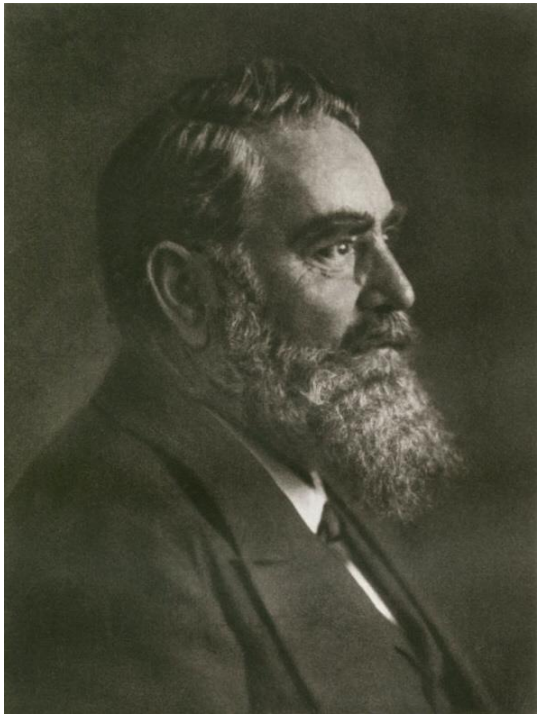

Temporary
Co-Pilots
IT business value – How to communicate and measure it successfully
Munich, 2023



“Those who use a lot of big words don't want to inform, they want to impress”

Oskar von Miller, 1855-1934, Founder of the German Museum, Munich

Quelle: https://de.wikipedia.org/wiki/Oskar_von_Miller

Agenda

I. A multi-dimensional concept

II. Measurement and communication approach

III. Deep-dive into challenges and possible solutions

IV. 3W + 1H of IT Business Value

A multi-dimensional concept

A multi-dimensional concept

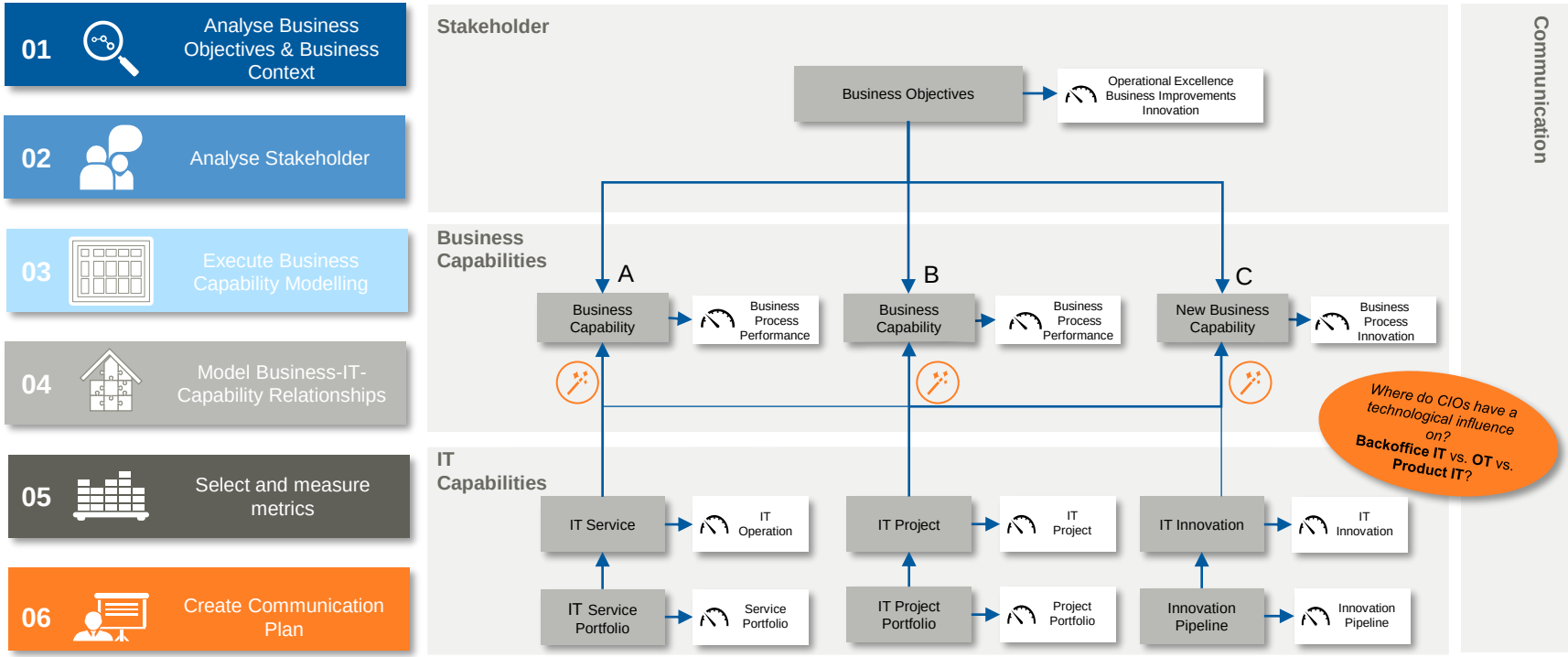
The complexity but also the possible focus for the measurement of IT business value is shown by a morphological box

