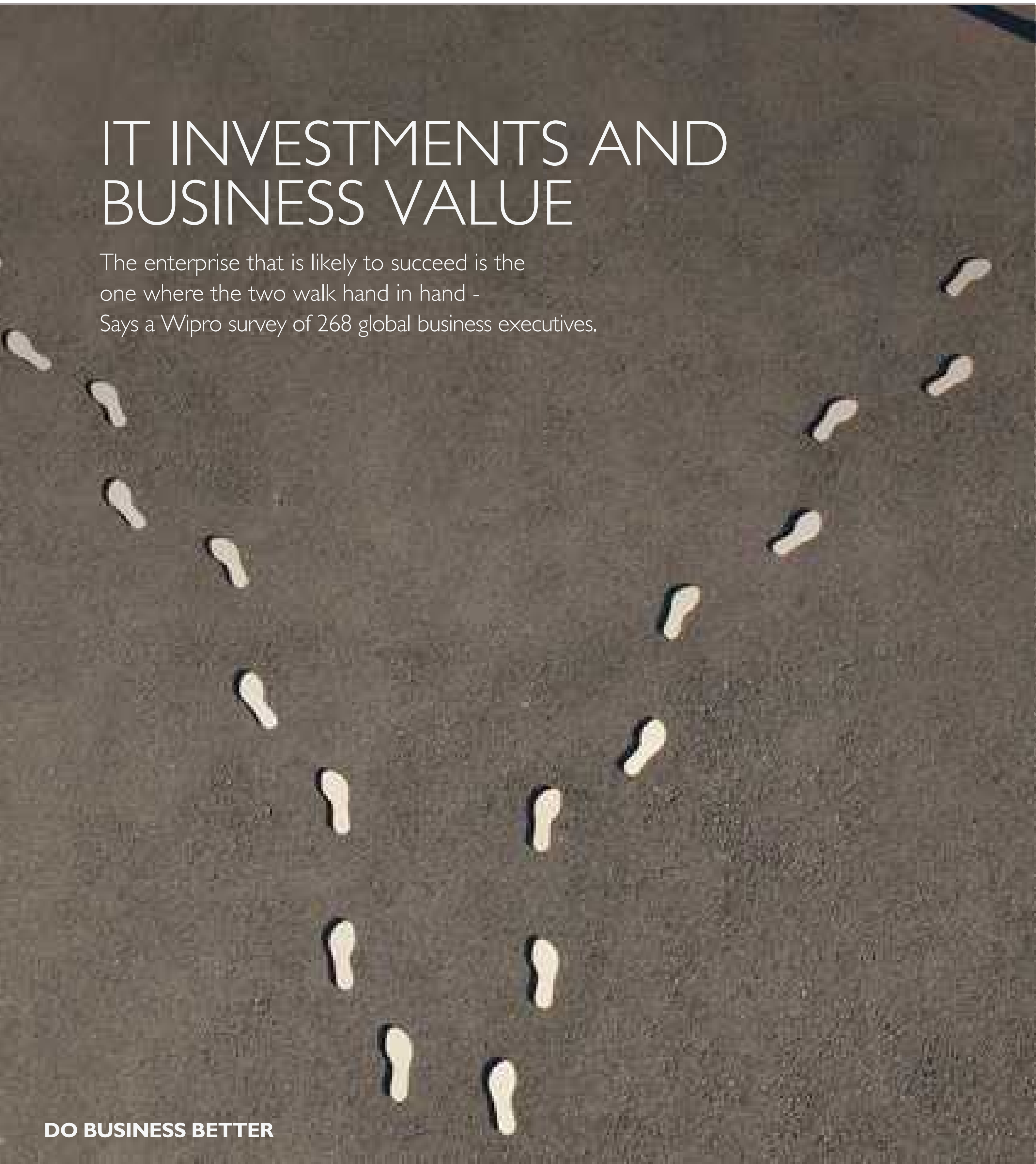
