



**How to run  
IT as a  
business?**



**T**echnology investments, until recently, were decided based on the ‘business model’ of an enterprise. But today, technology is redefining business models for many organizations and industries. Uber, Amazon, Google and Apple are just a few examples that are testimony to technology-driven business models. The IT department can no longer remain a reactive back office function focused on routine business transactions. It needs to evolve into a business partnership role that is as responsible for business growth as the other strategic units.

This paper provides a pragmatic view on the features of IT as a business partner, and what it takes to transform IT into a business partner.

### **Why managing IT costs is critical in a digital world**

Enterprises today are leveraging technology to remain competitive and drive differentiation across offerings. The ubiquitous nature of technology has permeated our lives in all spheres and affected the way products and services are designed, presented, and consumed globally. With organizations embracing digital transformation, their information technology (IT) ‘arm’ is challenged with maintaining an evolving technology landscape. The underlying truth of technology adoption is this: One technology attracts another. Analytics attracts big data, which attracts IoT, automation and so on. This simply results in continual growth of technology investments and subsequently, overall IT spend. Therefore, managing the ‘cost of IT’ has become an imperative for the whole enterprise.

### **Challenges in determining and managing the ‘cost of IT’**

Traditionally, enterprise IT has been dependent on disparate financial and operational data to manage the cost of IT services. The challenge for CIOs is to integrate these data points, often manually, to arrive at the cost of IT and decide on new investment priorities. This analysis generally provides an incomplete and inaccurate picture of the real cost of managing IT services and underlying resources (infrastructure, applications, human resources, facilities, etc.).

The IT organization is challenged with its current methodologies and tools to provide relevant statistics to help businesses accurately evaluate returns on technology investments. The paradigm of ‘business aligned IT’ requires due consideration of both functional and financial aspects to enable a successful partnership between IT and the business.

Most organizations have an existing process in place to track IT expenditure. However, there is immense room for improvement in legacy IT cost management practices. The TCO of services, applications or IT towers, IT resource consumption and cost attribution by division continue to remain vague areas for businesses.

The common challenges with prevailing IT cost management practices are:

- Missing standards and best practices
- Ineffective system to correlate and analyze data from finance and IT
- Inconsistent and ad-hoc IT budgeting practices
- Inability to track and manage growing ‘shadow IT’ spend
- Ambiguous chargeback practices

### **Technology Business Management – A new paradigm for business-IT alignment**

To align IT services with business requirements effectively, CIOs must adopt an analytical approach to understand current service models, prioritize technology investments, and oversee IT costs. They must provide sufficient insight to businesses in terms of technology investment planning and ROI analysis. Technology Business Management (TBM) enables CIOs to efficiently manage cost of IT, plan for investment in technologies, and transform IT as a business partner.



**The future of enterprise IT is in ‘running IT as a business’, and making IT more transparent, efficient and proactive to support the business and drive growth.**

TBM offers a set of detailed guidelines that help enhance IT value realization by improving IT costing, cost allocation, planning, and budgeting practices. The TBM body of knowledge authored by the TBM council has seen great acceptance across industry verticals and its key elements are:

- The TBM Framework
- TBM Taxonomy
- TBM Model
- TBM Metrics
- TBM System

TBM provides a great starting point for IT leaders to develop a top-down approach of managing various IT investment portfolios.

