

# Using IT to Generate Improvements in Business Performance

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*How can an IT organization proactively generate improvements in business performance?*

- To generate significant bottom line improvements in business performance, IT must move up the value chain to be an originator of business improvement ideas rather than simply an implementer
- This new role requires IT professionals to gain deeper business knowledge to accompany their technical skills and to work more closely with their business peers to seek improvement opportunities
- The greatest improvements in business performance come from applying technology to the areas of the business that provide the greatest contribution to the bottom line. Think of areas such as sales and product development rather than HR and automating clerical functions

Technology offers enormous potential to bring significant improvements in bottom line business performance, yet is often applied in ways that are incremental at best. Although the IT organization is responsible for applying technology, its role is often limited to the implementer of a selected technology rather than the driver for finding ways to derive the greatest benefit from a new technology. This role woefully underutilizes IT and misses the opportunity to generate breakaway improvements in business performance and shareholder value. For IT organizations not content to be marginalized as generic back office functions, the days of being the implementers and operators of other people's ideas must draw to a close.

## **The Value of an Idea**

Developing a high value business solution takes three major steps. The first step is the recognition of an opportunity and the creation of an idea to take advantage of that opportunity. The second step is translating the idea into a solution design that addresses the people, process and technology actions needed to implement the idea. The third and final step is the implementation and deployment of the solution design. All three steps are essential, but differ in value and objectives. The idea creates potential value. For example, an idea to enable field support technicians to sell replacements for the products they service may open a new sales channel that can generate \$ 2 million a year in additional revenue. This idea has high value and business executives are willing to pay for it and the services needed to implement it. It also requires strong company and industry-specific knowledge of the business, an understanding of its underlying processes and a broad view of technology and how it can enable a creative solution. Turning the idea into a solution design requires more detailed and focused skills. It still requires company-specific knowledge, but also needs non-specific skills in process redesign, system architecture and project planning. The solution design generates value by finding ways to increase the benefit provided by the idea as well as more cost effective ways to

implement it. The final step, implementation, requires skills specific to the solution and the technologies chosen rather than company-specific skills. It represents the bulk of the costs needed to get to the value of the solution, and its only possible contribution to the overall value generated by the idea is through cheaper and faster delivery. If implementation costs \$ 500,000, then the net value of the idea is \$ 1.5 million. If the cost of implementation can be driven down to \$ 300,000, the net benefit rises to \$ 1.7 million.

Understanding and taking advantage of the differences between these steps is essential if an IT organization is going to move itself up the corporate value chain. Traditionally, IT organizations earn their keep by performing the third step, implementation and parts of the second step, solution design. At these levels, it is of little wonder why executives are always pressuring IT to cut costs! Further, the skills required at these levels are more generic (i.e. less specific to a particular company) and becoming increasingly commoditized. Commoditization through alternatives such as offshore outsourcing plays into corporate desires to cut implementation costs, but reduces IT's ability to provide unique value to its company.

### **Moving from Implementer to Value Generator**

If an IT organization seeks to be more than a low cost provider of implementation services, it must move up the value chain and use its knowledge of the company and available technologies to generate high value ideas to increase revenue, improve efficiency, and enhance overall business performance. Structurally, IT organizations are well positioned to make this move. Given the importance of technology and information systems in all facets of business execution, IT is one of the few entities with an end-to-end view of corporate operations. IT can capitalize on this view to identify improvement opportunities that cross organizational borders, but to do so requires taking a big picture view of its activities.

Moving up the chain requires shifting attention away from generic IT activities and services to focus on gaining company-specific business knowledge and seeking opportunities where technology can provide a radical change in current processes. Making incremental tweaks to existing applications is not sufficient. Instead, form synergistic partnerships with executives, managers and staffers in the business areas that contribute the most to your company's bottom line. For example, a ten percent improvement in the effectiveness of your company's production capabilities or sales efforts will have a much greater impact on shareholder value than a ten percent improvement in the HR department's performance. Combining IT knowledge with business expertise creates a new way of looking at and improving business performance. Business people are experts in their jobs and processes, not technology. Immersed in the details of daily operations, they have little time to keep abreast of changes in technology and how new capabilities can reshape their efforts. Conversely, many IT professionals have a strong understanding of technology, but lack the background in their underlying businesses to see how to apply new technologies in more than incremental ways. Pairing business and IT experts builds on strengths and compensates for weaknesses. Together these teams can identify and pursue opportunities that would otherwise be missed.

## Action Items

- Make a conscious decision to move IT up the value chain. Understand that this decision has ramifications on strategy and focus, individual objectives, training plans and hiring profiles.
- Consider outsourcing IT functions and activities that provide little unique value in order to free resources and management attention for identifying unique, high value opportunities to improve business performance.
- IT organizations often fund advanced technology teams to keep abreast of the latest technology developments. Fund an advanced business practices team whose focus is to keep abreast of the corporate business processes, industry best practices and promising uses for technology. Reward the team based on the quantity and quality of the high value business opportunities it identifies.
- Implement a job rotation program that places IT staff in business positions to gain a better understanding of how the company operates and to seek opportunities to gain advantage from technology.

***About Clarity Consulting, Inc.***

*Clarity Consulting, Inc. is a management consulting firm specializing in Information Technology strategies and emerging trends in areas such as outsourcing, process redesign, efficiency enhancement, productivity and service level metrics, service offering development, and IT product and service positioning..*

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