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People, process, and technology. These are the three pillars of change management that Ravi TNC identifies in his article about centers of excellence. Indeed, in this third edition of the *Journal of Management Excellence*, we again focus on how to organize for management excellence. Many organizations have already made the case for business intelligence and performance management. They are now looking to embed these practices in the organization.

One of the most important success factors is having a competence center or center of excellence (COE). In the previous issue, we described the various types of COEs and what they should look like. In this issue, Telecom Italia explains what it has achieved. We also look ahead to see what exists beyond the COE with a contribution from Jorgen Heizenberg, principal technology officer at Capgemini. But there is more to organizing for management excellence than establishing a COE. Robin Peel makes the case for data governance, and he describes how we should organize master data. Nigel Youell, who led a research project together with Cranfield University, describes what organizations should do to recognize success.

On a different note, I’d like to share with you that the *Journal* is now also translated into Japanese.

The next issue will be about creating value. We’d welcome your contribution. Contact me at frank.buytendijk@oracle.com.

frank

In organizing for change, we need to consider three things: people, process, and technology. Organizing for enterprise performance management (EPM) is no different. Effectiveness and efficiency can only come when a company outlines a strategic direction that can drive these three fundamental pillars of today’s organization.

PEOPLE

The most important pillar, people are the ultimate differentiator for any organization. People need to be instilled with the change behavior that is critical to the success of any business transformation. To view this from an organizational perspective, a company must have a team of skilled people who are knowledgeable about processes and business operations. This team must have a holistic business view to drive efficiency across the enterprise and teach effective decision-making based on information. These people are deployed to review processes, define process metrics, drive technology change to close process gaps, and ultimately deploy the standard operating practices for a particular process across various functions and locations of the organization. This structure, or team of people, is part of a center of excellence (COE). A COE should focus on the following four characteristics:

- **Knowledge-driven.** A COE must be able to take information from core operational systems and use it to perform all kinds of analysis on products, customers, channels and other business domains. That analysis must then be translated into intelligent action. All of this must be done with end-to-end integration and control.

- **Business-driven through leading practices.** A COE must be able to understand the essential trade-off between risk and profit for any management process, using whatever industry-leading practice an institution prefers. COEs use information coming from across the organization to improve business performance.

- **Information architecture.** Every company needs to have the information required to grow revenue, maintain profitability, manage the brand, satisfy customers, manage risk, comply with corporate governance, and drive environmental compliance. To reach this stage requires excellent technology, architecture, and applications.
• **Framework for continuous improvement.** Even when key information on service excellence, risk analysis, and other stakeholder metrics have been institutionalized across the organization, the COE still has work to do. The COE must find ways to use information to quickly analyze new business initiatives and improve them. This, in turn, yields better information on the initiative itself. A cycle of improvement is created that allows information to be used for increasingly sophisticated analysis.

**PROCESS**

Organizations have both business and management processes. Oracle’s strategy-to-success framework provides a good overview of management processes. An EPM COE constantly reviews processes across various locations—including factories, sales offices, and product centers—and then identifies ways to standardize processes across these locations. With such a review, the organization can leverage streamlined processes that are agile enough to support the business needs. Process consolidation would be managed by the COE and not by IT. Technology becomes the differentiator for the organization and constant innovation with technology is the result. The COE has the responsibility of managing processes, reviewing processes that can be consolidated, cutting activities that add no value to a process, and determining if a process should be outsourced.

An example of COE involvement is process improvement: the COE reviews all the approval levels for sales forecasting and looks for any inefficiency in the process that might hamper the business. The sales forecasting process is optimized and aligned with related forecasting processes, such as manufacturing forecasts. The change management factor is also considered as the employees change roles by either adopting the consolidated process or by outsourcing the process. Ultimately, the COE wants to transform IT into a strategic enabler for the organization and find areas where technology and process improvements will enable business success.

**TECHNOLOGY**

The COE adopts technology tools and solutions that automate business processes and drive innovation, while also eliminating overlapping technologies. Reviewing the technology that enables business processes is important for the company to stay competitive and innovate. But another part of the COE’s charter is to look at technology-driven management processes, such as mass collaboration. These management process reviews result in regular technology evaluations and updates that help the company stay relevant. The COE also builds the information architecture to manage data explosion and leverage data for competing applications. The members of the COE must develop the skills and resources to support the business and deploy cutting-edge solutions that differentiate the business. As a result, the COE is strategic to the organization and helps builds a competitive differentiation over time.
Case Study: Telecom Italia Mobile

Telecom Italia Mobile has many years of experience with its Business Intelligence Center of Excellence (BICE). The BICE team has been instrumental in dealing with the market constraints, organizational changes, and competitive pressures that have arisen over the years.

