



IT Investments can be Compared to Other Investments



Jerry Lieberman
Decision Strategies, Inc.
DAAG 2009 Presentation

DA works for IT projects

My Perspective

- Traditional DA view
 - No really new DA
 - Option value examples
 - Value realization
 - DA paradigm: IT projects small - not worth DA
 - False: Value enabled may be very large
 - Illustrates “new frontiers for DA”
- Traditional IT approach
 - IT is a cost center – focus on cost minimization
 - IT value too difficult or controversial to count
 - “Trust me, this IT project adds value, but we cannot monetize it”
- IT investments can be compared to other investments



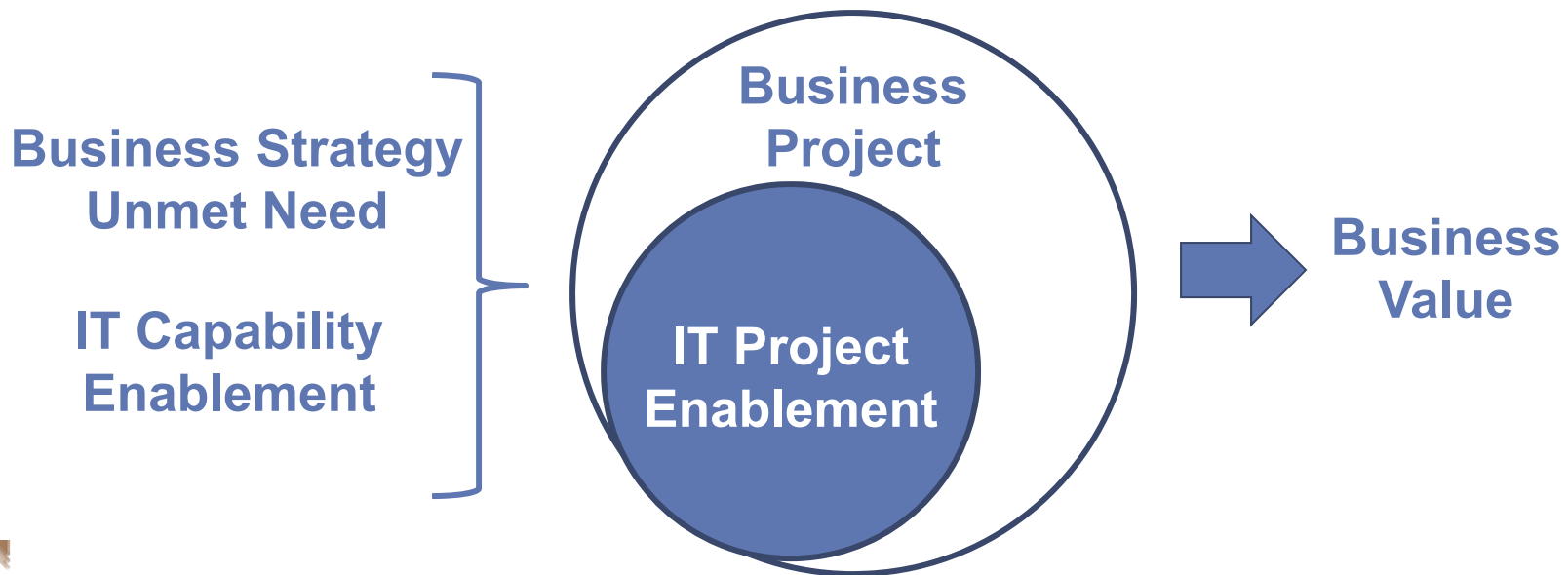
Core Team



Transform IT projects into business projects

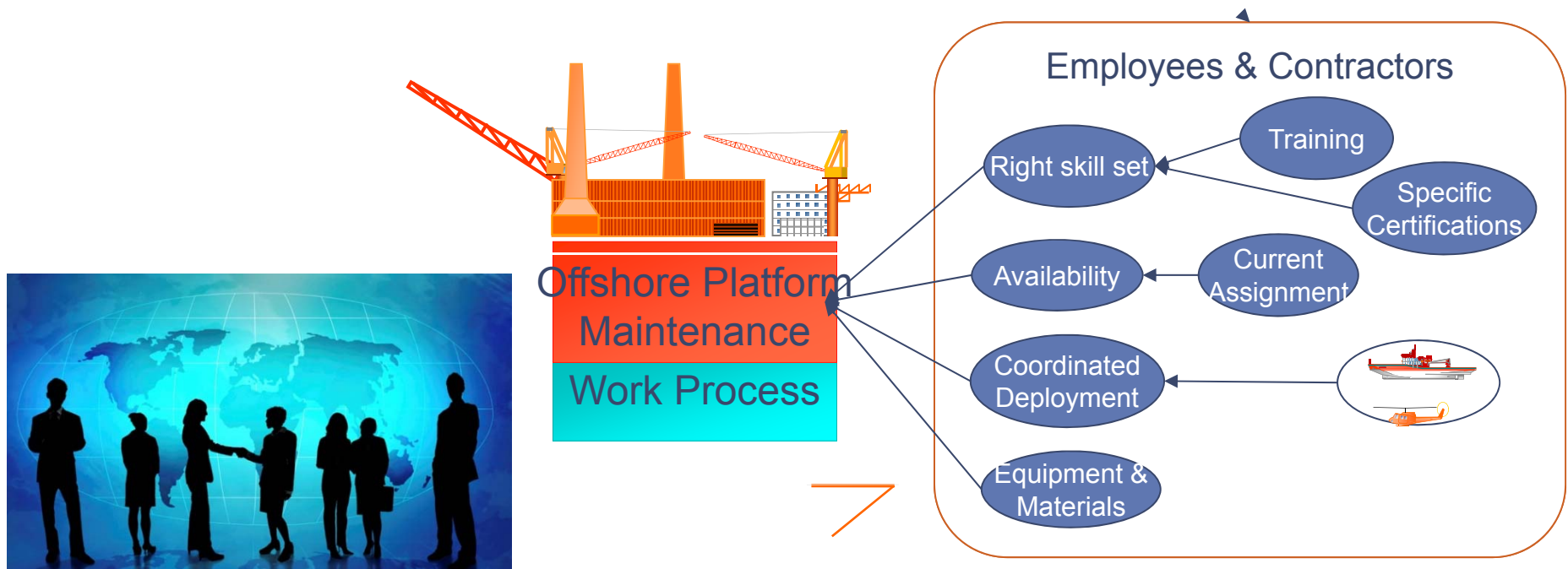
- IT as partner with the business

- Not just technical support
- Understand the business and speak its language
- Participate in business needs assessments and strategy forums
- Where can IT address unmet needs in business strategy



Business value enabled by IT

IT enablement of maintenance scheduling automation



- Business wants Maintenance module added to ERP system
- Parallel HR / IT project addressing HR request for "people data" from several SBUs
- "Common people data" enables maintenance work processes
 - Right people, equipment & materials to the right place at the right time

Synergy?

Business value enabled by IT (cont.)

Example: Increased revenue

- Maintenance benefit
 - IT project provided common information for maintenance
 - Maintenance module automated scheduling
 - Revised work process leveraged new capability
 - Maintenance supervisor used these new capabilities
 - **Results**
 - Problem wells back in production sooner
 - Increased oil production and revenue
- Other IT enabled business benefits
 - Increased revenues
 - Improved business cost efficiencies / productivity
 - Greater business flexibility
 - Reduction in time to market
 - Higher value business workflows
 - Higher value decisions
 - Reduced risk



IT project NPV: \$5 MM
Business NPV: \$85 MM

Optionality: What else could common people data enable?

Value from getting the frame right

Aspect of DA neglected at your peril

- IT infrastructure monitoring project – initial approach
 - Worldwide infrastructure: Network links, servers, storage, apps
 - Mitigate false alarms & “all hands on deck” scrambles for outages
