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Seven steps to building a compelling managed file transfer business case

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 getting new projects funded.

It's especially critical to justify any new Managed File Transfer (MFT) initiative that crosses organizational silos and reaches beyond the organization's four walls. Such initiatives involve the integration of all your file movement technologies, from simple FTP to advanced protocols like IBM® Sterling Connect:Direct®. It also is important to include a comprehensive range of use cases, from system-to-system and B2B to person-to-person/ ad-hoc transfers, 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 if you follow these seven steps.

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

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

Step 1: Target your audience
Because an MFT initiative typically spans numerous functional areas and departments, you may need to seek approval from a number of different departments and managerial levels. Do your homework. Know the different types of people you'll need to influence to secure the funding. Make sure 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 may currently be unencrypted and vulnerable to attack. A recent Ponemon Institute study, "2010 Annual Survey: Cost of a Data Breach," found that the average cost of a security breach was $7.2 million with the least expensive at $750,000.[1]

Product-line executives

Product-line executives, on the other hand, are struggling to differentiate their offerings from competitors and offer higher levels of satisfaction. If you can show that your MFT proposal will offer faster response times, improve the flow and security of critical business information to support key business processes, meet higher service level agreements, and allow quicker expansion of the business, you are likely to get the thumbs up from this group.

Senior managers

Senior managers will focus primarily on strategic opportunity. Breaking down the silos of protected batch-processing turf, 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. The business case should show that you are thinking strategically while at the same time 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 road map – which will guide and shape their thinking.

Step 2: Consider the context

Many IT managers plow ahead with the task of putting together a business case without first establishing how the project fits into their company's overall strategic plan or making sure they can meet some basic financial requirements, no matter what type of project it is.

For example, many large companies have a "hurdle rate," or the rate of return required by the organization to fund a project. A typical hurdle rate might be 13 percent. In other words, the project must show a return on investment (ROI) of 13 percent within a specific time frame or receive a red light from management. If your project can't clear this obstacle, you'll almost never get a chance to move to the substance of the business case. If you don't know what your company's hurdle rate is (or whether one even exists), ask. You are competing for corporate resources against your business-unit peers, and you must be sure your project can pay the price of admission.

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

Within IT, there is the same competition for resources. Many large companies now take a "portfolio-management" approach to funding IT projects. Portfolio management dictates a mix of projects that will help run the business (the majority of approved projects fall into this category), those that aim to grow the business (a smaller percentage), and those that have the potential to transform the business (an even smaller percentage).

MFT projects can fall into any of the three categories, depending on how you position them. You have to know what other projects are being considered and what the funding levels are for each level of the portfolio. Many want to position their projects in the "transformational" 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. Positioning is therefore crucial. You should identify the MFT project as having a transformative component as well as keeping the business running.

IT Portfolio Management — A Typical Breakdown

Projects that help run the business

Projects that aim to grow the business

Projects that have the potential to transform the business

70%

20%

10%
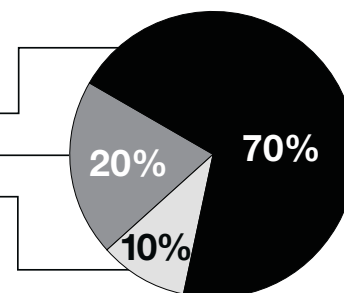
One way to do that is to tell a story, sketch out a road map for where this project will take your company in the coming years. The map need not be all-encompassing or set in stone. Build in a flexible framework that allows the vision to change along with business conditions and new technology developments. Keep the road map to a page or two and write it in a compelling, conversational style. Senior management will be more interested in this big-picture view than the tactical pieces, so be sure to give it prominent placement.

Use scenarios to paint a picture of the possibilities. ("What if we could keep our stores open an hour longer during the holiday rush because we could squeeze our batch-processing windows?" "What if we could offer our tier-one services to tier-two customers?")