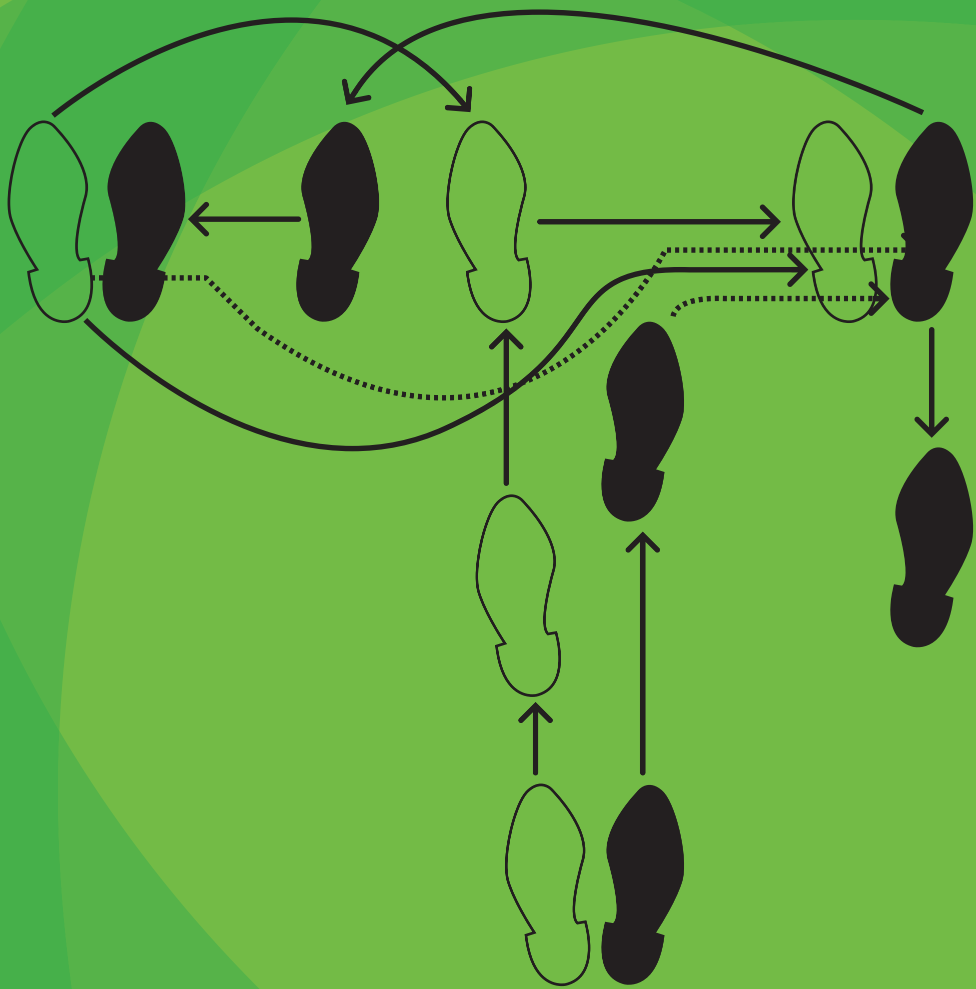
WIPRO
Applying Thought