Telecom Italia Mobile was spun off as a public company from the newly formed Telecom Italia in 1995. The global system for mobile communication (GSM) technology was launched in Italy that same year. In 1996, Telecom Italia Mobile was the first in the world to launch a prepaid service option. In 1997, it began offering short message service. In 1999, the company integrated its own network into the European GSM system. During the years between 1995 and 1999, Omnitel (Vodafone IT) and Wind emerged as real competitors in the Italian GSM market.

In this environment of rapid change and fierce competition, Telecom Italia Mobile’s marketing and sales organizations were forced to quickly respond to competitive pressures and customer demands. Business owners looked to IT to provide differentiation, flexibility, and speed to address complex business needs that included:

- Delivering more services in less time
- Understanding the dynamic position of Telecom Italia Mobile’s offerings with respect to the competition
- Understanding customers’ behavior to ensure that the proper marginal mix of services were offered
- Analyzing usage and margin to increase the average revenue per user by targeting the right customers with the right offers
- Preventing churn to the competition

To accomplish the above business needs, IT managers looked at technology foundations that could provide solutions to increase agility at reduced cost. In 1998, Telecom Italia Mobile and Oracle decided to begin research and development of specific solutions for business intelligence warehouses (BIWs) applied to telecommunications. The creation of Telecom Italia Mobile’s BICE was the result, with ownership and support from the executive level. The main objectives of BICE are to
• Convert existing data into a corporate asset that improves the effectiveness of the business

• Define a comprehensive, strategic approach to BI that addresses technology as well as people, processes, and organizational culture

• Manage, implement, and support BI initiatives that can meet the needs of multiple departments by standardizing methodologies, definitions, processes, tools, and technologies and efficiently using BI skills

BICE is a cross-functional team with a permanent and formal organizational structure. It is owned and staffed by Telecom Italia Mobile. It has defined tasks, roles, responsibilities, and processes for supporting and promoting the effective use of BI and performance management across the organization. Its members must analyze business needs and departmental pain points and then find the best, most cost-effective solution capable of serving multiple departments.

BICE provides a central entity for driving and supporting Telecom Italia Mobile’s overall BI strategy. It allows the organization to coordinate and complement existing BI efforts, while also reducing redundancy and increasing effectiveness. The centralization of these efforts ensures that information and best practices are communicated and shared throughout the entire organization so that everyone benefits from best practices and lessons learned.

As a new startup, the company originally took a siloed approach to BI systems. BICE was instrumental in moving the company to an organic BIW architecture that is based upon an enterprise view of information stored in primary-level data warehouses and several specific BI applications that serve different processes. On the strength of this new system, Telecom Italia Mobile won Gartner’s CRM (Customer Relationship Management) Excellence Award in 2002 for its integrated closed-loop architecture. BICE’s innovation also allowed Telecom Mobile Italia’s systems to include the largest data warehouses in the world (for example, its traffic data warehouse)—both in terms of relational and multidimensional architectures. BICE also played a vital role in enabling knowledge transfer and enhancing analytical skills by coaching and training business users. Leadership from BICE empowered other employees with the new skills that could drive innovation and discovery.

In 2005, BICE allowed Telecom Italia Mobile to quickly respond to very tight data privacy requirements that were requested by the Italian Privacy Authority. In fewer than six months, BICE incorporated all existing BI systems—consisting of hundreds of terabytes of valuable data—with functionality to protect access and encrypt sensitive data.

Telecom Italia Mobile’s collaboration with Oracle has led to multiple innovative solutions. Some of those solutions were even converted into Oracle offerings.

• **Oracle’s mobile knowledge solution.** Oracle’s mobile knowledge solution supports the business analysis and performance measurement needs of
companies in the communications industry. The solution includes data warehousing capabilities as well as dashboard analysis and corporate performance reporting.

- **Encrypting/decrypting platform**. An Oracle Consulting solution, the encrypting/decrypting platform provides functionalities to protect access and to encrypt/decrypt sensitive data in an environment with hundreds of terabytes of valuable data.

