

The Value of 'I'

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The Value of 'I'

- Reminder - Look into the 'I'
- Information Strategy
 - Conventional IS thinking
 - Unconventional IS thinking
- The value of 'I'
- Examples
 - Logistics
 - Projects
 - Processes
- What should you do next?

The Value of 'I'

- Reminder - Look into the 'I'
 - Realising the potential of IT/IS Projects
 - Discussed that the real value was in information

Information Strategy

- Measure the COST of information provision
- AND
- Measure the VALUE of the information provided
- Express the results in terms of the value drivers of YOUR business
 - Improved response times to customers
 - Reduced time to market
 - Faster response to adverse events – REDUCE COSTS
 - Faster response to positive events – IMPROVE REVENUE
 - Faster response to opportunities – REDUCE COSTS AND IMPROVE REVENUE
- Make better value decisions
 - spend LESS time collating data, more time USING information
 - make more ‘informed’ decisions, more quickly

Information Strategy

- The situation still seems to be:
 - The COSTS and PAYBACK of Information Systems projects are measured in terms of:
 - Software
 - Toys
 - People
 - The BENEFITS are largely in the information
- But we rarely measure the VALUE of the information!
- Information is **ONLY** valuable when we DO SOMETHING WITH IT!

Information Strategy

Understand the information needed to manage the business

Business Effectiveness

Understand the value to the business of having that information

Business Financial Performance

Develop an Information Strategy

Determine what hardware and software systems are needed

Commission Information Projects

Measure the Information Payback

Measure the Value Added

The Value of 'I'

- What IS the Value of 'I'?
 - The ability to achieve sustainable improvement in
 - CUSTOMER SERVICE
 - COMPETITIVE EDGE
 - COSTS
 - REVENUE
- What do I need to know?
 - Information Value
 - What is a happy customer worth?
 - What is the value of time in the market?
 - What is the cost of a failure or error?
 - How many more might I produce and sell?

The Value of 'I'

- How do I calculate Information Value
 - What is a happy customer worth?
 - Unit net value * number of repeat customers * number of purchase cycles
 - What is the value of time in the market?
 - Unit net value * volume per day * number of days advantage over competitors
 - What is the cost of a failure or error?
 - Cost per occurrence * frequency * days delay in the receipt of the information * days required to design and implement a solution
 - How much more might I produce and sell?
 - Current capacity less Current volume * unit net value * number of days capacity not utilised
- Examples
 - Happy Customers, Logistics, Projects, Processes

The Value of 'I': Happy Customers

- A registered social landlord was seeking to improve cost-effectiveness of operation
- Customer service costs were rising, income restricted by regulation
- A step change was needed in cost of service delivery to close the gap
- It was recognised that the principal activity of the organisation was data processing and THAT was mainly carried out by people
- A system – ‘The Data Hut’ was devised to automate the delivery and management of service activities
- The system, built as an integration layer to existing data systems, enabled BOTH a sustainable reduction in headcount (around 100 people) AND a sustainable improvement in service delivery
- Costs £400k, deliverable benefit year one £1m
- The Information Value: £600k and rising

The Value of 'I': Logistics

- A well known parcel distribution business was struggling to balance activity volume and staffing levels
- There was significant variance and unpredictability in daily volumes
- Its Information System led to substantial reporting delays
- Custom and practice informed all management decisions
- A daily reporting tool was constructed which:
 - analysed data in near real time
 - reported performance by individual, line, unit, shift
 - calculated the net value of change in staffing levels
- The information generated savings in staff cost of £15000 per day
 - The ANNUAL saving was £4.68m
 - The cost of the information provision was £120k
- The information value (so far!)
 - £4.68m * 5 (years) - £120k = £23m

The Value of 'I': Projects

- A research organisation was seeking to optimise project life cycle to reduce time to market for new therapeutics
- The typical life cycle is 19 years from project inception to generic competition - entry to the market is typically at year 7
- The global market for each new therapeutic is £ billions
- A project simulation tool was devised:
 - simple modification of project plans in real time
 - assumptions, dependencies, resource allocations, activity durations
- The time to produce a revised plan was reduced from one month to one hour
- Project deliverables were recognised as deliverable up to one year earlier
- The Value of Information:
 - 12 months additional sales before generic competition
 - For EVERY project!

The Value of 'I': Processes

- A manufacturer was fighting in a tough business to increase output volume
- Every extra ton of output was worth £350 in the market
- Daily output was erratic and unpredictable
- The annual budget (300,000 tons) was consistently missed
- A production simulator was built which analysed the capacity of the whole plant and identified potential volumes for each element of the plant
- The capacities were discussed with the Production Team
- A plan was devised to systematically improve output and use the simulator to monitor volume
- Within 12 months the plant was producing in excess of 400,000 tons
- The Information Value:
 - $100,000 \text{ tons} * £350 * 3 \text{ (years)} = £105\text{m}$ additional revenue

The Value of 'I': Next Steps

- Consider the state of Information in your own organisation
- Some clues:
 - It takes lots of people lots of time to compile reports
 - You have many major systems – but all your reporting is on Excel spreadsheets
 - Odd inconsistencies appear from period to period
 - 'Managing' feels somehow disconnected from 'doing'
 - Activity volumes are erratic and appear uncontrollable
 - Errors are arising and are inexplicable
- Where could better information perhaps add more value?
 - Analyse the situation using one of the 'sums' provided in this talk!
 - Take Action!