IT INVESTMENTS AND BUSINESS VALUE

The enterprise that is likely to succeed is the one where the two walk hand in hand - Says a Wipro survey of 268 global business executives.



DO BUSINESS BETTER



TECHNOLOGY IN STEP WITH BUSINESS

When enterprise leaders see how technology can help them reach business goals, IT and the CIO can regain the stature of a strategic enabler.

EXECUTIVE SUMMARY

The way that corporations view technology has shifted significantly in recent years. Once seen as a strategic enabler that business leaders supported without question, IT today is often seen as operational overhead rather than a competitive weapon. While no company would rip out their IT infrastructure to go back to the old ways of doing things, IT projects that come in over budget, miss deadlines and produce lackluster results make many companies wish they could.

CIOs today must take on an important challenge – restore the perception of IT in the enterprise as a strategic enabler rather than just necessary infrastructure or software. Technology leaders need to free themselves from supporting day-to-day operations long enough to see the big picture and make IT strategic again. The way to accomplish this is by understanding the company's goals and showing business leaders how IT projects and services can help reach them faster. Succeeding at this challenge not only helps CIOs regain their role as strategic partners with the business, it also can positively impact business performance and deliver a competitive edge. The business-IT ecosystem is transforming rapidly in many ways. The CIOs who understand these challenges and are able to address them effectively will emerge as the clear leaders and ahead of their peers who view their roles as technology leaders or operations leaders.

