

Intranet ROI

Intranets have been arguably one of the most important and effective technological discoveries to businesses since the advent of the Internet. While many companies agree and value the importance of an investment in to a corporate intranet in today's work environment, not many can manage to quantify the value derived by its use. The primary reason for this is the fact that an intranet and the operations it makes possible permeates so deep into the working of an organization and its business processes, that it is difficult to separate the technology from the business process and quantify it in isolation.

To illustrate the point further, it would be sufficient to point out that a research group studying various intranets deployed by corporations has assigned as much importance to Intranets as to the telephone system. And that seems fair enough - a telephone system is of prime importance to an organization but nobody measures its added value, as it is self evident and universally accepted. Similarly an ideal intranet touches all the facets of a business in a very close way so much so that the whole business depends on its working and success.

So how does one go to measure the ROI or the return offered by this corporate investment? What are the different elements to quantify in the process and what metrics should one use to measure a success or failure?

Metrics of measurement

Usually as a first impulse, an intranet's ROI makes everybody reach for the hits received by the website that houses the intranet of the organization. However while a hit report will over a period of time will tell whether or not an intranet is successful, to calculate its ROI, it's not enough. Following are some intranet performance metrics that should be used to map an intranet's ROI:

Time savings:

Intranets help in improving efficiency of the organization in different processes. However often it is difficult to account for the increase in productivity of the employees directly. One way to quantify such an increase in productivity is by calculating the time saved for each employee and then measuring the ROI by arriving at a company wide figure of time saved multiplied by the costs incurred on each employee group. Intranets make searching for information easier. It is an established that an average employee spends almost 40% of their time searching for information. With the help of a good document system in an intranet, employees of companies around the world save enormous amount of time a day. Even if the per employee per day time saved is less (say around 10 minutes) multiplying that by the whole employee strength of the company makes it worthwhile.

Cost savings

Costs saved are an obvious inference to measuring the ROI of an intranet. The enterprise having the intranet should however understand how to account for the costs saved and identify where the organization can save costs and measure them. Costs savings are almost apparent in publishing and distributing documents online instead of printing them in paper and sending over to different employees. However it is not just a one-time cost saving that an organization should account for, but also the amount of costs saved in regular updates to the original document. It is estimated that around 20% of corporate printed material becomes outdated within a month's time. This being the case, upgrades to documents presents a great opportunity to save unnecessary costs.

Increased sales

Regular use of the intranet helps the organization to increase its revenues and profits. Over a period of time, the effect of the intranet and its extent to which it can be attributed to the increase should be apparent over the revenues and sales. The company's sales force is more equipped to handle customer calls and client meetings with downloadable documents like the sales kit, presentations and product manuals. The company's customer support staff is able to answer queries of customers easily due to the ready database of client interactions. In fact some companies measure the intranet ROI from the sales support process as per the sales closed than minutes saved!

What does it include?

As said above, to measure the return offered by an intranet, one has to be discerning and separate the different parameters and look at them in isolation. This being so, often the whole is more than the sum of the parts. In other words, the result offered by the intranet as a whole is more than the value added by the different parameters in isolation. One basic category used to quantify parameters is explicit v/s implicit elements in an intranet - parameters that have a direct dollar value attached to them and parameters that do not.

Explicit parameters may include:

Hits:

The 'hits' a company's portal receives is a sure indication of whether it is successful or not. However the company ought to go a bit further and find out what different users in the company are seeing and how consistently. This is done by seeing whether there are only a select parts or applications of the intranet that are being used more than others, whether there is a certain user base that uses the intranet more than others. Answers to questions like these help the company fine tune its intranet and make it truly useful for all in the organization.

Hard costs of processes like publishing, distributing documents in lieu of paper documents:

Often the first process that companies work start with on their intranets is to publish documents and manuals online. This is one of the easiest ways to begin adapting the enterprise to the new technological discovery in the company. Publishing corporate manuals and sales documents online and distributing them enable considerably cheap costs than printing them and distributing them physically. The low costs of upgrades to these documents also make them a viable alternative.

Infrastructure that supports the intranet:

An intranet can run and be accessed from just a web browser on a user's desktop. The client machines need not have expensive software installed on them though one of the benefits of an intranet is that users can also download different software and applications over the intranet itself. Besides the user infrastructure, an enterprise has to account for the server over which the intranet system has been installed. For interconnecting different nodes or users of the intranet, most systems use the power of the big brother - the Internet, as it is extremely cost-efficient and standard.

The costs of applications that run on it and their maintenance and upgrades:

Different intranets house different applications - generic applications like a document management system, a content management system, collaboration and chat module and department specific applications for human resources, marketing & sales, support etc. Besides calculating the development costs of these applications, it is also necessary to account for the maintenance costs and the costs for regular upgrades to these applications. A research done by the IDC indicates that database and inventory applications (wherever applicable) run on the intranets give the maximum ROI than other processes like document publishing of customer support.

Personnel training costs:

People are the driving force behind the success of any corporate initiative - more so an intranet. And the people of an organization won't use the intranet unless they are properly trained to. Adapting to a change to a paperless, open information flow work environment can be quite challenging and difficult for the workforce of a company. Hence companies have to invest in training their workforce in implementing the intranet to its optimum. Other costs related to the workforce of an organization are development costs (if intranet is done in house) and maintenance costs of the intranet where updating content is concerned.

Implicit parameters

Implicit parameters are those that are difficult to quantify in terms of dollar value or figures. These are generally the intangibles that are affected by an intranet thereby making a considerable impact on the organization's bottom line.

A few examples of implicit parameters are:

Productivity & efficiency

The productivity of the employees of an organization is greatly affected by a successful implementation of an intranet. At the same time, productivity is not easy to quantify and measure. Enhanced productivity in an organization means the employees find information quick and easy and don't have to rummage through paper files, they are able to provide exact and correct answers to queries of their colleagues and customers, and effectively do more in less time and greater accuracy.

Revenues and sales

A successful intranet enables faster and more productive working of an enterprise consequently resulting in more sales and profits. A streamlined business unit is capable of producing more profits than others. This is achieved both ways - by reducing costs on different processes and also by increasing sales that are a result of speedier communication and delivery mechanisms that an intranet offers.

Employee co-ordination and collaboration

Thanks to the intranet, employees of organizations are able to collaborate and work together between themselves and their vendors, suppliers at ease. Employees can access information from different branches of the company wherever they are located - thus leading to information on demand state of business. Companies like Ford and Nike have design and development centers set up through-out the world that contribute to their product design and development process. This makes businesses run faster and more accurately. A by product of this is that companies are turning more competitive with fast access to information - they are able to deliver in lesser time and with more accuracy thus helping them to grow more than their competitors. ·

Customer support

Having an intranet set up in the organization offers tremendous opportunity to beef up the company's customer support. Customer service reps can find ready answers to common questions by being able to browse a database of the information. Ready product manual downloads and sales kit documents help the reps to cater to queries and feedback quickly and effortlessly. The whole customer interaction process can also be documented for further use in other cases of the same type.

To sum it up, calculating an intranet's ROI is mix of doing scientific measurements and having a keen discerning eye for the above listed points. It should be understood that different companies have different ROI and not everyone will have a 1000% ROI often

advertised by big enterprises. A lot depends on the applications that run over the intranet and extent of their use within the organization. With regular maintenance and upgrades even a particular company's ROI may not remain the same over the years. A more or less should only help further development and increase in the usage of the intranet and prompt the company management to find out what is it that they are doing right or wrong and work on it!

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