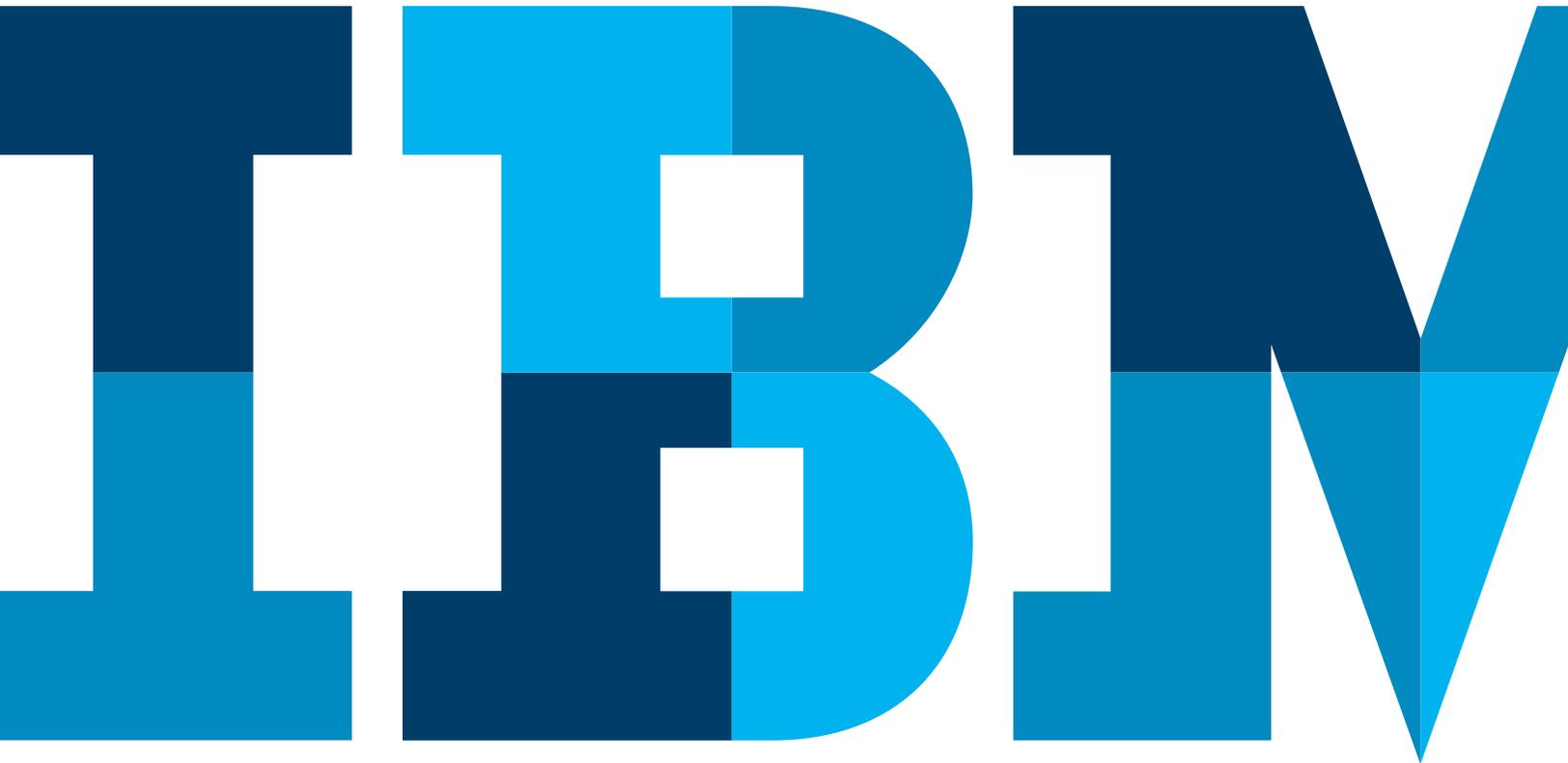


Seven steps to building a compelling managed file transfer business case



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Putting together a business case does not rank high on the list of favorite activities for many IT executives. But given the recent emphasis on governance and fiscal responsibility, the ability to put together a compelling business case is now essential to funding new projects.

Justifying any new managed file transfer (MFT) initiative that crosses organizational silos and goes beyond the organization's four walls is critical. Such initiatives involve the integration of all your file movement technologies, from simple FTP to advanced protocols, such as IBM® Sterling Connect:Direct®. Including a comprehensive range of use cases, from system-to-system and B2B to person-centric transfers, is also important so your company can collaborate effectively with customers, partners and suppliers. With so much at stake, the business case will come under rigorous scrutiny from senior executives and business managers at your company. Fortunately, you can significantly increase your chances of getting approval by following the seven steps described in this paper.

