



**UNIVERSITAS KOMPUTER
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Connect to Bottom Line

[Benson] Chap 3

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Basic approach for connecting to the bottom line



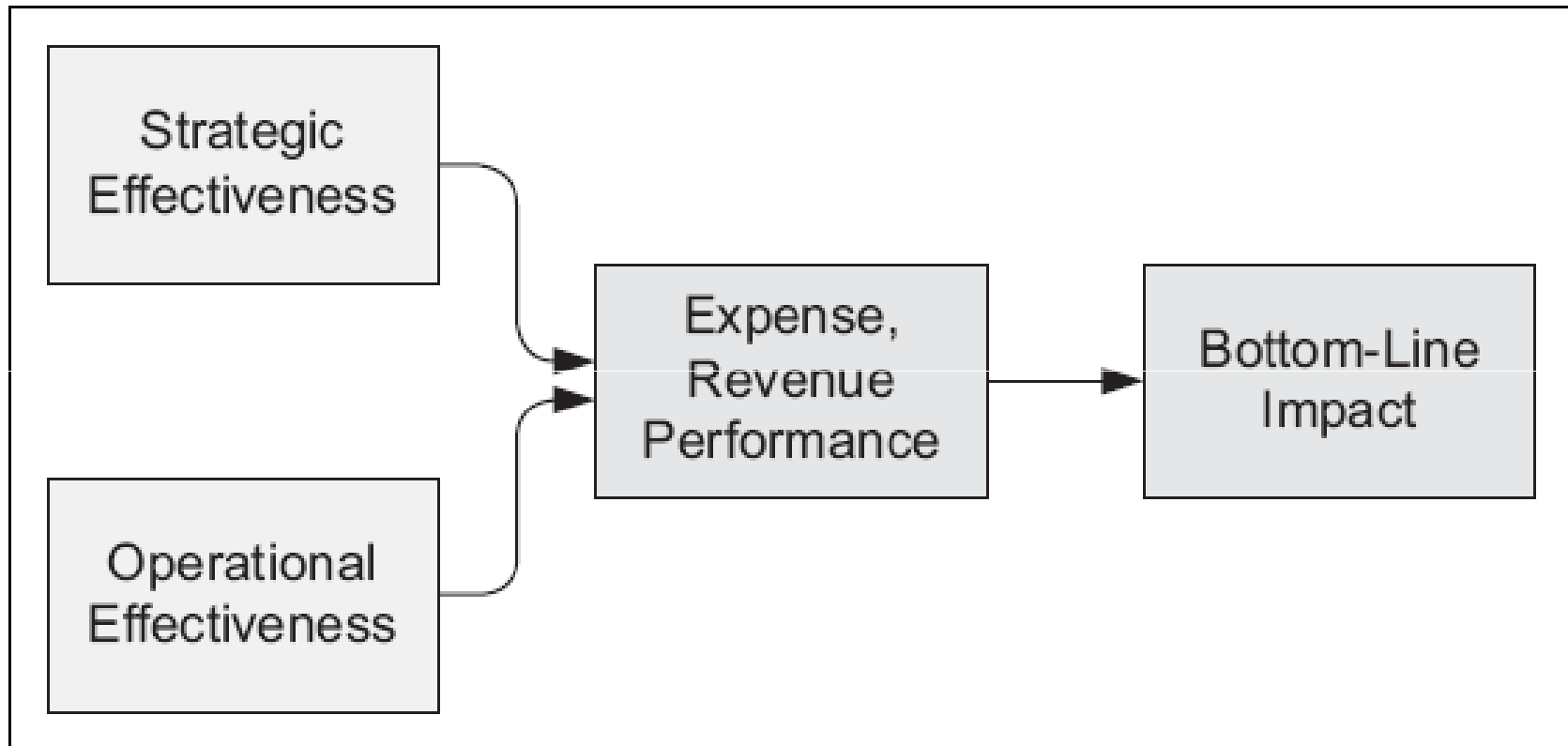
- **By prioritizing all IT investments in terms of bottom-line impact (including risk),** the company improves overall bottom-line performance by choosing the high-impact investments and eliminating or reworking low-impact investments.
- **By aligning the lights-on IT spend (e.g., infrastructure, existing applications)** to the business, the company improves overall bottom-line performance by changing or eliminating the low-impact activities.
- **By understanding the cost of elements of the IT spend and by assessing the** performance of the lights-on IT spend in terms of technology, architecture, quality, and service level, the company improves overall bottom-line performance by eliminating costly, poorly performing IT activities.

BOTTOM-LINE IMPACT BASED ON CAUSE AND EFFECT



- The key to assessing bottom-line impact is determining cause and effect
- The key to cause and effect on the bottom line is management action.
- The key to bottom-line impact is future management action.

Cause-and-Effect to the Bottom Line



Operational and strategic effectiveness (Michael Porter's)



- Operational effectiveness means performing similar activities better than rivals perform them.
- Strategic effectiveness means performing different activities from rivals' or performing similar activities in different ways.

Operational and strategic effectiveness (Michael Porter's) cont'd



Operational Effectiveness includes:

- Efficiency
- Process improvement
- Quality improvement
- Management information

Strategic Effectiveness includes:

- Product/service development and positioning
- Customer access
- Targeting customer segments

Example of Strategic Intentions



Strategic Intention Name	Strategic Intention Goals	Strategic Intention Metrics	Weight
Focus on Specific, Narrow Markets	<ul style="list-style-type: none">• Focus on markets in which the company can profitably compete• Build strategic partnerships with key customers	<ul style="list-style-type: none">• Market share in specific markets• Profitability in specific markets	30
Improve Efficiency through Common Business Practices	<ul style="list-style-type: none">• Employ best practices throughout the company• Reduce the unique systems and processes in each operating location	<ul style="list-style-type: none">• Percent of standard systems used throughout company• Percent of standard processes in use throughout the company	10
Be the lowest-cost supplier in focused markets	<ul style="list-style-type: none">• Reduce the administrative, manufacturing, and operations costs of the company• Optimize purchasing power	<ul style="list-style-type: none">• Production throughput• Net delivered cost of product	40
Grow through Acquisition	<ul style="list-style-type: none">• Increase the capability of the company to rapidly integrate new applications and operations, with decreased cost	<ul style="list-style-type: none">• Time to integrate a new acquisition or operation	20

PRINCIPLES OF IT'S BOTTOM-LINE IMPACT



- Bottom-Line Principle 1: IT's bottom-line impact is based on its direct contribution to improved profitability.
- Bottom-Line Principle 2: IT's direct contribution to improved profitability is based on improving the company's operational and strategic effectiveness.
- Bottom-Line Principle 3: IT improves strategic and operational effectiveness by carrying out management's strategic intentions.

Improvements in Effectiveness caused Bottom Line Impact

