

ITPMG Insights

IT Cost- A Critical Issue for CIO's

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Business units demand more services and the CFO wants to reduce the IT budget!

“Major failures in business come not so much from unmet goals, as from lack of response to unforeseen changes.” — O.L. Duff

When the economy is uncertain or in a downturn and the investment in IT continues to increase dramatically, driven by the user demand and rapidity of business change necessary to remain competitive CFO's will begin to look at IT as an expense and not an investment.

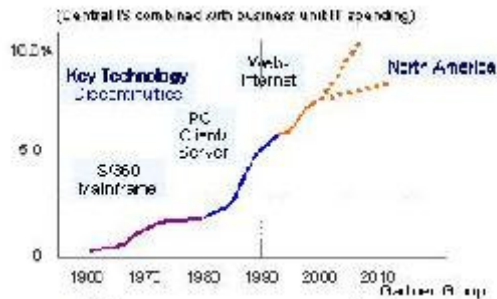
Where once IT management drove the pace of change, today the customer is in control and will seek alternative sources of supply if the IT organization fails to respond or does not respond well enough.

In the face of this change, the command and control measurements used by most IT organizations do not communicate information that is understood by, or of great value to, the IT customer.

Performance management programs must provide measurements that communicate the value and effectiveness of the services being provided. In addition, they must also allow the IT organization to predict, prepare for and prescribe the next challenges and opportunities that will face the enterprise.

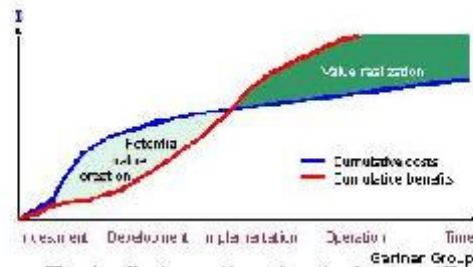
Why Is the Value of IT in Question?

Total IT expense as % of corporate revenues



- IT expense as percent of revenues is increasing and Gartner forecasts continued growth
- IT expenditures easily exceed profits in many companies

Time lag between IT investment and value realization



- Typically long time lag between IT investment and realizing the benefits
- IS can help the business estimate 'potential value' but the business managers are responsible for 'value realization'