- **CDRInsight**. CDRInsight is another Oracle consulting offering that provides an advanced traffic analysis and reporting engine with extensive dashboard functionality. This solution has been presented at Oracle OpenWorld through Oracle partner LGR Telecommunications.

- **TariffInsight**. TariffInsight is an Oracle Consulting solution dedicated to understanding how a customer’s tariff plans and marketing schemes are positioned compared to its competitor. Oracle is discussing this solution with several companies in the communications and media industries.

The case study described above clearly shows the value a COE can provide to a company. Telecom Italia Mobile credits BICE with increasing its information maturity and making BI an indispensable part of business management and its business model.
Successful enterprise resource planning (ERP) implementations forced organizations to standardize their business practices on standard technology stacks. Through this process, business and IT could collaborate on the simplification of the business practices. Business and IT were brought together by ERP implementations because they both inherently understood the importance of process in running a business. In these implementations, IT was often the driver while it forced the alignment of business and IT priorities.

When looking at the management of an organization, IT more often takes the role of enabler rather than driver. In providing technology and tools in a self-service model, IT offers business users the means to manage, but allows them to “do their own thing.” It is no surprise then that business and IT are not aligned and that IT has little impact in the management of the business. Even worse, this approach causes business users to build a tangle of independent management activities hidden away in thousands of spreadsheets or a plethora of business intelligence tools. A commitment to management excellence means this historical approach to management must change from both the business and IT perspectives.

Enterprise performance management (EPM) mandates adherence to the same two principles that drove organizations to transition into ERP: standardization and simplification. IT has mastered these principles during ERP implementations and must now apply them toward the management of the business. To move from the enabler role to the driver role once again, IT must collaborate with the business in the identification and simplification of key management processes. The importance of process in management is not as well understood as it is in business practice. This fact provides the means to align IT and business. IT must also identify and standardize on a technology stack capable of supporting all management processes. Unlike the ERP journey, automating these management processes can be done in small steps that deliver measurable value at each step’s completion. This makes it even easier to reinforce collaboration and alignment of business and IT.

One pitfall must be avoided: even though IT assumes the driver role, automating management processes cannot be seen as an IT project. All projects within EPM must be business projects. The owners of the projects need to be business leaders and the results must be tied to business objectives. This is also essential to reinforce the alignment and relationship between business and IT.
What Is EPM Success?

In 2007, the Centre for Business Performance at the Cranfield School of Management in Great Britain collaborated with Oracle on a global study into the state of enterprise performance management (EPM). During the analysis of the questionnaires from more than 600 companies based in the U.K., United States, China, Japan, and Australia, a number of common issues surfaced. These results show an execution gap between desired EPM results and the actual business conditions—a gap preventing organizations from achieving management excellence. This article is the second of three that examine the execution gap.

THE EXECUTION GAP
From the study’s findings, eight individual gaps were recognized that contribute to the overall execution gap, as shown in Figure 1. This article will focus on the third group of gaps—**knowing what success is**.

![Figure 1: The execution gap is composed of eight gaps organized into three groups.](image)

**WHY DO WE NEED TO KNOW WHAT SUCCESS IS?**
Measuring and understanding success is critical for three reasons. First, understanding what drives performance lets companies know what metrics to monitor. They can then use these metrics to make the decisions that lead to long-term improvements. Second, without an understanding of what drives performance, managers will be continuously “fighting fires” rather than solving the root of the problem. Third, understanding what success is allows companies to
compare their performance to others. As a result, companies can understand what is possible to achieve and set goals accordingly.

The Insight Gap

In this study, we asked respondents to what degree their performance management systems delivered insight into actual performance. In other words, do your performance management systems provide an understanding of how business and operating activities come together to deliver overall performance? Fewer than half the Japanese and U.K. companies (35.4 percent and 49.7 percent, respectively) agreed or strongly agreed that their performance management systems gave them this insight.

A follow-up question revealed that 48.5 percent of Japanese companies and only 31.6 percent of U.K. companies have an understanding of the causal relationships between their performance measures. We would never wish to fly with a pilot that did not understand what would happen when a flight control was moved. Should we then be investing in companies where senior management has little or no idea of the likely results of their decisions before they make them?

The Performance Gap

Lack of true insight is compounded by how companies use the information from their performance management systems. When asked where their performance management systems have impact, respondents revealed that providing key performance indicators (KPIs) and helping to make better operational decisions were more important than improving strategic decisions.
Figure 3: The performance gap shows that companies use EPM systems to improve their KPIs and make better operational decisions more frequently than to improve strategic decision-making.

