Building
Tomorrow's Enterprise

White Paper

Infosys®

Being On-Value: Overcoming IT's Biggest Challenge

There are two well-established and widely accepted metrics for measuring IT-enabled program and project outcomes: "on-time" and "on-budget". There is a third metric, which due to today's 21st century business realities is even more important; being "on-value". For their part, CIOs find "on-value" to be the most challenging metric to achieve. This is primarily because too few executives (CIO and business executives) overtly take responsibility for programs being "on-value".

The result is a serious ROI shortfall problem that calls for a new approach; a commitment by business and IT management alike to achieving unambiguous value results as the most important outcome of major investments in IT-enabled solutions. IT executive management can play a key role here by driving the awareness of, and commitment to, "on-value" as an enterprise-wide outcome.

The Quest for ROI Assurance Gets Serious

During the latter half of 2010, Forrester Research surveyed 1007 North American and Western European companies about current and upcoming IT services priorities. Among the most notable findings, presented in their 2011 Services Outlook Report, were the responses to the question: "Which actions do you expect your company to take in the next 12 months as a result of current economic conditions?"

The number one choice, selected by 69% of the respondents, was "Increase the requirement to justify the ROI for IT projects." The second choice, selected by 57% of the respondents (most of whom most likely selected the ROI option as well), was "Accelerate certain projects to realize cost savings sooner."

The challenges and opportunities that shape today's business imperatives are in many ways are tied to advances in IT. Businesses must embrace change and adopt business practices enabled by new and emerging technologies to gain competitive advantage, create new products and services, acquire additional market share, and increase revenues. This means investments that target revenue and assets increases, as well as cost savings, are very important. Lack of IT vision and failure to invest puts companies at a competitive disadvantage.

At the same time, money is tight, IT budgets remain consumed by operations and maintenance costs, and the specter of economic uncertainty hovers over every investment. Therefore, CIOs and IT managers, faced with increased demands to do more with less, must invest in programs and initiatives that have more assurance they will maximize the business value.

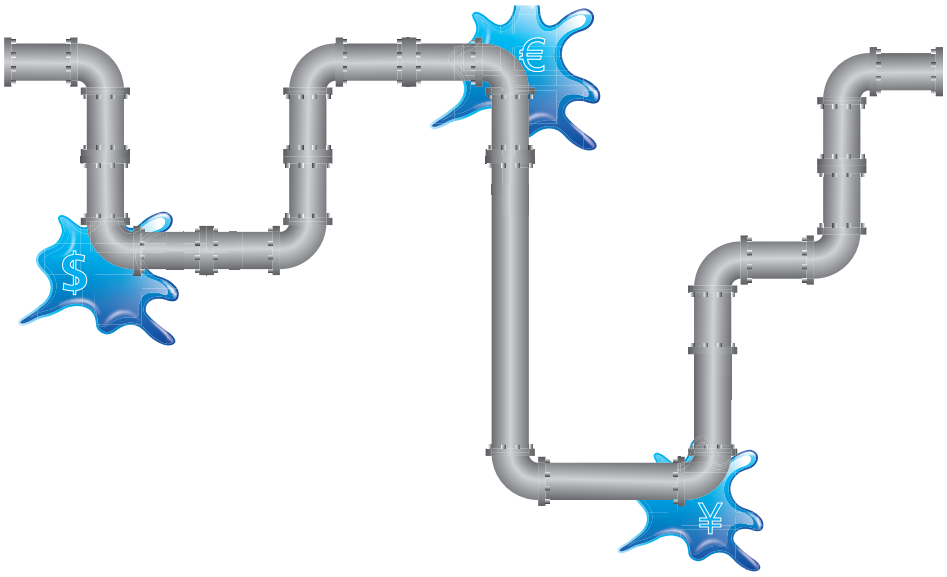
These imperatives combine to require that any investment in IT-enabled solutions must be not only on-time and on-budget, but also on-value. However, given their long experience with, and the constant pressure to deliver on established measures of success, CIOs' focus naturally tends to be on the first two requirements, not the third. However, although CIOs are increasingly responsible for focusing on ROI, responsibility for delivering it should not fall entirely on them alone.

Beware of Value Leaks

Every IT organization sets out on each new initiative with the best of intentions. Nevertheless, missed schedules and cost overruns do occur and outcomes do not always meet expectations. The same is true of IT program business cases, which often bring to mind the classic cartoon showing two men standing in front of a blackboard.

Written on the blackboard is a complex mathematical formula. Inserted in the middle of the formula is the phrase, "Then a miracle occurs." Pointing to the words, one man says to the other, "I think you should be more explicit here in step two."