JUSTIFYING IT

Making a business case for IT has become essential to the success of enterprises today. Decades ago, when technology was new to corporate settings, IT was viewed as a mysterious force that dazzled business leaders into spending heavily with few questions asked. IT systems that could crunch sales figures or provide customer insights were a marked improvement over manual processes, and so corporations invested in technology products based on their raw capabilities without necessarily connecting IT investments to business performance. The business case was self-evident.

Today, that's changed. Thanks to the uncertain economy that has brought budget pressure across the board, business leaders won't – or can't—approve IT spending the way they once did. The business benefits of upgraded technology products over existing versions are not as easily demonstrated as the business benefits of technology over manual processes once were.

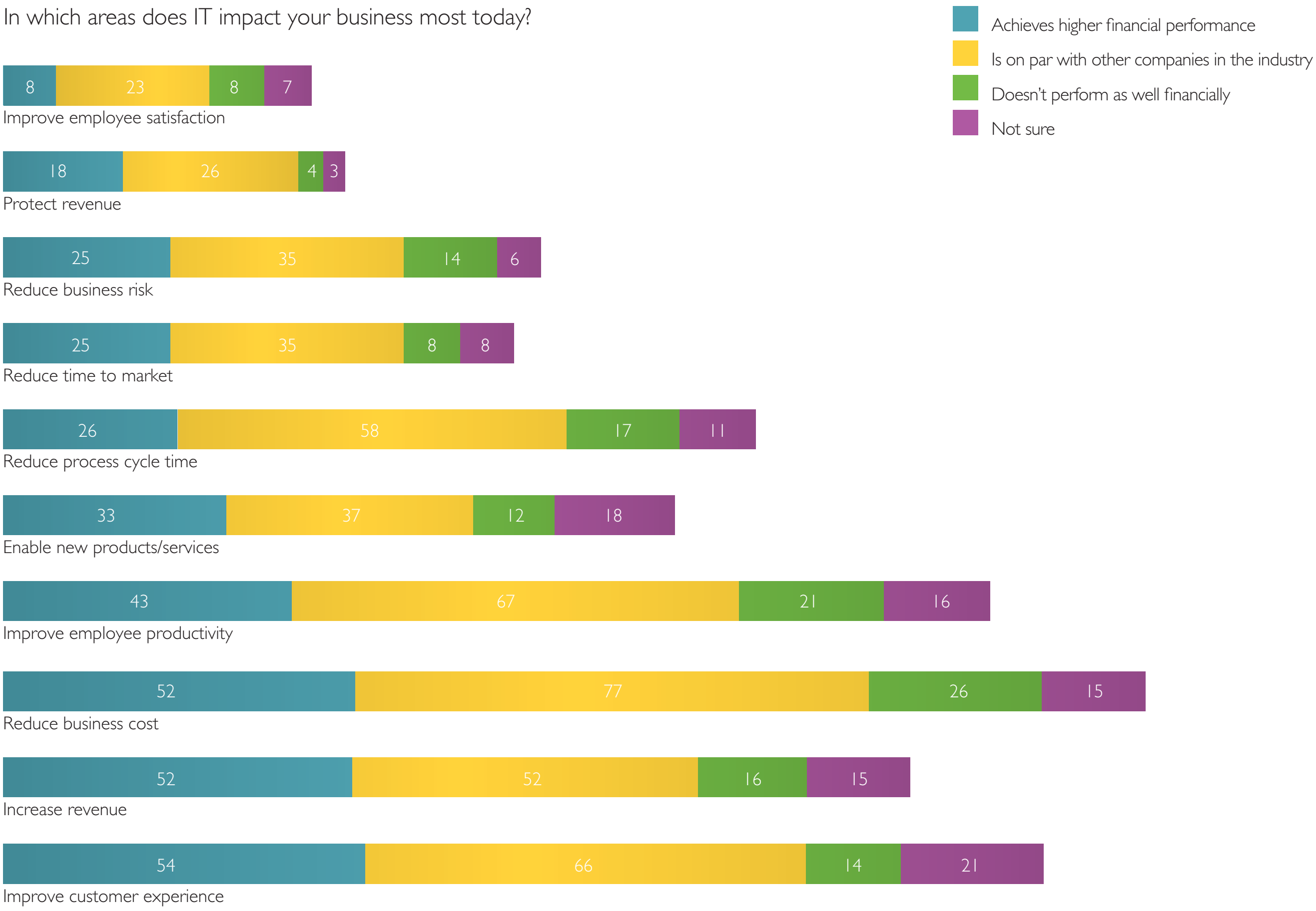
In addition, C-suite executives have grown more pessimistic about technology; many view it as an infrastructure expense – as essential yet non-strategic as electricity – that must be maintained, managed and minimized. Because of these pressures, CIOs are faced with the daunting task of clearly and repeatedly demonstrating how technology investments help the company achieve specific business goals. Gone are the days when technology leaders could concentrate simply on technology; CIOs today must be outwardly focused, customer driven and understand technology's impact on productivity, agility, competitive advantage and other business drivers.

