Right-Sizing IT Investments

What are the Primary CFO Questions:

1. How much should the IT budget be?
2. Where should IT funding be directed?
3. How do you know you are correct?

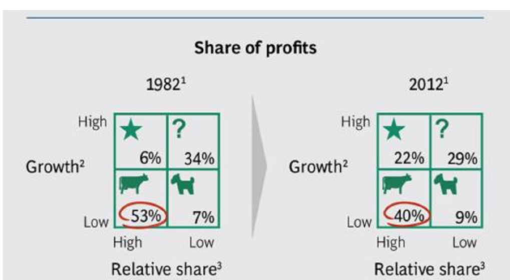
Like personal investing, IT investments should be aligned with each line of business. Building an IT Portfolio Strategy is similar and must be informed by business needs. Business needs should determine the IT budget and funding allocation. An undesirable effect of weak, inattentive, or laisse faire custodianship of a corporations IT portfolio management results in overspending on stable segments and underinvesting in higher-potential areas. This strategy ties up capital that could be used more effectively elsewhere.

IT Portfolio Strategy will address main challenges:

Weak IT portfolio management results in overspending on stable segments and underinvesting in higher-potential areas. This inefficiency ties up capital that could be used more effectively elsewhere.

The BCG 4-quadrant model is a useful starting point for determining IT investment allocation, with categories for each line of business (can be defined as product, geography...): Shooting Star, Cash-Cow, Pet, and Question-Mark.

1. Right size IT initiatives - Eliminating overspending on underperforming tech projects
2. Align IT funding to the Business Strategy
3. Capital Hurdles: Capital efficiency and efficacy.
4. Ensuring balance between innovation and risk management.



Target Outcomes:

1. IT funding to cash-cows focused primarily on compliance and regulatory. Dogs would also receive funding for efforts to improve the sale prospects of the operation
2. Question marks receive dedicated funding for proof of concepts and innovation to support efforts to transition the business to a star or a cash-cow
3. Stars would receive funding and IT capabilities that align to the business's growth