Like the formula in the cartoon, some IT business cases lack the detailed information and evidence necessary for making sound investment decisions. Such shortcomings can lead to decisions based on erroneous assumptions and create obstacles that impede or even derail the quest for ROI further into the program, for example:



- Benefits presented without hard evidence or backed by unreliable data
- Intangible benefits ignored due to difficulties in quantifying them
- Concerns of key decision influencers not being addressed and risks inadequately identified
- Key benefits overlooked due to limited understanding of areas addressed by the proposed program / project
- No direct linkage to strategic value goals owing to a lack of awareness of those goals on the part of business case creators
- Arguments and evidence developed in the absence of a formal process and influenced by politics, not objective thinking

However, flawed business cases are not the only reason why many IT investments fail to deliver ROI. Even the most solid and well-documented business case cannot guarantee success over the life of the investment if there are shortcomings in the follow-up. Indeed, the reason why many IT investments fail to deliver expected results is due to a tendency on the part of senior management to assume that once the business case is approved, everything else will fall into place.

Such thinking invariably results in significant value leaks - opportunities for realizing ROI that could have been realized but were not because of avoidable missteps by management. Such missed opportunities lurk at every step of the IT investment decision-making and implementation cycle and are characterized by:

- Requirements, capability, and functionality decisions based on technical or scheduling, not value considerations
- Limited or no accountability on the part of management and staff whose decisions and actions have a direct impact on ROI
- Loosely defined benefits tracking leading to questionable outcomes, causing stakeholders to doubt the credibility of the process
- Lack of value realization oversight throughout the program lifecycle resulting in missed opportunities for corrective action

Here, too, obvious shortcomings are actually symptoms of a larger problems - adherence to ad hoc approaches to value realization and a lack of understanding of best practices to identifying opportunities for and delivering ROI. Solving this larger problem requires an unambiguous commitment on the part of senior management to make value realization the shared goal of every IT investment across every stakeholder organization.

Organizational Approach to Value Realization

Commitment from the top of the management chain is essential for focusing stakeholders on the critical importance of making business value the focus of IT investments, but it is only the first step. For value realization to be a shared effort there must be agreement on how to define and achieve it - supported by activities, processes, and tools to keep the investment on track and focused on delivering measurable benefits, such as:

- A shared vocabulary of value-based terms and concepts to enable different stakeholder organizations to articulate and agree on actions and goals
- Visual value definitions / explanations that are understandable to and promote buy-in among a large and diverse stakeholder population
- Common methodologies for determining what goes into each value-realization activity and how to carry it out - from creating business cases to tracking and measuring results
- A unifying framework to support the integration of interdependent tools, methodologies, policies, and procedures that are both easily understandable and simple to apply
- A knowledge repository comprised of reusable information, metrics, and outcomes that can be used for training purposes and applied throughout the IT investment life cycle by different organizations
- Mechanisms for integrating new and existing processes such as planning, performance management, budgeting, and outcome measurement
- A governance function to ensure that standard policies, procedures, and tools are applied when and where they are most relevant, keep activities on track, and promote and enforce the adoption and use of value realization best practices

- Consistent management leadership directed at implementing and adhering to best practices and delivering measurable ROI

However, like all good intentions, simply implementing process and tools is no guarantee that they will be carried out in a manner to ensure the identification and remediation of potential value leaks. Therefore, it is important that value realization activities be thoroughly reviewed for that expressed purpose.

Because value is a somewhat subjective topic, however, such reviews are essentially a consensus-based process requiring more experience and judgment than precise metrics. For this reason, they should be relatively easy to conduct and focus on common sources of major value leaks identified by observable characteristics. Scoring should be based on the judgment of key senior managers, stakeholders, and staff.

Value leaks can occur at any stage of the IT investment life cycle - from business case development to solution design to decisions about deliverables and scheduling to funding. Lack of stakeholder buy-in and accountability also threaten value realization, as do miss-set priorities and inadequate benefits tracking and measurement.

Infosys' Road to Value Realization for Clients

Throughout Infosys' 30-year growth as a global consulting and IT services provider, we have worked to help our clients move beyond conventional definitions of the business value of IT: from cost reduction to operational improvement to competitive differentiation and business transformation. Following the dotcom bust when the market was primarily focused on labor arbitrage as a means of reducing costs, we, along with others in the IT services industry, recognized that IT-enabled solutions were becoming increasingly important to business while also becoming more complicated and costly to implement.

