



Cost Savings YTD: \$72.5M



Benefits - Having IT as a Value Partner

using Technology Business Management (TBM)

By Carl Chinoy

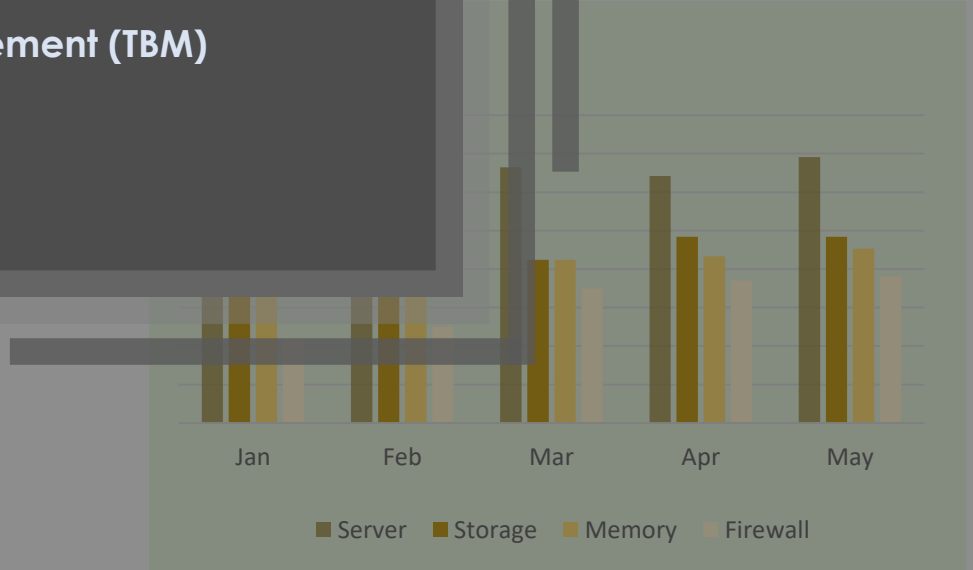
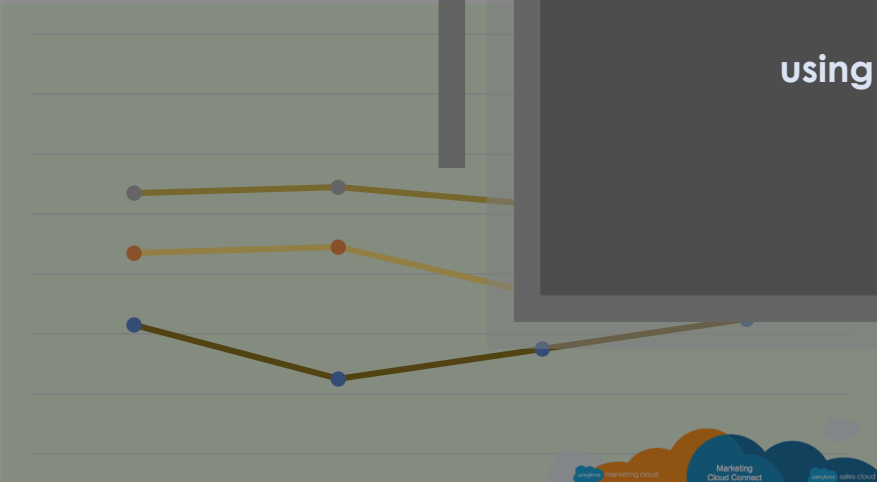


