Delivering the Value of Your Technology
Insights to Action
The massive digital transformation of business is now firmly underway in just about every industry. This transformation is not limited to the United States—it’s a global shift. The growing impacts of this transformation range from enhancing both customer and employee experiences, to expanding market share and driving revenue. In fact, McKinsey estimates that by 2025, digitization could add as much as $2.2 trillion to the annual GDP in the U.S alone. Those businesses that lead the charge stand to gain incredible advantages, reshaping and redefining their marketplaces for years or decades to come.

As businesses rush to capture this tremendous opportunity, CIOs and their IT teams face growing pressure from two angles: Business units increasingly recognize technological capability is a key factor in realizing their growth strategies—and they want IT to anticipate these technology needs to enable growth. However, IT teams are an increasingly popular target for cost-control initiatives and the typical IT organization is scrambling just to meet the basic operational needs of the business. As a result, 85 percent of IT decision-makers say they’re still years away from reaching the potential of their digital transformation.

CIOs increasingly turn to Technology Business Management (TBM) techniques to help describe IT budgets and quantify IT costs. But, to truly unlock the growth potential associated with digital transformation, IT organizations need to advance their TBM maturity beyond this reactive approach. Leveraging TBM insights can drive strategic technology investments that anticipate the needs of the business and proactively enhance business growth.

Executive Summary

By 2025, digitization could add as much as $2.2 trillion to the annual GDP in the U.S. alone.4

Global spending on digital transformation will reach $2 trillion by 2020.3
Technology is the main driver and limiter of business growth

All business leaders today recognize the transformational potential of digital technologies to unlock new opportunities and enable new ways of working and create new paths to growth. Two-thirds of Global 2000 companies now have digital transformation at the core of their corporate growth strategy. It is estimated that global spending on digital transformation will reach $2 trillion by 2020. Despite this wholesale prioritization of digitization, technology is a key barrier to growth for most companies. Ask the individual business units in an organization about the most important enablers to their plans and they’ll readily list technology capabilities—or name needed technological advances that would fast-track their growth initiatives, allowing them to speed operations, improve customer experiences, drive sales and revenue, etc. Who must step up to deliver this functionality to the business? The IT organization.

IT struggling to keep up with rapidly expanding business demands

IT leaders may know they’re under-delivering. But most IT organizations lack the resources to achieve a timely, responsive approach to meeting business unit needs. While IT leaders and staff may not spend as much time managing on-premise technology assets such as servers, storage arrays and the large data centers that contain them, much of this workload has been replaced with the challenge of managing the complexities of off-premise. At the same time, IT resources are under constant scrutiny, as business leaders look to IT budgets as quick-win cost-cutting opportunities. The result: Most IT organizations spend the majority of their resources (anywhere from 60-90 percent) on basic operations—just keeping the business up and running.

IT budgets under fire—even as technology spending increases

Ironically, as technology moves to the forefront of business growth strategy, IT is struggling to maintain its share of the budget. IT leaders continue to indicate that lack of funding is a top barrier to their organizations’ digital transformation. The problem? Business leaders see traditional IT costs—managing servers and other on-premise technology assets—sharply declining as cloud-based options move these assets outside the walls of the organization. At the same time, they see technology spending increasing dramatically overall, as every aspect of the business undergoes a digital shift. As businesses look to optimize these growing technology costs, IT becomes an easy target, as leaders typically think, “We’re moving everything to the cloud anyway—it doesn’t need as much money.”

The reality is that the IT workload has only grown. There is still plenty of on-premise technology to manage, but IT must now support a rapidly growing web of cloud-based assets. The cost of “keeping the lights on” continues to grow, even as traditional IT costs—and IT budgets—decline.

