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# IT Road Maps for IT Transformation

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BY MICHAEL CONNOLLY AND EDWARD H. BAKER

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**N**o one disputes the importance of aligning the strategic goals of a business with those of its information technology organization. Yet putting in place the proper planning processes to achieve an integrated IT strategy has never been easy. For almost eight years, Aetna Inc., the US\$34.7 billion health insurance giant, has approached the problem through the use of IT road maps — chronological plans designed to blaze a clear path for IT investments and to ensure that the company gains the set of capabilities, expressed in the form of a “blueprint,” that it needs to support its many business units in a fast-changing health insurance environment.

During this period, the effort has been led from the IT planning side by Meg McCarthy, Aetna’s longtime CIO, who was recently promoted to executive vice president of innovation, technology, and service operations. She sat down with *strategy+business* to discuss how IT road maps have facilitated Aetna’s capital investment and IT strategy, and the lessons the company has learned in the process.

**S+B: Why did Aetna decide to approach IT transformation through an investment road-mapping process?**

**McCARTHY:** From the day he came to Aetna, Ron Williams, our former chairman and CEO, articulated to the business leaders that IT planning is not some-

thing that the IT people go off and do. It’s something that every business leader needs to be very involved in. He wanted them to understand the technology environment that was going to support the growth of their businesses.

Ron was very focused on ensuring an appropriate integration between our strategic planning process and our IT planning process. And as the company was coming out of a turnaround, he recognized that we were going to need to overhaul the architecture of the company. In looking at that effort as well as a lot of other work that we had ahead of us in coordinating with our business partners, the entire senior team recognized that we needed a blueprint and an IT road map. The blueprinting or capabilities process is an integral part of our overall strategic planning process.

**S+B: What was the IT investment approach like before the IT road map process was put in place?**

**McCARTHY:** There was no sophistication around the prioritization process at Aetna in terms of what technology the businesses needed to implement and what the return on investment would be. Putting together the blueprint for each business domain allowed us to align investments with the strategic plans of those businesses.

Ron was a firm believer in the idea that you can’t know where you’re going unless you’ve got it clearly laid

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out in a strategic plan underpinned by a technology road map. So having blueprints for 80 percent of the domains in the company allows us to really look ahead and understand what capabilities, both technical and functional, we need in order for the business to be able to achieve its strategic plan. Without that, you really don't know where you're going.

The IT blueprinting process has become such an integral part of strategic planning that projects will not be prioritized unless they are part of a blueprint. The blueprints are all reviewed by our investment committee, so we have visibility into what those priorities are going to be, and which ones will get the investment dollars each year.

**S+B: How do you set those priorities? I imagine that's a hotly debated topic.**

**McCARTHY:** It's always a challenge. Every year, as we come out of the strategic planning process, there are always twice as many investments that the businesses want to make as there are dollars to be invested. So we have to be pretty rigorous as to the return on investment that we expect.

The operating plans of each business include what's expected relative to that return on investment [ROI], and the businesses are required to report what they have achieved in terms of that ROI. We don't just allocate investment dollars to a business. We allocate the money, track it, and report on it to be sure that we are getting the expected return, given the dollars that we invest.

We haven't always gotten the kinds of returns we've hoped for. But over the years, we have refined the process so that we're looking at milestones along the way in terms of both the dollars that it will take to build

whatever we are building, and the dollars that we expect in terms of the return. In some cases, we've called a time-out if something is out of balance along the way.

**S+B: What are the greatest benefits you've gotten from this type of IT planning process?**

**McCARTHY:** We put together an overall technology blueprint for the company, and that's a three-year view of the underlying technologies that are going to be required to support the business blueprints. And in a company of our size and scale, that's a pretty complex set of hardware, software, and other technology capabilities that need to be positioned appropriately. So we have very few situations where we are being asked at the last minute to implement some piece of technology. It's all very well laid out, and I think that's one of the greatest benefits: We can plan our spending, we can plan the implementation of these technologies, and we can bring into our labs the technologies that need to be tested, to be sure that the capabilities are going to be there when the business needs them.

**S+B: In an industry like healthcare and a company as broad and complex as Aetna, things must happen that are not on the IT road map. How do you manage those exceptions?**

**McCARTHY:** In two ways. First, we work in a regulated industry that's becoming more and more regulated. Throughout the year, the federal government or any given state government will have a requirement that they want to see implemented in short order. So we allocate a total dollar amount to the regulatory environment, and as those requirements come up, we evaluate them and then incorporate them into the overall invest-

ment planning process and the technology planning process, recognizing that we're not going to have a three-year road map for federal or state government mandates. So we try to incorporate the investment and the work into our overall release planning. That's probably the biggest exception area.

Second, in some cases where we have some lead time, as with the new healthcare reform legislation, we are looking out over the next three years at what we need to have in place, and by when, and what needs to be positioned underneath that from a technical standpoint to support the healthcare reform legislation. So in that sense, we are able to create a quasi-blueprint.