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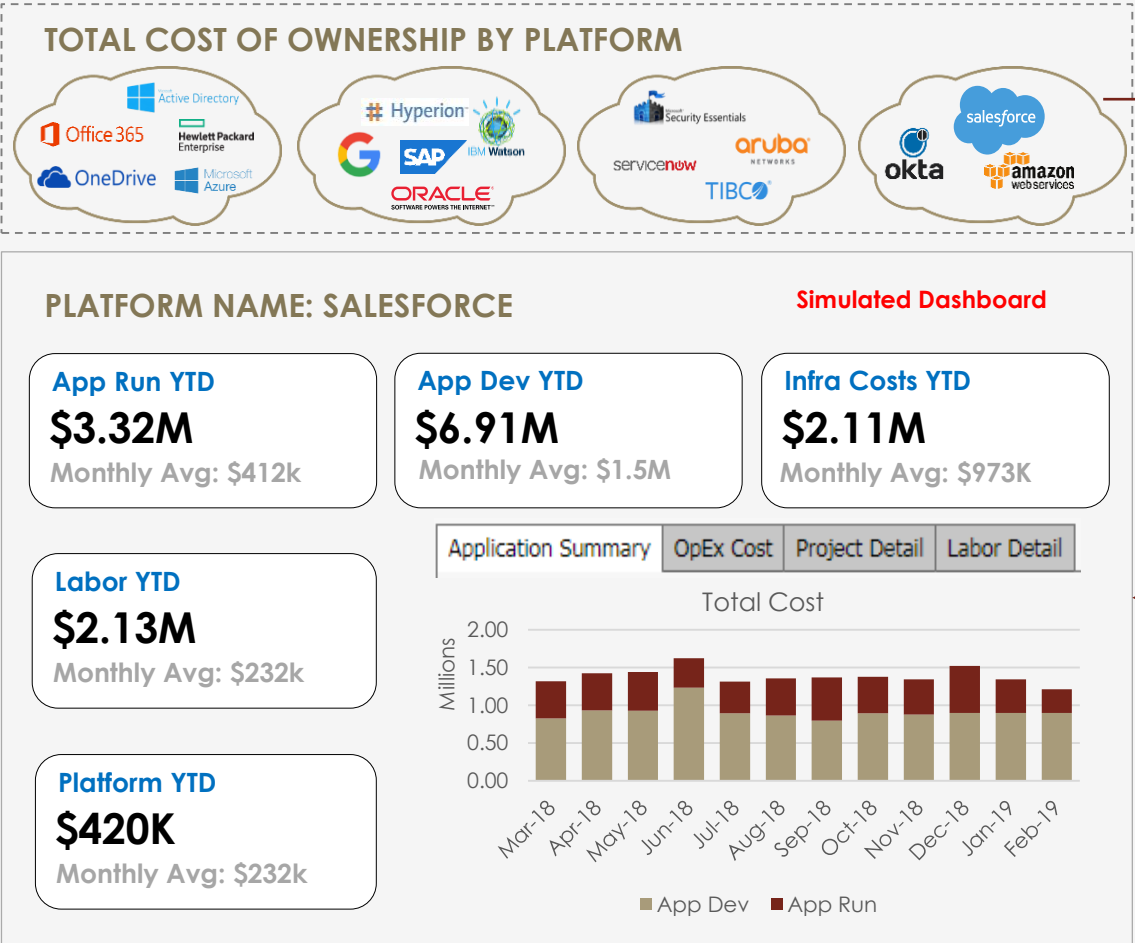
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EXECUTIVE SUMMARY

IT has continued to evolve into a matured and high performing organization at many large corporations, while satisfying multiple long-term technology transformation initiatives. As the organization evolves, we see the need to grow the capabilities (in addition to operations and technology) where we independently perform analysis using methods as prescribed in Technology Business Management (TBM).

An IT organization has to continue to evaluate opportunities to modernize the aging environments while innovating and building business value, to gain market share and competitive advantage. In addition, we also have to focus on building Business Value and Speed to Market, in order to cultivate a true partnership with the business. Transformation and optimization heavily depends on budget management, optimization and fiscally savvy IT leadership.

Finally, having a clear vision of the Technology Spend and the Total Cost of Ownership, while managing the consumption will allow us to continue to be a true business partner.



CIO AS A “OPERATOR” IS IN THE PAST!

The road to moving IT from a technology operator to a “Trusted Business Partner”, has been already paved; as we continue to focus on satisfying the technical debts of the past and successfully delivering multiple technology transformational initiatives.

