



Why IT Finance Matters to the CIO

Boston CIO Executive Leadership Summit
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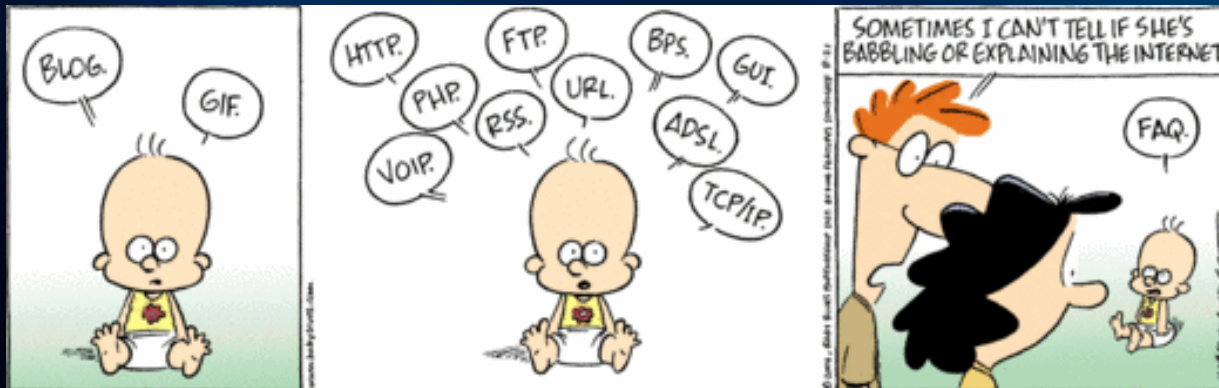
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SVP & CIO

Today's discussion...

- *One man's view of what ITFM might be, and could be*
- *A couple of thoughts on how to attack the problem*
- *Four things that will change our traditional financial models*

Is this happening at your company?

- **Key metrics are stated in terms of machines**
- **IT & Finance have separate closing and reporting schedules**
- **Two sources of financial truth:**
 - IT tools -vs- G/L
- **Metrics speak to volumes, but not to behaviors**
- **Three sources of labor truth:**
 - IT tools -vs- HRMS -vs- Procurement
- **Project ROI is not frequently (ever?) validated**



Then it probably feels like this...



- ***IT is viewed as an expense***
 - Goal is to minimize at most times
- ***Time is wasted debating the facts***
 - IT tools -vs- G/L, again
- ***It's difficult to attract capital to invest***
 - Productivity improvement usually trumps growth or transformational proposals
- ***IT frequently fights to keep business units on process***
 - Businesses perceive processes to be rigid and slow moving
- ***IT is frustrated that businesses don't appreciate what they do for them***

This would feel better...

- ***IT processes and data are integrated with Finance, HR & Procurement***
- ***Metrics are stated in the Voice of the Customer***
 - Service consumers understand how they can impact demand
- ***Benefits are stated in business terms & confirmed***
 - ROI, NPV etc. for tangible outcomes
 - Customer satisfaction, usage/clicks, etc. for intangible outcomes
- ***Appropriate governance determines priorities and risk appetite***
- ***Outcomes are benchmarked***



How can you improve your situation?

First, show current value...

"Value for money means that the IT organization is providing the right services, at the right level of quality, at a competitive price...and the rest of the business knows it"

- ***Measure & communicate IT's performance***
 - Use terms meaningful to the business
- ***Benchmark IT's performance against peers***
- ***Provide data that allows the business to manage the consumption of IT services***

How can you improve your situation?

Next, show where IT can contribute new value...

	Internal informing Provide information to improve operational decisions.	External informing Embed information into products and services.
Source of value		
Improve decision making		
	Optimizing Improve or transform internal processes through technology.	Reshaping Change how customers and partners interact with the enterprise and its products/services.
Improve process		
	Internal	External
	Scope of change	

The key is to measure progress in business terms!

Source: R. Hunter & G. Westerman, *The Real Business of IT*

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Some game changers to contemplate...

