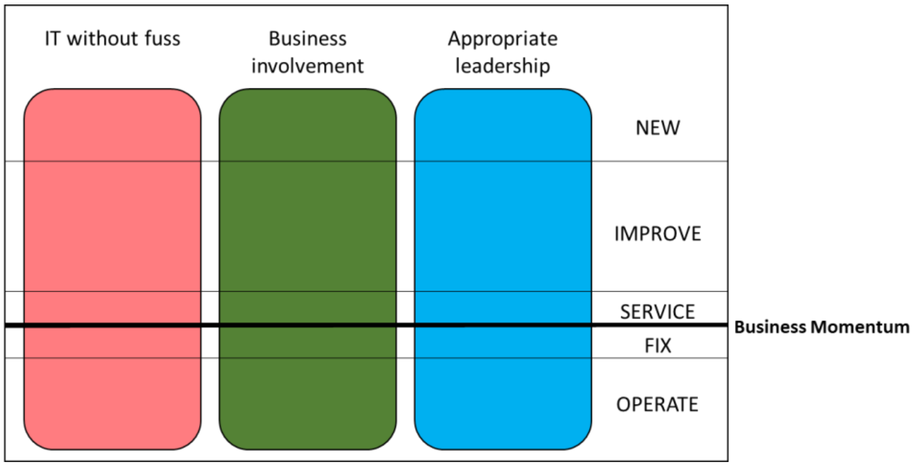
The Three Roles of IT: Part 3 – Thinking about the 3RM model.

In Part 1 and Part 2 of this series of articles on the three roles of IT, I talked about the three roles that CEOs want from IT, and I also talked about the business momentum line. I combine both concepts together to create the three role / momentum model (3RM).

In this article, I would like to discuss some ideas and communication concepts that I use when discussing the 3RM with executives. I would also like to briefly cover the various uses that we can get from the 3RM, although these uses will be covered in more depth in later articles.

The 3RM has three roles and five layers as follows:

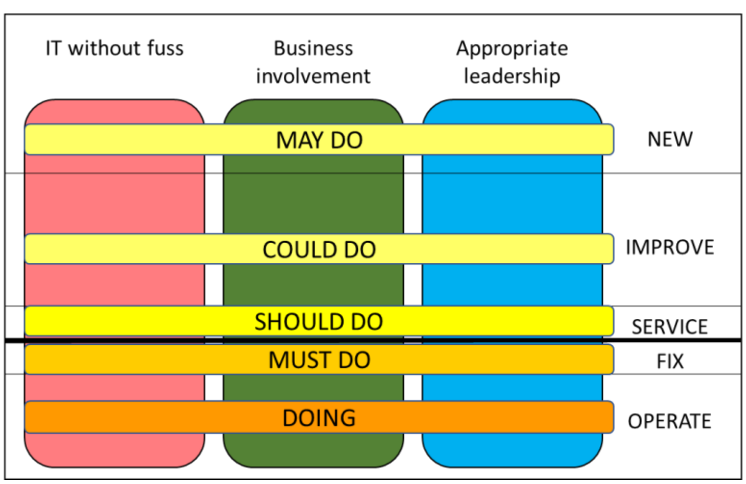


This was covered in the previous article. But let's think about the five layers in some different ways.

The thick black line is the business momentum line, and the area below the momentum-line indicates all the activities (and spending) that IT should undertake to keep business momentum constant. We could change the names from OPERATE and FIX, to what we are DOING to keep the business running, and what we MUST DO if there are failures and problems that we must fix.

Above the momentum-line, we should SERVICE the applications and infrastructure. We could call this the SHOULD DO layer. The IMPROVE layer shows perhaps what we COULD DO if we have the funds to apply to projects and improvement initiatives, and the NEW layer indicates what we MAY DO if we have the strategic mandate.

So we can rewrite the layers as follows:



Below the momentum line (BTL) activities are what we are DOING and MUST DO to keep the business momentum constant – no increase or decrease. And above-the-line (ATL) activities are directed at improving business momentum.

Importantly, the BTL activities (DOING and MUST DO) are the basic mandate of the IT department. These activities are the basis for the existence of IT. They are the hygiene factors of IT. (A hygiene factor was defined by Herzberg as the necessary conditions for work to proceed satisfactorily. So one might be able to continue work for a short time without electricity or plumbing, but it would be unsatisfactory.) IT as a hygiene factor is ranked with electricity and plumbing. No CIO should expect to be thanked for providing BTL services, because that is what they just must provide. (I have had occasional CIOs say that the business never thanks them for running their applications. I reply, "Why should they? Do they thank the electricity, plumbing, office space, chairs, and desks?)