The road to building the trust is focused on 4 areas of Trust

- **Technology**
- **Customer**
- **Ecosystem**
- **Employee**

In order to build trust and be a business partner the IT organization should continue to run their organization as a Business. A business is run using efficiency and effective business process (e.g. Technical Steering Committee and Capital Investment Committee), with accountability and transparency. As technology becomes more and more ingrained in all aspects of the business and consumer lives, we have to continue to cultivate this level of trust and a seat at the table to drive innovation and business growth through digital transformations

THE 4 AREAS OF TRUST



- **Technology:** The ability to build, deploy and maintain, secure reliable technology is essential to the credibility of the IT team



- **Customer:** Customers trust that their data will be protected and used to improve their experience, not expose them to invasion of privacy



- **Ecosystem:** Operational efficiency, profitability goals, and the integration of supply chains requires sharing of data, data governance, and standards between companies and public-private sector partnerships.



- **Employee:** Employee expect technology to increase productivity, deliver operational stability, and help them work better.

RUNNING THE BUSINESS OF IT

An IT organization needs to stay focused on key initiatives in the future years, 2019 and beyond; while driving Innovation and Modernizations of the technology platforms to enhance Customer Experience, Customer Acquisition and removal of Friction Points.

Today, at many of the leading organizations, IT is more than a back-office cost center responsible for keeping the systems running and reporting run times. It is a critical component of developing and executing on a business strategy and tracking of Value.

As part of the day to day operations, IT should already have resolved and satisfied many of the technical debts that it may have inherited through a bankruptcy or M&A's; and should continue to modernize the platforms to play the role of the growth engine for the enterprise. IT should continue to be innovative and have a seat at the table to drive business strategy and strategic investments.

While being poised to meet the demands for efficient cost management through transparency, detailed cost reporting vs value analysis, while making sound business decisions using real data.

Intelligent evaluation of Costs vs Value while utilizing actual data and prudent decision making enable us to run the business of IT. Or more importantly using technology as a enabler of growth for your organization.

DRIVE INNOVATIONS ALIGNED TO BUSINESS STRATEGY

Survey Results of CIOs who have a clear picture of the role that IT plays in their organization and their role in running the business of IT.

81%

Drive innovations or modernizations programs

79%

Have a voice in business strategy and strategic initiatives

65%

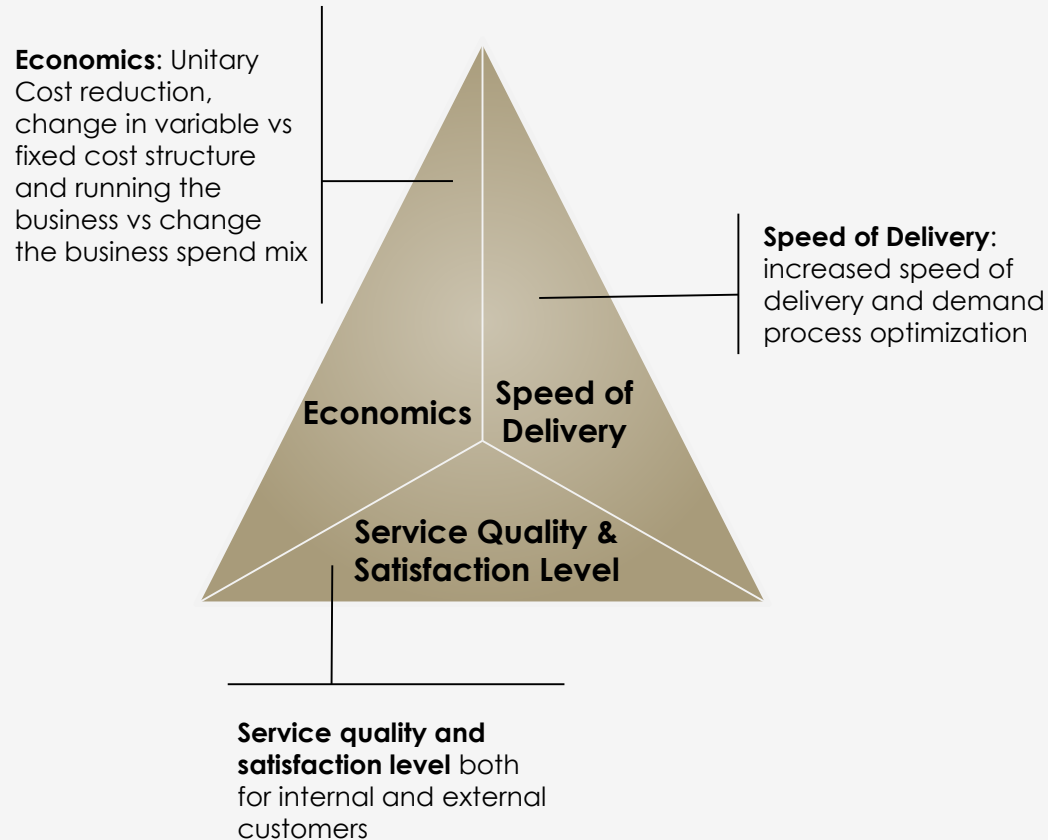
Proactively identify and remove obstacles that improve the delivery of projects and services

