



Finding business relevance in IT. Our Expertise.

From an Expense center to a Value-centered IT model

More than half of all the capital spending by businesses worldwide goes to IT. However, most of the senior executives remain skeptical whether their IT investments are paying off.⁽¹⁾

Many organizations can't get a true grasp on the business value IT adds to the enterprise it serves. Defining, measuring and maximizing that value remains elusive. CIO Eureka! helps IT organizations to broaden their relevance of action beyond the technical boundaries and into the business area.

Historically, business organizations have identified IT as a strategic imperative essential to reducing errors, improving efficiency and capturing market share. Stakeholders are organizing to facilitate transformation through IT; users are changing the way they work to include new information-based modalities and eschew paper; this is called the user-centric "internet-enabled" revolution. Yet, the existing systems are still planning, deploying, and managing information technology using the same approaches that have been used for the last 20 years.

Bottom line, the marketplace needs a new model that manages IT as a strategic asset, a resource whose strategic value to the organization is greater than the cost of acquisition or development.

The Definition of Value

The word "value" originates from the Middle English word valor, which means "to be strong" or "to be worth." In reality, value is defined within the eye of the beholder. Value is different for each enterprise and each of its key stakeholders. In other words, technology may bring value to a physician by saving time; to a financial officer by improving cash flow; to a nursing executive by improving staff satisfaction, and so on.

(1) R.Hunter & G.Westerman



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In light of the challenges of the IT industry, it is useful to think of value as the potential for change. In other words, will the investment in IT create enough positive change for a specific stakeholder or the organization to be worth the cost, whether measured in financial, human, organizational distraction or any other terms?

To create value, IT must become a driver of strategic change. Traditionally, many enterprises have managed IT by focusing on expenses and projects. In an “expense center” environment, cost is the primary metric, and the traditional focus has been on FTEs and a fixed amount of capital. IT is deployed at a tactical level to support operations, and the CIO oversees a short term annual budget that includes the majority of technology resources of the enterprise. IT projects and implementations are led by the IT function with some end user participation. There are six symptoms to describe IT are ruled under an “expense center” mindset:

- (1) The Board does not include IT as part of its regular agenda, and IT leadership rarely has input at this level.
- (2) IT leadership does not have a sit at the strategic planning table.
- (3) Business decisions are made first, and then IT is handed the result for implementation.
- (4) IT “owns” most IT initiatives. IT decision-making occurs in separate silos.
- (5) The IT steering committee is tactical in nature, has low attendance, and rarely meets.
- (6) Limited –if any- capabilities exist within IT to examine manual workflows, organizational implications, or new skills and behaviors that are needed to optimize the business solutions.

We are at a crossroads right now; the traditional view of the IT function must be revisited. It is imperative to re-position IT as a key enabler for the enterprise:

- Progressive business executives recognize the importance of business success criteria definition before a new IT solution is adopted in the marketplace;
- IT investments funds to be in synch with the business priorities.
- Almost all business innovation is enabled by IT and in some cases it means new IT solutions per se.

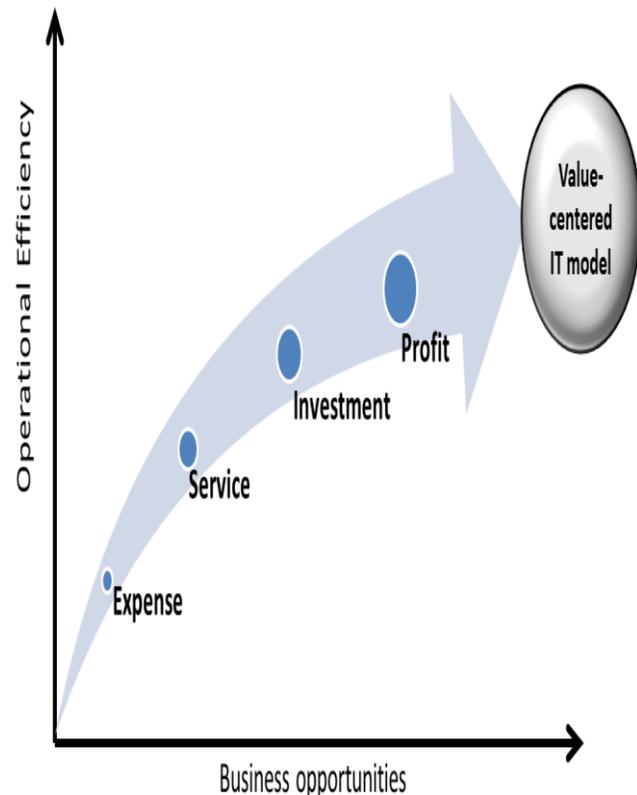
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Four Dimensions

However, IT must step up on the business expectations and become first a driver of strategic change; a new model of planning, partnering and driving solutions must be orchestrated. IT thought leadership must expand the traditional focus of managing expenses and projects to a new focus on relevant business value. Importantly four basic dimensions must be considered shifting the primary focus to value creation:

- **Expense:** an operational focus on reducing risks with an emphasis on efficiency. Often, the office of the CIO manages budgets and aggregates technology purchases to ensure this aspect of the function.
- **Service:** While continuing to minimize risks, the IT organization would aim to serve customers and create new business capabilities. Development of strong basic capabilities such as help desk and end-user-computing to improve on customer satisfaction.
- **Investment:** have a long-term focus on ROI through an IT strategic roadmap. To ensure optimization of the IT investment, cooperation is also needed with the CFO to develop a process that incorporates business case development with sound metrics, a business oriented success criteria methodology and transparent priority setting routines.
- **Profit:** deliver IT solutions to help the enterprise to bring a step change improvement in efficiency and, more importantly, incremental value (i.e. revenue growth, operating margin, asset efficiency and IT risk management).



A value-centered IT organization incorporates all four dimensions. The degree to which the management is weighted toward one or more of the four dimensions depends on the unique enterprise culture and its business strategies.

Transform your IT organization. Start the journey towards a Value-centered IT model that will leverage your technology capabilities as valuable business skills. Contact us!



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How to contact us?

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