CIOs who work to demonstrate the positive impact IT investments have on reaching specific business goals – increased revenue, faster time to market, improved customer service, just to name a few – can readily draw the relationship between technology and business value. That data is essential when seeking additional IT investment. But here's another reason why CIOs should strive to align IT spending and business value: According to a survey of 268 executives sponsored by Wipro that was conducted in early 2012, there is a strong correlation between companies that view IT as a strategic enabler and those that outperform their competition financially (see Exhibit 1 [cross tab 4]). So by viewing IT strategically and investing in IT in a way that aligns with business goals, companies reap greater benefits and can gain an advantage on competitors who view IT as infrastructure and make tactical investments in technology (see Exhibit 2 [cross tab 5]).

Exhibit 1 Working Together
Which statement best describes the relationship IT has with the business?

Exhibit 2 Making a Difference

In which areas does IT impact your business most today?



CIOs are faced with the daunting task of clearly and repeatedly demonstrating how technology investments help a company achieve its business goals.

"If the CIO is able to get the CEO to see how IT can make a positive impact, then IT can have an impact in every area of the business, in a game-changing way."- Anirudh Joshi, Wipro's Practice Head Business Value Services.

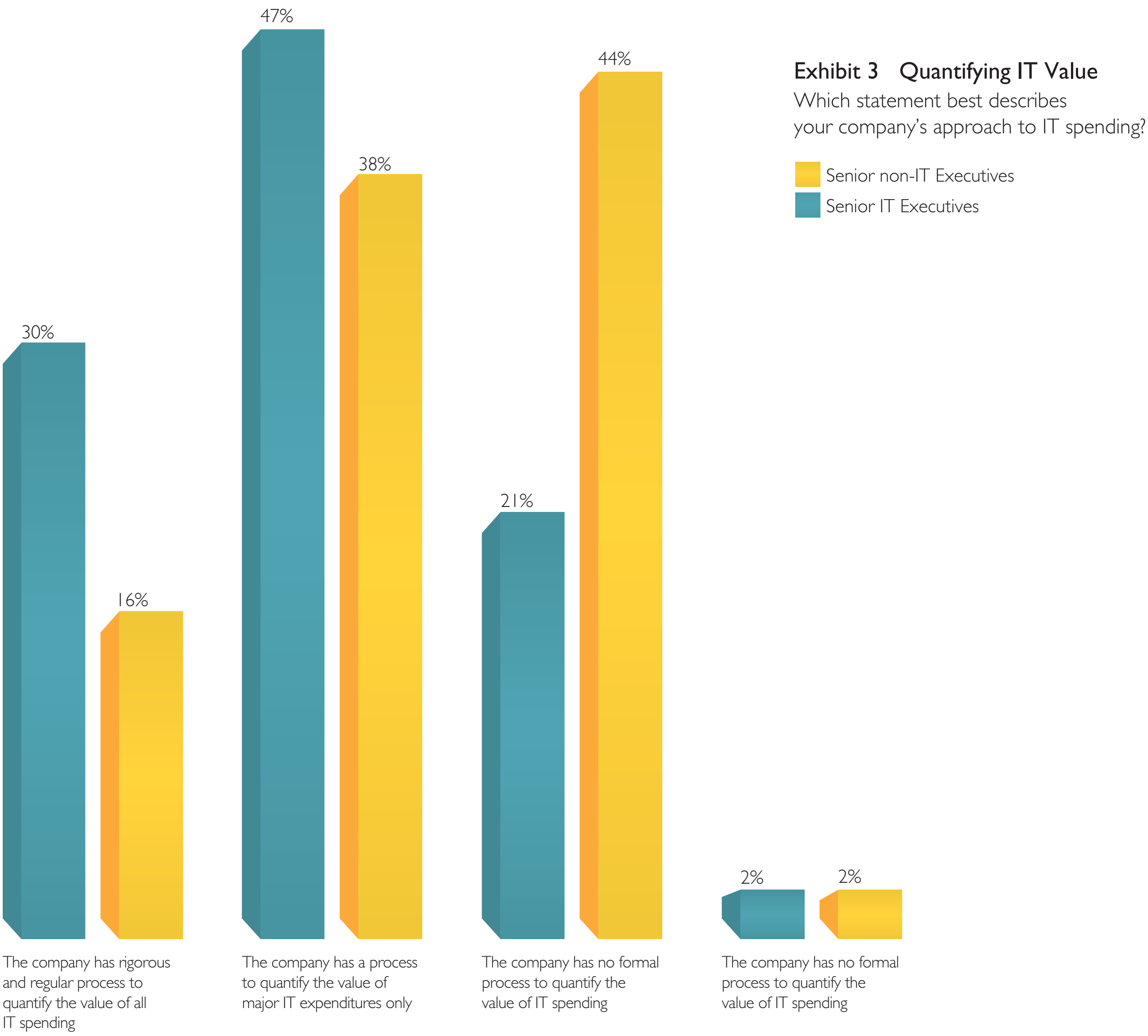
EASIER SAID THAN DONE

Quantifying, maximizing and demonstrating the business value of IT should be top priorities for CIOs today. Yet these practices are rare (see Exhibit 3 [survey question 1]). This is in part due to long-held perceptions across the enterprise; the infrastructure value of IT has become a given, and so for years CIOs didn't need to prove IT's value to the business to maintain their budget. The IT vendor and service provider community is also at fault for not stressing how technology brings value, but instead focusing on technical jargon and incremental capabilities. The other perception that plays into this dynamic is the complexity of IT systems; business leaders rarely take the time to understand how technology can drive their business. Tired of IT projects that run over budget, blow deadlines and fail to achieve their stated goals, senior executives are turning a deaf ear to CIOs' requests for additional IT investment.

But CIOs are hard pressed to change these dynamics. Because of the complex nature of technology, CIOs are scrambling just to keep IT systems up and running, and have few opportunities to step back and connect the dots between IT spending and business value. According to the Wipro survey, less than half (40 percent) of the respondents who identified themselves as senior IT executives said their companies have put in place a process for aligning IT spending with strategic business goals. (see Exhibit 4 [survey question 2]). The proportion is even smaller for business executives surveyed, with only 20 percent confirming such processes are in place. Experts say these alignment processes are essential to demonstrating the business value of IT, but they require time, energy and effort that most CIOs today can't afford.

"For the vast majority of CIOs today, technology has become so complex and the ecosystem so full of variables that just keeping IT shops running at the right level of efficiency – without having anything break – is absorbing 90 percent of their energy," says Anirudh Joshi, Wipro's Practice Head of Business Value Services.

Exhibit 3 Quantifying IT Value
Which statement best describes your company's approach to IT spending?



"Because they are mostly focused on operations, they may not be able to add as much value to the business as they should."

However, CIOs can no longer afford to delay making these efforts. Seeing the big picture is a strategy CIOs must adopt if they want to control their destiny.