53%

Drive stabilization of operations

Source: CIOs as trusted business partners – 2019 Survey by Grant Thornton & TBM Council

TECHNOLOGY BUSINESS MANAGEMENT INDEX (TBM)



Introduction to TBM

TBM is a value-management framework utilized within multiple forward-thinking organization, founded on transparency of costs, consumption and performance. It gives leaders the facts they require for effective collaboration and business alignment decisions. These decisions span supply and demand to enable cost and performance tradeoffs that are necessary to optimize run-the-business spending and accelerate the business change.

TBM Maturity Level is measured using 4 dimensions:

1. Service Orientation
2. Operating Model and Organization
3. Tools
4. Management Capabilities

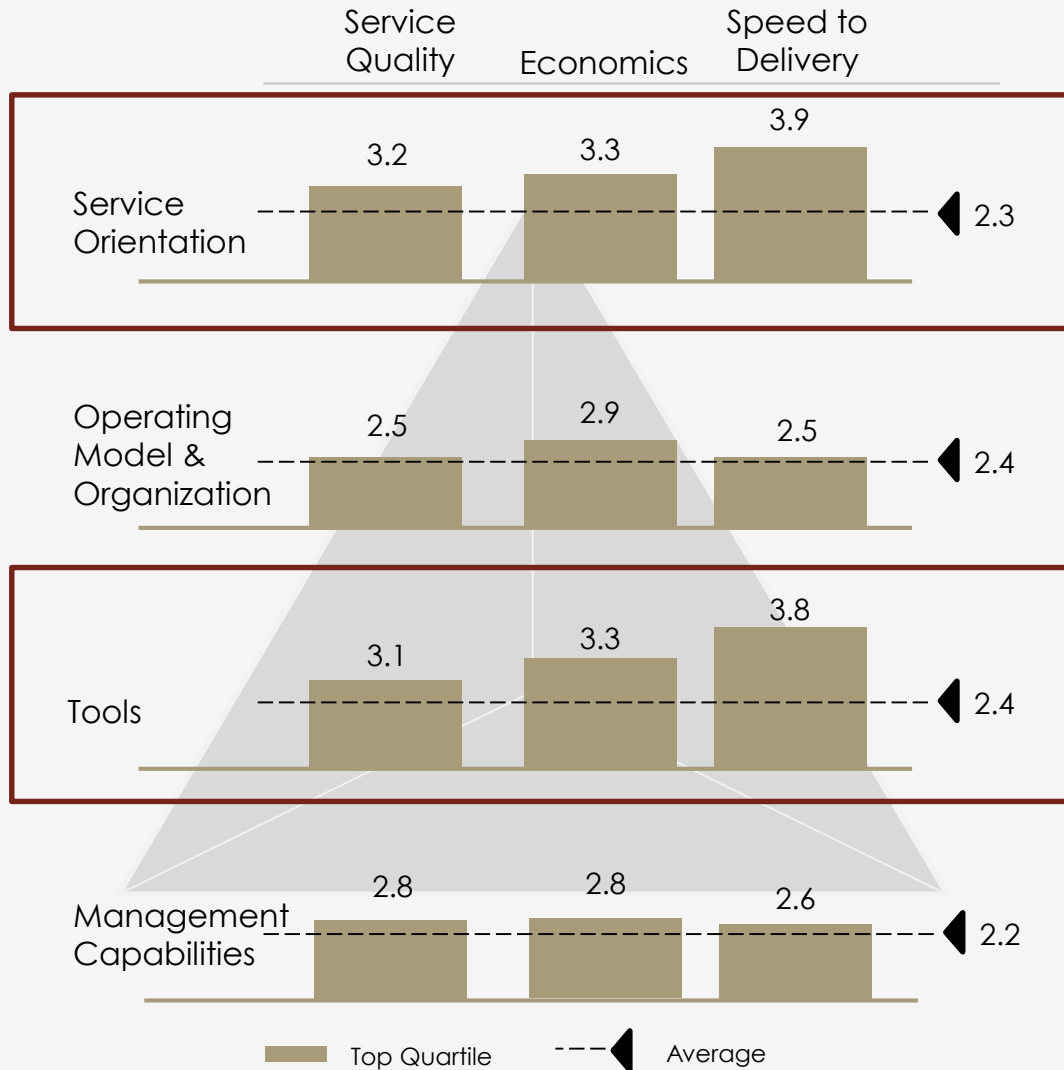
The TBM index in any organization will continue to evolve as it matures and drives for transparency and value creation. Building trust and demonstrating transparency through measuring of the operational efficiency is a excellent first step.