It is clear that companies are focused on the day-to-day issues of running a business at the expense of longer-term, strategic views. To achieve management excellence, managers need to use their performance management systems to set a better course for their companies—one that has the potential for sustained improvements in performance.

The Perception Gap

Although the insight and performance gaps focus on the internal aspects of knowing what success is, the perception gap deals with performance in comparison to competitors. When asked if they thought their performance was better than their competitors, companies are often too confident in their own abilities. In Australia, for example, only 6.25 percent of managers report that their performance is worse than their competitors. In the United States, the figure is 10.68 percent.
Figure 4: The perception gap illustrates that companies are overconfident about their performance relative to competitors.

An explanation of this overconfidence can be deduced from other parts of the study that have shown an overly internal focus on performance management. Companies do not often compare the nonfinancial measures of success to their competitors and there is a lack of external benchmarking.

WHAT SHOULD COMPANIES DO TO RECOGNIZE SUCCESS?

As a result of the survey, the following strategies have been identified to help companies recognize success and drive forward to management excellence:

• **Benchmark performance against the competition.** Measuring performance without having any standards for comparison gives no understanding of what is needed to be successful.

• **Build and use causal relationships between performance measures.** It is only possible to know if a decision will be successful if its impact on the business can be assessed.

• **Make the right strategic decisions to achieve long-term success.** Performance management systems can do much more than just improve how metrics are reported or how operational decisions are made. Use the wealth of information in performance management systems to make the right strategic decisions.
Lately, our vision to extend operational excellence to management excellence has received greater attention. A key idea behind Oracle’s strategy-to-success framework is converging outside-in approaches to planning with traditional inside-out approaches. In the framework, market opportunities and risks (outside-in) need to be translated into an executable plan (inside-out). The outside-in approach is about understanding how external business drivers can potentially impact the company’s business. For months now, it has been clear that the real economy will be negatively impacted by the global financial crisis. Among others, the World Economic Forum listed “asset price collapse” as the risk with the highest probability and potentially the highest impact on the economy. In January 2008, it estimated that risk as greater than US$1 trillion.

In my opinion, the current economic situation is a perfect stress test for an organization’s management processes. Organizations must ask themselves: How well have we prepared? Has scenario-based planning been performed to evaluate our options in a situation like we face today? Recent quarterly results show great discrepancies between both current financial results and future outlooks for companies within the same industry. Some companies are optimistic while others announced immediate hiring freezes and cost-cutting initiatives—ranging from restricted travel policies to canceled projects. The latter decision can be the most dangerous. Canceling or stalling projects might help to manage profitability in the short term, but it offers competition a great opportunity to get ahead.

I see uncertainty management as a key aspect of management excellence. In the past, many risk management activities focused on fundamental and legal risks, leading to the fulfillment of regulatory requirements. Although important, managing compliance risk is lagging—not leading. Uncertainty management must be part of almost every management process. Evaluating risks and identifying the critical factors and drivers to manage the range of potential future outcomes should be a permanent exercise, hence why we have integrated Monte Carlo simulation and sensitivity analysis capabilities with our strategic finance and planning applications, i.e uncertainty management at your finger tips.

Reliable master data is critical to the successful management of any enterprise. When an industry is heavily regulated and closely scrutinized, the management of master data assumes a more-important role in ensuring the accuracy and consistency of financial reporting and business planning. Different industries have a need for different sets of master data. For example, an airline might want to carefully track its most loyal customers; a global retailer might want to carefully manage its suppliers and its vast array of products; and a multinational bank might need globally consistent accounting structures to ensure compliance with international, national, and regional regulatory standards.

CORE MASTER DATA MANAGEMENT ISSUES

Effective master data management (MDM) techniques ensure consistent use of reference data across multiple technology platforms, even if each platform requires different subsets or supersets of the core reference data to support its unique requirements. For example, consistent master data structures describing an enterprise’s cost center structure can be shared among multiple global instances of transactional and enterprise resource planning (ERP) systems, financial applications, and enterprise performance management (EPM) tools.

MDM implementations usually include both technology solutions (to manage, control, and share the reference data) and business processes (to ensure that the appropriate personnel have access to, control over, and governance of relevant data). A frequent goal of MDM initiatives is to devolve the day-to-day maintenance of master data to those business experts—often referred to as data stewards—who understand it best and who bear the responsibility of ensuring its accuracy.

