

IT Shift

From Technical Support to Business Ally

IT is undergoing a massive transformation—sparking big changes in the way businesses think about their technology project investments. Spurred by economic and strategic shifts, today's IT leaders and their teams are relying on solid project management to ensure their projects drive profits, increase business efficiencies and help organizations achieve their strategic goals.

"CIOs are accountable for showing their leadership how IT can contribute to the business," says Carlos Roberto Katayama, CIO and corporate IT director at Usiminas, a steel and mining producer in Belo Horizonte, Brazil. "It is our role to help IT focus on the business vision of the projects."

CIOs and IT project leaders are looking beyond cost and consolidation toward innovation and competitive growth, according to *Gartner's 2011 CIO Agenda* reportⁱ. To do that, they are repositioning themselves and their IT teams to hone their business skills and focus on benefits realization.

"Already, there is no such thing as a pure IT project," states the report. "Whether investments are more IT-intensive or less so, they are all business projects."

The IT project portfolio must not only enable an organization's business strategy but also contribute to it.

"IT provides a service to the rest of the business, so what the IT team does must be entirely defined by business goals."

– Jack Waley Cohen, operations director, Lingo24, London, England

Defining IT project outcomes through the lens of corporate strategy requires everyone involved in the project to understand the broader implications of the investment. And that can only happen when companies break down the walls between business and IT.

"When IT and business units are tightly integrated, there is more understanding from all sides about what needs to be accomplished," Mr. Cohen says. "That leads to more creative and innovative solutions."

Forging this kind of cross-functional portfolio planning process could also lead to more successful projects and programs. In a global survey by the Standish Group, only 37 percent of the 10,000 IT projects came in on time and on budget in 2010.ⁱⁱ (And that was the highest level of success the biannual survey has reported since it began in 1994.) More than 40 percent of the projects were considered "challenged" (over budget, late or with less-than-required features) and 21 percent failed completely.

These types of failures can obscure the value of well-managed projects in the eyes of senior leaders; three-quarters of executives said they believed IT projects are always (27 percent) or usually (48 percent) “doomed right from the start,” according to a study by software development company Geneca.ⁱⁱⁱ

To alter this perception, IT project leaders must take an active role in showcasing the value of project management in helping deliver on-time, on-budget IT projects that meet business—not just technology—needs.

The transformation cannot be achieved alone, however.

THE IT SHIFT IN ACTION

The Organization:	Beam Inc., Deerfield, Illinois, USA
The Sector:	Manufacturing and distribution
The Benefit:	Bringing in the IT department during the early stages of the project planning process reduces risks and increases efficiencies.

Midway through the year, leaders at spirits maker Beam Inc. lay out the business plans for the coming 12 months.

In the past, the IT team would not get to read the strategy until months later—after the portfolio management team had already selected major projects and made capital planning decisions.

“Of course, by then it was too late for the IT department to weigh in,” says Susan Klein, the company’s program director for global efficiency and effectiveness. The IT group would be faced with an influx of projects, which resulted in churn and delays. The IT department often also had no context of the projects’ business value.

Looking to eliminate this disconnect, Beam changed the process to help ensure the company’s 2012 strategic plans were shared with the IT group as soon as they were released. The IT team then collaborated with the business units to discuss hurdles as well as potential solutions and projects to accomplish the company’s goals.

“The IT folks did not typically talk about issues such as financial structure or earnings per share. By giving them these plans, they better understood the business goals and language,” she says. “It sparked a type of conversation between the IT department and the business units that never occurred before.”

One of the company’s goals, for example, was to improve shipping rates and boost capacity by consolidating bottling operations. To handle the increase, one of the plants required a new warehouse-management system.

“The teams needed a more efficient and effective solution to tracking and locating products throughout our massive warehouses,” explains Thomas P. McPartlin, Beam CIO and vice president of business transformation.

And the company is already reaping the rewards of bringing in the IT team early.

“Before, management would just come to IT and say they needed a new warehouse system with no explanation why,” Ms. Klein says. By partnering with the business units, the IT team now has a better understanding of the business case behind the new system. That, in turn, allowed the team to design and develop a scanning solution to replace the time-consuming, manual process.

“The warehouses now have a streamlined system for storing, locating, tracking and shipping pallets of products,” says Mr. McPartlin.