With the road map complete, your next task is to divide the initiative up into smaller chunks that have immediate, tactical benefits (such as the reduction of onboarding time frames from weeks to days, or improved service to your best customer), and provide separate justification for each. Showing quick time to value via the smaller projects will go far toward getting your internal business sponsors on board.

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Step 3: Secure solid sponsorship

Secure an executive sponsor to help ensure tactical priorities do not drown out the MFT project's strategic aspects. You also must team with business managers who can articulate the technology's value in business terms.

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Projects that do not have executive support are doomed to failure. For an MFT initiative, executive sponsorship is even more crucial than with more routine IT projects, because file transfer is not typically seen as strategic. The executive sponsor must make the case – both formally and informally – to the organization as a whole 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 (and making sure they're not diverted to competing projects), touting successes, and responding to questions and problems.

In partnership with the CIO, the executive sponsor will also work to help ensure that tactical priorities do not drown out 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 can't stop with just an executive sponsor.

In many cases, IT executives shouldn't undertake technology projects without the active involvement of the business managers – after all, technology projects are justified only to the extent that they help the business meet its objectives. For large projects, it is a best practice to 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 on 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 they provide details about project cost and approach, and answer technology-related questions. This strategy demonstrates that IT is aligned with business objectives. The CIO is cast as the trusted internal IT consultant, which cultivates confidence and goes a long way toward preventing rogue projects.

MFT projects involve many different functional areas. Line-of-business managers must be involved in the business case from the earliest stages, identifying the proverbial "pain points" and articulating the value they would derive from seamlessly exchanging information with customers, partners, and suppliers. But don't neglect the need to get buy-in from the people who will be using the solution daily. High-level initiatives are less likely to succeed in the long run if forced on those below. The case will be much stronger if those who will benefit are the ones communicating the project's value.

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**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 dots between the problem and the
proposed MFT solution.

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

Many IT business cases begin with a technology issue. "Our application vendor is eliminating support for our operating system, so we have to upgrade." "We need to add storage capacity." "It's time to renegotiate the lease on our desktop PCs." That approach will ruin an MFT project.

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

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

The job of the person making the business case, then, is to connect the dots between the business problem and the proposed file transfer solution, sketching out the road map for the strategic vision and then breaking up the project into manageable, quickly achievable chunks with tactical payoffs (*see Step 1*).

For every aspect of the project (whether the road map 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 than define how that will be measured. On a tactical basis, if automating file transfer management will free up three full-time equivalents, does success necessarily mean those three people must be laid off? Or can the full-time employees be reassigned? Who will make that call and how will it be accounted for?

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

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Step 5: Build a realistic cost-benefit picture
Categorize the project by type (tactical vs. strategic) and drill down into its anticipated benefits. Don't forget that some of the greatest potential lies in the indirect benefits, which are virtually limitless.

Step 5: Build a realistic cost-benefit picture

In conjunction with your line-of-business partner, categorize the project by type (tactical vs. strategic) and drill down into its anticipated benefits. Benefits can be both tangible and easily measured (direct benefits such as cost savings, reduced head count, or regulatory compliance), or difficult to quantify and measure (indirect benefits such as improved customer satisfaction, a more streamlined process or risk reduction).

Be sure to include different scenarios to provide an element of risk assessment. If your ROI is riding on increasing sales, for example, you need to take into account the fact that the increase may be less than anticipated or may not occur at all. It is a best practice to create best-case, likely, and worst-case scenarios so decision makers get a good idea of the range of possible outcomes.

Don't forget to account for risks related to human behavior. For example, if the initiative will involve adopting new business processes – as most collaboration initiatives will – there is 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, you'll need to assess risks 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. It's recommended to start with a modest pilot project and build forward from there. Include the details of the current iteration within the context of the broader road map. Senior management will be most interested in where you stand in terms of the road map. Operational managers will be more interested in the details of execution. Budget will be allocated anew for each iteration of the larger roadmap. 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. Many CIOs are tempted to leave indirect or soft benefits out of the business case altogether, as long as they can show hard benefits. This is a mistake. You can't 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 do have numbers on your side, put the indirect benefits in, too. As long as you've outlined a phased approach, decision makers will have the chance to shut down the project after the first or second stage if the proposed benefits don't meet expectations.

