

# VALUE BEYOND MEASURE

According to our survey of *Financial Director* readers, carried out in association with Computer Sciences Corporation, technology is no longer seen as a cost, but as an investment. Nor is the return on that investment seen as a necessary measure to prove a project's success. There follows a selection of what FDs in large organisations have to say about today's critical technology issues

### How has your and your company's outlook on technology investment changed over the past two years?

"The rate of change of available technology has been so rapid it has encouraged us to minimise investment into core areas, while looking to outsource peripheral functions, thereby reducing the risk of falling behind best practice."

"We have increasingly understood the importance of having the correct tools for people doing their work. Increasingly, with people working out of the office, we are finding web-based systems to be the most appropriate place to invest."

"Our outlook has changed from reactive to proactive. We are trying to advance our IT capabilities to cover future developments, such as home working and the virtual office."

"Generally, there has been an increased realisation of the benefits to be gained from streamlining processes with technology."

"Technology is a tool to realise improvements in performance and quality, to drive down unit cost

and integrate services. Instead of having technology investment in a support role, it is one of the central driving engines for the organisation to achieve the increasingly high standards set by central government, speaking for the public sector side."

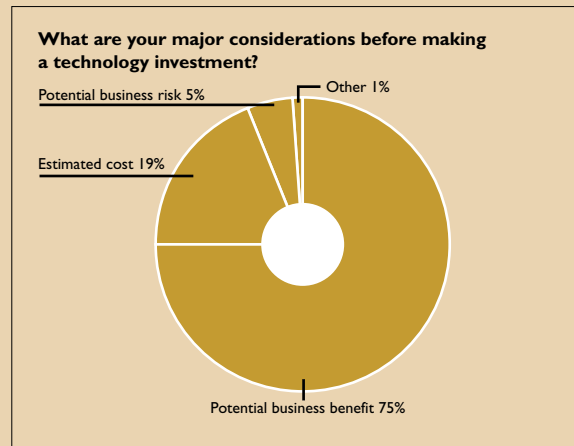
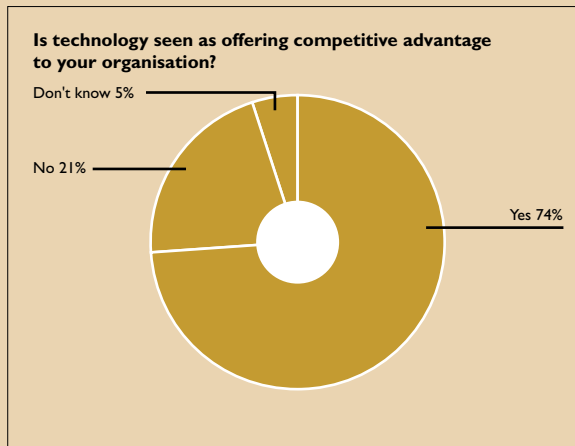
"From relatively small incremental projects we have now moved to large upgrade projects in a number of key areas of the business. Technology is seen as a differentiator and of strategic import now, rather than as merely a necessary part of doing business."

### We do not actively try to measure the potential return on investment of a technology outlay because...

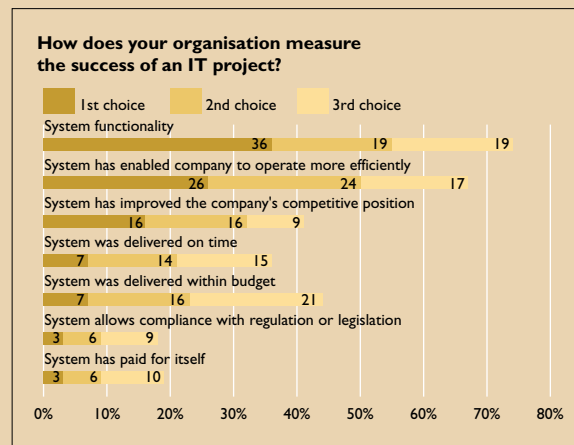
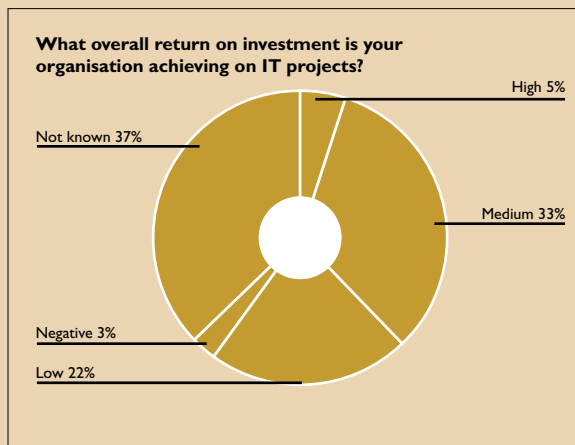
"A forward thinking company needs to look at efficiency and effectiveness in order to remain competitive. As our customers' technological needs change we need to react to those changes within our daily operations. To stand still in IT will leave any company lagging behind its rivals."

