

Value Based Management: The Business Value of IT

Over the past several decades, the definition of IT has grown exponentially, causing the lines between business and IT to blur. Increased value, decreasing budgets and “do more with less” are all common themes throughout the industry. The pressure has heated up to demonstrate a return on the massive investments made in IT.

The Pressure to Understand IT's Value

The adoption of industry best practices such as ITIL, COBIT, VAL-IT, IT Savvy and others have claimed to address these needs, but to date, they have fallen short. A recent Gartner survey says that 82% of IT departments are still in either the chaotic, reactive or proactive stages of maturity, and only 16% are at the service state.

Companies are finding that without a good, solid understanding of the foundation on which the IT function itself is built, they have no real basis for understanding how to invest wisely in the implementation of best practices. The result is often wasted time, money and effort and very little tangible, measurable impact.

Designed to start with a clear basis for describing IT in business terms, Emtec's Value Based Management (VBM) helps separate what services IT delivers from how IT maintains and supports those services. This in turn, helps organizations make better business decisions about the deployment of IT resources, provides transparency in IT spending and achieve value realization within IT.

By understanding the relationships between the IT Value chain, Value Realization and the IT Services, often called the IT Service Portfolio, IT executives are empowered and are able to make better decisions based on quantifiable data instead of intuition and traditional IT-centric metrics about which opportunities they should invest in, and which should be held until a future-time. They are able to clearly illustrate the impact of budget decreases, in terms that the business can understand such as business risk, and operating effectiveness.

This understanding, creates accountability within IT at all levels, aligning day-to-day activities such as support, maintenance and operations with the business value that is being derived, thus leading to more effective operations and better use of IT resources, which are always in demand.

The Basics of VBM

At the most basic level, VBM relates the capabilities within IT, sometimes called the IT Value Chain, to the services that the business users rely upon to accomplish their business-tasks. Through this relationship, improvements to IT capabilities, such as cloud computing, process improvements, hardware consolidation and so forth, can be directly related to the value realization that is delivered to the business.

Put more simply, improvements to the IT Value Chain translate to improvements to the services delivered and as such, increase the ability for the business to function effectively and efficiently. Organizations who are best able to understand and communicate this relationship, are better able to express the value that IT brings to the business and as a result, have a better relationship with the business, share in the budgeting and planning activities that affect the business and the IT organization, and are truly able to align their activities to support the business demands.

Solutions that Work...

◆ *Cutting Costs without Cutting Value*

A large corporation needed to streamline its operations, and all departments were asked to produce a plan that would cut costs by 10% in the coming year. With no time to spare, the IT department needed to quickly gain a better understanding of the performance, risk and costs of its primary services in order to make intelligent recommendations on where to cut while minimizing risk. They chose VBM because of its pre-configured IT Service Portfolio, Value Realization and IT Value Chain that helped jump start efforts to construct a business-oriented evaluation of their current services. As a result, the organization was able to reduce investments in some services that were being “over-served,” which helped them reach the targeted 10 percent cost reduction without reducing headcount.

◆ *Managing Resources to Meet Business Demand*

During contract renewal negotiations, an IT service provider was looking for a better way to predict and plan for the business demand one of its customers would be placing on its resources in the coming year. The goal was to manage the account in a more cost-efficient and profitable manner. Because the client had already implemented VBM, the service provider was able to analyze trends and patterns by looking at historical performance metrics from VBM’s IT Value Chain. Once they were able to understand each service’s track record of performance and cost, they were able to more effectively align their costs with their client’s expectations, resulting in a contract renewal and a more productive partnership for both organizations.

“Emtec helped us develop a performance-improvement plan in conjunction with our provider to address the weak components of our current service offerings and plan for future growth.”

– Jean Morin, Senior Director of Information Technology and Solutions, Axcan Pharma

◆ *Measuring Continuous Service Improvement*

A mid-size IT organization had made significant investments in its IT infrastructure in the previous year. They needed a way to document and report on the incremental value that these investments were delivering to the business. VBM helped them measure and demonstrate how these investments increased the availability of the billing and reporting IT service during key fiscal periods, which directly resulted in an eight percent decrease in delays associated with billing. By improving the availability of these services, IT was able to help the accounts receivable team better manage corporate billing and reporting.



About Emtec

Established in 1964, Emtec, Inc. is a systems integrator that provides IT services and products to the federal, state, local, education and commercial markets. Our market leading value-based management methods, coupled with best-in-class IT technology, application development services and strategic IT consulting, address a wide range of specific client needs, as well as support broader IT transformation initiatives. Emtec’s service capabilities span the United States, Canada and countries around the globe.