



Communicating Business Value of IT

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Business Performance Is the Measure of IT Value...Period.

$$BV(IT) = \frac{\text{Business Performance}}{\text{IT Investment}}$$

Definition of business performance:

The ability of the enterprise to achieve or exceed its objectives.

IT Can Improve Business Performance in Four Ways, and *All* Are High Value

Focus of CIO/IT Activities

Information
Intensive

Information
Technology
Intensive

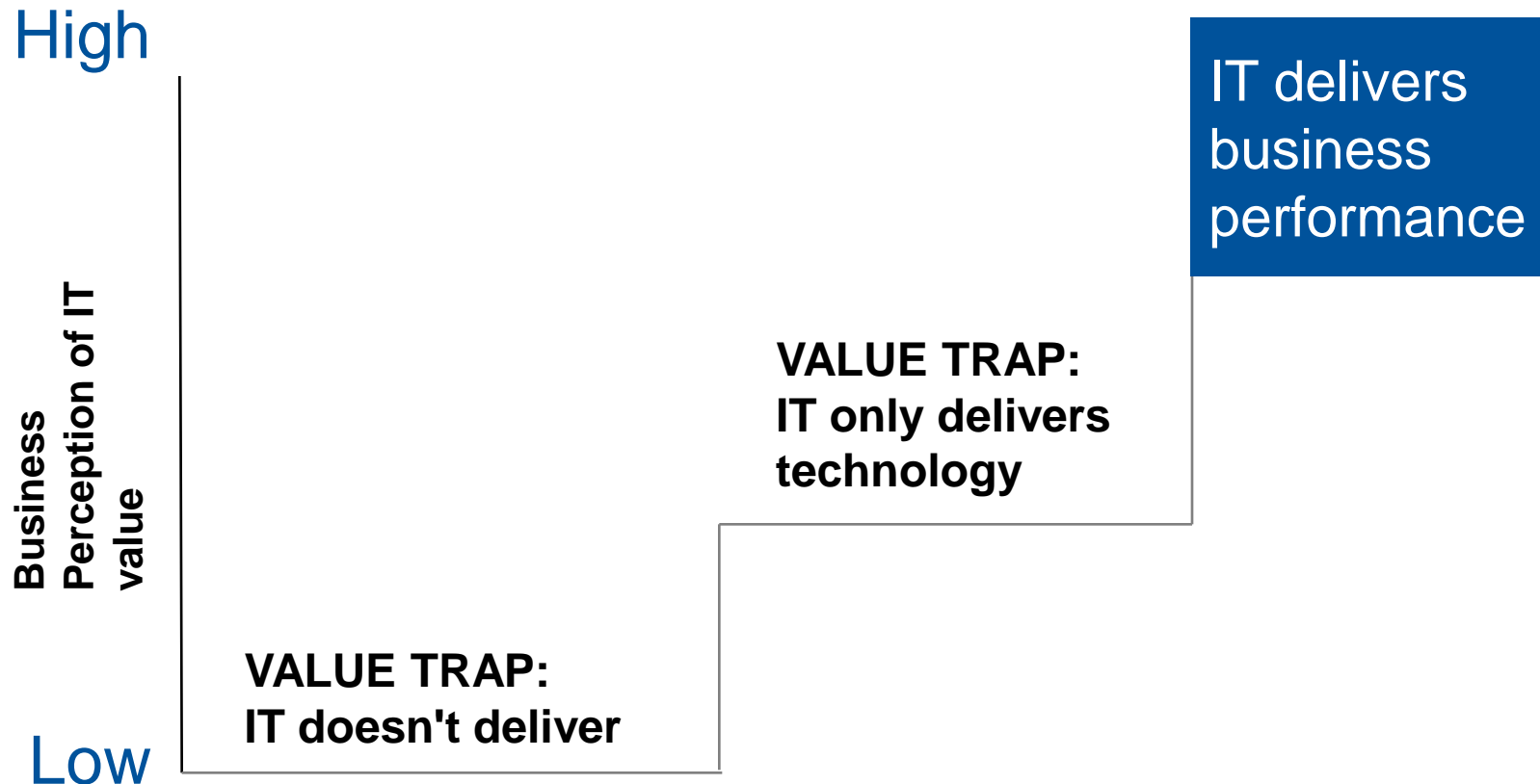
Information Dynamics: Use information to improve current operations.	Strategic: Embed information into products, services and operations.
Tactical: Remove technical and operational obstacles.	Operational Dynamics: Use information technology to transform enterprise performance.