The project also serves as a powerful example of cross-functional project planning.

“This project is a clear example of deep collaboration between business and IT. For quite a few months, both teams worked as one single group. All members were sharing ideas, processes and best practices, the level of interaction was beyond expected and the output couldn’t be more successful.”

– Madhav Kathikar, senior solution architect for the project

DELIVERING TRUE STRATEGIC VALUE

Working with business units during the planning process, IT leaders are better able to define which technology investments can provide strategic value and then zero in on the projects that deliver the best ROI, says Russ McDowell, PMP, managing partner at Russona Consulting, Ottawa, Ontario, Canada.

“Every organization has more projects than capacity to deliver,” he says. To make the best choices, companies should implement a formal portfolio assessment process with scoring criteria to prioritize each potential project based on its business value. “Executives do not want to look at 100 potential projects to try and figure out which one is the most important to deliver,” Mr. McDowell says. “This process gives them a starting point to make those decisions more effectively.”

“IT and business leaders collaborating on a program management process ensures that resources are appropriately assigned, rather than simply going to those projects that have the most vocal or most senior champions,” says Susan Klein of Beam Inc. “There is less churn, and you can be more efficient because there will be fewer battles over whose project goes forward.”

Once IT project plans align with business goals—and the IT team understands and embraces these goals—companies can better measure business results. If, for example, the goal is to reduce overhead costs by implementing an inventory-management system, that should be a metric of success to validate the IT project.

“Every single business unit in a company must show value, and IT is no different,” says Ms. Klein.

At Southern Co., a utility company based in Atlanta, Georgia, USA, even back-office IT projects must deliver on strategic business goals—and have the metrics to prove it, says David Traynor, business excellence manager. For example, when the organization implemented software to replace its previous project management system, the benefits included automated report generation, which would eliminate the need for meetings to discuss project status. “Ten managers times two meetings per month translates into 40 plus hours of productivity per month,” he explains. “That is significant.”

It also gives Southern Co. hard numbers to show their IT investments deliver a measurable payoff. “Why wouldn’t you want to capture value?” says Mr. Traynor. “In our industry, it is important that executives have good stories to tell to customers, investors and regulators.”

Done right, those stories become the new norm.

“We want to provide the best project management service we can and add value to the business and IT.”

– Dean Ayers, Southern Co.’s PMO manager

And the pressure to show results is growing as executives increasingly seek to boost the business value of IT investments, according to *Top 10 Tech Trends of 2011*:^{iv}

- 41 percent of organizations said they look forward to increased use of technology or IT processes to specifically increase their organizations’ revenue.
- 45 percent said they expected increased engagement in business-process improvement in the coming year.

IT SHIFT IN ACTION

The Organization:	Advantage Sales and Marketing, Irvine, California, USA
The Sector:	Retail merchandising
The Benefit:	Aligning tech projects with business goals helps ensure customer satisfaction and long-term growth.

As the Irvine, California, USA-based national IT director at Advantage Sales and Marketing, Marc Crudgington straddles the technology and business worlds. He works closely with both the executive and IT teams and knows the benefits that come when they are aligned—and the consequences when they are not.

“There are so many cases when IT designs a project that isn’t appropriate for the business,” he says. “They don’t understand how the business works, and the business people don’t understand how the technology functions, so they can’t effectively govern the IT approach.”

A disconnect between the two functions can lead to serious business implications, including revenue loss, customer dissatisfaction and the inability to expand to meet future growth, he says.

This need for alignment is not just a theory for Mr. Crudgington, as two recent Advantage projects illustrate—but for different reasons. Both projects were intended to meet the needs of a business unit and were built in conjunction with third-party vendors.

The first was implementation of a highly customized order-management system. Handling over 100,000 orders a month, the system would have new enhancements and features aimed at improving the customer experience.

“Strong collaboration with the business unit was absolutely required for this project... If that system went down for any prolonged period of time, we’d be out of business.”

– Marc Crudgington, National IT director at Advantage Sales and Marketing, Irvine, California, USA

From the outset of the two-year project, the IT team worked closely with the administration division, for whom the application was being developed.

During the design phase, it collected input to ensure alignment with that division’s goals. Then, once development began, the IT team held weekly conference calls with administration representatives to discuss progress, get feedback and tweak the project plan.