Parameter	Values						
IT value domains *(Which)*	Business value	Relational value	Social value	Hedonic value	Utilitarian value	Ecological value	Public value
Context *(Where)*	Country	Macro environment	Industry	Network	Organisation	Process	Individual
Object of evaluation *(What is measured)*	Overall IT	IT service	Single IT application		Projects		Innovation
Time framing *(When)*	Ex-ante				Ex-post		
Stakeholder perspective *(To whom)*	Country		Management		Group of users		Individual users
Value measure type *(How)*	Objective / Tangible / Quantitative				Perceptual / Intangible / Qualitative		

How to measure and communicate it

IT Business Value: Communicate and measure it successfully

The approach consists of six steps, each focusing on specific tasks during the IT business value measurement and communication process



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KPIs Business Value Creation

Analyse business objectives and business context

The business objectives and business context must be fully and transparently understood so that IT and IT business value evaluation are aligned

Business objectives

_ Analysis of corporate **business objectives** and **business strategy**

_ Help to guide the next steps of **IT business value evaluation** towards **business objectives** and **business strategy**

_ Examples:

Financial objectives

> Increase EBITDA margin by 10%-12%

> Increase organic revenue growth of 5%-7%

Non-financial objectives:

> Attractive working space

Business context

_ Analysis of the prevailing business context to **deeper understand** the **role**, **perception**, and **significance of IT** within the company

_ Analysis can be focused on **firm context** and **industry context**

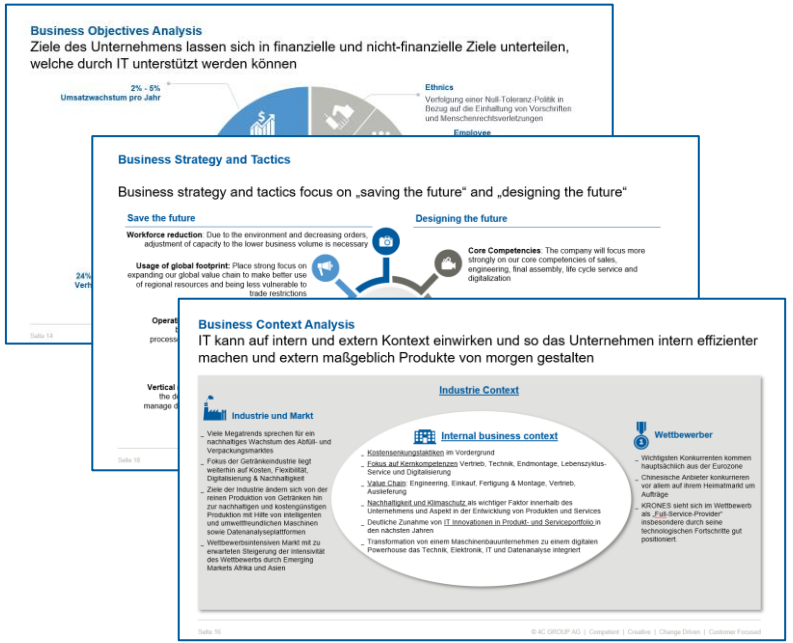
_ Examples:

> Existing value chain areas

> IT intensity

> Market competition intensity

Exemplary results



Manage stakeholders

Four steps approach to identify, prioritize, and individually and transparently understand stakeholder´s objectives, demands, and future plans

