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15.571 Generating Business Value from Information Technology  
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# 15.571

# Generating Business Value From Information Technology

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# Agenda

- Digitized platforms
- The digitized process platform
  - Definition and example
  - Requirements for different operating models
- Driving value from a platform
  - How a digitized process platform leads to innovation and other benefits
  - Building the platform through the architecture stages
  - Defining metrics for IT and business value
- Conclusions

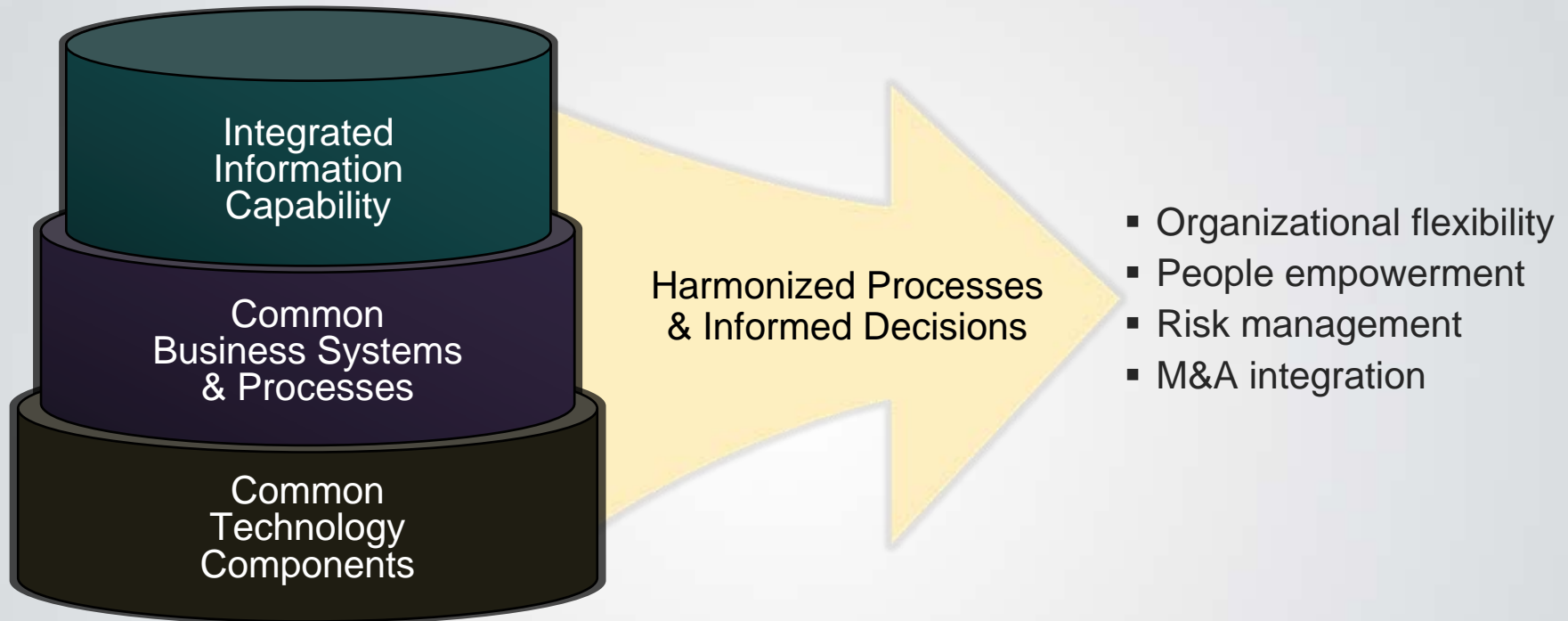
# Three types of IT-enabled platforms

	Process Platform	Product Platform	Collaboration Platform
Role of technology	Reuse of systems across enterprise to enforce data and process standards	Reuse of product components enabling an integrated set of customer services	Reuse expertise through set of tools facilitating the sharing of unstructured knowledge
Business Value	Operational excellence; market responsiveness	Ease of product innovations and roll-outs	Opportunities for product and process innovation
Key Governance Issue	Standardization vs. autonomy	Execution vs. evolution	Creation vs. recycle
Unique Challenges	Process ownership; Process discipline; Change management	Salesperson/ account manager training; Innovation process; Product transitions	Identifying critical connections; Creating a culture of sharing; Design of incentives

