



Gartner®

# CIO Guide Smarter Spending: Invest in Business Outcomes

Drive business value by binding IT investments  
to business outcomes

Top-performing CIOs deliver value by managing IT costs strategically and programmatically. When economic, geopolitical, environmental, social or competitive events such as epidemics, market downturns or slower-than-anticipated sales trigger the need for immediate, short-term cost cutting. A strategic approach to IT investment will reduce or eliminate the need for short-term cost cutting, as business leaders understand the CIOs focus on cost management and the business impact of IT services.

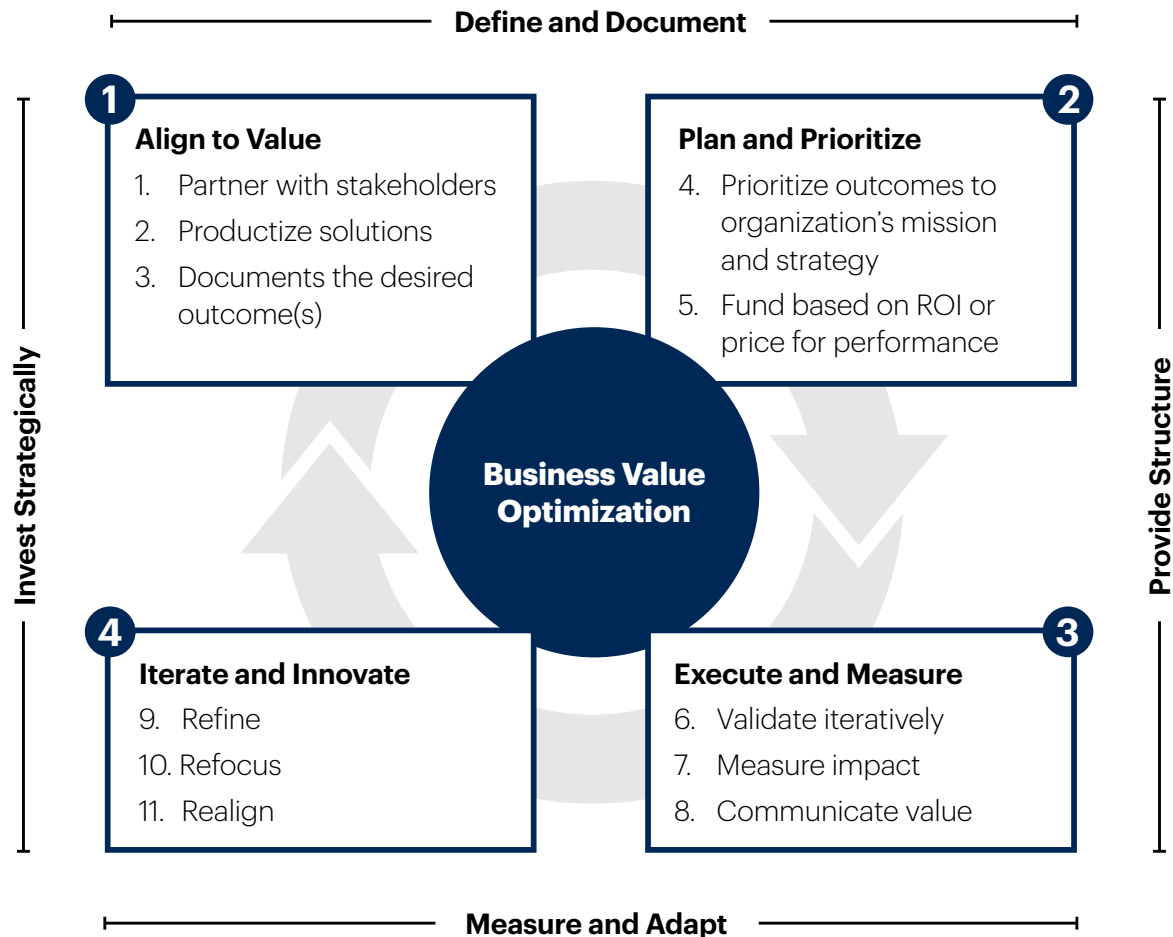
This guide will help CIOs define and build an invest-to-win strategy that shifts the cost-management focus from cost cutting to cost optimization to value optimization, looking at emerging best practices that will require your attention in the next six to 12 months, and aligning to Gartner's digital value optimization plan, which can help CIOs achieve the mission of the enterprise as they align to value, plan and prioritize, execute and measure, and iterate and innovate.

CIOs will understand how to invest IT resources to drive business outcomes by managing IT costs more strategically and programmatically, focusing on delivering value to the business, even in economic, geopolitical, environmental, social or competitive business downturns. Your organization will be able to make more valuable IT investments as it better understands what is necessary to make the business successful and as IT prioritizes investments with more business-valued impact, CIO stakeholders will be more actively engaged as the business value of IT becomes clearer and more demonstrable, thus lessening reflexive cost-cutting requests.



