

# Leading energy provider, Contact Energy, leverages IBM Rational Portfolio Manager to establish alignment between Information Management and the business

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## Overview

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### ■ **The Challenge:**

*With the energy industry becoming more competitive, Contact Energy wanted to transform its Information Management (IM) organization from a cost center to a strategic asset within the company.*

### ■ **The Solution:**

*Contact Energy pursued an aggressive organizational change initiative designed to elevate the credibility and boost the performance of its IM organization. This approach was supported and enforced by the IBM Rational Portfolio Manager solution.*

### ■ **The Benefit:**

*Following a four week rapid implementation, benefits realized include: reporting based on real data, improved resource utilization, visibility into project progress,*

*knowledge of true costs, funding decisions based on business value, and elevated credibility of IM within the business. "With Rational Portfolio Manager, Contact has achieved its short term goals, and is positioned well for future growth and success. Leveraging Rational Portfolio Manager, IM is now an essential partner in the Contact growth plan." (Kunnen, CIO)*

Contact Energy is New Zealand's leading integrated energy company, supplying homes and businesses throughout the country. The company began in 1995 as a state-owned generator established by the New Zealand government to introduce competition to the electricity market. Following industry reform and an aggressive growth plan, Contact has expanded into energy retailing, grown to over half a million customers, and is one of the most widely held stocks in New Zealand. In the past decade, Contact has transformed itself from an embryonic state-owned enterprise to a fully-fledged, integrated energy

business delivering 27 percent of New Zealand's generation capacity, and servicing 40 percent of the gas retail market and 28 percent of the electricity retail market. While this hyper-growth has yielded many great things, the growth, maturity and capabilities of the Information Management (IM) organization did not keep pace with the business. In 2004, the Contact Board of Directors raised a red flag and targeted the IM organization for a major realignment.

"When I joined the company in late 2004, there was clearly a gap between the capabilities of the IM organization and the demands of the business," said Jos Kunnen, CIO. "At that point, conversations about IM surrounded cost, not delivering value-added services. IM was viewed as a cost center, and we were regularly criticized for failing to deliver projects that the business needed. To compound the problem, we had no way of knowing what our efforts actually cost or where our resources were being invested, so we couldn't

begin to make ourselves better.”  
Kunnen and his team evaluated the role and capabilities of IM within Contact, and isolated two key challenges for IM:

- *To be able to monitor and report on the success of projects.*
- *To ensure that resources are invested in projects that deliver value to the business.*

### **A comprehensive approach**

To address these challenges, Kunnen spearheaded an ambitious organizational change initiative within IM. Out of this change project emerged Contact’s Opportunity Lifecycle, which was designed to integrate the business principles of the company with the IM architecture. The result was a well-defined project methodology that clearly identified all the transaction points and phase gates required to advance an opportunity through the lifecycle. The Opportunity Lifecycle established a common roadmap and a common language between IM and the business.

While the organizational change project was taking shape rapidly, it became clear that Contact would need an automated portfolio management tool to enable and enforce the ambitious initiative. “We tried to document process flows and

mock-up spreadsheets as we went along, but we quickly realized that this would not meet our needs,” said Ad van der Tol, project director within Contact.

Contact scanned the marketplace for portfolio management solutions and evaluated a number of top providers. Ultimately, Contact Energy chose IBM Rational Portfolio Manager for the following key reasons:

- *Strength of resource scheduling functionality*
- *Strength of time-tracking functionality*
- *Strong fit between Rational Portfolio Manager capabilities and the planned organizational changes*
- *Ability to support the Opportunity Lifecycle framework and project management best practices*
- *Ability to deploy IBM global expertise to execute a rapid implementation*

“The broad and deep capabilities of Rational Portfolio Manager can take us beyond where we are today, and future-proof us against the changes we want to implement in the future,” said van der Tol.

### **Rapid implementation**

As part of the Opportunity Lifecycle initiative, the IM team had already defined, documented and com-

municated new information management processes and success metrics. This process infrastructure, in addition to the easy configuration and implementation of Rational Portfolio Manager, gave the Contact team the confidence to set and achieve an extremely aggressive four week implementation timeline. “One critical factor that clinched a successful implementation was that we had already engineered how we were going to evaluate and measure the business success of our project portfolio. That set the stage for a smooth transition from the implementation of Rational Portfolio Manager to leveraging the solution successfully in our business,” reflected van der Tol.

### **IM—an essential part of the business**

Although only a short time has passed since the implementation of Rational Portfolio Manager, the results have been dramatic. “Leveraging Rational Portfolio Manager, IM has earned a seat at the table for making strategic decisions. We are no longer viewed as a sunk cost or a necessary evil, we are viewed as an essential partner in Contact’s business,” said Kunnen. The benefits of Rational Portfolio Manager observed thus far have contributed directly to Contact’s success in overcoming the primary challenges identified at the outset.

**Challenge #1:**

*To be able to monitor and report on the success of projects.*

**Observed benefits from Rational Portfolio Manager****• Reporting based on real data**

Prior to Rational Portfolio Manager, IM reports were often based on opinions and interpretations. “We would spend more time arguing about whether the data was accurate, or what it meant, than we would discussing the best path forward.” Now that all of Contact’s project information is managed by Rational Portfolio Manager, the data and reports are consistent, accurate and reliable.

**• Improved Resource Utilization**

With full visibility into what people are working on through Rational Portfolio Manager, Contact now knows which resources have availability and which are overworked. “It makes the CIO’s job easier, because instead of running around trying to figure out what people are doing, I can spend my time optimizing their utilization.”

**• Real knowledge of true costs**

Because Rational Portfolio Manager integrates time tracking, expense management and project scheduling, estimated costs and real cost are reconciled as projects progress and finally close. “Prior to Rational

Portfolio Manager, we were forced to guess about costs at the beginning of each new project. Now we are able to access real costs from previous similar projects and make more educated cost projections.”

**Challenge #2:**

*To ensure resources are invested in projects that deliver value to the business.*

**Observed benefits from Rational Portfolio Manager****• Positive funding decisions are based on business value**

Rational Portfolio Manager has established a framework that puts Business and IM on the same page. As new opportunities arise, meaningful discussions are held between IM and the business—using the same language—to evaluate the opportunity based on its potential contribution to the business. This has reduced spending on low value projects, and has increased the overall value of Contact’s portfolio.

**• IT has credibility with the business**

With Rational Portfolio Manager, Contact IM is now making decisions and reporting information based on facts. “The time we used to spend arguing over inaccurate data can now be spent ensuring that we have the right resources doing the right things to add value to the business.”

With Rational Portfolio Manager, Contact has achieved its short-term goals and is well positioned for future growth and success. Says Kunnen, “Rational Portfolio Manager has armed IM with certainty, and that has been very powerful. With certainty, we can report on the success of projects across Contact’s portfolio. With certainty, we know that the right resources are working on the right projects to deliver value to the business. And with certainty, we plan and budget for the future.”



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02-06  
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