Step 1: Target your audience

Make sure that your business case contains elements that appeal to each type of decision maker.

Because an MFT initiative typically spans numerous functional areas and departments, you might need to seek approval from several departments and managerial levels. Do your homework. Know the types of people you need to influence to secure the funding. Make sure that your business case contains elements that appeal to each type of decision maker.

Chief security officers

Chief security officers are focused on mitigating risk. For this group, highlight the hard cost savings they can realize by stopping the loss of sensitive consumer-identity information that might currently be unencrypted and vulnerable to attack. The Ponemon Institute and Symantec found, as outlined in their paper 2010 Annual Study: U.S. Cost of a Data Breach, that the average cost of a security breach was USD7.2 million with the least expensive breach at USD750,000.¹

Product-line executives

Product-line executives struggle to differentiate their offerings from competitors and, as a result, offer higher levels of satisfaction. You are likely to gain approval of your MFT proposal by these executives if you can:

- Offer faster response times
- Improve the flow and security of critical business information to support key business processes
- Meet higher service level agreements
- Allow quicker expansion of the business

Senior managers

Senior managers focus primarily on strategic opportunity. Breaking down the silos of protected batch processing, and extending the flow of information to individuals outside the organization, can be a source of business-process re-engineering that results in unforeseen innovation.

In the business case, show that you are thinking strategically while solving short-term tactical issues. Show the value of the solution now and over time. For senior management, you must build a strategic vision—a roadmap—that will guide and shape their thinking.

Step 2: Consider the context

Be sure that your project can meet the required rate of return because you are competing for corporate resources against your business peers.

Many IT managers proceed with the task of assembling a business case without establishing how the project fits into their company's overall strategic plan. Nor do they verify that they can meet basic financial requirements, regardless of the project type.

For example, many large companies have a “hurdle rate” or rate of return that the organization requires to fund a project. A typical hurdle rate might be 13 percent. That is, the project must show a return on investment (ROI) of 13 percent within a specific time frame or not gain approval from management. If your project cannot clear this obstacle, you are unlikely to get a chance to progress toward the substance of the business case. If you do not know your company's hurdle rate (or whether one exists), ask. You are competing for corporate resources against your business-unit peers, and you must be sure that your project can pay the price for their consideration.

IT Portfolio Management—A Typical Breakdown

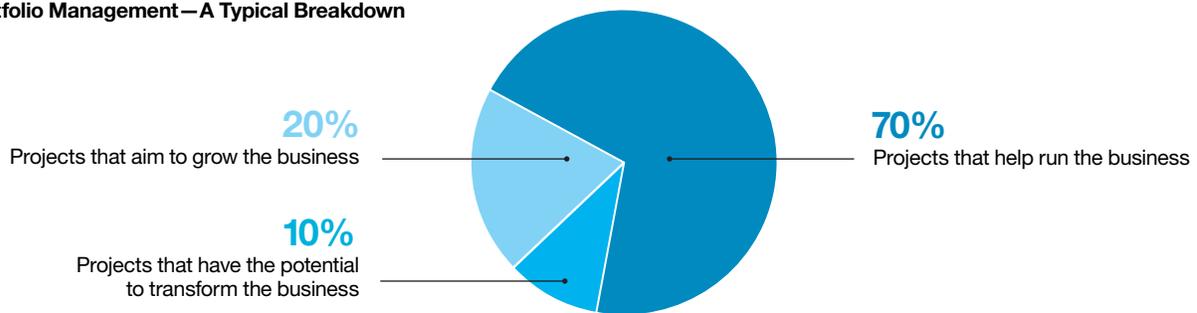


Figure 1: IBM Social Media Analytics helps organizations act upon social media insights to solve business problems.

You also need to learn about which other projects your proposed initiative is up against (inside and outside of IT) to determine how to position it. For companies in manufacturing, for example, if the financial value of the IT project does not outweigh the investment in a new piece of equipment or a new plant, it is less likely to progress.

IT has the same competition for resources. Many large companies now take a portfolio-management approach to funding IT projects. Portfolio management dictates a mix (Figure 1) of:

- Projects that will help run the business (most approved projects)
- Projects that aim to grow the business (a smaller percentage of approved projects)
- Projects that have the potential to transform the business (an even smaller percentage of approved projects)

MFT projects can fall into any of these three categories, depending on how you position them. You must know about the other projects that are being considered and the funding levels for each level of the portfolio. Many want to position their projects in the “transformative” category. Such projects have enormous potential. However, many companies spend the bulk of their IT budgets on projects that keep the business running, so they might fund one or two potentially transformative projects each year. Therefore, positioning is crucial. You should identify the MFT project as having a transformative component and as keeping the business running.

