PUTTING VALUE AT THE HEART OF BUSINESS TRANSFORMATIONS

VALUE REALIZATION METHOD™ FROM INFOSYS CONSULTING

An Infosys Consulting Perspective
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Introduction

COVID-19 has accelerated digital and other transformation programs for businesses worldwide. In the current financial climate, it will be more important than ever to make sure that limited resources are used strategically to drive maximum value for the organization.

Typically, business transformation initiatives are already highly complex and often present enormous challenges. The success of these programs has always come down to realized value. However, many programs don't live up to their business case and don't see the value realized.

The Value Realization Method™ (VRM™) is a proprietary approach from Infosys Consulting that helps to ensure that transformation programs are not only on time and on-budget, but also on-value. VRM is applicable to all industries and can be used with any transformation, from Digital to Cloud to Robotic Process Automation (RPA), and at program or portfolio level.

In this paper, we look at some of the reasons business transformation programs often fall short of expectations, and why value should be the key driver in the COVID-19 era. We also outline the benefits of VRM and offer an indicative roadmap that we take to our clients, as well as examples of best practice.
A New Era of Transformation

The COVID-19 pandemic has brought fast-moving and unexpected variables. With a difficult economic climate ahead, it is critical for businesses to prioritize investments and decide what to do with limited resources.

“Pre-COVID, business and operating models could probably improve with certain digitalization efforts, but why change what’s working well enough? Now, the path forward is clear: Accelerate digital business or risk the survival of the organization.”
- Gartner

In the immediate aftermath of COVID-19, we saw tactical actions to optimize cash flows (focusing on revenue recovering improvements) and working capital, including temporary freezes on new hires, complex and difficult renegotiation of new and existing contracts, and adjusting of inventory and working capital levels. In this case, speed mattered; companies that survived the last recession were shown to have cut costs earlier, faster and deeper than their competitors.

However, it is the companies that not only focus on cost management, but also use the instability for more strategic transformative action, that will position themselves for the long-term. Now, in response to COVID-19, organizations that have delayed transformation in the past are rapidly overhauling their existing business models.

Those that are strong enough for transformational programs have a unique opportunity to fundamentally rethink their operations in a new digital light. For example, for large enterprises, the move to a cloud solution will take on a heightened focus as they look to accelerate their cloud ERP migrations.
Typical Challenges of a Transformation Program

For many businesses, transformation efforts have, until now, been approached in a fragmented and uncoordinated manner.

“Most “digital transformations” are not transformational. I’d estimate that over 90% of companies are using technology to modernize their existing business model vs. transforming it.”

- Forrester

Before COVID-19, businesses typically took incremental steps towards rolling out digitization programs; this phased approach would take place over a number of years. This is unsurprising when transformation initiatives are highly complex, with a natural tension between value and delivery within organizations.

While it is relatively easy to usher in technology change, success is greatly defined by how well people and process related changes are managed in conjunction with the technology. Equally, lack of connection between transformation initiatives and tangible business value can prevent stakeholder buy-in and create significant challenges to the success of the transformation. For this reason, many initiatives don't live up to their business case.

Lack of benefit realization

Value management and benefit realization are not new concepts; every transformation program will typically begin with identifying a goal or benefit as part of a business case. However, this first step is only the beginning. To realize full value of an initiative, benefits must be embedded end-to-end within the program itself.

Figure 1 shows the five stages of benefit realization. In our experience, 70% of programs and initiatives stop at the first two steps, and therefore fail to reap the full value of the transformation.

Figure 1

70% of programs stop here

- Identify: What benefit are we interested in?
- Prioritize: What to do now vs. what to do later?
- Quantify: What KPIs and targets are agreed?
- Implement: Do the Work!
- Realize: The Day to day delivery of the program and value

Requires OPEX, TOM, RACI and exec support

Easy

Hard
While identifying and prioritizing value drivers at the start of a program is a simple enough task, the quantification, implementation and realization of benefits becomes significantly harder as the program scales. Consequently, many initiatives don't deliver the tangible metrics that are required by business executives and the Board.

**Value Leakage**

At the same time, as organizations progress their transformation, there will typically be ‘value leakage’ – i.e., the difference between the value expected from a program and the value realized during the actual implementation. There are a number of reasons why we see value leakage in a program, and have identified some of the most common ones below.

