Cutter Benchmark Review

Vol. 14, No. 3, 2014

Cutter Consortium
ACCESS TO THE EXPERTS

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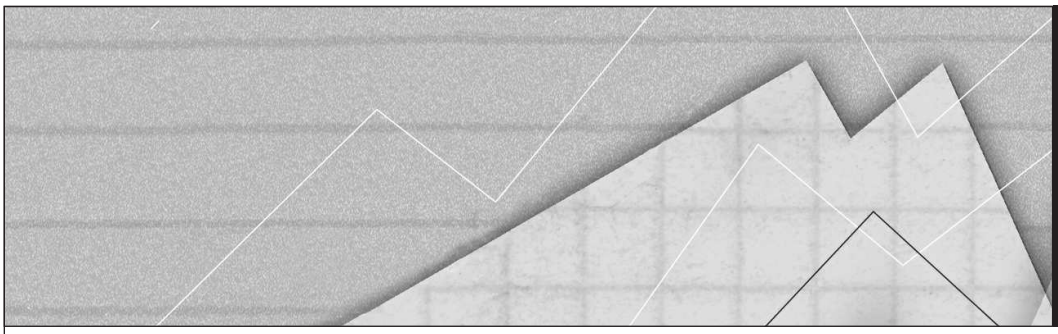
— Joseph Feller, Editor

Does IT Lie on the Critical Path?

A Look Back at the 2014 IT Budget

Multiple Perspectives, Data, and Analysis on the IT Trends that Matter



Cutter Benchmark Review

Cutter Benchmark Review® is published by Cutter Information LLC, 37 Broadway, Suite 1, Arlington, MA 02474-5552 (Tel: +1 781 648 8700; Fax: +1 781 648 8707; Email: service@cutter.com; Website: www.cutter.com). Print ISSN: 1542-0906; online/electronic ISSN: 1554-5938.

Publisher: Karen Fine Coburn; Group Publisher: Kara Letourneau (Email: kletourneau@cutter.com); Managing Editor: Cindy Swain (Email: cswain@cutter.com); Production Editor: Linda M. Dias (Email: ldias@cutter.com).

Cutter Business Technology Council: Rob Austin, Ron Blitstein, Tom DeMarco, Lynne Ellyn, Israel Gat, Vince Kellen, Tim Lister, Lou Mazzucchelli, Ken Orr, and Robert D. Scott.

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From the Editor, Joseph Feller

Does IT Lie on the Critical Path?

A Look Back at the 2014 IT Budget

Whenever my commitment or sincerity was in doubt as I was growing up, my mom would say, "Put your money where your mouth is."

I'll be honest: I always found that to be a strange expression. However, there is very solid insight within it: namely, that by observing where we *invest our resources* we gain a very accurate picture of *our goals, values, and world view* (i.e., our beliefs about what is worth achieving, why, and how).

This issue of *Cutter Benchmark Review* is our ninth annual look at where your peers — from dozens of firms around the globe — are currently putting their (IT) money. For nearly a decade, our annual IT budget issue has explored key questions, including: How do organizations define the CIO's role? What is the relationship between IT and the rest of the organization? What are the trends, trajectories, and targets of IT spending? What is the perception of the value created by IT?

By looking closely at both the current year's data and the historical changes, we have an opportunity to gain insight into what really matters to our survey respondents, where they want to go, and how they intend to get there. To reveal these insights, we have, as always, the help of two very keen guides, one from the world of research and the other from the world of industry.

Dennis A. Adams, a Cutter Senior Consultant and former professor in information sciences, returns as our voice from academia. Dennis's research investigating the value of IT, business leadership, and other issues has appeared in the most respected journals in the IT discipline, and his annual contributions to *CBR*'s IT trends and budgeting issues have always offered up sound advice for "wise managers."

On the practitioner side, we welcome back Cutter Fellow Bob Benson. Bob is another long-time Cutter contributor to the *CBR* budget series and beyond, having written more than 100 Cutter Consortium *Advisors*, *Executive Reports*, *Updates*, and journal articles on business technology strategy and IT governance. In every piece he writes, Bob brings to bear more than 40 years of rich academic and corporate experience.

Before we look at this year's data and analysis in detail, let's roll back 11 years. In 2003, Nicholas G. Carr controversially argued in *Harvard Business Review* that "IT doesn't matter."[1] He asserted then that IT was becoming a commodity — still quite essential to performance but ultimately inconsequential to strategy. He concluded by saying:

> IT management should, frankly, become boring. The key to success, for the vast majority of companies, is no longer to seek advantage aggressively but to manage costs and risks meticulously. If, like many executives, you have begun to take a more defensive posture toward IT in the last two years, spending more frugally and thinking more pragmatically, you are already on the right course. The challenge will be to maintain that discipline when the business cycle strengthens and the chorus of hype about IT's strategic value rises anew.

Since then, of course, we have been on multiple roller-coaster rides. Now, at the end of 2014, we are all stepping off the latest ride, wobbling on shaky legs, and hoping to restore a sense of balance soon. While IT managers may have many words to describe the last decade, I seriously doubt that "boring" is one of them. Nonetheless, when I read through the contributing articles to this installment of *CBR*, and closely examined our 2014 survey data, I absolutely recognized a culture of meticulous cost and risk management in this year's snapshot of the field — just as Carr described.

However, the similarity ends there. In this issue, both Bob and Dennis explore a wide variety of ways, some unexpected, in which IT can contribute to both the strategic and operational goals of the enterprise. As Dennis asserts in his article, "When there is a clear understanding of the purpose and costs of IT services — and how those services directly support the business — IT becomes a critical member of the business team."

Likewise, Bob (whose article's title tips a hat to Carr), concludes unambiguously that IT does matter, and on many levels.

Dennis's piece starts with a terrific story — I won't spoil it for you — that explores the complex relationship between IT and business and exposes us to the really big question: is IT ultimately a resource to be leveraged, a cost to be controlled, or both? Dennis then observes the fact that budgets are slowing in growth, a trend he expects to continue. However, more interesting than the slowdown in spending is its redirection — toward the cloud as a platform and outsourcing as a process. These are trends that Dennis believes will provide both opportunities and challenges for managers in days to come. Central to his argument — which I attempted to capture in the title of this issue (and introduction) — is the question of "core." What activities and competencies lie on a firm's critical path? Is IT ownership — and IT management — central to this path? This theme informs the rest of Dennis's article as he looks at governance and the delivery of IT services within the firm. I walked away from the article with a sense that IT does indeed matter to both the strategic and operational goals of the firm, but that the ways in which we source, consume, and exploit IT have changed radically in the last decade since we began our annual budget series.

In our second article, Bob explores three interrelated issues: (1) patterns and trends in IT spending, (2) patterns and trends in IT governance, and (3) patterns and trends in the perceptions of IT value. He makes it clear that "slow and steady" and "continuity" are values that dominate the budget mindset/landscape, but notes smaller, more energetic local movements (e.g., analytics and the cloud) within this globally conservative environment. This theme of distributed, local action informs his discussion of the positioning of IT as well, where he observes the trend toward business unit–centric governance and decision making. Finally, Bob notes the interplay between the governance process/structure, the goals of business units, and the perceived value of IT. He concludes by arguing for a systematic approach to answering the questions, "Where should we spend our IT resources, and are we getting proper value from those expenditures and investments?"

Or, as mom would say, is our money where our mouth is?

ENDNOTE

[1]Carr, Nicholas G., "IT Doesn't Matter." *Harvard Business Review*, May 2003.

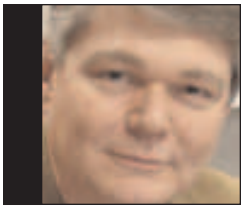
THIS ISSUE'S CONTRIBUTORS

Dennis A. Adams

Senior Consultant, Cutter Consortium

Bob Benson

Fellow, Cutter Consortium



by Dennis A. Adams, Senior Consultant, Cutter Consortium

IT Budgets: Getting Ready for the Slowdown

The CIO of a very large oil company sat down with the senior executive team to set the IT budget for the coming year during its annual budget meeting. His direct reports had spent weeks preparing for this budget hearing. Previous executive team meetings had been polite but contentious. Members of the executive team to greater or lesser extents believed that the costs the IT department charged were unfairly distributed or larger than what it could purchase in the free market. The CIO did not disagree, but countered that the standards required for a global petrochemical company were complex and the IT department's expertise was uniquely valuable.

The executive team consisted of the CEO, the presidents of each strategic business unit, as well as the VPs of marketing and sales, R&D, HR, operations, exploration and development, global pipeline operations and shipping, and refineries. Other attendees in ex-officio capacities included legal, government affairs, and stockholder relations. The CIO was another ex-officio member.

The existing budgets for each unit were incremental and centrally developed, following a strategic plan that revolved around the price of oil, the exploration and development of new fields, government regulation, and company initiatives centered on being a low-cost competitor in the industry. Prior to this budget meeting, the organization viewed the operational IT budget as an overhead expense driven by unit budgets and usage of past fiscal years.

Difficulty arose in recognizing the value the IT department brought to a particular unit in comparison to the costs charged. Payroll, for example, incurred charges based on headcount, although the total amount of the chargeback did not cover the complete cost of performing that task. The remainder was unallocated and considered an operational cost assigned to the IT function. Executives believed this would encourage efficiencies within IT, allowing IT to hold on to any savings for other initiatives over the next budget cycle. As another example, the IT budget charged project development costs directly to the sponsoring unit(s). For projects that crossed multiple organizational units, the budget allocated development costs as overhead across all units. New, complex systems such as CRM implementations, however, were problematic because the basis for allocating the costs differed widely across business units. Therefore, upon approval of new projects within each unit, an IT steering committee composed of the CIO and members picked by the executive team had to rank the projects. Project budgets did not include the costs associated with operating the project. Instead, the company allocated these costs across budgets as overhead.

Difficulty arose in recognizing the value the IT department brought to a particular unit in comparison to the costs charged.

The key portion of the CIO's budget request that year was for a new mainframe system to support credit card processing. The company had its own, branded credit card and accepted other credit/debit cards for purchases. This system kept track of purchases, billing, credit authorizations, credit checks, and myriad other business processes associated with granting credit to customers. Due to an issue related to redlining at another company, there was a great deal of regulatory oversight involved. (Redlining is the practice of making credit, loan, or insurance decisions based on where the applicant lives and is generally believed to be a form of discrimination.) Through the increasing business complexities of maintaining a credit card business within this company, the demands for better, faster, and compliant hardware and software also grew. The new system would cost more than US $20 million and the IT budget would need to allocate it as an overhead expense to all units.

The CIO began his presentation and immediately ran into a wall of criticism:

- "IT is always asking for new toys."
- "What's wrong with what we have?"
- "Each year the budget goes up with no improvement in service delivery."
- "Why does pipeline engineering care about credit cards?"

After the comments subsided, the CIO flipped to his next slide. It read very simply, "It is the recommendation of the IT department that we no longer accept credit cards at our retail locations." The room went dead silent, until the VP of marketing and sales exploded and replied, "We get almost 80% of our sales from credit cards! We can't do that!" The room went silent again as each member of the team realized what just happened: marketing and sales had just bought a $20 million mainframe.

The CIO would say that the moral of the story is that when there is a clear understanding of the purpose and costs of IT services — and how those services directly support the business — IT becomes a critical member of the business team.

The CEO then said, "Let's adjourn this meeting for now. I want each of you to meet with the CIO, one-on-one, and find out how much of his budget should be your responsibility." Over the next two weeks, the CIO and various executives scrutinized the entire budget for the company. Some IT costs were centralized and some were distributed. They disbanded the IT steering committee and elevated allocation decisions to the executive team. The executive team then "partialled out" some of the CIO's staff to the business units with dual-reporting responsibilities and gave key parties within the business units dotted-line reporting responsibilities to the CIO. The team also uncovered "shadow" IT budgets — moving them out into the open — and established new processes for purchasing hardware and software. For the first time, the company felt it was truly living up to its software licensing agreements and it began a targeted reevaluation of its vendor relationships and hardware/software standardization. Within two years of the "credit card mainframe" meeting, the company was on track toward having the lowest cost of IT delivery in the industry and was widely believed to be one of the three or four innovators in the industry.

The preceding story is true. When the company merged with another, the state of the IT department was a key reason for the smooth combination of the two companies. The CIO would say that the moral of the story is that when there is a clear understanding of the purpose and costs of IT services — and how those services directly support the business — IT becomes a critical member of the business team. With this story as our backdrop, let's dive into the results of Cutter's ninth annual IT budget survey.

ARE IT BUDGETS STILL GROWING?