You can’t invest in the “grow” if you’re constantly funding more “run”

As CIOs fight for the resources needed to support and enable digital transformation, they are engaged in a never-ending defense to the CFO for every penny spent. The result, as Gartner describes, is that “IT is often funded such that it must provide lowest-common-denominator service and cannot scale to meet the business need for information-technology-enabled service.” However, as businesses shift to an aggressive growth strategy largely dependent on expanding and supporting new technological capabilities, the CFO’s bare-minimum-cost approach to IT budgeting is misaligned with the increasing demand for the CIO to deliver business value.
TBM emerges as a solution to the IT cost battle

As CIOs look to connect IT and overall technology costs with business services, best-in-class TBM tools provide the critical spend visibility across the enterprise. More and more CIOs are leveraging TBM products as a powerful bargaining tool in the constant budget battle, effectively aligning IT costs with the business services they enable and support (because business leaders want to cut costs—but not lose value). However, some TBM implementations fail to deliver the anticipated benefits. Most of these failures result from one of these three mistakes:

Three ways TBM strategies fall short

1) Not knowing how to turn TBM data into actionable strategies
   Today’s TBM processes and tools are increasingly easy to deploy. But for many organizations, the strategy stops there. Figuring out what to do with the data—what questions to ask, what metrics to analyze, and how to develop executable improvement plans—requires deeper knowledge gained from experience. In other words, while automated TBM platforms can quickly show a CIO where the money is going, there is no one-size-fits-all, out-of-the-box solution to the problem of how to optimize that spending. Without experienced guidance, these organizations are left with an expensive new pile of data—and little else.

2) Implementing TBM as a point solution
   Plenty of IT organizations successfully make use of their TBM data—once. With IT budget pressure intensifying, deploying a TBM tool is often a reactive response to a specific call for cost-cutting or efficiency gains. IT leverages the tool to analyze the status quo, implements changes, realizes cost savings and declares IT spending officially “optimized.” Then, they continue on for months (or years) with this new, “optimized” status quo. But technology demands evolve literally every day in the digital enterprise, and small new inefficiencies can grow into significant waste in a matter of weeks. In fact, Gartner went so far as to title an entire report, “IT Cost Optimization Should Be an Ongoing Discipline.”

3) Limiting TBM to cost optimization: Focusing on the “run,” but not the “grow”
   TBM tools offer a powerful way to optimize the “run” functions of an IT organization—the workflows, processes and costs that support basic operational needs of the business. But limiting TBM to optimizing the “run” still represents a reactive position, where IT is left defending the need for budget to support existing capabilities.
Five Stages of the TBM Maturity Journey

Today's sophisticated TBM tools can help CIOs achieve the “quick wins” of cost attribution and optimization. However, there remains a tremendous opportunity to look beyond the “run” and move beyond a reactive stance, leveraging TBM insights to anticipate the technology needs that will unlock growth. But, as Gartner succinctly states, “IT cost optimization is not a project; it’s a discipline.” And like any discipline, success is about diligent processes. Moving from low to high TBM maturity—and from reactive to proactive growth support—is a journey through five key stages:

1) Awareness
The first step is building awareness of how technology is being invested today—and what value that technology is bringing to the business. Most businesses lack this awareness because most IT organizations don’t fully understand it themselves. IT operational data and financial data remain in separate silos, making it extremely challenging to attribute detailed financial data to specific technology assets. Fortunately, today’s best-in-class TBM tools seamlessly integrate with other operational solutions, connecting rich IT asset management data with advanced cost allocation and categorization capabilities. This enables IT organizations to better align IT costs with IT services and, ultimately, with business services. This extensive cost attribution enables a smarter approach to IT cost optimization, moving an organization into the next phase of TBM maturity.

2) Credibility
With business leaders keenly aware of the total technology investments in overarching business growth strategy, the IT organization begins gaining credibility as a group that can be relied upon to deliver specific, strategic outcomes to the business. These outcomes no longer revolve around cost-cutting. The CIO can directly respond to business unit needs in near-real-time, no longer battling the CFO over costs, but instead enjoying the credibility that technology investments are the key drivers of business outcomes. Though an IT organization has achieved a significant level of TBM maturity at this stage, it’s important to note that the CIO remains in a reactive position: The business units dictate both the growth strategy and the corresponding technology needs; the IT organization reactively delivers.

