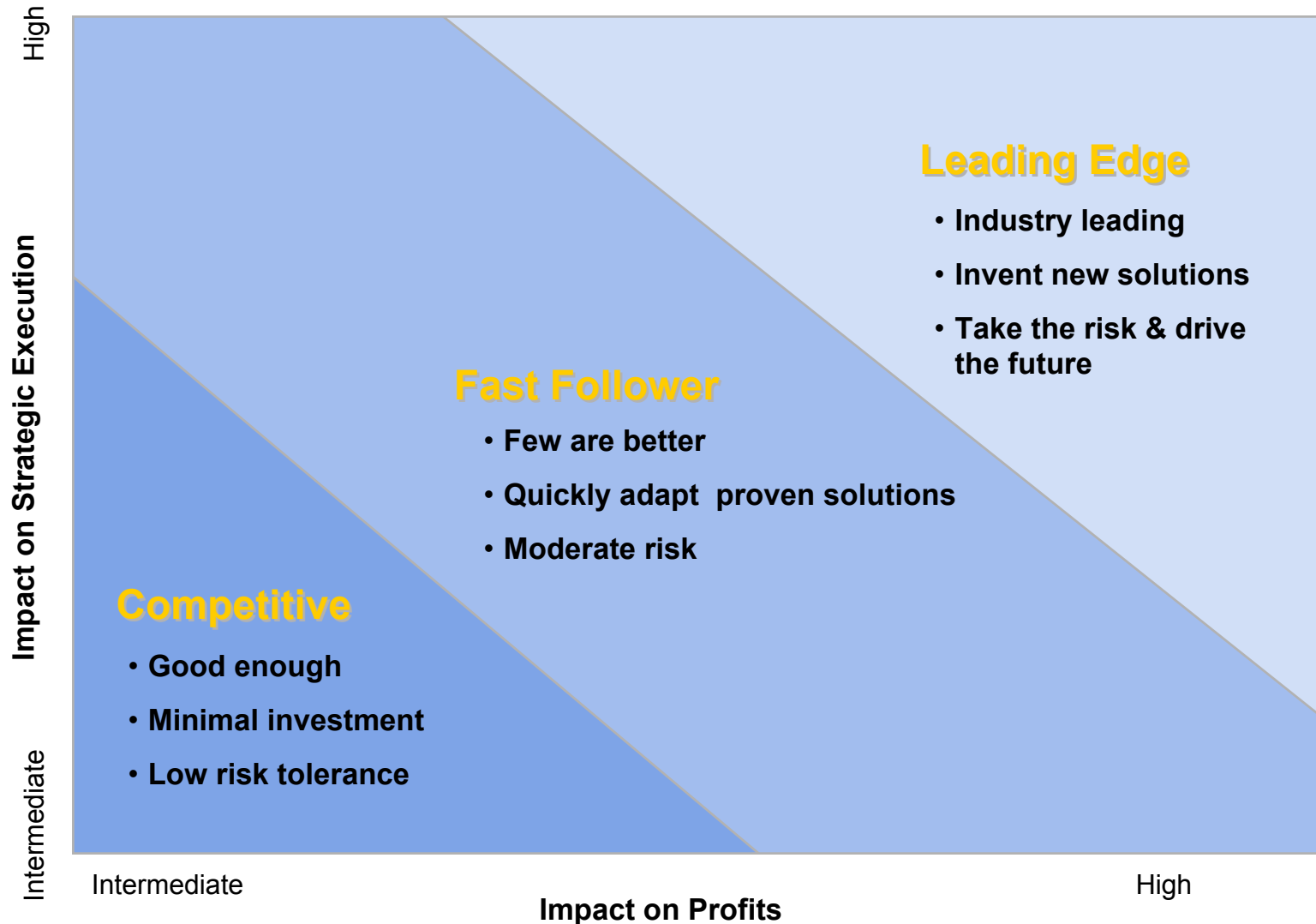
4

3

Governance

2

Plan Of Record

1

Strategy

4. **Architecture: Engineering discipline that seizes elegance from complexity**

5. **PMO: Disciplined execution with global collaboration**

Focus IT Innovation: Invest Where it Counts

Leading Edge

- Industry leading
- Invent new solutions
- Take the risk & drive the future

Fast Follower

- Few are better
- Quickly adapt proven solutions
- Moderate risk

Competitive

- Good enough
- Minimal investment
- Low risk tolerance

High

Intermediate

Impact on Strategic Execution

Intermediate

High

Impact on Profits

Launch the Right Programs

Select high value – low risk programs

High Value (100) / Low Value axis on left labeled "Business Value"

Top scale: 100 ... 50 ... 0 / 0

High Value High Risk → Postpone Shift right (50)

High Value Low Risk Good to Go

Low Value High Risk Rethink

Low Value Low Risk Retarget Shift Up (50 / 100)

