

Technology (IT) and Security Return On Investment



Your technology and network systems are important to you. But, like everything else you spend assets (yep, money) on, they have to provide your organization with a reasonable return on the investment you make in them.

So what does it take to get a reasonable return on your technology investment? How do you even measure it?

Tough questions, even for the technology industry. You know you need it, but how do you demonstrate its investment cost? What about security for the network? Again, you know you need it, but how do you measure its return?

The CFO looks at the CIO and asks: “Where’s the return on this \$50,000 investment?”

The CIO thinks, “He’s looking for a dollar value that we will return to the company because we upgrade our network or establish stricture security protocols and equipment. How do I answer a question like that?”

The CFO will need to defend these expenditures against critics in board rooms and management teams, on the balance sheet and in the quarterly report. So in many ways, the CIO will need to talk the CFO’s language.

Here are some ways to look at it in terms the CFO will value. But remember, we can tell you what questions to ask, and how to answer them, but we cannot tell you what the answers actually are. Only you can do that.

1. “How will this investment impact our revenue?”

Can you demonstrate that it will provide capabilities that can be translated into increased income? Can you show that you will be able to gain new customers or clients as a result of this technology? Hopefully, the answer is yes, even if you cannot put a dollar figure to your response. When answering yes, always show how the investment will add to the company’s bottom line.

2. “How will this improve our market position?”

Will this make your company more competitive with the competition? Is it a capability that the competition has now that causes you to lose opportunities, clients, or customers? Will having this technology increase your potential to gain new work?

3. “How will this new IT investment help us achieve key performance goals and reach established performance indicators?”

Will this investment save money? Lower costs in any way? How? Will it make your company more productive? How? Will it protect you from potential harm

(like viruses and hacker attacks)? How? Will you be able to accomplish tasks faster and/or more efficiently allowing for less cost or the ability to accomplish more tasks? Can you quantify any of these into dollars?

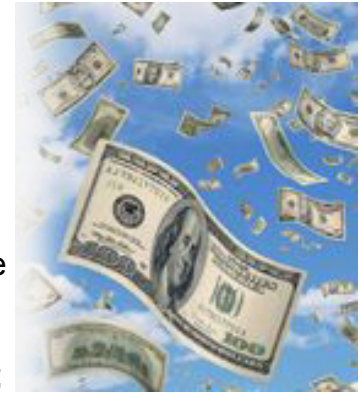
These are other questions and answers are the process that will lead to demonstrating value to CFO's and "bean counters."

One additional method: use a case study or two that illuminate a company that made an IT investment and did realize a good return on their effort.

The Security Issue.

Since hackers, viruses and 911, many companies see the value in network and system security. But sometimes you still have to demonstrate value for that investment.

One way is to use an analogy. For example, you own a hotel and are thinking about installing a sprinkler system in all of the rooms. That costs \$x. The alternatives are either the cost of the insurance, \$y, certainly to be high since you don't have a sprinkler system installed; or, \$z, the cost of completely rebuilding the hotel and settling the liability law suits after the hotel burns to the ground.



Here are some questions:

- ④ What would it cost to re-establish all your files if you were successfully attacked by a virus? Compare that to the cost of virus protection.
- ④ Are you adequately protected from hackers and external access to your data? What would it cost if someone gained access to sensitive or proprietary information from your network or your systems? Would you lose clients or customers? Could you lose market share? Will it cost you reputation in your market?
- ④ What impact could cyber-terrorism have on your business? Are you protected from terrorists using your systems, web sites, e-mail?

Not enough? Try these security facts:

- ④ Internet attacks grew at an annualized rate of 64 percent in the period January to June 2002.
- ④ Internet security spending will rise to almost \$700 million by 2006 compared to \$65 million in 2001. An annual growth rate of 60.5 percent.

