

Aligning technology investments with company strategy



June 2023

Reflection

Map out your future, but do it in pencil.
The road ahead is as long as you make it.
Make it worth the trip.



Jon Bon Jovi

Agenda

- Technology project investments
- Definition of technology spend
- Benchmarks
- Additional thoughts

About UW Credit Union

- Founded in 1931 by UW faculty and staff
- \$5 billion in assets
- 326,000 members
- 31 branch locations
- More than 900 employees



Budgeting for project investments

Technology project investments

Objective: Align technology project spend with business strategy

Questions:

- What is your business strategy, including trade-offs?
- Which business capabilities are commodities vs. differentiating for your business and how much should you invest in them?
- What is the relative priority of project investments?

Business strategy and trade-offs

| Product/ Service | Investment Level | Targeted Standing Against Competitors | | | | |
|---------------------|---------------------|---------------------------------------|------------------|-------------|------------------|--------|
| | | Trailing | Less competitive | Competitive | More competitive | Leader |
| Product/Service A | More | | | | | X |
| Product/Service B | Less | | | X | | |
| Product/Service C | More | X | | | | |

This is one of many components of a well-defined business strategy...

Business Capabilities

Sample capabilities:

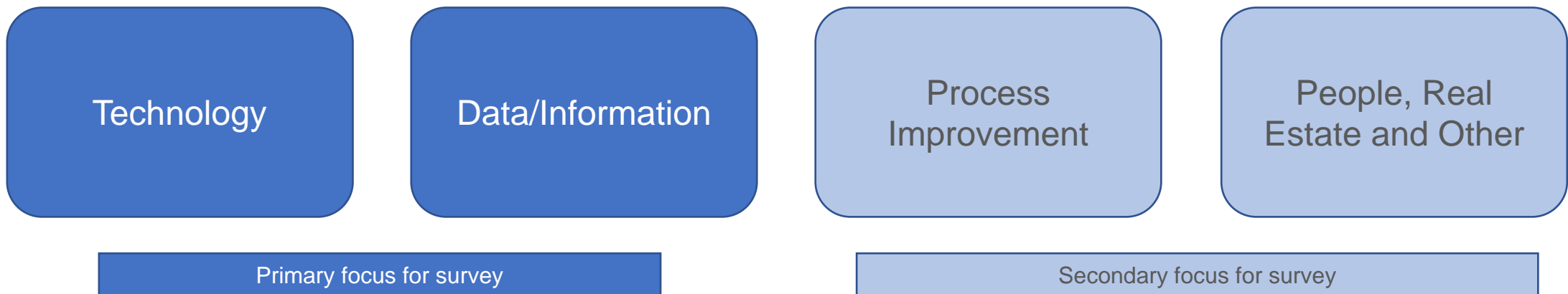
- Sales
 - Lead Management
 - Sales for Line of Business (LoB) XYZ
- Service
 - Servicing of Product/Service ABC or LoB XYZ
 - Fraud/Loss Management
- Enterprise Support
 - Human Resources
 - Analytics and Business Intelligence
- Channel Management
 - Call Center
 - Digital

Total of ~50 capabilities

Business Capability Analysis

- Guidance for how much company should invest in technology and data/information for different capabilities **relative to prior year investments** (along a spectrum of reducing investments, keeping it flat, or increasing investments).
- Two different planning cycles: Mid-Term (12-18 months) and Long-Term (3-5 years)

Types of capability investments:




Capability Analysis Summary

Legend:

 Slightly Reduce

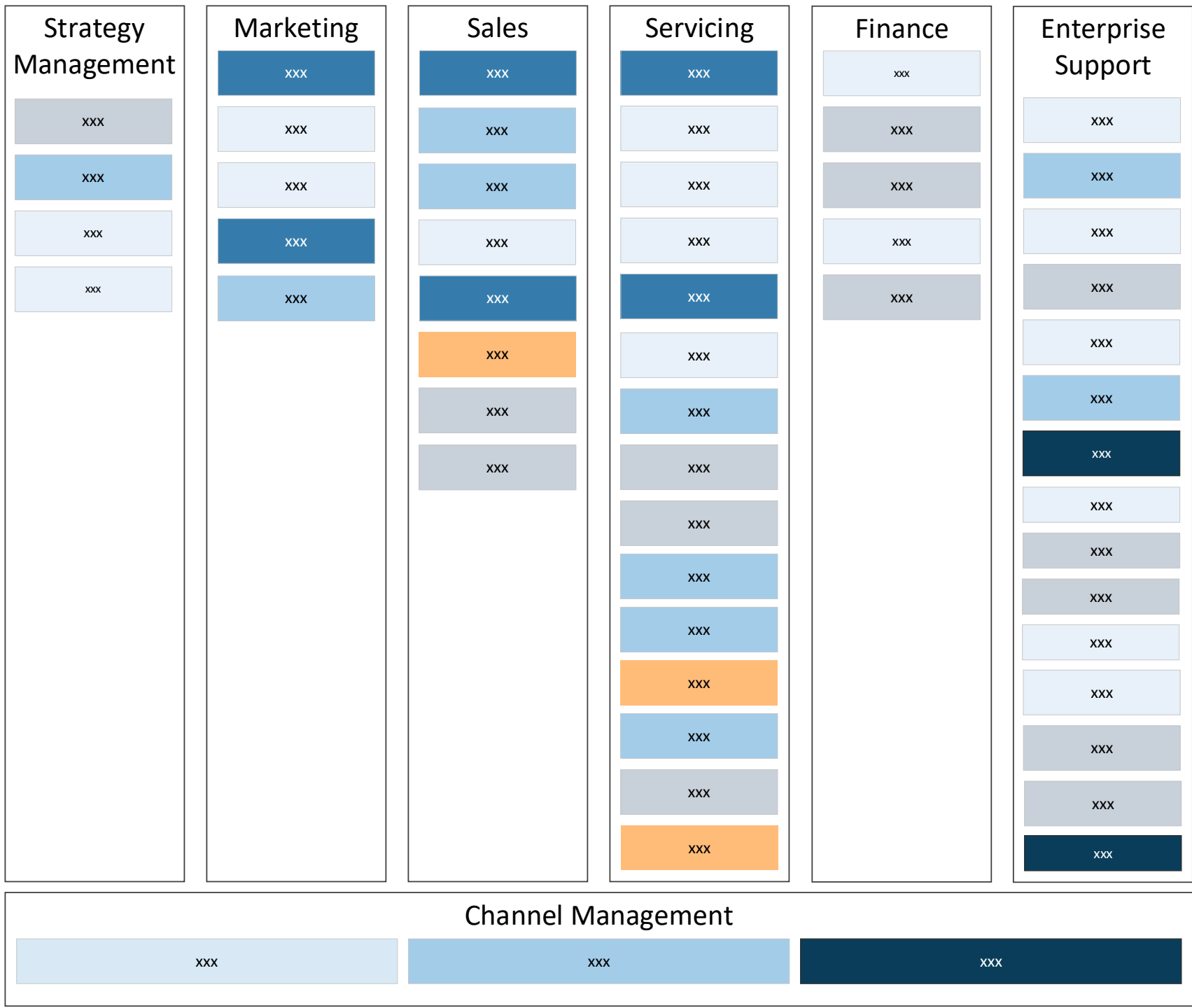
Keep Flat

 Keep Flat to Slightly Increase

 Slightly Increase

■ Increase

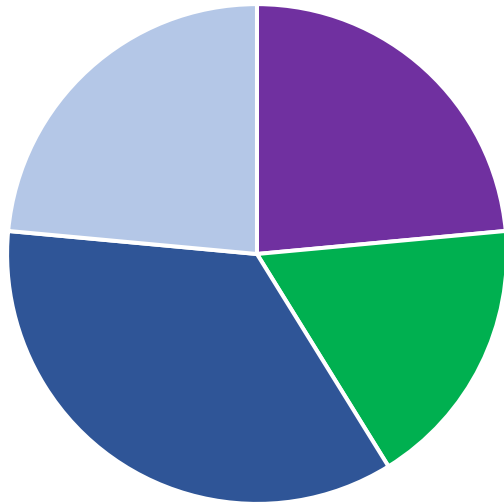
 Significantly Increase



Project Ranking

Question: What is the relative priority of project investments?

