CASE STUDY: IT GOVERNANCE

VICTORY HARMONICA CORPORATION

ASSIGNMENT OVERVIEW

Summary:

As a team, students should present their proposed solution to the case. Your presentation should lay out clear recommendations for how management should address the problem. This case study is divided into two parts:

1. establishing the IT organization, the IT strategy, IT charter, the roles and responsibilities for the new IT organization, IT operating model, and
2. creating the IT service catalog and capability maturity model, and governing IT entities.

Each team should analyze both parts of the case but only one team will present each part. You only need to turn in the deliverables for your assigned part of the case.

Presentation Deliverable[1]:

Case study presentation (in Microsoft PowerPoint format)**.**

Executive Briefing Deliverable:

Single page case study executive briefing (in Microsoft PowerPoint format).

BACKGROUND

Einstein Harmonicas is a large global manufacturer of harmonicas (sometimes called “harp,” “blues harp,” or “tin sandwich”) based in Stuttgart, Germany. Einstein has a long-standing tradition of quality and is a recognized leader of quality in the Harmonica industry. It would like to expand its markets into the United States so management has approved a strategic plan to create a new US-based company called Victory Harmonica Corporate (or “Victory”). Einstein is treating Victory as a separate entity and will operate independently of the parent for the most part. A decision was made that a new IT department will be formed and run by Victory.

EINSTEIN HARMONICAS

Founded in 1849 by Sigmund Einstein, Einstein Harmonicas crafts some of the highest quality musical instruments in the World. Einstein’s products consist of various harmonica types such as diatonic, chromatic, tremolo and bass to name a few. Harmonicas have been a slow and steady business since it was founded. Occasionally, Einstein would experience surges in demand for their products when a famous musician – such as Steven Tyler, John Popper or Huey Lewis – would endorse their product, but otherwise, they have successfully achieved a nice 7% compound annual growth rate. Since 2005, however, Einstein has seen a growing demand, primarily based in the US, for its products. Einstein is forecasting 25-40% compound annual growth in its desired markets (such as the US) and knows it needs to move fast to capture

[1] Presentation Deliverables are due only if your team is assigned this case. All others should read the case and complete the Executive Briefing Deliverable assignment.

the market share. New smaller harmonica companies are popping up around the globe in the US, UK, Japan, Brazil and France that are carving out niches for themselves and stealing market share from Einstein. The time to act is now and the place to start is the US since it represents the largest growing and wealthiest segment of their target market. Todd Filisko, Einstein's global President and CEO knows he has to move quickly to get Einstein into the US market.

VICTORY HARMONICA CORPORATION

Einstein management took decisive action to establish a new company – Victory Harmonica Corporation – to capture the market share in the US. Headquartered in Chicago, Illinois, Einstein management agreed that Victory would be founded as a separate legal entity so that it could tailor its marketing and branding to the discerning needs of US musicians. Einstein's products are primarily used to play folk, ethnic, and Irish music while US players prefer blues and rock and roll styles of music. They settled on the name "Victory" to capture the free spirit and excitement of the new product design. Einstein recognized that the product, design, marketing – and of course – the performance and quality of the product all had to be tailored to the needs of US market. Einstein's Global CEO, Todd Filisko, set a goal for Victory of becoming "the #1 harmonica company in the US (by market share and sales) within three years of the launch of the business." This meant that Victory management had to establish the business, build its product line and get the products into stores and into the hands of the consumers fast. Key to this strategy is setting up a robust dealer base and distribution system and lining up well known musician and celebrity endorsements. Victory sure has its work cut out for them!

Filisko believes that the "secret sauce" for Victory will be in designing a high-quality product that looks as good as it sounds. Traditional harmonicas are boxy, square and have an "old look" to them. Victory Harmonicas will redefine cool as the "go anywhere instrument of rock stars and blues musicians alike." Filisko has even been heard saying that he wants to do with Victory what Steve Jobs did with Apple and the iPhone. Einstein's engineers and designers have been working non-stop on new harmonica designs and have three models – a low-, medium- and high-end model – ready to go to launch Victory. These models have tested very well and have several patented innovations embedded into them that will make Victory stand out from its competition. It is still unclear where manufacturing of the products will be located and sourcing of the materials will come from. One idea is Einstein could manufacture components and sell them to Victory at "cost-plus" pricing. This decision remains open and will be up to the Chief Operating Officer / VP of Operations to decide with her team.

