smartsheet

Are Your Technology Investments Paying Off?

We're in a disruptive digital age when speed of execution is critical to success and even survival. To keep pace, companies are looking for every opportunity to accelerate growth while improving performance.

As this pressure continues to become more acute, the way work gets done is evolving, creating new demand for a vast array of technology solutions that include cloud services, ERP systems, collaboration software, IoT — and an ever-growing sea of applications that power everything from group collaboration, to individual productivity, to conference-room temperatures.

Recently Gartner reported that despite global economic uncertainty over the past several months, overall technology spend is actually projected to increase 3.2% in 2019 to $3.76 trillion—and continue to climb to $3.875 trillion in 2020. Enterprise software is growing at an even faster clip, projected to be up 8.5% in 2019 and then jump another 8.2% in 2020 to $466 billion.[1]

But as organizations make those investments to transform digitally, the question remains: Are all these technologies really empowering the organization to accelerate innovation, improve production quality, and better serve customers? Or can these tools and the processes they affect actually restrict productivity and increase organizational drag?

Demonstrating the business benefit of technology investments is a longstanding challenge. But in today's world of hybrid technology and burgeoning application portfolios, understanding where your value lies and where it doesn't has become exponentially complicated. New metrics can allow for insight into how technology adds value, but organizations are also buried in data and don't know where to look.
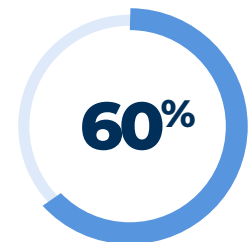
What's more, companies also need to understand the impact of dynamic, unstructured work that is often managed in spreadsheets and other siloed software tools — and that is rarely if ever measured or systemized. This can account for as much as 60% of the work being done in an organization, and often includes business-critical processes like transformation project or program management, customer onboarding, opening a new store or facility, mergers and acquisitions, marketing, and events.

How do you approach the challenge of enabling new forms of dynamic work and continuing to support traditional productivity while avoiding technology entropy in this vastly distributed digital world?

At Smartsheet, we are working to understand this problem, tame the complexity, and help shine a light on solutions that are providing real value for customers, along with those that are not.

$3.76 TRILLION

Overall technology spend is actually projected to increase 3.2% in 2019 to $3.76 trillion—and continue to climb to $3.875 trillion in 2020. Enterprise software is growing at an even faster clip, projected to be up 8.5% in 2019 and then jump another 8.2% in 2020 to $466 billion.[2]

60%

Companies need to understand the impact of dynamic, unstructured work that is often managed in spreadsheets and other siloed software tools — and that is rarely if ever measured or systemized. This can account for as much as 60% of the work being done in an organization.

1. 2. Gartner, January 28, 2019. "Gartner Says Global IT Spending to Reach $3.8 Trillion in 2019"

www.smartsheet.com

The foundation: Business value is king

Technology has become specialized to the point where today literally everything is an app. And those tools empower people and organizations in ways that can be difficult to discern.

Not too long ago, you could argue that the value behind technology investments boiled down to three pillars: reducing costs, increasing profitability, and addressing risks. Those principles hold true in today's environment, but these days, we're also expecting a lot more from our technology investments. Here are some of the most common business challenges that are sending organizations running for solutions:

Gaining visibility into the right things. Executives and managers need better visibility and control, so they can increase organizational velocity by adapting faster. Collaborative work management technologies can address this by eliminating silos across the organization, increasing transparency and accountability, and providing the insight to identify new opportunities and grow the business.

Empowering employees. The benefits of transformation can touch an organization in many ways, giving employees the power to work with and visualize data, streamlining processes, even changing the company's culture. New tools that deliver better employee experiences can optimize engagement and output, and create a more engaged culture that allows you to attract, retain, and develop top talent.

Delivering on your customer promise. Optimizing processes like onboarding, procurement, and the development of new products and services is critical to delivering the best customer experience. Tools can help you optimize those processes that impact the customer experience and drive continued innovation, improving product quality and service delivery.