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

Process-based file transfer frees you from daily firefighting, so your organization can devote more time to innovate. When pagers start going off, you can actually take action and avert a missed processing window, instead of starting damage control.

Collaborative, ad-hoc transfers can let you more quickly work with outside parties to solve problems, and meet deadlines. Having 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 immediate ability to correct and retry, laying the foundation for vastly improved service and customer support.

When you put self-service in the hands of partners and customers, you not only reduce your operating costs, but you can actually improve customer and partner satisfaction. What if partners and customers could onboard themselves, and be able to answer that most common of file transfer questions, "Where is my file?"

Creating an electronic file movement platform that can handle multiple protocols, file types, and file sizes allows the enterprise to focus on higher-level process optimizations rather than coding of FTP scripts. Companies that can cope with that 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 associated with file transfer, but your business case should attempt to quantify the indirect benefits, which generally are by far larger than the direct ones.

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Step 6: Make the business "own" the benefits
Get the business leader to sign off on the business case and agree to an active role in helping the company realize the benefit.

Step 7: Establish key vendor and solution selection criteria
Be sure to include key vendor and solution selection criteria as part of the business case.

Step 6: Make the business "own" the benefits

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 head count) happen, they are less likely to happen. In that case, the CIO's hands are tied. As the head of IT, he or she does not have the ability to effect change within the business units. Therefore, the business partner must take formal responsibility for making the potential benefits happen.

Some companies go so far as to require the business partner to sign a separate agreement that he will do his or her part to help the company realize the benefit. For instance, unless the business executive can separately justify it, the five full-time people who would be laid off as a result of the initiative cannot be reassigned to other functions simply to make the initiative appear effective.

IT can oversee the installation of a cost-effective MFT solution environment, but they can't single-handedly generate the benefits (except those that accrue to the IT organization itself). Your business case must reflect this basic fact by – at the very least – getting the business leader to sign the part of the case that discusses the potential benefits that will accrue to their department.

Step 7: Establish key vendor and solution selection criteria

There are a multitude of vendors in the marketplace that provide MFT solutions. To winnow the pack, you should 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 help demonstrate that you know what you're doing.

Measuring indirect returns

The following is a procedure for deriving hard savings numbers from indirect benefits (though the process may 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. Since time saved does not translate directly to additional time worked, you must estimate a correction factor of less than one and more than zero, based on the type of employee in question. (For instance, line-of-business managers are, on average, highly motivated employees whose pay is based on performance, so their correction factor might be 0.7 or above.)

3. Multiply the correction factor for the line-of-business managers (e.g., 0.7) by the total hours saved (4,000), to calculate the real time saved (2,800 hours in this example).

4. Then multiply that result (e.g., 2,800 hours) by the average salary for the type of employee (here, the purchasing manager) to quantify the benefit to the company in dollars.

Selection criteria fill this need, but you risk losing the audience if you go too deep. The vendor-selection criteria shouldn't be as extensive as a Request for Proposal (RFP). Simply include technical, business, and organizational characteristics. In other words, don't just 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 criteria, consider the following:

- 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 different hardware platforms in your shop, and 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, and should include access control, encryption, multi-factor authentication, perimeter security, and logging/reporting options that help support government compliance. The solution should scale up to handle large (i.e., multi-gigabyte) files as well as high file volumes (i.e., 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 as well as non-technical users to initiate transfers, check status, and manage resolution. Ideally, the vendor should offer Web-based tools so you can provide self-service capabilities to outside partners and customers.
- The vendor should offer a variety of different deployment methods, because your file transfer needs will change over time. Factors like 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 not only packaged solutions, but also software as a service or outsourced solutions.
- The vendor should offer additional 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.

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1 Data from Ponemon Institute 2010 Annual "Cost of Data Breach" U.S. studies.

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