

Generating Premium Returns on Your IT Investments

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IT Savvy

Abstract:

The article presents information on a study which demonstrated that IT investments alone cannot by themselves ensure that all key business goals are met, but can instead be gained by implementing a set of interlocking business practices and processes called IT savvy.

Impact:

In this study of 147 companies over five years, the author found that the impact of IT savvy is substantial.

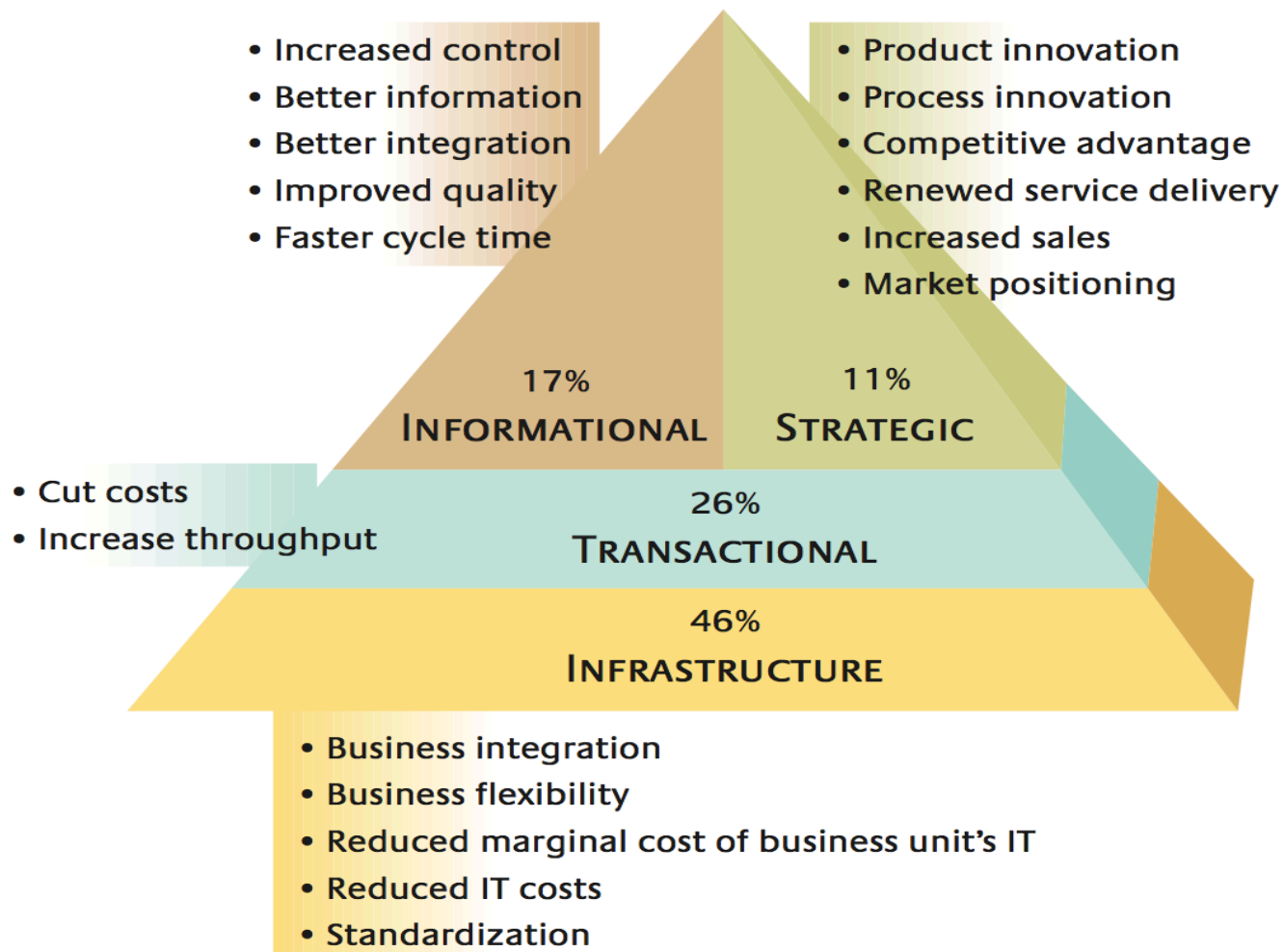
Definition:

IT savvy refers to the planned, ongoing use of a set of interlocking business practices and competencies that collectively derive superior value from IT investments.