High Risk — IT Ability to Execute Successfully — Low Risk

Breakaway IT Operating Model Innovation

IT current state

IT future state

IT current state:
- Application Maintenance 30%
- Application Innovation 23%
- Infrastructure Innovation 5%
- Infrastructure Maintenance 42%

IT future state:
- Application Maintenance 15%
- Application Innovation 45%
- Infrastructure Innovation 10%
- Infrastructure Maintenance 30%
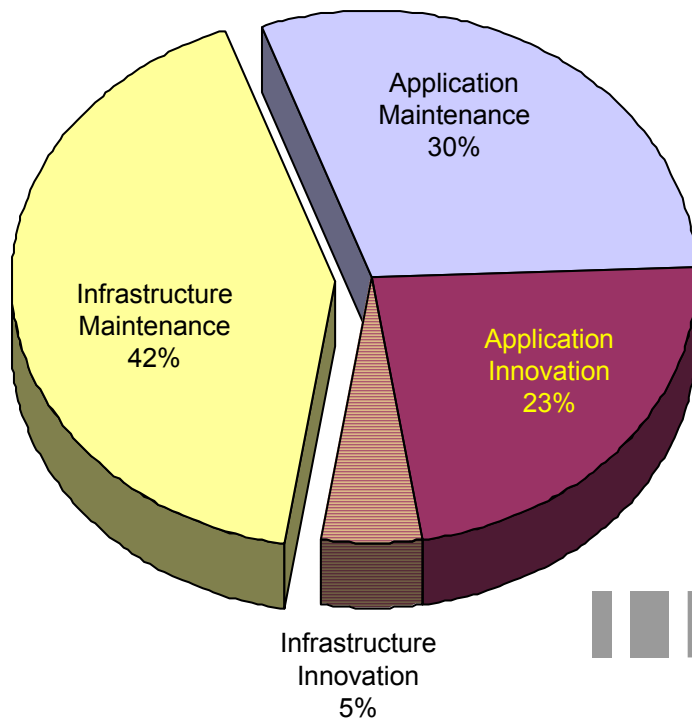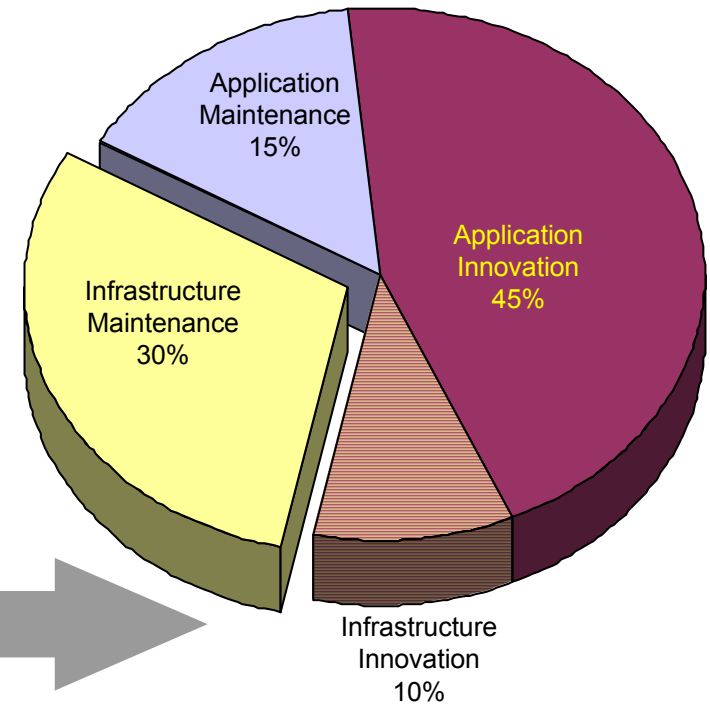
Resistance to Change

There is nothing more difficult
to plan, more doubtful of success,
nor more dangerous to manage
than the creation of a new system.
For the initiator has the enmity
of all who would profit by the
preservation of the old system
and merely lukewarm defenders
in those who would gain by the
new one.