Enabling

Contributing

Business Expectations of IT

Attempts to Calculate IT Return Apart From Business Performance Lead the CIO to “Value Traps”



Avoid the Value Traps

"IT doesn't deliver"

- Unreliable delivery of services and initiatives
- Poor management of the business initiative pipeline
- Confusing IT risks with business risks

"IT only delivers technology"

- Conveying IT performance in technical terms that mean nothing to business executives
- Delivering IT that produces uncompetitive business performance in key performance areas
- Failing to understand business initiatives and problems in their totality, not just in terms of IT solutions

Start with Reliable, Provably Cost-Effective IT Operations—*Value For money*

Show value for money before you try to prove that IT is an investment in future business performance.



In Communicating Value of IT Operations, Do Not Confuse the Exercise Machine With Exercise



The Value of an Exercise Machine is Measured by its Effects on the User

Exercise machine-centric metrics (value traps):

- Number of hours per week that machine is in use
- Number of calories burned per user session
- Muscle groups exercised



Exercise user-centric metrics:

- Number of pounds lost since start of exercise program
- Number of pounds to target weight
- Maximum bench press weight
- Time to run 100/200/500 meters
- How cool I look since I started exercising



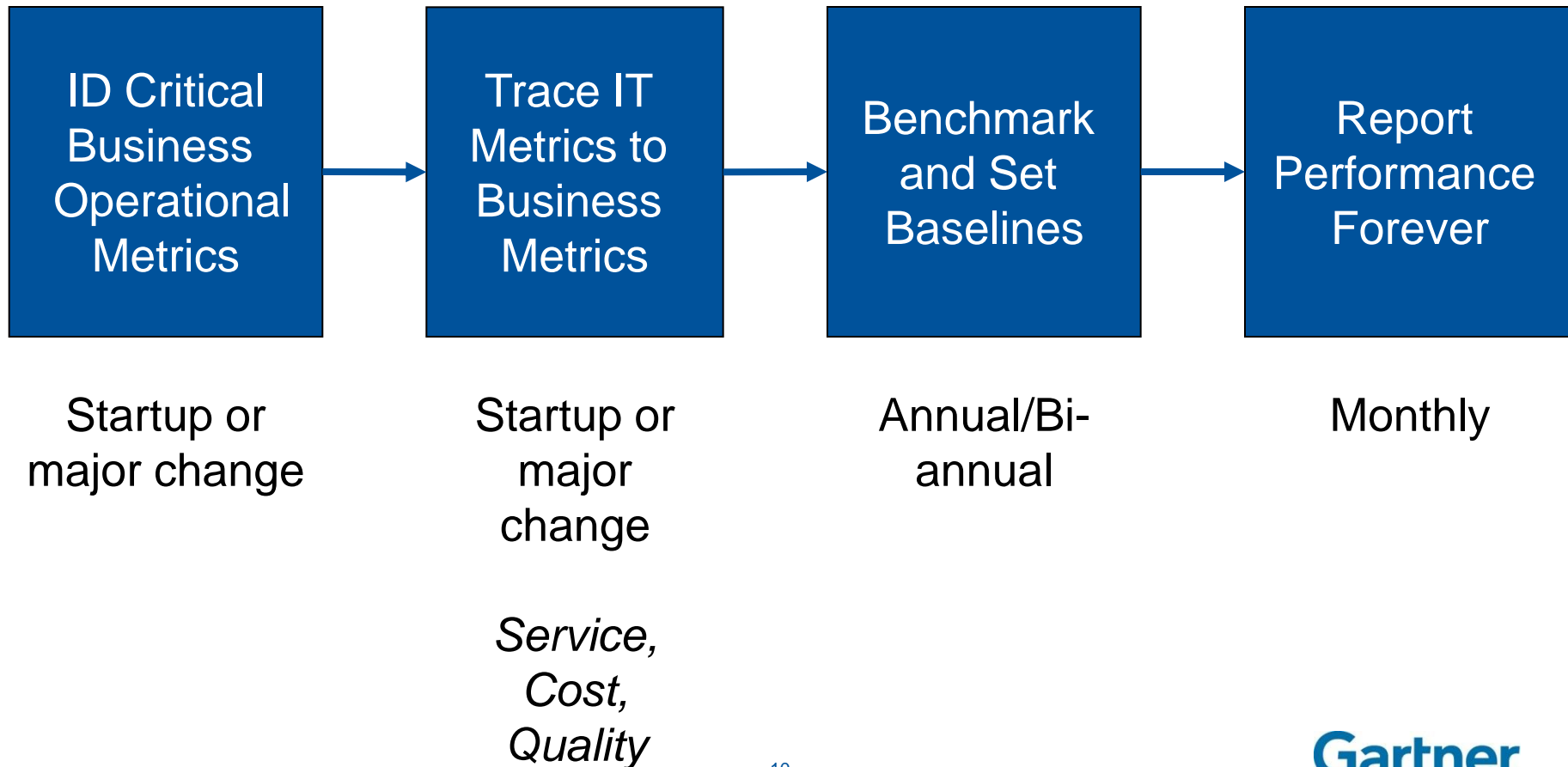
Gartner

CIOs in IT Organizations That Deliver Perceived High Value Report on IT Operations in Terms of Business Performance

Intel IT sets benchmarks and measures returns in multiple business performance categories.

