

The FDIC Is Aligning IT to Business Through Enterprise Architecture

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The Federal Deposit Insurance Corporation has capitalized on opportunities to make EA an alignment engine from strategic planning through development fueled by business attention to business issues.

WHAT YOU NEED TO KNOW

Organizations that are starting or attempting to rejuvenate EA programs should focus first on selling the value of a consistent and rational approach to IT investment that aligns with business strategy. Buy-in from the lines of business for a better enterprise approach will ease the later introduction of the EA discipline.

CASE STUDY

The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency that insures deposits of up to \$100,000 at approximately 9,000 banks and savings associations nationwide. In addition, the FDIC is the primary federal regulator for approximately 5,000 institutions. The two primary functions of the FDIC are to examine banks and to resolve failures of banks and savings associations in the least costly manner. Both functions are data- and analytics-dependent. Although the FDIC is an independent agency, it follows the guidance in the Government Paperwork Reduction Act, overarching federal e-government initiatives, and the Clinger-Cohen Act, which stipulates that all agencies adopt an IT architecture that enables business transformation.

Problem

Since the FDIC was merged with the Resolution Trust Corporation in 1996, the number of employees has been reduced from 23,000 to 4,700. The FDIC spent seven years centralizing and rationalizing its infrastructure and applications but was left with more than 360 stovepiped applications. These applications were optimized around workgroup needs, not enterprise business needs. Many applications also had their own stovepiped view of the data, and that redundancy made data consistency and integrity an even greater challenge.

Because one of FDIC's primary missions is to collect and audit banking data, inconsistencies can adversely impact business effectiveness. Furthermore, many of these applications were developed by contractors or consultants who brought in their own architectures, databases, development methodologies and tools. This technical diversity increased complexity costs and made integration between applications difficult. The CIO knew that enterprise architecture (EA) would provide a useful approach for analyzing, rationalizing and aligning the application and infrastructure portfolios.

The FDIC first realized the value of EA in 1997, when two business executives had to reconcile data that had come from different systems for a high-profile report to the banking industry. This exercise demonstrated persuasively that their data was a corporate asset and they had to share a consistent view of that data. Essentially, they agreed that it made sense to plan the business processes and information across the enterprise first and then let technology follow. With high-level business sponsorship of the enterprisewide approach from division directors who own each line of business, the EA program gained momentum.

The second driver for EA came in 2002 when the FDIC's chairman emphasized stewardship, leadership and stability. In response, the CFO established a Capital Investment Review Committee to review and monitor investments. The EA provided discipline and a target for ensuring investments were aligned with the FDIC's strategic directions and were linked to real business needs. As a result, the agency sees EA as a planning tool for analyzing drivers, designing processes and then aligning IT. For the IT organization, this meant more detailed business cases that substantiated the business value for IT investments according to these characteristics

Objective

The FDIC's initial EA objectives were to streamline the IT environment and reduce the stovepipes so it could:

Reduce costs

Improve alignment

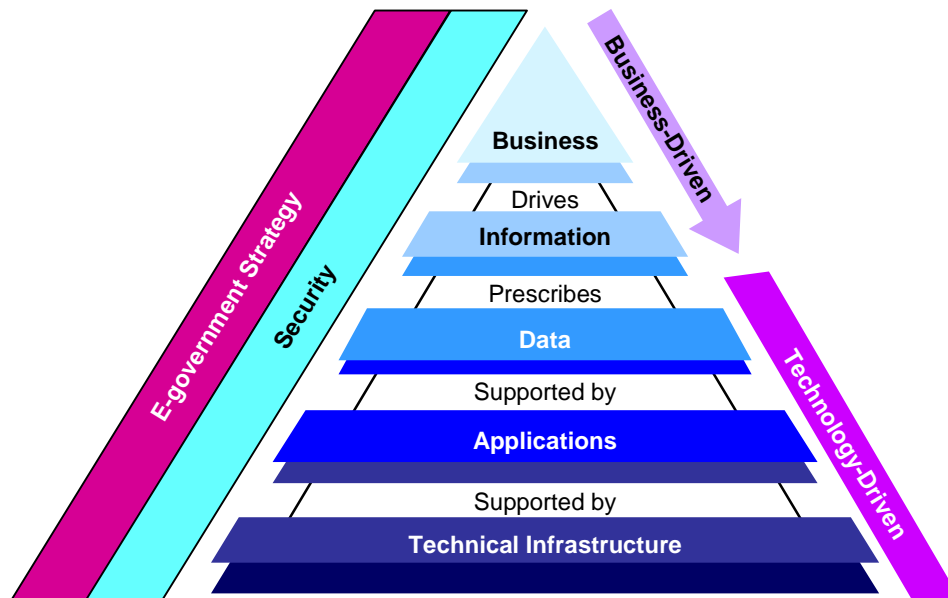
Simplify the architecture

Increase business satisfaction

Approach

The FDIC's first EA blueprint was published in December 2002. Having researched leading practices in industry and the guidance available through the Government Accountability Office (GAO) and the Office of Management of the Budget (OMB), the FDIC developed its own framework and approach for EA. The framework shown in Figure 1 builds on the federal EA framework and illustrates the FDIC's business-driven approach. Note that information is owned by the business and the data is owned by IT. This distinction allows the business to specify and own how it uses information while IT manages and administers the factual data that results in information. Given its business environment, the FDIC also chose to elaborate two architectural viewpoints for security and e-government.