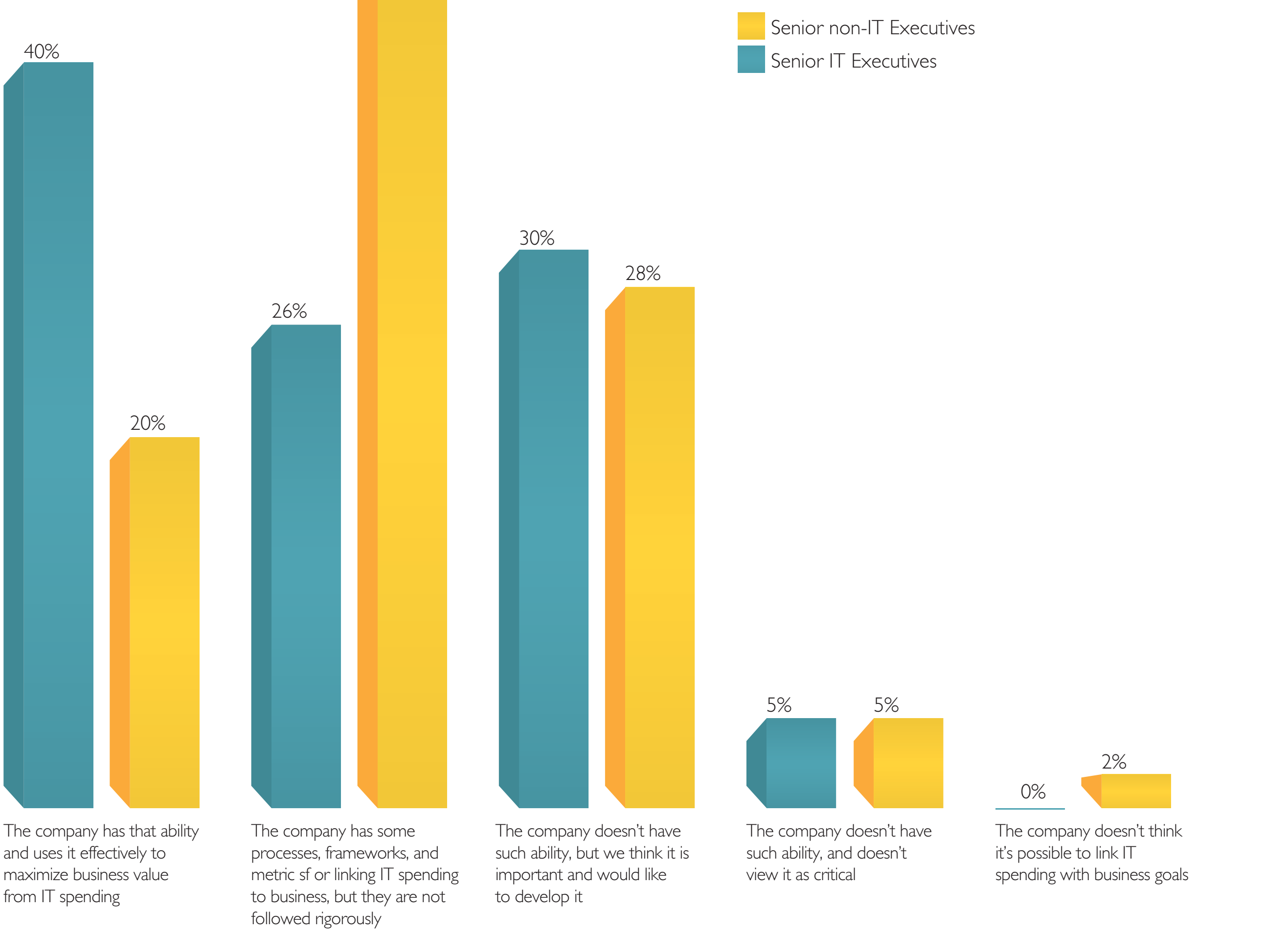
The stakes are getting higher. In addition to dealing with shrinking budgets and executive malaise toward IT, CIOs are losing control. Trends such as cloud computing and the use of mobile devices in corporate settings – known as Bring Your Own Device (BYOD) – are giving business-unit managers the opportunity to procure products and services directly from providers, circumventing corporate IT departments altogether. Business leaders are learning that they can get the IT services and client end-points they need to launch a new project without having to wait for IT, while paying for it all with a company credit card.

"BYOD is going to be more prevalent, as next-generation workers become very used to having their own applications and devices, and want to use them at work, so they will replace what's being used by the enterprise," says Achuthan Nair, senior vice president of Managed Services Business for Wipro's Global Infrastructure Services. "The firewall that CIOs have built around technology is being demolished; CIOs have to allow their users to bring their own devices, I don't think they can push back or fight that."

And so while most CIOs are grappling with static or even shrinking budgets for their IT departments, technology spending outside of the IT department is actually on the rise. According to a survey by market researcher Gartner that was conducted during the fourth quarter of 2011, IT budgets now account for just 62 percent of all corporate spending on IT with nearly 40 percent the spending decisions being made within business units. Corporate spending on

Exhibit 4 The Power of Process

Which statement best describes your organization's process of aligning IT spending with strategic business goals?



