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From the Editor

BY COLIN RICE

When people ask me how to best approach management with a proposed solution or initiative, I tell them it's all about planning for success. Setting yourself up for failure, whether it's from unpreparedness, uncertainty, or just a general lack of commitment, is both a waste of your time and your management's.

Consider how a runner approaches training for a marathon. He or she doesn't show up on race day, with



only two hours of training logged. Rather, he spends time committing himself to gathering information, clearly mapping a training schedule, setting goals, and monitoring and tracking his progress—all in an effort to prepare himself for a singular event where his training is ultimately tested.

Building a compelling business case, and presenting it to management, is no marathon, but several key factors remain similar. A runner's training regime is a representation of his commitment to the race. Your commitment to creating a business case that identifies all benefits and costs, clearly explains the financial impacts on the company's bottom line, and accounts for organizational and/or external change, will best prepare you to step up to the starting line. And, when questions of doubt arise—and they will—you will be prepared to justify your solution with detailed quantitative and qualitative reports.

Brian Tracy, an author of business and personal success, once stated, "Action without planning is the cause of all failure. Action with planning is the cause of all success."

The takeaway: Crossing the finish line validates the runner's level of commitment and training regime. Improving cash flow and avoiding the costly financial losses of a poor business decision, validates the development of an objective, comprehensive business case.

Economic Value of IT Virtualization

Today, many IT departments are presented with the consideration of implementing a desktop virtualization system, which allows desktops to be hosted inside virtual machines running on centralized servers in a data center.

Recently, Glomark-Governan consultants created an economic justification of VMware's Virtual Desktop Infrastructure (VDI) solution for a government agency.

Throughout the business case development process, Glomark-Governan consultants identified several key benefits of the VDI solution, including the ability to: manage desktops centrally, simplifying desktop installations, backups and maintenance; control access to sensitive data and intellectual property by maintaining information in a secure data center; provide individual isolated virtual desktops to

end users that look and feel like their normal desktop; and, integrate VDI seamlessly, using existing desktop management tools.

Glomark-Governan consultants identified several considerable operational and economic benefits in multiple business areas, including a reduction in IT support costs, an increase in IT staff productivity, and an avoidance of IT acquisition/renovation costs.

For example, in a government agency with 121,000 PC users, Glomark-Governan identified the following top annual benefits:

- Reduction in productivity cost as a result of establishing rules for system management: \$17,550,000
- Reduced support costs due to remote user access: \$16,225,962

- PC acquisition and renovation costs avoidance: \$13,998,600
- Reduction in time required to distribute and implement software: \$9,281,250
- Improved server utilization: \$3,750,000

These, in addition to several other identified and quantified benefits, resulted in a most likely IRR of 93% for the agency.

Contact Glomark-Governan for more information about the EVC Template developed for VMware's Virtual Desktop Infrastructure solution; or any other IT virtualization EVC Templates from other vendors.

Virtualization, also known as Platform Virtualization, "is performed on a given hardware platform by 'host' software (a control program), which creates a simulated computer environment (a virtual machine) for its 'guest' software." -Dictionary.com



Online Feature: The Role of Finance in IT Deployment

Glomark-Governan recently partnered with Bob Violino, a freelance editor who writes for *Baseline Magazine*, *CIO Magazine*, and *CMP.com*, among others, to offer expert commentary for an upcoming feature in *CMP's Tech-Web Network*. The questions listed below, which address the role of Finance in IT deployment, were given to Glomark-Governan for review. Glomark-Governan CEO, Ruben Melendez, provided the following answers:

Is it critical that IT and finance work together on planning and executing major IT projects? If so, why?

Absolutely-- but from an economic perspective, not necessarily from a technical perspective. Major IT projects have a considerable economic impact on corporations and non-profit organizations. If the potential impact on cash-flow is not carefully forecasted and assessed prior to implementation, the project will likely fail.

IT professionals are experts in IT technologies and their implementations, but often they lack the skills necessary to perform detailed financial assessments. Conversely, Finance professionals are skilled in performing cost-benefit and cash-flow analyses, but often overlook the technology- and operational-effects of a project. For this reason, IT managers in companies such as Ashland Inc. invite their internal, and even external, Financial Analysts to participate in and review

their business cases prior to project implementation. These projects rarely fail technologically, they fail economically. CIOs and CFOs pull the plug on IT projects when they see that the project is incurring considerably higher costs than expected, and the benefits (e.g., IT users' utilization) are not realized within the expected timeline.