Predicting and mitigating business risk. Better visibility and control across the organization's technology stack allows the company to identify risks and address them before they become a problem.

Increasing responsiveness and execution. Transforming manual processes to digital allows organizations to achieve better operational efficiency and effectiveness. Data is captured more effectively and tracked more easily. Processes and workflows can be streamlined. And visibility can be attained across the organization.

Today's markets are hyper-competitive. It's hard to get ahead, and it's even harder to stay ahead. To do so, companies are continually challenged to optimize and drive continuous improvement across processes, initiatives, and projects — which is why we're seeing that continued increase in technology spend. But the problem persists: How do you measure the impact of all of these technologies? It starts with some legwork to get a real understanding of the entire technology portfolio and the people who need and use those tools.

Assessing your application capital

After years of transformation and soaring technology investments, it's safe to say that virtually every company is now a technology company. Applications empower workers to produce, develop, innovate, report and analyze. And they can be found anywhere work is done, from factory floors to trucks in the field to conference rooms and cubicles.

Accordingly, applications have become one of the most valuable assets across industries today, with some companies such as Facebook or Airbnb attaining billion-dollar valuations without substantial investments in physical assets and capital. Simply put, a company's technology portfolio can be worth as much as or more than any physical assets or intellectual property the company may own.

But ask yourself: Do you know how many applications you have? Do you know where they are running and how they deliver value to the organization? Most companies do not. With multiple clouds, multiple business units, on-premises servers and databases, and many, many solutions and services, companies around the world have continued to invest in technology without a central point of control or visibility.

After years, decades even, of application sprawl, it's time to flip this trend on its head. Business units must be able to report on every solution in their ecosystem, whether it powers a multi-million dollar production facility or a thermostat in the lobby. At a high level, the organization needs to know what the solution is, what impact it is driving, who is using it, how it's being used, where it's running, and whether it's secure. And this rigor should be applied not just to existing applications and investments but to new ones as well.

Ask yourself: Do you know how many applications you have? Do you know where they are running and how they deliver value to the organization? Most companies do not.

www.smartsheet.com

Grappling with this issue, business leaders are increasingly turning to their technology leaders for a holistic view of the entire application portfolio. Managing technology with more rigor is becoming a new differentiator, because the organization can then begin to assess how successful those investments are in driving important business outcomes. Redundant systems and processes can be identified. And you can begin to visualize the right key performance indicators (KPIs) and performance metrics to assess whether to continue investing in a solution or service, or pull the plug and find something more effective.

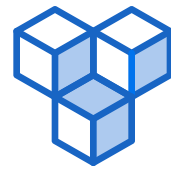Managing technology with more rigor is becoming a new differentiator.

Understanding your internal customers

Once you understand your application ecosystem, assessing the effectiveness of your solutions is really about aligning the technologies the company is investing in with the people leveraging those investments. This means connecting with the executives and managers making technology decisions, and working with them to understand the business case, the use case, and the users themselves.

These internal customers are the fundamental drivers of the business value that a particular investment is designed to deliver, whether it's actually delivering on that promise, and what the remaining pain points are for the organization. Roles to focus on include business unit heads and any direct reports leading technology or business initiatives, IT leaders and managers involved in implementation and development, and the leaders and teams who are actually using the tools.

Talking to these individuals allows you to get closer to two distinct but important streams of information. On one hand, it makes identifying the right KPIs easier, because they can be grounded in the realities of the business operations. What is the real goal of a particular process or task? What are the challenges or pain points involved with accomplishing that task? How long should it take? Has the output been optimal or suboptimal, and how can it be improved? Within the answers to these questions can be found effective, measurable KPIs: process efficiency, output, and quality.

The second information stream is also increasingly important in assessing the effectiveness of technology investments: Are the tools that have been provided for the task empowering and engaging employees, or are they being ignored, abandoned, or creating other forms of organizational drag? Are there gaps in capabilities that require workarounds? And are those ad hoc processes creating information silos that hamper organizational visibility into efficiency and results?

