



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



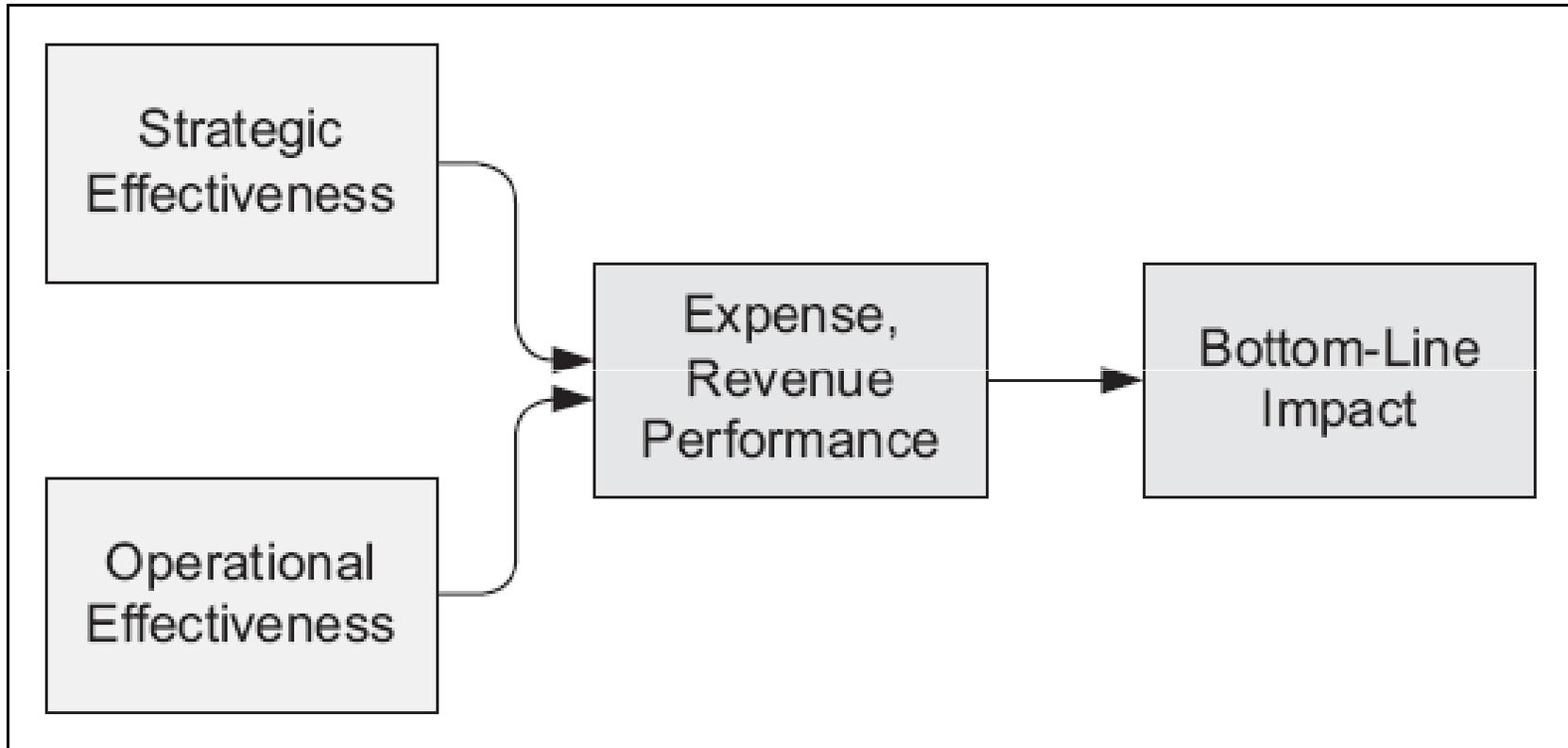
- **By prioritizing all IT investments in terms of bottom-line impact (including risk),** the company improves overall bottom-line performance by choosing the high-impact investments and eliminating or reworking low-impact investments.
- **By aligning the lights-on IT spend (e.g., infrastructure, existing 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

A photograph showing three business professionals in a meeting. One man in a white shirt is pointing at a whiteboard, while two other men in suits look on attentively. The background is a soft blue and green gradient.

- 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)

A photograph showing three men in business attire. One man in the center is pointing at a whiteboard with a pen, while two other men on either side look on attentively. The background is a light blue wall.

- 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

A photograph showing three men in business attire. One man in the center is pointing at a whiteboard, while the other two are looking on attentively. The background is a light blue wall.

- 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