This year, 46% of the respondents in Cutter's annual IT budget survey report that their IT budgets are growing (see Graph 1 in the Survey Data section beginning on page 18). This is just slightly lower than the 47% from last year's survey. About 30% of the respondents' budgets this year are decreasing compared to 24% from last year. As Graph 2 shows, some of the factors driving the increase include changing business requirements (57%), security (49%), mobility (41%), and business analytics (35%). The previous year's drivers included technology renewals and compliance, neither of which are as significant this year. Factors driving the decrease in budgets this year, as shown in Graph 3, are business demand for decreased costs (43%), retirement of applications/infrastructure (32%), and hardware consolidation (30%). Surprisingly, only 16% report outsourcing this year as opposed to 32% last year.

It seems that IT budgets are no longer growing at the pace we have seen in past Cutter surveys. Satisfying pent-up demand for IT services may explain this change; however, so too might the unease with political, security, and economic issues across the globe. While the survey was live, people all around the world were watching beheadings by terrorists, discovering an increasing number of major hacking incidents of credit, and witnessing gridlocked governments around the issues of border security, healthcare, and budgets. Corporate budgets are not created in isolation but rather are a reflection of the world in which we live. I believe we will continue to see increasingly conservative budgets in the near future as the stock markets become ever more concerned about world events.

Some initiatives to drive costs out of budgets work quickly. For example, headcount reductions can show immediate cost savings (although these can be significantly disruptive.) Others, however, can take years to bear fruit. Last year, the major initiatives undertaken to save money included hardware consolidation, service management, and outsourcing (see Graph 4). This year,

consolidation is still popular with more than 75% of the respondents, followed by cloud computing (46%). The rise in cloud computing to save money is striking. Last year, it did not even place in the top three initiatives, yet this year it is number two. In fact, for the 2014 survey, cloud computing is a more popular technique than long-time favorite outsourcing. This may be a good example of an investment that is starting to pay off for companies that began looking at the technology years ago. There can be little doubt that additional outsourcing will be called for in the future; however, technologies such as cloud computing will change how and where computing happens and outsourcing will take on a new face.

The Wise Manager and the IT Budget Big Picture

The wise manager must be aware of all the issues driving the business. Not only should the wise manager focus on issues that affect price or the cost of goods sold, but also those externalities that affect the health of an industry: adequate labor pools, the global economy, and the security of a safe business environment. In creating an annual budget, the wise manager takes into consideration the cost management strategies that are successful in the long and short run. You know the old adage, "It takes money to make money"? Well, the wise manager says, "It takes money to save money."

The wise manager who may have begun cost-saving projects too late still has time to begin the process and, in addition, can learn from others. He or she can attend conferences, network with others pursuing the technique, talk with consultants, and, in general, get up to speed quickly based on the experiences of others.

OUTSOURCING

We frequently talk about outsourcing as a mechanism for both cutting the costs of IT services delivery as well as a technique for encouraging the company to focus on core competencies. Because these two mechanisms are so dissimilar, outsourcing can often cause confusion in implementation as well as in employee morale. As an avenue for controlling costs, many companies will choose to offshore work to what is euphemistically called "low-cost geographies." The premise is that when a company moves work to these areas, accompanied with proper management methods and training, the quality of work will remain roughly the same as work accomplished domestically but with lower labor costs. There are successes and failures in the literature of this approach. In one sense, we can think of this sort of outsourcing as "What do we need to do, but don't need to 'own' in order to obtain value?"

On the other end of the outsourcing reasoning thought process is the notion that if an organization can eliminate as many of the overhead, redundant, or non-value-adding activities as it can, it will be left with the core tasks critical to the success of the company. We can think of this sort of outsourcing as "What must we 'own' to obtain value?" This sourcing strategy can be a little tricky because it asks questions that can make senior managers a bit uneasy. For example, "Is the process that you manage for us so critical to our success that we need to own it?" Deciding what to own can lead to a discussion about the corporate family jewels.

Some companies want to "own" customer relationships, while others are not concerned with that segment of the business. Other companies want to manage manufacturing processes tightly while others are keen to offshore manufacturing. Still other companies are fine with another firm providing Internet security services while some want to do their own security. The decision about what is important versus was is costly to keep inhouse happens repeatedly in outsourcing decisions.

The wise manager develops and consistently applies a set of metrics for evaluating which processes to outsource and how to measure the success of those outsourced tasks.

We asked our respondents to estimate what percentage their total IT budget devotes to outsourcing. While this may be a high-level measure, it can serve as an indicator of a spending trend that potentially has long-term implications. In general, the respondents told us that they expect a slight upward shift in the percentage of IT spending on outsourcing from this year to next (see Graph 5). As tools advance to move IT service delivery to the cloud and as security improves, we should expect to see more interest in outsourcing supported by cloud services.

The Wise Manager and Outsourcing

The wise manager develops and consistently applies a set of metrics for evaluating which processes to outsource and how to measure the success of those outsourced tasks. The development of these metrics is a team effort and involves not only the IT staff, but also the customer and process owner whose services are being evaluated. The metrics should focus not just on cost, but also on measures of service quality. They should be robust enough to capture changes in the

business environment so that managers can account for increases or decreases in service demand. These metrics should include the impact of business disruption should those outsourced services become unavailable. In addition, it is important to capture all the associated costs of a process accurately in order to compare options fairly.

A wise manager at a large energy company was part of an outsourcing effort that looked to outsource major parts of the IT services organization. While the evaluation was taking place, he captured not only the direct costs associated with service delivery, but also the costs of bringing the services back into the business should the arrangement prove to be unsatisfactory. Three years after the agreement was in place, those calculations proved very important to the decision to bring the services back as well as to the litigation that followed.

It is important to capture all the associated costs of a process accurately in order to compare options fairly.

IT SERVICES DELIVERY

The case study that opens this article is a story about budgeting and governance. While the issue that brought about the conflict was budget related, it ended up focusing on factors associated with governing the IT function. At the end of the day, the company reduced both the IT budget and its staff, but the CIO would agree that his scope of authority and organizational power substantially increased. In short, the organization moved toward viewing him as a fully invested member of the senior management team — not just as a cost center.

We asked our respondents about how their organizations deliver and measure IT services. As Graph 6 illustrates, 62% of those surveyed this year agree or strongly agree that senior IT managers believe the governance process is effective. Furthermore, 57% believe that senior management, such as the senior executive team in our story at the beginning of this article, feel that the governance process is effective. However, as service delivery gets closer to the lines of business (LOBs), our respondents think that those managers are less happy with the governance structure. Only 49% believe that LOB managers think the governance process is effective; 35% think LOB managers would say it is not effective (note: graph only shows agreement responses). We have seen this pattern in Cutter's other annual IT budget surveys. The further down the organizational hierarchy, the less managers view the governance process as effective.

The evaluation of governance goes hand in hand with the assessment of value delivery. Being able to govern a lousy process does not create a better process. As Graph 7 shows, nearly 80% of this year's survey respondents agree or strongly agree that senior IT leaders believe that the IT department delivers value to the organization, and 62% say that senior business leaders feel this way, too. However, more than 40% either disagree or have neutral feelings that line managers think IT services add value (again, graph only shows agreement responses). As we move further down the organization, the less satisfied IT customers are with delivery.

These results might lead us to ask exactly how IT adds value to the organization. It may be that this value can only be seen from the lofty perches of senior managers. So we asked the respondents if IT services in their organizations is superior to that of their competitors. Turns out that 35% said no and only 46% said yes. While these might be good numbers for evaluating the job of the US Congress, they are unsatisfactory for IT service delivery. We also asked respondents how they view service delivery with respect to customer relationships compared to others in their industry. Again, 35% believe that IT does not deliver competitiveness in terms of their customers while only 41% believe that it does. Finally, we asked if IT services provide a competitive advantage in terms of the products and services their organizations deliver. Forty-six percent claim that IT does provide their organization a competitive advantage; only 30% disagree. (Graph 8 shows all the agreement responses over the years.) Based on this survey, it would seem that IT departments are doing a good job at managing the production side of the organizational value chain but need improvement on the customer relationship side.

In 1985, Michael Porter of the Harvard Business School created a model to help us think about how a company adds value to raw materials to create products and then how further value is added as the finished goods are sold and serviced.[1] We have been using his value chain model to analyze business value for decades. Porter's value chain consists of two parallel sets of processes: the primary value chain and the secondary chain. The primary chain represents where raw material comes into an organization, where the organization manufactures it into finished goods, and, finally, where it sells and services those goods. The secondary chain contains all the processes that support the primary chain (e.g., accounting, HR, and R&D).

Based on Cutter's IT budget survey, it seems that the IT department delivers better services to those parts of the value chain associated with products than it does with those associated with customers. The first part of the value chain contains processes related to inbound logistics, operations, and outbound logistics. These are the parts of the chain that create the data often used in the calculation of the unit cost of goods sold. In other words, we have to do a good job in the front part of the chain, so that we can adequately price our products to sell for a profit. Consequently, we often see a great deal of attention paid to information systems that support these functions. The goal is to provide management with the tools to drive down the cost of goods sold. In a services industry, the same would apply to the resources needed to delivery services. Customer data, however, can be squishy and harder to convert to value. This is the reason we are paying so much attention to capturing and analyzing buyer behavior and information gleaned from social media.

The Wise Manager and Delivering IT Services

The wise manager will have a very clear picture of the organization's primary value chain. I recommend managers put up a poster that maps out the value chain in great detail, as well as all the associated IT systems that support each step along the way. Be sure also to include the systems that don't seem to fit anywhere on the value chain. Developing such a diagram is very instructive and organizations can use it as a tool for developing a new generation of business-conscious IT managers. This tool also provides the foundation of a conversation about budgets, outsourcing, and governance because devoting money to systems not on the value chain begs the question of their value-adding nature.

The wise manager spends time outside the IT organization talking about the business with peers as well with those managers closest to the products and customers. Some IT managers focus much of their attention outside the IT function at the top of the organization chart. While this is worthwhile, it is also useful to gain an understanding of the business down in the trenches. Consider this case: An IT manager once boasted about the savings a new supply chain system was delivering to his company. Then his son took a summer internship with the company and came home with horror stories of process workarounds and outright data fabrication happening on the loading docks, in warehouses, and in product packaging. After analyzing the processes involved, it was clear to the manager that the new system had created substantial hurdles to getting work done. The workers were misusing the system because to do otherwise would cause them to fall behind their work quotas.

CONCLUSION

More and more, IT managers are looking for ways to drive down the costs of IT service delivery. Organizations have been using the gains made in the past two or three years in their IT budgets to improve hardware platforms, consolidate software systems, and begin short-term projects aimed at making and saving money. The question floating about planning tables today revolves around, "What systems must we own to obtain value and what systems must we simply have access to in order to obtain value?" The wise manager remembers that it is not necessary to own something to get value from it. This should be the driving notion for IT budgets in the coming years.

ENDNOTE

[1]Porter, Michael E. *Competitive Advantage*. The Free Press, 1985.

by Bob Benson, Fellow, Cutter Consortium

I'll Say It Again: The IT Budget Matters!

As we approach this ninth annual *CBR* IT budget survey discussion, it feels appropriate to step back a bit and think about what we've learned over the years. First, the data this year is consistent with the data collected in previous years; there's no real dramatic shift in IT budget patterns. Second, and perhaps more important, this pattern of continuity emphasizes many of the points made in previous *CBR* IT budget issues.

The IT budget — more specifically, IT cost management — forms the foundation for IT governance, which is the way enterprises manage decisions about their IT activities. Over the past nine years of *CBR*'s annual IT budget survey, co-contributor Dennis Adams and I have said this consistently. Consequently, over the years we have added appropriate questions about the patterns of IT governance. Given that the IT budget represents decisions on how companies spend their resources, the way the enterprise makes those decisions is relevant.

This article divides my discussion into five sections:

1. **The pattern of the IT budget for 2014.** The primary observations in this section focus on continuity (things haven't changed much over nine years) and on dispersion (IT is not necessarily viewed as the central or corporate IT organization, given such influences as sourcing, the cloud, and do-it-yourself [DIY] IT).
2. **The success or failure of IT to deliver value.** IT's value is, of course, the overall objective and, for most of the nine years of this annual survey, we have considered the relationship of budget and governance patterns to IT's success. The primary observations here specifically center on whether the IT budget focuses on the front or back office and how this affects business unit managers' perception of IT value.
3. **The importance of the business unit perspective versus the enterprise/corporate perspective.** The observations in this section center on the idea that business units are where the enterprise engages customers, delivers product/services, and achieves bottom-line (or, in government cases, mission) impact through IT.
4. **The importance of good IT governance.** The primary observations here relate to a link between the effective use of governance and the delivery of value.
5. **The use of IT governance processes.** Governance has many facets and the primary observations here relate to how enterprises employ those facets and, consequently, how governance processes affect IT's value.