Figure 1. FDIC Architecture Framework



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Source: FDIC/Gartner (2005)

In terms of defining its EA, the FDIC began at the top with principles that established high-level guidance for designing and implementing IT solutions in accordance with the business directions. At first, the agency measured architecture compliance of proposed and existing solutions based on how well those solutions aligned with the principles. As their target EA has been defined, this

process has evolved into a series of 10 checklists that verify compliance from the planning phase to steady-state operations. A clearly documented process indicates how constituents — including the Data and Applications Architecture Committee, the EA Committee and the Capital Investment Review Committee — will use these checklists in the process.

In addition to checking out the technical viability of the proposed solution, these questions also focus on alignment with business imperatives, operational support, security and project risk management. In other words, EA compliance and quality assurance are inextricably linked and streamlined to minimize administrative overhead on solution development.

EA is also integrated with many other IT management processes, such as investment planning (as described earlier) and systems development. The FDIC's Rational Unified Process (RUP) development methodology has been customized with EA artifacts that make compliance easier, especially for contracted developers. The FDIC is also looking to integrate asset management with EA so it can more easily measure compliance.

Results

The CIO credits EA with helping achieve a 23 percent reduction in the application portfolio, with estimated annual savings of \$2.8 million. This reduction also simplified the IT environment by eliminating five legacy reporting tools.

Although many IT organizations question the need for EA when they have a strategy for implementing enterprise resource planning (ERP), the FDIC's CIO feels the agency's EA was instrumental in keeping its ERP project largely on time and within budget. This is hardly surprising, considering that the EA discipline helps plan effective integration and avoids functional duplication, frequent causes for ERP project overruns.

EA also proved valuable when the FDIC needed to integrate several government-to-citizen or government-to-business solutions across multiple business units for the federal e-government initiative. The E-government Council used EA to develop a consolidated view of these initiatives for its 2006-2010 plan.

Most telling — although less quantitative — about the value of EA is the CIO's assertion that: "People always ask 'what's the return on investment (ROI) of EA?' This presupposes there's a choice, but it's an imperative, you just have to do it well." Essentially, EA is not interesting analysis in a back room — it's a critical part of planning and execution.

Critical Success Factors/Lessons Learned

The two fundamental principles that led to FDIC's success are:

Work with and enable the business first

Optimize EA to enable organizational transformation

The first key for the FDIC's success was earning support from the business lines. Because the business leaders recognized the value of consistent data to their mission, they knew they had to solve the business problem with IT's help, and address the technical issues second. Line-of-business leaders confirmed that the EA process and governance help reduce duplicate applications, highlight common infrastructure services and provide a more-consistent approach to managing data.

Many IT organizations fail to capitalize on these opportunities to work with the business as partners on problems because they have not developed an end-to-end EA perspective that allows

them to explain the IT problems in business terms. EA should be a consulting tool used by IT to facilitate problem solving for the business in a way that the business can understand.

IT must speak the business' language. Not only is this competency critical to achieve alignment through the EA, but EA provides the mechanism for stating application and data requirements as process and information success factors. A classic illustration of this alignment is shown on the FDIC's Web site in its 2004-2007 plan (www.fdic.gov/about/strategic/it_plan/strategy.html) where the business goals and objectives are clearly stated and supported by strategic statements that show how the business will achieve those goals. The IT systems and initiatives that enable those goals are mapped to what matters to the business. This top-down alignment provides end-to-end visibility from the EA requirements and target state to the business imperatives.

The second critical success factor was the fact that the FDIC recognized that EA is a program for change, addressing people, processes and technology on a continual basis, and can't be implemented as a stovepiped analysis exercise. The CIO and IT leadership redesigned their IT governance and refined it with the business to accommodate not only EA compliance of new initiatives, but also EA as an enabler of new ideas and change.

The target state of the EA drives IT's activities and proposed technologies, and solutions are considered and adopted in the context of the EA. This approach allows EA to become the engine for IT and business transformation. The workflow for submitting a new initiative begins with the business identifying a need, working with IT architects to clarify that need and then proposing that solution to review bodies composed of IT and business as well as pure IT.

The final decision is made by the CIO Council composed of both business and IT leaders. This approach is consistent with the synergistic approach to integrating EA with other IT processes recommended by Gartner (see "Enterprise Architecture Improves IT Planning Synergies").

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