# Digitized process platform defined

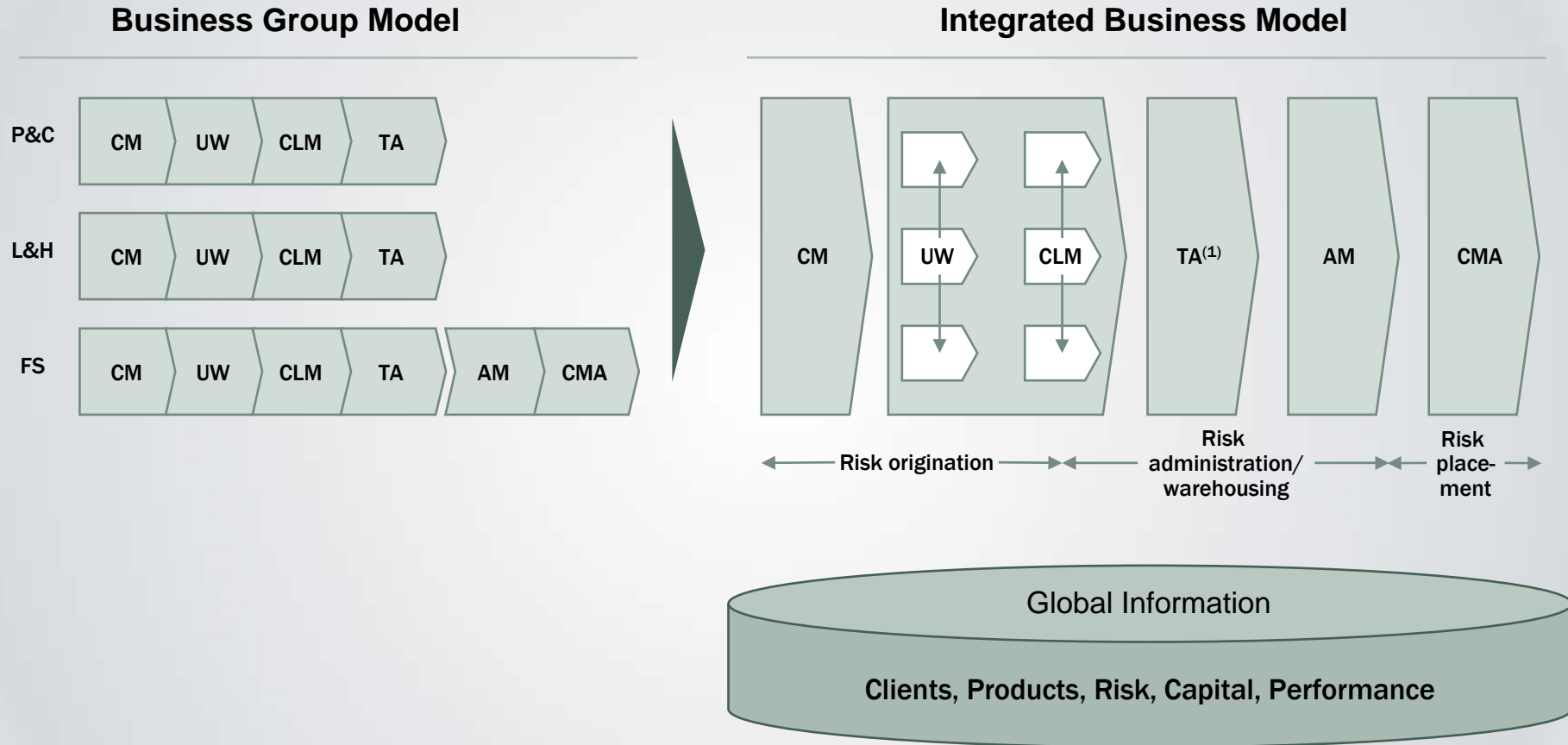
- What is a digitized process platform?
  - A coherent set of standardized, IT-enabled business processes along with supporting infrastructure, applications, and data.
- What business processes are eligible to be included in the platform?
  - Those which are stable.
  - Those which are common.
  - Those which can be shared.