Allocation by Category



Force-rank within each category

| Category | Project | Rank |
|----------|---------|------|
| Grow | A | 1 |
| Grow | B | 2 |
| Grow | C | 3 |

■ Transform ■ Grow ■ Run - Capabilities ■ Run - KTLO

Remember that prioritization and sequencing are related, but different.

Definition of Technology Spend

JOURNAL REPORTS: TECHNOLOGY

It's Time to Get Rid of the IT Department

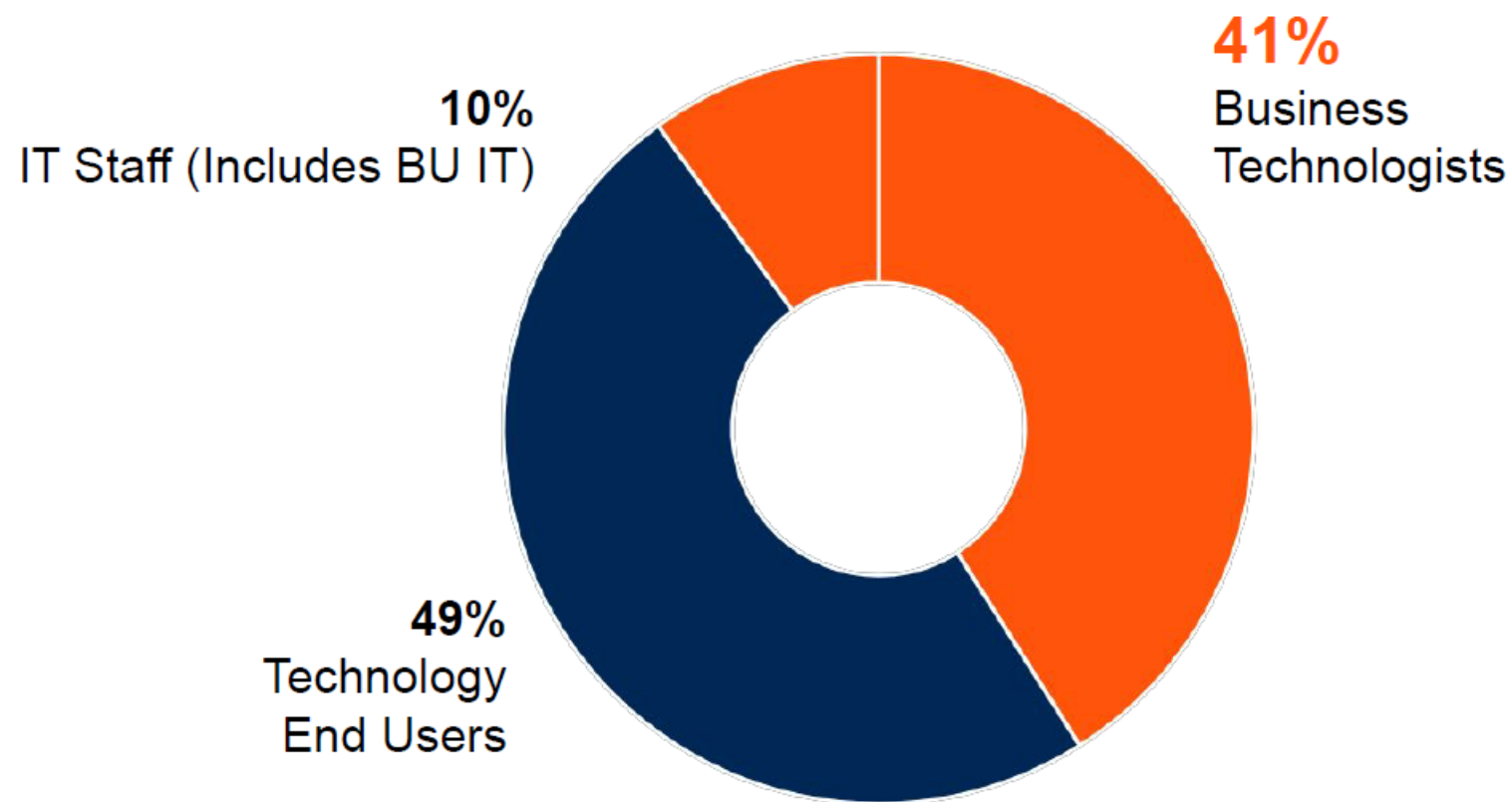
It made sense in a bygone era, when technology was separate from the business. Now it just hurts both.



