



i-Concept InternetWorks Whitepaper

RETURN ON INVESTMENT OF YOUR INTRANET

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INTRODUCTION

Three years ago a project had to cost \$1 million before a comprehensive ROI analysis was required. In 2002, CIOview saw that number drop to \$250K for Fortune 200 companies. Now ROI studies are common for IT investments of \$125K or less. The continual lowering of the threshold for a required ROI analysis clearly is a function of the tough economic times.¹

The following summary white paper is intended to stimulate thought and discussion for measuring the return on intranet and corporate portal investment. It also documents different benchmarks and success stories of leading enterprises that successfully measure such value.

Intranets and corporate portals are widely valued for streamlining business processes and driving operational efficiencies, enhancing communications and collaboration between employees, management, customers, and partners, and significantly reducing the cost of internal business functions. However, intranets and corporate portals can be extremely complex systems and therefore, at times, expensive endeavors.

Despite the expense, many organizations understand the implicit and/or explicit value and are therefore willing to make notable intranet investments. A study published in 2002 by the UK Department of Trade and Industry, revealed intranet and extranet adoption at about 60% of North American, UK, German and Swedish companies.

A 2001 META Group study of Global 2000 companies found an adoption rate implemented or developing intranets at 85%. It is not only large multi-nationals that understand the benefits and potential rewards of a well-funded, high-value intranet.

According to Modalis Research, more than 70% of all small and medium-sized businesses (SMEs), including government agencies and non-profits, believe that having an intranet is important and either have intranet or plan to deploy one (2001).

The growing popularity of portals, perhaps the hottest intranet system or application today, is highlighted in a recent forecast by Boston-based Delphi Group, which estimates that portal software revenues will approach US \$1 billion by 2003, up from US \$178 million in 1999. Delphi Group defines a portal as a single point of integrated, personalized online access.

While early intranet deployments benefited communications, sales and marketing, and human resources, other corporate areas including operations, manufacturing, customer service, engineering, finance, IS/IT are also now reaping the rewards. However, while implicitly understanding an intranet's value is second nature for many leading organizations, measuring the value remains a significant challenge.

RETURN ON INVESTMENT (ROI)

ROI is a measurement, expressed as a percentage, of the total value of a given investment divided by the cost of the investment. Example: a \$100 investment is worth \$150 one year later, yielding a one-year ROI of 150%.

INTRANET

A private network, similar to the Internet and using the same protocols and technology, contained within an enterprise. It may consist of many inter-linked local area networks (LANs), desktop computers, websites and portals, and e-mail system(s).

CORPORATE PORTAL

A primary website on the enterprise intranet. A web-based gateway to most, if not all, tools and information on the enterprise intranet. The portal can be a "catch all" for all of the intranet, or a business unit or function specific portal (i.e. Sales or HR portal).

¹ Scott McCready, *How To Craft An Effective ROI Analysis, A CIOview White Paper, April 2003*



Once planned, executed and launched, an Internet, intranet or extranet site cannot rest on its laurels. The pace of technology, customer and employee demands, and competitive pressure require that an intranet achieve and beat expectations and continually show measured value.

As with any critical business system, the intranet must be delivering measurable performance and remain accountable to the investment. If you are not measuring your site's value, then you risk failing the needs and demands of customers, employees and management.

EXECUTIVE SUMMARY

As with any critical business system, an intranet or portal must be delivering measurable performance and remain accountable to the investment. If the site's value is not being measured, then it risks failing the needs and demands of employees and management. When asked how executives determine whether an intranet or portal is delivering value, they typically point to reducing costs and improving productivity.

Of course, IT budgets are increasingly tied to company-wide business and strategic initiatives. The cost justification for any expenditure, including IT must have a clear bottom line that answers the question, What's the payback?

