

# VALUE OF IT AND EXIT PLANNING

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*Edition 1.1*

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# WHAT'S THE VALUE OF IT?

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- Profit, Loss, and ROI
- Value of Information and Applications as an Asset
- IT and the Exit

# P&L VIEW

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- Budgeting for IT operations, capital expenses, and projects, and judging ROI
- Categories of expenditures (essence of why money is spent)
  - Running the business
  - Growing the business
  - Transforming the business
  - Reducing risk
- Cost:
  - Capital: HW purchase, SW licenses
  - Operational: Maintenance, support, training, labor

# RUNNING THE BUSINESS

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- Operations associated with ongoing operations and “utility” services
  - Network services: email, networks, Internet access
  - Phones & voicemail
  - Applications: Finance/accounting, HR
- Value: Absence is a detractor, but no inherent value
- ROI: Once in place, ROI can only exist for cost reduction projects

# GROWING THE BUSINESS

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- Technology used for revenue generation
- Projects designed to increase revenue
- Applications: CRM, e-commerce, websites
- Value: Increase revenue, prevent revenue erosion
- ROI for projects: Revenue increased vs. cost of implementation
- Once implemented, part of “running the business”!

# TRANSFORMING THE BUSINESS

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- Projects that fundamentally change the way you do business
- Value
  - Potential cost reductions
  - Productivity increases
  - Quality increases
  - Competitive advantage
- Examples:
  - Initial implementations of CRM
  - Workflow
  - Initial implementations of ERM (manufacturing)
  - Knowledge management (SharePoint)
- ROI: Depends, hard to calculate, unintended benefits and problems
- Once implemented, part of “running the business”!

# REDUCING RISK

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- Operations: Backup and recovery, disaster recovery, business continuity
- Technology: Anti-virus, intrusion detection & prevention, data loss prevention
- Compliance: Mass law on data protection
- Value: Absence is a risk, but no inherent value
- ROI: Risks/cost tradeoff

# MGL 93H – DATA PROTECTION LAW

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- Personal information - Massachusetts resident's first name or initial and last name in combination with: social security number, driver's license number or state-issued identification card number, financial account number, credit or debit card number with or without any required security or access code or password that would permit access to financial information.
- The law requires adequate computer system security measures to protect personal data:
  - Secure user authentication protocols
  - Secure access control measures
  - Encryption of all transmitted records and files containing personal information that will travel across public or wireless networks
  - Monitoring for any unauthorized use
  - Encryption of all personal information stored on laptops or portable devices
  - Up to date firewall protection for the operating systems
  - Malware protection updated on a regular basis
  - Education and training of employees on proper use of the system and the importance of personal information security
- Fine: Up to \$5000 per record compromised

Ref: <http://www.leapfile.com/MA-201-CMR-17>

# EXIT PLANNING AND THE P&L VIEW OF IT

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- Objective: Improvements in P&L statement
- Focus on core business, outsource non-core IT activities
- Minimizing cost always important, but not the only consideration
- Assure some “grow the business” projects exist or company growth will be labor intensive
- “Transform the business” projects may be out of reach, but consider hosted applications

# EXIT PLANNING AND THE ASSET VIEW OF IT

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- Objective: Improvements in asset value
- Applications and information as assets
  - Workflow embodies business process of company
  - Information embodied in applications is an asset
  - Knowledge captured in repositories (file shares, SharePoint) is an asset
- Value of your client's customer knowledge
- Value of your client's product information
- If all destroyed, what would the value of your client's company be?
- If stolen by hackers or disgruntled employees, what is threat to company's future revenue?

# ASSETS & SUSTAINABILITY

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- New book by Oleksak & Adams on Intellectual Capital: 70% of value in intellectual capital
  - Where does that value exist? Applications, data, minds of management/staff?
- Sustainability requires effective use of technology

# SUMMARY

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- Sustainability
  - Information and application workflows as assets
  - Reduction of risk (business continuity/disaster recovery)
- Risk reduction
  - Compliance with Massachusetts Data Protection Act (MGL 93H, 201 CMR 17.00)
- Improvements in P&L
  - Cost reduction for “run the business” use of technology
  - More “grow the business” and “transform the business” projects
  - Outsource where possible, particularly for non-core use of IT



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## PRESENTED TO THE EXIT PLANNING EXCHANGE

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