CONSISTENCY, NOT JUST SYNCHRONIZATION

It is rare that a set of master data is used in an identical fashion across all the systems and subsidiary companies of a large enterprise. So the master data cannot simply be synchronized to be identical across all participating systems. Different stakeholders inside and outside an organization want to see different types of analytical structures. However, these structures must remain mutually consistent and aligned to build confidence in the veracity of the analyses they use.
For example, a financial application might have a complex, deep chart of accounts—with leaf-level accounts at multiple levels and with different accounting structures for each country in which the enterprise operates. But a data warehouse might require a shallow, fixed-level chart of accounts that is consistent across global operations, regardless of local accounting standards. A datamart might contain an even smaller subset of the chart of accounts required to support a specialized line of business in a single country. An effective MDM solution will ensure that these different sets of master data can be automatically and consistently generated from a single source—with consistent enforcement of data quality rules—and predictable processes to create and maintain the data.

Different uses of master data throughout an enterprise might also require different coding systems for data to reflect the technical and business constraints of their systems, processes, and locales. Rather than maintaining these coding structures separately, automatic formulae might be used in an MDM tool to dynamically generate alternate coding values from predefined algorithms. This ensures consistency and accuracy in the coding systems and eliminates much of the need for human intervention and judgment.

THE CRITICAL NATURE OF FINANCIAL MASTER DATA

The master data used to support financial applications and functions has some distinctive characteristics.

- It is critical in ensuring accurate and consistent financial reporting at multiple levels of an organization.
- It is the foundation for enterprisewide data governance and data management strategies.
- It is frequently used to support mergers, acquisitions, and divestitures.
- It might need to support multiple global accounting standards (such as Generally Accepted Accounting Principles, or GAAP, and International Financial Reporting Standards, or IFRS) and new and emerging regulatory requirements (such as the Sarbanes-Oxley Act and Basel II), while simultaneously keeping these multiple structures aligned to facilitate effective global management.
- Financial master data is often structured in complex, deep hierarchies. In many cases alternate hierarchical structures are needed to support differing reporting and regulatory requirements of the business.
- Relationships between different master data hierarchies (such as between a product and a financial account) are often leveraged to define important interrelationships. For example, within the financial services industry, such mappings can be used to relate a product (such as high-interest checking) directly to the associated general ledger account.
ANALYTICAL MASTER DATA

Another subset of MDM involves the maintenance of the nonfinancial analytical dimensions used for business intelligence (BI) and EPM. These are often referred to as analytical master data and might include dimensions such as products, customers, locations, geographies, and the associated roll-up structures. Though less critical in nature than the financial reference data, the analytical master data is often maintained using similar techniques to ensure alignment and consistency for each reporting period throughout an organization’s suite of BI and EPM tools.

What-if analyses often require manipulating the controlling structures of analytical master data to represent a potential future state of an organization. For example, the impact of acquisitions, divestitures, or reorganizations might be modeled; product lines might be added, merged, split, or eliminated. An effective MDM tool should enable current operational master data to be copied and used for such what-if experiments, while avoiding any interference with current operational processes. Successful outcomes from the what-if analyses might be migrated forward to a business plan for future time periods. A fast, agile analysis of a proposed acquisition will improve the speed and accuracy with which the acquisition can be assimilated into its new parent.

GOVERNING FINANCIAL AND ANALYTICAL MASTER DATA

The process of maintaining financial and analytical master data is often different from the processes used to maintain other master data. It is usually critical that the financial master data be 100 percent accurate and consistent. Even 99.99 percent accuracy is not good enough in this context. Errors and inconsistencies in critical financial hierarchies will lead to inaccurate financial statements that can have serious consequences for any large organization. By contrast, an organization might also desire very accurate customer reference data; but minor errors, duplications, and omissions that are almost impossible to eradicate are unlikely to have a catastrophic impact on the business.

The quality of many types of master data can be improved with automated tools that might identify errors, omissions, and duplications—for example, the automatic de-duplication and address cleansing of a customer database with millions of records. By contrast, critical financial and analytical master data is often carefully manipulated by business experts who are aware that a minor change to a single item in a chart of accounts might have a major impact upon an enterprise’s financial statements. In this case, maintenance is a hands-on process.