In recent years, business challenges and subsequent solutions/applications have been the driving force behind intranet investments. They will continue to play this role in the future. Executives will make investments in intranets and portals if such investments spur growth, cut the cost of operations, and/or help enhance the customer experience (retaining and building the customer base). The challenging economic climate of the past few years means that more and more organizations will allocate dollars to IT systems and applications that can demonstrate a measured solution and ROI to a business problem or provide enhanced service and growth.

ROI ANALYSIS

AGGRESSIVE STUDIES:

ROI: > 1000% payback in 8-24 weeks

CONSERVATIVE STUDIES:

ROI: 23% to 88% payback in 1-2 years

Measuring the precise value of an intranet or portal is likely impossible. It is, at best, an imperfect science. However, more and more organizations are measuring the ROI of their intranet investment.

While only a handful of technology companies measured intranet ROI three years ago, there are encouraging signs of change. A recent study finds that 6% of organizations undertake ongoing, specific measurement of the ROI of their intranet. Occasional

CASE STUDY

Rogers Communications is a major telecommunications company with over 100 locations across Canada. With its national reach and need to remain competitive, Rogers implemented a new corporate-wide HR portal. Prior to doing so Rogers engaged in a thorough assessment of its internal environment as a precursor to developing a strategic plan. The ensuing plan included detailed functional recommendations, the information structure detailing the portals navigation, content recommendations, the portals creative design and a business case indicating current future return on investment (ROI). Before the implementation of the new corporate-wide HR portal, Rogers faced efficiency and practical issues such as multiple intranet sites in each operating company, rough or not maintained content and duplication of information on various sites. The plan saw the creation of a new enterprise HR portal, HR Xpress. The new portal attracted greater use and an increased awareness of other intranet sites and saved an estimated of \$100,000 in annual administrative savings.



measurement is undertaken by 26% of the respondent organizations. While extensive ROI measurement has not yet become mandatory at a majority of organizations with intranets, ROI is a priority in 76% of the survey respondents.

Rather than attempt to measure the intranet or portal's entire value, those companies that are successfully gauging value are measuring specific benefits. This paper lists intranet benefits in 10 key categories including

hard costs, increased revenue, etc. with two supporting categories: content management and procurement.

HOW IMPORTANT IS THE ROI OF YOUR INTRANET OR PORTAL TO YOUR ORGANIZATION?	
» Unimportant	6%
» Somewhat unimportant	6%
» Neither important nor unimportant	6%
» Somewhat important	36%
» Very important	40%
» Don't know	5%
» Total	100%

The precision, scope of work and execution required to build and maintain a successful intranet or portal is massive, from governance to content management, and from technology to business processes. At the heart of a successful intranet is the strength of the underlying plan. Failure to develop an integrated plan that accounts for an organizations structure, stakeholder, and user requirements will almost certainly ensure failure and, with it, a loss of significant time, money and jobs.

Finally, while appraising the ROI of an intranet or portal is critical for most executives, there exists a great deal of untapped, intangible value that is perhaps even more critical than the measured dollars and cents. When properly deployed, intranets improve communication and collaboration and improve employee satisfaction, which in turn can improve productivity. All benefits are clearly important to any organization, but not always a measurable ROI.

ROI DILEMMA

Appraising the value of corporate intranet and portal investments is, at best, an imperfect science. In fact, most analysts contend that precise ROI measurement is not possible due to an intranet's expansive and far-reaching nature. However, while measuring the precise ROI may not be achievable, there are means by which many organizations can and do quantify both potential and existing ROI.

Generally speaking, intranet ROI can be lumped into one of three broad categories: there are hard savings that result from the cost avoidance of printing or distributing documents, and latent, soft savings from enhanced access to information, communication, collaboration, and decision-making, among other things, and of course increased revenue as a result of an intranet implementation.

The principal challenge for appraising intranet ROI is that it is often easier to assess the ROI of specific applications deployed on an intranet than measure the ROI of infrastructure and/or the portal itself. In fact, most demonstrable ROI case studies highlight application ROI, such as employee self-service and e-procurement, rather than the ROI of the entire intranet or portal. Hence the chicken-or-egg dilemma: you cannot aggregate and deploy high value web applications without the underlying infrastructure, but it is difficult to justify the infrastructure investment without the greatly desired ROI from such high-value applications.