It was clear then that client executives would soon be looking to Infosys and other service providers to bring more value-focus to the table. Anticipating this need, we developed the **Value Realization Method** (VRM™), an organizing framework for making value-based IT-enabled investment decisions.

Conceived as a mechanism for ensuring that value realization is embedded in every client engagement, the VRM framework has been enthusiastically endorsed and backed by Infosys senior executives and adopted by solutions development and business units throughout the company. Its core principles have been applied to the full spectrum of our service offerings and program management methodologies to ensure that what we propose and deliver is linked to and can be measured in terms of business value.

VRM Fundamentals

How and under what circumstances the VRM framework, components, and tools can be applied depends on the size and scope of the client IT initiative and its overall goals and objectives. From a strategic perspective, the fundamental purpose is to translate a client business goal - revenue growth, for example - into required changes within the business, that are then driven by highly targeted change initiatives.

There are three principal phases that make up this approach. Each one is aligned to activities focused on finding, designing, and capturing value and is supported by components and tools developed to provide client executives and stakeholders with information required to make key decisions throughout the investment cycle (Figure 1).

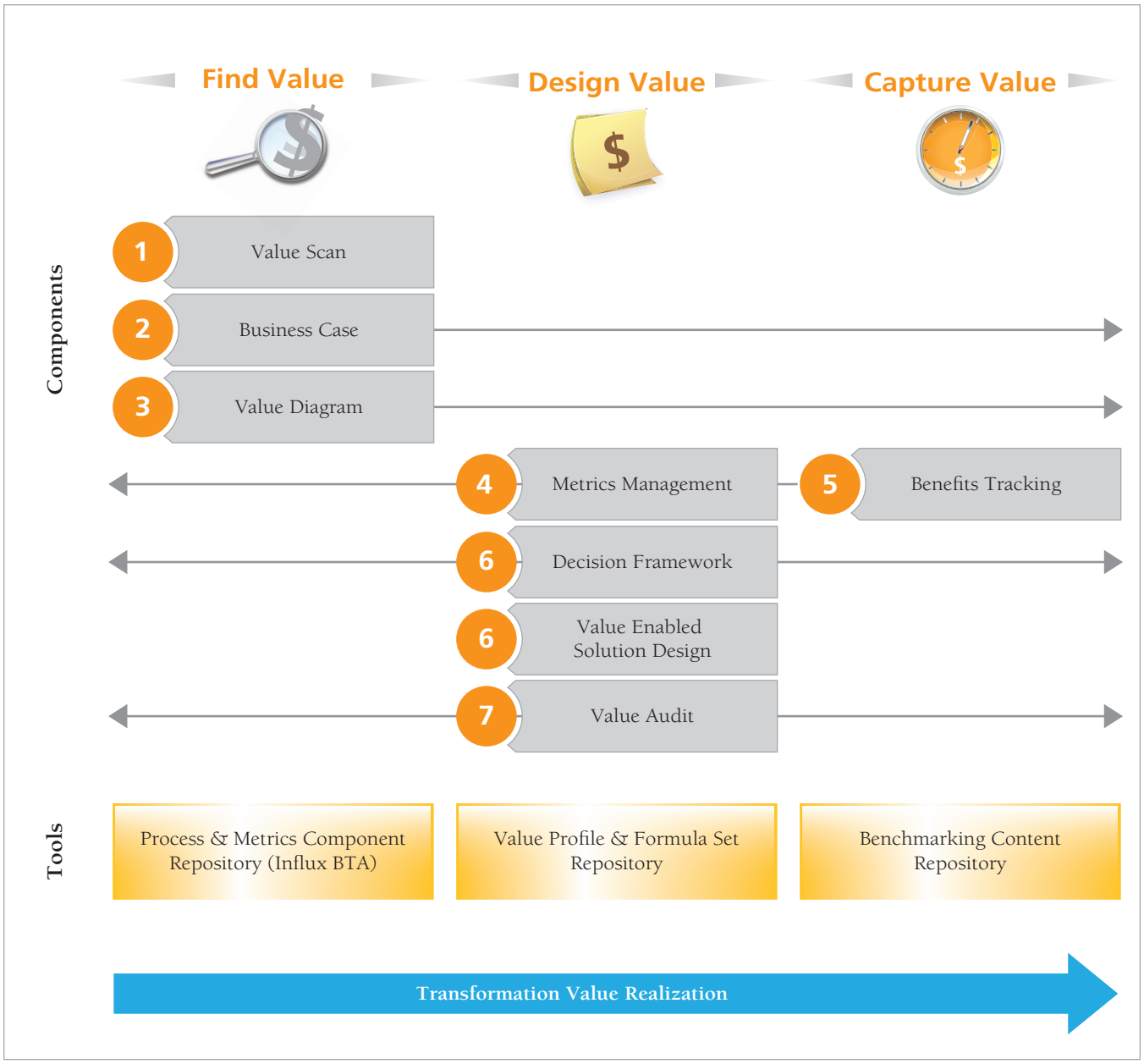


Figure 1: VRM™ Decision Framework

Find Value

Before value can be created, its sources must first be identified. The purpose of the Find Value phase is to identify and gain consensus among all key stakeholders, what are key value areas the solution is expected to produce. Once agreed upon, these benefit opportunities are then documented, communicated and embedded into the program management function for ongoing tracking and updating.

- Value Scan: A step by step analytical approach to identify and prioritize important areas of business performance improvement
- Business Case: A document for guiding decision-makers in selecting optimal areas for investment. Contains an analysis of the full business value potential costs and risks for a given solution opportunity

- Value Diagram: A visual representation of value cause-and-effort related to a specific solution investment. Enables diverse stakeholders to see how change initiatives trigger process improvements, which in turn improve business operations and drive high-level financial and non-financial results

Design Value

Building on the initial system / process / organizational change requirements, the purpose of this phase is to determine how to design value into the individual solutions and process changes that comprise the program investment. It is also during this phase that accountability is defined and apportioned to key stakeholders and individuals whose decisions and actions will influence value realization both during and after implementation. The principal components and activities that define this phase include:

- Metrics Management: An approach for translating high-level metrics identified in the business case into key performance indicators (KPIs) matched to multiple levels of processes; includes the assignment of metrics improvements to relevant stakeholders
- Value Enabled Solution Design: An approach to help ensure that processes and other aspects of the solution are created to drive the most important value aspects of the Business Case
- Decision Framework: An approach for making solution-related decisions that optimize the business value expected from the investment. Focuses on such aspects of prioritization of capabilities, requirements, functionality, as well as program roll-out sequencing and scope control
