IT spend should enhance both efficiency and effectiveness of the organisation

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Although definitive statistics are hard to come by Information Technology represents a significant portion of the annual expenditure of the modern company, whether as capital or a regular expense. The broad logistics industry is no exception and, given this, it is incumbent upon management within this sector to ensure that they get the optimum return on this expenditure. Whatever investment is made it must present a positive "value proposition", which requires that the benefits of the IT effort outweigh the costs!

It is the application of IT that produces value

In considering this it is worth reminding ourselves that Information Technology alone does not produce value – it is the application thereof that gives benefit. The IT contribution should be examined from two perspectives: efficiency and effectiveness. Both terms are commonly used in business and the distinction between the two is traditionally understood as follows:

- Efficiency is "doing things right", ie taking existing procedures and executing them in the most efficient manner
- Effectiveness is "doing the right thing", ie determining which things ought to be done

Balance is required

There clearly needs to be a balance between the two. Only being efficient and not meeting User requirements is as unproductive as providing the ultimately effective solution at a prohibitive cost. This is illustrated at the hardware/programming level of IT where "Green screen" technology and DOS programmes may be efficient but compromise the effectiveness of IT users' preference for colour display and mouse-based navigation. Fortunately the rate of development of technology and consumer demand provide economies of scale which obviate the need for most of us to accept the compromise described in the example!

Efficiency gains alone may justify the IT spend Appropriate computerisation contributes to the increased efficiency within an organisation by providing, for example, faster processing of data or the avoidance of data recapture through electronic data interchange. In most instances this alone provides justification for the IT spend, as illustrated within the South African Customs Clearing industry where it is unthinkable to revert to the manual preparation and submission of import and export Customs Declarations.

But business intelligence can also enhance business effectiveness

In the initial implementation of IT systems efficiency was the primary objective and therefore the most important indicator of performance was the speed with which repetitive tasks were processed, and perhaps the control that that was instituted through the implied operating procedures. Restricting the vision of IT to this aspect alone may, however, mean that the organisation misses out on the benefits which accrue from the data itself, rather than the mere processing thereof. The current popular term for extracting this value from your IT systems is "Business Intelligence"(BI), defined as referring to "computer-based techniques used in spotting, digging-out, and analysing business data". It can be used to report historical patterns, hence assist in predict future trends, determine relative importance of products, or activities or customers, etc.

Ultimately the effectiveness of Business Intelligence is a function of the presentation and analysis of the data which provides management with input to their understanding and evaluation of the business performance, and thus its support to the decision-making regarding future action to be taken. This action should serve to reinforce the activity which provides positive results, and equally, to remedy unsatisfactory performance. Although there are a number of complex, and expensive, BI tools available this may not be a necessity. A report output in Excel format may provide information to management who apply their own intelligence to the presentation and analysis of the data.

IT data can deliver both efficiency and effectiveness

Efficiency and effectiveness are not mutually exclusive. The important thing to note is that in fact within the IT world the electronic data that is essential to the efficiency of the operational processes can also provide a valuable key to the effectiveness of the organisation. This added value should offset some of the cost of the IT systems. ◆