**Leakage between forecasted benefits and tracked benefits**

- Lack of communication and coordination between program and business
- Not seeing the overall business value (too much focus on the numbers)
- Not understanding how value is derived
- Lack of experience in addressing hidden value, both tangible and intangible
- Insufficient skill set for interacting with diverse stakeholders
- Lack of connectivity to firm's vision, values and goals

**Leakage between tracked benefits and managed benefits**

- Insufficient experience in managing business case development as a project
- Business case not kept live throughout program
- Ambiguous metrics accountabilities

**Leakage between managed benefits and realized benefits**

- Missed deployment priorities
- Hesitant stakeholder buy-in
- Sub-optimal customization decisions
- Non-value focused scope

Value leakage and conversely value realization are clear indicators of business engagement in a transformation. It's well known that the best performing companies outperform others when they focus on achieving the expected value from transformation. And as you scale up your transformation, value management will become an increasingly integral part of the journey.
As transformation programs begin to accelerate, organizations will need to focus on driving positive and clearly defined outcomes for every initiative. Whether it’s streamlining processes, harnessing data or shaping entirely new ways of doing business, this is about uniting every part of the enterprise in a common, value-driving purpose.

The core focus of VRM is tangible value realization throughout all stages of a program. It is this end-to-end approach that delivers significant success.

**VRM at a glance**

- The core focus of the to-be design is tangible value realization.
- VRM facilitates early stakeholder buy-in, involvement and support.
- The approach provides a means of demonstrating to-be design early, gaining critical stakeholder feedback before implementation begins.
- VRM can be utilized in conjunction with the decision framework to ensure scoping decisions are objective.

VRM is typically used when the program is intended to drive a transformation, as well as simple technical upgrades. It enables a program team to maintain focus on business benefits during the design process and ensure that functionality is selected based on pre-defined principles, rather than subjective opinions or technical simplicity.

Figure 2 (overleaf) shows the business challenges faced as part of a transformation program, and how VRM can be used to address them.
## Business Challenges

<table>
<thead>
<tr>
<th>Business Challenges</th>
<th>How VRM addresses them</th>
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<tbody>
<tr>
<td>Value is <strong>not clearly understood</strong> prior to and through the program</td>
<td>• Quantify value potential</td>
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<td></td>
<td>• Determine business processes to focus on</td>
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<td></td>
<td>• Identify changes needed to drive results</td>
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<tr>
<td>Value does <strong>not drive solution design</strong></td>
<td>• Prioritize high value business requirements</td>
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<tr>
<td></td>
<td>• Conduct cost benefit analysis on program projects</td>
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<tr>
<td>Value is <strong>overlapping</strong> across programs</td>
<td>• Ensure value driven projects are tracked in a mutually exclusive manner</td>
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<td></td>
<td>• Create constant feedback loop to assess if project value is on target</td>
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<tr>
<td>No <strong>clear accountability</strong> for achieving business results</td>
<td>• Align metrics with individuals</td>
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<td></td>
<td>• Secure stakeholder agreement and adoption of the how program will be measured</td>
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<td></td>
<td>• Support program goals with data from value analyses</td>
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<tr>
<td>Value is <strong>not tracked</strong> throughout the program</td>
<td>• Ensure program value is monitored post-launch</td>
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<td></td>
<td>• Establish metrics agreed upon by all stakeholders</td>
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VRM is applicable to all industries and can be used with any type of transformation, including digital. It is also effective at two levels: program level (transformations) and portfolio level (managing a portfolio of initiatives).
An Example VRM Roadmap

As with all functions critical to transformation – such as innovation, strategy and program management – VRM follows a proven process and structure.

Three phases to success

In order to execute VRM as part of a transformation initiative, we work with clients on a three phase approach, made up of a number of tools and accelerators. These are outlined in Figure 3.

Figure 3
Let’s look at these steps in more detail.

1. **Find Value**

**Value Scan:** Take a step by step, analytical approach to assess the gaps for value creation and help set the direction for a transformation program.

**Value Diagram:** Use a visual representation (visual business case) to help diverse stakeholders see the linkage of value from financial levers to operational levers to change initiatives.

**Business Case:** Analyze the full business value impact of a proposed investment.

2. **Design Value**

**Metrics Management:** Define a list of metrics and KPIs relevant to the project, and establish ownership and accountability for the key metrics – as explained in more detail below.