An analysis of the market segmented the competition into two primary buckets:

1. *Large Manufacturers* – Established companies with global operations and wide distribution network. These companies have been around for a long time and have a recognized brand and position in the market.
2. *Smaller Boutique Manufacturers* – Specialized or custom harmonicas with smaller manufacturing capabilities. Typically specialized or fill a niche in the market. Some of these brands are relatively new but they are characterized by smaller production and specialized products.

Large Manufacturers		Small Boutique Manufacturers	
• Einstein • Suzuki • Hering • Tombo/Lee Oskar	• Hohner • Seydel • Fender[2]	• Dannecker • Dortel • Turboharp	• Yonberg • Bushman

There are also a number of harmonica "customizers" who take existing harmonicas and change various aspects of the harp to achieve a specific tone or design characteristic. These customizers are not seen as a threat to Victory's business plans; rather, an integral part of their marketing plan if they can be given harmonicas to customize and promote. Customizers will change some aspect of the harmonica's four primary components:

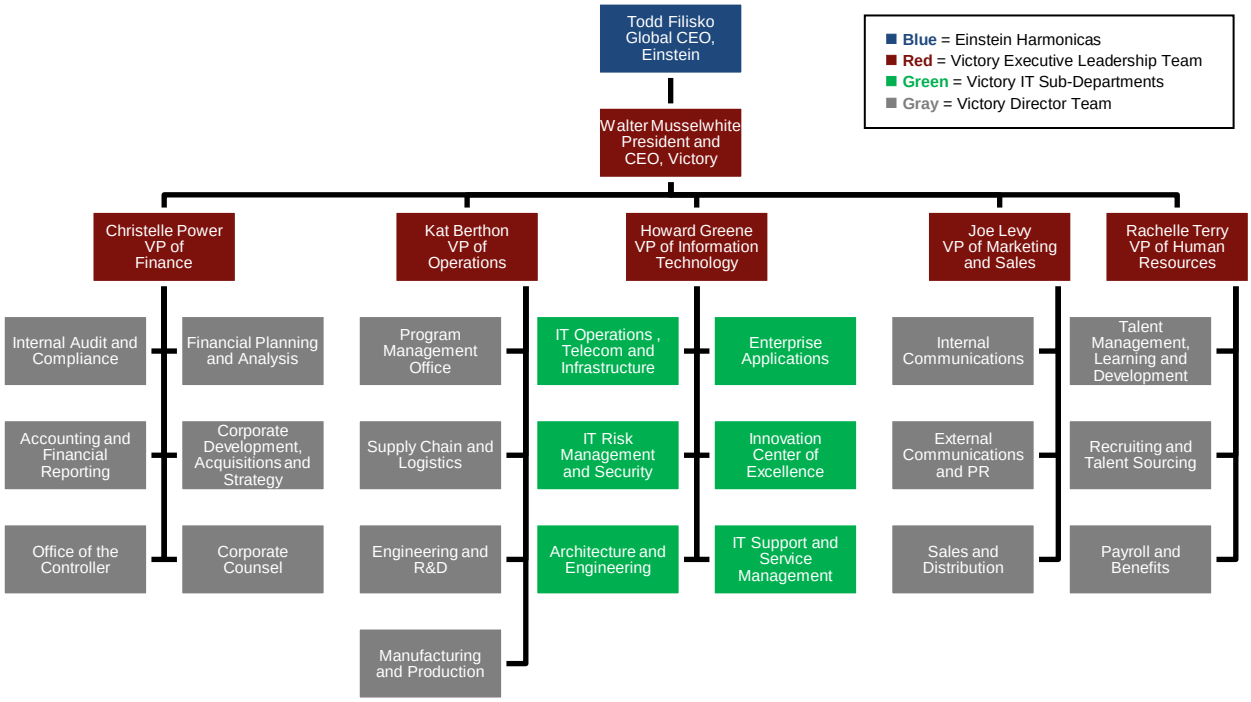
1. *Comb* – The core of the harmonica. Each comb has grooves that act as channels in which the player blows and draws breath to hit a desired note.
2. *Reed Plates* – The metal plate mounted to the comb (often with screws, nails or small bolts). Each harmonica has two reed plats: an upper and lower plate for the draw and blow notes on the harmonica.
3. *Reeds* – The small strips of metal mounted to the reed plates that vibrate when a player blows or draws breath into the harmonica. The reeds are what generate the tones on the harmonica.
4. *Covers* – Made of various materials such as metal, plastic or wood, the covers are what players hold when playing a harmonica. The covers are generally screwed together to keep the inner components harmonica protected.

