



Managing IT for Maximum Value

By Cristina Puig, PwC&IESE e-Business Center content assistant

To manage IT as a business, both the CEO and the management team need to understand first and foremost how technologies can be used to support growth in the business. Mark Lutchen, leader of the PwC IT Business Risk Management Practice, identified a set of critical factors that he said allow management to optimize the value of technology. These include the need to create a strategy that is directly tied to company objectives; effectively analyze the different facets of performance in terms of IT organization; effectively manage both human and financial resources, as well as applications and service.

One of the CIO's main duties is to prevent the management team from making inappropriate decisions and approving superfluous IT expenditure. "Clear investment priorities need to be set according to the needs of the company as a whole," explained Lutchen to the information systems directors and general managers in attendance at the 5th PwC&IESE e-Business Center Event.

The author of the book *Managing IT as a Business* added that one of the main problems with IT is that most companies invest the majority of their budget—around 70%—in legacy projects. "New IT projects amount to just 30% of the investment," said Lutchen. As he sees it, this disparity is explained by the frequency of new technological solutions being implemented "without estimating the costs involved with the upkeep of those systems." Thus, the company should perform a real analysis of overall IT spending "not just by the IT department itself, but also by the various business units."

It is also essential to clearly establish who is responsible for handling the activities and tasks related to these resources. "Here it is important to get help from the CFO, whose skills, applied to IT, provide the information needed to achieve visibility," added Lutchen, who stressed the importance of having the proper metrics for analyzing IT performance.

Lutchen, author of the book *Managing IT as a Business*, detailed during his presentation the three different levels of IT measurement. The first is centered on operational performance; the second is focused on the CIO's skills in terms of their command and control of the senior management team; and the third, on getting business value out of IT. As he sees it, the IT service organization should be set up so that a change can be identified and implemented for the betterment of the business. These professionals, he said, "need to feel like they have ownership of the change and not fight against it, since it is inevitable." Lastly, the leader of PwC's IT Business Risk Management Practice reviewed the changes that have transformed the role of CIOs. Lutchen said that whereas in the 1990s, one asset particularly sought after was sound technological knowledge, now they must have a more balanced set of skills. Today's CIO "must have skills in the areas of business, fiscal management, technology, and organization and culture," said Lutchen. The CIO must be able to: communicate in a straight-forward, nontechnical manner; have sufficient vision so as to align IT with strategy; and be a manager of organizational change. These new characteristics stretch the CIO's scope far beyond the exclusively technology-focused role of the past.