Undoubtedly, this challenge is one of the key factors in why so many organizations value ROI, but few are measuring it. A recent intranet ROI study found that while 76% of respondent organizations believe ROI to be important or very important, only 6% of organizations undertake ongoing, specific measurement of the ROI of their intranet. Occasional measurement is done by only 24% of organizations and 51% either do no measurement or guess.



TO WHAT EXTENT IS YOUR ORGANIZATION MEASURING THE ROI OF YOUR INTRANET OR PORTAL?

» Not at all	23%
» Only guesswork	24%
» Considering measuring	18%
» Occasional measuring	24%
» Ongoing significant measuring	6%
» Don't know	4%
» Total	100%

Seventy-nine per cent of companies now require ROI analysis to be performed on IT investments².

A Harte-Hanks Market Intelligence survey found 90% of Fast-Track 500 companies have intranet investments that are paying off. 48% of those surveyed said they are satisfied or extremely satisfied with the return on their investments. Only 9% were dissatisfied³.

There are many ways to organize and segment the measurable benefits from intranet investments. While this paper opened by dividing ROI into three general categories, hard savings, soft benefits (savings) and increased revenue,

these are general in nature and do not provide a framework for actual measurement.

A glimpse into the expected and measurable ROI benefits at a standard organization was highlighted in a survey conducted by Darwinmag.com. Darwin asked 138 business executives to rank the top five goals or expectations from their Information Technology investments. For the year 2002, the rankings changed and the top expectation from 2001 (Empower employees with access to information) did not even make the list:

1. Create/increase competitive advantage
2. Reduce cost of doing business
3. Improve efficiency
4. Improve customer service
5. Generate more revenue

To meet these expectations and to plan to deliver specific ROI, and to measure this value, a more detailed approach is required. To offer a general framework for examining and measuring the potential ROI in organizations, we segment intranet benefits into 10 broad categories:

1. Hard Costs
2. Sales
3. Productivity
4. Competitiveness
5. Application Access
6. Infrastructure
7. Collaboration
8. Time To Market
9. Customer Service
10. Human Resources

Verizon's intranet portal, Ventana, supports the telecommunications company's wholesale operations centers. 6,000 users, including internal call centre staff, service, reps, and senior management, use the portal for message boards, information on methods and procedures, tariff and regulatory information, and maintenance data. The portal has also delivered more efficient communications. Prior to the portal, reports were sent out to 900 users three times a day by email. Now each report is posted on the portal eliminating 15 million emails per

² Ernst & Young, 2002

³ Corporate Intranets Enter Portal Space, PC Week Online, November 15, 1999



year and the attached documents to each⁴.

STUDIES

A META GROUP STUDY

revealed that 80% of surveyed companies realize a positive ROI with an average annual return of 38%. An IDC survey found that an average intranet investment of about US\$1 million at six leading companies returned benefits of US\$5 million per company.

ROI STUDY

Of the respondents to the Prescient Digital Media ROI survey that undertake rough estimates of their organization's intranet, answers varied from \$0 to \$20M. The average annual ROI of respondent intranets fell just shy of \$1 million (\$979,775.58). While less than 20% of organizations have measured specific benefits, a majority of organizations have at the very least made a "rough estimate" or guess of the value of their ROI.

CASE STUDY

Cisco System's intranet portal, Cisco Connection Online, is the source of much pride and significant ROI for the California based technology giant. While Cisco clearly understands the inherent value of the intranet, it also carefully tracks and measures specific ROI benefits including purchasing, expense reporting, printing and distribution, and more. Cisco estimates that the total ROI savings for its entire intranet in fiscal 2003 surpassed \$2.1 billion.

⁴ Goodwin & Nielsen, *Building Intranet Portals: A Report From the Trenches*, April 2003