- Value Audit: A structured review process for assessing the extent to which highly effective management practices are in place to maximize business value from solution investments

Capture Value

From program / solution implementation to retirement, the principal activities that define this phase involve tracking and determining the extent to which specific system, process, and organizational changes, as well as the program as a whole, are meeting or have met the value goals established for them. An equally important element of this phase is the development of processes to track, report, and resolve stakeholder accountability issues, and gather and provide feedback for subsequent roll-outs through the end of the program / solution life cycle. The principal component that defines this phase is:

- Benefits Tracking: Dashboards to monitor benefits realization in terms of performance, actions and responsibilities to ensure that the value identified during the earlier phases is monitored and realized during and after the design phase and into implementation

Tools and Repositories

In support of the eight VRM components described above, there are three repositories: Process and Metric Component, Value Profile and Formula Set, and Benchmarking Content. Each repository contains reusable, pre-defined artifacts such as best practices, sample processes and definitions, issue trees, metrics, formulas, descriptions of typical benefits and quantification formulas.

In Conclusion: Focusing on Value from Beginning to End

Given the complex yet essential role of technology in 21st Century economy, senior executives can ill-afford to invest in IT-enabled business solutions without value focus informing their decisions and driving every subsequent investment, design, development, and implementation activity.

Asking if a solution was delivered "on-time and on-budget?" after it was implemented is no longer sufficient. The critical question, "did it deliver value?" has to be asked of every IT-enabled solution investment - and answered - throughout its entire life cycle.

In most companies, however, the relationship between an IT investment and its potential value, if it has been made at all, typically ends with the approval of the business case. After the primary goal - get the program funded - has been met, the reasons why are rarely communicated to the individuals and organizations responsible for taking it forward. With the value connection severed, there is little accountability for delivering it. As a result, decisions are made and priorities established without consideration to their impact on value realization.

The fundamental purpose of Infosys' structured Value Realization Method (VRM) approach is to ensure that value considerations drive the business case and are mapped into every design decision and priority consideration and process, organizational, and system change on which value realization depends. Once that occurs, value actualities are tracked and compared with value forecasts made in the business case.

Developed to drive tangible business impact by helping clients identify and make informed value-focused IT-enabled solutions investments and programs, VRM is more than a framework and tool set. It is the foundation from which Infosys helps clients establish a clear connection between business goals and IT, and the means to operationalize those goals and realize business value.

Infosys® | Building Tomorrow's Enterprise

For more information, contact askus@infosys.com

About Infosys

Many of the world's most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow's enterprise.

For more information about Infosys (NASDAQ:INFY), visit www.infosys.com.