Einstein's preliminary designs have emulated the sleek designs of Yonberg and Turboharp yet have preserved the quality and craftsmanship of brands found in Dannecker and Dortel. Einstein's main competition in the market is Hohner. Hohner and Einstein actually began as one company back in Germany but split in 1857 due to differences in opinions in how the company should be run and what products should be made.

Einstein knows that its products are seen as "old and traditional." They are synonymous with grandfathers playing "Old Susanna" on the front porch than a rock star front-man belting out a killer solo. So the idea of establishing Victory to create a newer, younger, more vibrant brand seemed like a smart strategy to capture the growing harmonica market. The Victory brand and mantra has become "the finest craftsmanship with a rock-and-roll soul." The prototypes have been developed and the Einstein CEO believes that once Victory gets its instruments into the hands [and mouths] of some big name endorsers such as Sting, Jimmy Fallon, and Billy Joel, these things will fly off the shelf!

Einstein's global executive committee formed a Victory task force and created the new corporate structure depicted below. This group represents the core business functions necessary to get the business off the ground.

[2] "White-labeled" by Lee Oskar and Seydel



Please note: the green boxes represent the IT sub-departments and depict your scope.

Einstein employed a US-based executive search firm to staff the Victory Executive Leadership Team. This leadership team has been in place for a month and has been charged by the new Victory President and CEO, Walter Musselwhite, to determine what their respective departments look like. Specifically, Musselwhite would like to know:

- What will each of the VP's departments do?
- How will they all work together to achieve the vision and goals they have set for themselves?
- What metrics will they use to determine if they are successfully hitting their goals?

Each of the Vice Presidents has been given a consulting team to help address these basic questions from the CEO. The VP of IT, Howard Greene, has extensive experience in building and running IT departments in the past and has determined there are six key deliverables he must define in order to get his organization up and running:

1. A comprehensive IT organization chart and associated job descriptions along with a very brief IT strategy statement
2. An IT charter and roles and responsibilities
3. IT operating model
4. IT service catalog
5. Capability maturity model
6. Governing IT entities

Greene has asked for your help creating these important foundational documents and would like your recommendations. He has provided some preliminary guidance below on what he is looking for and how to put these materials together.

BUILDING VICTORY IT

Greene knows there is much work to be done to present his vision for his organization, but he has great confidence that your team will be able to help him describe what his organization will do. Before he goes off and hires his director team, he believes he has to better define the mission and vision for each of the areas. Although experienced in building IT departments, operating models and charters, Greene would really like your help to validate his line of thinking. He knows he has a lot riding on this new venture and he is worried about understaffing the organization and overstaffing the organization. To get it just right, he believes he needs to lay out the following key components in his plan:

1. THE IT ORGANIZATION AND IT STRATEGY

Based on his experience and the workshops with the Einstein task force, Greene put together six key sub-departments within the IT department (represented in the organization chart above):

1. *IT Operations, Telecom and Infrastructure* – will be responsible for the servers, data center, telecommunications, and general IT infrastructure for Victory.
2. *Enterprise Applications* – will be responsible for application development and maintenance. Applications include enterprise resource planning (ERP), business-area applications, manufacturing and supply chain applications, etc.
3. *IT Risk Management and Security* – will be focused on management of IT risk which includes IT audit, IT compliance and cybersecurity.
4. *Innovation Center of Excellence* – will be focused on the development and integration of emerging technologies such as mobile app development, consumer-facing applications, and assists with the technology aspects of new products and services.
5. *Architecture and Engineering* – will manage the enterprise architecture for Victory. This group also works as solution architects and works with the business areas engineer solutions to business problems using existing or new technologies.
6. *IT Support and Service Management* – will serve as the helpdesk, service and support function for IT. They are responsible for managing the IT request and management of the IT services defined in the IT service catalog.