Stakeholder Management Process

04. Monitor & Observe

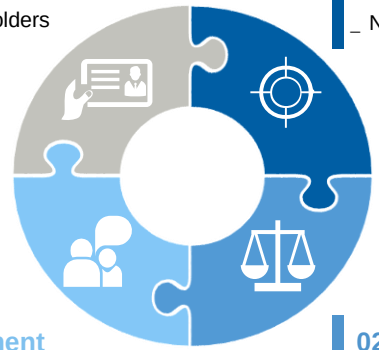
_ Continuously monitor to react on changes and developments

_ Observe considered stakeholders from time to time

01. Identification

_ Internal or external depended on the business context

_ Notation of stakeholder basic data



03. Analysis & Engagement

_ Understand objectives, demands, challenges, and success metrics

_ Value is always determined by stakeholders

_ Be aware of changing metrics and interests as stakeholder objectives or situation change

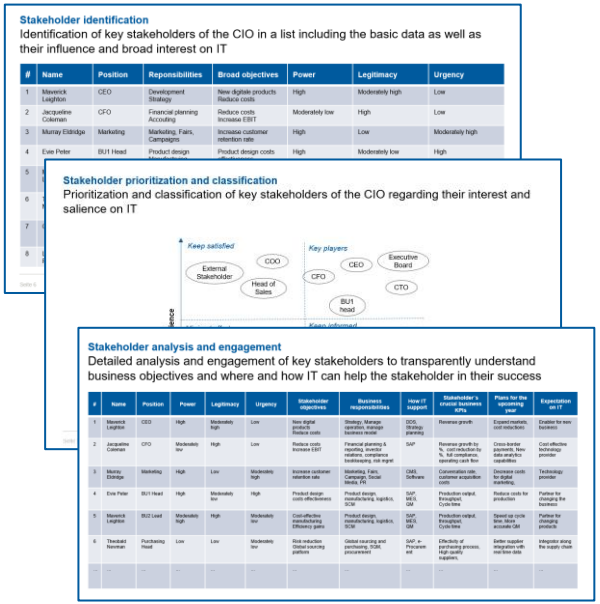
02. Prioritization & Classification

_ Identifying salience level of each stakeholder

_ Dimensions of prioritization
(power, legitimacy, urgency)

_ Scale of prioritization
(high, moderately high, moderate low, low)

Exemplary results



Model business capability modelling & Map relationships

The business capability map provides a structured, visual representation of the existing business capabilities supported by IT capabilities and jointly improved or extended

Business capability modelling process

01. Business Capability Map Creation

_ Business capabilities consist of **people**, **processes**, and **technology**

_ All business capabilities can be partly **decomposed** in more **fine-granular business capabilities**

_ Business capabilities can be differentiated in in **differentiating**, **core**, and **supporting capabilities**

_ Business capabilities can have different KPIs, such as business process performance metrics

02. Business-IT-capability relationship mapping

_ Mapping IT capabilities to required business capabilities to show **where**, **how**, and **in which scope** IT supports the business

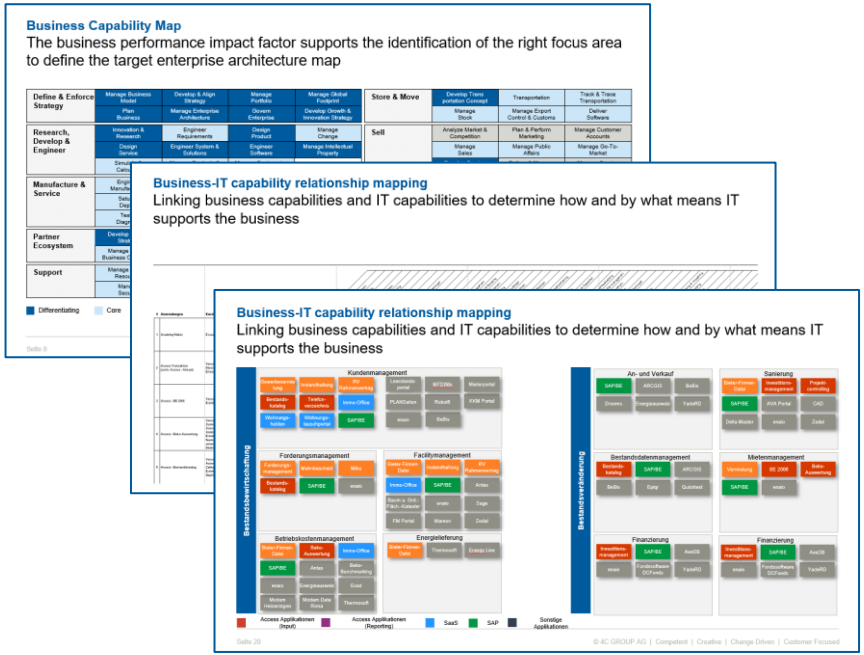
_ Mapping should take place on **strategic** and **operational level**

