Eight Ways to Boost Your Return on IT

By Mark Ball Print

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IT executives need to focus on maximizing their return on information technology for both current and future projects.

By Mark Ball The current economic environment presents many challenges for IT executives, since reduced budgets and increased financial scrutiny make it difficult to manage existing operations and still have room to make investments in new technologies. To succeed, IT executives need to focus on maximizing their return on information technology for both current and future projects. An ROIT focus pushes the organization to make the most efficient use of its capital, by managing and driving performance metrics that maximize financial value. The concept of ROIT is simple: A project's financial benefits must be greater than its costs to deliver positive returns to the organization. However, calculating a project's specific ROIT value is a notoriously difficult exercise, since not all IT investments produce measurable financial benefits. Even so, this shouldn't prevent IT executives from measuring and influencing the fundamental drivers of ROIT—cost savings and revenue enhancements—to optimize the value of their IT portfolio. Below are eight practical suggestions to enable IT executives to boost their company's overall ROIT:

1. Analyze your IT spend. Savings opportunities can be identified by organizing IT spend into categories and analyzing the results. How much money is the company spending with its largest IT vendors? Are there categories where spend can be consolidated into fewer vendors to achieve scale economies? Are there categories with too-few or monopolistic vendors, where competition can be introduced to reduce costs? A thorough understanding of the company's IT spend will highlight areas where savings can be achieved and vendor performance can be improved.

2. Introduce value contribution metrics. Common IT performance metrics such as system availability, trouble-ticket resolution and response times are important measures of operational stability, but they may not capture whether an IT project or asset is actually delivering value. Value contribution metrics such as cost savings, productivity gains, customer satisfaction and cycle times can be powerful indicators of the benefits delivered to the organization. Smart IT organizations continually revisit their performance metrics to confirm that they are aligned with the company's strategic goals and enable management decisions.

3. Manage asset utilization. Periodic utilization audits of IT assets will confirm whether the number of units under maintenance isn't greater than the number actually deployed and used. Underutilized IT assets result in increased maintenance costs and/or untapped value. If there is a significant gap, IT executives should either find ways to increase utilization, via user training or management communications, or renegotiate maintenance terms with the IT vendor and "true-down" the number of units owned.

4. Consider "lease versus own" decisions. Often, a third party can manage IT assets and provide additional solutions more efficiently, more economically and with higher quality than the company's IT organization. "Pay by the drink" business models also offer additional flexibility and scalability. Cloud computing, outsourcing and other mechanisms can be leveraged to shift the costs of owning and maintaining expensive IT assets to a third party. However, IT executives should weigh the strategic implications of these opportunities—including their effect on management control and business risks—against the economic implications.

5. Don't forget top-line performance. For appropriate IT assets and projects, the organization should capture metrics that influence revenue, such as improvements in lead generation, online traffic, number of customer transactions, sales cycle times and conversion rates. Revenue-oriented metrics will also enable IT to strengthen its relationship with the marketing and sales groups in order to jointly explore further opportunities for business growth.

6. Empower an IT Governance Committee. An IT governance committee should be engaged to

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evaluate the performance of the IT portfolio against the value contribution metrics, and to drive future investment decisions. The committee, which should include executive stakeholders from other business units, should be given sufficient authority to hold IT accountable for delivering results. When properly engaged, the IT governance committee can serve as both an advisory council and an important ally for IT in the quest to forge deeper relationships with the company's business units.

7. Encourage innovation from employees and vendors. IT executives should establish collaboration mechanisms to allow employees to share creative methods for delivering improved results. Vendors can also be leveraged in this regard, since they know what techniques other clients are using to achieve maximum value from their products and services. Strategic vendors should be invited to present new ideas to boost the company's ROIT.

8. Broadcast results. An IT dashboard is an excellent mechanism to monitor and broadcast IT performance. But it is important that is dashboard be visible outside the IT organization, to allow other business units to understand the value IT is providing. Broadcasting results also keeps the IT organization sufficiently motivated toward continuous improvement.

IT organizations would greatly benefit from an increased focus on measuring and improving return on IT. Implementing these tips will allow IT executives to gain increased visibility into the value and performance of their IT assets and projects, so they can make sound investment and management decisions.

Mark Ball is the managing director of Emerging Sun, a Washington, D.C.-based management consulting firm that offers IT strategic services, including IT acquisition support, IT portfolio strategy, program management and technical support. He can be reached at mark.ball@emergingsun.com.

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D Ball - 9 years ago

Excellent article. Full of information that is usable immediately. Rule of thumb: investments must carry returns that are either tangible or intangible, even if you cannot quantify it. One of the problems now-a-days is that organizations lack the necessary skill to measure ROI. Great tips Mr. Ball!...

Reply

Gregory Martin - 9 years ago

These are excellent suggestions to boost your ROIT! I often overlook opportunities that a thorough understanding of my company������s IT spend would highlight areas where savings can be achieved and vendor performance can be improved. We look forward to more of these types of tips....

Reply

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