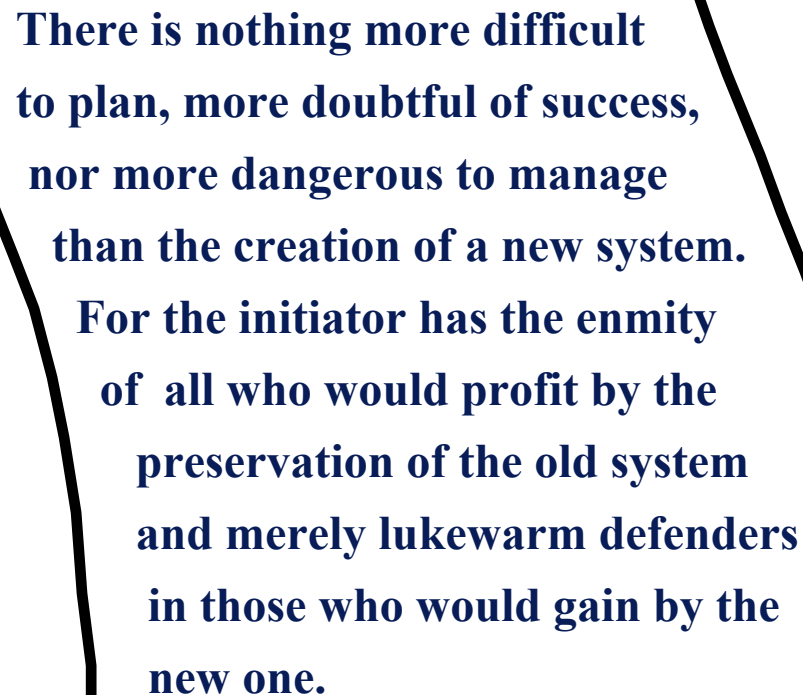# All IT Programs Create Change

There is nothing more difficult
to plan, more doubtful of success,
nor more dangerous to manage
than the creation of a new system.
For the initiator has the enmity
of all who would profit by the
preservation of the old system
and merely lukewarm defenders
in those who would gain by the
new one.

Machiavelli - 1513

Industry Average for IT Projects

Project Success Rates

28%

49%

23%

- Successful
- Failed
- Challenged
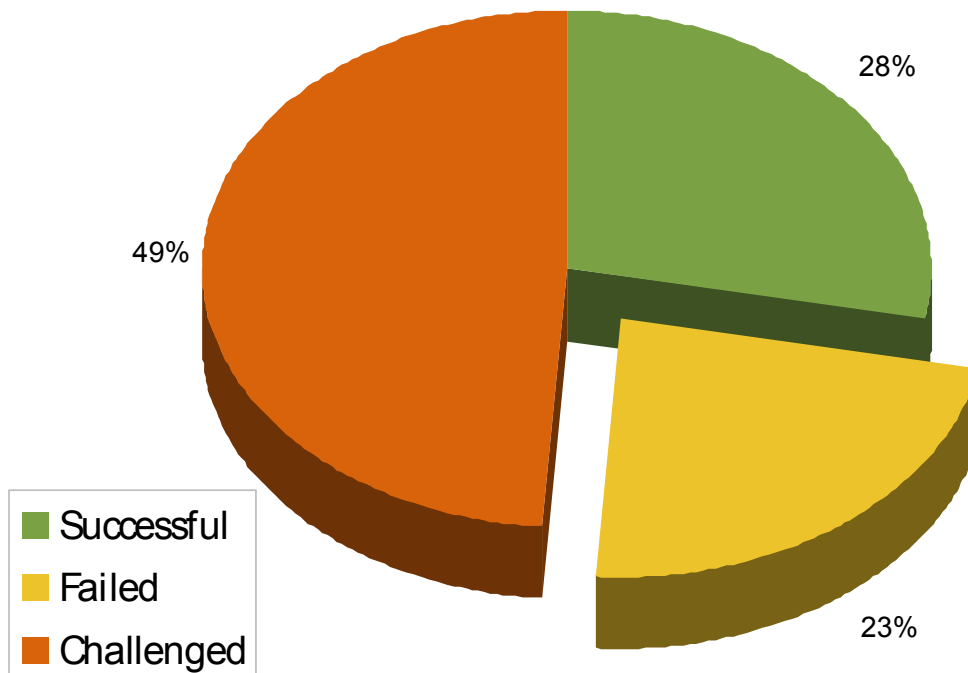
Successful: on-time, on-budget as originally specified

Challenged: completed and operational, but over-budget, over schedule, and/or with reduced functionality

Failed: cancelled before completion

Source: Standish Group 2001

Program Management Office Mission

- Successfully complete every Program/Project that is launched

- Achieve competitive advantage through PMO knowledge management & collaboration

- Deliver the best portfolio of tools to program teams

Program Management Office Deliverables

Project Management Expertise

- Raise the level of Project Management competency/skill in the company – every program launched is successful