By Joe Peppard, November 2021

Half of The Workforce Already Does Tech Work

Distribution of Business Technologists Across the Enterprise



**And about 80%
of those doing
tech work are
Business
Technologists**

n = 14,097 Employees Across the Entire Workforce

Source: 2020 Gartner Digital Friction Survey; 2021 Gartner Reimagining Technology Work Survey; 2021 Gartner Technology Skills Outside of IT Survey

Benchmarks

Types of benchmarks

Key question: what are you planning to do with the benchmark information?

IT cost benchmarks

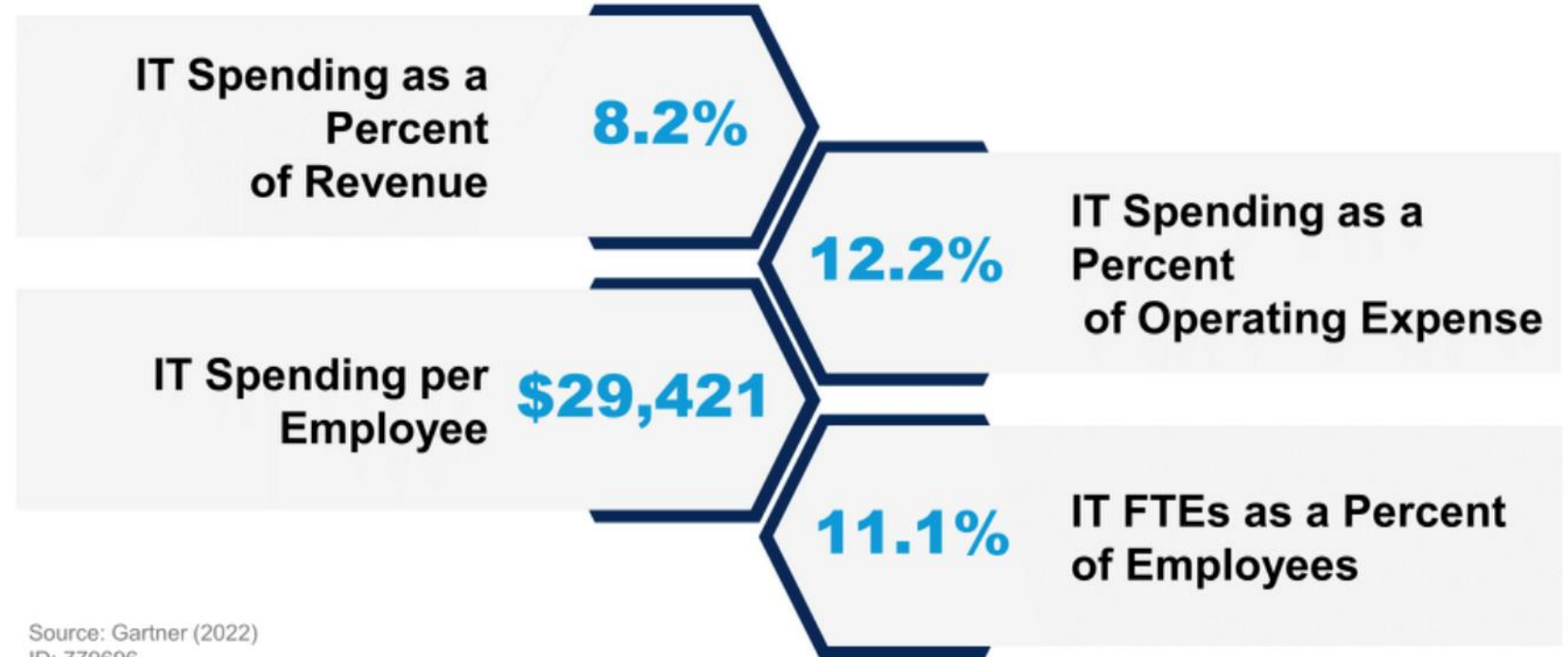
- Cover IT costs only
- Industry-specific total IT spend, for example as percent of revenue. Example: Gartner
- Industry-specific allocation by IT function. Example: Gartner
- More detailed IT benchmarks (e.g. number of Wintel servers managed by FTE)