- Days of inventory
- Days of receivables
- Head count reduction
- Head count productivity
- Head count turnover
- Material discounts
- Capital hardware and software avoidance
- Unit and other cost avoidance
- Factory uptime
- Scrap reduction
- Risk avoidance
- Time to market
- Open new markets
- Optimize existing markets
- Cross-selling
- Vendor of choice

Correlate Business Performance Metrics to IT Operations and Report Monthly, Forever



When Value for Money is Demonstrated, Start Working on IT as an Investment in Future Business Performance

- “Optimizing the cost and efficiency of IT processes is only half the equation.
- The other half of the equation is everybody else’s processes.”
- Sam Coursen, Freescale Semiconductor



Position IT Spend as the Cause, Not the Effect, of Improved Business Performance

$$\triangle BV(IT) = \frac{\triangle \text{Business Performance}}{\triangle \text{IT Investment}}$$

Use a Simple, Comprehensive Framework to Establish the Business Context for Value

- **Run the Business**
- **Grow the Business**
- **Transform the Business**

“Run the Business” Metrics are About Cost, Price/Performance, and Risk Reduction

Financial Metrics

Income Statement *(\$ in millions)*

Revenue	\$1,000
Less: Cost of Goods Sold	500
Gross Profit	500
Less Operating Expenses:	
Sales	200
Administrative	200
Net Income	\$100

See the Notes section for sample business processes and associated metrics

“Grow the Business” Metrics are About Improvements in Operations and Performance That are Visible to Shareholders and Customers

Financial Metrics

Income Statement (\$ in millions)

Revenue	\$1,000
Less: Cost of Goods Sold	500
Gross Profit	500
Less Operating Expenses:	
Sales	200
Administrative	200
Net Income	\$100

See the Notes section for sample business processes and associated metrics

“Transform the Business” Metrics are About New Markets, New Products, New Customers—in Other Words, New Horizons

Financial Metrics

<i>Income Statement</i>	
<i>(\$ in millions)</i>	
<i>(Estimated)</i>	
Revenue	\$?,???
Less: Cost of Goods Sold	???
Gross Profit	???
Less Operating Expenses:	
Sales	???
Administrative	???
Net Income	\$\$\$\$

See the Notes section for sample business processes and associated metrics

Think Like a Business Executive First and Like a CIO Second

- Value is always measured in terms of business performance.
- IT costs are an investment in business performance, just like real estate.
- The CIO's job is to boost business performance, not IT.

Drive Home the Message That all Initiatives are Business Initiatives

Don't say...

ERP solution

Network uptime

AD life cycle

Build IT infrastructure

Install CRM

Say...

Business process change

POS uptime

Product development life cycle

Support business growth

Get and keep customers

Get the Whole IT Team Talking in Terms of Business Performance

- Set a personal example by focusing discussions on the business, inside and outside the IT organization.
- Encourage and reward IT personnel for discussing the business in business terms, inside and outside IT.
- Get physical — embed IT personnel in business units at multiple levels.

Recommendations

- 1) Deliver value for money and benchmark to prove it.
- 2) Position every investment in IT as an investment in improved business performance.
- 3) Position yourself and IT as contributors to business performance, not tech specialists.

Case in Point: Guido Sacchi

2002: Joined CompuCredit as CIO

2005: Led corporate-wide e-business initiative

2006: Appointed senior VP of corporate strategy

You Are Succeeding When Business Executives Ask for IT Infrastructure or Application Upgrades to Support Future Plans — Before You Do

"I spent a lot of time with the business, and I tried to keep it on business needs. I told them, 'It's not about building infrastructure, it's about enabling growth. It's not about spending money, it's about getting new customers.'"

"Right now, we're in a sweet spot, where IT projects are business projects. At the latest budget meeting, a business unit executive talked about building up infrastructure! I thought, 'You ought to be a CIO!'"

– **Guido Sacchi, CompuCredit**



Thank you