# Digital Value Optimization Plan

The framework within this guide is an extension from the Business Value Optimization model featured below.



# Align to Value

**CIOs must lead the realignment of IT to the delivery of business-valued products and services. This requires:**

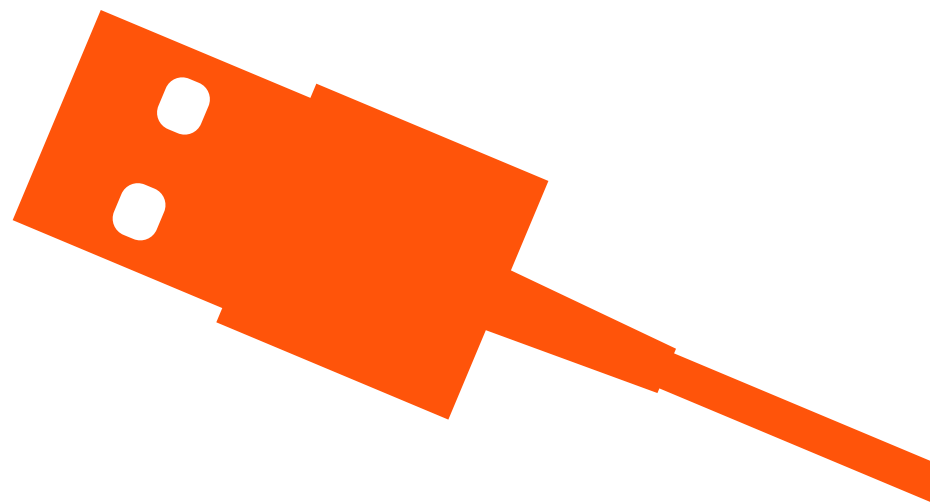
- Ongoing stakeholder engagement
- A structured needs-assessment methodology
- A defined process for validating and adapting to stakeholder requirements

**Most IT teams fall short of scoping solutions to business problems because they're distracted by the habit of defining technical requirements, and they fail to fully understand the stakeholders' needs and desired outcomes. IT must partner with stakeholders to:**

- Define what is valued.
- Identify and resolve the pain.
- Realize that the stakeholders own the return part of the ROI analysis.

IT does not define value — technologies are parts and are not the unit of value.

IT must move beyond the delivery of technologies and components to bundles of goods or services that the business (consumer) understands and values. Top-performing CIOs are elevating IT thinking and execution to a business-valued services approach and focusing on products, not projects. IT's "products" are not about what IT builds but what the user values. What is the stakeholder asking for? What is the sum total of goods and services required to meet the stakeholder's needs and expectations?





## Plan and Prioritize

### **CIOs should build and validate a justifiable business that:**

- Defines business-valued products and services
- Prioritizes investment based on the business's mission
- Defines success clearly in a document that is socialized and approved by business stakeholders and management

### **CIOs must establish a decision framework or criteria to prioritize projects.**

If CIOs base prioritization of projects on impact-to-the-business mission, they can more easily defend project-selection decisions. The goal is to reach agreement with stakeholders and leadership on which investments are made in what order, and then prioritize the needs to their impact of business outcomes (*for example, value creation, cost-efficiency optimization and risk mitigation*).

Project funding should be based not on available funds or the urgency of the request, but rather on the impact on a business outcome or the enterprise's mission. Fund the most impactful incomes first — ROI for change the business (CTB), and price for performance (P4P) for run the business (RTB).

Calculating the cost basis for new projects requires IT financial management (ITFM) practices.



## Execute and Measure

CIOs should execute the plan of record (POR), formally document and communicate changes to the POR and evaluate value contribution against forecasts.

Changes to the POR can't be ad hoc. They should be supported by documented and approved justification.

### **Top-performing CIOs are:**

- Engaging stakeholders and executive leadership
- Checking back often to ensure the work in process is still addressing the need/pain
- Determining what needs to change by assessing current agile financial governance practices, because traditional project financial management principles will stifle progress

### **Changes to the POR should never come as a surprise to stakeholders and business leaders.**

Tracking of project performance and performance to plan should be ongoing during both development and production. Track how projects evolve and what value is being delivered, and report performance to plan and ROI or P4P realized. Communication must be ongoing and consistent.

# Iterate and Innovate

## **CIOs should actively evaluate progress, reassess stakeholders' needs and adapt to changing requirements in an agile approach:**

- Don't get stuck.
- Be flexible and remember that the goal is to maximize IT's positive impact on business outcomes.
- Evaluate and tune the direction and objective of projects and deliverables constantly.
- Allow adjustments to IT investment portfolios to maximize IT's value to the organization's mission.
- Align IT resources and funding to sharpen and/or change focus as needed to deliver impactful outcomes.
- Listen and react to customer needs, and be agile and flexible.
- Ensure that IT deliverables have the maximum impact possible on targeted outcomes, and refocus as needed and when justified by business requirements and priorities.