Are the tools that have been provided for the task empowering and engaging employees, or are they being ignored, abandoned, or creating other forms of organizational drag? Are there gaps in capabilities that require workarounds? And are those ad hoc processes creating information silos that hamper organizational visibility into efficiency and results?

This is unstructured, anecdotal, subjective information that can only be obtained by talking to teams, managers, and executives — largely because of the vast diversity in the ways in which people work today. And in today's digital era, uncovering these types of insights is just as important as measuring performance when it comes to understanding the value your IT investments are returning to the organization.

Finding the right KPIs

One of the biggest challenges with identifying ROI in technology investments is finding ways to quantify the value being delivered. In making the investment, the business unit has laid out its case for the value it expects to receive. But how do you identify an objective measurement to see whether that value is being realized?

This is made even more challenging today by those growing application portfolios, which have led to another issue that organizations, especially larger ones, must be able to wrangle: the data deluge. Companies today have no shortage of data to build metrics and KPIs, but generating real insight from data in terms of bottom line impact remains a challenge in part because of this volume.

Besides complexity, the very nature of data science and numerical measurements creates challenges here too. ESPN writer Matthew Berry provides a clever overview of how statistical measurements can be used to make a case on both sides of just about any proverbial coin.[2] His article may be about fantasy football, but the lesson applies in business: Data is a transformative tool for measuring performance, but the more data you have, the more difficult it can be to find the real source of truth.

This is why building those relationships with internal customers is so critical. Through those conversations, specific pain points and challenges can be identified across business units or even specific processes and tasks. Within every pain point could lie an opportunity for improvement. The organization can also see what's working well and how those best practices may be applied to build a culture of effectiveness across the organization.

By connecting that information to business objectives, it becomes possible to identify the types of measurements that really correlate to business success. And once those are in place and standardized, the business is now in a position to monitor its effectiveness on an ongoing basis through regular reports or dashboards.

2. ESPN, July 2019: "100 Facts for the 2019 Fantasy Football Season."

Dashboards didn't used to be a thing — or at the very least they required an arduous process of integration to deploy, with a lot of help from IT. But today, there are solutions that anyone can use to create custom dashboards, collect data, and automate processes, leading to new capabilities for analysis and measurement. Once the right KPIs are in place, the organization is now in a position to make use of that data and generate ongoing insights into its effectiveness.

Closing the gap between the business and IT

Over the past couple of decades, the discipline of IT has become increasingly effective at identifying new capabilities and technologies, and comparing and benchmarking competing vendors and their offerings. Budgets and forecasts have gotten more precise, and the ability to determine and measure the performance of the infrastructure and app portfolio has gotten ever sharper.

But the performance of technology systems does not always equate to business outcomes. Today, digital transformation means business transformation, and it's critical to develop a strong link between IT and business metrics.

This means that communication between IT and business leadership is more important than ever; in fact, McKinsey has made the argument that digital transformation is now so pervasive and so connected to the business that it is actually being driven by the CEO.[3]

Just as it has become more important for CEOs to develop their digital chops, IT leaders today need a deeper understanding of business issues. High-level knowledge won't be effective in this new age; IT leaders need to dive into the specific processes and challenges of business units and identify where opportunities lie to build new IT value chains in the organization. When it comes to ROI, understanding options and costs may inform the investment, but understanding the return is a responsibility that spans across the organization.

Communication between IT and business leadership is more important than ever; in fact, McKinsey has made the argument that digital transformation is now so pervasive and so connected to the business that it is actually being driven by the CEO.[4]

3. 4. McKinsey Digital, December 2017. "Why digital transformation is now on the CEO's shoulders."

www.smartsheet.com

Getting at your true ROI

In its purest sense, calculating ROI involves comparing the investment's Total Cost of Ownership against its returns in a real-dollar format. But this typically involves comparing actual money spent on the project against returns that are easily measurable, such as time spent and other common metrics. While this is still valuable in understanding the investment, in today's world, it's also an incomplete picture.