Corporate spending on information technology budgets is expected to increase only 0.5 percent in 2012, Gartner suggests. The spend on IT outside the CIO budget is growing at more than 10 percent while the overall IT budget under the CIO is shrinking or is flat. This so-called shadow IT trend not only wrests control of corporate technology from the CIO, it often leaves the IT department having to clean up the mess when these services and devices procured by business units need to be integrated into back-end systems or customized in some way.

More than ever, CIOs need to step back from running day-to-day operations to take the long view. They must first understand their company's business drivers and determine how IT spending can help achieve their strategic business goals. Then they must take their case to their peers in the C-Suite, armed with evidence to show that when done correctly, IT investments will drive competitive advantage.

"CIOs must become far more creative than they were five years ago," says Nair. "They need to do more with less. They need to get more productivity out of their efforts and their labor force. CIOs today have to juggle business priorities and technology ones; it's not as easy as it used to be."

STEPS TO SUCCESS

Before a CIO can begin to align technology investment with business goals, he or she must have a clear understanding of the company's strategy. Whether that strategy is entering new markets, squeezing inefficiencies out of the supply chain or helping to drive customer insights across all business functions, a nuanced understanding of the organization's business strategy for today and tomorrow is the starting point. Gaining this view requires CIOs to focus outside of the IT department and engage in conversations with other executives in the company, to investigate the competition's strengths and weaknesses, and to get a firm understanding of trends in the industry.

The next step is for the CIO to gain the trust of the business in terms of the reliability of services that IT provides. The IT department needs to ensure that it is viewed as a partner which provides "value for money" and can be relied upon for the basics. For this CIOs need to be sure they understand and can communicate IT costs in a clear and transparent manner to the business. Alignment of these costs with the services provided is critical to gain the trust of the business.

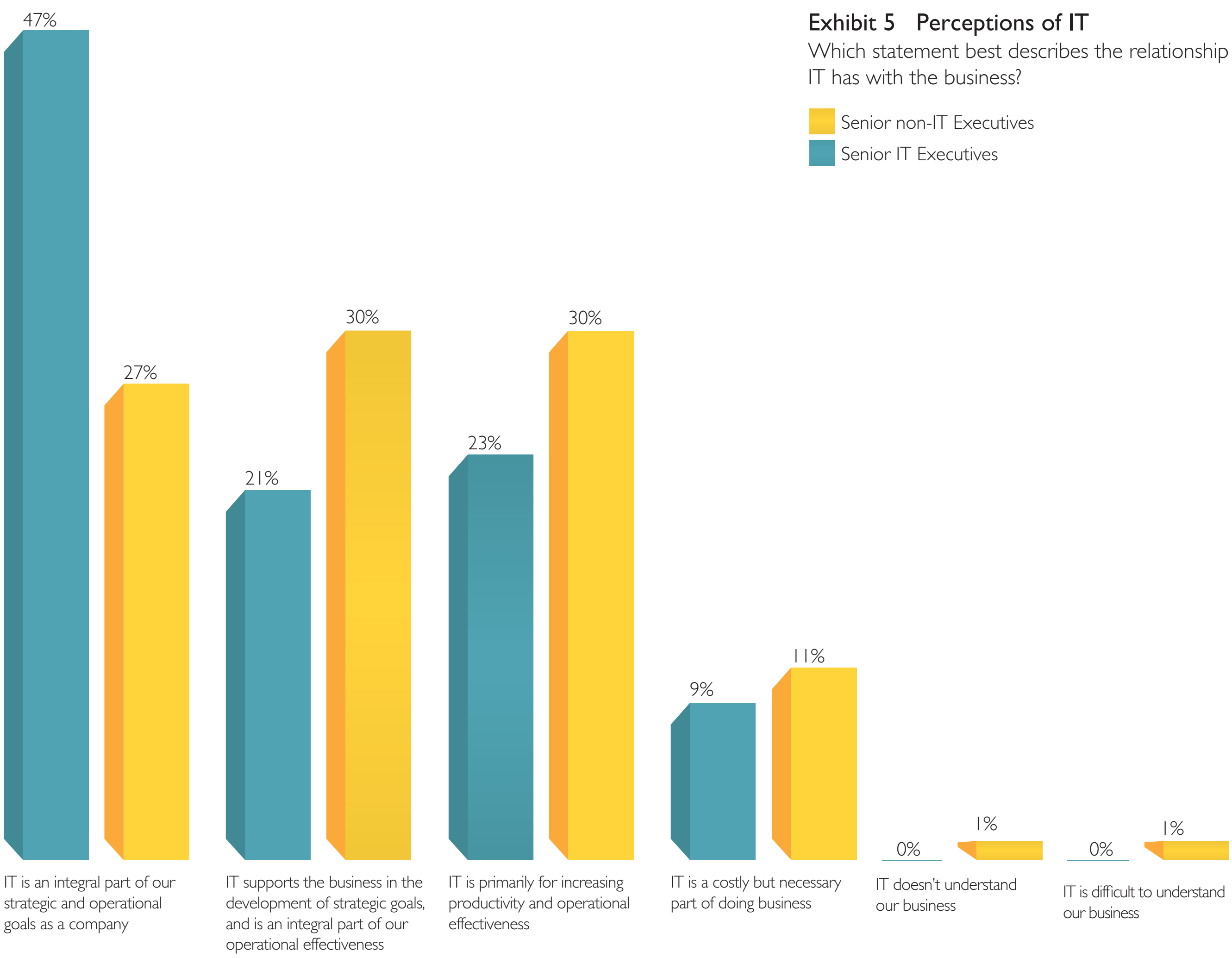
The final step is for CIOs to determine how IT investments can help achieve their business goals – and describe these benefits in concrete business terms, such as estimated return on investment, productivity enhancement projections and reduced time to market. Technology vendors and market analysts are good sources for such supporting information, as well as any internal assessments that quantify the benefits of past projects at the company. Over time, CIOs should dedicate the energy and resources required to develop a regular and rigorous process for quantifying the value of IT to the business. This process isn't easy, says Wipro's Joshi, as the metric models available today aren't at a level of maturity that makes them simple to adopt and align with business. But it's important; not only does taking this step give CIOs the data they need to prove how IT can help the business, it also will improve the chances of success of IT initiatives. It can help ensure that projects are launched because they will help the business, not because the technologies are interesting or because competitors are using them.