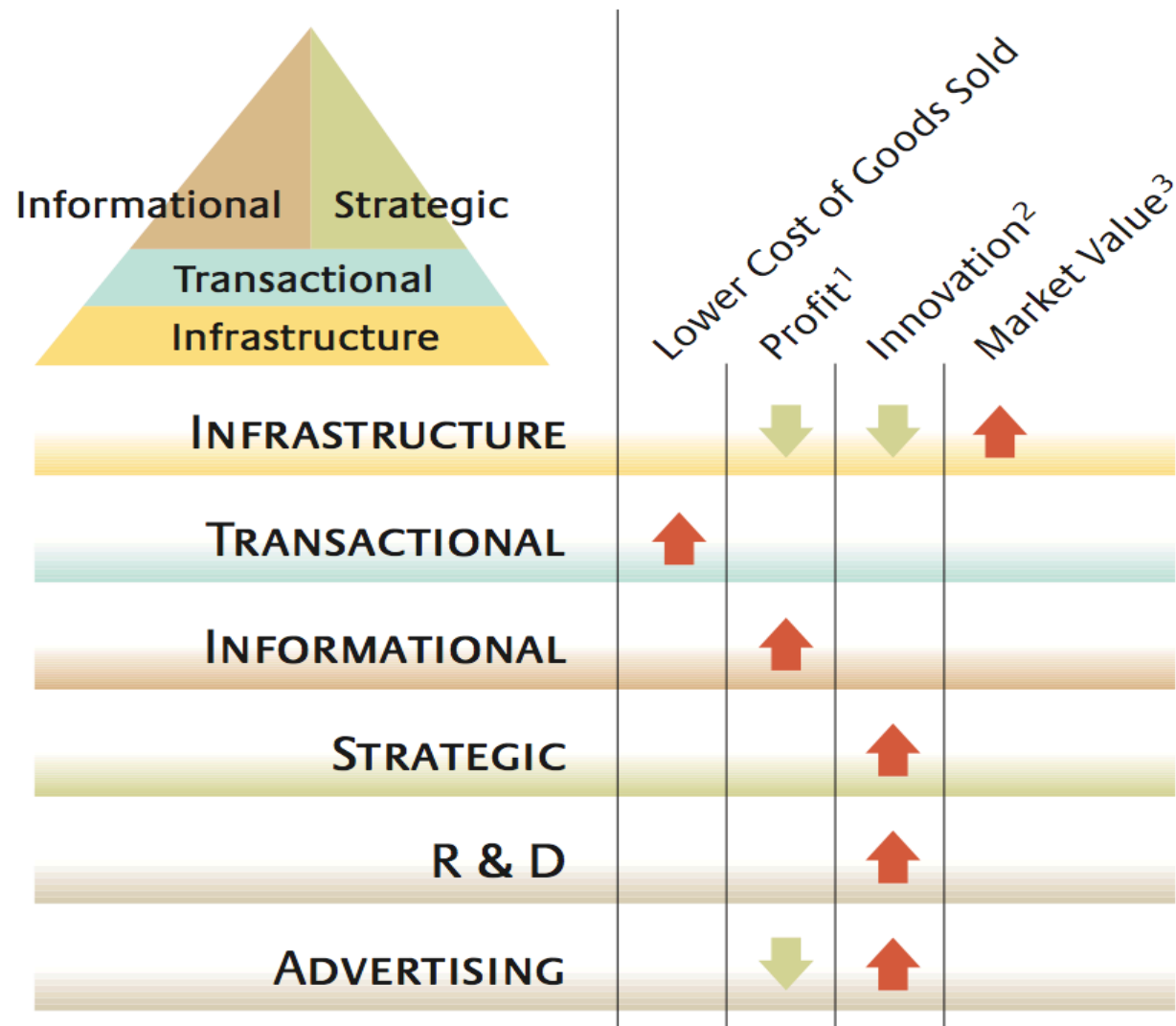
The goal of this article is to introduce the concept of IT savvy in order to reframe the discussion about the business value of IT.

