

The Role of Business Value in Selling Technology

PIEDMONT CONSULTANTS

Define business value in terms of customer-specific objectives

The power of business value analysis lies in the ability to quantify the business benefits of a technology in terms that CFOs and other executives can readily understand.

"Software offers no ROI by itself. The value of technology is how you use it to change and improve your organization's business processes."

--Mark Bruening, Piedmont Consultants

Why is Business Cases Important

- Deployment is ultimately a financial decision
- Investments generally compete for limited funds from a predetermined capital budget
- Over 90% of CFOs are involved in selecting IT vendors selection and allocating resource
- Executives use business cases to define how project goals align with business goals and show an investment's financial impact
 - Defines how project goals are aligned with business goals
 - Shows financial impact of the investment
- Metrics can be used to measure the success of a project so that IT receives credit from business leaders.

A value proposition must relate to customer business objectives such as decreasing IT costs through reduced maintenance support or improved productivity through shorter project cycle time.

How a strong business value story helps you



1. Increase sales by providing the financial justification required for executive approval.
2. Shorten the sales cycle. Cut right to the business reasons for deploying the solution rather than getting mired in feature-based discussions.
3. Elevate salespeople to trusted business partners (not just technology providers), which can also to increased sales. You will learn more about your customer's business and what is important to them.
4. Increase technology adoption by projecting its value, not simply its cost.

Business Issue → solved by **Technology Solution** → leads to **Positive Financial Impact**

Example Business Value Approach

Background: A business value consultant from Piedmont worked with an organization to determine how it could use technology to improve the process of producing customized training manuals for its customers.

- Assess business requirements.** Prior to going on-site, we used external resources, such as annual reports, analyst reports, and investor presentations to get an overall view into the company and its initiatives. Then, when we met with members of the business unit, we gathered information about what they wanted to improve: the project cycle time for producing an instruction manual and the number of errors that had to be fixed throughout the process.
- Map the technology solution.** We conducted two days of interviews with ten business people involved in producing instruction manuals. We mapped their current process and identified the gaps and areas for improvement. We presented a current state assessment document highlighting suggestions for an improved business process. Upon their buy-in, we introduced the customer to a technology specialist to demonstrate how technology could help reduce errors and shorten the project cycle time.
- Estimate the benefits, costs, and risks:** During our interviews we gathered the current financial performance for the department, as well as their projections for the next three years. We asked the customer's sales account managers to estimate how they could increase sales with an improved solution. We searched for Microsoft customer evidence showing benefits from similar solutions. We worked with the technology specialist to estimate the costs and identified the risks.

4. Build financial metrics and value proposition.

We prepared a three-year cash flow estimate, considering the benefits (incremental revenue and productivity improvements) and costs. We presented this information in the context of a 15-20 slide business case presentation that included the following value proposition:

“With this software, you will improve the quality of instruction manuals and delivery time to clients, resulting in an estimated annual increase in Net Income of \$X million for the department.”

Key Business Value Activities



1. Assess a customer's business requirements
2. Map the technology solution for the customer's environment
3. Estimate the benefits, costs, and risks
4. Build financial metrics and value proposition

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Costs							
Solution Costs	(\$500)	(\$380)	(\$80)	(\$80)			(\$1,040)
Benefits							
Business Benefits		\$700	\$1,000	\$1,000			\$2,700
IT Benefits		\$200	\$300	\$300			\$800
Total Benefits		\$900	\$1,300	\$1,300	\$0	\$0	\$3,500
Cash Flow							
Net Cash Flow	(\$500)	\$520	\$1,220	\$1,220	\$0	\$0	\$2,460
Cumulative Cash Flow	(\$500)	\$20	\$1,240	\$2,460	\$2,460	\$2,460	
Financial Metrics							
Discount Rate		15%					
Risk Free Rate		5%					
Net Present Value (NPV)		\$1,677					
Payback (months)		12					
Internal Rate of Return (IRR)		92%					

Piedmont helps assess the business value of technology investments by combining expertise in IT, business strategy, and financial analysis. For more info contact: info@piedcon.com