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Government

# Identifying what should be changed

How public officials and  
military leaders can  
choose wisely



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# Identifying what should be changed

## How public officials and military leaders can choose wisely

By James W. Cortada, Molly Hamon and Lisa Yarbrough

*Public officials and military leaders are operating today in an environment of significant change in the mission, requirements, structure and work of their departments and agencies. Assessing what to change – and how – are such daunting and complex tasks that they have turned to a whole new generation of strategic frameworks and analytical tools useful in both public and private organizations. By using strategic frameworks and analytic tools, officials can provide decision makers with the rationale and justification for innovative and thoughtful changes to their organizations.*

### **The need for change**

Changes in national budgets, in conjunction with global business and technology trends, and emerging security threats are impacting governments across the world. Defense organizations are particularly being required to quickly shift priorities to meet these threats and to collaborate realtime across services and with allies. At the same time, citizens are demanding their governments be ever more responsive to their needs. Officials are also facing the crisis of redesigning, downsizing or merging whole agencies and departments while large numbers of employees with crucial knowledge and experience become eligible to retire. Some forecasts suggest over a third of these retirees may have to be replaced, either with new employees or different work processes.<sup>1</sup>

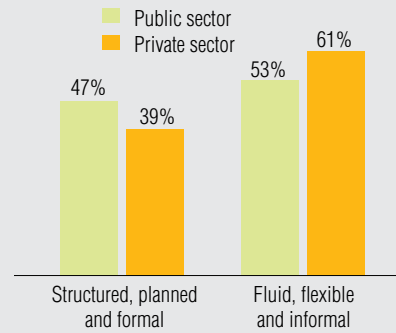
Facing substantial change, senior officials are renewing their focus on improving services, outcomes and performance by modernizing their organizations. They are increasing their collaboration with other agencies, governments and the private sector, while integrating business practices, technology and policies into new ways of doing their work.<sup>2</sup> It is nothing short of a step change in how agencies and whole departments operate.

However, they also know from prior experience that it does not always work to bring private sector practices into government without modification. For example, corporate management often has the authority to aggressively implement change, while public officials may work in complex bureaucracies and institutional cultures that have a lower tolerance for risk or

change. In a company, emphasis is on market differentiation and competitive positioning, while in government, officials focus on prioritization to achieve strategic objectives, often with extensive focus on regulatory compliance, legislative requirements and the constraints of tight budgets. Although both private and public sector leaders understand the importance of formal planning and operating flexible enterprises, they approach innovation and change differently (see Figure 1).

FIGURE 1.

**Public and private sector approach to innovation and change.**



Source: "Expanding the Innovation Horizon: The Global CEO Study 2006." IBM Global Business Services. March 2006.

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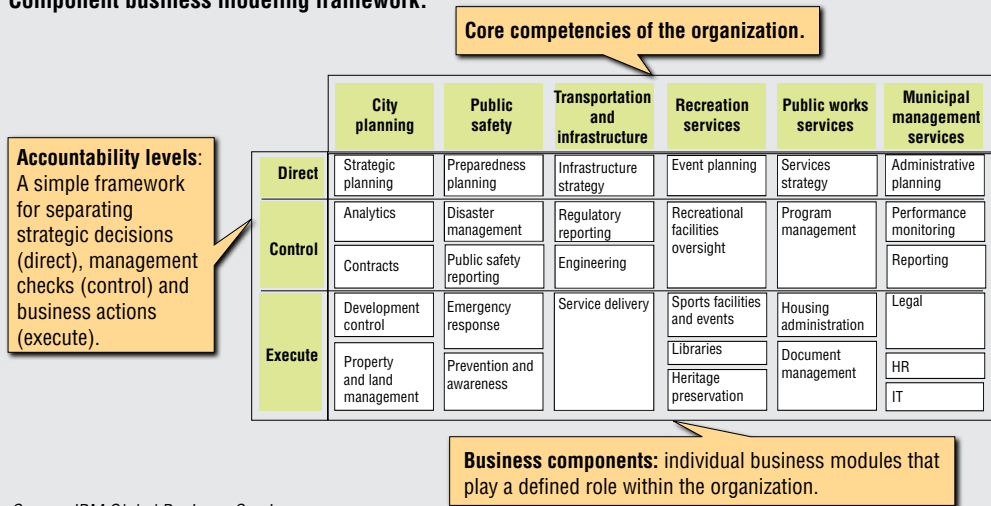
## How can leaders facilitate change?