# Example: Swiss Re's digitized platform



*A digitized process platform is a coherent set of standardized, IT-supported business processes along with supporting infrastructure, applications and data.*

# Design of Swiss Re's digitized process platform



# Types of digitized process platforms

- **Administrative process platform**
  - Digitized platform supporting administrative processes (e.g., purchasing, finance, IT, facilities) designed and managed from a single organizational unit to benefit entities throughout the organization
- **Operational process platform**
  - Digitized platform supporting end-to-end operational process(es) (e.g., order-to-cash, concept-to-launch) ensuring accurate transactions for operational decision making
- **Data-centric process platform**
  - Digitized platform supporting access to and sharing of standardized operational data

**All of these platforms are built on a standardized technology infrastructure platform**



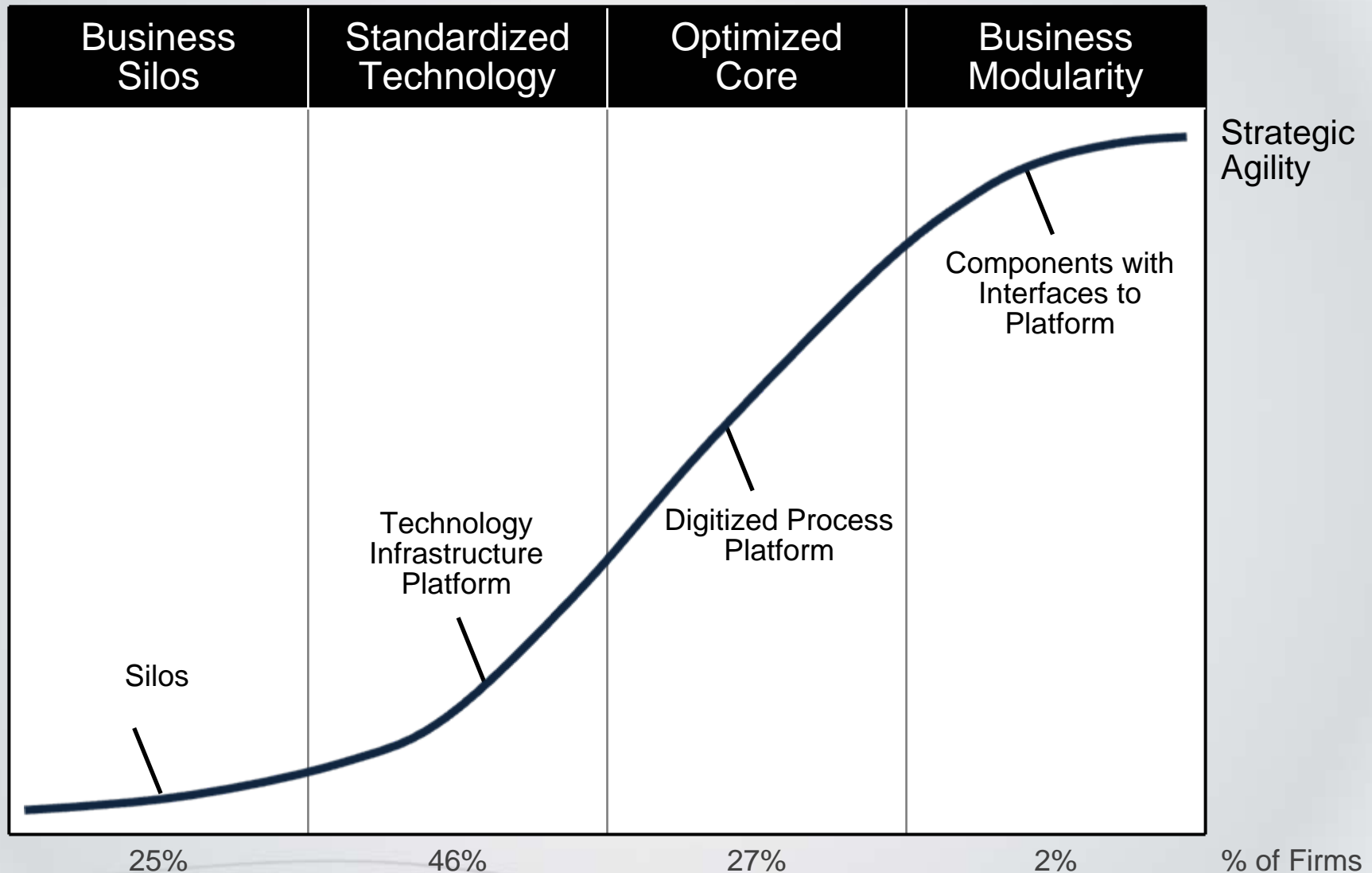
# Digitized platforms differ by operating model

