

Define business value in terms of customer specific business objectives

"Technology provides no benefits of its own; it is the application of technology to business opportunities that produces ROI."

– Robert McDowell, In Search of Business Value

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

Why Should You Build a Business Case Focused on Value?

1. Deployment is ultimately a financial decision
2. Investments generally compete for limited funds from a predetermined capital budget
3. Over 90% of CFOs are involved in IT vendor selection and resource allocation
4. The business case is the method executives use to compare opportunities
 - a. Defines how project goals are aligned with business goals
 - b. Shows financial impact of the investment
5. Provides metrics that can be used to measure the success of a project and allow IT to receive credit in the eyes of business leaders

Four Things a Strong Business Value Story Will Do

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 be a trusted business partner (not just a technology provider), which again leads to increased sales. You will learn more about your customer's business and what is important to them.
4. Increase adoption of the technology by projecting the value of the solution, not simply the cost.

The Most Important Point!

Define business value in terms of customer-specific business objectives

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

The Key Business Value Activities

1. **Assess Business Requirements:** The business value discussion must start with customer objectives and pains. It is unique to each customer and normally determined at the executive level. KPIs (Key Performance Indicators) are measurable pains.
2. **Map the Technology Solution:** Identify the opportunities for how your product will change the way the customer does business. Link the product to the business pain.
3. **Estimate the Benefits, Costs, and Risks:** Use existing customer evidence and map customer's business process changes to estimate the potential benefits.

- Build Financial Metrics and Value Proposition:
State the business change, enabler of the change, and the financial impact. This is normally done within a business case and is most powerful if accompanied by a cash flow estimate (see figure to the right)

	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%						

Example: Business Value Approach

Background: A business value consultant worked with an organization to determine how they might be able to use technology to improve the process of producing customized instruction manuals for their customers.

- Assess Business Requirements. Prior to going on-site, we used external resources, such as the annual report, 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 on their metrics. We determined the KPIs they wanted to improve, which were 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 of ten business people involved in the instruction manual process. We mapped out 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, the customer was introduced to a technology specialist for a demonstration of how technology could help reduce the number of errors and the project cycle time.
- Estimate the Benefits, Costs, and Risks: During our interviews we gathered the current financial performance for the process, as well as their projections for the next three years. We asked the customer's sales account managers to estimate how their sales could increase 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.
- Build Financial Metrics and Value Proposition: We prepared a 3-year cash flow estimate of 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 value proposition.

The value proposition was "A technology will drive major improvements in the quality of instruction manuals and time to deliver to clients, resulting in an estimated increase in Net Income of \$X million annually for the department.

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