cassie

How to measure IT's business value contribution

Guide

Introduction

As companies increasingly rely on digital technologies to enhance operations, improve customer experiences, and innovate, the need to measure IT's contribution to business value becomes paramount.

IT is no longer just a support function; it is a strategic enabler that drives business transformation and competitive advantage. From streamlining operations to enhancing customer engagement, IT initiatives play a pivotal role in achieving business goals. As such, measuring IT's business value is essential for aligning technology investments with organizational objectives and ensuring that IT efforts contribute to overall success.

Despite its importance, measuring IT's business value can be a daunting task. The benefits of IT investments are often intangible, indirect, and spread across various departments and functions.

Different stakeholders have varying perceptions of value, making it difficult to establish a unified framework for measurement. This guide aims to address these challenges by providing a comprehensive approach to evaluating IT's impact on business outcomes.

By understanding and quantifying IT's business value, companies can make informed decisions, optimize their technology investments, and demonstrate the strategic importance of IT to stakeholders.

Understanding value perceptions

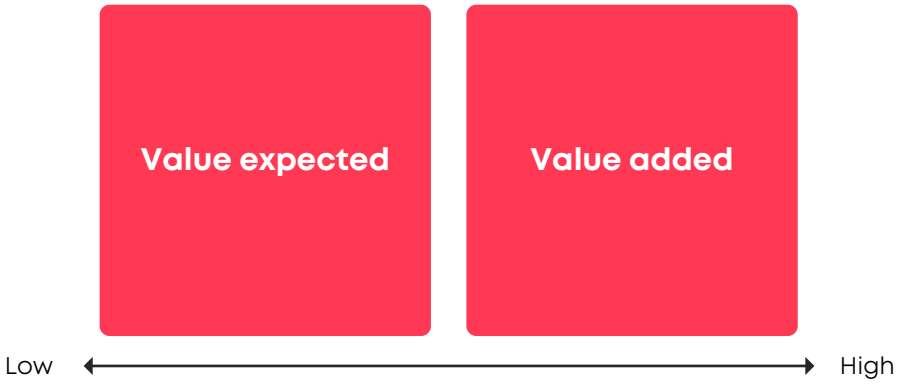
What is considered valuable can be different depending on who you're speaking to. Someone in marketing, for example, will find metrics on customer acquisition costs and conversion valuable. Whilst the operations team would want to know metrics that directly impact the efficiency, reliability, and cost-effectiveness of business operations. This is why when seeking to build a case for IT's entire business value contribution, it's essential to understand the different perceptions of value within an organization.

Regardless of department, these can be broadly categorized into:

Value expected: This includes basic expectations such as IT performance, vendor performance, and volume-driven metrics. It's the foundation of managing IT investments effectively.

Value added: This represents the impact of IT on business outcomes, such as service expansion and reduced cycle times. It's about demonstrating how IT initiatives contribute to the overall success of the organization.

Value expected has a low impact on stakeholder decision making, whilst value added has a much higher impact. This is because value expected is business-as-usual to keep the lights on and value added is driving change initiatives.



Influence on stakeholder decision making

Identifying the type of value impacts

These values can then be positioned in line with the impact they're likely to have on stakeholders confidence in your business value contributions.

Value expected is the starting point for measuring IT's contribution. It involves managing IT resources efficiently and meeting basic performance standards.

Key metrics in this category include:

- IT performance metrics: Uptime, response times, and system reliability.
- Vendor performance metrics: Service level agreements (SLAs) and vendor compliance.
- Volume-driven metrics: Transaction volumes, user counts, and system usage statistics.

Value added goes beyond basic expectations and focuses on the tangible impact of IT on business outcomes. Metrics in this category include:

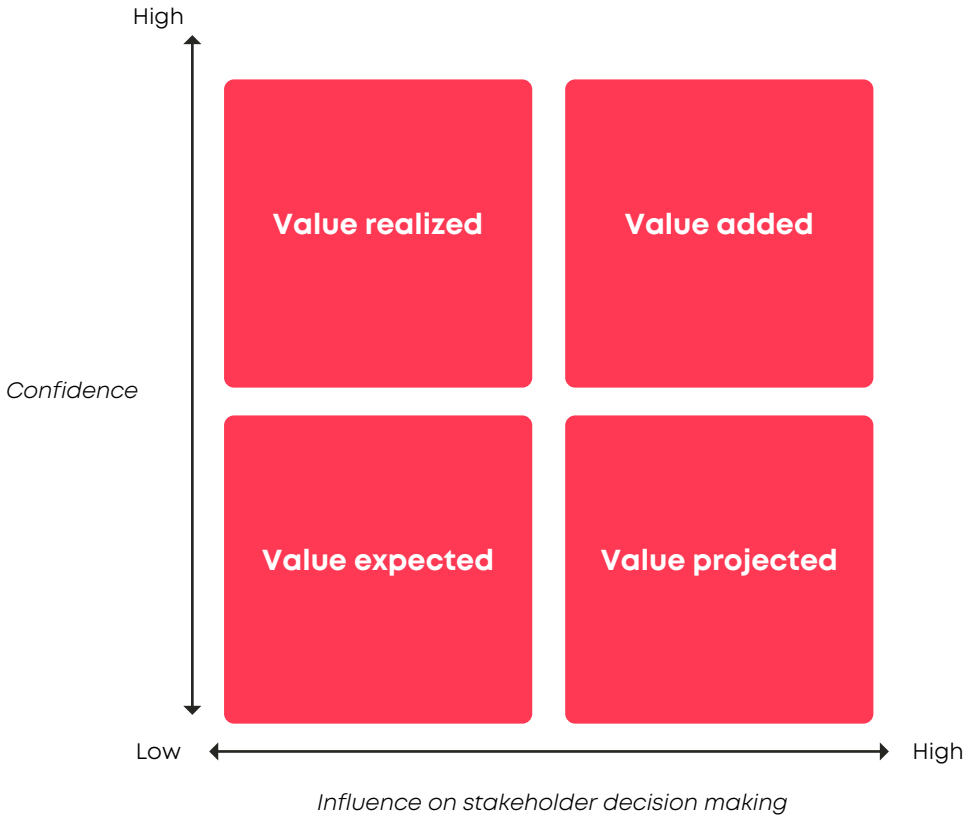
- Service expansion: New services or capabilities enabled by IT
- Cycle times: Reduction in the time required to complete business processes