_ Explicitly identify which performance metrics matter to stakeholders in the specific relationship mapping scenario

_ Mapping help to transparently show the **joint success of business and IT** to improve business capabilities together

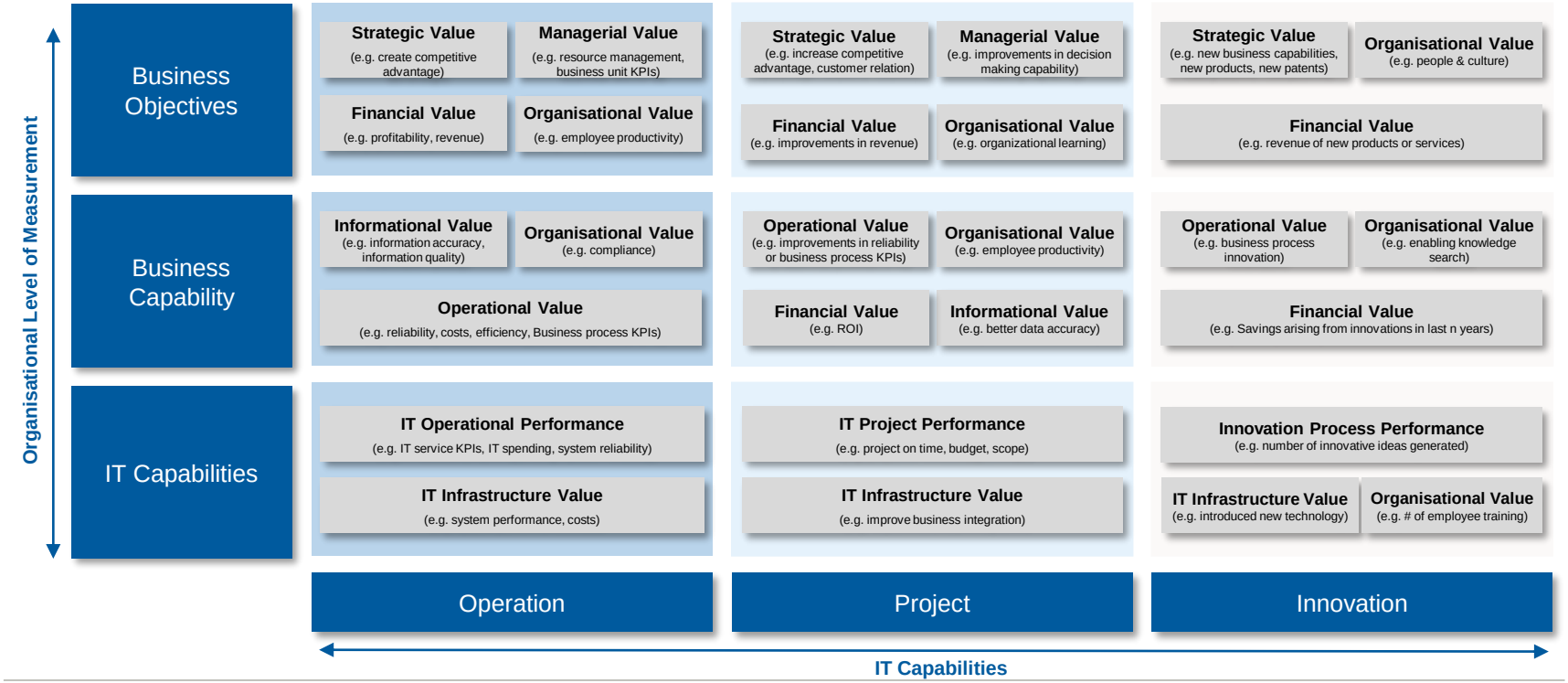
_ Clear mapping eliminates the stakeholder perspective of IT as a **“black box”**

