Running IT Like a Business
A CAI White Paper by Nicholas Spanos

OVERVIEW

Many IT organizations consider themselves to be internal service providers for business departments. The IT budget is defined by the business and IT's role is to expend that budget delivering the services requested by the business. This approach results in a fixed capacity. It is limited by the overall budget and IT's ability to re-deploy that capacity in response to changing requirements.

Many IT organizations do not track the cost of individual services and business departments are not accountable for the cost of their services. This approach leads to conflicts across business departments for access to the limited resources and causes business executives to question the value of IT.

If these challenges are common to service organizations, how do we transform IT to operate and deliver value like a business?

IT as a Business... What does it mean?

There are two commonly accepted definitions of a business:

- An organization engaged in producing goods and services to make a profit.

- An enterprise concerned with providing products or services to satisfy customer requirements (adding value).

Since most internal IT organizations are not expected to produce a profit, let us examine the second definition. There are two primary components to this definition. The first is to provide products or services and the second is to satisfy customer requirements (add value). Too often, IT departments focus on delivering products or services and fail to consider whether they are delivering value. Delivering value distinguishes a business from a service organization.

How do we transform IT to operate as a business?

First we have to answer some basic questions.

> **What is the IT Mission Statement?** The mission of most IT organizations is to "deliver the information processing capability required by the business at a cost that represents value". IT must respond to changing business requirements and they must operate within an approved budget.

> **How does IT deliver an Information Processing Capability?** They (a) implement and support infrastructure, (b) develop/purchase/install/operate business software

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applications, (c) store, protect, and provide authorized access to information, and (d) employ experienced professionals to implement and support the capabilities and consult with the business so they can leverage the capability.

How does IT deliver value? The value of IT is not the information processing capability but the benefits of this capability in supporting core business objectives.

What does IT cost? The major components of value are the cost of the capability or service and the benefits derived by the organization leveraging the capabilities. Cost must be tracked at the individual request or service level. Summarized costs by department do not provide sufficient visibility to determine value.

How does IT address conflicting business requirements resulting from fixed capacity? By logging and tracking the cost, priority, and benefits of individual requests, IT can provide the information required for the business to resolve the conflicts. If the business can increase funding based on this information, then IT can increase capacity to resolve the conflicting requirements.

Required Processes

A successful business establishes and enforces processes in the following areas. IT must ensure they have adequate processes in each area and the processes are followed. Each area must include goals and objectives for managing performance.

1. Leadership and Governance (Best practices and strategy alignment)
2. Financial Controls (Cost of services)
3. Operations Management
4. Customer Service Focus
5. Human Resources Management
6. Supplier Management
7. Marketing and Sales (IT must sell the benefits of their services to the business)

Selling the Customers

Successful businesses understand they must drive demand and not simply respond to demand. They innovate and create value/capability that can be sold to their customers. How can IT drive demand? IT must understand that business departments have a limited understanding of the capabilities of technology. IT must take the time to understand business goals challenges and then recommend how technology can support the business objectives. This is a proactive approach that provides much greater value than waiting for the business to define their IT requirements and then reacting to them. Conflicting business requirements must be addressed according to the value to the enterprise.

Proving IT Value

Finally, IT must accept the responsibility to prove their value. IT investments were always assumed to have value but with shrinking budgets and large numbers of IT project failures, business departments have been questioning IT value. IT must track individual services

along with the cost and benefit of those services and report this information. Additionally, they must track and report the cost and benefits of IT innovations and investments in technology. For example: Investing in mobile technologies must have a demonstrated value to the business. Otherwise it is money wasted on toys and gadgets.