 - Purchase tool to correlate monitoring devices
- Second try from interviewing business stakeholders
 - Skepticism: “Boiling the ocean”
 - Reframe to pilot solution
 - Business value: Reliable infrastructure to trust for their workStakeholders
 - Not just detecting outages, but also low performance levels
 - Willingness to trust business solutions to global apps centrally hosted
 - New alternative: Simulation of user experience



> \$100 million NPV

**↑
Optionality?**

Value Realization - guidance for implementation

If people do not use the new capability, then it has no value

- IT project implementation deploys / tests the IT capability
 - Risk of losing or destroying value
- Value realization is planning for implementation success
 - Training
 - Support
 - Re-engineering business work processes to leverage capability
 - New data interfaces, clean-up and migration
 - Behavioral change management
 - New organizational capability (roles, incentives, etc.)
 - Adequate resources / staffing
 - Avoiding business disruption
 - Value accountability / project champions
 - Metrics



Implementation Plan

Page 7

© 2009 by Decision Strategies, Inc.

Until the value proposition is realized in the run org, it does not improve the bottom line

Example: Supply chain management – effective adoption

- Supply chain management system at large manufacturer
 - \$50 MM NPV
 - Large upside / downside risks
 - Adoption rate
 - Usability
 - Data and systems reliability
 - Achieving 100% effective adoption on day 1 would increase NPV by hundreds of millions
 - How much could really be achieved?
 - One idea: Change agents in each business unit
 - Power users trained first and sent to SBU
 - Accountable for effective implementation
 - Added 25 FTEs and cost added \$50 MM
 - Added benefit of \$250 MM

- **Incremental NPV: \$200 MM**
 - **Easy value trade-off decision for management**



IT can create value for the business that can be compared to other business investments

Key take-aways

- Partner with the business IT supports
 - Focus on and assess value enabled for the business
 - Good framing and alternatives can enhance value
 - Value realization ensures that value is both realized and maximized
-
- **IT investments can be compared to other investments**
 - **Apply DA to IT projects at your company**
 - Business value enabled can be large