Exemplary results of a business capability modelling



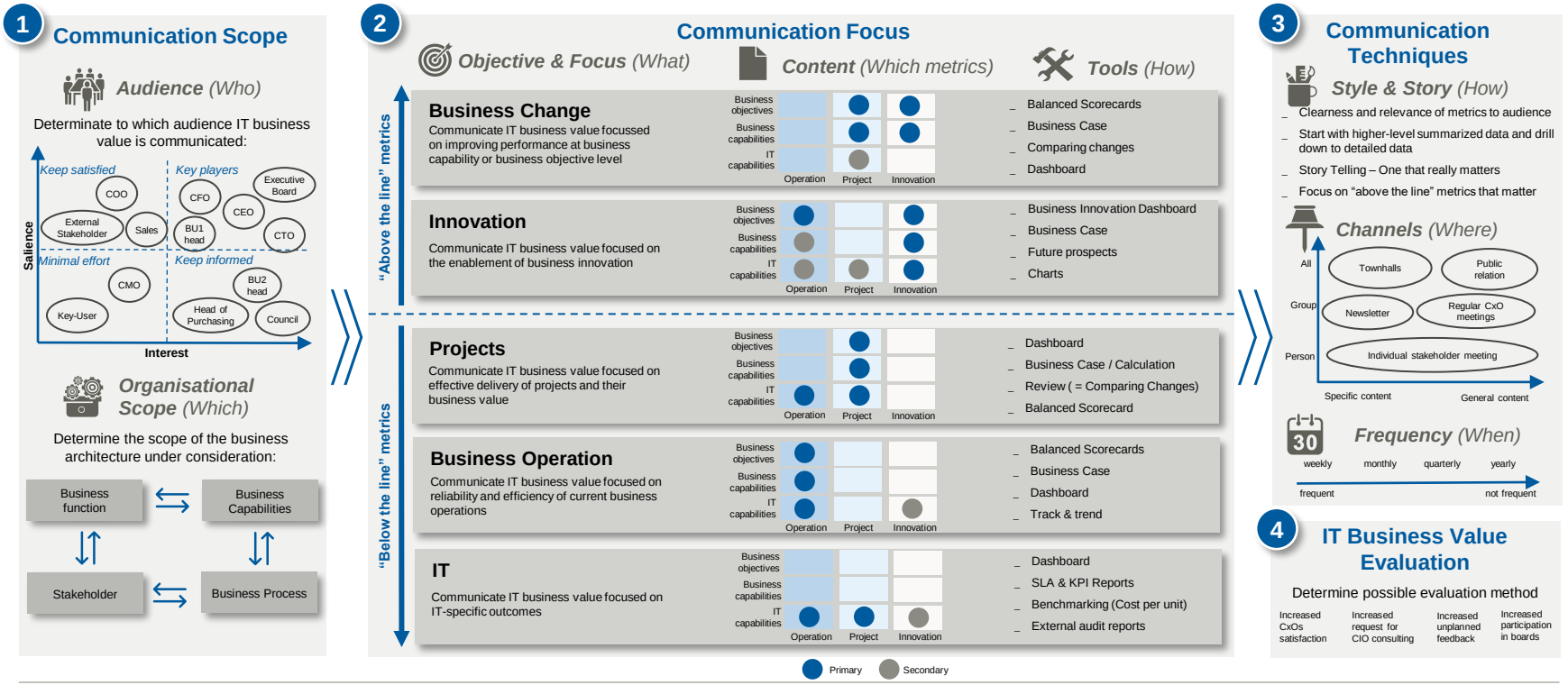
Select & measure metrics

The selection must be limited to quantitative and qualitative metrics that matter to stakeholders and make the joint success visible



