

# Solving the value paradox

*Value is often as hard to define as it is to create. You know it when you see it, so how do you get others to see it too? The difficulty in articulating the value of something lies in the varying perceptions taken by the different people, perspectives and objectives you're dealing with. Rarely can two people agree on the real value of something, which is why we have to start from a position of relativity.*

The term 'value' is widely used every day across every organization—in boardroom settings, team meetings, hallway conversations, and internal documents and proposals. As IT leaders we argue that we are providing value, a project is creating value, or an asset is returning value. In fact, in Information Technology the value paradox is even more prevalent as IT is often perceived as a *cost* center rather than a *value* center.

In expressing these value statements, what are we truly trying to get across to the person or group on the other end? More importantly, what do "they"—the stakeholders across your organization—perceive as valuable?

Evaluating the lenses your value statement will be perceived through provides a better and more holistic understanding of this often-thrown-around word. They are, after all, your internal customer—who services your external customer—who are the very reason you're here in the first place.

The challenge is that *value is as difficult to define as it is to create*. It can be expressed in financial terms (dollars, pounds, euros, etc.), operating terms (units of production or production capacity), or strategic terms (access to markets or market growth). The reality is that positioning value has far more to do with your audience than the object of value itself.

In practical terms you simply know value when you see it. The value paradox enters when you are required to influence others in your organizations with different agendas, responsibilities and goals to see it too.

## Why define value?

The problem with value is that it cannot (and should not) be expressed in only one way to multiple audiences. Expressing value in different ways to different people is necessary—not only so you can effectively communicate your message to stakeholders that may have dramatically different objectives, but because it is the first step to understanding your audience's unique motivations and priorities.

Importantly, framing value effectively upfront prevents confusion and lack of consistency down the road. With this in mind, value can be considered from the most advantageous viewpoint: relativity.

# The CIO's value paradox

When it comes to value, perception is reality.

Credibly articulating the value of a capital project, function, asset, or service can be difficult due to the different perceptions and priorities each individual will evaluate it against. Rarely can two people agree on the “real” value of something at the best of times and with varying roles, objectives, and responsibilities it becomes impossible.

Value is often framed exclusively from a financial perspective—the net financial return of an activity or investment. Someone looking through this lens may stop there. A comprehensive view of value, however, is not that cut and dry. From a marketing perspective, for example, value will be viewed as a matter of anticipated benefit; an operating perspective will determine value as the means to create one additional unit of production (“at the margin”) faster, with less effort, at a lower unit cost, or at a higher quality.

In an effort to convey the intended value statement to the appropriate audiences, are you managing and expressing the proper markers?

## Solving the paradox

Information Technology is fundamentally perceived as an internal service organization. IT provides services to the business from desktop support to emerging technology integration, ranging from the mundane (password resets, provisioning email accounts) to complicated (implementing machine learning framework to isolate market gaps). In many cases no one understands the varying priorities, challenges, and opportunities within the IT organization better than the organization itself.

By considering the lenses that the internal customers within your organization will look at your value through, the same value statement can be expressed in multiple meaningful ways. Your internal customer, often referred to as “the business” may include finance, human resources, legal, compliance, marketing, sales, operations, the executive, and even the Board of Directors. Each of these functional customers is its own unique audience—with its own priorities, challenges, and opportunities.

Everyone in your organization speaks the “language of business”; they may, however, speak in different dialects.

After determining which audience(s) you will be framing the value statement for, you will need to determine the most effective way to express the value in language that is meaningful to the individuals within that group. It simply isn't enough for you and your organization to understand and prove the value; you must examine how *they* will best understand that value. There are four main frames from which to position your message in ways your stakeholders will best understand: economic, strategic, risk, and operational.

## Economic value

Expressing value in economic terms requires a credible approach since the primary focus is to successfully convey financial data or common measures. Consider going a step beyond common measures such as "return on investment," "internal rate of return," and "cost reduction" as these measures are often used differently, incorrectly, or both.

Instead, focus on the measures that are material to your specific audience. A CFO may be more concerned with the impact on quarterly earnings, SG&A, or free cash flow; while a COO may be interested in supply chain resiliency, product quality, and distribution channel development.

Developing a strong economic value statement will come across most impressively when you include less common, but more impactful markers.

## Strategic and risk value

Value expressed in strategic terms asks how the value directly (or near directly) addresses the company's existing strategic priorities. Strategic value must be positioned in such a way that your Board of Directors would not only understand it, they would be compelled to take action. If it isn't something that would be on their agenda it likely isn't appropriate to express that value strategically.

Expressing value in strategic terms is accomplished by associating an investment, service, or function to a strategic priority. It is often best to do this explicitly—verbally, visually, or in writing. Examples of strategic positioning include:

- **Addressing a Strategic Priority:** *"One of our core strategies is to maximize accretive revenue from acquired entities with in-year impact. As such, our analysis shows that by organizing a small, well-equipped team to accelerate key systems integration, and even engaging acquisition targets prior to close, we can establish more transparency into their demand-side systems and to recognize opportunities to expedite opportunities for bundling up-sell. We would improve per-deal revenue as well as accelerate deal close."*
- **Addressing a Strategic Risk:** *"Recent changes to regulatory requirements expose at least 40% of our product line to compliance risk. This could expose up to \$1.8B in revenue starting as early as next fiscal year. Our plan, including the implementation of an integrated GRC platform could help us to identify and isolate key priority areas for compliance risk and resolution. We don't currently have the resources to address everything."*

With a clear roadmap to address strategic priorities and risk, value takes on a new and more relevant meaning to the Board.

## Operational value

When expressing operational value, there are two perspectives to consider: functional terms and productive terms. Connecting to these elements shows an increase in the overall value from an operational lens.

For instance, some of the following arguments establish the operational value of an investment:

- **Production Capacity.** *"This new equipment will increase plant capacity by roughly 450 units per year, with negligible variable cost increase. And if we integrate our manufacturing system to our distributor's scheduling system we can cut at least 3-5 days from the build-to-ship process."*
- **Time-to-Market.** *"We estimate that migrating to digital engineering, we can reduce time-to-market by at least 6-8 weeks for product enhancements. The elimination of manual process alone will save roughly \$300,000 per year, but access to new markets and consumers looking for a faster innovation pace will make our sales teams happier."*
- **Quality.** *"When this process is implemented, our analysis suggests that we will decrease RMAs by at least 15%, which at current return rates will not only save us \$140,000 per year, but will increase brand perception as well."*

## The bottom line

When expressing value to your various stakeholders, be prepared to express it in different ways up front. In order to effectively communicate the value statement you know to be true, take a step back and consider who your audience is. What are their goals? What are they looking for from your value statement? Once you determine this, and align your statement accordingly, your perception of value and that of your audience will be decidedly in sync, reducing confusion and increasing opportunities for success.