Business rules enforce the accuracy of financial master data changes. Some business rules are straightforward—for example, leaf-level and summary cost centers in a hierarchy must not share the same parent summary cost center—but other rules can be much more complex, involving cross-dimensional mappings and validations. An effective data governance process should devolve responsibility for defining and implementing business rule enforcement down to the designated data stewards.
Complex workflows might need to be enforced to ensure that changes are appropriately approved by critical members of financial reporting structures. Such workflow processes might require multiple levels of approval and conditional logic for routing approvals, depending upon the nature of the master data change request. Many organizations are adopting Business Process Execution Language as a standard for workflow definition.

**Enabling Data Stewardship**

The data governance processes can be enhanced by software tools that allow master data sharing and by assigning responsibility for master data maintenance to data stewards. The data stewards enrich the MDM process by adding both their business knowledge and their understanding of how the data is leveraged across the enterprise in different systems. Data stewards can have expert knowledge of an entire set of related master data or for just a subset of a hierarchical structure that is related to their area of responsibility.

**DATA GOVERNANCE FOR MANAGEMENT EXCELLENCE**

There is a critical need for strong control and governance of financial and analytical master data within all large enterprises. It is difficult to achieve management excellence without such control. Inconsistent and misaligned analysis and reporting will frustrate internal and external stakeholders.

A center of excellence can drive the implementation of data governance techniques and tools that can help ensure a predictable but agile BI and EPM environment, while allowing responsibility for master data maintenance to be devolved to the appropriate experts within the business.
Beyond the Center of Excellence

Like all other factors of production—such as capital, labor, materials, and facilities—information is an asset. Therefore information also needs to be managed in the same way. Capital is usually managed by the finance or treasury department; employees are taken care of by the human resources department; materials are held in the warehouse; and most larger organizations have professional facilities management. But who owns the information needed to do business? In many large organizations it is not easy to provide a clear answer. Bits and pieces are owned—or not—across the organization.

INFORMATION AS AN ASSET

The importance of information and management processes is only increasing. In the industrial age, the flow of information trailed the flow of goods and money. In most verticals, information has become the primary flow. Customers and other stakeholders interact with your organization before products are manufactured and purchased. In fact, in many new business models, management information is an added value to the product or service. Information is shared with customers as a competitive differentiation.

The way organizations need to be managed has changed as well. Organizations have become multidimensional instead of hierarchical. Departments and business units must contribute not only to the bottom line, but also to the success of other departments and business units. Of course, there are also cost and regulatory pressures that force increased transparency. From a technological point of view, information management becomes more important. Service-oriented architectures require the decoupling of business processes and data.

THE CHALLENGES WITH CENTERS OF EXCELLENCE

The current best practice to solve problems around information management is to establish a center of excellence (COE). Although the need for COEs is clear and widely acknowledged among industry experts, it is also a reality that these structures are hard to sell within many organizations because they do not fit into the standard organization chart. If a COE is a business department that reports into certain business domains, other business domains might not receive the same level of support. If the COE is part of IT, it usually is isolated within IT while having too much of a technology focus. If the COE is seen as a virtual structure spanning multiple business domains, if often lacks a clear mandate. COEs might
behave like a project—consisting of multiple skills coming from multiple domains within the company—but there is no end date for the work. And they differ from a normal department, because they are project oriented and fluid in nature. Mature organizations are more able to house these ambiguous activities, and we predict that many more of these ambiguous activities will emerge. Less-mature organizations can opt for either a departmental setup or a project organization—and often even wrestle with the concepts of a project. As a result, in those organizations COEs are often resisted. Still, information needs to be managed.

ORGANIZATIONAL PRINCIPLES

There are many ways to govern the information that is needed to manage the business, and establishing a COE is one of them. Regardless of how the COE is organized, there are a number of principles that must be taken into account for any structure to be effective.

- **Acknowledge unique characteristics.** Different systems and processes have different characteristics. Transactional environments are static to protect the contractual value of the data. BI, however, is dynamic; there is change every day. Transactional systems and processes are linear; there is a beginning and an end to every transaction. BI is cyclical; every answer leads to a new question. Transactional environments often have stable and predictable patterns, running many small transactions. BI environments are highly unpredictable; sometimes there are no users while at other times complex large analyses are run. Organizations should distinguish between transactional and analytical processes and systems and understand their unique characteristics.