<b>Business Process Integration</b>	High	<p style="text-align: center;"><b>Coordination</b></p> <ul style="list-style-type: none"> <li>■ Data-centric process platform</li> <li>■ Administrative process platform</li> <li>■ Technology infrastructure platform + Portal and middleware</li> </ul>	<p style="text-align: center;"><b>Unification</b></p> <ul style="list-style-type: none"> <li>■ Operational process platform</li> <li>■ Data-centric process platform</li> <li>■ Administrative process platform</li> <li>■ Technology infrastructure platform + Portal and middleware + Single instance of enterprise systems</li> </ul>
	Low	<p style="text-align: center;"><b>Diversification</b></p> <ul style="list-style-type: none"> <li>■ Administrative process platform</li> <li>■ Technology infrastructure platform</li> </ul>	<p style="text-align: center;"><b>Replication</b></p> <ul style="list-style-type: none"> <li>■ Operational process platform</li> <li>■ Administrative process platform</li> <li>■ Technology infrastructure platform + Multiple instances of enterprise systems</li> </ul>
		Low	High
<b>Business Process Standardization</b>			

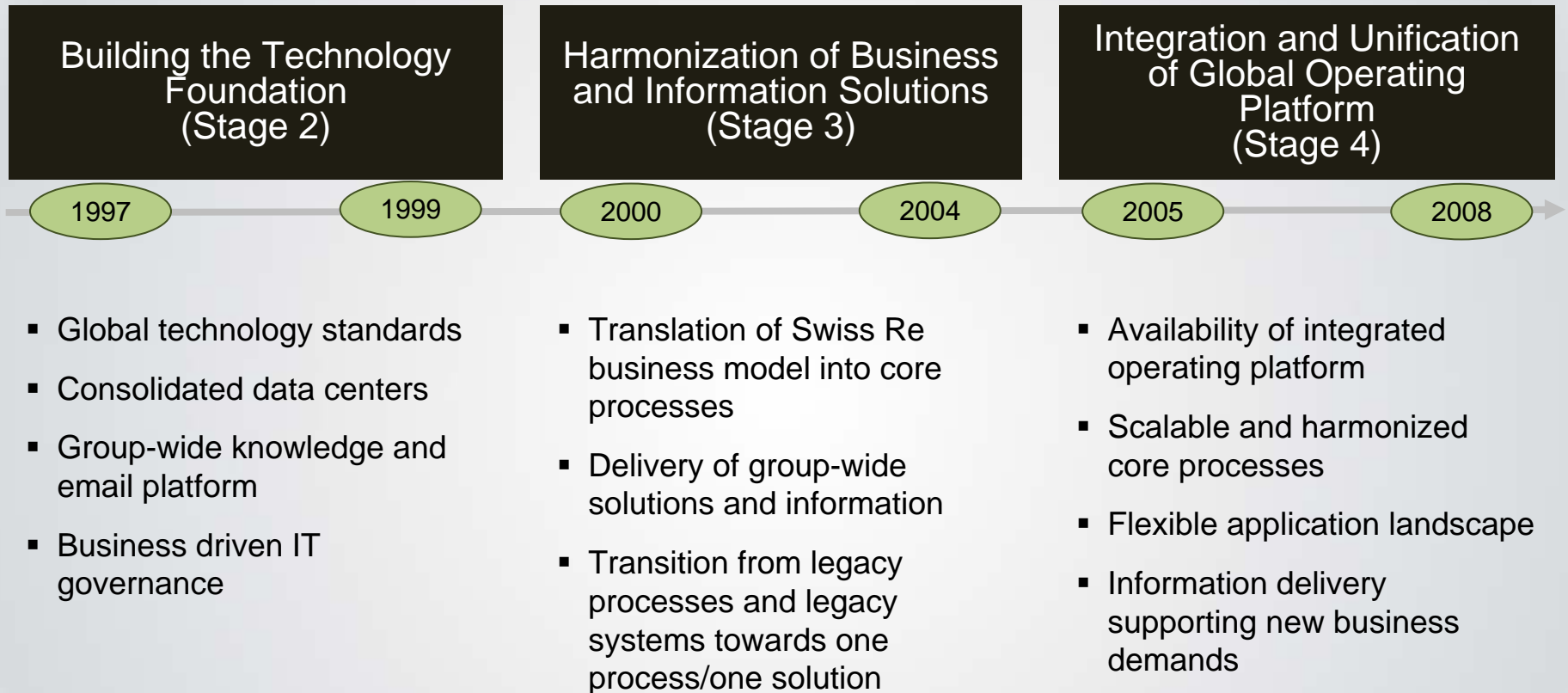
# Building a digitized platform creates opportunities for innovation and other forms of business value