The end result was a resounding success. “We enhanced the tool to be more efficient, and as a result, we are able to process about 15 percent more orders, and we’ve had no issues with the system or the scalability,” says Mr. Crudgington.

The project was so successful, in fact, that the IT team is now using it as a model to demonstrate the value of collaboration between business and IT.

In contrast, the second application project, developed by a different IT team, did not follow any of the best practices established by the first, and the results were disastrous. In the planning stage of the project, for example, the IT team looked at three vendor options—and chose the one that many end-users did not want.

Due to a lack of experience and poor communication with the business unit, the IT team also did not factor long-term growth expectations into the application development plan. It also did not utilize best practices when working with the business unit to prioritize enhancement expectations.

“It’s been a complicated project,” Mr. Crudgington says. It has damaged the IT team’s reputation, hurt revenues and caused customer frustration.

It is a painful lesson, he says, but it underscores the need for IT project teams to look beyond the technology to ensure the choices they make align with the end-user needs and the company's long-term strategic plans.

"You've got to work closely with the business and deliver what the end-users request," he says. "Strong collaboration, coupled with a little humility, is how you get the job done."

GREATER INVOLVEMENT EQUALS GREATER SUCCESS

For all the obvious benefits, collaboration across IT and business units can be a challenge in many organizations, where IT project managers and their teams often work in isolation.

In organizations with immature project management processes, IT teams often do not have the processes in place to collaborate effectively with business units on defining the goals, metrics and anticipated business ROI of technology investments, says Rick Campo, PMP, former manager of technology project management at film studio Laiki Inc., Portland, Oregon, USA. "Most IT projects have their business case written for them by the business unit."

And once the case is written, it may be too late in the project life cycle to make significant changes or brainstorm more effective solutions. As a result, project teams are left to build systems based on specifications that may not make the best sense from a technological standpoint and with little context to understand the business goals these systems are meant to deliver. "When IT teams do not understand the business reason behind a project, you get results that are not satisfactory," Lingo24's Mr. Cohen says.

That lack of communication or consensus can often lead to scope creep, frustration and mistrust among IT and business unit groups. Failure rates soar while the credibility of IT teams plummets.

It does not have to be that way, however.

"When IT and the business units partner from the beginning, the IT guys become more business savvy, and the business units get a better understanding of what the project requires," Mr. Campo says.

The end-result is a better use of resources and increased buy-in across the enterprise—which reduces risk and improves the chance for success.

At Usiminas, Mr. Katayama brings the IT team into long-term project portfolio planning, collaborating on how IT projects can help meet the company's goal of doubling its value by 2015. "We have identified 35 different projects to help the company achieve this goal, and IT is part of almost all of them," he says.

By involving the IT team in strategic planning, it has an opportunity to offer ideas in sync with business goals, says Mr. Katayama. When the company was looking to reduce safety risks on work sites, for example, his team suggested an IT-driven answer: provide site workers with mobile devices so they can send potential issues—as well as possible solutions—to project leaders in real time.

THE IT SHIFT IN ACTION

The Organization:	Lingo24, Edinburgh, Scotland
The Sector:	Translation services
The Benefit:	IT and business units collaborate on a new development project that should pay for itself in three to four months.

When it comes to strategic project planning, Lingo24 likes to make sure its IT teams are right in the throes of it.

“To provide the best service, the IT team needs to be part of defining the solution, rather than just being told what to do.”

– Jack Waley Cohen, operations director at Lingo24

To achieve this, the organization has an IT portfolio manager who sits between the IT and business units to mediate discussion and help devise IT solutions driven by business goals.

Fostering a partnership between the two groups ensures the IT project plan makes sense, both from a technology and business perspective, says Mr. Cohen. Along with defining business goals and technology solutions, the two teams work together to estimate the cost, resources, time to build as well as the projected ROI.

“The IT systems that deliver the most business value are the ones that are built through close collaboration,” Mr. Cohen says. “It is a great model for project success.”

When Lingo24 recently launched a project to accelerate delivery of its translation projects, for example, its IT portfolio manager met with the client project management and IT teams to identify potential solutions. Typically, the project management team reached out to potential freelancers one at a time through personal email requests and then had to wait to hear back from each target before launching the project or reaching out to the next person. The process added time and unpredictability to the schedule, as the team had little idea how many potential freelancers it would have to contact before launch.