- **Adopt a clear governance model.** Any COE needs to establish a clear governance model. Managing information should involve a high level of standardization so that the information can be used and compared throughout the organization. Also, information needs to be shared as freely as possible—to leverage it as an asset, instead of guarding it as a political instrument. There must be a clear mandate, as with any other asset, that the different domains need to adhere to.

- **Establish simplicity.** The success of any organization is partly due to its simplicity. If managing information leads to complex matrices, federated structures, or esoteric forms not used elsewhere in the organization, it is bound to fail. If it fits within the organization and control model of the organization, managing information will become a natural process.
• **Contribute to goals.** Any part of the organization needs to contribute to the overall corporate goals. The organizational structure managing information is no exception. In evaluating various options, contribution to goals should be a key aspect for how any organization optimizes the use of information throughout the organization and across the extended value chain.

**WAYS TO ORGANIZE FOR MANAGEMENT EXCELLENCE**

There are several common ways to organize for management excellence. In many cases, business departments take care of their own information management. Projects are short and straightforward and goals are usually very clear. Other organizations have done the opposite and have centralized all information management within IT. Information across the organization is managed the same way—in an infrastructural manner. Information is used for decision-making and to feed all kinds of transactional processes. Other organizations have introduced centralized governance, but have placed it within the organizational chart, very often as part of the finance department. In this case, the scope is broader and management processes are governed here.

COEs are today’s best practice. They are a small group of people—often within IT—that serve all business domains and offer crossover skills combining both business and IT talents. A COE can be compared to the special forces unit of a military—a combination of specialist skills created to accomplish a unique task. By nature this is a transition model, as special tasks become business as usual at some point. However, some IT organizations have adopted the COE model for all their competencies: BI, integration, business applications, project management, and even competence management. COEs combine the advantages of an IT infrastructural approach with a focus on direct business benefits. The table below describes these organizational forms according to the principles we introduced.

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<th>Organizing for Management Excellence</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tr>
<td><strong>Organization Method</strong></td>
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<tr>
<td>Do your own thing</td>
<td>• Every project with its own dynamics</td>
<td>• No governance</td>
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<td></td>
<td></td>
<td>• Fragmented and complex organization</td>
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<td></td>
<td></td>
<td>• Suboptimal contribution to department goals</td>
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<tr>
<td>IT as usual</td>
<td>• Straightforward organization model, treat BI/EPM like any other type of application area</td>
<td>• No acknowledgement of different characteristics; one size fits all</td>
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<tr>
<td></td>
<td>• Breadth of contribution is high; part of every IT initiative</td>
<td>• Fragmented governance across all projects and systems</td>
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<td></td>
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<td>• Depth of contribution low; no specific knowledge</td>
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### Organizing for Management Excellence

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<th>Organization Method</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Business department specific solutions | • Optimal depth of contribution; deep knowledge applied enterprisewide  
• Straightforward organization model  
• Understanding of different characteristics | • Good business governance but lack of IT governance  
• No breadth of contribution; information not used for other purposes  
• No infrastructural approach |
| COE aligned with business and IT | • Good business and IT governance  
• Understanding of different characteristics  
• Good breadth and depth of contribution, both for specific purposes as well as general infrastructure | • Often focused on information management and management processes alone; members develop specialist eyes  
• A complex organization form for less-mature organizations |

### ORGANIZATIONS AND HUMAN RELATIONSHIPS

Even today’s COE built on best practices has some dominant disadvantages that make it challenging to implement. There needs to be something beyond the COE to truly solve the problem. Viewing the organizational methods in the table as subsequent steps in a maturity curve might provide perspective on what to look for next. The IT-as-usual and the business department solutions are both reactions to the fragmented nature of every department, including IT, doing their own thing. But a reorganization as a reaction to a specific problem usually leads to the opposite problem.

The COE structure is the first attempt to come to a synthesized—instead of opposite—solution. The problem with COEs is usually their narrow and specific focus. They are more busy with their specific domain than with the overall business, and as the concept is new to most organizations, business and IT have to get used to working together in this particular manner, where IT is not a ‘supplier’ and business is not a ‘customer’. A lot of energy is spent in figuring out these dynamics, instead of simply managing information as an asset. As a result, many COEs are not very mature – yet.

