

# Value as Calculation and Value as Contribution to the Organization



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## ••• Creating a Value Profile

### CAN THERE BE YET ANOTHER ARTICLE WRITTEN ABOUT "VALUE" AND INFORMATION PROFESSIONALS?

Given the increased importance of information resources and the evolving role of information professionals, it is imperative that we have clarity on what value means and where and how we add value to the organizations for which we work.

The American Heritage Dictionary of the English Language, Fourth Edition (New York: Houghton Mifflin Company, 2000), defines value as:

1. An amount, as of goods, services, or money, considered to be a fair and suitable equivalent for something else; a fair price or return.
2. Worth in usefulness or importance to the possessor; utility or merit.

#### Value as an Amount

Business executives are continually scrutinizing their operations for ways to be more competitive, to differentiate themselves in the marketplace, reduce costs, and improve productivity. In a sluggish economy, all departments and functional units within an organization are held accountable for their contribution to the business. Thus, information professionals have a heightened awareness of the need to measure and tie the financial contribution of their work to overall organizational goals.

To participate in the strategic activities of their organizations, information professionals must be able to speak the language of business, and that always involves finances. They must grasp business fundamentals, including company operations, corporate culture and values, the industry in which their company competes, the inherent complexity in developing and selling products or services, competitive vulnerabilities, customers, and the numbers that are critical for the organization's success. They can look to colleagues, mentors, additional coursework, and participation in professional associations to acquire greater knowledge of business fundamentals. The company's financial report is also an extremely important, and frequently overlooked, source of information.

With a big-picture view of the industry and competitive environment at the forefront of their minds, as well as a clear vision of corporate goals and performance targets, information professionals can prioritize their activities to help the company reach its financial goals. In a recent article on strategic competencies, Keith Orndoff suggests that records and information managers "functioning at a high strategic level in an organization must get close to the business of the business rather than be preoccupied with a service function at a tactical level, a function which can be easily outsourced." He further notes that when the professional's view is "external and broad there will be a constant search for improvement in value and organization-wide relevance."<sup>1</sup>

Demonstrating savings achieved from centralized purchasing and management of information resources or the strategic outsourcing of certain information management activities and quantifying efficiencies gained from broader access to key resources are two ways information professionals can prepare for conversations about the financial performance of their function. One information professional reports having repaid his annual salary twice in three years through contract discounts he negotiated for online services. Note that value is not always about saving money. Sometimes it is necessary to invest money in information resources to help the organization make more money. Being able to present a sound business case for such investment increases the likelihood that those funds will be approved.

Cost-benefit assessments and return-on-investment (ROI) scenarios for information services also document some of the value companies receive from investments in information resources in terms of actual dollar amounts. Savvy information professionals now routinely collect data from their user population so they can calculate how the timely delivery of targeted information contributes to developing new business opportunities, reducing cycle time, shortening learning curves, or meeting other business objectives. They can then compare the costs of providing information or knowledge resources with the hard and soft benefits obtained for specific projects and make well-founded assumptions about the financial benefit to

the organization. These assessments still have an element of assumption and of anecdotal input, but the more data collected, the more accurate the value calculations will become.

**For example,**

\* A client in a large technology company frequently asks the information center staff to develop profiles of the small and middle-market businesses that submit proposals for partnering with the larger company. The information center's findings regarding size of the soliciting company and its products and personnel drive decisions about whether to further test the soliciting firm's capabilities. Every time a firm is ruled out because of the findings of the information specialists, the technology company saves many hours and thousands of dollars in the time of product development specialists, attorneys, and negotiators. When a company meets the initial selection criteria, the information specialists' findings jump-start the negotiation process, because everyone involved knows more about the potential partner. Benefits like these are difficult, but not impossible, to quantify.

\* An information professional with high-level research skills and in-depth industry and product knowledge provides lawyers in the health care company in which he works with prior art research in preparation for invalidity or patent infringement litigation. The research may lead to a summary judgment of invalidity, defusing the plaintiff's claims. More often, the prior art research is used as leverage to push the opposition to settle. The company knows its average daily costs for litigation and can determine real value when cases are thrown out or settled out of court. If outside law firms conduct the search, the costs are often higher because the searcher is less familiar with the industry, terms of art, and critical inventions that an inside patent search specialist will know.

\* Intellectual property gathering and infringement risk analysis conducted during acquisition due diligence can also assume tremendous value. The entity that may be acquired generally provides a "comprehensive" list of its intellectual property, along with other assets. But since many small entities acquire and manage their intellectual property through outside law firms, often a series of firms, such disclosures may have gaps. One must also vet whether the intellectual property has any title problems; for example, have any of the patents been used as collateral to raise funds, have any been reassigned previously? Then one must build a context around the target's claims of its intellectual property; that is, investigate whether other competitors' patents may block the target's freedom to operate in the marketplace for its current or intended products. If these steps are overlooked, a company may buy another company with only one or a few products. Subsequent infringement litigation may bar

the acquiring company from selling or practicing the acquired intellectual property in key markets, destroying the financial benefits it expected from the acquisition.