3) Relevance
With increased credibility and growing involvement of IT in the strategic business planning, business leaders begin recognizing the connection between IT services and business outcomes, and begin looking to IT to provide advanced metrics and analytics to help inform business strategies and decisions. The CIO is now able to demonstrate how existing technology spending delivers specific, measurable business outcomes—and can begin offering predictive insights into how potential technology investments will impact the business.

4) Control
With increasingly visible and integrated data, IT organizations leverage this comprehensive visibility and awareness to intelligently manage and optimize the “run.” Equipped with a detailed understanding of how IT spending ladders up to business services, the IT organization can identify where it can streamline operations and contain costs—without impacting service levels or removing business value. For example, with all the information at hand, it’s easy to recognize the redundancies and inefficiencies that result from decentralized technology spending among disparate business units. Ultimately, this stage is all about increasing the IT organization’s level of involvement in technology spending decisions—monitoring, management and executive decision-making.

5) Influence
In the final stage of TBM maturity, the CIO becomes a key contributor in developing business growth strategies. The IT organization is leveraging its TBM data to extract predictive insights. IT is not only anticipating the technology needs of business units—it is identifying the technology investments that will unlock growth opportunities. Moreover, the entire growth planning process has been altered and enhanced: Instead of mapping technology investments to high-level business goals, the high-value technology investments assist in defining the growth goals. The CIO has finally moved into a proactive, offensive position—and earned a seat at the executive table as a strategic growth partner.
How the CIO can move from cost to value

Woven into the TBM maturity journey is the critical transition from talking about IT costs to talking about IT value. Forward-thinking CIOs recognize that as long as their conversations with the CFO and other business leaders remain centered on costs, the CIO will remain in an administrative position—and the IT organization will be limited to a reactive approach. To advance TBM maturity and get buy-in for the proactive investments needed to anticipate and drive business growth, CIOs need to shift the conversation with business leaders from cost to value. But how?

Redefining the ‘R’ in ROI

Most CIOs know that ROI is the universal language of value in the business world. Unfortunately, most IT organizations define ROI in terms of IT-specific costs and IT-defined business cases. But defining the “return” in terms of bits and bytes—more bandwidth, faster server response, improved network resiliency, etc.—doesn’t create a compelling value proposition for non-technical business leaders. To grab attention and demonstrate the value of technology spending, CIOs need to define the “return” in terms of business outcomes: new customers acquired, faster customer response times, shorter time to revenue, etc.

Demonstrate that technology IS the business value

Critically, this redefinition of ROI is not about simply linking technology to business outcomes—it’s about showing that technology spending and business outcomes are completely interwoven. Increased network bandwidth directly drives customer service levels. Server response time directly drives both customer satisfaction and sales conversions. Streamlined revenue management technology puts dollars in the bank days (or weeks) sooner.

The pyramid approach: Tell a compelling IT value story

A compelling value story around a specific technology investment should follow a pyramid structure, putting the most relevant, easy-to-understand outcomes at the top, then moving into the discrete business unit changes that enabled that outcome, and progressively expanding the story to reveal the technical changes that drove these impacts.

1) Business Outcome: Improved customer satisfaction

2) Behaviors Changed: Enabled faster agent response times

3) Capabilities Changed: Improved call routing; more efficient agent workflows

4) Technical Details: Upgraded call routing system; deployed call center analytics to streamline agent workflows and improve agent information dashboard

5) Technical Costs: Costs aligned with each of the technical details

Changing the conversation: The pyramid approach:

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Conclusion:

Realizing the potential in proactive, predictive TBM

As IT leaders balance increased technology demands with budget pressures, IT organizations in every sector are successfully leveraging TBM solutions to justify IT budgets and optimize IT costs. However, as more businesses recognize that technology is the critical driver—and inhibitor—of business growth, there is tremendous potential to look beyond the “run” and leverage predictive TBM insights to drive proactive technology investments for business growth. With the right expertise and support, IT organizations can advance their TBM maturity, going beyond cost attribution to reveal how technology spending drives measurable business outcomes today—and leveraging bold new TBM analytic capabilities to define the technology investments that will unlock growth tomorrow.

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