

Managing a portfolio of IT investments

*a discussion around how and why
you invest in different types of IT for
different reasons*

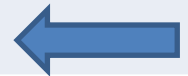
**FAILING
TO PLAN IS
PLANNING
TO FAIL**



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An IT budget is just as important as any other budget but is often not visible in total

Category	Cost Centre 1	Cost Centre 2	Cost Centre 3	Cost Centre 4
Labour				
Telephones				
Travel				
IT				



'everybody' is managing the vertical

Is somebody managing the horizontal?



A consolidated IT budget has many advantages

- An understanding of IT expenditure compared to other expenditure categories
- An understanding of total IT spend over time
- The opportunity to benchmark between businesses and within industry associations
- Useful knowledge in an acquisition or merger
- If you are in a competitive environment and your competitor is spending more than you on IT, there is a good chance you are losing



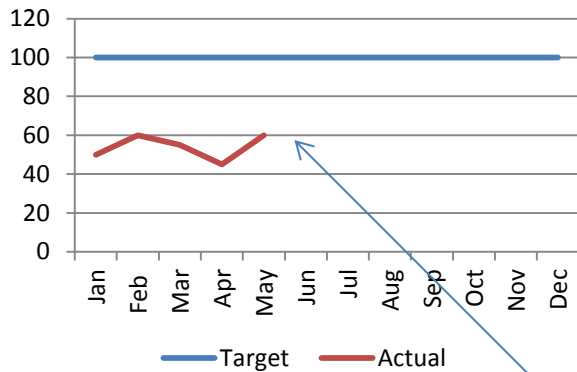
Managing to a detailed IT budget is even more powerful

Category	Cost Centre 1	Cost Centre 2	Cost Centre 3	Cost Centre 4
Labour				
Telephones				
Travel				
IT network				
IT licences				
IT capacity				
IT support				

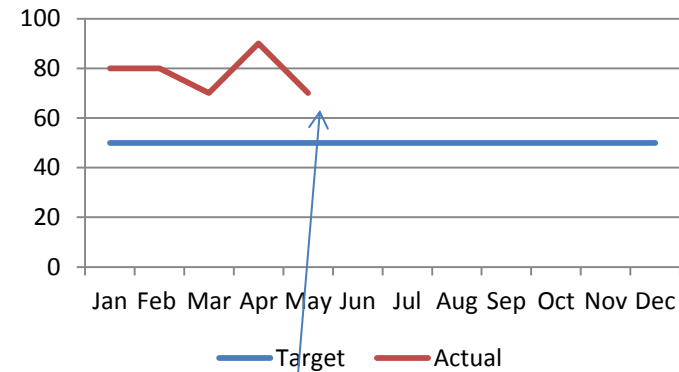


Better visibility enhances management flexibility

IT Support – all cost centres



IT development – all cost centres



Support tracking under budget, may free up funds for valuable development projects which may run out of funds

Insights like these may not be visible if 'horizontal' budget is not done and measured to as well



Creating a baseline budget is the first step

- Are all systems and services staying?
- Are there any price rises in your contracts?
- Might you be exposed to licence price changes due to exchange rate or CPI?
- Is your footprint in terms of sites or users changing?
- Will existing users be using more systems to access more functions e.g. LLLB, CDC?
- Are there new things that must be done due to (for example) audit findings?
- Are there projects not finished from last year?
- New systems recently installed will require ongoing services/licences/support



Are there any savings available to your baseline budget?

- Is it worth changing suppliers for networking or hardware?
- Will existing providers give you a better deal?
(outsourcers will nearly always offer a discount for a contract extension)
- Are there systems or services not being used?
(e.g. subscription services like Salesforce may not be being used)



With a baseline budget understood you can look to your investment budget



Professor Peter Weill invented the Weill Investment Pyramid which has proven a great tool for guiding IT investments

After receiving his BE with honours from [Melbourne University](#) in 1978 and his MBA in 1984, Weill proceeded to study management information systems at the [New York University Stern School of Business](#), where he received his M.Phil in 1987, and his PhD in 1988.^[2]