"The business must have the appropriate

Technology is seen as a business driver rather than a cost. Three-quarters of FDs see it providing competitive advantage. The same number see business benefit, and not cost, as the main consideration before investment.



Traditional ways of measuring project success, such as completing it on time and to budget and its return on investment, have been replaced by measures such as improving competitive position.



source: *Financial Director*/CSC Base: 151 FDs in large organisations (250+ employees)

technology to remain competitive in its industry. Survival and competitive edge are the real returns.”

“Such projections are often based on spurious accuracy – the variables of some technology investments are so large and unknown that investment has to be a strategic ‘leap of faith’, uncomfortable as that is to accountants, banks and investors.”

**“Successfully delivering a technical project that works and meets the users’ requirements is more important.”**

“It is just too difficult and open to interpretation. It’s hard enough getting the technology to work and this is where all effort is expended. Once you have invested, it’s a sunk cost anyway, so any return calculations are backward-looking.”

**Why do you feel there has been a shift away from return on investment?**

“It is equally important to evaluate the effect on personnel and, more importantly, customers. Any project which does not consider the impact on customer satisfaction will not succeed.”

**“Other measures more easily lend themselves to describing value creation in a business language and to enabling prioritisation of investment opportunities – discounted EP, NPV, risk-adjusted measures and so on. Non accountants like to have a pound sign in front of key measures.”**

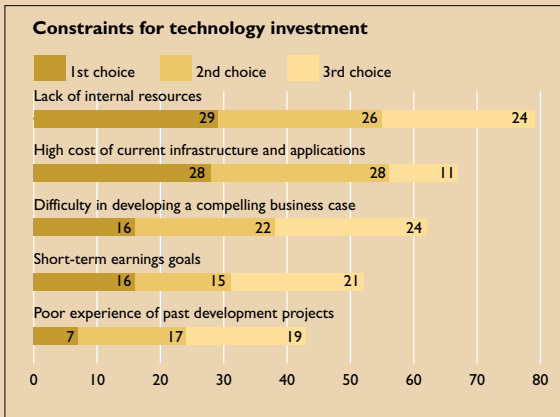
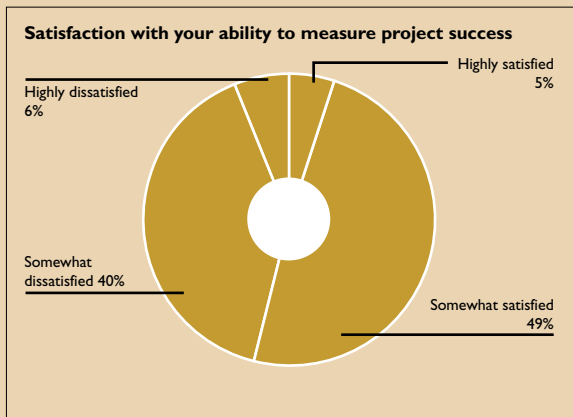
“In my company’s experience, the shareholders make decisions based on gut feel and experience, rather than using a set return on investment as an indication of it being a worthwhile project.”

“I would say that return on investment is only one measure. Equally important is best value, value for money and, within the public sector, the recent Gershon report has forced a serious look at technology for strategic decision-making in support of key issues.”

