SINCE ITS LAUNCH IN 2010, the Innovation Value Institute’s (IVI’s) IT Capability Maturity Framework (IT-CMF)—an assessment framework designed to help IT organizations maximize their contribution to business value—has been adopted by a range of major industries. High-tech businesses were among the first to enthusiastically embrace the IT-CMF. Pharmaceutical and energy companies followed quickly on their heels. The latest industry to join the ranks is financial institutions. Growing numbers of industry players have deployed or are deploying the IT-CMF to better understand and improve the performance of critical aspects of their IT, such as knowledge management, benefits assessment and realization, innovation management, and research, development, and engineering. The insights gained are translating into real-world results. And they are convincing IT and business leaders in financial institutions that the IT-CMF could play a valuable ongoing role in their planning and review processes.

A Potent Lever for Managing IT
Growing use of the IT-CMF by financial institutions comes amid challenging times for the industry. A combination of forces—lingering downward pressure on revenues due to the financial crisis, a more stringent regulatory environment, increased competition from traditional and nontraditional players, rising pressure to strengthen the online offering, and the growing importance of big-data capabilities to business analytics and customer recruitment and servicing—are pulling financial institutions in multiple directions at once.

The resulting pressure on these institutions’ IT organizations is severe. IT is being called on to boost its own efficiency and reduce its own costs. Simultaneously, it is expected to become more flexible in order to accommodate new regulatory requirements and risk management demands, to enable and/or drive product and service innovation, and to support the development of the online channel. IT organizations are also being tasked with helping their institutions build the capabilities necessary to capture the advantages afforded by optimized customer-data management.

Faced with this daunting to-do list, the industry’s IT leaders are thinking about how best to move forward, and an increasing number are turning to the IT-CMF for ideas and insights. The framework—which was developed by the IVI, a global consortium of industry, government, not-for-profit, and academic organizations that aspires to establish a gold standard for managing IT for business value—affords a highly detailed and systematic
look at IT. It covers the full scope of IT’s activities, dividing them into 32 critical capabilities and breaking each down into “capability building blocks.” (See Exhibit 1.) For every building block, the IT-CMF defines five maturity levels from 1 (“basic”) to 5 (“advanced”). Assessing the maturity level of each one can help an IT organization understand its current position, make comparisons with benchmarks and peers, and define a target level that will maximize the business value generated for the company. (For more details on IVI and the IT-CMF, see “Managing IT for Business Value: The New Gold Standard,” BCG article, September 2010.)

The framework’s depth, breadth, degree of rigor, and focus on business value make it particularly helpful for financial institutions in the current climate. The IT-CMF can be used, for example, to drill down on a specific point of weakness—such as knowledge management—and provide a comprehensive diagnosis. It can be used to review a group of IT capabilities related to a particular challenge—such as responding to new regulatory requirements—and provide a baseline for ongoing measurement. It can also be applied to a range of “business as usual” processes, simultaneously and for an extended period, in order to track the progress of a broad transformation program. And it can provide a high-level overview of strengths and weaknesses across the entire IT organization, making it ideal for a new CIO or for one faced with the task of integrating two IT organizations following a merger or an acquisition.

The framework is particularly helpful for financial institutions in the current climate.

The IT-CMF offers financial institutions further advantages. Compared with other diagnostic frameworks, it focuses on capabilities and value delivered to the business rather than on IT processes alone. It is comprehensive, covering all critical IT capabilities, and also easy to deploy in smaller modules, allowing the company to gain insight into hot spots. It identifies and synthesizes best practices among both financial institutions and companies in other industries—the total number of IT-CMF assessments now exceeds 300—offering an insider’s perspective on what works, what doesn’t, and why. And it identifies practical ideas for how IT can improve its capabilities.

EXHIBIT 1 | The IT Capability Maturity Framework Examines 32 Critical IT Capabilities

<table>
<thead>
<tr>
<th>Managing IT like a business</th>
<th>Managing the IT budget</th>
<th>Managing the IT capability</th>
<th>Managing IT for business value</th>
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<tbody>
<tr>
<td>• IT leadership and governance</td>
<td>• Funding and financing</td>
<td>• Enterprise architecture management</td>
<td>• Total cost of ownership</td>
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<tr>
<td>• Business process management</td>
<td>• Budget management</td>
<td>• Technical infrastructure management</td>
<td>• Benefits assessment and realization</td>
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<tr>
<td>• Business planning</td>
<td>• Portfolio planning and prioritization</td>
<td>• People asset management</td>
<td>• Portfolio management</td>
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<td>• Strategic planning</td>
<td>• Budget oversight and performance analysis</td>
<td>• Relationship asset management</td>
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<td>• Demand and supply management</td>
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<td>• Research, development, and engineering</td>
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<td>• Capacity forecasting and planning</td>
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<td>• Risk management</td>
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<td>• Sourcing</td>
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<td>• Innovation management</td>
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<td>• Supplier management</td>
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<td>• Service analytics and intelligence</td>
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<td>• Knowledge management</td>
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</table>

Source: Innovation Value Institute.
The framework is also user friendly to both IT and business audiences, in contrast to other, more technical and process-oriented frameworks. And it can spark meaningful discussions between the business and IT—which often hold very different views—on current IT maturity levels, targets, priorities, and suggestions about how to achieve those targets.

