

IMPACT INTELLIGENCE

Get More Out Of Your Discretionary Spend



Sriram Narayan



Praise for Impact Intelligence

An invaluable resource for CEOs, COOs, and CFOs seeking to improve return on their investments, as well as for anyone leading or sponsoring digital initiatives. Impact Intelligence shows the common pitfalls that cause these projects and their business to underperform, and it provides a thoughtful and scalable framework for improving outcomes. The book is full of insight and offers pragmatic approaches to deliver better real-world results. Highly recommended.

—David Ornstein, COO of Baton Systems and former COO of Global Markets, Barclays

As tech companies face increasing pressure to demonstrate ROI, Sriram Narayan offers practical guidance for aligning tech investments with business outcomes. The iRex framework and tools like Impact Networks and PIE profiles enable leaders to move beyond output-focused delivery to true impact-driven execution. This book is essential reading for any growth-focused tech executive looking to build a culture of continuous adaptation and learning. Sriram's insights will help tech organizations evolve from flying blind to data-driven decision making that delivers real, measurable value. Highly recommend this.

—Keshav Meda, Co-Founder & Chief Growth Officer, SmartQ

Impact Intelligence provides a structure for leaders like me to ensure that we can actualize the return on the investments made in digital initiatives. It also helps me to structure my conversations with the CxOs and drive alignment around the business outcomes rather than just focusing on technology delivery. It elaborates the common pitfalls of delivery focus and provides a detailed model of delivering business impact in a quantifiable way. A go to resource for me every day.

—Rajesh Kumar T, Director of Digital Products at Travelopia (Holdings Limited)

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Dedicated to my Parents

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About the Author

Sriram Narayan is an independent consultant who helps enterprises and startups improve performance and business impact. He served in product, technology, innovation, and transformation leadership roles for sixteen years before going independent in 2021.

Through this work, he developed the iRex Impact Intelligence framework introduced in this book. He continues to evolve the framework based on his clients' experiences of adopting it.

Pearson USA published his first book, *Agile IT Organization Design*, in 2015. John Marcante, then CIO at Vanguard, the investments major, recommended the book as a must-read. Nick Williams, then Managing Director, Consumer Digital, Lloyds Banking Group recommended it to a digital leaders' reading list. Several other industry leaders publicly acknowledged its worth.

Post publication, Sriram continued helping clients with org redesign and transformation. He also began helping them move to a product operating model. His write-up of the topic¹ has become a de facto industry reference. Along the way, he created *Cleararchy*², a formulation for organizing hierarchy for the digital age and an alternative to formulations such as Holacracy and Teal organizations.

In the first ten years of his 25+ year career, Sriram worked as a software developer and later, as an application architect. He continues to leverage the hands-on skills from those days to build tools and to perform data analyses when necessary.

His writings and talks are available at:

www.agileorgdesign.com

www.cleararchy.com

www.impactintel.net

¹ <https://martinfowler.com/articles/products-over-projects.html>

² <https://www.cleararchy.com>

Abbreviations and Glossary

Note: The definitions here convey the sense in which a term is used in the book. They may not always be industry-standard terms or definitions.

Approver: A CxO belonging to the C-Suite Core.

Asker: A CxO outside the C-Suite Core also not a DPT leader. Typically, a business line leader. Please refer to Chapter 3 for details.

BC2: Business Case 2.0.

BRR: Benefits Realization Ratio.

Benefits Realization Ratio: The ratio of actual benefits to projected benefits. For example, if we project that a solution would improve a KPI by 5% within six months of go-live and it improves by 4%, then its BRR is 80%.

Business End: The part of the organization that sits upstream of product, digital and engineering teams and generates demand for digital solutions.

CSAT: Customer Satisfaction.

Classic Enterprise: A big (10K+ headcount), successful, old-guard business established well before the digital age. Typically, they have already made several efforts to improve their digital-savvy and speed-to-market with less than spectacular results. To acquire impact intelligence, they must overcome old mental models, old habits, fear of change, and general organizational inertia.

C-Suite Core: The CEO, COO, and the CFO.

Digital age: In the context of this book, the digital age begins around the year 2010—when smartphones took off.

Digital Native: A business that is almost entirely conducted over the internet, leveraging digital technologies for core operations, customer engagement, and service delivery.

DPT leader: Leaders (CxO or SVP) of digital, product, design, data, or technology organizations within a company.