Apart from TBM framework, there are other frameworks and practices available in the industry that can help managing IT related investments. One such popular framework is ISACA’s Val IT 2.0, which proposes the following key domains for managing IT related investments:

- Value governance focuses on alignment of IT value with business expectations
- Portfolio management focuses on managing IT related investment portfolio
- Investment management focuses on managing IT investment plans, business cases and transformation programs

### **IT investment portfolios**

Examples of IT investment portfolios suggested by the META Group:

- Run the business (RTB) To maintain existing operations at the agreed level, including compliance requirements
- Grow the business (GTB) To improve efficiency or reduce cost of operations for a competitive edge
- Transform the business (TTB) To introduce new business areas, models or markets, for increased revenue and profits

Examples of IT investment categories suggested by Peter Weill of MIT’s Center of Information Systems and Research (CISR):

- Transactional investment towards repetitive and cost-effective business transactions (e.g. business applications, ERP, CRM, etc.)
- Informational investment towards managing the enterprise (e.g. financial management, MIS, planning systems, etc.)
- Strategic investment towards IT’s utilization for competitive advantage or increasing profits through new market entry, new business models or enhanced user experience (e.g. connected devices, digital oil fields, SDx, digital workplace, etc.)

- Infrastructure investment towards IT resources and capabilities to enable implementation of business applications and IT services (e.g. hardware upgrades, DC consolidation, VDI, cloud, emails, service desk, network, etc.)

### Importance of TBM in today's dynamic environment

With growing IT spends and increasing complexity of the IT supply chain, transformation of enterprise IT is inevitable. The future of enterprise IT is in 'running IT as a business', and making IT more transparent, efficient and proactive to support the business and drive growth. CIOs need to manage their IT organizations as effectively and efficiently as other enterprise business units. There must be

an increased focus on the business value realization of overall IT related investments (e.g. 'run', 'grow' and 'transform'). These investments must be effectively utilized, measured, and managed to deliver quantifiable outcomes to the business.

TBM plays a pivotal role in enabling IT leaders transform enterprise IT from a cost center to a partner in business growth. By embracing TBM practices within IT, CIOs can initiate a value conversation with their business counterparts and collaboratively agree on an IT investment mix to deliver competitive advantage and business growth for the enterprise.

Table 1 exhibits some examples of new IT investment portfolios.

Future IT portfolio	Investment areas
Investment in user experience	Enhancing user experience of end-users, IT users and business users. Investment areas include workplaces, UX, mobility, AR/VR etc.
Investment in platforms and products	Strengthening the IT backbone to accelerate business growth. Investment areas include XaaS, HCI, SDX, API management, iPaaS, CI/CD, containers, ML, NLP, etc.
Investment in architecture and design	Improving the architecture and design of services and overall technology landscape. Common investment baskets are consulting, design authority, industry standards development and contribution, industry benchmarks, etc.
Investment in operational excellence	Investment in DevOps, enterprise service management, site reliability engineers, data management, RPA, self-healing, predictive monitoring, problem management, etc.

Table 1: Examples of future IT investment portfolio

### Embarking on the TBM journey

IT and business leaders need to collaborate for traditional enterprise IT to transition into a successful business partner. A successful TBM program is a combination of process improvement, behavioural change management and implementation of powerful underlying tools. TBM will help IT leaders gain relevant insights on IT spending, consumption patterns, investment-mix, unit-rates variations, service

TCO, etc. This will subsequently trigger multiple short, medium and long-term initiatives that will eliminate wasteful spending, optimize TCOs, sensitize business on consumption and eventually improve business-IT alignment.

To transform IT as a partner in business growth, it is essential to institutionalize three core practices:

- Standard based technology business management
- Demand shaping
- Capex to opex conversion

## Conclusion

The growth of 'digital' will completely change technology investment portfolios. In fact, it would be difficult to differentiate between backbone technology investment and business

growth-related investments. Adoption and implementation of TBM is a necessary step in preparing not only the IT organization, but also the enterprise as a whole for digital revolution. The good news is, all the data already exists with the enterprise. It is just the necessary tools and processes that need to be brought in together to kick-start a revolution. A small investment in implementing TBM will prove to be a good strategic decision for future of enterprise IT.



## References

<sup>1</sup>Technology Business Management: The Four Value Conversations CIOs Must Have with Their Businesses- Book by Todd Tucker

<sup>2</sup>TBM Council- <https://tbmcouncil.jiveon.com/community/tbm-council-home/about>

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