Create communication plan

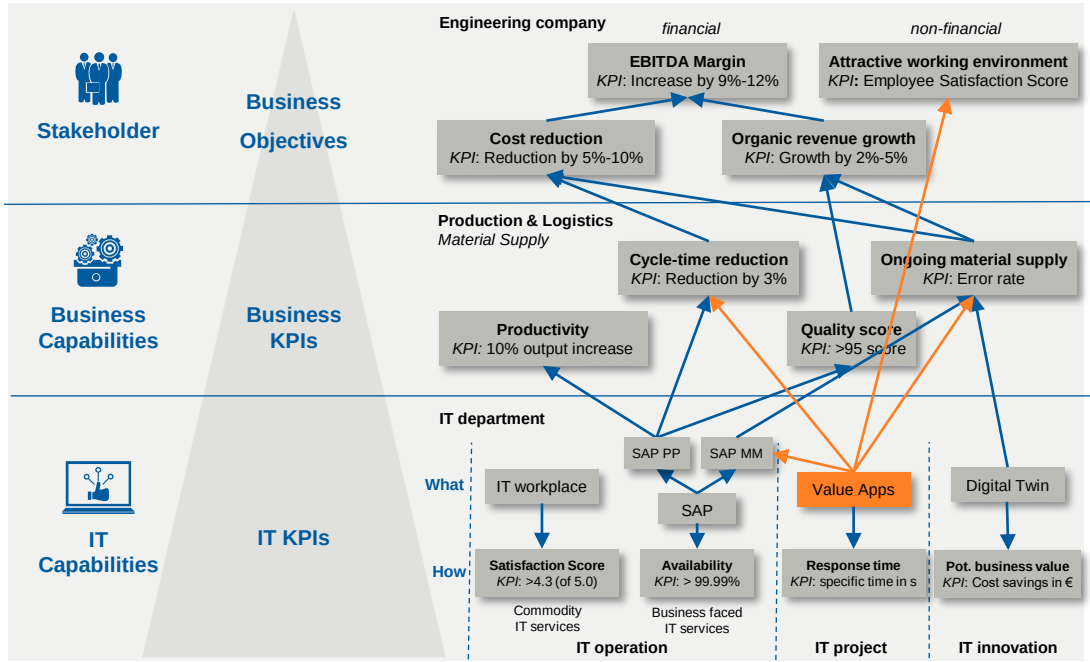
The communication plan creator acts as a tool for creating a targeted and recipient-oriented communication plan to transparently present the joint success



Deep-dive into challenges and possible solutions

Possible solutions on known challenges

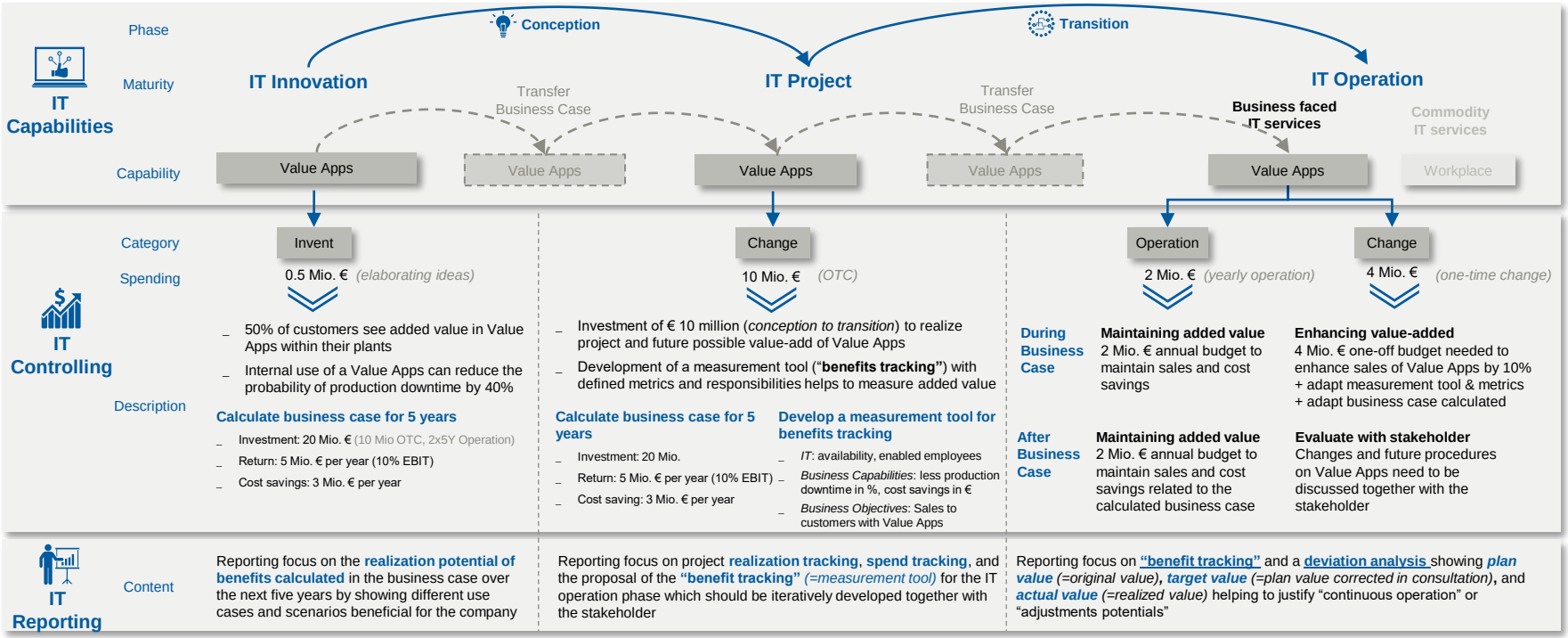
We identified possible solutions for known challenges regarding IT business value measurement along the framework levels and measurement points