ESG: Environmental, Social, and Governance.

First Mile: The people and processes in the early stages of a digital solution development value stream.

Flying Blind: In the context of this book, flying blind refers to the practice of running digital initiatives without ongoing validation of benefits.

Impact-Feedback Loop: A feedback loop in which the feedback originates from an initiative's impact, rather than from its output or outcome.

Initiative: Classic Enterprise terminology for changing something in the business. It often has a digital or tech component. In startups, they may be workstreams corresponding to big features or product variants. Or they might just be big items (features or enhancements) on a roadmap or even an idea in a backlog.

KBM: Key Business Metric. A select few business metrics that a business pays attention to at any given stage. In the context of this book, KBMs are usually a level below financial metrics such as revenue, EBITDA, etc. Similar to KPI but more specific.

Market-Iterative Process: A process that iterates not just internally but all the way to the market. For example, a product development team might iterate on the shape of a feature based on internal stakeholder feedback. This is internal iteration. It becomes market-iterative when they iterate based on customer feedback or usage analytics.

Product Analytics: A catch-all for analytics obtained directly from the use of a product, solution, or service delivered over digital or physical channels.

SIA: *Simple Impact Attribution* (introduced in Chapter 6).

Technology Organization: Catch-all term for the part of the company that designs and delivers new functionality to the business and keeps it running. As used here, the term includes product teams, digital teams, data teams, and engineering teams (build and run). It does not include the office IT or corporate IT teams.

Book Outline

The book is set out in five parts.

Part I introduces impact intelligence and makes the case for it. It introduces concepts such as proximate and downstream impact which the rest of the book builds upon. It explains how impact intelligence is a spectrum, and it positions the guidance in the book on the spectrum. It clarifies the terminology around the different types of initiatives and their stakeholders. It introduces a detailed case of a virtual assistant initiative. The rest of the book refers to this case to make some of its points.

Part II is the backbone of the book. Chapters 5 and 6 explain the key artifacts and methods for impact intelligence. Chapter 7 gets into the cultural and sociotechnical aspects of adoption. Chapter 8 makes the case for investing in adequate measurement capabilities. It also explains how to improve the justifications for ideas and initiatives. Chapter 9 weaves it all together into the eight modules of the iRex framework. Part II concludes with a discussion of the downstream impact of tech transformation. It also features a section on AI initiatives.

Part III and **Part IV** are mainly aimed at the Classic Enterprise. However, large digital natives might also find value in the discussion on making initiatives more impactful.

Part III explains why the Classic Enterprise has struggled to get value out of agile ways of working and what it can do about it. It also gets into the theory of business strategy a bit. It makes the case for better planning coupled with good allowance for emergent strategy. This calls for a regimen of continuous adaptation. Part III shares five factors and two mechanisms that allow initiatives to adapt continuously.

Part IV is meant for organizations that find the earlier guidance, which I classify as medium sophistication, to still be a high bar. It has advice on dealing with stubborn resistance to change.

Part V wraps it all up with a vivid analogy.

Part I
Introduction

Chapter 1

Keeping Investors Happy

It's important to keep your customers, regulators, employees, and suppliers happy too, no doubt. Yet, the chapter title singles out investors (and shareholders) because they have more of a say in what you do with your profits, or absent profits, with their investments. They are the ones to convince regarding your investments in various initiatives or in your product development in the case of a SaaS business. These investments are typically a big portion of your discretionary spend. And the investor community now routinely questions your discretion in the matter.

In 2015 and 2016, General Electric (GE) was abuzz with investment into a new, industrial internet of things (IoT) platform called Predix. It was meant to transform industry with *software-defined machines and solutions that are connected, responsive and predictive*. This was part of its vision for the *New GE* as a digital industrial company. However, not all its institutional investors were thrilled with its vision. One of them, an activist investor, went to the extent of publishing a paper called *Transformation Underway... But Nobody Cares*. It argued in favor of greater dividend payouts through cost cutting and buybacks.

By the middle of 2017, GE had spent a lot on Predix, apparently without much to show for it. Their CEO was replaced with someone who'd spend less on innovation and transformation. This was arguably harsh because these things take time and even while they are succeeding, their linkage to business impact isn't always clear. But investors can be harsh judges. They might see the failure to articulate success as a lack of success.

