

Manage IT Value to Improve

While IT's value is undisputed, who actually knows how much that value is?



IT Value is crucial...

In a 2013 Arthur D. Little worldwide study involving both IT and business executives, 74% of respondents saw IT as an important factor for the long-term success of their business while 27% of them rate IT as business critical, with both of these figures expected to increase. An even higher number (87%) of participants state that optimizing the methods used to generate value from IT would clearly improve companies' success and competitiveness. Most of the managers we talked to are convinced that actively steering the value creation of their IT is essential in the future.

...yet only a few manage or know about IT value

"Everyone is talking about IT being the enabler and value driver for business – but everybody has a different understanding of what that means". This quote from a CIO illustrates the other side of IT value creation today: only 20% of surveyed companies see their contribution to IT value exceed the current industry standard! When asked where IT should intensify efforts to generate business value, the top three answers were:

- Support of strategic business objectives like growth and transformation
- Customer interaction, experience and satisfaction
- Effective support of existing business processes

Yet, nobody can accurately pin down the current scenario. How good and competitive is our IT *really*? And how to improve it dramatically in future ?

IT Value isn't tangible enough

Where does that discrepancy come from?

Partly from the discussion about what "IT value" really is. We know from many

clients that for business executives this is still a very intangible neologism. An even greater obstacle is that without adequate measurement tools it is impossible to adequately steer the value contribution.

Roughly 70% of companies in the study still measure and manage their IT only by cost indicators, a method that has not changed for decades. It's like comparing the price of a BMW i3 to a 1970 Volkswagen Beetle ...

increasing IT budgets, but rather fostering transparency, focus, understanding and alignment of business and IT.

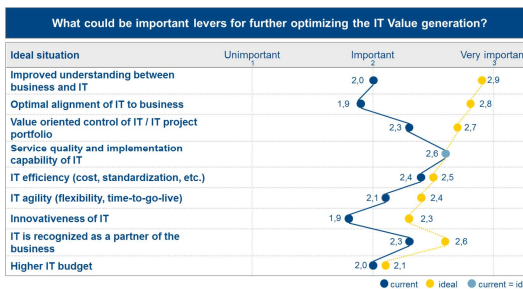
Icing on the cake: IT Value Exploitation and Marketing

Using this new pool of information where value is really generating business benefits can be achieved by an ever increasing marginal cost. For instance: monitoring purchasing and interests' behavior from a company website can be a vast business benefit for reasonable incremental cost.

Once the active measurement and management of IT values has begun, the next step is "value marketing". Do good things and talk about them! Half the battle is introducing a new culture that

questions not just the cost of IT but the value it brings to the business too. This introduces value dimensions as a fixed part of management cockpits and scorecards and helps foster a value orientation in business and IT. The IT value contribution has to be on the agenda of top management and CIOs can engage with this proactively by regularly reporting on IT value.

Many companies have already recognized the potential behind actively measuring and managing IT-driven benefits. Those who do this, particularly in IT-dependent industries, will be the ones leapfrogging the competition from both a mid- and long-term perspective.



Source: Arthur D. Little

Change the paradigm: measure and manage IT Value in 3 steps

Successful companies overcome these dilemmas in three steps:

1. Defining how and where IT can bring value to the table. The core question should be: where is IT crucial for the company's success?
2. Effective measurement of IT value along distinctive value dimensions. Arthur D. Little has identified 5 major areas: speed and agility, quality, flexibility, innovation and customer-partner relationships. Each dimension can be applied both in IT and business processes: The key question is: how does IT improve the quality and speed of a given business process? KPIs are available and can be chosen according to company specifics from an existing framework. Identify and pull the right levers to optimize IT value. This does not mean

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