Greene has asked your team to challenge the model above and see if you have other recommendations for organizing his department into logical functions. Once you have a model you are happy with, he'd like your team to "define the boxes" representing sub-departments below each of the 6 areas above. He believes each of the gray boxes equates to one director position. He would like to know how many managers and analysts/associates should be included in this model. You must write a short job description for each position and describe what each position will do. Greene believes that consulting sources like COBIT, ITIL, TOGAF and ISO27001 may help you get a sense for the day-to-day tasks of these resources.

Additionally, Greene has asked you to develop some IT principles and strategy statements to feed the IT charter (see next section). Think of these principles as the overarching guidelines that IT will follow. They should answer some fundamental questions including, but not limited to:

- Will IT lead the business or support the business?
- Will IT stay on the cutting edge or just be good enough to support what the business needs?
- Where does IT see itself going in the next 1, 3, and 5 years?
  …and many other questions that describe the priorities of the IT organization.

The principles are the statements that IT will live by. You should be sure to include a mission and vision statement that is supported by these principles.

2. IT CHARTER, ROLES AND RESPONSIBILITIES

While the organization model is being established, Greene would like you do develop a charter for his new IT organization. A charter is the document that establishes what the organization will do and who is responsible for what. Greene has indicated he would like to see a RASIC chart within the charter showing everyone's responsibilities. He has provided definitions you can use to create this chart:

- *Responsible* - Those who do the work to achieve the task.
- *Accountable* - The one ultimately answerable for the correct and thorough completion of the deliverable or task, and the one who delegates the work to those responsible. Note: the notation of "A/R" can be used to indicate that the accountable role is also responsible for completion of the task or deliverable. This is to signify a "working member" of the team vs a pure delegation of the item.
- *Supports* – Contributors and key resources proactively supporting the production of the work product or execution of the task.
- *Informed* – Those who are kept up to date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication. Those indicated with an "I" will be informed at the discretion of the Accountable individual or as requested by the designated informed individual.
- *Consulted* – Those whose opinions are sought, typically subject matter experts; and with whom there is two-way communication.

You should draw upon charter templates, COBIT and other research to determine that your organization model, charter and associated RASIC chart is complete.

3. IT OPERATING MODEL

Greene knows that all the pieces of his organization must work together, not only within his department but also with the other parts of the business. Given the organization, roles and responsibilities you defined in the previous tasks, Greene would like to see a model for how the parts of his organization interact with one another and between the other parts of the Victory's business functions. You should make sure the IT operating model is complementary and does not contradict your defined roles, responsibilities and charter. For example, you define a relationship between Manufacturing and Production and Enterprise Applications since the Enterprise Applications group will support the design, development and maintenance of manufacturing and production systems. You should be careful to only establish relationships between entities where a true transaction or exchange may exist. This IT operating model should be able to answer the question: "how does each aspect of IT impact one another and how does it impact the business." You only need to focus on the relationships that impact IT (e.g. IT to IT and IT to the business areas); you do not have to define relationships between the other business areas outside of IT (e.g. Finance to Sales).

4. IT SERVICE CATALOG

The IT service catalog is a "menu of things" IT does. Each "thing" is defined as a service IT provides. Greene would like to know all the services that IT will provide to itself (e.g. internally facing services) and services it will provide to the business (e.g. externally facing services). For example, IT Risk Management

and Security may provide a host of services such as security monitoring, incident response, vendor risk evaluations, etc. as part of its organization. This service catalog should naturally fall out of the charter, RASIC, job descriptions and operating model but Greene is interested in really understanding the following about each service:

- Service name or title
- A brief description of the service IT will provide
- High level metrics or key performance indicators for how effectively the service is being delivered. These metrics can be time-based, cost-based, quality-based or other forms of measurement to determine if we are delivering the services well.
- How the service will be "costed" and charged back to the business (e.g. per user, per minute, per server, etc.)

Greene would like at least five defined services per green box. You can and should add more services for a sub-department that you have defined as having a lot of responsibilities.

5. CAPABILITY MATURITY MODEL

Greene knows that he must be able to show measurable improvement and progress when building his organization. He is interested in how well he is doing and the maturity of each of the IT capabilities he is developing. He would like to see your model for how he can evaluate the maturity of each capability he is building. Greene has recommended a six-point scale (0 – 5) to measure the maturity of each capability. It is up to you how your team defines each capability. You could define a capability as a service or even responsibility that is executed within a sub-department. It is up to your team and he is interested in your recommendation. Greene understands that his organization is currently at a 0 right now but would like to see a three-year progression of the capabilities and maturities necessary to grow the business to where Victory wants to go.

