You have $100,000 to invest. What would you invest in and why?
MDCM, Inc. Case

What were MDCM’s business objectives?

1. Consolidate Where Possible
2. Increase Overall Scale Efficiencies
3. Single Global Company
4. Focus on Core Competencies
5. Mend Customer Relationships

What were the proposed IT projects?

1. Unify Methodology & Technical Standards
2. Consolidate Data Centers
3. Outsource Non-Strategic IT
4. Standardize Hardware
5. Implement ERP
6. Create Employee Portal
7. Manage Supply Chain
8. Streamline Design Systems
9. Improve Collaboration Systems
10. CRM/Data Warehouse
11. E-Procurement
12. Customer Self-Service Portal
MDCM, Inc. Case

What model would you use to determine balance?

Informational 10
Strategic 12
Transactional 5, 6, 7, 9, 11
Infrastructure 1, 2, 3, 4, 8

MDMC Inc. Case

How would you rank the projects?

<table>
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<th>Project</th>
<th>BO1</th>
<th>BO2</th>
<th>BO3</th>
<th>BO4</th>
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### MDMC Inc. Case

#### How would you rank the projects?

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### MDCM, Inc. Case

#### Balancing Value and Ability to Succeed

[Diagram showing the balance between Value and Ability to Succeed]
MDMC Inc. Case

How would you schedule the projects?

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<td>Q3</td>
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- Year 1: Q1 - Q4
- Year 2: Q1 - Q3
- Year 3: Q1 - Q4

- Q1: Green
- Q2: Green
- Q3: Green
- Q4: Green

- Q1: Green
- Q2: Green
- Q3: Red
- Q4: Red

- Q1: Green
- Q2: Green
- Q3: Red
- Q4: Red

- Q1: Green
- Q2: Green
- Q3: Red
- Q4: Red

- Q1: Green
- Q2: Green
- Q3: Red
- Q4: Red

Using COBIT 5 - APO05, Manage Portfolio how would you rate MDCM’s efforts? Why?

1. Establishing the target mix
2. Determining funding
3. Evaluating & selecting programs
4. Monitoring investment performance
5. Maintaining their portfolios
6. Managing the achievement of benefits
What is an IT project portfolio and why would you want one?

Portfolio Categories

- Innovation
  - New Business Models or Competitive Capability
- Growth
  - Incr Revenue
  - Incr Cust
  - Intimacy
- Efficiency
  - Cost-Out
  - Productivity
- Run the Engine
  - Sustain Operations

Discretionary

Run The Engine
Discretionary Budget in Portfolio Perspective

- **Innovation**: 2%  
  - $0.5MM  
  - Targets: 1 Yr

- **Growth**: 30%  
  - $12MM  
  - Targets: 1 Yr

- **Efficiency**: 38%  
  - $15MM  
  - Targets: 3 Yr

- **Run the Engine**: 30%  
  - $12MM  
  - Targets: 1 Yr

We can change the portfolio targets to shift investment to business opportunities.

Strategic Themes

- **Strategy**
  - IT Operating Principles
  - Value Creation & Investment Portfolio
  - Enabling IT Capabilities, Talent, and Enterprise Infrastructure

The IT Strategy “filter”

Alignment

IT Portfolio
Our 2007 Investment Plan: Align Investment to Strategy …

Business Change

- Must Do
- Actives
- Talent
- Business Efficiency
- Sales + Market Excellence
- R+D Innovation

IT Investment Portfolio

2007 Invest | Value | Risk
---|---|---
$7MM | $7MM | Must Do Sustain
$3MM | $10MM | More Intangible Low - Med
$4-5MM | $15MM | Strategic Med +
$6-8MM | $23MM | More Tangible Financials Med - High
$2-3MM | $26MM | Mix of Tangible + Intangible Med +
$1-2MM | $28MM | Strategic High

We strive to minimize this investment category. However, significant architecture renewal is ahead of us … SAP, Collaboration, Office