Perhaps we can compare the dysfunctional behaviors of these organizational forms to human relations. Everyone doing their own thing resembles the so-called X-relationship. Nothing of substance is created. IT-as-usual creates a V-relationship. They might begin with a common objective shared by business and IT, but because IT is in charge, business and IT grow apart over time. This leads to conflict, misalignment, and ultimately explosion. The COE is a way of avoiding that. However, even it has an introverted focus similar to the A-relationship. The business and IT specialists in the COE head toward an implosion. They focus so deeply on their profession, their special place in the organization, and developing crossover skills that they become disconnected from the rest of the organization. The healthiest human relationship is an H-relationship. Both partners in such a
relationship are on their own road, have unique skills and competencies, and choose to build connections to keep their respective roads aligned. To a certain extent we believe the COE is a Band-Aid to solve problems that should be taken care of within the organizational structure itself. Establishing a COE is a perfect step along the road toward this goal. However, ultimately a COE will dissolve itself.

Alignment according to an H-relationship means that every function has its unique characteristics, yet realizes that it needs the other functions to meet its (common) objectives. Translated to the organization, every department focuses on its own specialty and profession, without trying to do everything. Every function builds connections to the other parts of the organization, beyond the management hierarchy. Different functions—business and IT, strategy and marketing, internal and external—contribute unique skills and collaborate to create a valuable proposition. Each department focuses on what it is good at and contributes that specialty to the mix.

We, the authors of this article, have a different view on business and IT alignment and would like to introduce a radically different style of alignment. We believe business and IT should not be simply aligned: they should become the same. Today’s IT function should focus on infrastructure. This not only includes IT infrastructure, but also business infrastructure such as back-office operations. Running a cost-efficient, fast, and high-quality business is needed to achieve operational excellence. For BI, this means the data warehouse is firmly rooted in infrastructure and used for much more than BI alone. Today’s business functions should focus on change, innovation, and development—including IT innovation. This is needed to fuel the pillars of management excellence: being smart, agile, and aligned. BI should not be used only for management information, but it must serve as a provider of information or hub place in the middle of all business. Organizing for management excellence using the H-relationship as a basis acknowledges the different characteristics of the business, provides a clear governance model, offers a straightforward organizational model, and focuses the organization on its goals. Business and IT alignment transforms into operations and innovation alignment.

Does that mean that the COE is superfluous? No, not yet. The COE is a necessary and worthwhile step on the road to management excellence. With the adoption of COEs across multiple domains and specialties, people have learned to collaborate with others. This creates an environment where both operational excellence and management excellence can go hand in hand.
HYBRID BI: TO CENTRALIZE OR DISTRIBUTE

In the white paper *What Works in Enterprise Business Intelligence*, Wayne Eckerson, director of research at TDWI, poses the question: “How can you deliver the benefits of centralized business intelligence (BI) when your organization and BI architecture are scattered and not aligned?” Eckerson discusses the trade-off between centralized and distributed BI. Architectural standards, politics, incentives, and organizational structures all have implications for the style of BI that is adopted. For a quick and insightful discussion on whether to distribute or align and the role that organizational structure plays in managing enterprise BI, visit TDWI’s white paper download center: [http://www.tdwi.org/Publications/WhitePapers/ww26digitaledition.aspx](http://www.tdwi.org/Publications/WhitePapers/ww26digitaledition.aspx).

CISCO SEES THE FUTURE

The November 2008 issue of the *Harvard Business Review* has an interview with Cisco’s CEO John Chambers. From an organizing-for-excellence perspective, Chambers explains that Cisco’s “major priorities are managed not by our top five to ten executives but instead by cross-functional, collaborative councils and boards.” Visit your local library to get a copy or find order information at [http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?item_id=ITJ05SZZ52G5HQA2KRGWDR5YJISW?referral=2341](http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?item_id=ITJ05SZZ52G5HQA2KRGWDR5YJISW?referral=2341).

SHIFT HAPPENS

The applicability and effectiveness of any organizational innovation or structure is implicitly tied to its participants—the leaders and individuals that make up that organization. *Did You Know*, a truly eye-opening video, highlights the dramatic implications of globalization on markets, populations, and organizations. Developed as a presentation by Karl Frisch for a local school district, the video has since been viewed or downloaded by more than 15 million viewers. It poses a series of questions that clearly raise issues for organizational design. “How do you run your business when one out of four workers have been employed by your firm for less than a year and when half have been there less than five years?” “Did you know that if MySpace were a country, it would be the eleventh largest country in the world?” To learn more about when shift happens, check out the updated version of the video at [http://www.youtube.com/watch?v=ljbI-363A2Q](http://www.youtube.com/watch?v=ljbI-363A2Q).