Business Opportunity	Role of the Digitized Process Platform
Accelerate innovation	<ul style="list-style-type: none"> <li>• Automate repetitive processes to allow more management focus on innovation</li> <li>• Facilitate, through standard interfaces, addition of new products and replication across sites</li> </ul>
Increase customer focus	<ul style="list-style-type: none"> <li>• Provide information to support decisions specific to individual customer segments</li> <li>• Introduce information-based customer services</li> </ul>
Empower people	<ul style="list-style-type: none"> <li>• Make customer and product/service data available to customer-facing and operational employees</li> <li>• Provide analytics for establishing decision criteria</li> <li>• Enhance transparency via individualized performance metrics that reflect decisions made</li> </ul>
Integrate acquisitions	<ul style="list-style-type: none"> <li>• Provide a platform to replace systems and processes of acquired firm</li> <li>• Provide process components for reuse in an acquired business</li> </ul>
Increase operational efficiency	<ul style="list-style-type: none"> <li>• Provide straight through processing</li> <li>• Enable reuse of standard components</li> <li>• Provide a predictable customer experience</li> </ul>

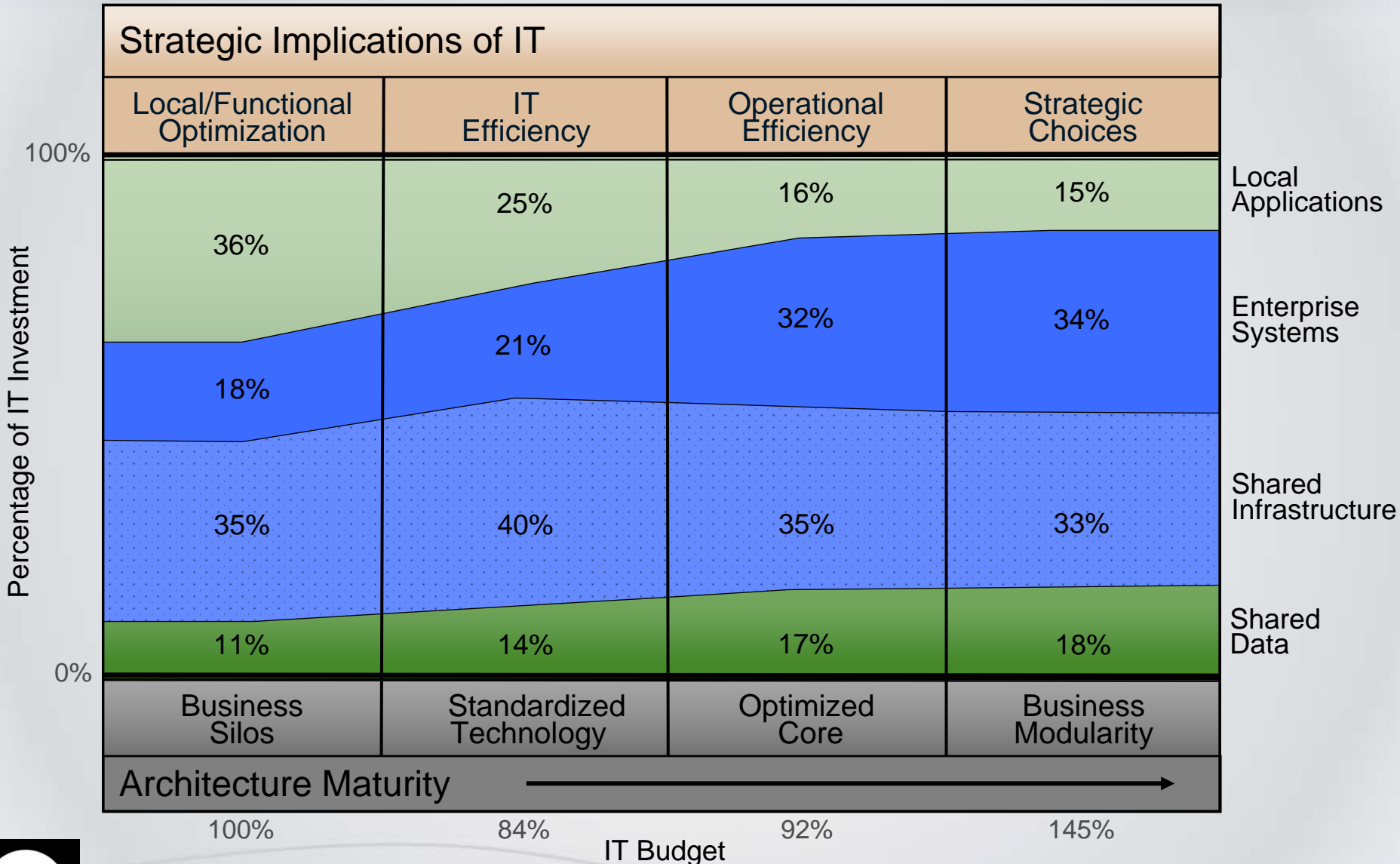
# Firms build their platforms through the stages



# Swiss Re began building its digitized platform in 1997



# IT spending and attitudes change through the stages



IT budgets are based on surveys of 103 firms and corrected for industry differences. Business silos budget is the baseline. Budgets for other stages are represented as a percentage of the baseline budget. Only five firms in stage four reported their IT budgets so data is not reliable.