Government leaders are now using modeling frameworks to look at their organizations in more detail and view them as collections of activities, skills, resources, and infrastructures. An example of this organizational decomposition process is what we call component business modeling (CBM) and involves creating a model of an organization's parts, which can be used to understand the gaps between strategy and operations. Building a component model, or business map, enables managers to frame decisions based on the broader perspective of the entire organization and helps them identify those areas that, if changed, offer the greatest opportunity for improvement or innovation. In short, such an approach includes figuratively X-raying an organization to establish a practical framework to address challenges.<sup>3</sup> Given the complexity

of modern governments, it has become nearly impossible to sort out what changes to make in any organization, let alone pick what processes and priorities to transform without the aid of analytical tools designed to assist the decision makers.

Figure 2 illustrates an example of such a framework. As can be seen, in even a simplified example, public sector organizations are complicated, with many functional areas and activities that must be assessed and prioritized when officials decide what changes to make. Equally important, they must understand what components of the department would be affected by those changes. This one-page model illustrates the major functions performed within an organization. These components (shown as white boxes in the figure) become the subjects of management's

FIGURE 2.  
Component business modeling framework.



Source: IBM Global Business Services.

**Business mapping techniques help identify what needs to be changed, as well as document key managerial and operational issues.**

attention as it sorts out what organizational and operational problems, misalignments and aspirations need attention. Managers and leaders can use these techniques to analyze a varied range of issues and determine what to change, when to change and why (see Figure 3).

FIGURE 3.  
**Purposes addressed by component business modeling techniques.**

- Outlining first steps to start changes
- Documenting how to manage transitions
- Choosing partners to deliver new services
- Determining competitive differentiators for core activities
- Combining similar functions across programs
- Designing future organizations
- Aligning of technology investments with business strategy
- Determining health of current systems and organizations to improve scalability
- Rationalizing overlapping, redundant, or monolithic systems and processes
- Optimizing sourcing strategies, particularly for non-core work.

Source: IBM Corporation, 2006.

### **What can be accomplished by business mapping?**

When Swedish Customs (Tullverket) had to examine how to conform to emerging requirements from the European Union (EU), officials knew that they already had one of the best managed systems in the world, but also that it could be improved because of emerging new information technology (IT) tools and changing realities (see case study, *Swedish Customs uses business mapping to identify transformation requirements*). Officials examined the components of their operations to identify

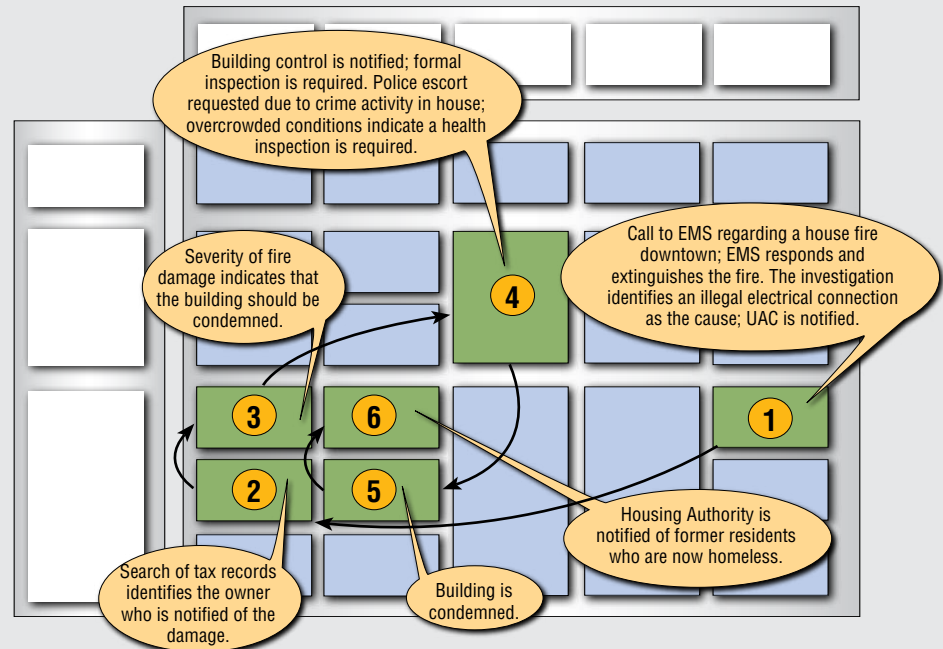
and prioritize opportunities to use IT driven by operational needs, resulting in a roadmap for Swedish Customs based upon objective analysis of their work and the IT requirements needed to improve operations.

#### **Swedish Customs uses business mapping to identify transformation requirements**

As a member of the EU, Sweden must cooperate with new mandates relating to the structure and function of its customs organization. However, those mandates do not provide explicit guidance on how to implement the required changes. Although a recognized leader in customs administration, Sweden faced a pending reorganization and continuing disconnect between its operating units and IT. Swedish customs used CBM to define a business operating model, define current and desired capabilities, and identify shortfalls in its ability to reach its 2012 vision and in achieving near-term EU compliance. It also developed a high-level, service-oriented architecture (SOA) for selected components and identified and prioritized business investments and supporting IT services to support critical mission areas.