You will have to be light on your feet, moving quickly to change directions when the business case is justified. Adapt dynamically to new needs and new priorities, and adjust prioritizations and disposition investments quickly.

Finally, be willing and able to terminate projects quickly by eliminating the use of the word "failure" and replacing it with less-fear-inducing terms, such as "learn" and "experiment."

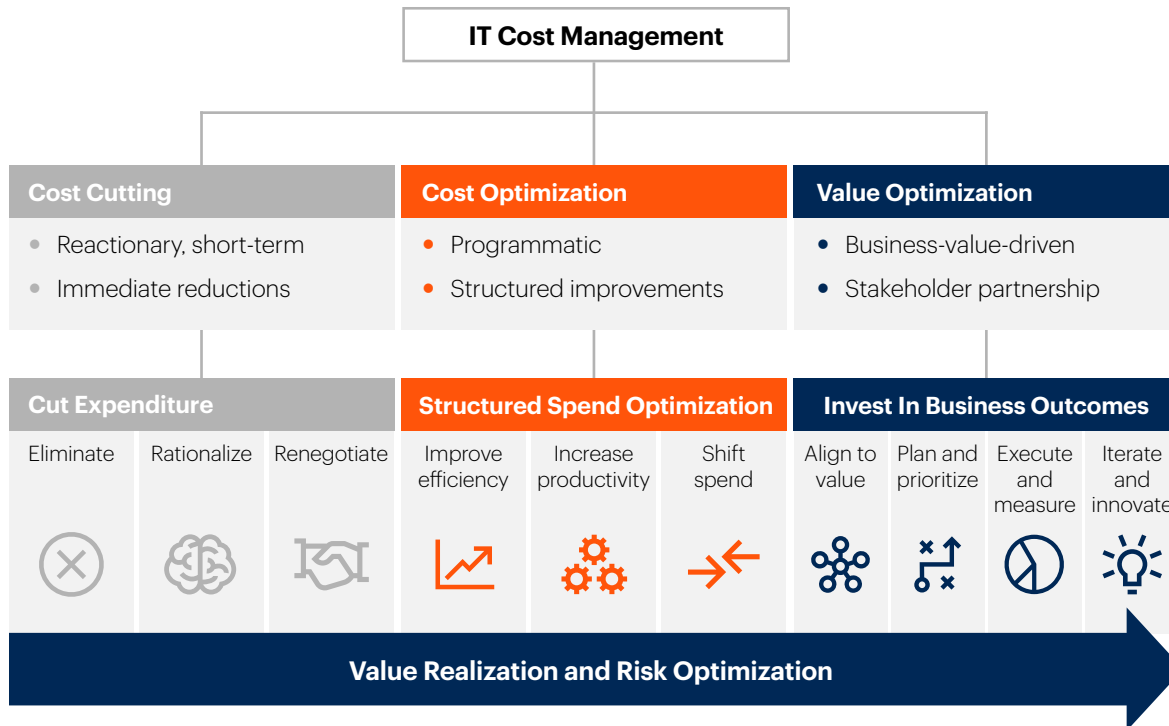
This value optimization strategy is commonly a part and progression of a larger cost- and/or efficiency-management initiative that attempts to minimize the requests for short-term cost cutting and advocates for a more programmatic cost optimization discipline.

Ideally, as cost optimization programs evolve to focus on identifying and delivering business outcomes, IT cost management programs progress to support strategic investment in business-valued deliverables — digital value optimization.



# Cost Management Evolution

This model introduces the relationship between the different aspects of cost management, setting the scope for further cost optimization and value optimization conversations.



The conclusion this guide makes is that, most CIOs will be able to perfect the perpetual calls to cut expenses and reduce spending only with a proactive strategy to manage IT investments and optimize costs.

**The benefits of the Gartner digital value optimization plan are clear, a CIO-led IT investment strategy will align IT spend to business objectives and outcomes, focusing on organizing to deliver value to the business rather than staffing and sourcing technical functions and roles.**

When IT leadership focuses on enabling business outcomes, CIOs can demonstrate alignment to business objectives — rather than reinforce a myopic view of technology and platform function.

As IT teams deliver solutions to business problems, they will be increasingly viewed as strategic partners in growing the business rather than as required-but-costly utilities.

When IT delivers digital enablement of high-value business goals and objectives, the value of IT becomes clear, and IT spend is less susceptible to being subjected to reactive cost-cutting requests.

To understand how smarter spending can support your organization's strategy for growth, the topic will be deep-rooted at **Gartner IT Symposium/Xpo 2020** with more on cost optimization, financial management of IT, sourcing and vendor management, technology procurement and future investment strategies presented at the conference.

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