Where Financial Institutions Stand Today
How do financial institutions rate their IT capabilities? Data from more than 50 IT-CMF executive assessments indicate that the profile of these institutions is similar to that of companies in other industries in terms of identified strengths and weaknesses. But financial institutions give themselves higher scores overall, with the differential particularly large in portfolio management, demand and supply management, accounting and allocation, budget management, and service analytics and intelligence. (See Exhibit 2.)

This relatively strong self-assessment accurately reflects the IT-intensive nature of financial institutions—above-average maturity in most critical capabilities is essentially a given and a prerequisite for competitiveness. In absolute terms, financial institutions that have participated in IVI assessments rate themselves strongest in the following capabilities:

- Program and project management
- Portfolio management
- Technical-infrastructure management
- Risk management
- Budget oversight and performance analysis
- Budget management
- Service provisioning

**EXHIBIT 2 | Assessed IT Maturity at Financial Institutions Is Relatively High**

[Graph showing the maturity levels of financial institutions compared to other industries.]

**Sources:** Innovation Value Institute; BCG analysis.
The average maturity level for these capabilities ranges from 2.7 to 2.8. Worth noting are the self-assessments for risk management and for budget oversight and performance analysis. While financial institutions identified these two capabilities as strengths, the gap between their scores and the average scores received by the same capabilities in other industries was relatively narrow. This might seem surprising, given the fundamental role that these capabilities play in any financial institution’s business, especially in the current environment.

At the other end of the spectrum, financial institutions consider themselves weakest in the cluster of capabilities supporting IT-enabled business innovation:

- Knowledge management
- Research, development, and engineering
- Innovation management
- Capability assessment and management
- Benefits assessment and realization

These capabilities received an average maturity score of 2 or lower. Given the increasing importance of the online channel to financial institutions’ business model and the channel’s propensity to reward innovation, these scores can be expected to rise over time as these companies make innovation an ever-higher priority.

### Driving Business Value with the IT-CMF: Three Examples

Financial institutions are using the framework in different ways to address both short- and longer-term challenges. And they are reaping a range of benefits.

**Tackling the Root Causes of Rising Complexity and Process Inefficiency.** One global company deployed the IT-CMF in its efforts to halt rising IT complexity and process inefficiency. These problems had significantly driven up the institution’s IT costs. They had also caused delays in the implementation of major systems- and business-transformation programs, compromising the IT organization’s ability to support the company’s efforts to accelerate growth through strategic partnerships.

As a first step, the company undertook an executive (that is, a high-level) assessment of all its IT operations. This assessment identified gaps in key capabilities—namely in portfolio management, program and project management, relationship asset management, and solutions delivery. The institution then conducted a more detailed IT-CMF assessment that drilled down on these capabilities, and it validated the assessment’s findings with IT and business stakeholders.

A number of major problems surfaced during this more granular assessment. There was limited transparency into the IT organization’s management of resources and demand, coupled with a lack of clarity in roles and accountability. There was also a cultural bias against standardization and the adoption of formal processes. And there were “leaks” at numerous handoff points in the solutions delivery process—for example, in the communication of business requirements between business analysts and technical and quality-assurance teams—that were driving up costs and leading to frustration.

These IT-CMF analyses served as a basis for solid recommendations on how to address the identified problems. Among them were suggestions for speeding up the development process and significantly improving software quality by improving quality assurance processes and test automation; achieving better alignment between relationship managers and systems delivery personnel; and establishing new resource-management processes to make better use of the shared resource pool. The IT organization agreed with the recommendations and developed an action plan. The plan established multiyear implementation programs—including quick wins in cost...
and complexity reduction through applications and infrastructure rationalization—and assigned owners to each program and critical activity. These measures are expected to translate into a range of benefits, including strengthened relationships with key business partners and an overall savings of 10 to 15 percent per year.

**Making a Step Change in Technical-Infrastructure Management.** Financial institutions are also using the IT-CMF to do “deep dive” analyses of individual capabilities. One European financial institution leveraged the framework to better understand and improve its technical-infrastructure management (TIM). An assessment found that the maturity level of the company’s overall TIM capability was in the basic-to-intermediate range. But it also identified a number of key weaknesses in the individual building blocks of this capability, including storage management and asset management, as well as weaknesses in specific life-cycle-management activities, particularly decommissioning. Finally, the assessment revealed some instances of misalignment between the current or targeted maturity level of individual building blocks and the relevance of those building blocks to the company’s objectives.

On the basis of these insights, the institution was able to develop a TIM plan focused on those opportunities with the greatest business-value potential. The plan specified near-, medium-, and long-term initiatives and reflected the constraints on resources imposed by the economic downturn. Implementation of the plan has netted the company several million dollars in savings.

**Embarking on a Multiyear IT Transformation.** Financial institutions are also finding that IT-CMF assessments, by providing fresh insights into longstanding issues and an implementable path forward, can rejuvenate a company. The IT organization of a major retail bank in Asia, for example, used the IT-CMF to identify shortcomings in key IT capabilities and to improve its own ability to support the business.

A rapid, focused IT-CMF assessment identified weaknesses in several critical capabili-