In the end, Swedish Customs benefited from the CBM analysis through identifying business-related transformation requirements to comply with pending EU mandates, developing a framework to evaluate and choose future strategic projects that will align to both national and EU goals and establishing a new operating model between IT and business units. The new IT model increases the opportunity to provide appropriate solutions and service with the guidance and direction needed to be an effective service delivery partner.

FIGURE 4.  
**Highlighting cross-component collaboration requirements in a city's government.**



*Note: A business component map can be used to understand collaboration or dependencies within or between organizations and to identify specific change scenarios. The call-outs in this example show how a change in one component affects other components in a city government. Source: IBM Global Business Services.*

As Figure 4 illustrates, officials also use business maps to document their structures, identify key managerial and operational issues, and create specific scenarios to identify specifically where to make changes.

The kinds of insights officials gain through such a business-mapping exercise include identifying:

- Duplication of activities and efforts across organizations
- Functional areas with unclear governance and poor cross-organizational collaboration
- Operational strategy issues
- Where IT does not align well with an organization's objectives.

In the process, we have found that communications improve within organizations, which benefit from bringing all the “players to the table” for analysis and decision making. Officials use the exercise to overlay current investment and spending plans for an organization to highlight significant misalignments between their priorities and current or planned investments. As Jo Schumann, a senior official at the Australian Department of Veterans Affairs, has put it, “For the first time, we had a picture of our business on a single sheet of paper that everyone could understand, and we could see how the different bits of our business fitted together.” (see case study, *Australian Department of Veterans’ Affairs uses CBM to identify opportunities for streamlining and improving performance.*)

**Business modeling can assist in the analysis of strategic areas that present problems or opportunities and help identify underlying causes and solutions.**

So how does a department or agency go about using such business mapping techniques? A starting point is to create a one-page business component map to organize and present, at the highest level, all the key activities performed within an organization. Once those involved agree the map reflects reality, then additional layers of analysis – such as assessing strategic importance, performance, cost, staff allocations, supporting IT infrastructure, organizational alignment and current investments – can be done on each box or component to break down traditional organizational silos. This exercise provides managers with a fact-based perspective to focus their attention on the critical components of their institution. The effort allows them to move away from solving small problems in some incremental fashion and, instead, focus first on a few “hot” areas – those highly strategic areas that may present problems or opportunities.

Next, officials can focus time and energy to analyze those “hot” components to uncover reasons for problems, identify solutions and create implementation plans or investment roadmaps. As part of the process, they can articulate for those critical areas what to anticipate from their actions and set targets for completion of changes – much as they would do today with any typical organizational or work process redesign.

### **Australian Department of Veterans’ Affairs uses CBM to identify opportunities for streamlining and improving performance**

Australia’s Department of Veterans’ Affairs (DVA) was challenged to address the changing needs of today’s veterans, as well as those of an aging veteran population within a fiscally constrained environment. The DVA used CBM to highlight the aspects of the department’s business that made a significant difference to its mission and identified where money was spent. The analysis provided insight and guidance in the development of a new organizational structure and service delivery model, and highlighted redundancies and overlaps in business processes. This provided opportunities for streamlining, consolidation and performance improvement. Finally, the CBM analysis guided the implementation of a simplified “One DVA” governance model.

As a result of the analysis, DVA has significantly changed its organizational structure, streamlined and improved governance arrangements, modernized business processes and improved its technology infrastructure.

### **What do organizations get by conducting a business mapping analysis?**

Leaders within departments or agencies can use a business mapping analysis to create an objective, high-level, prioritized view of what has to change in an organization.

Participants can understand the implications and ripple effects of proposed changes – such as what should be changed sooner rather than later – and can identify which agencies would be affected.

Management accumulates empirical data useful for decision making that offers both transparency and traceability of information and thinking. Such data helps address crucial questions about how particular decisions were made. What were the criteria? And, why did initiatives not receive funding?

The decision making process is enhanced. For example, multiple layers of officials can participate in a structured way in decision making and learn how to reach key decisions. Leaders and managers can begin to tackle problems throughout the organization and address all the usual dependencies and handoffs that must be dealt with. Investments in people, systems and other assets can be driven by and aligned with the most compelling requirements of an agency or department.

### **Which agencies and departments should use such analytical techniques?**

The most complex institutions and work environments are often the best candidates for such analysis. As Figure 5 shows, government officials in many countries and agencies have found such an analytical approach useful in identifying agendas for changes. As William M. Johnson, Deputy Major Program Manager for Future Combat Systems, Open Architecture, U.S. Navy Program Executive Office for Integrated Warfare Systems (PEO-IWS),

FIGURE 5.