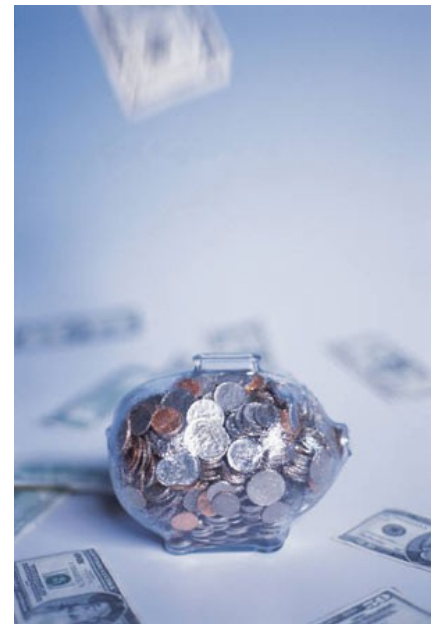
Have regulations such as Sarbanes-Oxley made it more important for CIOs and CFOs to work as a team?

In theory, yes. In many large companies this collaboration certainly exists, but unfortunately, in many medium and small companies this "teamwork" is missing. If IT managers are not mindful of, and adhering to, their company's governance guidelines, the company may face significant legal ramifications. For example, if IT assets are lost or replaced, and Finance still has the asset(s) in their accounting books and continues to depreciate or amortize the asset (treating the depreciation/amortization as an expense for income statement), such bookkeeping would be considered illegal. If a government auditor uncovers this false recording, the organization may be forced to pay a significant fine. This is just one example; there are many other instances where IT actions, or the lack thereof,

can get a company into serious financial trouble.

What role should finance play in helping to create an IT governance program at an organization?

A significant role. Governance provides the guidelines and ac-



countability to hold managers and their staff (e.g., IT) responsible for following the law (financial and accounting). This method of management also ensures that employees maintain their projects, assets, and budgets with the best interest of the Shareholders in mind. IT Governance must go beyond Sarbanes-Oxley—it should include guidelines and processes that ensure IT projects and assets produce the greatest ROI and financial impacts on their company's profitability.

Five Key Elements to Include in a Compelling Business Case — Economic Justification

“If the business case reviewer, such as a CEO, questions the purpose or inclusion of a particular benefit, the business case builder must be able to quickly justify its operational impact (cause and effect) and how it affects the company’s bottom line.”

What makes a good business case, a “*Great Business Case*.”

Jim Collins’ *Good to Great* teaches how companies can transition from the ranks of a “Good” business to the heralded status of a “Great” company. If we ask a CEO what differentiates a “Good” company from a “Great” company, the most likely answer will be “great shareholders’ return.” If we search for the company from *Industry Week’s* 50 Best Manufacturing Companies with the highest profit margin, we will find Southern Copper Corp. (SCC), leading the list with an impressive 37.3% profit margin.

Interestingly, most of the content found in the SCC Chairman’s letter to shareholders in their 2006 Annual Report discusses SCC projects: “...modernization of the copper smelter in Ilo; ... engineering is being developed to expand the Cananea concentrator capacity; ... construction of a new molybdenum plant; ... a new concentrator with a milling capacity; ... the installation of all the conveyor belts; ... new PLS dumps project is being constructed.”

But how do managers and executives in companies with great returns, such as SCC, choose great projects? With Great Business Cases—that contain objective, compelling and effective information which allows senior managers to choose the projects with the best financial returns for their corporations.



While there are many factors that contribute to the validity and acceptance of a Great Business Case, there are a few key elements that will speak directly to C-level decision makers. Knowing these elements is critical for identifying the potential return of a particular solution, says Colin Rice, Marketing Manager of Glomark-Governan (www.glomark.com). Rice offers the following key elements that any Great Business Case should include:

1. A Scenario Analysis

When working to build a Great Business Case (i.e. one that is objective and compelling), research must be conducted and reasonable, educated assumptions must be defined in order to clearly present the anticipated project benefits. While some factual, real data may be known, (e.g., number of employees) allowances must be made for potential variation or uncertainty. This awareness of not only the “most likely” results, but also the “best-case” and “worst-case” scenarios, is a crucial element in creating a Great Business Case.

2. Clearly Define and Link Each Benefit “Cause” to an “Effect”

Failure to clearly link and explain how each feature or characteristic of the project contributes to a specific operational effect can potentially sabotage what otherwise could have been a Great Business Case.

If the business case reviewer, such as a CEO, questions the purpose or inclusion of a particular benefit, the business case builder must be able to quickly justify its operational impact (cause and effect) and how it affects the company’s bottom line.

3. Clearly Identify the KPI for Each Forecasted Benefit

The Key Performance Indicator (KPI) is that factor in any given Benefit, whose delta ultimately demonstrates the resultant impact from the potential project. There are several factors that are used to construct a specific benefit formula; if not clearly defined, the KPI can quickly become lost in the assumptions used in the formula of any one benefit. Identifying which factor measures the success of a particular benefit is crucial to the understanding and acceptance of a business case. Without clearly identified KPIs, executives will not have the ability to determine the validity of a specific benefit, or measure the progress of an implemented initiative.

