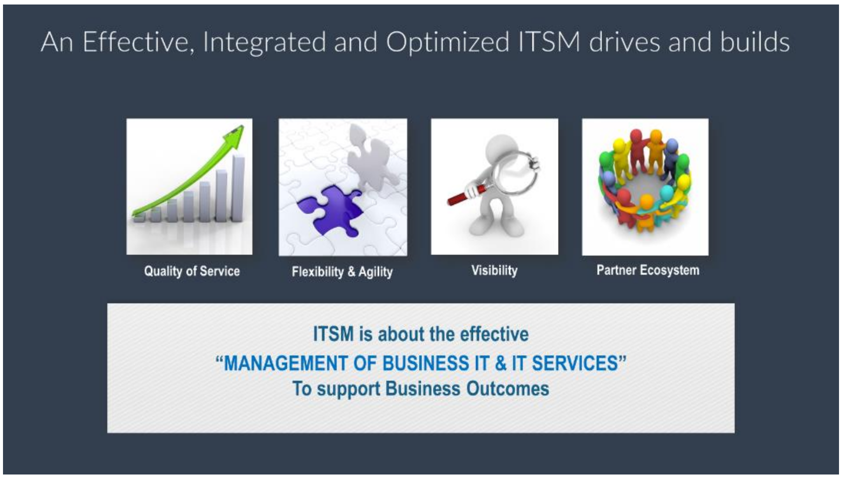
Measuring and Demonstrating the Value of IT



It is essential that CFOs can measure the return on investment (ROI) in every aspect of their business, and that includes the IT and any IT initiatives. Everyone in a business is involved in the revenue generation process and will be part of a value stream, and we explicitly need to include the IT function in these streams. The CIO/CTO needs to consider the requirements of the CFO and report not just on the operational stats of the Service Desk and the IT teams, which may be very interesting,, but focus, also, on those aspects and metrics which matter to the CFO and which demonstrates and underpins the value of the IT function to the business at every level. Here are some things to consider.

1. **Financial Metrics**:
   - **Cost Savings**: What is the difference in costs before and after implementing an IT initiative. Did it reduce operational expenses, lower maintenance costs, and has it decreased the amount of manual labour through increased automation of process and workflows.
   - **Revenue Impact**: How has the IT initiative contributed to revenue growth. For example, increases in the availability of customer facing systems, the ease with which customers can navigate to what they need to purchase, or who they need to talk to, in essence improvements in customer experiences, which should lead to higher sales, and/or enables new revenue streams.
   - **Payback Period**: How long has it taken to recoup the initial investment; the shorter the payback period the better the ROI.
2. **Non-Financial Metrics**:
   - **Productivity**: How are improvements in employee productivity – streamlined processes and/or automation – contributing to employee satisfaction and, more importantly, supporting revenue growth, directly and indirectly.
   - **Quality of Service**: What has been the impact on product/service quality, both to the internal business units and to the customers. Examples would include, reduced errors or faster response times.

    - **Customer Satisfaction & Experience**: Collect feedback from customers, both internal and external, to gauge satisfaction levels and the experience, smooth or otherwise of the customers .
    - **Risk Reduction**: Look at how IT initiatives have mitigated risks (e.g., cybersecurity measures). This should also include compliance and impacts to the business brand.
3. **Intangible Benefits**:
    - Some benefits are challenging to quantify but still valuable. These include enhanced brand reputation, improved decision-making, and strategic alignment, but these do need to be considered and where possible measured.
4. **Benchmarking**:
    - Compare your organization’s ROI with industry benchmarks or similar companies. This provides context and helps identify areas for improvement.

It is important that there is a continual dialogue and collaboration between the IT functions and the CFOs and other business stakeholders to determine the key metrics that need to be tracked, and for IT to provide complete visibility and updates on those metrics. This is the only way that IT can be seen to be, and become, a business partner, and have a seat at the Cx table.

The inevitable question that arises is: does the business possess the capability to collect the right data and carry out the correct analytics to measure and track the metrics in meaningful ways?

If the answer is “no” then you need to talk to the IT and ITSM analytics’ specialists – **Northcraft Analytics** with their CIO Dashboard and the **Maturity Index Foundation**, which shows where you are in your ITSM maturity and capability to add value to the business.