# Mediated Perception of Value (MPOV)

## VISION To Optimize IT

## Introduction

For many years, organizations have struggled with defining the value and costs of their IT infrastructure. The current model is one of managing the cost of IT by the current operating budget instead of proactively managing IT by defining the cost of each IT Service and knowing which IT Services are competitive and not competitively priced with their peers. A movement toward a strategic approach to managing IT has uncovered a lack of information and processes for achieving the overall goals. Human, fiscal and vendor resources are major components of the plan. There are systems and processes for managing human and fiscal resources, but as of yet there is no system to define and manage the cost of IT Services, assets and resources. Due to the lack of a system, it becomes difficult to effectively and efficiently manage the value and cost of the organization's IT infrastructure.
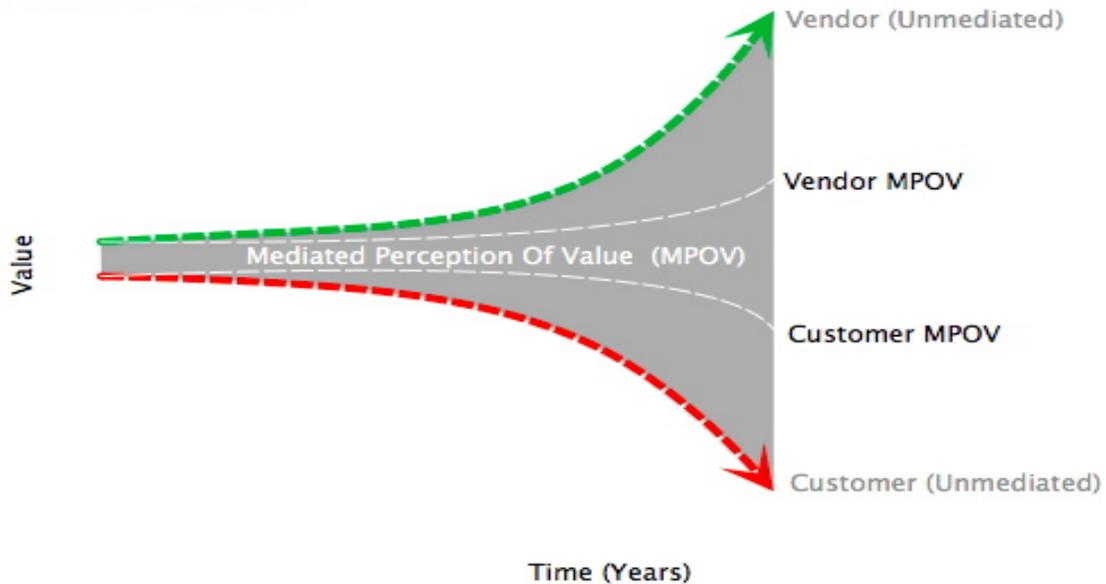
## Value = Spend

CIOs, CFOs, and COOs frequently make the statement "I am not getting the value for what I am spending."  A comment like this is negative by nature and is usually followed by a conflict as it has implications on internal and external operations.  The main issue is that the organization is not developing expected outcomes with the vendor community regarding competitive software and hardware agreements based on market rates. However, there are two sides to this equation. The vendor has developed internal methodologies that define value in a very different way.  As long as the organization and vendor continue to define "value" in a mutually exclusive fashion, the delta will continue to grow.  The vendor community develops their definition of value based on their sales and marketing departments and how long the organization has been using the product.  The longer the organization utilizes the product or service, the higher the value must be for the organization. The organization defines "value" in the exactly opposite direction.  The longer they utilize software and hardware the less value it has based on depreciation and net present value.

The real situation is that organizations do not keep track of how a set of products or tools are being utilized and the vendor does not keep track of how the products or tools are being viewed by the organization until it is time to renew a contract.  The definitions for "value" and "spend" could not be farther apart.  As shown in the graph below, the definitions are truly polar opposites.  This is known as "Perceived Value".  Both the vendor and organization have a definition for it, which has major impacts to the trajectory of "Perceived Value" over time.  Since this is the case, both the

customer and vendor usually end up in a different place and this produces a combative conversation about the definition of value.

There is one more definition that needs to be documented and understood completely by both the vendor and the organization, "Spend". The organization is not just dealing with the expenditure of fiscal dollars. The organization experiences an expenditure of time, effort, frustration, perception, end user interactions, political perception, etc. After a series of bad experiences, the organization considers these impacts when they decide to spend fiscal resources for a product or service. Meanwhile, vendors attempt to utilize sales tactics to try to counteract perception and budgetary conflicts that go deeper than they are able to comprehend. Once a vendor understands that the amount of money paid is only a variable of the equation that defines "Spend", the definition of "Value" can be developed. Since conflict is proportionate to the delta between each party's definitions of "Perceived Value", an organization needs a way to mediate that "Perceive Value" to continue increasing fiscal and organizational efficiencies. This mediation can occur through the implementation of a process or the ending of one vendor relationship and the creation of another. The situation is that if a process is not adopted then the cycle will continue until an organization fails to find a replacement and ultimately has to pay a premium for software and hardware supporting their IT Services. The constant replacement of vendors for perceived problems will cost the organization in the long run.