Total operational cost benchmarks

- Covers end-to-end operational expenses of a company
- Industry specific. Example: Sherlock benchmark for health insurance companies

Gartner benchmark for total IT spend

Executive Summary Banking and Financial Services

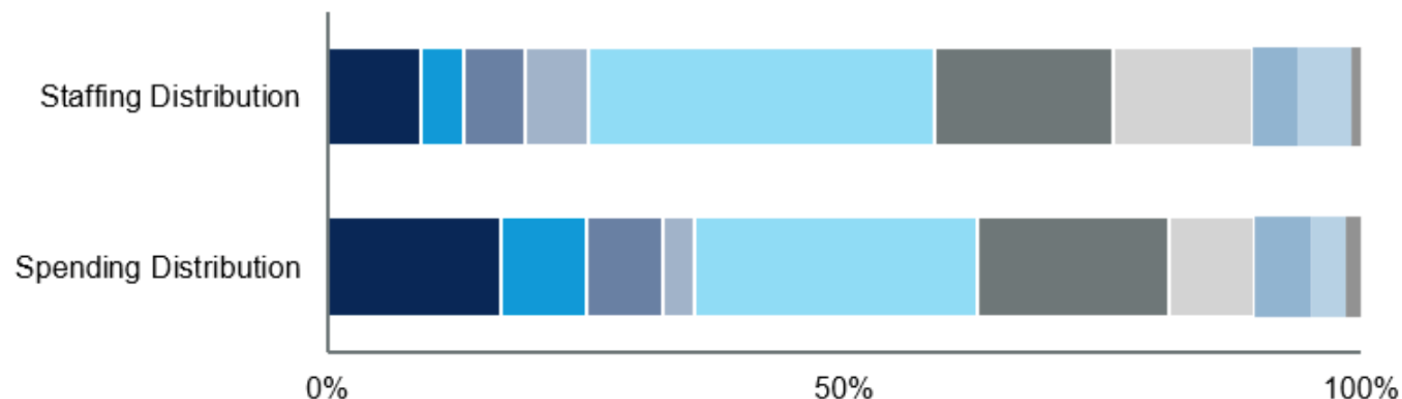


Source: Gartner (2022)
ID: 779696

Gartner benchmark by IT function

IT Spending and Staffing by IT Technical Function

Banking and Financial Services



| | Spending Distribution | Staffing Distribution |
|---|-----------------------|-----------------------|
| ■ Data Center | 17% | 9% |
| ■ Network | 8% | 4% |
| ■ Digital Workplace Services | 7% | 6% |
| ■ IT Service Desk | 3% | 6% |
| ■ Application Development | 27% | 33% |
| ■ Application Support | 19% | 17% |
| ■ Governance & Business Management | 8% | 13% |
| ■ IT Security | 5% | 4% |
| ■ IT Operations Management | 3% | 5% |
| ■ IT Service Continuity/Disaster Recovery | 2% | 1% |