# Metrics for business value from IT

Business Silos	Standardized Technology	Optimized Core	Business Modularity
<ul style="list-style-type: none"> <li>•Time to deliver new system and benefits</li> <li>•Business case/ROI of specific initiative</li> </ul>	<ul style="list-style-type: none"> <li>•Time to deliver new systems and benefits</li> <li>•Reliability metrics</li> <li>•Percentage of systems on time and on-budget</li> <li>•IT unit costs</li> <li>•Cost to run systems and related services</li> </ul>	<ul style="list-style-type: none"> <li>•Total delivered cost (Campbell)</li> <li>•Inventory turns (7-Eleven Japan)</li> <li>•Concept to store (JCPenney)</li> <li>•Sales from new products and services</li> <li>•Customer profitability and retention</li> </ul>	<p>The list keeps growing.....</p>

# What we know about how IT supports business innovation and business value

- At its best, the value of IT cannot be separated from the value of the business processes it supports.
- Effective IT units maintain a balanced scorecard of metrics like reliability, on-time and on-budget delivery, customer satisfaction, unit cost management. This is critical to the professionalism of the IT unit and its ability to provide a base platform for doing business.
- Every project should have a business case and every business case should be checked against measurable outcomes. If a project has no expected measurable outcomes, it's a bad idea.
- There may not be a satisfactory answer to the question: "What is the value of IT to our business?"