One way to identify the MFT project this way is to tell a story and sketch a roadmap for where this project will take your company in the coming years. The map does not need to be all-encompassing or set in stone. Build in a flexible framework that allows the vision to change along with business conditions and new technology developments. Keep the roadmap to one or two pages and write it in a compelling, conversational style. Senior management will be more interested in this big-picture view than in the tactical pieces. Therefore, be sure to give it prominent placement.

Use scenarios to paint a picture of the possibilities. For example, you might ask:

- “What if we could keep our stores open one hour longer during the holiday rush because we can tighten our batch-processing windows?”
- “What if we could offer our tier-one services to tier-two customers?”

With the roadmap complete, your next task is to divide the initiative into smaller chunks that have immediate, tactical benefits and provide separate justification for each. For example, you might reduce the onboarding time frames from weeks to days or improve service to your best customers. Showing quick time to value by using smaller projects will go far toward bringing your internal business sponsors on board.

Step 3: Secure solid sponsorship

Secure an executive sponsor to help ensure that tactical priorities do not overcome the strategic aspects of the MFT project. You must also work with business managers who can articulate the technology’s value in business terms.

Projects that do not have executive support are doomed to failure. For an MFT initiative, executive sponsorship is even more crucial than for more routine IT projects because file transfer is not typically seen as strategic. The executive sponsor must make the case—formally and informally—to the whole organization explaining why the initiative is necessary and what will be gained. At the senior-management level, the executive sponsor should be a cheerleader for the project, securing resources (making sure that they are not diverted to competing projects), touting successes and responding to questions and problems.

In partnership with the CIO, the executive sponsor also works to help ensure that tactical priorities do not overcome the project’s strategic aspects. Many of the proposed benefits related to MFT projects are indirect (as opposed to hard cost savings), and it can take several project iterations to realize those benefits. While the CIO and the project manager will manage the project on a daily basis, the executive sponsor sustains the vision of what will be achieved through more effective business process integration. But you cannot stop with just an executive sponsor.

In many cases, IT executives should not undertake technology projects without the active involvement of business managers. After all, technology projects are justified only when they help the business meet its objectives.

For large projects, as a best practice, have an IT representative, a business representative, and a project manager work together to build the business case. Each party has a specific role. The IT professional lays out the technology alternatives to the problem, providing data about features, costs, and training and support implications. The business representative reviews the alternatives to determine which one makes the most sense and has the greatest potential benefit for the business. The project manager lays out the timeline, sets the scope, identifies milestones and analyzes project resources.

Some IT managers let their line-of-business partner take the lead on presenting the case to the executive steering committee, while the IT managers provide details about project cost and approach and answer technology-related questions. This strategy demonstrates that IT is aligned with the business objectives. The CIO is cast as the trusted internal IT consultant, who cultivates confidence and goes a long way toward preventing rogue projects.

MFT projects involve many functional areas. Line-of-business managers must be involved in the business case from the earliest stages. They identify the pain points and articulate the value they would derive from seamlessly exchanging information with customers, partners and suppliers. But they must not neglect the need to get buy-in from the people who will use the solution daily. In the end, high-level initiatives are less likely to succeed if they are forced on these users of the solution. The case will be much stronger if the line-of-business managers who will benefit are the ones who communicate the project's value.

Step 4: Frame the problem and the solution in business terms

The starting point must be a business problem, and the job of the business case is to connect the problem and the proposed MFT solution.

Many IT business cases begin with a technology issue, such as the following examples, which can ruin an MFT project:

- “Our application vendor is eliminating support for our operating system, so we have to upgrade.”
- “We need to add storage capacity.”
- “It is time to renegotiate the lease on our desktop PCs.”

Instead, the starting point must be a business problem or set of problems, such as the following examples:

- “Our competitors are beating us to the marketplace with new products. We need to speed up new product introductions.”
- “Our customers are demanding tighter service level agreements. We need to control our processing windows better.”
- “We have to protect our brand and prevent data breaches. We need better file security mechanisms.”

The job of the person who is making the business case must connect the business problem and the proposed file transfer solution. This person outlines the roadmap for the strategic vision and then breaks up the project into manageable, quickly achievable chunks with tactical payoffs (see “Target your audience” on page 1).