Continuing to build upon these building blocks, by enabling Show-back and eventually detailed Chargeback mechanisms using TBM should be a common goal within any IT organization.

Source: Archetypes of Adoption: Driving TBM Practices to Business Impact by Himanshu Agarwal and Leandro Santos– McKinsey Company & TBM Council

Source: Technology Business Management: The Four Value Conversations CIOs Must Have with their Business by Todd Tucker

SERVICE ORIENTATION & TOOLS = BETTER PERFORMANCE



Performance of top quartile companies' vs average by TBM practice

Survey shows that organizations that are mature in Service Orientation and Tools are the higher performing companies (Top Quartile).

Service Orientation focus means the organization understand the degree of service orientation in the interface IT exposes to business and how Cost is measured/billed at a service level

Tools focus means the organization understands tools and data in place to power the TBM function.

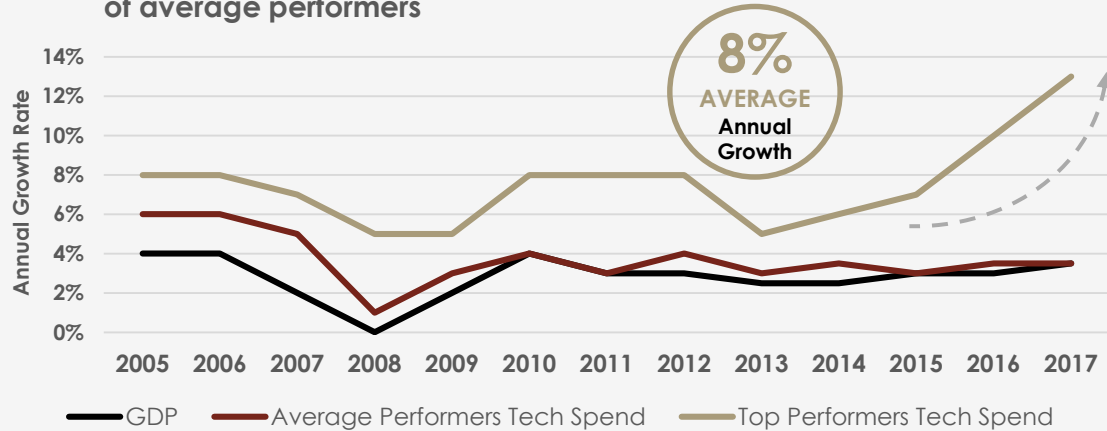
All top quartile companies utilize the TBM process and methods to demonstrate higher level of transparency, collaboration with their business partners, measure Total Cost of Ownership using Cost Management reports. All these are enabled by having IT staff that is focused on TBM and Analytics and have a keen understanding of how Technology business operates.