In *Valuating Information Intangibles*, Frank Portugal acknowledges the challenges of determining the bottom-line contribution of intangible benefits provided by information centers and libraries.<sup>2</sup> Besides ROI and cost-benefit analyses, he describes three other methodologies for estimating the intangible value of libraries and information centers: knowledge value-added, intranet team forums, and intellectual capital valuation. These methodologies stimulate thinking about additional metrics for expressing the value that can be derived from strategically selected, organized information resources as they are applied to business activities.

**Value as Perceived Usefulness**

Conversations about value as perceived usefulness or importance become murky, because information professionals have different notions about what is being evaluated. Depending on the mindset of the person, any of the following are potentially being assessed:

- Value of the role of the information professional or librarian.
- Value of the contribution made by the information professional to the organization.
- Value of the products or services delivered.
- Value-added activities (e.g., summarizing research results or packaging information deliverables).

In the workplace, more value is placed on how professional skills and competencies are applied to solving business problems and making the business successful than on a role or function itself. While information professionals justifiably take pride in their training and experience, management justifiably looks for value in terms of performance results—contribution to the success of the business. Information professionals must also assume responsibility for getting involved in business planning and decisionmaking; in other words, it is what they *do* rather than their credentials that determines their value.

Enlightened senior managers recognize that accurate information—structured and unstructured content alike—is a vital asset. Large numbers of individuals within an organization can now access and manipulate staggering amounts of information as easily as information professionals have done for the past decade or two. But it is information organized and presented so as to give insights into the business and shed light on the market that is perceived as having strategic importance, because such information can be leveraged to expand organizational knowledge, increase profits, and avoid wasted time as employees wade through and analyze the morass of available information.

Knowing how to handle such a powerful resource that is so much in demand is the stock in trade for information professionals. Knowing where to look for answers and insights and then knowing how to evaluate what is found; knowing where individuals and communities with specialized knowledge reside in the organization; and knowing how to work effectively across organizational boundaries comprise a dynamite set of competencies that can be harnessed to help organizations deal efficiently with complex information systems.

Information professionals can participate in planning for the content requirements to support key business initiatives of their organization. They can help their colleagues learn about market developments faster than their competitors. They can identify and apply information resources that will enable a project team to realize operational savings, increase revenues, and achieve other corporate goals to contribute value. For information professionals, the key is respecting their organization, taking pride in their contribution, and seeking opportunities to be fully engaged in the mission of the organization and committed to its success—even if that means abandoning many traditional library activities.

Information professionals can take a lesson from their colleagues in IT. Technology is now so closely integrated with business operations that management recognizes that it cannot formulate a revenue-generating business strategy without considering the technology requirements to enable those initiatives. Chief information and technology officers spend at least as much time on business issues as on technology design and implementation issues. It can be argued that quality information is as strategically important as the infrastructure through which it flows. Information professionals need to assume a greater role in selecting, organizing, and categorizing that information and then making it easy for users to personalize their information requirements so they can deal with the challenges of information quantity and quality for decisionmaking purposes. If information professionals have a higher profile in defining and delivering vital business information, their role should become as essential as that of IT professionals.

#### For example,

\* Information specialists in a large consumer products company produce monthly reports on the various demographic markets that are targeted by specific product groups throughout the company. These reports, in the form of electronic newsletters, contain information from articles in the trade and business press as well as internal market research to keep the thinking of product developers and marketing managers fresh regarding the target demographics. These reports are time-consuming and require knowledge of company business interests to prepare, but they are perceived as valuable, and they keep

the information center's name in front of its clients. The importance of the information specialists is further acknowledged in invitations to presentations and meetings involving these product groups; the information flows in both directions.

\* One mid-sized accounting firm has recognized that, especially in the current business environment, it assumes some risk with every new client it adopts. Thus, one of the corporate goals is to minimize that risk. It is now standard operating procedure that each accountant have a risk assessment run before accepting a new client. Because the assessment is very information-intensive, an information professional must design it. Here, the information professional has proven to be indispensable to the firm.

\* A large client services firm is focusing on retaining revenue from its largest customers. The information professional has helped design a strategic clients portal that includes background and news on these clients. This activity is perceived as having great value because it is aligned with a major firm-wide initiative.

Like beauty, value is in the eye of the beholder—or at least in the belief system of the beholder. Value means different things to different organizations. The value of information professionals' products, services, and value-added activities must be examined with respect to their target market and the culture of the organization. Christine Olson recommends creating a value profile to "gain an in-depth understanding of how members of the target market determine value, what comprises value for them, and how they express it." She further notes, "Armed with a value profile, an information professional has the advantage of insight—of knowing what it takes for information services to be perceived at the highest levels of satisfaction."<sup>3</sup>

Information professionals will be able to create and maintain strategically important products and services by being attuned to behaviors and perceptions of values of their user communities. Being more immersed in the business of their business and more vested in pursuing corporate goals will give them a framework from which to craft products and services that add value to their organizations. ☺

#### Notes

1. Orndoff, Keith. "Developing Strategic Competencies: A Starting Point," *Information Management Journal* 36(4), July 2002, page 57.
2. Portugal, Frank H. *Valuating Information Intangibles: Measuring the Bottom Line Contribution of Librarians and Information Professionals*. Washington, DC ;Special Libraries Association, 2000.
3. Olson, Christine A. "What's in It for Them? Communicating the Value of Information Services," *Information Outlook*, November 2002, page 19.