Competitive IT Methodology

- Implement standard IT Project Methodology to capture learning, drive global communication and create intellectual property
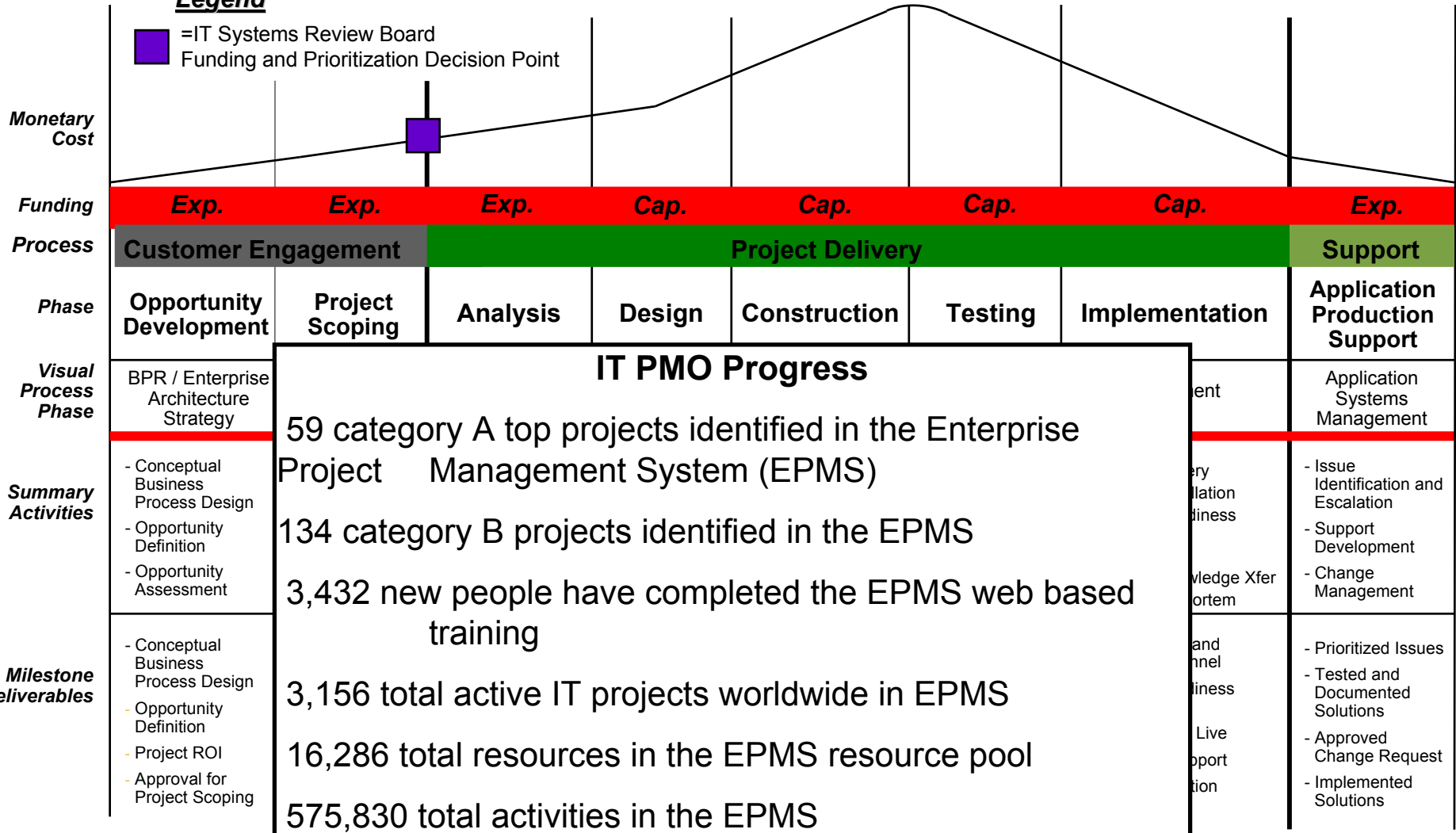
Enterprise Project Management System

- Implement one Enterprise Project Management System
- One project data base
- One IT project language
- Project status is a corporate asset

IT PMO Tools: Program Methodology

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Legend

■ =IT Systems Review Board Funding and Prioritization Decision Point

Monetary Cost								
Funding	Exp.	Exp.	Exp.	Cap.	Cap.	Cap.	Cap.	Exp.
Process	Customer Engagement		Project Delivery					Support
Phase	Opportunity Development	Project Scoping	Analysis	Design	Construction	Testing	Implementation	Application Production Support
Visual Process Phase	BPR / Enterprise Architecture Strategy							Application Systems Management
Summary Activities	- Conceptual Business Process Design - Opportunity Definition - Opportunity Assessment							- Issue Identification and Escalation - Support Development - Change Management
Milestone Deliverables	- Conceptual Business Process Design - Opportunity Definition - Project ROI - Approval for Project Scoping							- Prioritized Issues - Tested and Documented Solutions - Approved Change Request - Implemented Solutions

IT PMO Progress

59 category A top projects identified in the Enterprise Project Management System (EPMS)

134 category B projects identified in the EPMS

3,432 new people have completed the EPMS web based training

3,156 total active IT projects worldwide in EPMS

16,286 total resources in the EPMS resource pool

575,830 total activities in the EPMS

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