



Determining Enterprise Portal ROI

By Colin White

Despite the rapid growth and success of enterprise portals, some companies still have no plans to implement portal applications. One of the main reasons given is the inability of the organization to build an adequate business case. In a recent Intelligent Business Strategies survey of 133 portal installations, 36 percent of respondents listed building the business case as their most significant portal implementation challenge.

The difficulty in building a portal business case is exacerbated by the absence of *hard* ROI numbers. Although vendors can articulate the business benefits obtained from existing portal implementations in general terms, they often have difficulty obtaining hard ROI figures from their customers. There are several reasons for this. Many portal users base their business cases on ROI estimates, but rarely implement a management system to measure the real ROI of a deployed portal. Even estimating ROI can be difficult. A portal, for example, improves employee productivity, but this productivity is difficult to define and measure in absolute terms. Analysis of existing portal implementations shows that many companies base their portal business cases on somewhat superficial ROI estimates. In the aforementioned portal survey, 67 percent of respondents said they don't know the ROI of their portal, even though 76 percent deemed the portal to be a success.

The benefits obtained from a portal can be broken down into so-called *hard* and *soft* ROI. Hard ROI can be expressed in financial terms based on estimated or measured dollar savings obtained from the portal project. Hard ROI is generated primarily by using a portal to reduce costs and increase revenues. Examples include:

- **More efficient use of staff** by deploying portal-driven self-service applications for employees, customers and partners. Examples here include human resources (employee benefits, vacation time, loans, procurement), expense processing, help desk, product information and support, order tracking, interactive training, etc. Self-service applications have a direct positive impact on corporate costs by, for example, lowering staffing requirements and the cost-per-call in support organizations or reducing the staffing and time required to introduce new products and services.
- **Lower computing costs** by the use of an enterprise-wide framework for storing, sharing and accessing business content. This reduces local storage requirements, the need for e-mail attachments, and the need for physical media production and printing (e.g., sales and marketing materials, etc.).
- **Reduced travel expenses** by using online training and interactive collaboration services that improve communication throughout the organization and reduce the need for physical travel.

These cost savings and revenue gains can be estimated before a portal project is started and measured after portal deployment to determine if the savings stated during business-case development are being obtained.

Soft ROI is achieved largely through increased user productivity and satisfaction. Increased productivity is obtained by providing an efficient and personalized Web interface that enables users to find the content they require more efficiently. Portals also improve productivity via collaborative capabilities that improve user communication and task management. Many of the applications outlined under the heading *more efficient use of staff* can not only reduce headcount, but also improve employee, customer and trading partner productivity, and thus satisfaction.

Soft ROI is difficult to estimate and to measure. Many portal projects are based on soft ROI benefits and thus appear to have superficial business cases. Often these projects have strategic business objectives such as *building a more customer-centric organization* or *creating a paperless business*. These long-term goals are difficult to express in short-term financial benefits; therefore, the ROI associated with these projects is rarely measured. Metrics for measuring software ROI, however, must be developed to ensure that a portal's success can be quantified and also to justify the costs of incremental portal improvements.

Portal technology is now being integrated with other evolving information technologies (business analytics, content management and business process management, for example). This trend enables portals to not only provide the incremental cost savings identified here, but also to have a major positive impact on business revenues, costs and profits. For example, a company using a business intelligence system to monitor its customer orders may determine that customer product returns and customer order delays are excessive. This type of business problem inevitably leads to customer dissatisfaction and loss of orders. A portal could be deployed to provide a view of the complete supply chain from customers to suppliers. This would enable both internal business users and suppliers to monitor the supply chain to detect and correct bottlenecks and product quality problems. Hard ROI is obtained by increased revenue, and soft ROI is obtained by improved customer satisfaction. This ROI can be estimated during portal business case development, and the business intelligence system used via the portal can measure the business improvements (and thus ROI) obtained by optimizing the supply chain.

Portal technology is becoming a key component in all IT business solutions, and the portal interface is destined to become the business user's new desktop. Not only does a portal provide a single and secure Web interface to the business content users need to do their jobs, but it also connects other IT applications in the enterprise to form an integrated business solution. This solution can be used to run, monitor and optimize business operations with the objective of reducing costs and improving the business bottom line. The key to success, however, is to develop a portal project plan that identifies ROI metrics that can be used to validate the success of the portal project.

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