**"When I'm asked about the ROI of Social Media,
sometimes an appropriate response is...
what's the value of your phone?"**

*Erik Qualman makes a provocative statement to drive home a point...
...yet, how many of our business leaders would accept the premise from us?*

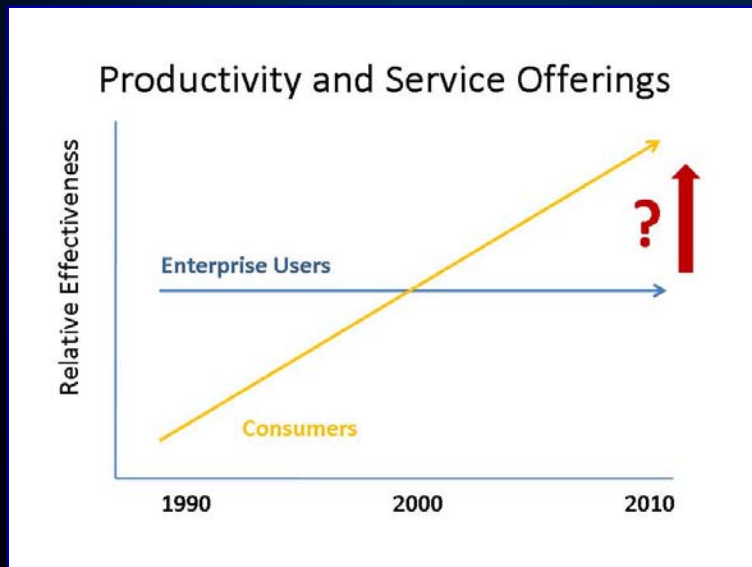
**There are many game changers at play today, and the velocity is accelerating.
We need to be able to show value in the face of this assault.
Following are four from the list that keep me up at night...**

Source: E. Qualman, *Socialnomics*

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The Consumerism of IT...

“The locus of IT industry Productivity and Service Offerings innovation that was once clearly in large enterprises is now just as clearly in the consumer sector.”



Source: The Leading Edge Forum, CSC World

- **Extreme personalization:**
 - Apps for every purpose
 - Complete control over experience
 - Viral
 - Tiny cost to play - no risk if wrong
- **ITFM implications:**
 - New asset management dynamics:
 - What is or is not work-related is blurring
 - Users have unbounded choices
 - Rethinking capital and capacity planning:
 - Yesterday's CapEx items become today's OpEx
 - Increasing demand for devices and software tied to events beyond our control (e.g., Apple announcements)

The Rise of the Net Generation...

- **81M tech-savvy people coming into their own!**
 - So-called Gen Y'ers or Millennials
 - Grew up in the Internet age
 - Technology is "like breathing air"
- **ITFM implications:**
 - IT increasingly no longer the keeper of the technology domain
 - Demand for extreme transparency in both cost and performance
 - 1:1 scorekeeping...
"What's it worth to me right now"

net generation norms

Freedom
Personalization
Scrutiny (i.e., transparency)
Corp. Integrity & Openness
Entertainment & Play
Collaboration & Relationship
Speed
Innovation

The Cloud...

- ***Cloud maturity is inevitable:***
 - Virtualized servers, desktops, storage, networks will become the norm
 - SaaS and IaaS will become mainstream
 - Quality, function and price will become the dominant measure of service performance
- ***ITFM Implications:***
 - Service management has to mature at least as fast
 - Traditional "tower" management gives way to "product" management
 - Service catalog becomes a vital cornerstone
 - Bundling of services will become more common
 - Traditional SLA and contract terms for vendors will evolve

The Internet of Things...



- **Sensors and actuators everywhere!**
 - Real-time automated monitoring
 - Situational awareness
 - Behavior tracking
 - Automated control of closed systems
 - Optimized resource consumption
 - Complex autonomous systems
- **ITFM implications:**
 - Immediacy of performance measurement will increase
 - IT increasingly a component of Cost of Goods Sold
 - Stress to identify information out of massive data points

The way forward...

- **Assess your situation...**
 - are you feeling like a winner?
 - or, a target?
- **If you want to advance,**
 - First, show the value IT currently contributes in business performance terms
 - Capitalize on that success by finding new ways to show value
- **Anticipate the game changers:**
 - Don't boil the ocean...focus on the vital few that will impact your business in valuable ways

Show me
the ~~money~~
value!



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