Chapter X

Adopting the IT (RPM) Model 
to Enhance the Value of IT

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ABSTRACT

In a day and age that has been deemed the “Information Age”, it is ironic that one of the most common questions that organizations continue to grapple with is “what is the value of Information Technology?” Despite mercurial debate on the question, it remains unanswered with most IT organizations unaware of how they can demonstrate this value. Interestingly, the question posited this way drives you to one immediate, and potentially false, conclusion – that IT, in fact, is driving value, and therefore, it is just a matter of determining or solving for this value. Most of us probably know (but may be unwilling to admit) that the reality is not so. Just like not all people are above average, not all IT organizations demonstrate value. We would argue that the “what is the value of IT?” question is the wrong question. The more important question that IT organizations should ask themselves is “how can IT deliver more value?” A satisfactory resolution to this question will also handle the “what is the value of IT?” question. But by posing the question this way, you approach it in a more objective and dispassionate manner. The IT Reengineering & Portfolio Management Model (herein, IT (RPM)) offers a pragmatic, proven and plausible means for IT organizations to deliver and demonstrate value. In introducing you to the IT (RPM), we aim to:

• Discern between those investments which are valued by the business and those which are not, e.g. expenses versus investments
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• Develop a plan to reengineer low value IT expenses in an effort to create additional investment capacity within IT and/or for the larger organization for strategic, business-enhancing projects and investments
• Utilize a portfolio management discipline to select the best investments, e.g. those that maximize strategic and financial value per unit of risk
• Provide an understanding of the process and behavioral elements required to enable IT (RPM)

BACKGROUND

Reengineering

Reengineering as a discipline has emerged into the corporate psyche because of proponents like Michael Hammer and James A. Champy who authored *Reengineering the Corporation* and *Reengineering Management*. Their basic assertion is that far too much time and effort is wasted on tasks and there is very little focus on the value that these tasks deliver for the customer.

Despite their lofty and mostly accurate aspirations, reengineering has earned a less than savoury reputation because it has come to be associated with reducing the efforts - mass layoffs and corporate restructuring - rather than redirecting those efforts to something more constructive. This is due to the fact that many organizations don’t actively reengineer their business on a continuous basis, but instead they make large cuts under the banner of reengineering when business or economic conditions worsen. For public companies, reengineering pressures also can mount due to the self-inflicted pressure companies can place on themselves to meet arbitrary earnings expectations. These knee-jerk efforts are not true reengineering but despite this, the public relations harm to the term reengineering remains.

Our view of reengineering, informed but not limited by the likes of Hammer and Champy, is that reengineering is simply a practice and discipline of evaluating processes to determine if they can be done better in some other fashion. By better, this may imply the process is done cheaper, faster, in a less risky way, or sometimes the process is eliminated altogether. These benefits may be realized through the utilization of technology, labor arbitrage and/or a variety of methods which maybe employed to make the organization more productive. In essence, reengineering examines processes that result in unproductive organizational complexity and seeks to improve or remove them altogether.

Portfolio Management

Portfolio management has emerged or come into vogue mainly due to an army of consultants, academics and software vendors who espouse this discipline’s benefits. While their means to achieve this are dubious at best, their high-level definitions of portfolio management are largely on the mark.

Portfolio management applied to the corporation is based on the realization that organizations spend vast sums of money on discretionary projects - or rather investments - whether in IT, marketing, R&D, sales, operations or any other business function. And in order to properly allocate resources to these investments, it is worthwhile to evaluate these investments as part of a portfolio, with a clear understanding of the trade-offs between risk, return and timing.

One notable departure from the “experts’” definition is that we aim to employ portfolio