THE PATTERN OF THE IT BUDGET FOR 2014

In the companion article of this issue of *CBR*, Cutter Senior Consultant Dennis Adams has already examined the overall IT budget direction, a slight increase over previous years. In this article, we will ponder two related questions: What does the IT budget contain (are there any surprises)? And, perhaps more to the point, how much of the enterprise IT spend is in the IT budget?

In last year's IT budget *CBR,* I noted that "enterprise IT budgets vary widely in the inclusion of nontechnical cost categories. This variability has not changed over the eight years of the *CBR* survey."[1] As this comment pointed out, examining this has been central to each *CBR* issue on the IT budget over the years. This year is no different. Graph 9 in the Survey Data section (see page 26) illustrates examples of these essentially non-IT items, shown over the nine years of the *CBR* IT budget survey. This year, we see some slight increases in several categories, including benefits and space.

As we have noted in previous *CBR*s, the wide variability of enterprise budget practices can make company-to-company comparisons of IT spend suspect; that is, company A may include all these factors, but company B may not, so how does that skew the company A/B comparisons? Probably significantly.

It is particularly noteworthy, however, that in 2012 we started tracking business intelligence/analytics (e.g., big data) and cloud expenses. While the percentage of enterprises that include these items in the IT budget hasn't changed much, it does surprise me that these categories haven't become a greater part of the IT budget. As Graph 2 shows, well under half of this year's

survey respondents say these two areas are driving IT budget increases. Yet, in recent years, not too many IT topics have dominated the IT discussion more than these have, so we might have expected to see a higher degree of expenditures in these areas.

Specifically, analytics have been a budget increase driver for only about a third of the responding enterprises. Given the enormous attention paid to this subject matter these days, this is perhaps a surprise. Note, however, that mobility is on the rise in our survey; again, given the turbulence in this area, not so surprising.

In last year's IT budget *CBR,* I observed that "for most enterprises, the majority of enterprise IT costs are outside the IT organization." The pattern hasn't changed much for nine years. For only about 40% of surveyed enterprises does the IT organization reflect the majority of IT costs.

Last year we explored the implications of this pattern in depth. When we consider why enterprises don't view up-and-coming technologies such as analytics and cloud as more significant budget drivers, we might conclude that one reason may be that they view these new factors outside the IT organization — perhaps in business unit budgets, or innovation or marketing budgets. My recent book *Trust and Partnership: Strategic IT Management for Turbulent Times,* coauthered with Pieter Ribbers and Cutter Fellow Ron Blitstein, covers this extensively, noting that sourcers, cloud providers, and DIY computing has some dominance in the pattern of enterprise IT activities.[2] I certainly see this among my consulting clients.

Observation

In summary, previous points regarding the IT budget over the years of this survey still hold true: (1) the overall pattern of expense items included in the IT budget and (2) the pattern of coverage in the IT organization (whether or not it represents 100% of the enterprise IT spend) has changed little this year compared to the past. This may reflect that the real innovations such as business analysis and cloud technologies are occurring outside the IT organization — and, by implication, outside the governance processes the IT organization employs.

Implications for the IT Organization

We have expressed concern in the past for these patterns, both in terms of the reliability of company-to-company comparisons (some include these expense categories; others do not) and, more importantly, the implications for the role of the IT organization and IT governance when, as the data shows, most IT expense is outside the IT budget. Again, this pattern is consistent with current practice and with what I have observed among clients in the US, Mexico, and Europe. At some point (which I believe is now), this has real implications for the role the IT organization expects to play, and the success of IT in the enterprise.

Analytics have been a budget increase driver for only about a third of the responding enterprises. Given the enormous attention paid to this subject matter these days, this is perhaps a surprise.

THE SUCCESS OR FAILURE OF IT TO DELIVER VALUE

Since the 2008 IT budget issue of *CBR,* we have explored the degree to which enterprise managers believe their IT delivers value. Back then, we noted that 68% do, and that business unit managers fall slightly behind corporate managers and IT managers in expecting value from IT.[3] This year is no different. Graph 7 shows the data with both aspects: 65% of this year's respondents agree that managers, in general, believe IT delivers value, with business unit managers trailing the other two.

The survey also explores the components of IT value. Graph 8 shows how well enterprises use IT to improve performance against competitors. Nearly half of this year's respondents agree with the statements that (1) their use of IT is superior to competitors, (2) their use of IT gives competitive advantage with customers, and (3) their use of IT gives them competitive advantage with their products and services. Across the years of this annual survey, there really has been no change here. Clearly, when 50% of managers agree with the statements about their use of IT, then 50% don't agree (or are neutral).

I believe that IT's real value comes from its impact on the business units, because this is where products and services are produced, where competitive strategies are effective, and where customers are. Thus, last year we started asking whether IT primarily focuses on the "back office" — meaning the business functions dealing with the internal enterprise and not customers — or the "front office" where the customers are. This year, only 30% of respondents agree that their IT primarily focuses on the front office, while 43% say that the back office is the focus; 27% report that both areas receive about the same attention (see Graph 10).

Figure 1 illustrates the likely consequence on business unit managers' perspectives regarding the delivery of IT value. Here, we are looking only at medium to large organizations ("small" describes IT organizations with 19 or fewer IT professionals) from this year's respondents. For this sample of data, the size of the organization makes a difference in whether business unit managers believe IT delivers value. The "front office" is more typically in the business units rather than corporate organization.

Observation

My client experience over the years supports this result: the traditional role of IT has grown out of the back office and, for many enterprises, remains so. This may explain some of the large amount of IT spend obtained from outside the IT organization (as discussed earlier in this article), as business units find other ways to meet their needs. This also possibly explains why business unit managers are less enthusiastic about the value IT delivers compared to what corporate and IT managers think.

Main observation: IT organizations are more likely to focus on corporate, and pay less attention to business units. This reduces the opportunity to make a real difference in the business units.

	Does IT Deliver Value?	
Focus Area	Disagree to Neutral	Agree
Front-Office Focus	27%	73%
Back-Office (or Equal) Focus	53%	46%

Figure 1 — IT focus on front office vs. back office (medium to large organizations).

	Does IT Deliver Value?	
Bottom-Line Value	None to Moderate Value	High Value
Corporate Focus	64%	36%
Business Unit Focus	55%	44%

Figure 2 — Bottom-line value: corporate focus vs. business unit focus (all respondents).

Implications for IT Organizations

This all matters. While technology turbulence (e.g., increasing cloud usage, DIY IT, new technologies) certainly is exciting and promising, IT with an internal focus appears to be less likely to be helpful to the enterprise in leveraging opportunities. From my perspective, it is difficult for an IT organization that does not pay close attention to business units and their customers to be a major factor in transforming business through technology. This begs an important question involving the mission of the IT organization. Without an appropriate customer/product/service focus, the barriers are high for truly leveraging technology on behalf of business units and competitiveness.

THE IMPORTANCE OF THE BUSINESS PERSPECTIVE VS. THE ENTERPRISE/CORPORATE PERSPECTIVE

The observations and implications from the last section lead to several related questions about the role of IT and its relationship to the business units. The core issue: is IT organized to provide emphasis on business units, or is it organized to focus on the back office with a "one size fits all" view of supporting business units versus corporate activities? Based on the discussion thus far, my view is that to make a real value contribution to the enterprise, business units need to be a major IT focus.

In this section, we examine the issue, comparing corporate IT organizations with business unit–focused structures, where IT budgets are typically decided at the business unit level. The former illustrates IT as a functional group that provides services to the overall enterprise. We might consider the latter as corporate- or business unit–based; regardless, it illustrates a model where IT provides its services as a service unit, charging for its services. My hypotheses (and observations from client experience) is that management perceives business unit–focused IT organizations as better in delivering value. This is because business managers often have a more direct perspective on services actually consumed, and the cost thereof, versus an enterprise that views IT as a one-size-fits-all corporate structure.

Overall, this year's survey supports the hypothesis that business unit–focused IT organizations do better. Figure 2 shows that the IT organizations with a business unit focus garner a higher level of agreement by business unit managers that IT delivers value to the bottom line.

We wondered whether the size of the IT organization would affect these results. Perhaps more corporate-focused IT organizations are on the small side compared to the business unit–focused organizations. Figure 3 shows a more pronounced difference in this year's survey results for IT organizations when we remove small organizations from the sample. It appears that business management at more than half of the medium to large business unit–focused organizations perceives its IT organizations to deliver value.

The CIO Role

We asked about the role of the CIO in the enterprise. We wondered whether the CIO's role makes a difference in how the CIO is perceived by business unit managers. We focused on two types of CIO roles: those who focus primarily on development and delivery of IT services and those who focus primarily on planning the use of information and IT in the business.

Figure 4 shows some differences between organizations for which the CIO focuses on service delivery compared to those organizations where the CIO focuses on the use of information/IT in the business. While this CIO role question does not specifically relate to the previous discussion of IT organization focus (see Figures 2 and 3), the idea that the CIO has a role to play in finding competitively significant opportunities, which may primarily occur in the business units, is a factor.

Observation

IT organizations and CIOs can consider their best role as that of delivering IT value. While functional areas such as finance, HR, and other back-office activities are important, particularly in terms of cost efficiency, the opportunity to leverage IT in relationships with customers, products, and services may be more important to the enterprise and to the overall support of the IT organization. In some ways, this may require a "pivot" move away from internal corporate/back office to the business units/front office.

Certainly, the data presented here may oversimplify these issues because the distinction between areas of the company and the leverage IT offers for competitive and cost purposes may be less distinct than we present. Nevertheless, this has been a consistent finding across the nine years of Cutter's IT budget survey — and deserves attention.

Implications for IT Organizations

My client experience is clear: most IT organizations do not demonstrate a strong commitment to the front-office, business unit, competitive use of information. They typically believe themselves to be in the IT service delivery business, managing infrastructure and enterprise-wide application portfolios, which certainly has merit. However, this may limit the ability of IT to leverage technology in customer-facing and product/service perspectives. In terms of making a difference to the overall enterprise performance, some adjustments in this view may be appropriate.

Budget Structure and Cost Transparency

An important characteristic of the IT organization is its budget structure. Since Cutter's first IT budget survey back in 2006, we have looked at the way in which IT organizations distribute cost — and, by extension, how transparent IT costs are to the business unit managers. Our philosophy here is characterized by the typical business unit manager view, often expressed as "If I cannot see my IT costs, or control them, IT becomes much less important a factor in how I manage my business." (As an aside, this may also explain why enterprises obtain so much IT outside of the IT organization.)

	Does IT Deliver Value?	
Bottom-Line Value	None to Moderate Agreement	High Agreement
Corporate Focus	75%	25%
Business Unit Focus	43%	57%

Figure 3 — Bottom-line value: corporate focus vs. business unit focus (medium to large organizations).

	Does IT Deliver Value?	
CIO Role	None to Moderate Agreement	High Agreement
Service Focus	54%	46%
Use of IT Focus	33%	67%

Figure 4 — CIO role compared with business unit managers' agreement on IT's value (medium to large organizations).

Graph 11 shows the IT budget structure over nine years. We define the bottom two categories, allocation and overhead, as an end-of-year cost allocation with little or no transparency. The remaining descriptions (profit center, partially charged out, break-even center) provide more immediate transparency in the sense of costs to the business units. To view these results more clearly, Graph 12 breaks them down across the two main categories: allocation versus cost distribution.

This difference matters in terms of how business unit managers perceive IT's value. Figure 5 shows that transparency, in the form of how enterprises structure the IT budget, makes a difference in how business unit managers perceive the value of IT delivered to them. Those for whom costs are transparent (i.e., offering them the ability to manage their IT exposures) believe they are receiving IT value.

We also focused on the kind of cost information that business managers receive about IT. Graph 13 shows what business unit managers see about their IT costs. By categorizing business unit project and service costs as transparent along with the "all details" category,

	Does IT Deliver Value?	
Transparency in IT Budget	Disagree to Neutral	Agree
Transparent (Cost Distribution)	18%	82%
Not Transparent (Cost Allocation)	47%	53%

Figure 5 — Cost transparency via budget structure and IT value (medium to large organizations).

	Does IT Deliver Value?	
Transparency in IT Costs	Disagree to Neutral	Agree
Transparent BU/ All Details of Costs	22%	78%
Not Transparent	52%	47%

Figure 6 — Cost transparency via cost details and IT value (medium to large organizations).

Figure 6 shows whether this degree of transparency matters.

Just as Figure 5 shows that business unit managers with cost transparency via budget structure believe in IT's value, Figure 6 shows the same pattern — that transparency makes a difference in the belief business unit managers have about IT's delivery of value.