60+ % of the Investment Portfolio invests in Business Value Creation

Portfolio View

Portfolio View (Pipeline + Approved Projects)

* Size of circles = Cost

High

Energy Dashboard
Shop floor Integration
Talent / SAP HR Upgrade
Elec Lab Notebooks
SAP APO / Manu replace

Low

CRM Portal
Agrofresh

Value Index

Must-Do Projects
- HO E Upgrade
- EOL
- Middleware

Risk

CRM Security Design
S+M Knowledge
ERP Security Design

Software

Digital Rights Mgmt
Logistics
S+M 2

E-CRM
S+M Fixit
Logistics

Learn
CRM Portal
Agrofresh

SMK
CPA
S+M Fixit

Formulation Mgmt
Service Business Support

Price

Shop floor Integration
Price Execution

SAP APO
Lead Management
Formulation Mgmt Powder

### Portfolio Project Ranking

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<th>Gov</th>
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A Total: 31.2

B Pipe Production/Energy Dashboard

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<th>Project Name</th>
<th>Priority Rank</th>
<th>Risk Score</th>
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Grand Total: 61.7

### IT PORTFOLIO: Learning Objectives

- **What is Balance?**
  - **Achieve Balance**

- **What is Alignment?**
  - **Align to Strategy**

- **How to Look at Portfolio?**
  - **Perspectives**

- **How to Support Governance Discussions?**
  - **Decisions and Tradeoffs**
Exercise

• Read the business context

• Read the portfolio pipeline

• Pick out the projects from the pipeline that are the best candidates for investment, given the budget target of $25MM

• Then number (rank) your projects 1 through x (Where 1 indicates the top candidate, etc.)
### Business Case: Learning Objectives

At the end of this Session, you will be able to explain:

- **Who Does Biz Case?** Roles
- **When to Do Biz Case?** Context
- **What is Biz Case?** Elements of Good Case
Initiate Process

- **Input**
  - Collect and Organize Ideas
- Understand Goals and Objectives
- Consider Alternative Solutions
- Create Project Business Case
  - Value
  - Cost
  - Risk
  - Return on Investment ROI, Payback period
- **Output**
  - Project Proposal Ready for Consideration by Decision Makers

What Makes Up a Good Business Case?

- **Executive Summary**
- **Objectives**
- **Scope**
- **Deliverables**
- **Value**
- **Cost**
- **Risk**
- **Assumptions**

Who
- Project Manager
- Leaders
- Sponsors
- Stakeholders

SUPPORTING DETAILS
Hierarchy of Business Value Measures

### Impact Sought
- Revenue growth
- Return on assets
- Revenue per employee
- Time to bring a new product to market
- Sales from new products
- Product or service quality
- Fewer handoffs
- Ability to cross-sell
- Supplier integration

### Sample Value Measure
- Business financial values
- Business operational values
- Business process values
- IT application business value
- IT infrastructure business value

### Sample Value Measure Details
- **Business financial values**
  - Implementation cost of new application
  - Time to bring a new product to market

- **Business operational values**
  - Sales from new products

- **Business process values**
  - Product or service quality
  - Supplier integration

- **IT application business value**
  - Fewer handoffs
  - Capacity to cross-sell

- **IT infrastructure business value**
  - Cost per transaction
  - Cost per workstation

### Impact Sought vs. Sample Value Measure
- **Time for business impact**

### Logistics Business Case Summary

#### Logistics Phase 2.3.4

#### Financial Indicators
- **IRR**: 12.5%
- **Average HIR**: 15.25%
- **Repay Period**: 1.96 years
- **NPV Present Value**: $1424, $8
- **Project Cost**: $1,780, $15
- **Capital Expenditures**: $1,800, $15
- **Operating Expenses**: $15

#### Discounted Cash Flow (DCF)

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<th>Year</th>
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#### Cash Flow Analysis

- **DCF Graph**
  - **Yearly Cash Flow**
  - **Cumulative DCF**

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**Source:** The New CIO Leader, Broadbent and Kitsis