Value realized is the long-term results of consistent IT contributions, usually building into the overall brand perception of your organization.

- Customer satisfaction: NPS, CSAT
- Financial performance: ROI, cost savings
- Operational efficiencies: Time to market, process improvements

Value projected refers to the anticipated future benefits and impacts of IT initiatives. It involves forecasting the potential value that IT investments will bring to the organization over time. This forward-looking perspective helps in strategic planning and decision-making. Here are some examples of value projected metrics:

- Projected revenue from IT initiatives
- Projected cost savings from IT intiatives
- Projected risk reduction
- Projected customer growth



Translating IT outcomes into business outcomes

One of the biggest challenges in measuring IT's business value is translating technical metrics into business outcomes that stakeholders care about.

As mentioned, value is perceived by the stakeholder. You need to enable value whilst speaking their language. If you can identify where your value gaps are based on the above matrix, you can then decide how to best approach stakeholders in order to generate buy-in.

At the end of the day, the board doesn't care about value expected. Or at least, they don't want to hear about it.

Most organizations sit in the 'value expected' category; they're achieving what they need to but fail to step outside of their remit to push into the value added and projected metrics that can drive higher influence.

To start translating IT outcomes into business outcomes, you need to start with cost metrics that demonstrate you're confident in managing money and can drive financial value. Fundamentally, if you're not demonstrating how you're making money, why would the business invest?

You can start to do this by benchmarking IT costs against industry standards to demonstrate efficient money management.

Calculating ROI for IT Investments

Calculating ROI (Return on Investment) will help quantify the financial benefits of IT investments, making it easier for stakeholders to understand the value IT brings to the organization.

ROI is a crucial metric for evaluating the financial performance of IT projects. It helps organizations determine the profitability of their investments by comparing the benefits gained to the costs incurred.

Steps to calculate ROI

1. Identify costs:

Initial costs: Hardware, software, implementation, and training expenses.

Ongoing costs: Maintenance, support, and operational costs.

2. Identify benefits:

Direct benefits: Increased revenue, cost savings, and productivity improvements.

Indirect benefits: Enhanced customer satisfaction, improved decision-making, and competitive advantage.

3. Calculate net benefits:

Net Benefits = Total Benefits - Total Costs

4. Calculate ROI:

ROI (%) = (Net Benefits / Total Costs) x 100

3 key considerations for accurate ROI calculation

Example calculation

Let's consider an example where an organization invests \$100,000 in a new IT system. The expected benefits over a year include \$120,000 in increased revenue and \$30,000 in cost savings. The ongoing annual maintenance cost is \$10,000.

Total Costs: \$100,000 (initial) + \$10,000 (ongoing) = \$110,000

Total Benefits: \$120,000 (revenue) + \$30,000 (savings) = \$150,000

Net Benefits: \$150,000 - \$110,000 = \$40,000

ROI: (\$40,000 / \$110,000) x 100 = 36.36%

Time frame:
Ensure the time frame for costs and benefits is consistent.

Risk adjustments:
Account for potential risks and uncertainties that may impact the benefits.

Stakeholder perspectives:
Different stakeholders may value benefits differently, so consider their perspectives when presenting ROI.

Meet Cassie:
The CMP built to centralize consent

Powered by Syrenis, Cassie is a Consent Management Platform (CMP) that centrally manages over 1.2 billion customer records for organizations handling high-volume, complex data worldwide.

With Cassie, businesses can:

- Centralize consent data in real-time across systems, third-party suppliers and channels
- Deliver more effective and personalized communications when consumers want it
- Achieve global compliance with data privacy regulations like GDPR, CCPA and HIPAA

With Cassie, you're in control. The platform can be as complex or as simple as you need it to be, with out-of-the-box functionality as well as advanced configurability to meet business needs.

Recognized by Gartner® as a market leader in consent management:

"Fully customizable, Cassie has developed a deep and rich feature set across all four service categories especially where integration is concerned, equally handling data from legacy systems through data loader functions and complex CRM APIs."

Consent and Preference Management Market Guide

Gartner®

Compliance without compromise

If you would like to learn more about how we can help you on your compliance journey, our team of dedicated consent and preference management experts will be able to guide you every step of the way.

UK Office
0800 368 7842
+44 20 4551 9501

US Office
+1 844 585 6264

Australia Office
+61 2 5119 5048

info@trustcassie.com

trustcassie.com/contact

cassie