

Challenge

Each year hundreds of millions of dollars run through the Cisco IT investment planning process. For the past three years, Cisco has applied a rigorous, architecture-led approach to investment planning. This approach provides a holistic, cross-functional view of the entire IT portfolio, with IT and business linkages and dependencies. Cisco® executives and stakeholders are armed with the data to make more informed funding decisions and a mechanism for directly attributing IT investments to strategic business goals.

“Previously we did investment planning by function. It was a siloed process whereby functional groups such as Marketing IT and Sales IT determined how they would spend their allotted money. Clients made requests, and IT responded. It wasn’t efficient in the long run,” says Yvonne Moustakas, service owner for IT investment planning and portfolio management in the Cisco IT Business Transformation Group. “Today, architecture unifies business strategy with investment planning and is the prime determinant for shaping the IT portfolio. We can make informed decisions across all the functions.”

Solution

The Cisco investment planning process is grounded on the BOST enterprise architecture framework and methodology from Proact Business Transformation Inc. The BOST framework gives IT and business stakeholders a shared taxonomy, and organizes inter-linked planning models based on four architecture views of the enterprise: Business, Operations, Systems, and Technology. Cisco IT works closely with business stakeholders throughout the investment planning process, helping ensure that the capabilities IT delivers align with clients’ business requirements.

Within the BOST framework, business capabilities are understood in terms of their current implementation compared to their target state. Roadmaps to achieve a target state (i.e., realize the business strategy) are developed based on deltas between the current and target states and prioritization of the business capabilities. Only programs and projects that align with a target state architecture and one or more business capabilities receive funding.

From Architecture to Investment Planning

To help ensure alignment and accountability across the enterprise, Cisco IT defined 14 architecture “bundles” or logical groupings of systems or technology domains with similar services and capabilities. Bundle examples include network and infrastructure services, collaboration, security, and data and information management.

Multiyear architecture roadmaps allow for sequencing business capabilities in a logical order and tying them to strategic outcomes. Service owners and business stakeholders identify new requirements and their dependencies. Architecture teams (representing the architecture bundles) take input from various stakeholders and craft roadmaps that identify the target state three years out, along with the requirements, dependencies, IT and business linkages, and the capabilities required to achieve the target state.

Architecture teams translate the agreed-upon business capabilities into a set of proposed programs and hand this off to the investment planning team. The planning team estimates the costs of the programs (direct and infrastructure costs), and business cases are finalized.

“The architecture process establishes what investments are needed to deliver the capabilities, and the sequencing of those investments. The investment planning process determines which investments can be made in a given fiscal year based on budget guidance,” says Moustakas.

After costing pre-work is complete, the investments are reviewed and prioritized by the chief information officer (CIO) and senior staff. The result is a consolidated, prioritized IT investment plan for the fiscal year.

Interlock Between Change the Business and Run the Business

The IT investment portfolio includes Change-the-Business (CtB) and Run-the-Business (RtB) costs. Architecture-driven CtB investments focus on delivering new business capabilities or changing existing capabilities. RtB investments represent the ongoing cost to run IT services at current performance levels. Investment planning brings RtB and CtB efforts together at a given point in time. Presently, Cisco does this joining together annually.

In the RtB space, Cisco IT has about 200 services that are the foundation of its IT as a Service (ITaaS) model. Service owners must thoroughly understand what they are delivering and make decisions about how to better deliver their service while lowering costs.

“IT is very focused on optimizing RtB costs,” Moustakas says. “As a guideline, service owners are expected to reduce their RtB costs by 5 percent a year. These savings are then reinvested into the CtB portfolio.”

“It’s not a matter of being given a functionally based run-rate budget and then determining how to spend that budget,” Moustakas adds. “Instead, it’s true services-based planning, with a distinction between the cost to run the service as is and what changes are needed to improve the service. And it’s critical to understand how CtB investments will impact the RtB cost structure and service performance metrics in the future. It’s a huge mindset shift.”

This mindset shift requires that service owners run their service like a business. They must understand their current service costs and performance metrics (e.g., quality, time to capability, risk, and user experience). In quarterly service reviews with the CIO and senior staff, service owners report on the status of their service, current and future planned costs, and key metrics.

Based on service metrics and performance, their business clients’ needs, and strategic priorities, service owners drive long-term plans to reduce their service cost and improve performance. They work closely with clients and stakeholders to identify service enhancements. The proposed enhancements – essentially moves, adds, and changes to a service – are included and prioritized in the annual investment planning cycle.

A Simplification Mantra

Simplification is a cornerstone of Cisco IT’s investment strategy. Cisco IT is following a rule of “No customization without differentiation.” For example, if a software application can be highly customized and save employees several steps to complete, but the customization does not differentiate Cisco business or support a business goal, the customization isn’t done. This type of decision-making leads to a simpler environment that helps IT deploy new software versions and applications faster and operate at lower costs.

Simplification also manifests through the enterprise architecture framework. In a service review held in late 2013, one Cisco core financial group reported paring down its financial and corporate systems and services from 42 to 14 using the BOST framework and methodology. The trimmed-down services and systems related to finance and accounting, employee financial services, and financial performance management, among others.

Cisco IT has made huge strides in improving operational excellence and reinvesting in growth and innovation without growing the total IT budget by focusing on simplification and moving resources away from operational tasks that do not differentiate or move the business forward.

What’s Next?

Cisco IT continues to refine and evolve the IT investment planning process. As for tools that support investment planning, IT envisions the future with robust systems that integrate the four BOST architecture views and all associated data.

“Then we’ll be able to slice the data by function, architecture bundle, service, or any way we want for greater investment decision-making,” says Moustakas.

For More Information

Cisco IT Insights: [Enterprise Architecture](#)

Cisco IT Insights: [IT as a Services Organization](#)

Cisco IT Best Practice: [IT as a Services Organization Roles and Responsibilities](#)

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