Observation

As I have often stated in various Cutter publications, "If you don't know cost, you don't know anything." The data in Figures 5 and 6 show why this is true: it is important that IT organizations are transparent with their users, in general, and with business unit managers, in particular. Cost represents decisions about IT and reflects how well the IT organization matches its activities to business requirements. If business unit managers don't know cost (e.g., with budget and cost transparency), they are limited in their ability to manage their IT and, consequently, in their views of IT's value to them.

Implications for IT Organizations

Throughout the nine-year history of *CBR*'s IT budget survey, I have made it a point to emphasize the importance of IT financial management and the IT budget process.[4] This whole area *really* matters. This is an area where IT organizations should spend time and energy reviewing, along with considering whether their budget structure and cost transparency practices are consistent with their objectives for delivering IT to the enterprise and, in turn, creating value.

THE IMPORTANCE OF GOOD IT GOVERNANCE

IT budgeting processes form a critical part of IT governance, determining where and for whom enterprises should spend their IT resources. Whether business management believes it works well may have some influence on whether IT delivers value. Governance is also a prime way for building relationships and partnerships between business and IT. By using governance activities creatively (e.g., steering committees, portfolio management, IT budgeting, operational task forces), enterprises can nurture clear communication, transparency, and the development of common goals.

Graph 6 shows this year's survey results to the following question: does each manager group believe that IT governance works? As is the case with the IT value question, IT managers are the most positive, with 62% of respondents agreeing with the statement. Business

unit managers are less likely to agree, with only about half agreeing. Notably, the data has changed little over the nine years. These results — which focus on all respondents; that is, are not limited to business unit managers only — align with the general agreement results on whether IT delivers value (see Graph 7).

Figure 7 shows a considerable difference regarding value perception between organizations that believe IT governance works compared to those that say it does not work. The data shows that far more managers who believe IT governance works also believe IT delivers value, compared to the managers who do not believe IT governance works, or are neutral.

Let's consider the IT value versus governance questions a bit differently by focusing on business unit executives. As Figure 8 illustrates, there is a more dramatic relationship between governance and value from the business unit perspective: the percentage of business units managers who believe IT governance works, and that IT delivers value, is quite different from those who do not agree.

Observation

It may not be surprising to see a strong linkage between the idea that IT governance works and that IT delivers value. Governance brings with it transparency and engagement and offers business unit managers the opportunity to better manage the IT they employ. Indeed, the notion that IT governance "works" may mean, to business managers, that IT delivers value. Nonetheless, the connection is clear.

Implications for IT Organizations

It is surprising to see IT organizations that do not employ strong IT governance, yet this practice appears to be very common. There has been a lot of attention paid to governance,[5] but a lot of work remains. This is particularly strategic for IT organizations, especially in these times of turbulence and change. The pattern of expenses outside the IT organization speaks about the vulnerability of IT organizations, perhaps losing relevance as business units do for themselves what they require (e.g., cloud, sourcing, DIY IT). Like financial management, governance *really* does matter.

THE USE OF IT GOVERNANCE PROCESSES

Given our attention to governance in general, above, we have since 2009 extended the discussion to explore what exactly we mean by "governance" and the practices that go along with it. Consequently, we have been interested in which IT governance processes enterprises use and which appear to be effective.

Graph 14 shows the percentage of organizations that use IT governance tools at a high or very high level. In general, the results through the years have remained fairly consistent, with most organizations reporting around 40% for most tools, although the responses in 2014 seem to have declined a bit. To learn more about the data in Graph 14, we separated the responses into two groups: the most commonly used and the least commonly used IT governance practices (see Figure 9). There appears to be a correlation between the actual use of IT governance practices and the belief that IT delivers value.

Observation

IT governance is good practice in building business management's confidence that IT delivers value. Governance, as remarked above, brings with it engagement, transparency, and better relationships across the silos of IT and business. Not every governance practice is required, although I strongly believe in the value of IT financial management and budgets as critical

	Does IT Deliver Value?	
Business/IT Governance Works	Disagree to Neutral	Agree
Neutral or Does Not Work	64%	36%
Works	23%	77%

Figure 7 — Effective governance vs. IT value (all respondents).

	Does IT Deliver Value?	
Business/IT Governance Works	Disagree to Neutral	Agree
Neutral or Does Not Work	72%	28%
Works	17%	83%

Figure 8 — Effective governance vs. IT value (business unit managers only).

Application of Goverance Practices	Does IT Deliver Value? Disagree to Neutral	Agree
Least Commonly Used Practices	62%	37%
Most Commonly Used Practices	26%	74%

Least common: project portfolio management, enterprise architecture,and lifecycle management

Most common: strategic IT planning, PMO, business case

Figure 9 — Using IT governance practices vs. IT value.

components. (Remember: if we don't know cost, we don't know anything.) And the data suggests this matters!

Implications for IT Organizations

Reviewing the status of your governance practices is a good thing to do. Determining where to strengthen practice, or to give additional emphasis, will make a difference.

CONCLUSION

So does IT budget/IT financial management matter? As pointed out in my title and through the survey: it certainly does. In the opening of his article, Dennis gives a very nice case example in agreement as well.

IT financial management is the core of IT governance, as it represents the consequences of all IT governance practices, ranging from planning architecture to project portfolios. This is because all these practices ultimately answer the questions: where should we spend our IT resources, and are we getting proper value from those expenditures and investments?

My experience with clients is clear: enterprises that do better at the underlying practices really do better in both their relationships with the business (especially business units) and in producing real business value. It may seem strange that we continue to wrestle with these topics, nine years into *CBR*'s IT budget series and, more to the point, 60 years after the introduction of computers to management and business processes. But wrestle we do, and we encourage IT organizations to self-examine how they are doing and take appropriate action to remedy any shortcomings and gaps. IT does matter!

ENDNOTES

[1]Benson, Bob. "The IT Budget: It Matters!" *Cutter Benchmark Review*, Vol. 13, No. 4, 2013.

[2]Benson, Robert J., Pieter M. Ribbers, and Ronald B. Blitstein. *Trust and Partnership: Strategic IT Management for Turbulent Times*. Wiley, 2014.

[3]Piccoli, Gabriele (ed.). "The Intricacy of IT Budgeting: Is the Glass Half Full?" *Cutter Benchmark Review*, Vol. 8, No. 7, 2008.

[4]For example, see: Benson, Robert J., and Thomas L. Bugnitz. "The Connection Between IT Financial Management and Business Value." *Cutter Benchmark Review*, Vol. 9, No. 8, 2009; and my new book *Trust and Partnership* (see 2).

[5]For example, see: Weill, Peter, and Marianne Broadbent. *Leveraging the New Infrastructure: How Market Leaders Capitalize on Information Technology*. Harvard Business Review Press, 1998; and my new book *Trust and Partnership* (see 2).

From the Editor, Joseph Feller

Resolution for 2015: Find Your Path

We're getting quite close to the end of the year, so it's a good time to reflect and resolve. Let me first begin with some quick reflection and take this opportunity (albeit an issue earlier than usual) to acknowledge and thank some of the people that make *CBR* possible:

First, I want to thank every professional who took the time out of a busy day to take one of the *CBR* surveys. Without you, there is no data, no analysis, no *CBR*.

Second, I'd like to acknowledge the work of this year's *CBR* contributing authors: Dennis Adams and Jim Love (the IT trends issue); Claude Baudoin, Giancarlo Succi, and Ramesh Ranganathan (the API program management issue); Dennis Adams (again) and Bob Benson (for this issue); and, finally, Claude Baudoin (again), Matt Ganis, Rob Gleasure, and Simon Woodworth, who will wrap up the year of 2014 data with an issue on the Internet of Things, to be released shortly. Without you, there is no insight, no connecting the dots, no revealing of the patterns.

Third, I want to thank Managing Editor Cindy Swain, Production/Editorial Manager Linda Dias, Managing Editor Jennifer Flaxman, Production Editor Tara Meads, Cutter Consortium President and CEO Karen Coburn, and VP Anne Mullaney for their continual devotion to improving *CBR* and Cutter's other publications. Without you, there is no product, no system, and no way to reach our audience.

Finally, thank you, our readers, who give meaning and value to each issue. Without you, there is no worth, only words.

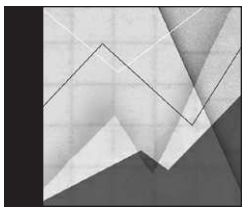
So now for the resolutions.

First, take another look at the thank-you list above: our respondents (the sources of the data), our authors (the analysts of the data), our production/editorial team (the processors of the analysis), and our readers (the users of the product). In even this simple chain, something is quite clear to me. Technology may become commoditized (in fact, in this chain it's largely unstated), but information and value are central.

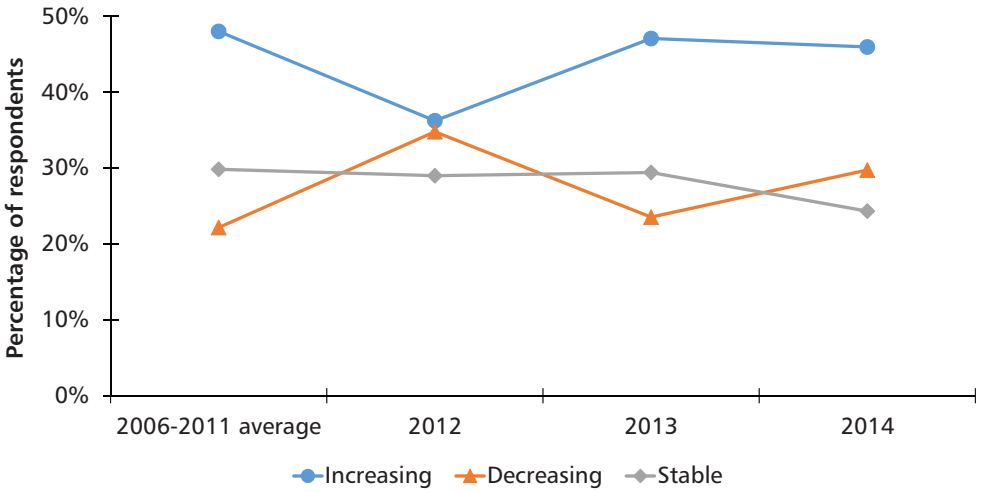
So that is the first resolution I would encourage organizations to make for 2015: recognize the importance of clearly defined value chains and do whatever you need to do to envision your critical path — one focused on value and information — so that you can position IT on that path and use it to move along. No destination, no path, and IT will not just become a commodity, it will become a hindrance.

Second, and this is nothing against Carr or his significant insights, but please don't be boring. Recently I was watching a history of the video game industry and was blown away at how its origins and endpoint — only a few decades apart — were utterly unrecognizable to each other. Business/IT is changing just as fast. Just look at the topics of the other issues of *CBR* this year: APIs are transforming the whole Internet into an operating system, and embedded and distributed systems are turning the whole world into the Internet.

Do you see where this is going? We can be foolish or wise, conservative or radical, but we don't need to be boring.



