



## FUTURE TRENDS - BY ROGER GUDOBBA

# Closing the Gap

*It's time to resolve the long standing tension between business and Information Technology.*

**T**he business requirements and the Information Technology (IT) capabilities are inter-connected in every organization, but the relationship between them is often misunderstood. How about your company?

Do your business executives feel most IT projects are delivered late and over budget? Do they feel the IT department tries to use a new technique when it might be overkill or not appropriate? Do they feel that the solutions are not quite what they expected or are missing some aspect? Does your IT department feel that the requirements for projects are not well defined? Do they feel the requirements sometimes change significantly after the project starts? Do they sometimes feel the timelines are unrealistic? Is this a lack of communication and understanding? Ultimately the IT side gets frustrated and the business side loses confidence in IT.

How are your IT budgets developed? Are some projects used to fund major projects to cover scope creep and overruns? Are they on a project-by-project basis? If the projects are done in isolation, the underlying architecture becomes inflexible and layered with unnecessary complications. Do you believe your business spent about the right amount of money on IT last year? Do you believe your business

allocated that IT spending in about the right places? Do you believe your business got about the right returns for its spending on IT? If you didn't answer yes to all three questions, then it's time to consider change.

Companies will need to rethink how they operate. No longer will it suffice for busi-

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nesses to go through periods of spending followed by periods of rationalizing cost to increase margins. Rather than identify the business need and from there build or acquire a system to meet that need, lenders need to take a different approach.

In the book *IT Savvy*, Peter Weill states, "Now is the time for bold leaders to prepare their organization for the next couple of decades. We think one of the biggest opportunities and challenges for you will be the digitization of business."

IT-savvy firms decide how they want to operate and proceed to build a digitized platform of business processes, IT systems, and data to execute on their operating strategy. The platform becomes a data-driven decision process with no silos of information or duplication of critical data. This will greatly reduce or eliminate errors and allow validation of data throughout the process.

Peter Weill goes on to say, "Every interaction between a customer and a business, between a business and another business, between employees in a business and between a government and a business will become more and more digital." This strategy will lead to:

1. Cost-effective operations
2. Timely information
3. Rapid innovation

All IT spending falls into either the new or sustaining category. In 2007 the average firm spent 71% on sustaining and only 29% was allocated to new business initiatives. Peter Weill states that "IT savvy



That is the role MISMO plays for the mortgage industry. Standardization has been accomplished with the development of a data dictionary so all the parties consistently communicate with a common understanding. Integration with the development of data structures so all the parties, both internal and external, have a common understanding of the information that is exchanged results from the adoption of the dictionary. The primary purpose of IT is to consistently elevate performance. The goal is to disengage humans from a process that is better supported by machines.

Mortgage lenders are pressured, with increasing regularity to cope with market and regulatory changes. The nature and frequency of these changes create discontinuity in existing processes and create havoc in their information systems. Digitalization of business interactions and processes is advancing full bore. But in many organizations, returns are flat-lining, even as technology spending has skyrocketed.

So what is the solution?

Start with an assessment of your current IT portfolio. Rank each one high or low on two criteria. One is strategic importance: focus on their relevance to the entire organization, not to an individual business unit, product or services. Second is value potential: assess each one on anticipated return on investment, either through improved performance and reduced cost or through the value gained strategically.

**Invest to keep the lights on:** take a hard look at projects with little discernible strategic importance and low intrinsic value potential. Can they be eliminated or scaled back?

**Invest to refine:** become adept at fine-tuning projects, gaining efficiencies, improving operations and cutting head-counts.

**Invest to grow:** the most important IT projects are those with high strategic importance and high value potential.

**Invest to sustain:** some strategically important projects may already be relatively well developed where future investment will have low value potential.

After classifying the various projects in these groups, evaluate the level of investments they will need. ❖

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companies are 21% more profitable. There are two sources of profitability: lower costs for operations and faster innovation. It's time to recognize that if IT isn't a strategic asset in your company it's a strategic liability."

The executives should make the decision about which business processes will be standardized and which ones will be integrated throughout the business. Otherwise, the IT unit ends up in a much, more project-oriented, order-taking role. What results is just a bunch of relatively uncoordinated projects that don't add up to anything. As new systems are implemented, they become part of your firm's legacy. Their ongoing support requires time and money. More important, systems influence, constrain or dictate how business processes are performed. The reasons for replacing legacy systems are reducing costs, reducing complexity, more process oriented and more IT control.

For the foreseeable future, mortgage lenders will have to support multiple points of interaction and multiple points of integration. There are two things (IT) does better than anything else.

**Standardization:** which involves reducing variation in the company's business processes.

**Integration:** which involves providing access to data across the company.

*Roger Gudobba has over 25 years of mortgage experience. He is CEO at PROGRESS in Lending and Chief Strategy Officer at technology vendor Compliance Systems. Roger is an advocate of data standardization and a more data-driven approach to mortgage. Roger can be reached via e-mail at rgudobba@compliancesystems.com.*