These organizations experience benefits from Speed to Delivery as their overall portfolio is smaller, composed of critical initiatives that are high impacting with greater ROI. Additionally, they focus on Change-the-Business types of initiatives (vs Fixed Cost - Run-the-Business), resulting in positive Economic Impact, while gaining Trust with their business partners.

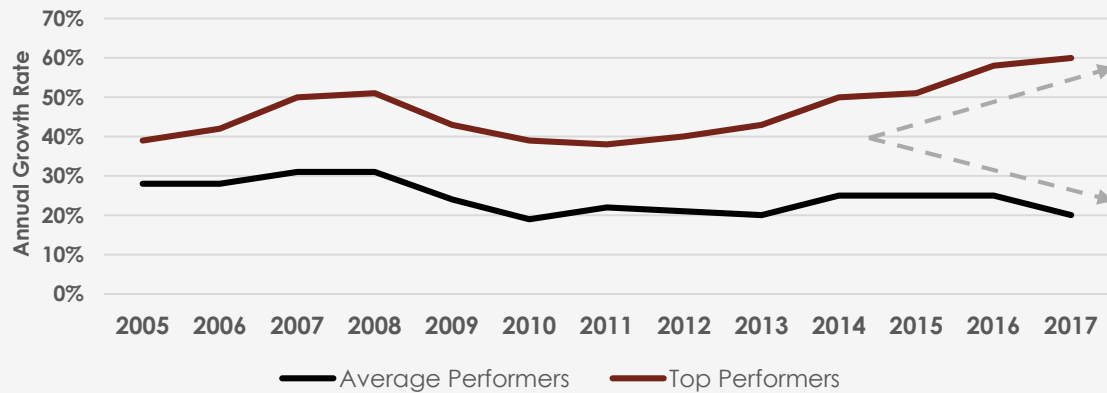
Source: Archetypes of Adoption: Driving TBM Practices to Business Impact by Himanshu Agarwal and Leandro Santos— McKinsey Company & TBM Council

TOP PERFORMERS SPEND MORE ON TECHNOLOGY & SEE HIGHER PROFITS

Top performers grow their technology spend as much as 3X that of average performers



Top performers realize operating margins 2-3X that of average performers



Does Higher IT Spending yield better business results?

In reviewing the trends, where technology spend is going and how it is invested, we realize that top performers spend very differently and generate very different results.

Between 2010 and 2016, top performers grew technology spend at an average annual rate of 8%, while average performers grew technology spend by 4% (barely faster than GDP). It seems to be matched to rising cost, but it nets to no significant gain. On the other hand Top performers produced operating margins 2-3X those of average performers and the gap continue to rise.

Top Performers on average support 38% more income per dollar of IT expense. This is a pattern of top performers spending more on technology and seeing higher profits in return; they are getting more out of every IT dollar spent.

Top performing IT operations need to continue to invest in digital technology and innovations, with a clear focus on understanding the technology spend and demonstrate transparency to the business, as we jointly make investment decisions, using TBM methods and processes.