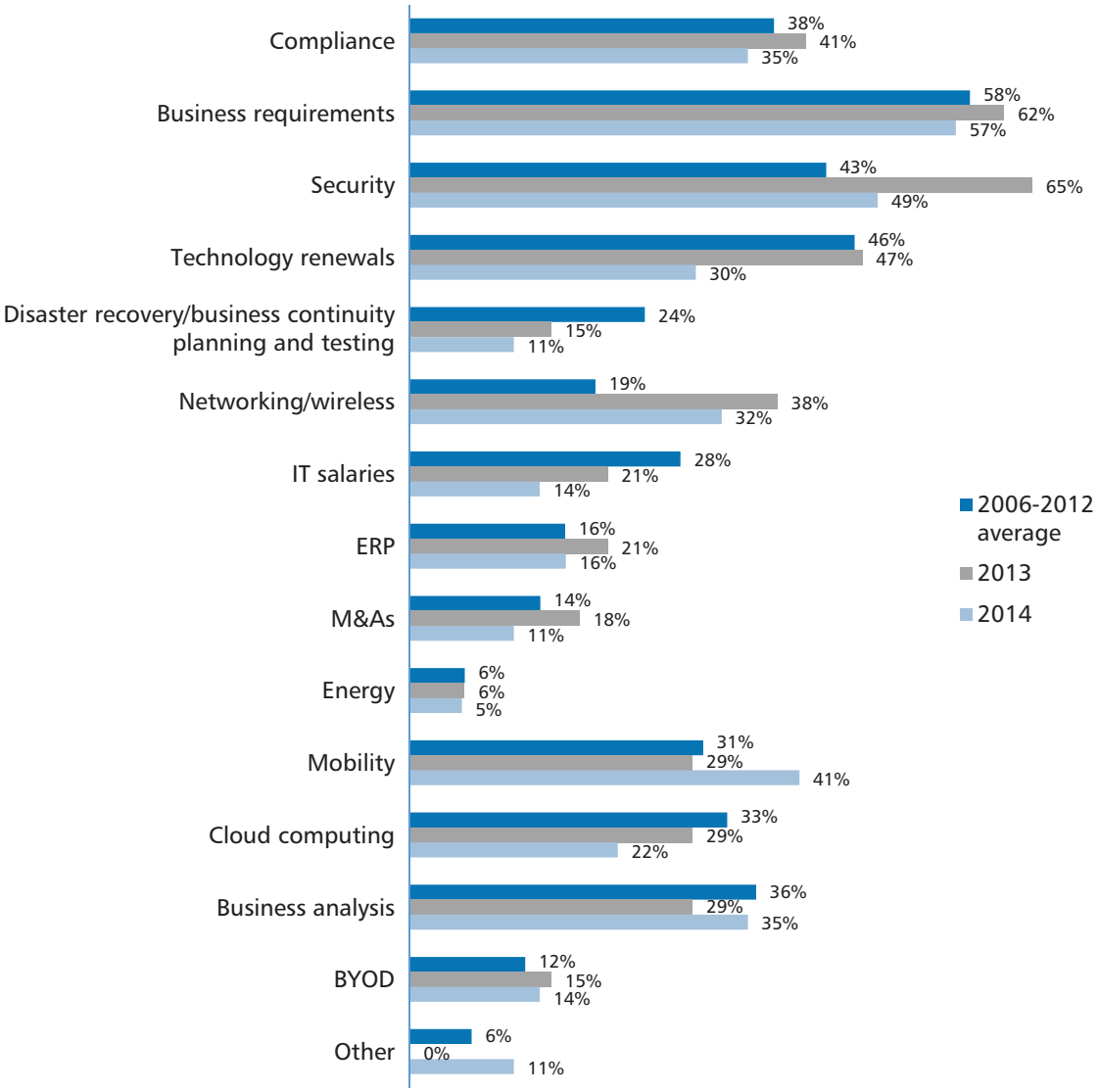
IT Budget for 2014



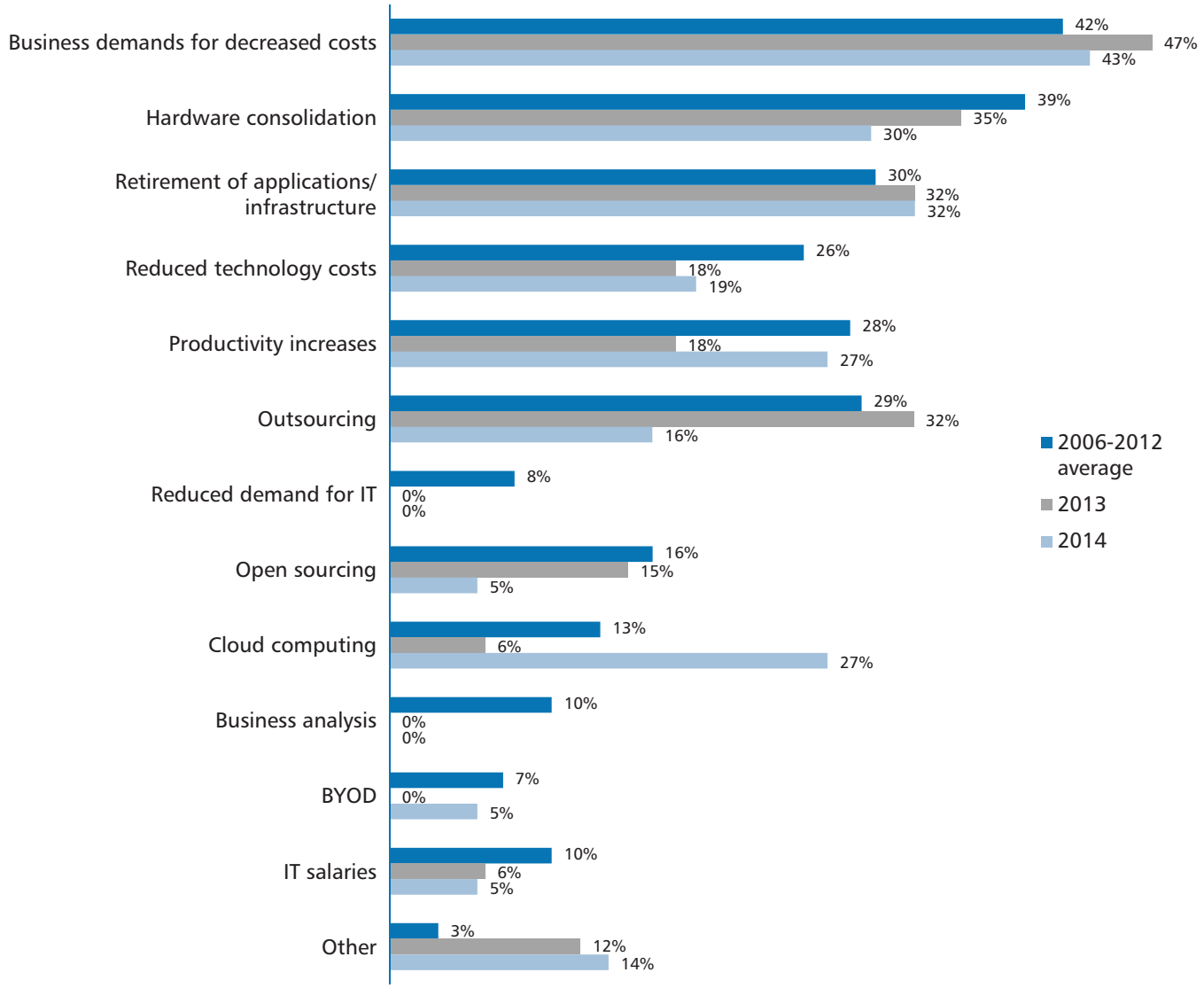
Graph 1 — Are IT budgets increasing or decreasing?

SURVEY DEMOGRAPHICS

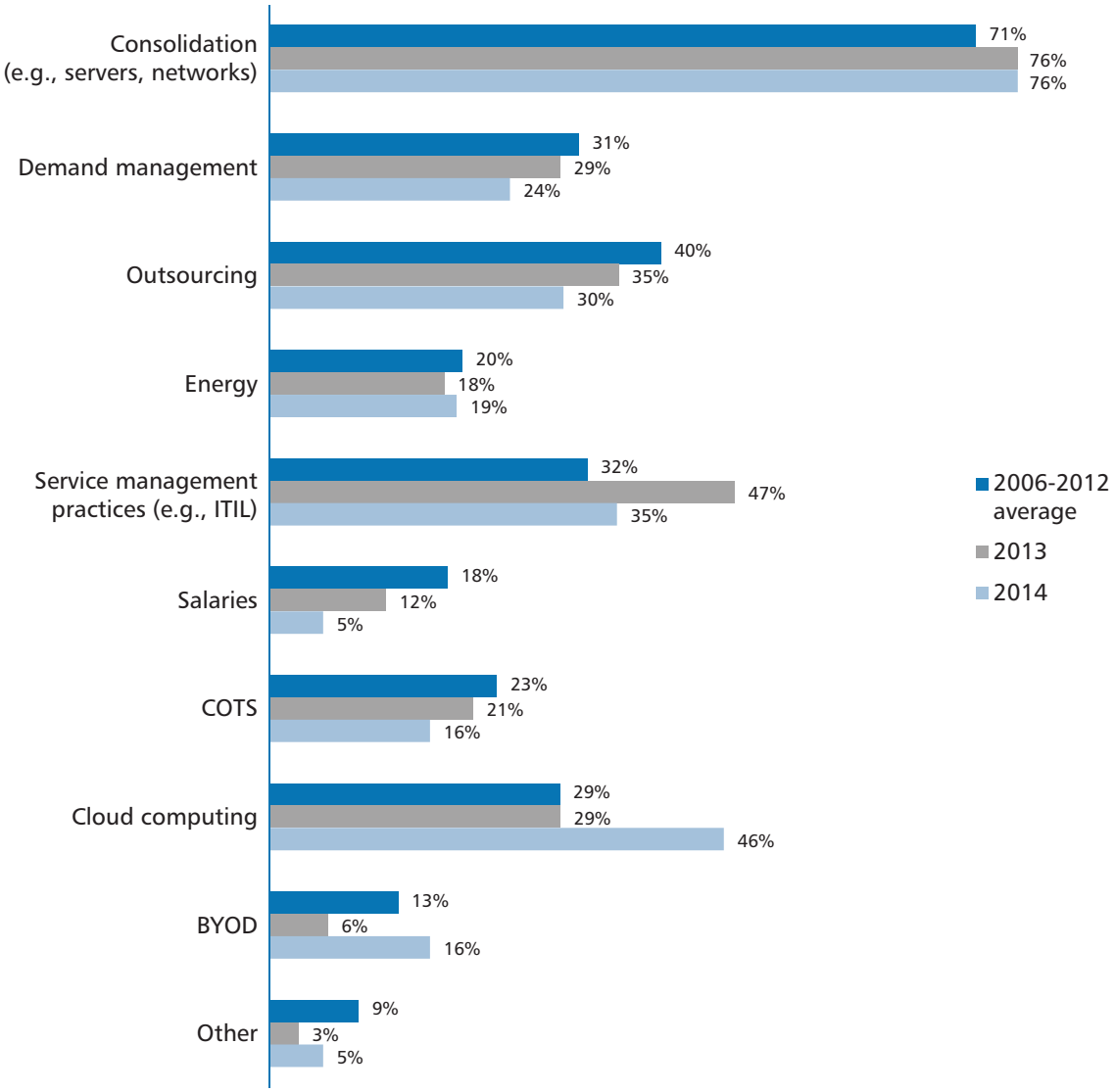
This survey, our ninth annual IT budgeting survey, examines general and specific aspects of IT budgeting in 37 organizations, 51% of which are headquartered in North America; of the remainder, 24% are headquartered in Asia/Australia/Pacific, 14% in South America, 5% in Europe, and 5% in Middle East/Africa. Twenty-two percent of responding organizations have annual revenues of more than US $10 billion, 24% have annual revenues between $1 billion and $10 billion, 24% have annual revenues between $100 million and $1 billion, 19% have annual revenues between $10 million and $100 million, and 11% have annual revenues less than $10 million. Annual IT budgets range from less than $500,000 (19%) to more than $100 million (11%). Nineteen percent of responding organizations have more than 50,000 employees, 14% have between 10,000 and 50,000 employees, 38% have between 1,000 and 10,000 employees, 22% have between 100 and 1,000 employees, with the remainder having 100 or fewer employees. The number of IT professionals in responding organizations ranges from less than 20 (27%) to more than 1,000 (19%), with 30% having between 20 and 100 IT professionals and 24% between 100 and 1,000.



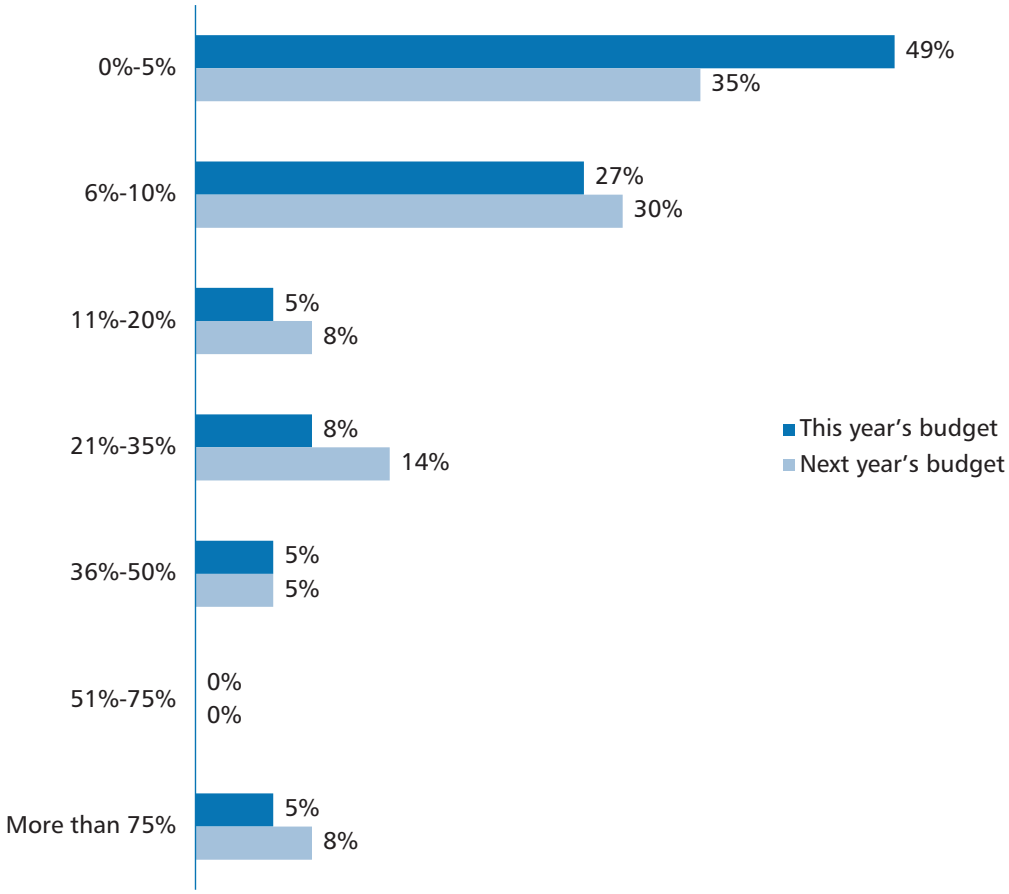
Graph 2 — For areas of increased spending, what is driving the change?



