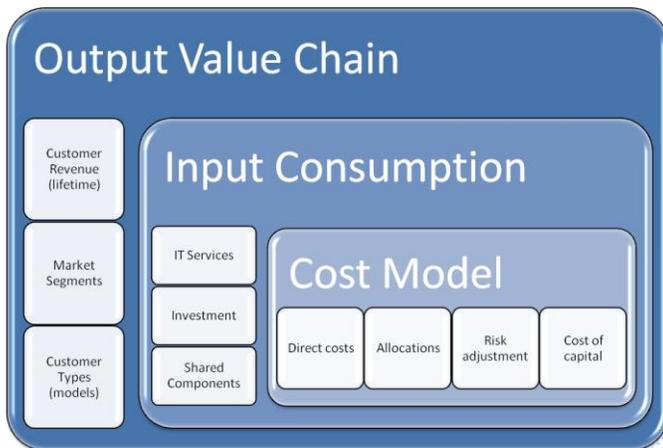## Valuation System

The value of IT has been debated in qualitative terms with a range of view points. For technology-dependent businesses, the perceived value is high but measuring the value has proven difficult.

By adopting essential elements of model construction, Actionable Strategies can help clients create a reusable and consistent approach to assigning value to elements of IT services. This can help optimize IT spending and aligning focus to the most vital and potential valuable investments.

Conceptually, a valuation system links the measured output to costs based upon a consumption model. The example above is representative of a mature model that includes calibration factors such as risk adjustment and cost of capital.

Application of business and financial modeling techniques is fairly unique to IT but has been used successfully in quantifying value of other more nebulous functions.

Model Construction

The first model that is built is the output value chain which is a customer model. The customer model typically views the lifetime value of different types of customers. Usually, individual customer types are modeled for each market segment tracked by the client. A simplified example is depicted.

The second model aligns IT inputs to the outputs consumed to generate value. By focusing on the outputs and revenue, a clear picture can be drawn and valuation achieved. Exercises that are driven from costs tend to obfuscate true value calculations.

The final model attributes costs including allocations. Note that the ultimate goal is typically not to define costs, but to optimize value generated from IT spending.

Collaborative Approach

Each client has a unique view of their customers, value chains and service delivery models. By applying frameworks and unique experiences in modeling, Actionable Strategies collaborates with clients to build working models that accurately reflect the business.

Working in conjunction with client leadership allows our clients to modify and extend the initial models as the business grows and matures.

Engagement Structure

Actionable Strategies applies an iterative approach to mitigate risk and deliver incremental value. The basic engagement roadmap is depicted below. Note that the modeling phase may include a pilot and partial models to allow the client to begin optimization of a limited set of services prior to development of the full valuation system.
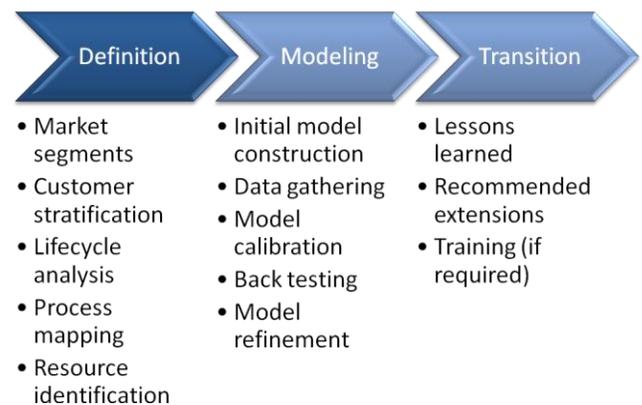
For specific details on how we can help you optimize IT using a valuation model, please contact your Account Manager.