Weill started his academic career at the Melbourne University, where he was Professor of Management Information Systems and Director of its Centre for Management of Information Technology (CMIT) at the [Melbourne Business School](#) (MBS). In July 2000 he joined Sloan as Director of the MIT Center for Information Systems Research,^[3] where July 2008 he was succeeded by [Jeanne W. Ross](#), and Weill became chairman of the CISR.^[4]

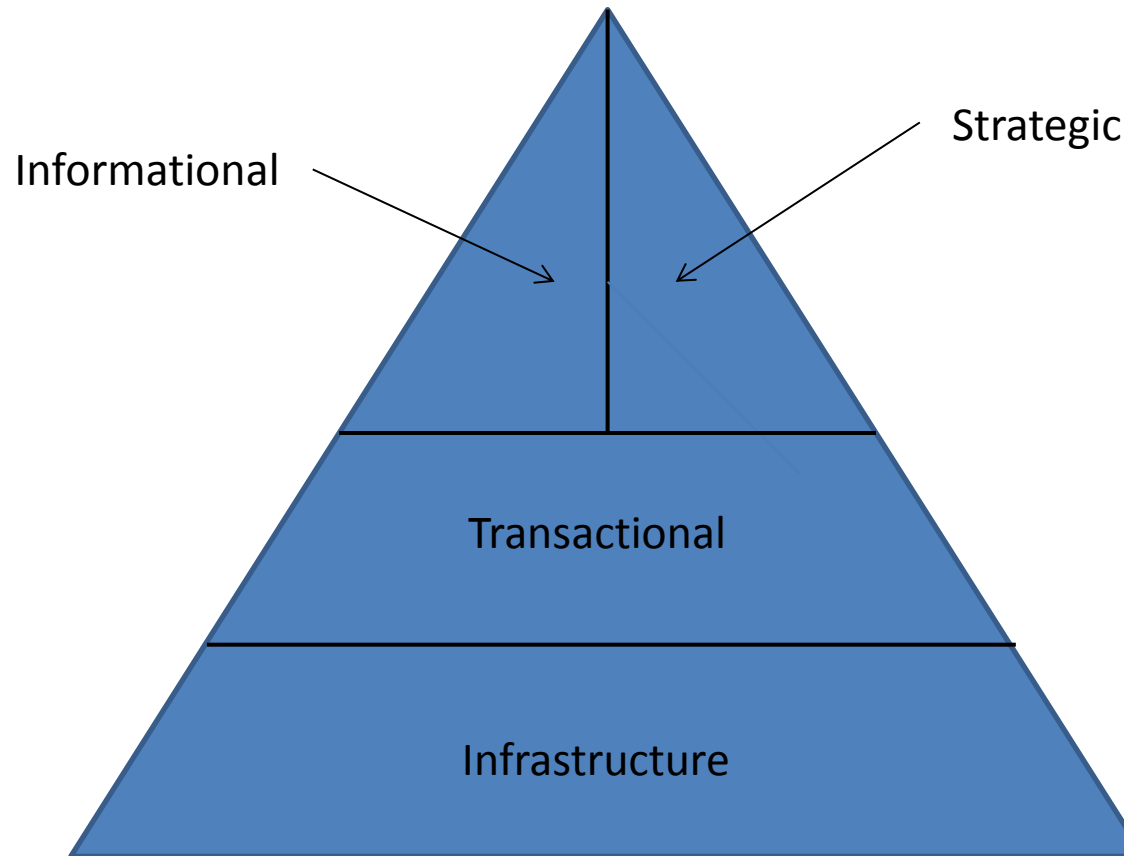
Weill was awarded the Library Journal of America's best business book of the year award for his 2001

IT investment portfolio



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Professor Weill identified 4 unique investment categories



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Infrastructure

Investments are made in infrastructure primarily to:

- enhance flexibility
- enable user driven change to create unfound value

For example :

- If you made WiFi available to all staff and residents on BYOD devices, what clever things would they find to do?
 - Residents providing feedback via Facebook
- If you enabled your network to support decent quality video, what options could open up?
 - Staff could watch training videos
 - Residents could stream movies
 - Medical appointments could be via Skype

These are not planned outcomes, you enable the people to find the value



Transactional

Transactional investments are made to get a better bottom line company outcome

Transactional investments will make your IT spend higher, offset by increased revenue or reduced cost in OTHER budget items. Examples include :