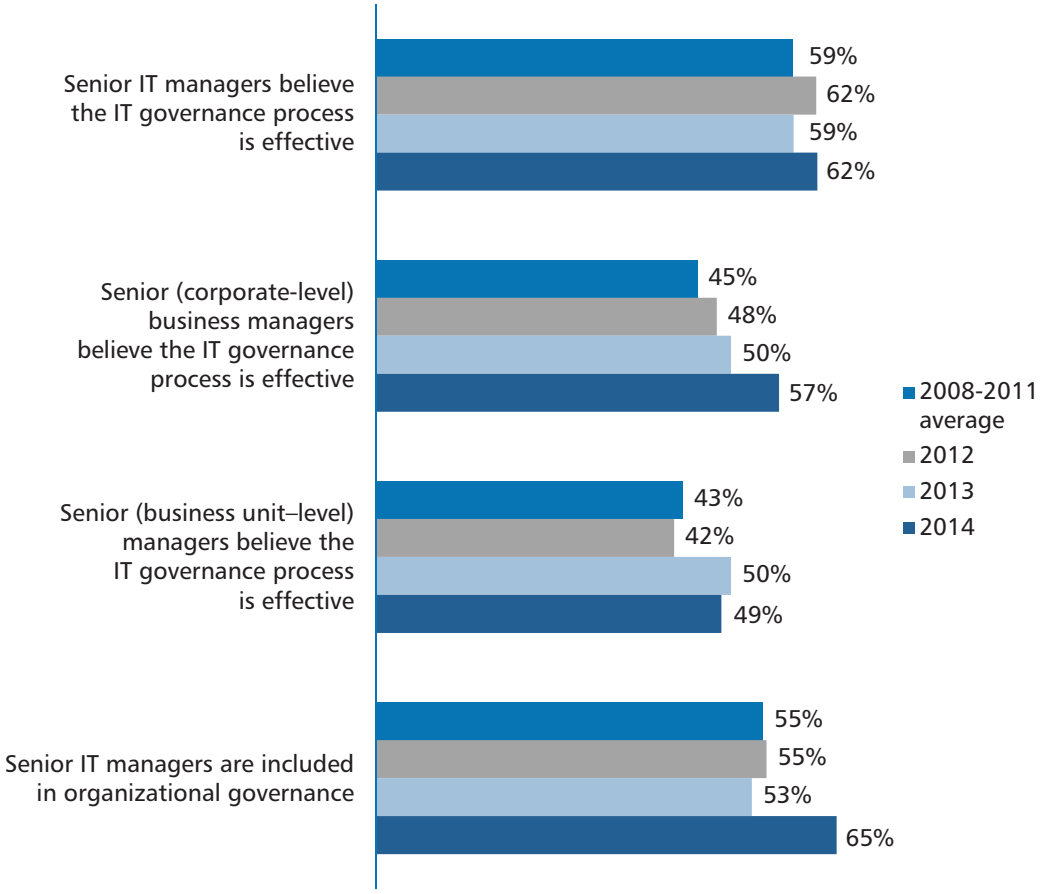
Graph 3 — For areas of decreased spending, what is driving the change?



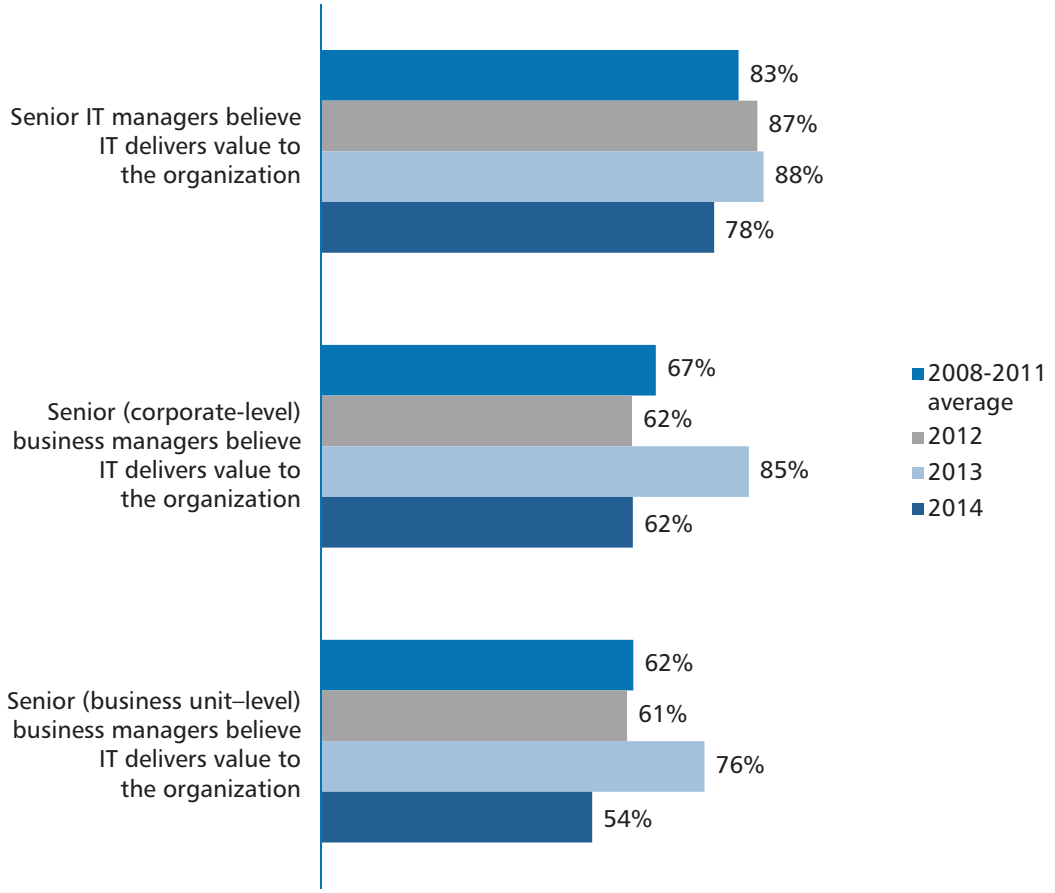
Graph 4 — What are the most important management initiatives taken to reduce IT costs?



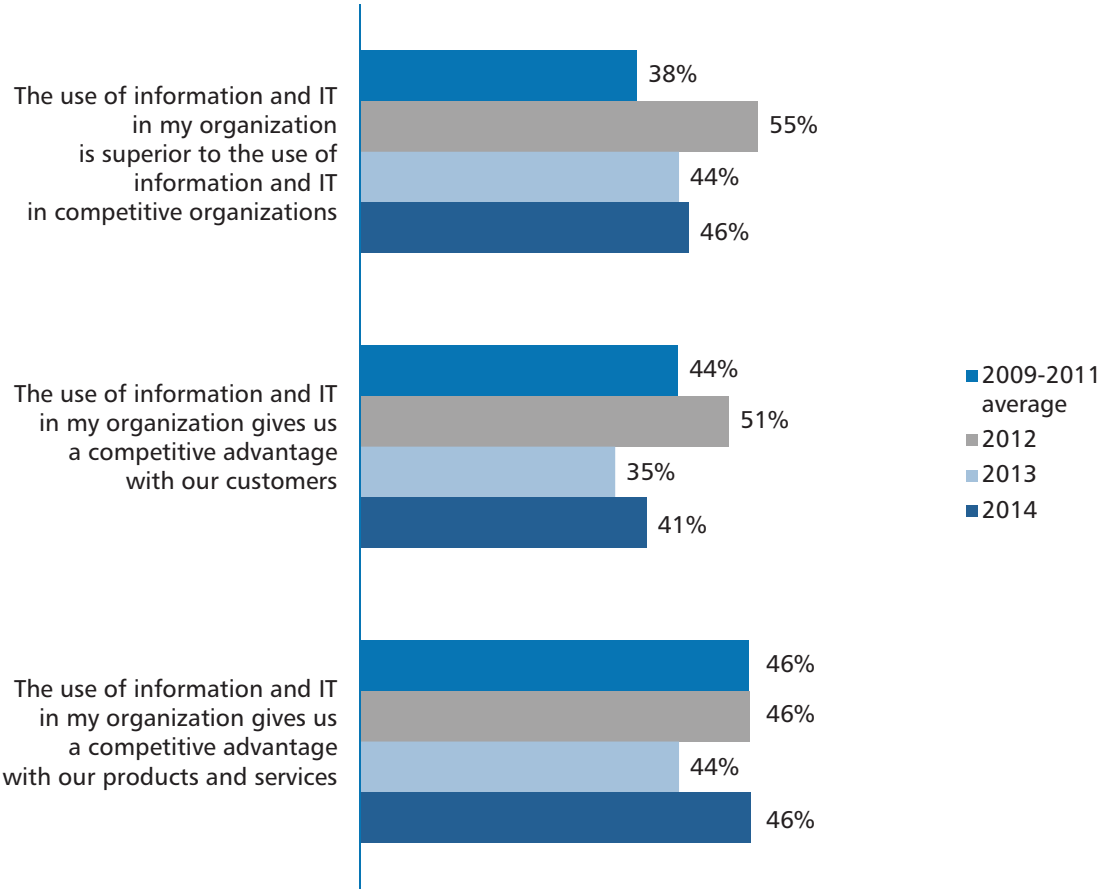
Graph 5 — What percentage of the total IT budget is being spent on outsourcing (this year's survey respondents only)?



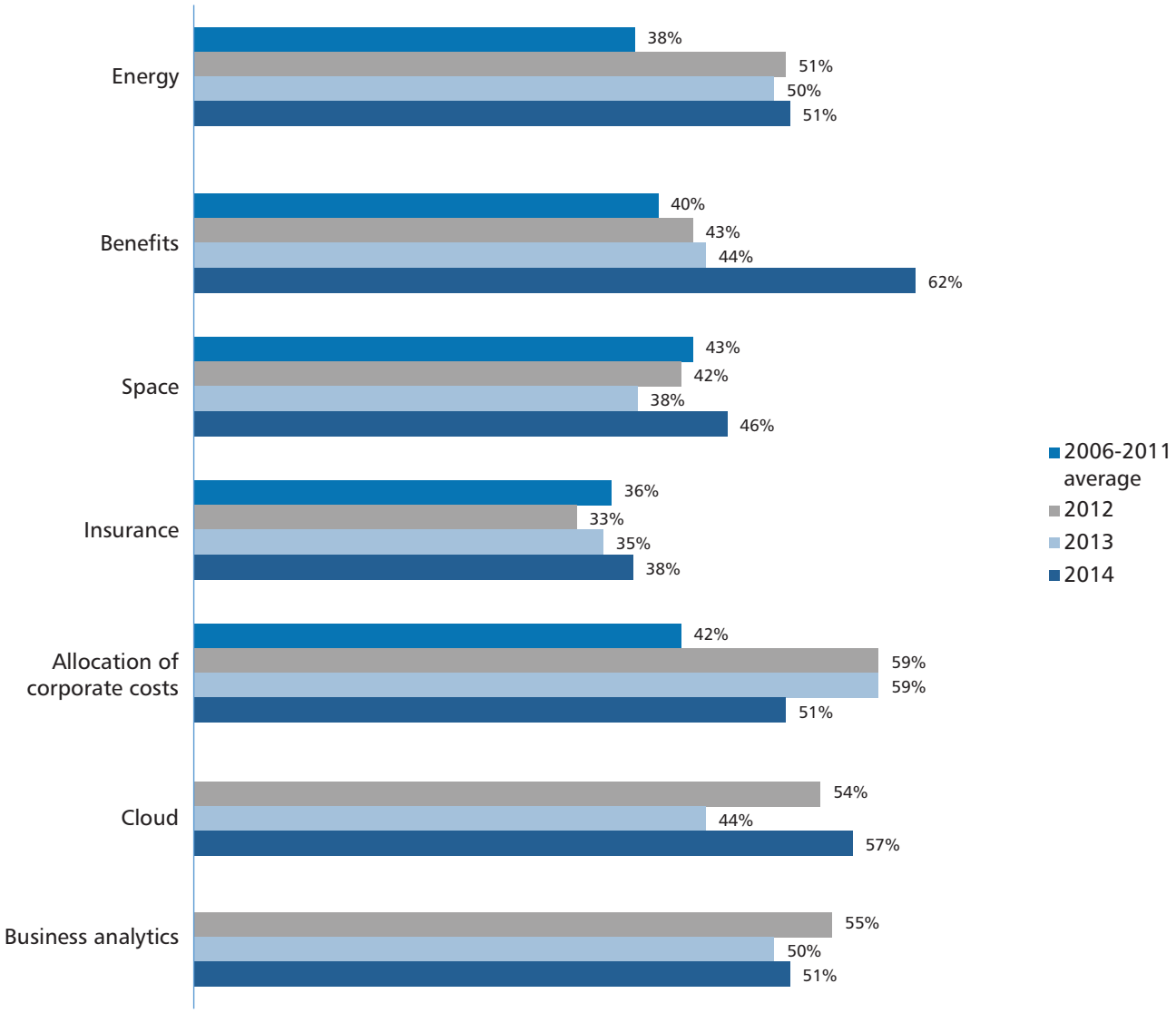
Graph 6 — Respondents who agree or strongly agree that managers believe IT governance is effective in their organization.