For every aspect of the project, whether the roadmap or the discrete chunks, define the metrics for its success. At a high level, if your aim is to make it easier to do business with your company, define how you will measure your objectives. For example, on a tactical basis, you demonstrate that automating file transfer management will free the resources of three full-time staff members. Does success of the project mean that the company must lay off three employees, or can the company reassign them? Who will make that decision and how will it be accounted for?

Work with the project manager to determine the project scope, timelines, key milestones, project team roles and responsibilities, and the project-management plan.

Step 5: Build a realistic cost-benefit picture

Categorize the project by type (tactical versus strategic), and drill down into its anticipated benefits. Some of the greatest potential lies in the indirect benefits, which are limitless.

With your line-of-business partner, categorize the project by type (tactical versus strategic), and drill down into its anticipated benefits. The benefits can be tangible and easily measured. For example, they might have direct benefits, such as cost savings, reduced head count or regulatory compliance. Alternatively, the benefits can be difficult to quantify and measure. For example, they might have indirect benefits, such as improved customer satisfaction, a more streamlined process or risk reduction.

Include scenarios to provide an element of risk assessment. If your ROI is riding on increasing sales, for example, you need to consider the fact that the increase might be less than anticipated or might not occur at all. As a best practice, create best-case, likely, and worst-case scenarios so that decision makers have a good idea of the range of possible outcomes.

Account for risks related to human behavior. For example, if the initiative involves adopting new business processes, as most collaboration initiatives do, you must account for the potential risk of employee resistance. Build change-of-management issues into your worst-case scenario, and identify measures to overcome these potential pitfalls. In addition to risks associated with users' behavior, assess risks that are inherent in your industry and overall economic conditions.

The cost-benefit analysis for your MFT project should build in increments to follow your phased implementation. Start with a modest pilot project, and build from there. Include details about the current iteration within the context of the broader roadmap. Senior management is most interested in where you stand in terms of the roadmap. Operational managers are more interested in the details of execution. For each iteration of the larger roadmap, budget is allocated anew. The days of the “big-bang IT project,” in which buy-in was universal and covered the project from inception to completion, are long gone.

One of the toughest business-case problems is quantifying indirect benefits, such as improved communication, enhanced productivity and collaboration across the extended value chain. If they can show hard benefits, many CIOs are tempted to leave indirect or soft benefits out of the business case altogether. This practice is a mistake. You cannot know in advance what will sway the decision makers.

Senior managers, in particular, are moved by stories—the art of the possible—much more than by numbers. In any case, even if you have numbers on your side, include the indirect benefits, too. If you outline a phased approach, decision makers will have the chance to shut down the project after the first or second stage if the proposed benefits do not meet expectations.

Attempting to make a case for MFT projects without accounting for indirect benefits can be a wasted effort. Some of the greatest potential for moving file transfer under process control lies in the indirect benefits, which are limitless.

Process-based file transfer frees you from reacting daily to issues or problems that arise, so that your organization can devote more time to innovate. When pagers start beeping, you can take action and avert a missed processing window, instead of starting damage control.

Collaborative, ad hoc transfers let you work more quickly with outside parties to solve problems and meet deadlines. Enhanced visibility into interactions with your partners and customers is another source of indirect benefits. Integration of departmental file transfer makes it possible, for the first time, to have centralized management and control with the immediate ability to correct and try again, laying the foundation for improved service and customer support.

When you put self-service in the hands of partners and customers, you reduce your operating costs, and you can improve customer and partner satisfaction. But what if partners and customers could onboard themselves and answer the most common of file transfer questions: “Where is my file?”

By creating an electronic file movement platform that can handle multiple protocols, file types and file sizes, the enterprise can focus on higher level process optimizations rather than coding FTP scripts. Companies that can cope with heterogeneity are free to focus on real problems rather than hiring more people to master mundane technicalities.

You might well save money by eliminating SLA penalties that are associated with file transfer, but your business case should attempt to quantify the indirect benefits, which generally are larger than the direct benefits.

MFT Benefit Savings Calculator

IBM built the MFT Benefits Savings Calculator by using industry analyst averages and common usage scenarios. Use this calculator to help you calculate potential ROI to build your business case. The calculator provides:

- Insight into areas of potential cost savings
- Metrics that help you make an ROI business case
- Conservative, average and optimistic scenarios
- Separate hard and soft cost savings
- Examples of how other companies have saved by using IBM Sterling Managed File Transfer
- Exportable results in the PDF format

For more information, go to the [MFT Benefits Savings Calculator](#).

Step 6: Make the business “own” the benefits

Have the business leader sign off on the business case and agree to an active role in helping the company realize the benefit.

The CIO prepares an airtight business case for the MFT project, works with a business partner to determine the potential benefits that will result from the project, and completes the project on time and on budget. Sounds like a success, right? Not necessarily.