- New systems which reduce carer time and perhaps over time
- Can electronic processes replace paper e.g. statements, pay slips
- Can a new system reduce errors
- Can new technology reduce footfall



Informational : “Knowledge or facts learned, especially about a certain subject or event”

Informational investments are often made by business seeking more information about themselves, for example:

- What costs are growing the fastest
- Where is revenue declining
- Is there a correlation being Clinical Indicators and Occupancy
- What is my average margin across the business
- Which business units have the highest margin

Informational investments are often made by business facing competitive threats

Informational investments often combine data from more than one system



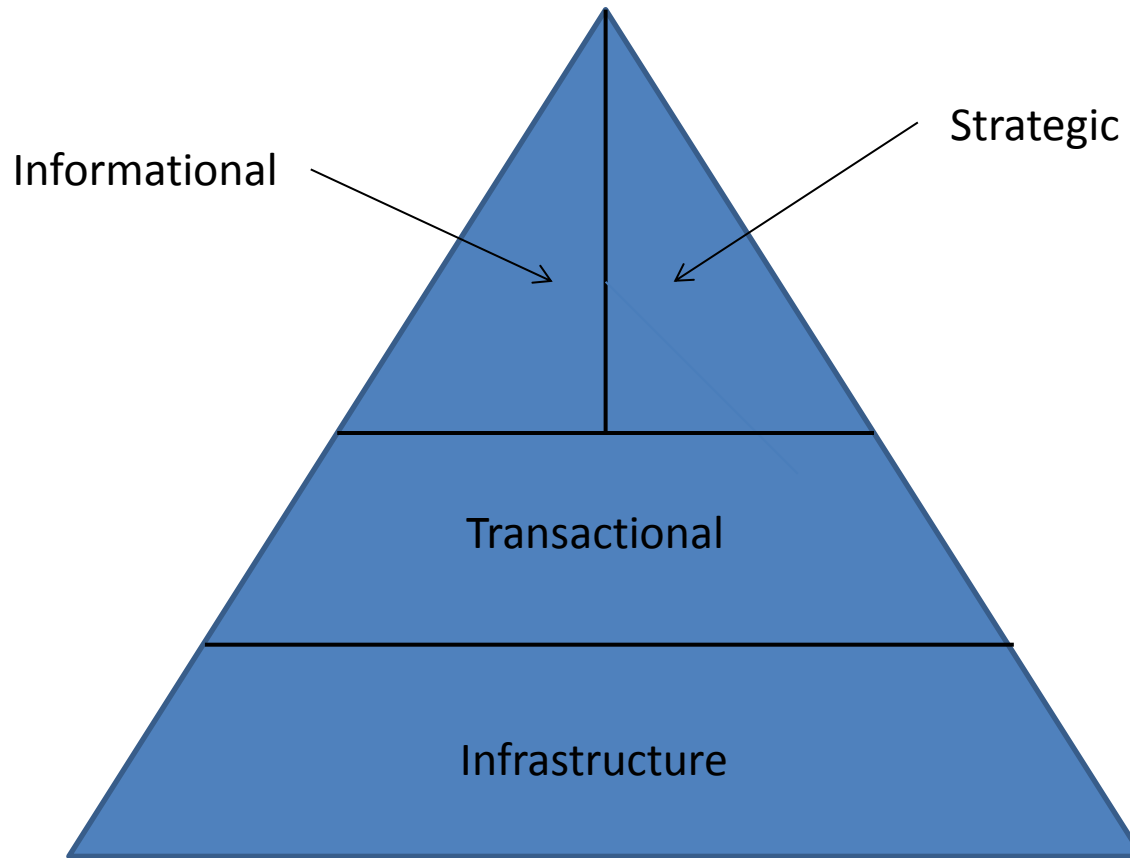
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Strategic Investments

- Management have to provide licence for strategic investments to fail
- If there is not a chance of failure they are not strategic
- Where might the next breakthrough come from:
 - Robotics?
 - Medication Management?
 - Companion robots?
- Strategic investments as a proportion of an IT budget need to be nurtured and encouraged. A large percentage of 'great' investments will have their parentage in this category



A conversation about your budget split into these categories will give great insight