6. GOVERNING IT ENTITIES

Greene knows that there are likely advisory boards and governing bodies necessary to oversee IT. Of course, each director will have ultimate accountability for their sub-department but experience tells him that he needs a structure for decision-making such as working groups, advisory boards and steering committees to make sure that good decisions are being made in a coordinated manner. Greene has asked for your recommendations on:

- what IT governing bodies should be established?
- who should be on them and who will run/chair them?
- what should they do?
- how often should they meet?
- how are decisions made and decided?
- what is the overall hierarchy of the governing bodies?

Greene has indicated that you could, if you so desire, create a charter for each governing body to answer these questions but has left it up to you. His biggest request is keep as few groups as possible. Greene does not want an overly bureaucratic organization; just enough to make sure that good decisions are being made and are coordinated across his department.

YOUR TASK FOR THIS CASE – PRESENTING TEAMS

PART 1

The team assigned to present part 1 for the case should address 1 – 3 above. Your case solution should consider all six parts but you only need to turn in and present the deliverables for 1 – 3 above.

PART 2

The team assigned to present part 2 for the case should address 4 – 6 above. Your case solution should consider all six parts, but you only need to turn in and present the deliverables for 4 – 6 above.

WORKING TOGETHER

The groups working on parts 1 and 2 may, but do not have to, work together to solve this case. Because there are two separate presentations, each team's solutions are not required to be coordinated; however, you may decide to do so if you choose.

YOUR TASK FOR THIS CASE – ALL OTHER TEAMS

CASE STUDY EXECUTIVE BRIEFING

Due to the importance of having a well-integrated and skilled team to really promote the foothold of Victory Harmonica Corporation in the large and competitive U.S market, the Victory President and CEO (Walter Musselwhite) is requesting a status on the IT governance model. As such, you will be responsible for developing an executive placemat outlining the following:

- RACI charts for the key corporate functions relating to IT (i.e., the functions in green within the corporate structure depicted on the top of page 4 above)
- Bullet-points explaining the integration between these IT functions with the other business functions to ensure that both the business and IT functions are aligned in goals / strategy as well as to promote consistent visibility

GENERAL CASE STUDY GUIDANCE

At a minimum, the solution to your case study should include the criteria below. Though not mandatory, you may use this as a format and general flow for your case study.

- A clear and concise background of the facts of the case.
- Key issues, observations and complicating factors that contribute to the root cause of business problem at hand.
- A clear statement of the business problem to be solved.
- An overview of the solution and its components. The solution should address the key tasks outlined for you in the case.
- Demonstration of sufficient analysis that led you arrive at your solution.
- Clear recommendations for how the solution should be implemented or deployed.

- A timeline for execution of your recommendations.
- A budget or cost model for implementing your solutions. Be sure to include the cost to build and deploy your solution and the cost to run and operate your solution after it is built.
- An analysis of the risks, issues, key assumptions, and any mitigating factors you will employ to minimize the likelihood and/or impact.

You have been asked for a lot of detailed information to solve this case. The trick will be to package this up into a digestible executive presentation your audience can understand. Detailed supporting information can be included in an exhibit in the appendix of your presentation.

Your case study solution should also include:

- Citation of key sources in the form of end notes cited in your appendix.
- Application of standards and leading practices that help to inform your solution.
- Use of the tools from the IT GRC Toolkit found on Canvas.

A few tips and tricks for solving this case:

- Company financials have intentionally not been provided to you for this case. To build your model about sizing of the company, please conduct your own independent research and find similar peer companies.
- Feel free to make assumptions that support your conclusions. Be sure to state your assumptions in an exhibit in your appendix. Your assumptions should not significantly alter the facts of the case; rather, they should support the recommendations by filling in the missing pieces of information in the case.
- You should NOT simply copy/paste from COBIT or any of the other standards. The key is to use the standards to help you solve the case. Remember: standards are NEVER the answer on their own; they must be applied to the business problem.
- Incorporate the important aspects of your other MSIS core classes. For example, please incorporate lessons from your IT strategy and case analysis class. This will be critical to your success in all your MSIS classes.