

IT doesn't add value... Or does it?

"IT doesn't add value!" I have heard this often from non-IT executives. And sometimes IT doesn't *add* value, it is true, but IT does *provide* value. At every level of the organization. This article will help IT Directors have a useful discussion with other non-IT executives on the nature of value, and on what real value IT *actually provides*.

Let us talk about value. It is strange to me that we often use the word value without understanding what it really is. In business terms value has the following characteristics:

- **Value is relative:** It is self-evident that the cost of achieving value should be one side of the equation. The cost / value equation also allows relative investments to be compared. But value may be derived irrespective of cost – For example, compliance with regulations is costly with no monetary benefit, but the value of fulfilling legal obligations is unquestioned. Many other organizational assets are equally intangible (for example, reputation, morale, innovation, agility), and the value of sustaining these is equally important.
- **Value has merit:** It is deserving of attention. It is seen by the organization as the right thing to achieve. It is commendable. So, while compliance with (say) GDPR (General Data Protection Regulation) will definitely cost the organization, and continue to cost over time, the merits of protecting personal information are sound.
- **Value is subjective:** Value does not exist independently of an individual or organization. Therefore, something that may be valuable to one organization or individual, may be valueless to the next. It then becomes important to define value from the viewpoint of the beholder. A risk manager will value something differently from an innovator. A CEO may value IT differently from the rank and file in the organization. An accountant may have a different value mindset from a marketing executive.
- **Value must be recognized:** This is the crux of the IT value paradox. We "know" that IT adds value, but unless we can label, explain and often enumerate that value, it remains valueless.
- **Much of IT value is not ROI (Return on Investment) positive:** This is another difficulty for IT. Much of their work is not directly attributable to direct revenue. Running the infrastructure and systems that enables business operations may not add value, but it does preserve the value of current business operations. Similarly, the value of system maintenance and patching has little direct ROI, but it has NPV (net present value) merit. It allows the organization to sustain its systems into the future.

As you can see, value is more complex than initially one would think.

Here are six types of value that I believe IT provides their organization:

Preservation value

The running of existing infrastructures, systems, applications, and IT governance, amongst the many operational activities, preserves the value of the business operation. Applying fixes quickly, running cost efficiency exercises, monitoring system and infrastructure performance, all preserve organizational value. It is simple (but unnecessary) to enumerate the preservation value of IT – it is the value of the operating organization. Preservation value should be recognized but not necessarily calculated. It is good enough for IT that "preservation value" is on the agenda. Neither should preservation value be

used as a threat. No IT Director should say: “Let them see what happens if I switch off the hardware! Then they’ll be sorry.” Preservation value is the basic mandate of IT in any organization. It is the first reason why IT exists.

Sustainability value

There are numerous IT activities that have a value which will only be realized over time, or at some future point. Disaster recovery planning is a good example. While there is a negative ROI for immediate disaster recovery planning, the future value of having a DRP is manifest. (more importantly the potential loss is considerable). Other sustainability value activities for IT are: Maintenance and upgrades, training, succession planning, architecture, strategy and planning. Similarly, IT activities that comply with regulations, sustain the value of the organization.

Value unlock

In 2016, a study of 1,800 software programs, installed on 3.6 million desktops, in 129 companies, across 14 different industry sectors, all over a four-year period showed that US companies don’t use 37% of installed desktop software, while in the UK the figure was 26%. (*CIO.com: The real cost of unused software will shock you*).

The above study was of desktop software only. What unused functionality resides in enterprise systems? It must be appreciated that all packages strive to provide the highest common factor of functions for all their clients. But these are still common functions for the widest possible client-base, and as such some functionality may be unusable in specific organizations. However, much functionality that has been purchased is unused.

Value unlock also applies to unlocking the value available in database through analytics, or through the simple expedient of making data integrated and available to business units for analysis, or in training of staff where they are allocated to inappropriate tasks.