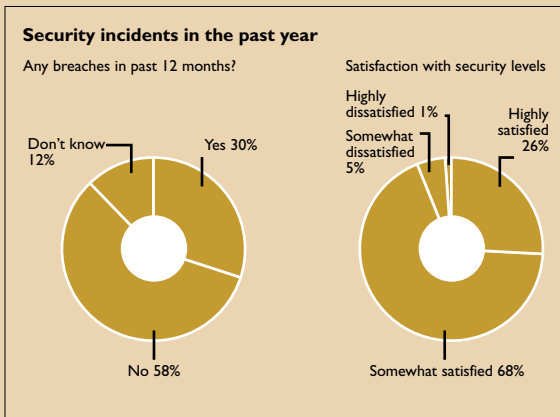
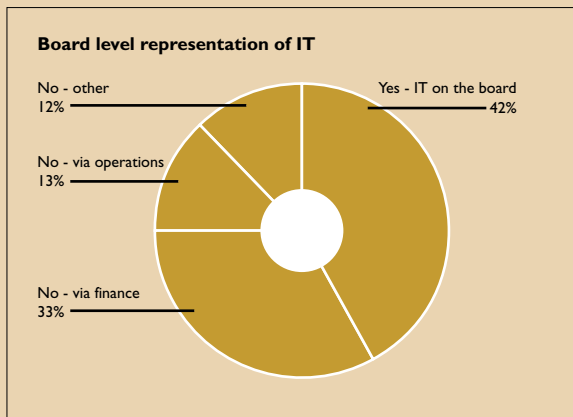
“Too much focus on financial returns misses the more fundamental importance of delivering a successful solution to the business’s information or infrastructure needs.”

**“It is difficult to calculate, it’s not widely understood and there are many ways to calculate it. Also there are other non-financial factors which might determine success.”**

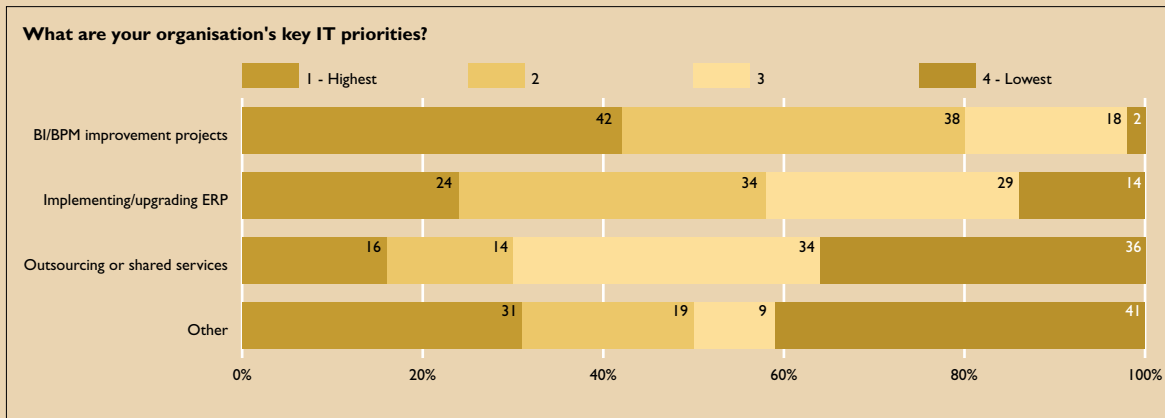
► To obtain a full copy of the *Financial Director/CSC survey, Critical Technology Issues*, go to [www.financialdirector.co.uk](http://www.financialdirector.co.uk) contact CSC on 0845 602 4204



While FDs are frustrated at their ability to measure project success, it is not seen as a major constraint for investment. Rather, a lack of internal resources and past experiences have taken their toll.



Greater confidence in the business benefits of IT could be explained by the growing proportion of IT directors who have gained a seat on the board, but a third of companies still make IT decisions through finance. Security also remains a concern.



Our readers’ main priority is business intelligence – making better use of the information their companies hold. Outsourcing and ERP upgrades or implementations are not currently seen as key issues.

source: *Financial Director/CSC* Base: 151 FDs in large organisations (250+ employees)