Instead, an IT team member suggested developing an automated contact system. Under the proposed plan, the IT team would develop a tool allowing each of the 30 project managers to compile a project or client-specific short list of freelancers from the wider database. The system would then send automated requests to those freelancers who fit the needs of each project. With every decline, the system would trigger the next request and alert the project manager of the status until a freelancer was secured.

Together, the teams defined the scope and features of the automated system along with its cost and benefits. They determined the automated system would save each project manager an average of one hour per day, paying for itself in three to four months.

“When IT understands exactly what the business units are trying to achieve—in this case, saving an hour per day per project manager—they can focus on the end goal,” Mr. Cohen says. “This way they do not get sidetracked by ideas or features that do not help achieve that goal.”

SPEAKING THE SAME LANGUAGE

Instead of resorting to jargon about the latest cutting-edge technology, IT project teams must learn how to interact at a business level. To facilitate that, organization leaders should groom their tech teams to think and speak in terms of business value, says Mr. Katayama. When the IT team can help build cases that tie technology to the company’s strategic goals, it will be perceived as more valuable in the eyes of the executive team.

Yet most IT teams are unaccustomed to communicating about their projects in the language of business. More than 40 percent of IT decision-makers cited a lack of business knowledge as a source of problems within IT projects, according to an October 2010 survey by Tek Systems.^v

To close this gap, organizations must implement processes to:

- Embed IT teams in project planning sessions.
- Draw them into discussions around business strategy and corporate goals that relate to their work.
- Educate them about business issues that drive organizational goals.

Mr. Katayama puts his IT team members through rigorous training designed to teach them how to communicate about their projects in business terms, and to make connections between IT investments and corporate goals.

He also meets monthly with tech project leaders to discuss their progress in terms of strategic value, including how the projects are contributing to profit and loss, customer satisfaction, and process-improvement goals.

“Of course we still worry about meeting cost and time commitments, but the primary purpose of these meetings is to discuss business results,” Mr. Katayama says. “We no longer talk about projects in terms of technology. We talk about business results and value added.”

Shifting the focus has helped build respect for the IT project team among senior leadership—and is supporting Usiminas to achieve better business results. “We are on the way to being more profitable, and to reduce inventory we have started a complex project to get better synchronization of the supply chain as part of our IT strategy,” he says. “That is how we have changed the perception of IT from a cost center to a strategic business unit.”

The same held true at Beam Inc. When the IT team learned to speak the language of the business and build a project portfolio that tied technology to business goals, they repositioned themselves in the eyes of the executive team.

“In the past, IT was seen as a cost center,” says Ms. Klein. “This transformation makes it easier to show how IT adds to the top line, instead of taking from the bottom line.”

CONCLUSION

As IT teams are increasingly expected to deliver business results, rather than simply technology support, IT leadership must become an integral part of the overall portfolio planning process.

When IT leaders and their project teams are involved from the beginning, they bring valuable knowledge and common sense to up-front decision-making—as well as drive those business benefits down their own IT ranks.

This ensures that business goals are a priority in every IT project, which leads to a higher rate of project success, says Mr. Campo. “If IT is part of the portfolio management process from the start, you can be sure every project is a wise investment, that you have the resources to deliver it and the key performance indicators to prove it brought value to the organization.”

-
- i. *Reimagining IT: The 2011 CIO Agenda*, Gartner. Results based on a survey of 2,014 CIOs representing more than US\$160 billion in CIO IT budgets and covering 38 industries in 50 countries.
 - ii. *Chaos Manifesto 2011*, The Standish Group. Results based on a survey of 10,000 projects conducted in 2010 around the world.
 - iii. *Doomed From the Start?*, Geneca. Results based on a survey of approximately 600 U.S. business and IT executives and practitioners conducted in fourth quarter 2010.
 - iv. *Top 10 Tech Trends of 2011*, Baseline. Results based on a survey of nearly 400 managers across all sectors at North American companies with at least 100 employees.
 - v. *IT Executive Outlook Survey*, Tek Systems. Results based on a survey of more than 1,000 North American CIOs and IT decision-makers published in October 2010.