



Tomorrow Isn't the Same as Yesterday

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We've all heard the joke that CIO stands for "Career Is Over." There's a reason why-less than one in five IT (information technology) projects ever delivers the benefits it promised. More than one-third wind up being canceled outright. And each year businesses waste millions of dollars on hardware and software that doesn't boost their bottom line.

It's not because CIO's have a death wish. And it's not that most corporations are throwing money at these investments with no hope of return-in fact, nowadays 85% of IT projects have to be economically justified.

The trouble is that companies are judging these projects on the basis of historical-cost models like total cost of ownership (TCO), which are based on the assumption that tomorrow will be just like yesterday.

Backward-facing models focus on historical expenditures to predict what will happen in the future.

In many cases, companies will get lulled into a false sense of security because results based on exact historical data seem so precise. For example, over the past 20 years, I've acquired a computer lab of eight PCs. The oldest of the group, which was a full-tilt computer system for the time-PC/AT 286, 6 mhz, 2 meg of Ram, 2-20 mg HD, a professional graphics display, and controller card-cost over \$10,000.

Today, a system 50 times more powerful and capable costs just over \$1,000. But if I used a historical expenditure model like TCO to determine what I should spend to replace my whole computer lab now, I would have to budget well over \$80,000.

Not learning from the past is like steering your car while looking in the rear-view mirror.

CIO's and their companies aren't blind to TCO's problems. It's just that using a more accurate, forward-looking economic justification model can mire an organization in extraneous detail minutia and take so long to complete-up to six months-that they miss the window of opportunity to make a profitable decision.

What companies desperately need is a method to determine what impact an initiative has on an enterprise beyond the outlay of funds-sort of a business version of an Environmental Impact Study. And it needs to be fast.

Enter rapid economic justification (REJ) and its companion, business economic (environmental) impact statement (BEIS). Together, they offer a system that can reduce the six months a high-quality economic analysis to as little as 10 days-and get the company more accurate information, too.

This approach is very different from traditional IT justification approaches, which traditionally put the desire for a new technology above the needs of the business.

The REJ framework focuses on the impacts of the IT project to the entire organization. (BEIS) methodology uses just enough data to make a good decision rapidly, ensuring that creating a business case doesn't become a long-term project in itself.

The framework and methodology are generic enough that they can be used for almost any business initiative. Together they take you through a series of rapid and focused steps that develop a business case customized for your organization.

In as few as 10 days, REJ calculates and translates benefits into economic terms from the perspective of the entire organization. For example, what would the ability to shorten the product design cycle from seven to four years have meant to General Motors in the 1970s?

Once costs and benefits have been quantified, risks are accounted for, and the economic data is translated into a report that shows the financial impacts to the entire organization.

REJ has already proved itself in the real business world. Cytec, a specialty chemicals and materials company with \$1.4 billion a year in sales, used it to analyze the merits of two different email/groupware systems. Cytec discovered that while procurement of one system was cheaper, the more expensive system would actually benefit the overall business significantly more in the long run.

If all this sounds like good news for your company, think of what it means to your CIO. Some day instead of standing for "Career Is Over" maybe CIO will mean "Career Is Outstanding."

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