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September 2016

The CFO's dilemma: IT investments

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Jim walked down the hallway to his corner CFO office and sighed as he connected to his weekly update meeting with Bob, the IT director who reported to him.

The new voice over internet protocol phone system was taking forever to implement and still had quality issues. In addition, Bob rattled off a litany of reasons why they needed to spend money on other arcane IT infrastructure improvements. Jim did not understand why all of the changes were really needed, and it was a little hard to digest, given all the money the company had spent on IT the previous year. Added to that, Jim had to weigh the discussion he had just had with the vice president of operations about the need for a new warehouse management system, on top of the existing enterprise resource planning system. All of these factors played into the dressing-down Jim had received during the most recent board meeting about the company’s lack of attention to cybersecurity – an assessment based on some random article a board member had read.

A pause in Bob’s technobabble snapped Jim back to the present. He asked Bob to send the spreadsheet of requests, and after Bob said that it was already in Jim’s inbox, Jim ended the call. He opened Bob’s spreadsheet – still unconvinced of the need and lacking the time to figure it all out.

A common dilemma

Concerns about making the best technology judgments are not unique. Many IT-related decisions are made or delayed based on fear and a lack of time and understanding. Boardrooms and C-suites across the country are full of decision-makers struggling to understand the best way to use technology. Many divisions within a business can see technology’s benefits in, for example, operational efficiencies, improved analytics, and increased sales and marketing exposure. But despite the integral role that information technology plays in today’s businesses, many companies approach major IT initiatives in a way that is far from businesslike. Frequently, six- or seven-figure investments are made without tying these decisions to clearly defined business results. Dozens of smaller decisions are made and funded, to be followed six months after implementation by the surprise news that integrations – and further spending – are still required to “make it work.”

Moreover, companies often fail to tie IT spending directly to the business's daily operational performance or, even more critically, to its long-term strategic goals. Small wonder, then, that surveys of C-suite executives consistently reflect significant levels of discomfort with the way IT investments are selected and managed. What the approaches lack is an objective, results-based method for developing an appropriate IT strategy, making sound IT investment decisions, and then executing and managing the chosen initiatives.

A survey by Gartner[1] noted IT spending increases of 3.2 percent in 2015 and projects further increases of an additional 3.1 percent in 2016. Gartner's recommendations summary notes that "These measures [the spending increases and projected spending increases] should be considered in the creation of future-state (both short- and long-term) objectives to quantify IT planning assumptions and to better understand niche or industry competitive drivers, inhibitors, conditions and trends."

A strategic focus for IT initiatives

Businesses require a systematic process for developing, selecting, implementing, and managing their ongoing IT initiatives. In defining and choosing an IT-implementation framework, they should look for solutions to help them make IT decisions that achieve critical strategic and operational goals.

Successful solutions adhere to the following four tenets:

1. **Do what's right.** Objectively manage IT as an overall portfolio, rather than as a series of one-off projects. This approach also helps companies evaluate IT spending based on clear business cases, with a focus on validating assumptions made to justify projects.
2. **Align with standards.** Objectively evaluate the market and best practice experience to understand the risks and benefits of technology decisions and recognize the long-term impacts on applications that must be managed.
3. **Execute with rigor.** Use methods and tools that help implement new projects correctly, enable quick recovery or termination of unsuccessful initiatives, and establish clear accountability for results.
4. **Realize the benefits.** Focus on minimizing total cost of ownership and maximizing total value over the full life cycle of IT initiatives, not just the acquisition and implementation phases.

Organizations must figure out how to balance spending with need. A truly objective third party can help organizations of all types and sizes to quickly develop a business-focused approach to critical IT issues. Whether they tackle the challenge internally or with the help of an outside vendor, businesses should consider the tenets presented here as a part of any major IT initiative.

Learn more

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[1] Linda Hall, Eric Stegman, Shreya Futela, and Disha Gupta, "IT Key Metrics Data 2016: Executive Summary," Gartner, Dec. 14, 2015.

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Text created in and current as of September 2016; Cover and artwork updated in May 2018.

MD-17000-022B