4. Assess the Economic Risk of No Investment

Often overlooked, but just as critical in developing a Great Business Case, is the “Risk of No Investment” outcome. If the investment is not made, what could happen to the company’s bottom line? Could the company lose customers? Or market share? Could some future costs be avoided if the investment is made today?

To clearly explain all the potential risks associated with any given project, a Great Business Case must not only include the possible risks of moving forward, but must also consider the economic risk of not investing.

5. Alignment with the Company’s Strategic Goals

A good business case provides a justification of a particular initiative or solution, often resulting in a positive return-on-investment. A project with a high ROI is great, but it is not a complete business case justification if the proposed solution does not align with the company’s strategic goals. In order for a potential project to be deemed “viable” by a decision-making executive, it must be aligned with the company’s strategic business and technology goals. A Great Business Case goes beyond ROI—it demonstrates its strategic intent!

Genius® Suite Version 8 Release

Glomark-Governan is pleased to announce the upcoming release of its newest Genius® Suite upgrade. Genius Suite Version 8 includes enhancements for Genius Plus, Genius Base, Genius Pro, and Genius Analyzer. Some of the new features include:

- An Impact Report on Profit & Lost Statement will be made available in Genius Plus, Genius Pro, and Genius Analyzer.
- A new Non-Profit Impact benefit type was added to account for benefits that affect the company’s cash flow, but are not recorded in the company’s Income Statement. This feature will be made available for use in all the Genius tools.
- Ability to generate and export output graphs and tables from the Genius tools directly to Microsoft Excel. This feature will be made available in Genius Plus, Genius Pro, and Genius Analyzer.
- Ability to calculate Terminal Value, using the Gordon Growth Model. This feature will be made available only in Genius Analyzer.

Options Attachment A P and L Report			
	Best Case	Most Likely Case	Worst Case
Revenue Impact	\$4,247,549	\$2,578,869	\$1,274,265
-Cost of Goods Sold Impact(Costs,Expenses)	\$(2,887,364)	\$(3,090,364)	\$(3,293,364)
+Cost of Goods Sold Impact(Benefits)	\$46,497,850	\$19,277,850	\$13,507,850
Gross Margin Impact	\$47,858,035	\$18,766,355	\$11,488,751
-SG&A Impact(Costs, Expenses)	\$0.00	\$0.00	\$0.00
+SG&A Impact(Benefits)	\$2,453,259	\$1,187,707	\$0.00
Operating Profit Impact	\$50,311,294	\$19,954,062	\$11,488,751
-Depreciation & Amortization(Costs)	\$(4,116,350)	\$(4,721,800)	\$(5,327,250)
Net Profit Before Taxes Impact	\$46,194,944	\$15,232,262	\$6,161,501
Taxes	\$(18,016,028)	\$(5,940,582)	\$(2,402,985)
Net Profit After Taxes Impact	\$28,178,916	\$9,291,680	\$3,758,515



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Glomark-Governan is committed to helping companies and organizations around the world by providing them the methodology, training, consulting and software tools necessary to assess, communicate and measure the economic value of investments in technology and services initiatives.

Glomark-Governan has enhanced and refined its *Economic Value Creation™* (EVC™) methodology for more than a decade, bringing to market a proven, complete solution that allows companies to justify their solutions' value, define operational and performance metrics, assess economic risk, and quickly create project-specific business cases.

"Economic Value Creation. Redefined."

Other News From Glomark-Governan

- Glomark-Governan has recently welcomed two new members to its team: Todd Whittier, assigned to the role of Regional Director, will be responsible for the selling and delivery of training and consulting to Glomark-Governan key accounts in North America. Todd rejoins the company, following his departure in the late 1990's, after holding several management roles in the IT industry. Colin Rice, assigned to the role of Marketing Manager & Consulting Coordinator, will be responsible for developing and implementing corporate Marketing and Consulting strategies and campaigns. Colin holds a Bachelor's of Science degree in Marketing from The Ohio State University's Fisher College of Business.
- Glomark-Governan is pleased to announce its recent partnership with

Adfor, a managerial and technological consulting and education



company headquartered in Milan, Italy. Antonio Piroso and Wassim Al Khayat will join Glomark-Governan consultants in late November in Dublin, Ohio for a five day training session. Adfor has been designated as the Glomark-

Governan Certified Local Partner in Italy, and will plan to launch its Marketing and Sales efforts in January 2008.

- A Glomark-Governan video is now available on the new Outsourcing Intelligence Network, recently launched by the Outsourcing Institute (www.outsourcing.com). Glomark-Governan CEO, Ruben Melendez, can be seen explaining key elements of selling Economic Value Creation.
- In addition to several orders received during the 3rd quarter of 2007 from existing clients, including Ashland Inc., Microsoft, SAP, and Oracle, Glomark-Governan is pleased to welcome six new customers: SITA, VMware (Mexico), HP (Spain), Systemax (Ireland), Geotronics (Netherlands), and Instituto Mexicano del Petroleo (Mexico).

www.glomark.com