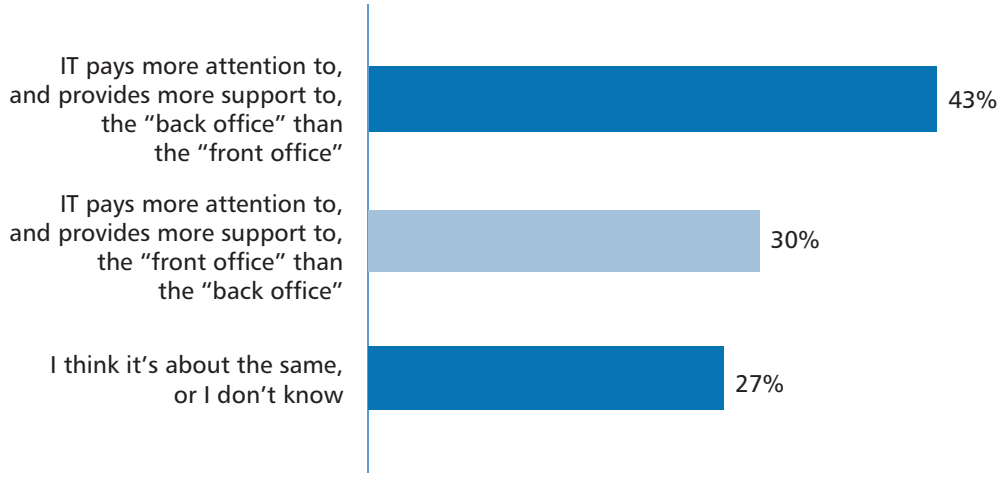
Graph 7 — Respondents who agree or strongly agree that managers believe IT delivers value to their organization.



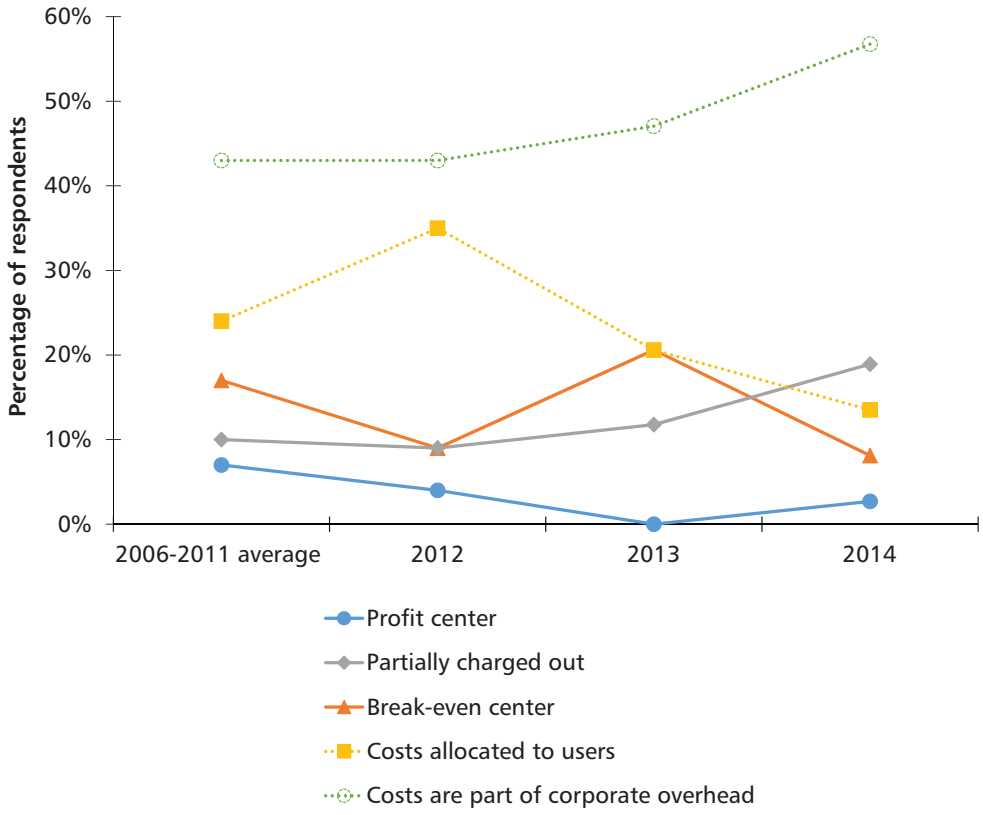
Graph 8 — Respondents who agree or strongly agree about IT compared to the competition with each of the following statements.



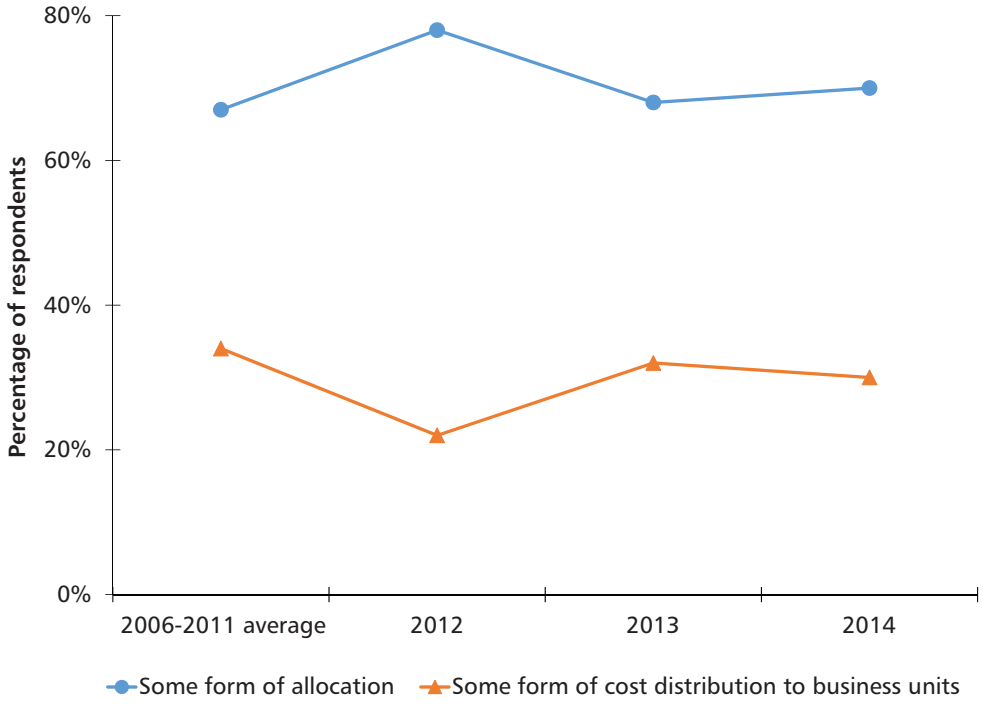
Graph 9 — What's included in the central IT organization's budget? (Note: we added cloud and business intelligence/business analytics as categories in 2012; hence, no data for these two categories prior to 2012.)



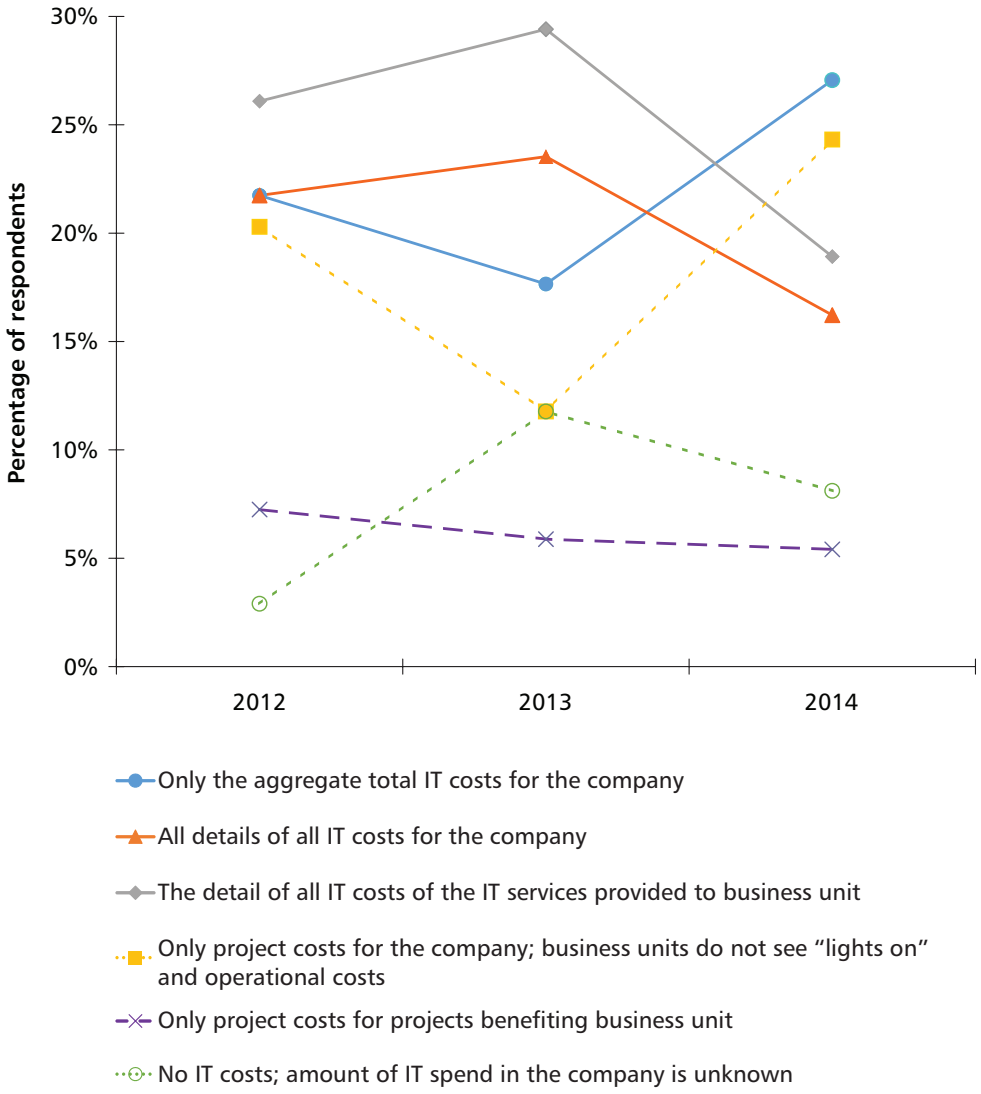
Graph 10 — Given that "IT" consists of people, hardware, software, and partners (e.g., sourcers), which of these three statements is true for you?