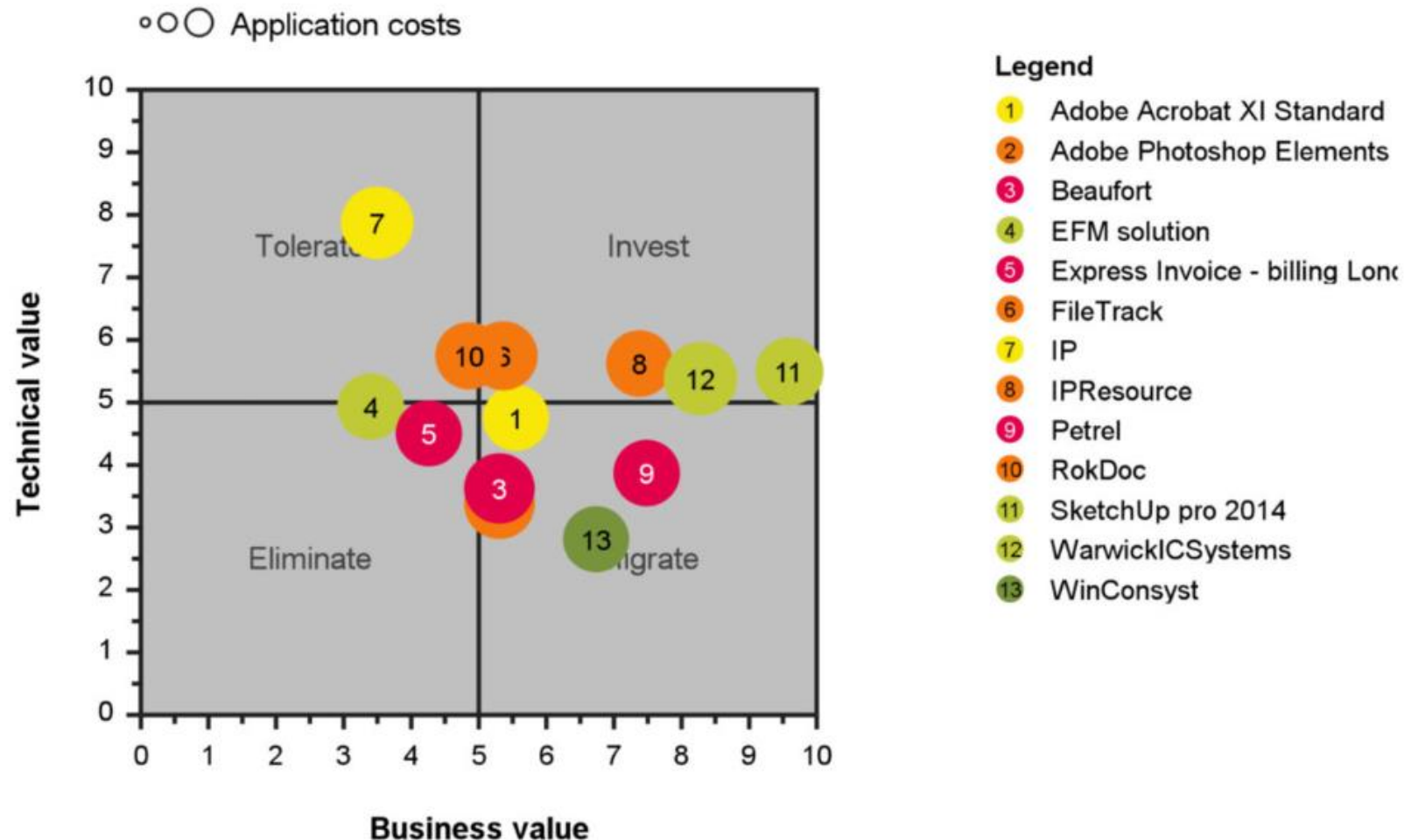
Source: Gartner (2022)

Note: Totals may not equal 100% due to rounding.

ID: 779696

Additional thoughts

Application Portfolio Analysis



Additional thoughts (Cont'd)

- Do you have a multi-year financial plan as input for technology investment planning? For example:
 - Plan large technology platform investments
 - Baseline of business unit spend for evaluation of automation, optimization, digital and/or analytics investments
- Tooling is available for detailed IT cost allocation (e.g. by Axiom)
- Some strategies and tactics span across focus on capabilities and cost management, e.g. cloud migration
- Vendor management is critical for budget management
- Return-on-Investment (ROI) analysis
- Budget for products vs. projects