**S+B: Do you approach all these diverse demands in terms of portfolio management, dividing up the portfolio into different types of investments, perhaps regulatory versus differentiated? And do you set targets that you change year-over-year based on your strategy?**

**McCARTHY:** We do, and we're pretty challenged in that regard, as I'm sure most of the other healthcare companies are. Over the past five years, the regulatory component has consumed more and more of the discretionary spending that we would prefer to allocate to the businesses. And this year and next year in particular, as we get positioned for healthcare reform, there's very little strategic investment that we can make, because the regulatory component is consuming so much of our spend.

**S+B: Given how much of your efforts are currently consumed by the reform agenda, what do you think are the key capabilities you need to put in place to compete?**

**McCARTHY:** At the highest level, we need to interact with consumers in a very different way. The health insurance industry has been pretty much a B2B industry. Most of the large companies have some individual business, but for the most part, the interaction with our members is through their employers. And as we look ahead in the context of 2014, and the exchanges that will be put in place to offer individual insurance coverage, we will need more product flexibility, product transparency, and the ability to understand our consumers in a way that we haven't understood them

before. So we need a business-to-consumer set of capabilities that we haven't had in the past.

**S+B: Do you expect IT road maps to give you a better handle on your investments for a more diverse business and to help you think about what things are shared and what things are unique to some of the businesses that you're getting into?**

**McCARTHY:** Absolutely. Our architecture team does a great job of assessing the capabilities that all the businesses are looking for, and the common capabilities. As you know, a number of years ago we implemented a service-oriented architecture here, and we have become very good at looking at how we can build new assets and then reuse them. Having a blueprint and capability approach allows us to reuse both those assets and the processes that surround them. And we track the extent to which we reuse those assets, so we can measure how well we're doing in terms of the benefits that we're driving back into the businesses.

**S+B: Do you also measure the success of road maps and the progress you've made?**

**McCARTHY:** Yes, we do. Each year, as we go through our strategic planning process, one of the inputs is the business's road map. As part of the process, we update that road map with whatever new thinking the business is bringing forward into its strategy, and whatever new thinking we're bringing into the conversation from the meetings that we're having with our technology partners and other technology-related activities that we're aware of.

**S+B: All this sounds like a great deal of work. Who does it all?**

**McCARTHY:** We have mutual accountability here. We have a rigorous governance process that starts at the top. We have an investment committee chaired by the CEO. Our executive committee sits on that investment committee, as do the business leaders who are responsible for the operating units. The investment committee is responsible for the investment decisions and for decisions associated with the blueprints and road maps that

we focus on each year, and those again are tied directly to the strategic plan and to the work that we want to accomplish over the coming planning period.

This is then driven down into the organization through our management processes. The governance of the portfolio of work that we do, week in and week out, year in and year out, is overseen by the CIO and our IT team in conjunction with our business leaders, and every project has a business owner and an IT owner. We track the status of everything that's done — scope, schedule, cost — as well as the work that we're doing to continue to maintain the integrity of, and advance, the architecture. So we've got a pretty robust governance process, managed by both the business and IT, and we keep refining it.

**S+B: How do the business executives view the investment process?**

**McCARTHY:** I think they see it as an important part of the overall strategic planning process, partly because IT is always learning from the business, and the business is always learning from the IT leaders. One thing we do throughout the year is reach out to the IT companies we work with on an ongoing basis so that we can understand where they're headed from a strategic perspective. If they're able, they will share with us their strategic plans, particularly from a technology standpoint, so that as we're interacting with our business partners, we're able to bring back to the business an understanding of where the technology is going. As we work with the technology blueprint, we can articulate those things that we know are going to be coming online from some of our vendor partners. I believe that the business sees that as a very valuable input to what they want to accomplish.

**S+B: I gather that IT plays a very strong role in the investment road map process. How do you get the business executives to participate on a day-to-day basis?**

**McCARTHY:** They participate in that they own these projects. In our world, the executive team views the ownership of the projects that get done as a business responsibility. We're responsible in IT for delivering the

resources to build new code and to implement the systems, but at the end of the day, if the CEO is looking for the status on a particular project, he won't just call the CIO. He will also call the business leader who has responsibility for that particular area. That sets the tone for mutual accountability as it relates to anything we do here. And that's very important.

**S+B: Would Ron mention a specific road map in your discussions with him?**

**McCARTHY:** Oh, absolutely. Not only would he reference a blueprint and a road map, he would sit down with Michael Mathias, our former chief technology officer and now our CIO, and me to look at the technology blueprints and road maps for the company, or a particular blueprint or road map that he might have an interest in, and he would ask great questions about them.

**S+B: My understanding is that Aetna has been using this process since about 2002. What advice would you give to a company just starting such an effort?**

**McCARTHY:** I think that unless there is wholehearted support from the business leaders starting at the top, you will not be successful in this endeavor. If there isn't support, it will always be viewed as something that IT does on its own. I think having that mutual accountability, having that partnership with the business, is so critical to doing this the right way.

**S+B: Is there anything that you would look back on and say you wish you had done differently?**

**McCARTHY:** Oh, a lot of things. One of the things that we really pride ourselves on is being a culture of continuous improvement. Every year we look at the strategic planning process and how we could do it differently. We look at the IT support that is provided to the strategic planning process and how we could do that differently. We look at our governance process to see what things we can improve on each year. We make mistakes every day here, but hopefully they're fewer and farther between than they used to be. +

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