A decade or so ago, Forrester Research developed its Total Economic Impact™ (TEI) methodology for assessing technology investments, which has become foundational for analysts and consultants who help companies understand their ROI at a deeper level. The process involves conducting interviews to understand the benefits a company derives — efficiencies, savings, improved c-sat scores and the like — along with the financial impact of those benefits. It's the same with costs: Beyond the licensing and professional services fees, the TEI considers internal development and program costs, as well as any partner costs.

The breakthrough that Forrester provided with this approach is understanding that any definition of "value" or "return" must be considered within the context of each unique company. Yes, financial success is the bottom line for any investment, but there are multiple dimensions to consider in defining and quantifying value for an organization.

There is a lot to like about this approach — and in fact Smartsheet has engaged with Forrester to understand our own offerings better.[5] At the same time, the world of technology and software has evolved considerably over the last decade. Today, the value of an investment includes many intangible and unstructured measurements that didn't exist even 10 years ago.

This change is also an opportunity for companies to go even further and get an even clearer picture — not just of the financial value of technologies, but of the actual transformation that "digital transformation" is enabling for the company across processes and people.

What is the value of engagement versus ennui in your talent base? What does "visibility" really mean when it comes to running a company? At Smartsheet, we are working with customers all over the world to find out.

5. Forrester Consulting, Sept. 2017. "The Total Economic Impact™ of Smartsheet."

www.smartsheet.com

Our methodology

Smartsheet is recognized as a leading provider of collaborative work management solutions. Our Business Value Services (BVS) program was established to help customers assess the potential value of new investments and measure the actual business impact of existing investments. The BVS team works with business leaders to link operational benefits from increased efficiency and productivity to key financial metrics, using a simple but effective methodology:

Set specific goals. Qualitatively, the objectives of these investments should go beyond individual employee or team benefits and be tied to specific strategic goals of the broader organization. It needs to be clearly understood how these investments will ultimately contribute to overall success. Quantitatively, it's not enough to say you simply want to eliminate wasted time or increase efficiency. Those benefits are inherently good, but they should be converted to measurable operational metrics. From there, the financial impact in terms of measurables like increased revenue, lower costs, higher margins, and ROI can be calculated. Precise estimates are often difficult to establish, but high-level directional guidance can still be instrumental in evaluating new investments.

Get employee feedback. If you're experiencing organizational drag that slows the execution of strategic initiatives, it's likely that your employees understand why. We work to get their feedback in a consistent and measurable way. A well structured survey will empower workers to reveal root causes and find solutions. It also increases employee engagement. Surveys should include both open-ended questions and choices that can be aggregated for statistical analysis.

Confirm new capabilities. We work to identify specific new organizational capabilities that will be enabled with these investments, like best practice process flows, resource capacity planning, and real-time visibility to all KPIs. Through this work, the value of each and how they support higher level objectives becomes clear.

Review results. A strong business case only addresses the potential for value. Organizations should do retrospective analysis to assess the value that's been realized. This requires the discipline to review past investments and the means for assessing their impact both qualitatively and quantitatively.

Identify additional opportunities for value. Critical business processes that depend on dynamic, less-structured work are pervasive in most organizations. This means that there are endless opportunities to optimize them and drive measurable business value. Organizations should learn from both successes and failures while considering additional opportunities for improvement. In most cases, the fundamental practices of doing so are extensible and repeatable.

After years of disruptive pressures from digital transformation, companies need a way to understand the value they're getting from an expanding array of technology investments. Doing so involves really getting crisp about your technology and application portfolio, and then connecting those assets to the business needs and processes they power and the people using them.

Since this is such a large challenge for many organizations, it's important to have a solid methodology and structure behind the effort, and Smartsheet is here to help. Reach out to us at smartsheet.com/contact and we'll help you get started today.