#### **A business mapping analysis should be used when...**

- There is a large, complex, interdependent organization
- Officials are ready for substantial change
- Strong project sponsor is in charge
- Competing operational priorities exist
- Organizational processes and resources are hidden or difficult to leverage
- IT and business priorities are not aligned.

*Source: IBM Corporation, 2006.*

pointed out, “In laying out our roadmap for the future, it is essential that we understand where we are today.” Using this kind of an analytical tool was “a very effective methodology for doing just that.” We have heard similar reactions from other organizations.

Recent experiences using an analytical method that decomposes an organization and its issues have been useful in understanding and improving organizational strategies, developing IT or defense strategies in support of an institution’s mission and in articulating new operational strategies.

Specifically with organizational strategies, issues commonly addressed include alignment with activities to understand gaps in accountability or performance – as well as identification of the skills, knowledge and resources needed to implement a proposed innovation. This is particularly urgent in governments that have a significant number of workers soon to retire. It is an emerging reality of considerable proportions.<sup>4</sup>

**The first step in getting started is determining whether business modeling is a good fit for a particular agency or department.**

In the case of technology strategies, for example, common issues often involve identifying the scope and focus of a technological architecture that supports an agency, alignment of investments in IT to the actual needs of a department, identification of services that can be provided and the rationale for these, and setting priorities dictated by political and budgetary realities.

Regarding operational strategies, officials seek out high-level identification of problems that need to be resolved. They also look at potential initiatives and programs to improve service delivery, optimize performance and measure results. Such an approach also can identify areas that do not need focus or realignment.

### **How to get started**

The first step is to decide if such a formal analytical technique is a good fit for an agency or department. Public administrators and military leaders can ask themselves seven questions to help them arrive at a decision:

1. Is our organization small and relatively independent in its operations, or large and complex, with many internal and external dependencies for process handoffs, interactions and information?
2. To what extent do we have a strategy that addresses the needs of the organization and the public? For that matter, do we have the right leadership team and staff to implement changes?
3. Is there a need for a more rational decision-making mechanism than exists today to address issues across the breadth of the institution?
4. Do we need to use an approach that cuts across all institutional silos in order to understand and see into our organization?
5. Is there a strong sponsor who could spearhead an initiative to develop an objective strategic direction and who has the right level of authority and accountability to complete such an effort? Is there enough willingness and skill to implement recommendations?
6. How well are the business areas (such as IT functions and agencies) aligned and in agreement with investment priorities? Are they disconnected and at odds with one another, creating competition among goals and priorities?
7. Is our organization required to merge with another, relocate or downsize in the near future? Where do we get started?

Next, it is all about execution – doing what the analysis suggests needs to be done.

### **Business mapping provides insight for U.S. Navy PEO-IWS**

The U.S. Navy is facing several critical issues that require significant action, including reducing the acquisition and lifecycle support costs for major weapon systems to balance budget reductions, aligning investments to strategic priorities and capabilities, transforming the business model for acquiring warfighting systems to meet emerging threats, fielding new technologies to improve operator and system performance, and reducing the cycle time to develop and field weapon systems.

PEO-IWS used CBM to develop a strategic framework for analyzing operational expenses and priorities for a major combat weapon system. PEO-IWS conducted the first insight phase of the mapping exercise to illustrate to program managers in its organization where the “actual” planning emphasis of the organization was by looking at the number of efforts funded, the criticality of those efforts, the allocation of funding to specific areas and the type of funding being used. The analysis compared two fiscal years to understand changes from year to year and determine if funding allocations were in line with strategic priorities.

Decision makers benefited from this analysis by gaining increased leadership insight on expenses and financial reporting needed to improve operations and the identification of four primary areas consuming a significant portion of the total budget – with potential duplication of efforts. It also highlighted investments in indirect costs versus direct costs to deliver new capabilities to warfighters. The analysis revealed opportunities for operational improvements by leveraging various remote technical support and other automated systems. “CBM is a proven method and, most importantly, user friendly, to the point that all levels of leadership can readily agree where to target areas to improve,” said Captain Jim Shannon, Major Program Manager, Future Combat Systems, PEO-IWS.

### **Some final thoughts**

Civilian and military leaders have long embraced formal managerial techniques with which to operate their complex organizations. Increasingly, they have adopted various analytical techniques and frameworks to help set priorities and create cost-justified, politically appropriate implementation strategies. In recent years, using techniques to describe their organizations as components of a large administrative ecosystem is proving useful in

a broad range of circumstances. The move to such tools is evident globally and holds out the possibility of further collaboration among agencies. When entire governments have to collaborate at operational levels, commonly used techniques can be applied, as demonstrated by the experiences of members of the European Union and by militaries and border management agencies that need to coordinate their daily activities within a nation, or around the world.

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