Unless the business partner signs on to make sure the benefits, such as budget cuts or reduction in staff members, occur, they are less likely to happen. In this case, the CIO cannot take any further action. As the head of IT, the CIO cannot affect change within the business units. Therefore, the business partner must take formal responsibility for making the potential benefits occur.

Some companies go so far as to require business partners to sign a separate agreement, committing themselves to do their part to help the company realize the benefit. For example, unless the business executive can separately justify it, to make the initiative appear effective, the five full-time people who will be laid off as a result of the initiative cannot be reassigned to other functions.

IT can oversee the installation of a cost-effective MFT solution environment, but IT alone cannot generate the benefits, except for those people who accrue to the IT organization itself. Your business case must reflect this fact, at a minimum, by getting the business leader to sign the part of the case that explains the potential benefits that will accrue to their department.

Step 7: Establish key vendor and solution selection criteria

Include key vendor and solution selection criteria as part of the business case.

Many vendors in the marketplace provide MFT solutions. To filter through them, include key vendor and solution selection criteria as part of the business case. The selection criteria should bridge the gap between business and technical requirements. The business case summarizes the business value, but technical criteria helps demonstrate that you know what you are doing.

Measuring indirect returns

You can derive hard savings numbers from indirect benefits by using the following procedure. However, it might not be necessary if you paint a sufficiently compelling picture.

1. To convert soft benefits to hard benefits, start by estimating the time you expect employees to save as a result of the MFT project. For example, automating file transfer retry and problem notification will save 100 line-of-business managers 40 hours per year, yielding a potential savings to your organization of 4,000 hours.
 2. Because time saved does not translate to extra time worked, estimate a correction factor of less than one, but more than zero, based on the type of employee in question. For example, on average, line-of-business managers are highly motivated employees whose pay is based on performance. Therefore, their correction factor might be 0.7 or higher.
 3. Multiply the correction factor for the line-of-business managers (0.7 in this example) by the total hours saved (4,000), to calculate the real time saved (2,800 hours in this example).
 4. Multiply the real time saved (for example, 2,800 hours) by the average salary for the type of employee (the purchasing manager in this example) to quantify the benefit to the company in dollars.
-

Selection criteria fills this need, but you risk losing the audience if you go too deep. The vendor-selection criteria should not be as extensive as a Request for Proposal (RFP). Simply include technical, business and organizational characteristics. That is, do not put in criteria for features and functions. You want a vendor that can be a long-term partner.

On the short list of MFT vendor-selection characteristics, consider the following criteria:

- The vendor should be able to help you build a multi-enterprise, comprehensive architecture to enable visibility across company boundaries and deliver end-to-end file movement with speed, security and accuracy.
- The solution should include tools to monitor, manage, automate and correct transfers across all the hardware platforms in your shop. These tools must also support all the standards-based file transfer protocols for the external partners and customers with whom you exchange data.
- Comprehensive security capability offerings are imperative. They should include access control, encryption, multifactor authentication, perimeter security and logging or reporting options that help support government compliance. The solution should scale up to handle large (that is, multigigabyte) files and high file volumes (that is, more than 500 simultaneous transfers).
- The solution should support multiple MFT use cases including peer-to-peer batch, message-oriented, B2B and ad hoc.
- The vendor should offer tools that can be used by IT and nontechnical users to initiate transfers, check status and manage resolution. Ideally, the vendor should offer web-based tools so that you can provide self-service capabilities to outside partners and customers.
- The vendor should offer various deployment methods, because your file transfer needs will change over time. Such factors as market turns, mergers and acquisitions, and internal strategy shifts often dictate available resources for MFT projects. Based on these varying situations, MFT vendors should offer both packaged solutions and software as a service or outsourced solutions.
- The vendor should offer more services, beyond software and hosted solutions, to assist in managing the entire scope of your organization's MFT needs. Education, professional services, industry experts, peer knowledge exchange, and support services are critical to the long-term success of an MFT project.

For more information

For more information about midsize business solutions, including managed file transfer, visit ibm.com/midmarket/us/en/smartercommerce.html.

In addition, to learn more about Sterling Connect: Direct, see ibm.com/software/products/us/en/connect-direct.



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IBM Corporation
Software Group
Route 100
Somers, NY 10589

Produced in the United States of America
September 2013

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1 2010 Annual Study: U.S. Cost of a Data Breach, Ponemon Institute and Symantec (March 2011):www.symantec.com/content/en/us/about/media/pdfs/symantec_ponemon_data_breach_costs_report.pdf.



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