CHANGING THE CONVERSATION FROM COST TO INVESTMENT

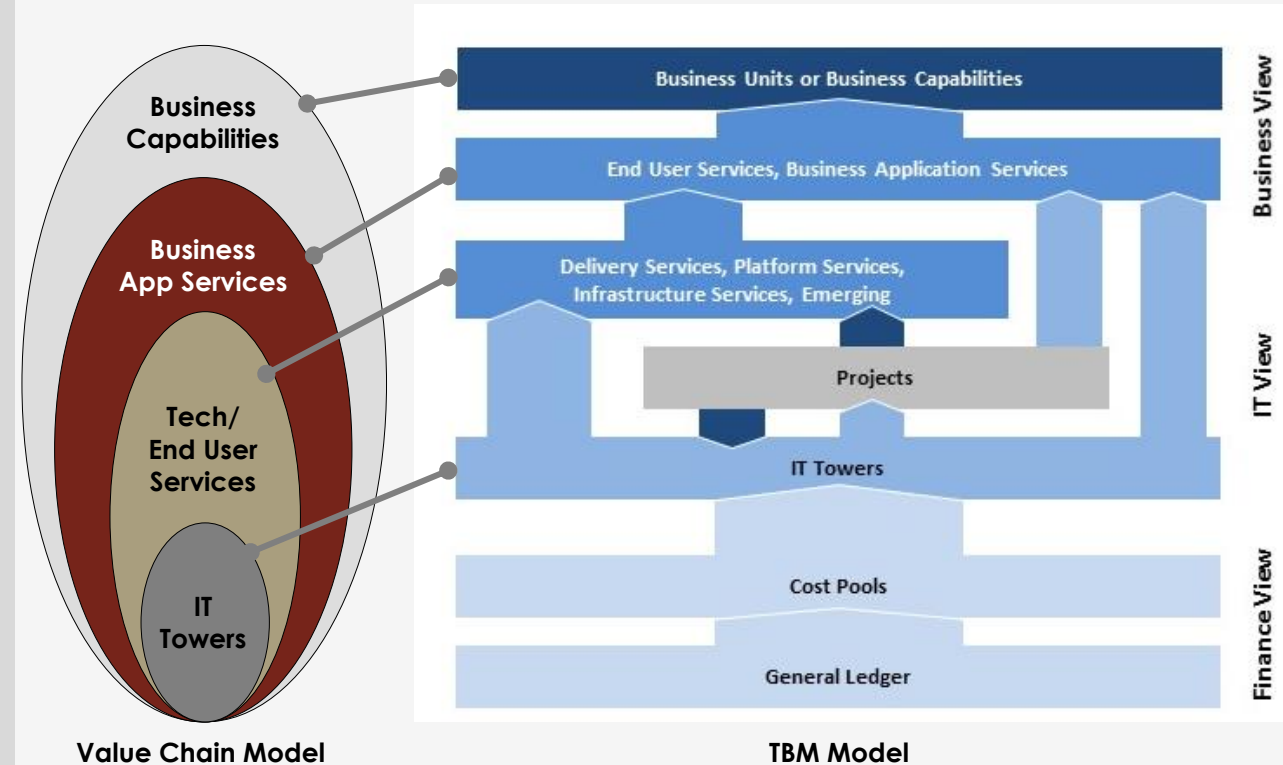
Are we spending too much on IT?

This probably is a wrong question to ask, as it looks at IT through a single lens, as if all “Costs” are equal. If the cost is appropriate since it justifies the Value, then that cost maybe justifiable. Costs for keeping a legacy application alive with marginal Value, while it takes away dollars from innovation would be a cost that IT should be cutting. Cost should be looked at through the lens of Value and continuous discussion on trade-offs should be conducted with the business partners.

If we are trying to understand the “customer acquisition cost; cost per customer” through a certain channel, one needs to understand the total acquisition cost by customer. So if the strategy is to acquire more customers via a certain channel, then the business can determine the investment required to Run and Change the organization.

As the business understanding the “total cost” for a certain business services, they will learn to make the trade-off decisions as needed. This is a direct line connection between Investment, Cost and Value.

