

By identifying the dependencies placed on the IT system and tracing the cascading sequence of activities that are invoked as a result of these dependencies, the value-generating activities within the system and the complementary activities required from others may be identified.

The marketing request for such information invokes another set of activities that produce value from the CRM system, giving it more activities of specific value to the firm.

So far we have considered how to differentiate between value-producing and non-value-producing activities within a given asset. Most IT applications, however, are not independent and depend upon complementary activities from other resources or people to create value. The CRM system, for example, requires management decisions allocating relationship-building activities to high-margin customers over low-margin customers to operate effectively. This decision is needed to manage the customer contact and is therefore necessarily part of the value creation process. All of the firm's activities (internal and external to the CRM system) invoked as a combined result of initial events define the CRM asset scope. That is, the locus of value of the CRM system includes both the computerized provisioning of customer information and the improvements to the manager's ability to identify key clients.

Because the initial events are defined a priori as the value-creating processes, only those dependencies and activities that support the value-adding process are invoked by the initial event. By explicitly tracing the activities directly precipitating from an initial event, DND excludes the many other dependencies and activities that are not pertinent to value creation from the representation. In this way the DND process abstracts away firm activities unrelated to value creation.

The union of the set of activities invoked by all the initial events constitutes a complete representation of

the value of the IT asset. Combining the activities cascading from these events provides a picture of the value created by an organization's IT assets. Once the full picture of the value-adding activities is assembled, each activity can be discretely assessed in terms of the cost and benefit derived from it.

By identifying the dependencies placed on the IT system and tracing the cascading sequence of (internal and external) activities that are invoked as a result of these dependencies, the value-generating activities

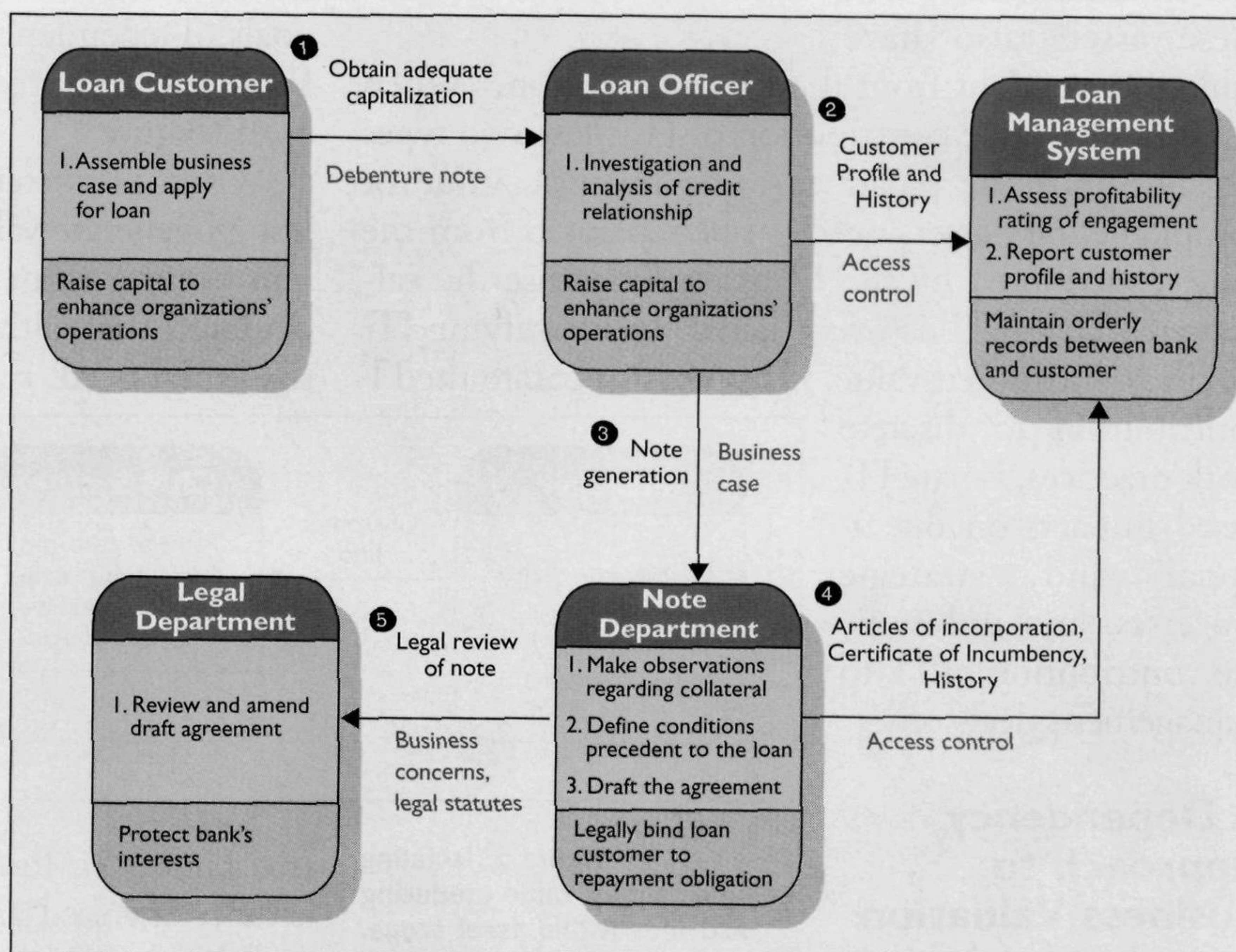


Figure 3. DND for the loan department.

within the system and the complementary activities required from others may be identified. Operationally, all activities invoked as a result of a dependency upon a given IT asset define the asset scope. A systematic definition of asset specificity appears as the subset of activities activated within the IT to resolve the dependencies placed upon it.

The Loan Department

Let's turn now to a more specific example, a fictitious loan department at a financial institution, to