Considering IT Investments as a Portfolio



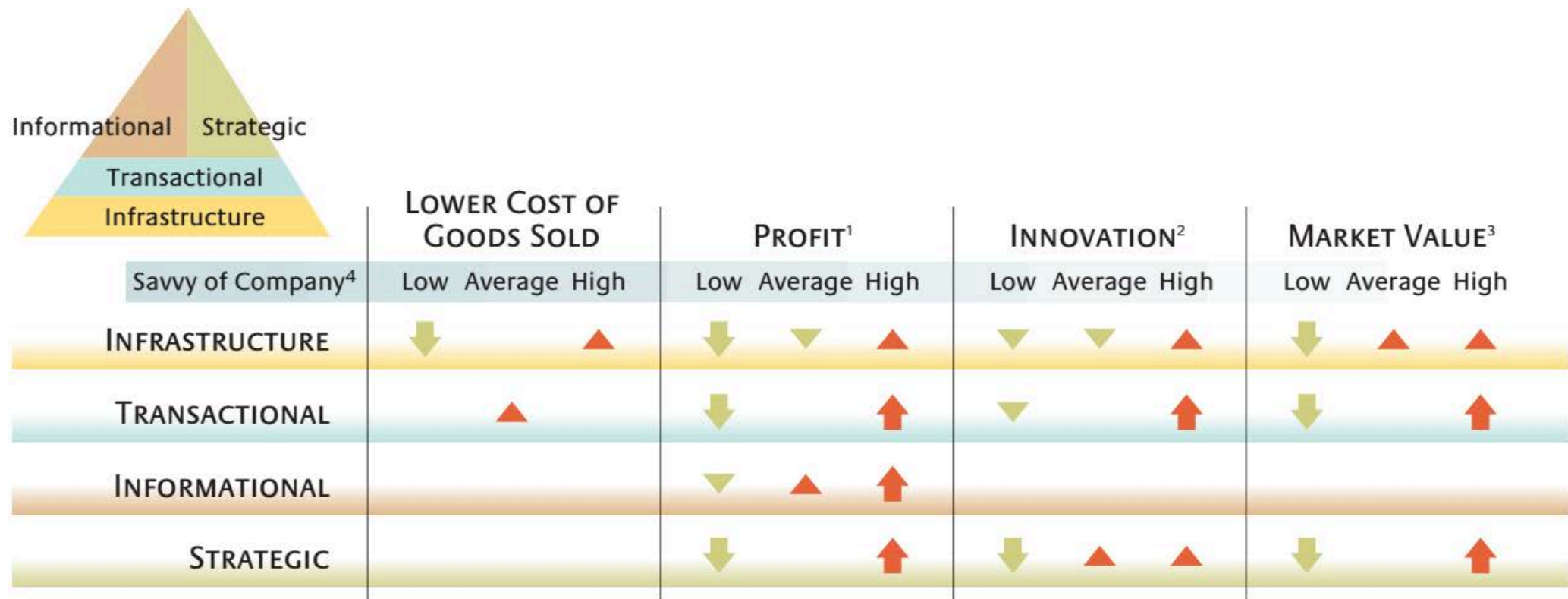
- The research identified four broad classifications of IT investments
- Each type of investment represents a different IT asset class with its own unique risk-return profile
- IT portfolio must be balanced so that it is constantly aligned with business strategy and provides the appropriate combination of short and long term payoff.

Different IT Assets Deliver Different Value



- Each asset class is linked to different types of business value
- Although the top performers have IT portfolio allocations similar to the average company's, collectively they spend 4% more on IT as a percentage of net sales. But the differences within specific industries are striking

Companywide IT Savvy Affects Performance



The research assessed each company's relative IT savvy by cataloging its practices, processes and capabilities. As indicated above, across all four IT asset classes, companies with high IT savvy achieved higher performance from each IT dollar invested..

The Five Characteristics of IT Savvy

Companies with high IT savvy have developed five mutually reinforcing characteristics.

The first three are practices related to IT use and the last two are competencies needed for high IT savvy.

Practices

IT FOR INTERNAL AND EXTERNAL COMMUNICATION

Intensity of electronic communication media such as e-mail, intranets and wireless devices for internal and external communications and work practices

INTERNET USE

Internet-based architectures (i.e., open) for key functions like sales force management, employee performance measurement, training and post-sales customer support

DIGITAL TRANSACTIONS

Percent digitization of transactions executed with both suppliers and customers

Competencies

COMPANYWIDE IT SKILLS

Technical and business skills of IT people, IT skills of business people and ability to hire skilled IT people

MANAGEMENT INVOLVEMENT

The degree of senior management commitment to IT projects and the degree of business unit involvement in IT decisions

Ways to Extract More Business Value From Your IT Portfolio



- Identify the current and previous year's IT portfolios.
- Understand IT asset class performance and benchmarks for your business.
- Understand and track your organization's IT savvy
- Balance the portfolio for alignment and risk-return profile and ensure that the process is transparent.
- Re-weight portfolios annually and whenever major changes occur.
- Incorporate the IT portfolio approach into the IT governance framework.
- Learn from post-implementation reviews and formal training.