Business Executive is focused on Business Capabilities & Services



TBM utilizes multiple data sources to enrich the model

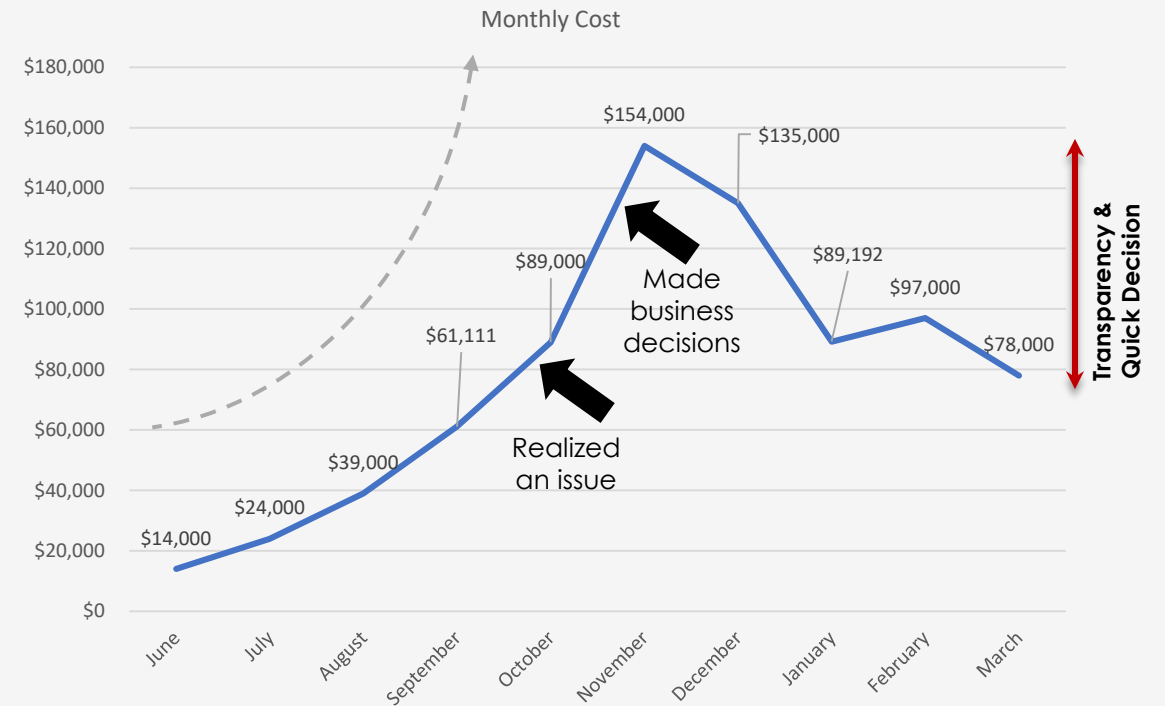
THE VALUE CHAIN MODEL – DIRECT CONNECTION BETWEEN COST & VALUE

Cost transparency and the conversation on investments & Value creation

TBM enables the creation and the analysis of this direct connection between IT resources and the business value that this is creating. The conversation between the Business Leaders and the IT organization become further meaningful, when IT can bring to the table various options on efficient management of costs or upgrades to the services and capabilities with little to no investment expectations. This transparency will improve the trust and build a closer relationship within the enterprise.

In reviewing the graph the classic example of Cost of Services continuing to rise on a month-on-month basis, only after transparency of data and realizing the Value services that we need and what we don't, did we bring the Azure Cloud monthly cost to acceptable levels.

Growing cost chart on Azure Cloud – Transparency and Value Conversation - EXAMPLE



CONCLUSION

When is a good time to start?...How about Now!

There is no real “*when*” to start this initiative, but “*what*” you need to do, which is the more important question to ask. Most of the organization are already performing certain aspects of the activities that are required in order to build Transparency and Cost Management into your day to day lexicon. E.g. asset management and inventory, time management, project planning and management, services catalog and ownership, etc. These management practices and others will build upon competencies that are required to develop TBM and total transparency.

What organizations need to do is consciously utilize what they are doing and augment what they need to do in order to drive the transparency and manage the Value as it is identified and created within the organization using these techniques.

In addition, your organization should be looking into various aspects of your operations such as:

- Are your services too expensive, or perceived to be so?
- Are you too inflexible and unable to respond to the business needs and threats?
- Do you need to innovate more?
- Is your portfolio of initiatives aligned to the business needs?

These are questions that an IT executive should be asking and being able to measure, as being transparent and efficient in these and many such business challenges will build trust and drive Value to the business. This is how an IT executive will “*earn*” the seat at the table!

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About the Author

Global CIO/CTO - Product Development, Infrastructure & Operations Executive. Organization Transformation Expert.

Information Technology Executive proficient in managing strategic investments in Global Information Technology Operations; and partnering with Business Leaders to gain Market-Share and Net New Revenue. Experienced in a corporate turnaround, consolidations and addressing challenging situations.

Key focus as a CIO/CTO is design and development of all technology and operation platforms across the enterprise. Focused on transformation to a Digital footprint, including Cloud first strategy, restructuring Cybersecurity and Process Optimization utilizing Managed Services operations using a global footprint.