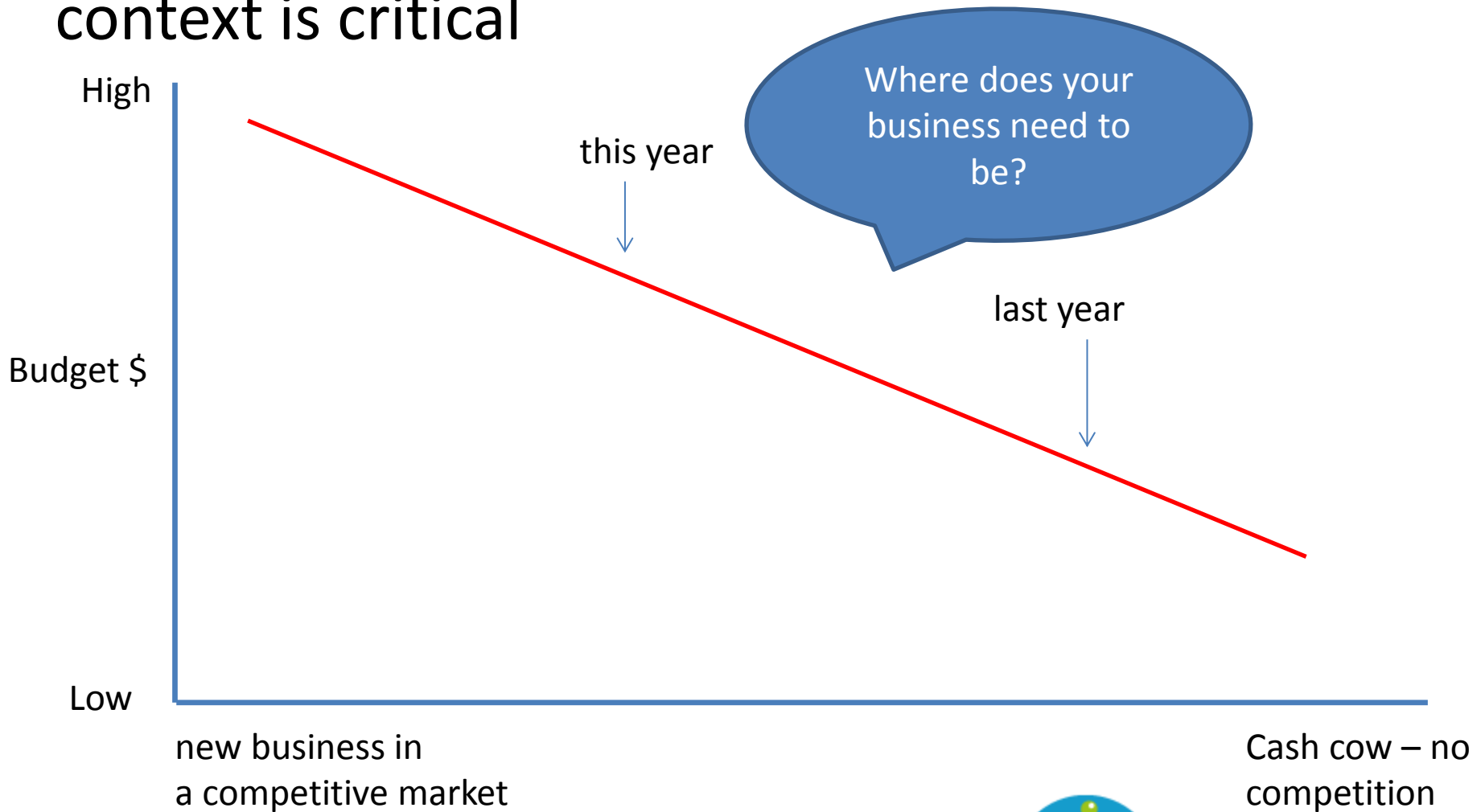


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Aligning your draft budget with organisational context is critical



Managing a portfolio of IT investments - a checklist

- ✓ Manage to an IT line item in each cost centre
- ✓ Manage to a consolidated IT budget at company level
- ✓ Establish a baseline budget
- ✓ Develop an investment portfolio
- ✓ Fit the budget to the organisational context