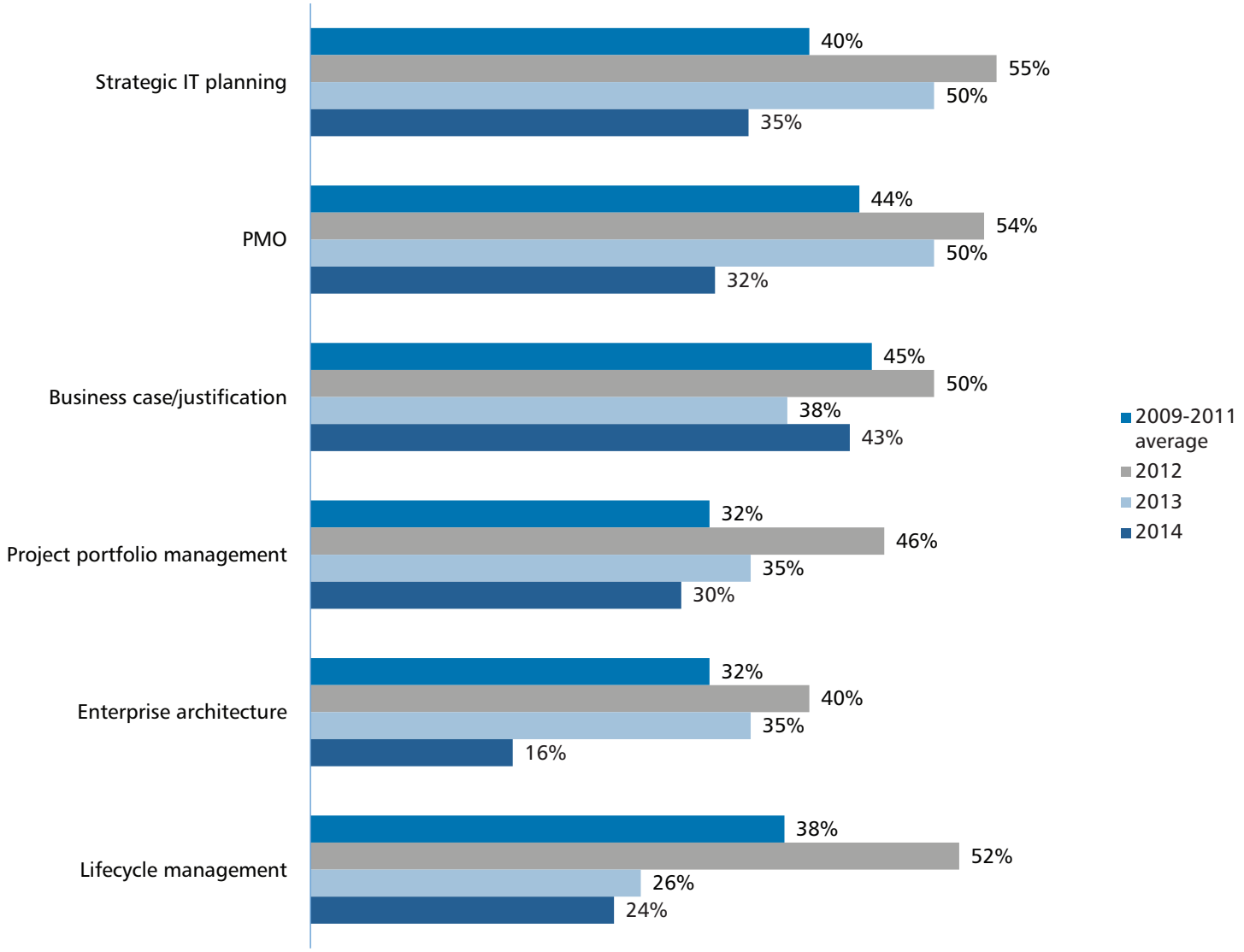
Graph 11 — Which of the following best characterizes the IT budget structure?



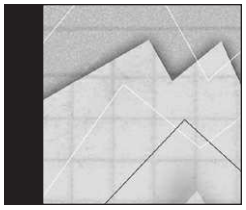
Graph 12 — Is your IT budget structure some form of allocation or some form of distribution?



Graph 13 — How transparent are IT costs to business managers? Business units see ...



Graph 14 — To what extent is each of the following processes currently used in your organization at a high or very high level?



About the Authors

Dennis A. Adams is a Senior Consultant with Cutter Consortium's *Business Technology Strategies* practice. He worked in higher education for over three decades in the areas of information systems, leadership, entrepreneurship, and strategy. Mr. Adams has published articles in journals such as *Interfaces*, *Information Systems Research*, *The DATA BASE for Advances in Information Systems*, *MIS Quarterly*, and *Information & Management* and is a yearly contributor to *Cutter Benchmark Review*. His research interests include leadership and the effects of, and techniques associated with, valuing the bottom-line contribution IT makes to organizations. He can be reached at dadams@cutter.com.

Bob Benson is a Fellow with Cutter Consortium's *Business Technology Strategies* practice, a member of Cutter's *Government & Public Sector* team, and Principal of the Beta Group. Mr. Benson applies more than 40 years of academic and corporate experience to assist companies and government agencies with understanding the business value of IT, strategic and financial IT management, strategic IT planning, effective IT application development, and IT governance. He is a frequent contributor to Cutter publications and has consulted for and conducted workshops with Cutter clients in the US, Mexico, and Poland. Mr. Benson has been instrumental in the development of portfolio management methods and strategic and financial management methodologies based on Information Economics used by companies and consulting organizations around the world. He has conducted executive seminars and management courses on these subjects globally and has consulted with more than 100 companies and organizations in 20 countries. Mr. Benson taught computer science and information management at Washington University in St. Louis (USA) for 40 years, where he also served as Associate Vice Chancellor for Computing and Communications and in other executive positions. He also has taught information management at Tilburg University (the Netherlands) for 20 years and is a member of its faculty. He is coauthor of several books and numerous articles and monographs, including *From Business Strategy to IT Action: Right Decisions for a Better Bottom Line*; *Information Economics: Linking Information Technology and Business Performance*; *Information Strategy and Economics: Linking Information Systems Strategy to Business Performance;* and *Trust and Partnership: Strategic IT Management for Turbelent Times*. Mr. Benson has keynoted at numerous executive conferences, including Cutter *Summits* in the US and Mexico, *Information Management Forum CIO*, *Enterprise Architecture Conference*, IQPC-sponsored *Summits*, and others. He holds a bachelor of science degree in engineering science and a law degree, both from Washington University. He can be reached at bbenson@cutter.com.

Joseph Feller is a Senior Consultant with Cutter Consortium's *Data Insight & Social BI* practice and editor of *Cutter Benchmark Review*. He is a Senior Lecturer at the University College Cork, Ireland (UCC), where he coordinates the PhD program in business information systems, supervises postgraduate and postdoctoral researchers, and conducts research. Prior to joining UCC, Dr. Feller taught at the Ringling College of Art and Design (USA). His research focuses on open innovation and the peer production phenomena, including open source software, open content, crowdsourcing, innovation marketplaces, citizen science, and social media collaboration platforms. Dr. Feller has published five books, more than 60 academic papers, and more than 100 practitioner articles and reports. His research in open source software has been particularly influential, cited over 1,000 times in academic literature. Dr. Feller has directed various international research projects funded by Irish and EU agencies, private industry, and government partners. He is a frequent presenter and panelist at international conferences and has been invited to deliver keynotes, seminars, workshops, and policy briefings by numerous industry organizations, private firms, NGOs, and Irish and European government bodies. He can be reached at jfeller@cutter.com.

ACCESS TO THE EXPERTS

Cutter's Inquiry Program

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Cutter's Access to the Experts Inquiry Program, available to Cutter Consortium Enterprise Suite clients, provides you with astute analysis and advice directly from Cutter's renowned experts. Every inquiry is fielded by a Cutter Senior Consultant or Fellow with hands-on expertise addressing IT challenges at organizations worldwide. You'll get insightful answers to your questions from the pros, based on real-world experience, which is markedly different from what other analyst firms provide.

Answers You Can Put Into Action

Clients can leverage the hours with Cutter's experts in many ways. Allot some of the inquiry time to the CIO, pairing him or her with a top Cutter business-IT strategist for monthly brainstorming sessions. Or set up monthly calls for your Director of Enterprise Architecture with one of Cutter's EA experts. In either case, the arrangement allows the two of them to build a rapport and gives the Cutter expert a growing understanding of the issues your enterprise is facing. The Cutter expert quickly becomes a valuable advisor. You can also submit email inquiries to Cutter. A Cutter Senior Consultant or Fellow with relevant hands-on expertise will answer your question directly, either in writing, by phone, or both ways if that better meets your needs.

From advice on your governance strategy from Cutter's Enterprise Risk Management & Governance expert Bob Charette, to counsel on integrating Agile approaches into your existing project management methodology from Israel Gat; counsel on how to spread the culture of innovation throughout your enterprise from innovation expert Rob Austin; input on creating and deploying your enterprise architecture from EA expert William Ulrich; advice about how to protect the personally identifiable information (PII) your organization collects from privacy guru Rebecca Herold; to advice on how to uncover IT cost-reduction opportunities from IT strategy expert Bob Benson, Cutter's team of experts is uniquely positioned to provide you with solutions.

While some inquiries may be answered informally by our experts, others will require research and further conversation in order to provide the best advice. But in each and every case, you'll get one of the best minds in the industry working on your problem right away.

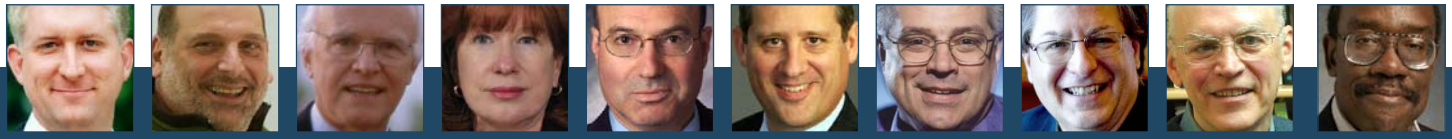
Your Client Research Manager

Every Access to the Experts client organization is assigned a client research manager who will field your inquiries, matching the right expert to your inquiry. Your client research manager ensures that your questions are answered promptly and he or she handles the logistics for teleconferences. We dedicate the time to coordinating the communication, so you can concentrate on getting the answers you need.

For More Information

For more information on Cutter Consortium, contact us by:

Tel: +1 781 648 8700
Fax: +1 781 648 8707
Email: sales@cutter.com
Web: www.cutter.com
Mail: 37 Broadway, Suite 1, Arlington, MA 02474-5552 USA



Rob Austin | Ron Blitstein | Tom DeMarco | Lynne Ellyn | Israel Gat | Vince Kellen | Tim Lister | Lou Mazzucchelli | Ken Orr | Robert Scott

Cutter Business Technology Council

About Cutter Consortium

Cutter Consortium is a unique IT advisory firm, comprising a group of more than 150 internationally recognized experts who have come together to offer content, consulting, and training to our clients. These experts are committed to delivering top-level, critical, and objective advice. They have done, and are doing, groundbreaking work in organizations worldwide, helping companies deal with issues in the core areas of software development and Agile project management, enterprise architecture, business technology trends and strategies, enterprise risk management, business intelligence, metrics, and sourcing.

Cutter delivers what no other IT research firm can: We give you Access to the Experts. You get practitioners' points of view, derived from hands-on experience with the same critical issues you are facing, not the perspective of a desk-bound analyst who can only make predictions and observations on what's happening in the marketplace. With Cutter Consortium, you get the best practices and lessons learned from the world's leading experts, experts who are implementing these techniques at companies like yours right now.

Cutter's clients are able to tap into its expertise in a variety of formats, including print and online advisory services and journals, mentoring, workshops, training, and consulting. And by customizing our information products and training/consulting services, you get the solutions you need, while staying within your budget.

Cutter Consortium's philosophy is that there is no single right solution for all enterprises, or all departments within one enterprise, or even all projects within a department. Cutter believes that the complexity of the business technology issues confronting corporations today demands multiple detailed perspectives from which a company can view its opportunities and risks in order to make the right strategic and tactical decisions. The simplistic pronouncements other analyst firms make do not take into account the unique situation of each organization. This is another reason to present the several sides to each issue: to enable clients to determine the course of action that best fits their unique situation.

For more information, contact Cutter Consortium at +1 781 648 8700 or sales@cutter.com.

About Cutter Benchmark Review

Discover the strategies and tactics of companies worldwide and, more important, where they're succeeding and failing along the way with *Cutter Benchmark Review*.

CBR draws its expertise from two sides: a distinguished academic and a practitioner from the field. The contributors frame each issue's topic for you, explaining how it relates to other trends, and address the pressures and interests surrounding it. They provide a framework to help you make sense of the topic as it applies to your organization. This analysis — often supported by the collection of fresh survey data — plus future predictions and their potential impact from Editor Joseph Feller provide you with a solid understanding of "today's new thing" based on the decades of experience of our contributors in the fast-moving IT world. You can't afford to miss such insider information.

Whether you use *CBR* to help you understand how your organization compares to others in your industry, to identify key IT initiatives worth pursuing, or to identify the potential impact of today's trends on the future health and direction of your company, *CBR* is a resource unlike any other, making it possible for you to look critically and objectively at your IT organization through various lenses.