Known Challenges	Possible Solutions
_ Missing transparency in business objectives, strategy, and metrics	_ Actively ask for business objectives across CxOs or management board using explanation sessions
_ Business strategy is not sufficiently communicated	_ Actively ask CxOs or individuals for a session to explain the strategy
_ Resolving conflicting business objectives across stakeholders	_ Councils with affected CxOs or stakeholders for priority clarification
_ Missing holistically overview of business capabilities and KPIs	_ Business capability modelling or similar overviews indicating capabilities of the business
_ Understanding of the business how IT can be partner of success	_ Business-IT relationship modelling
_ Identify KPIs to operationalise them so that IT business value is visible	_ Together with stakeholders define KPIs that are relevant and measure for both sides
_ Improvements in business operation are only IT-triggered and -implemented	_ Increase stakeholder engagement by showing that changing business operation by IT is as valuable as doing something new with a project
_ Justifying IT business value of commodity IT services	_ Measuring by external and internal evaluation
_ Inconsistent and disunite metric portfolio extended from IT to business	_ Development and deployment of a measurement tool including metrics at all levels with the business to have a common understanding and tool for measurement

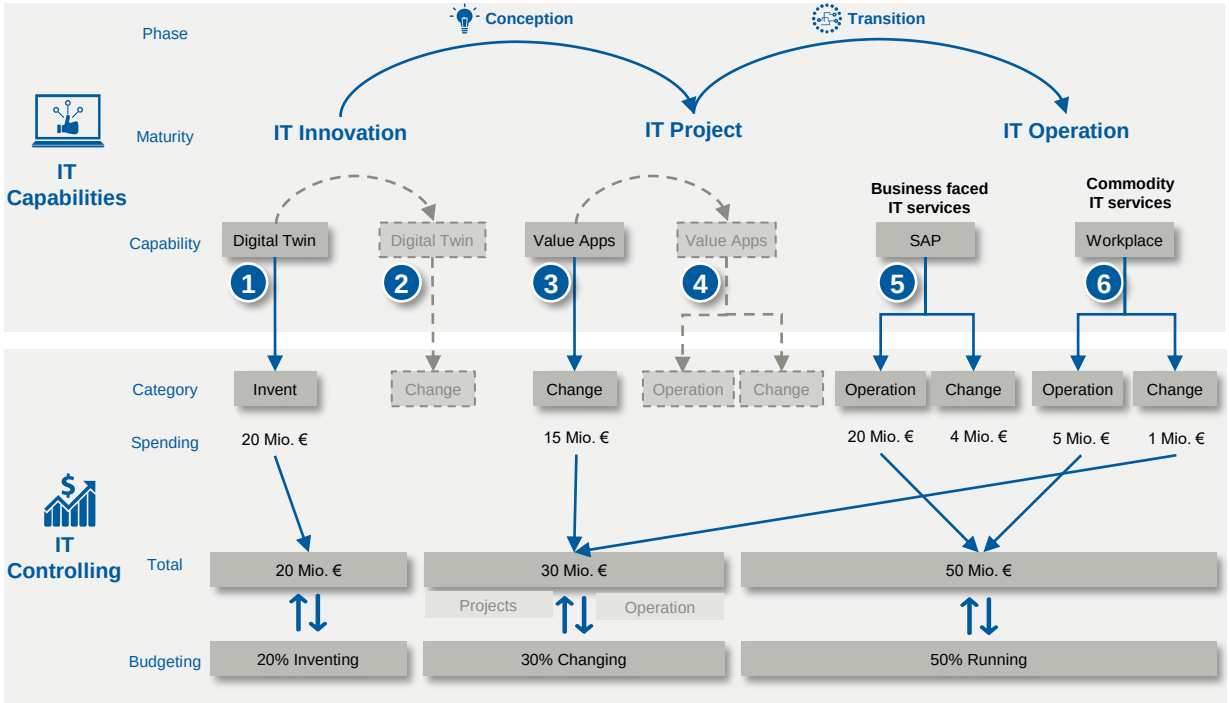
Value Apps – A concrete scenario

A concrete example of IT business value development and justification along the three IT capability maturity phases



IT business value scenarios

A general approach, how IT business value must be considered during IT capability maturity development



1 IT Innovation

Identify IT innovations that can **add value to the company in different use cases**. IT innovations can be worked out in more detail along the innovation pipeline. **Spending** is necessary to **identify and drive IT innovations**.

2 Concepting into Project

Calculation of a **business case** outlining the added value of the specific IT innovation for the company after project implementation.
The calculated added value should be used as a figure for the targeted IT business value contribution.

3 IT Project

Argumentation of the spending through the **business case** calculated in the Stage 2, including the expected added value for the company.

4 Transition into Operation

The business value calculated in the project must be achieved operationally. For this purpose, a **measurement tool including metrics (= "benefits tracking")** must be developed together with stakeholders and implemented during the transition to operation. Metrics could be standard IT metrics that apply to all services, but also metrics that are used depending on the case.

→ **Benefits tracking** is **basis** for a **common understanding** of **IT business value** and future spending in order to maintain or increase the added value.

5 Business-faced IT services