There is also another meaning for the MUST DO (FIX) layer: When there is a regulation passed (E.g., GDPR), the business momentum will suffer if we do not comply. So compliance with regulations is a MUST DO activity. There is also an issue that I have experienced with executives: They try to tell you that all of their activities are below the momentum-line. This is because activities (and budgets) below the line are relatively safe – if we don't act, then business momentum will suffer. So I have had executives tell me that their CRM system MUST be upgraded because there is a new function that they need. This is not MUST DO work. It is probably IMPROVE or COULD DO work. CIOs need to defend below-the-line activities.

These layer names are also useful when developing an IT strategy. Firstly, we can look at what the business requires IT to be DOING to support the business momentum – with no changes. And what MUST we fix to ensure that business momentum is not affected? Similarly, we ask these questions of each layer in each role. In this way, we get a picture of what strategic initiatives are needed.

Let's look at the five layers again, but this time with a value perspective. I have often heard executives (even CIOs) say, "IT doesn't add value." What they may mean is that the role of IT is to support and enable the business functions that do add value, and therefore do not add direct value on their own. (In the modern digital transformation environment, the possibilities for IT to add direct value have improved.) But let's look at the value question for IT and at the five layers. What if we proposed that "added value" is not the only type of value provided by IT? What if there was a type of value associated with each layer? The table below briefly names types of value associated with the layers, and we will cover the topic of IT value and the 3RM in a separate article, but think about this table for now:

3RM Layer	VALUE TYPE	Short Description
OPERATE	UNLOCK VALUE	How can we derive more value from already installed IT? (Training, unused functionality, duplicate systems, etc.)
FIX	PRESERVE VALUE	What must be done to ensure that we preserve the momentum-line? (Better tools, DevOps, DR, etc.)
SERVICE	SUSTAIN VALUE	What is the value of acting now to prevent future problems/delays/shortfalls?
IMPROVE	ADD VALUE	What should we improve so that we can add value to the existing business – and raise the momentum-line?
NEW	CREATE VALUE	What can we create using digital technology that doesn't exist now, and will generate revenue?

As you can see, "added value" is only a small part of the value contribution of IT. So when someone says, "IT doesn't add value," you might now respond, "You may be right, but IT does unlock, preserve, sustain, and create value!" There are two more value types that I will cover in a later article.

Back to the 3RM and a different topic. I have had great success dividing the IT budget into the 15 classes represented in the 3RM. Think about it: What if we were able to talk about a below-the-line (BTL) budget?

These are the funds needed by IT to maintain business momentum. This BTL budget would be the last element of the IT budget that would be cut when the CEO says, “Cut the IT budget by 20%.” Your answer would be that we can cut 20% from the above-the-line (ATL) budget, but any BTL budget cut will affect business momentum. This is not to say that costs cannot be cut below the momentum-line. However, we must be careful in our cost-cutting activities in case we affect the business momentum.

These kinds of conversations are only possible if executives understand the 3RM model. “Teaching” non-IT executives the 3RM takes 10 minutes – I have explained 3RM to non-IT executives hundreds of times, and it has never taken longer.

Let me conclude this article with a personal anecdote: I was called by a CIO who said, “Today I presented my budget of ₱250 million – which is what it was last year, and I have been told to cut it to ₱200 million. I cannot do that because I have cut every year for two years now, and there is nothing left to cut. Please help.” So I flew to the client and spent a week helping him rethink his budget. The first thing we found was that all of his budget was below-the-line (BTL). There was no SERVICE, IMPROVE, or NEW spend at all. Then we looked at what parts of the business momentum would be affected by a 20% cut and calculated the business impact of this BTL cut in the IT budget.

A week later, the CIO went back to the budget committee, and firstly presented the 3RM, then presented his budget in 3RM language (it was all BTL). Then he said, “We can make a 20% cut in IT, but we will have to close *this* factory and *that* business unit.” The committee agreed that a 20% cut was impossible and that he could keep his budget at ₱250 million. Then one executive asked why all the above-the-line areas in the 3RM model were empty. He explained about cutting IT costs for two years, and that all spend now was directed at BTL momentum preservation. The committee asked what his budget would be if he did the right things and filled some areas ATL... He walked out with a budget of ₱360 million – a 44% increase on the budget he presented a week before, and an 80% increase on the budget he was told to cut to.

What changed? Only the quality of the CIOs communication, the new language that was used, and the understanding of the budget committee. That is the power of the 3RM.