**Decision Framework:** Make decisions about the scope, prioritization of requirements/initiatives and structure of the program based on value.

**Value Enabled Solution Design:** Ensure the business solution is designed to achieve your strategic priorities, business goals and business case benefits.

**Value Audit:** Assess the transformation program’s value realization processes. Initiate a continuous cycle of reporting and refinement, resulting in a steady state/post go-live governance process.

3. **Capture Value**

**Benefits Tracking:** Use automated dashboards to monitor benefits realization in terms of performance, actions, responsibilities and benefits to the bottom line.

These eight elements form the backbone of realizing the true value of a transformation project.
Spotlight on: Metrics Management

While we won’t be covering every area in detail as part of this paper, there is one key element of the VRM approach which is fundamental to the success of every program: ongoing metrics management and KPI tracking.

1. **What to measure?**

The first part of the VRM metric management step is to define “what to measure” and “who is accountable”. This includes:

- Ensuring that all the existing (existing operational reporting) and new dimensions (i.e. new target operating model and ways of working) are taken into consideration as part of the KPI design.

- Through early engagement with senior business stakeholders, define an agreed set of KPI measures, and agree roles and responsibilities with respect to the measurement process as well as accountabilities for achieving performance targets.

2. **How to measure?**

The second stage of the process is to agree “How to measure” – as part of this, metrics profiles are defined which include details such as metrics definitions, calculations, process linkage, mapping to data sources (cost centers), etc.

Transformations cannot stand apart from the rest of the business. In order to deliver the outcomes that make a difference to the bottom line, your transformation team needs to share goals and metrics with their peers across the organization. These are not IT metrics to meet business goals, but true shared outcomes.

“While you can’t manage what you don’t measure, measuring the wrong things inevitably leads to organizational dysfunction at best and failure at worst.”

- Forrester
Why Infosys Consulting?

As an innovation and digital transformation partner, we offer our clients deep industry expertise and end-to-end solutions to solve today’s most pressing, multi-dimensional challenges.

Sitting at the intersect of industry strategy and cutting-edge technology, our consultants lead industrialization solutions at scale and implement complex change programs where value becomes the true differentiator for success. And with the ability to implement at scale, we transform ingenious ideas into operational reality through our offshore delivery power of Infosys.

- Infosys Consulting is best placed to translate strategic vision and value proposition into successful transformation, with technology excellence and the ability to execute.
- Value has always been at the heart of our transformation methodology – VRM is an end-to-end methodology that ensures programs deliver value impacting the bottom line.
- We have 24+ years of execution for more than 250 programs across industries and geographies.
- We’ve developed a number of proven accelerators and reference material which expedite the value journey.

**VRM Case Study: Heathrow Airport**

Leaders in the industry are already using VRM to realize the benefit of their transformation initiatives.

Infosys Consulting worked with Heathrow on a major back office transformation, replacing all existing applications for finance, HR, asset management and procurement with the latest ORACLE Cloud platform using VRM methodology.

The program was a huge success – we reduced program payback from >10 years to < 5 years and tripled their NPV. You can watch their testimonial by clicking the image below.
LOOKING TO THE FUTURE

As organizations begin to shift from the recovery phase of COVID-19 to the renewal, many are focused on what comes next and capitalizing on the changes made to the business during the pandemic. Business transformation will accelerate, and, over time, we will build a new set of business practices, forever changed by COVID-19.

Whilst it will be a challenging time for organizations, whose budgets will be pushed to the limit by a turbulent economic climate, the need to manage value and benefit realization is greater than ever. VRM offers a way to put value at the heart of all new initiatives. By following this methodology, leaders can ensure that every transformation is an integral part of their business journey – and reap the benefits through every stage of the program.
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Define New Metrics For Digital Business Success: Reshape Your Innovation Culture With The Right Metrics (Forrester 2016)
About Infosys Consulting

Infosys Consulting is a global management consulting firm helping some of the world's most recognizable brands transform and innovate. Our consultants are industry experts that lead complex change agendas driven by disruptive technology. With offices in 20 countries and backed by the power of the global Infosys brand, our teams help the C-suite navigate today's digital landscape to win market share and create shareholder value for lasting competitive advantage. To see our ideas in action, or to join a new type of consulting firm, visit us at www.InfosysConsultingInsights.com.

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