Operation: Spending must be done to maintain the existing IT business value

Change: IT governance regulates whether a small adjustment is made, or a separate project need to be set up.

Case "new project": Consideration as Stage 2.

Case "no new project": "*minor change*" + adaption of measurement tool

6 Commodity IT service

Operation: Spending must be spent to maintain the existing IT value proposition
→ Finding a balance between satisfaction and costs

Change: Based on user satisfaction and cost in the view of the stakeholder

One more thing – Commodity IT services

The combination of external and internal measurements enables an objective evaluation of IT services to find the right balance

„As soon as CIOs are asked about the value of commodity IT services, they should notice that they have done a bad job"

Internal evaluation

_ Internal customer rate IT business value of commodity IT services

_ Using **surveys** or **XLA** (Experience Level Agreement) & **DEM** (Digital Experience Management) to evaluate the **satisfaction score** of the respective commodity IT service

_ Stakeholder determine the to-be achieved satisfaction score

Find the balance where stakeholders are satisfied with the value of standard IT services

External evaluation

_ Commodity IT services are considered as a pure cost factor

_ Using **benchmarking** within the industry or similar sized firms

_ Stakeholder determine the optimal cost level

_ An objective view can only be taken by combining the measurements from external and internal perspectives

_ The results can be used to evaluate with stakeholders how commodity IT services can be managed to create the added value that stakeholders consider crucial

3W + 1H of IT Business Value

„3W + 1H of IT Business Value“

IT business value is the joint success of business and IT, measured by a conglomerate of qualitative and quantitative metrics relevant for the stakeholders under consideration

What is IT business value?

“Not a single value – more a conglomerate of metrics”

Stakeholder's **perceived positive value** and **satisfaction** with IT, as indicated by a **conglomerate of qualitative and quantitative metrics** relevant to the stakeholder

How to measure IT business value?

“Combining facts with perceptions”

IT business value is measured by **quantitative and qualitative metrics** on dimensions that are relevant to the respective **stakeholders**

What does IT business value show?

“Joint success beyond department boarders”

IT business value shows the **joint efforts of IT and business**, which is **visible to both parties** as an impact on business performance and contribution to business objectives

What is IT's fair share of the business success?

“Getting better together - not alone”

Either IT nor business can realize value alone – IT business value is the **value realized in the business** enabled **through IT capabilities** and **organisational capabilities**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