**Mediated Perception Of Value At End Of Contract**

Value — Vendor (Unmediated), Vendor MPOV, Mediated Perception Of Value (MPOV), Customer MPOV, Customer (Unmediated)

Time (Years)

## Status Quo and Future Models

As it works today, organizations have one main item to use as leverage…. Budgets!  This is not a great strategy when the organization is trying to lower the cost of their IT infrastructure to be more competitive and fund new projects. However, the problem is that most of the "fat" that is easily cut from contracts has already been cut.  Now, what does an organization do if their budget is cut by 10% once again? Organizations understand that there are other ways to reduce spend while realizing more value. To date most have not developed a quantifiable and efficient process for doing so.  Vendors have worked tirelessly for many years to develop sales and support models that allow them to achieve revenue goals and organization adoption rates. The solution is known as "CRM" or "Customer Relationship Management". CRM allows vendors to be more efficient in addressing sales plans and sales growth. So what does an organization do to get the relationship with a vendor under control and pull more value from it?  Not knowing the true value and cost, and not having a quantifiable metric is no longer acceptable to the organization, end users, or leadership. Transparency is the new mantra and the only way to get a relationship to a functional level is to be completely transparent about how things are going, how decisions will be made and what outcomes are desired and expected.

In society today, there are many ways to collect information in order to make decisions.  One can research prices for homes, cars, furniture, home services and clothes as well as read reviews on companies that provide them.  The ability for organizations to evaluate specific pricing from vendors for their products and services outside of the formal procurement processes is the next big step in the evolution of managing their IT infrastructure.


## Adoption of Automation & Process

Want to make sure one gets the value for what is being spent? Take a couple of steps to make sure all parties understand upfront how "value" and "spend" are defined.  A process can assist the organization and vendor by defining tasks, outcomes, escalation paths, utilization and satisfaction with function. This is the beginning of a process that can be set up to proactively take care of any discord that may develop. The process includes four major categories: "SEE", "LEARN", "EVALUATE" and "DELIVER".  This process is a true multi-path approach for managing a relationship that involves many different personalities and agendas. Processes are only as strong as their implementation. Processes that are not automated tend to fail in both achieving key performance metrics as well as organizational adoption.  The need for an automation tool that provides functionality, flexibility and ease of

use will enable organizations to implement the process as well as drive quick adoption rates and achieve key performance metrics.  The ability to follow the process to manage the IT infrastructure will allow the organization to deliver more competitive IT Services, reduce operational expenses, and fund new initiatives.

## Summary

Currently, organizations and vendors have entered into transactional relationships, which has created a lack of value and transparency into the pricing of the products and services supporting the organization. In order to create more value and reduce the cost of the IT infrastructure, organizations need to adopt a new solution that provides more transparency into market data and automates the process of managing vendors.  This will allow customers to identify new savings opportunities, reduce the number of vendors, and save money.  Additionally, it will allow them to identify vendors they truly want to engage with for a long and productive relationship.  It is one thing to agree in the beginning to "partner" and it is another to actually produce against predefined metrics and outcomes in which each party finds value, and a more closely aligned perceived value.

Understandably, there will be no vendors without customers and vice versa. Organizations on both sides need to understand that it takes less time and energy to organize and monitor a value based relationship than continue to engineer conflicts that might have an outcome of perceived value. Adoption of automation and processes tools that engineer a "Mediated Perception of Value" will help organizations achieve real metrics in real time.

# About SLEDVision

SLEDVision is a cloud-based business intelligence solution that provides tools to help clients manage IT assets and resources more efficiently, evaluate and benchmark IT services, and save money by optimizing capital and operational expenses.

Organizations are not aware they are overpaying for software and hardware. Due to complex pricing models and lack of transparency by vendors and resellers, software and hardware is usually one of the most challenging assets to manage within an organization, resulting in higher cost, failed audits, and excessive reinstatement fees.

## Benefits

- Manage IT assets by IT Services, Platform, and Vendors
- Reduce Capital and Operational Expenses
- ITIL Financial Management Enablement
  - Budgeting, Accounting, and Charging
- Save Money for New Initiatives

## Subscription

SLEDVision subscription includes:
- Management and analysis of all IT assets and resources used by the organization
- Unlimited access to the cloud service, tools, and knowledge database
- Continuous monitoring for changing market conditions and savings opportunities

## Industries We Serve

Banking and Investment Services, Education, Energy and Utilities, Retail, Healthcare, Insurance, Media, and State & Local Government