"The primary benefit that companies gain by having a process in place to quantify the value of IT spending is that the decision making can be much more informed and contextual; therefore there's a much higher chance of hitting the bulls eye," says Joshi.

The onus is on CIOs to not only understand and control but also effectively communicate IT costs – and quantify value – to their counterparts so that the return on these investments is clear to all. CIOs who can successfully do this become valued partners with the business, and begin IT's transformation from infrastructure back to strategic. During this process, CIOs must work to improve IT's relationship with business leaders. In many organizations today there exists a disconnect between how technology executives and other executives view IT. While nearly half of IT professionals who responded to the survey said that IT is an integral part of their company's strategic and operational goals, only slightly more than one quarter of non-IT senior executives viewed IT as strategic. (see Exhibit 5 (survey question 4)) It's the job of the CIO to change that perception and improve how IT is viewed by the rest of the C-suite and business leaders across the enterprise.

Exhibit 5 Perceptions of IT

Which statement best describes the relationship IT has with the business?



REMOVE THE ROADBLOCKS

One way for CIOs to begin the transformation of IT from curator of infrastructure to strategic partner is to take the approach of the problem solver.

To do this, CIOs must turn their focus to other departments in the company in order to understand what drives their success and what obstacles they face that could prevent the business from reaching its strategic goals. This initiative requires CIOs to get out of the day-to-day business of running IT to find out where the company's challenges and pain points lie, understand what factors are holding the company back, and then determine how IT can help. Is customer service suffering because of slow response times by call center employees? Are supplier relationships hampered by ineffective communication? Do multiple sales channels lack a 360° view of every customer or prospect? A close examination of these road blocks to determine how IT can help eliminate them elevates technology to the role of critical problem solver.

ABOUT WCIR

Wipro set up the Council for Industry Research, comprising domain and technology experts from the organization, to address the needs of customers. It specifically looks at innovative strategies that will help them gain competitive advantage in the market. The Council in collaboration with leading academic institutions and industry bodies studies market trends to equip organizations with insights that facilitate their IT and business strategies. http://www.wipro.com/insights/business-research/

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