Another form of value unlock is in discovering Shadow IT applications and integrating them (if appropriate) with existing systems, securing them and bringing their data into the ambit of IT data management.

The inherent merit of value unlock is that it engages applications, functions, data, skills and capabilities that have already been paid for. As such, unlock value is imminently enumerable. Importantly value unlock is available now – it is a quick win for IT Directors.

Added value

This concept is often used as an all-encompassing term for all value. However, CIOs need to be more precise, because inherent in the term is the concept of addition (rather than preservation, sustainability, and other forms of value).

Added value should be defined from an IT perspective as: “the value that is added to existing operations, functions, and capabilities”. This perspective implies that something already exists, and its value is being enhanced. Usually added value can be expressed in ROI terms. Certainly, current measures of the process, or functional value should be available, and the additional value can be computed.

Created value

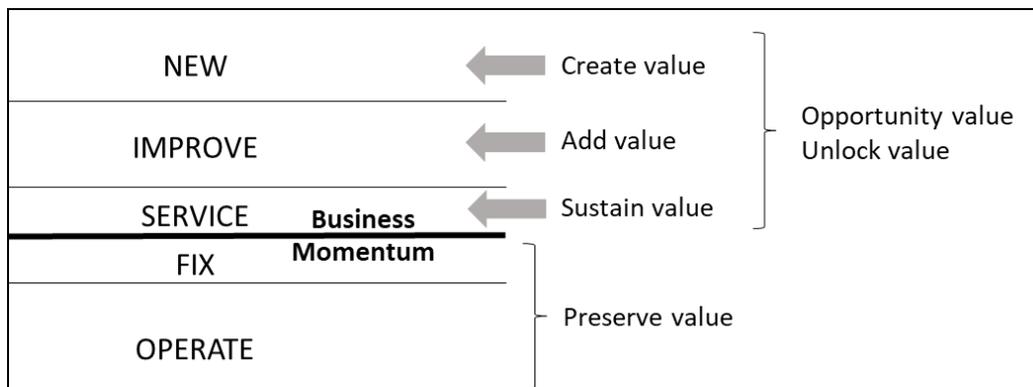
This value differs from added value in that the capability, function, process, product, service or capacity does not exist within the organization. This is where ROI plays an important part, but in a disruptive environment, the value may have merit in merely providing the same new services as competitors, or even overtaking them.

Opportunity value

An often neglected, but critically important value that IT contributes, is to provide the organization with opportunities that are not yet unavailable to them, or that are needed to execute on a strategy. This is a mirror of opportunity costs. One organization approved a business case for a critically needed network upgrade, based entirely on the opportunities provided by the upgraded network, that allowed them to execute their strategy. There was no direct ROI. The network upgrade was shown to enable twenty-two of their twenty-nine strategic initiatives.

IT has provided, and will continue to provide, new channels for engaging customers, suppliers and the community. So much so, that the provision of new channels by IT is often discounted by executives, yet it remains one of the key value contributions of IT.

I have spoken about the Three Role / Momentum (3RM) Model in previous articles. would like to talk about the value that IT provides using some elements of the 3RM. I want to remove the roles from the 3RM and just leave the layers. Then I will add the types of value I have discussed, to get the following diagram:



The reason I put the value discussion into the layers, is for communication. It is much easier to discuss IT value using the business momentum concept, and the various layers of the 3RM, than to pull out a list of bullet points.

IT provides value – there can be no doubt. It may not add value, but that may be because the business is not improving its operations using IT. If you recognize and lists the value that IT provides in these six categories, the amount of IT value is clear. But it is important for IT Directors to actively identify, name, describe and count this value. Otherwise the “IT costs too much and doesn’t add value” dialog will continue.

These categories of value are not absolute, rather they provide a basis for categorizing value, and help IT Directors move away from the value-add trap, in recognizing other types of value.

I recommend that the place to start, is introducing the value terms to the language of the business, categorizing other department's value in conversations and on agendas. Once the terms are accepted, then IT can reveal their own value contributions.