

Technology management blog

[Technology](#), [Information Technology](#)



ROI and Service Strategy Capital is a critical variable in order for organizations or for projects especially in financial management to achieve its objectives. The reason for this is that most services cannot be continuously provided without future supply of capital. This is basic economics and underscores the argument why return of investment (ROI) is an important component of the service delivery process. In addition, and most importantly for this paper, ROI plays an important role in the service strategy as it provides an opportunity to evaluate and determine whether existing services are effective or achieving their objectives.

The book, *Service Strategy* explained that " in simplest sense, it [ROI] is the net profit of an investment divided by the net worth of the assets invested," and that " the resulting percentage is applied to either additional top-line revenue or the elimination of bottom-line cost." (TSO 2007, p. 112) It is easy, hence, to understand how in service management, ROI came to be considered as a benchmark to determine the ability of an organization to use assets in order to generate more value. For example, when financial managers develop and introduce a service to the market, there is no telling whether it can provide financial returns to the investment. Using ROI, however, the management can predict, examine and analyze product/service performance not just after service delivery but also early in the process, such as during the planning stage. What this means is that financial managers can either integrate value-added services or improve on existing ones depending on the stage of a given project or strategy. The above point is significant because service strategy is all about analyzing trends, looking at whether strategies, policy and standards introduced

achieve their goal or are viable. (VHP 2007, p. 199) ROI can be crucial in several techniques to analyze trends and performance such as the Component Failure Impact Analysis, Fault Tree Analysis, Service Failure Analysis and so forth.

Finally, ROI also plays an important part in identifying opportunities. This is demonstrated in the capacity management technique, which analyzes when which customer uses what services, how they use them and how this influences the performance of one or more systems or components. (VHP, p. 199) ROI enables managers to measure whether a product or service meet a specific or numerical criterion. A problem with the way ROI is used in financial management and in service strategy phase, particularly, is when ROI calculations are focused and applied on the short-term. (TSO, p. 112) Such calculation might not represent the varying degrees of impact on business.

In order to quantify the importance of ROI to the service strategy phase, one has to go back to the objectives and the processes involved. ROI is crucial in most of these. As service strategy aims to evaluate and analyze data and trends as well as predict future outcomes, ROI provides the content and the data necessary to accomplish those tasks. It allows for the measurement of success and the identification of additional values and opportunities.

References

The Stationery Office (TSO). (2007). Service strategy. London: The Stationery Office.

VHP. (2007). It Service Management: An Introduction. Van Haren Publishing.