This is not an isolated story. Institutional investors and industry analysts are increasingly taking note of the often-weak correlation between investment in growth initiatives and business results. Many investors are skeptical that the return on new initiatives would be greater than the cost of capital needed. They would rather that the company return cash (or capital) in the form of dividends or stock buybacks rather than reinvest them into new initiatives. This increases their scrutiny of initiatives.

Episodes such as Predix dampen CEO appetite for new initiatives. They might be tempted to play it safe and return cash to investors rather than invest anew. They might learn to operate by a new guiding principle:

No CEO was ever fired for announcing a buyback.

SOME MORE EXAMPLES

Here are some more examples to set the stage for the rest of the book. I call these companies the Classic Enterprise. They are big, successful, old-guard businesses striving to thrive in the digital age. The examples show how, even when they are doing well, their investors might be skeptical about the commercial impact of major investments in new initiatives.

Nike

At their annual shareholder meeting in September 2023, the first question was about the continued effectiveness of their direct-to-consumer (DTC) strategy. It had been in effect for three years by then. It aimed to move away from selling via wholesalers like Foot Locker and Macy's, traditionally their main channel. Investing in Nike Digital, which included their online direct sales channels, was a big part of the new strategy. Initial results of DTC had been spectacular, partly due to an unexpected boost for digital from the Covid pandemic and its aftermath.

But by mid-2023, there were reports of Nike re-engaging with wholesalers it had turned away from as part of its earlier pivot to DTC. The questioner probed the viability of indexing high on DTC and asked about Nike's future profitability. Although Nike's executives put on a brave face in their answer, by the end of the year they had to acknowledge the issues with betting too much on DTC. And by mid-2024, the stock had lost a lot of value on the back of a revenue decline guidance for fiscal 2025. As of this writing, the stock has recovered a bit on the news of the appointment of a new CEO with a long history at Nike.

JP Morgan Chase

This behemoth of a bank has done very well of late and for the greater part of the last twenty years. They hold 12% of all deposits in the United States. In 2018, well into the digital age, they made a seemingly contrarian bet to open hundreds of new branches. Since then, they have opened more than 650 new branches all over the country. Their executives claim excellent payoff as of early 2024. What's more, the investment in new branches has not come at the expense of investment in tech. On the contrary, with a 2023 tech budget in excess of fifteen billion dollars, they are the biggest tech spender in banking.

The record spend was questioned in an earnings call in October 2023. What was the benefit of having a record tech spend in the banking industry? And why were they spending so much on AI? Wasn't it potentially wasteful? Was it simply a moonshot?

Company executives responded in three parts. They justified their spend on digital banking by saying that the younger generation has different expectations. And that it was part of a holistic, multichannel, fully engaged customer strategy which required investment in both branches and digital. Second, they justified spending on non-negotiable heads such as cybersecurity, data center resiliency, and regulatory requirements. Third and final, they disagreed that the spend on AI was potentially wasteful and pointed to use cases in risk, fraud, marketing, and prospecting. Overall, it was a decent response but one could say that it was a bit heavy on narrative and a bit light on numbers. Not the sort of response that would put savvy investors at ease. Then again, perhaps they didn't want to reveal too much more than is necessary for a public company. But the fact remains that investors are hungry for detail. A private company might find it harder to get away with numberless narratives.

Tata Motors

As part of their strategy to expand their digital offerings in the commercial vehicle space (trucks, etc.), Tata Motors invested about eighteen million dollars in 2023 to acquire a 27% stake in Freight Tiger, a logistics SaaS platform with carrier matching and transport management capabilities. As Tata Motors already had a burgeoning telematics platform called Fleet Edge, they were questioned in

a 2024 earnings call about the benefits expected out of the acquisition. A company executive responded that benefits were expected out of integration of the two platforms. They aimed to provide customers of each platform access to the capabilities of the other platform and thereby *improve efficiencies*. They moved on in the Q&A, but a hard-nosed analyst or shareholder might have probed them further. How much additional value did they expect from the integration? What were the measures of success? What did the early numbers look like?

IMPACT INTELLIGENCE

The earlier examples point to the importance of *impact intelligence*—an ongoing process of collecting, analyzing, and using data to maintain a constant awareness of the business impact of initiatives. I have repurposed the term from the ESG space, where they use it to study an organization’s impact on human society (social) or the natural environment (sustainability) or to study the impact of a set of policies (governance).

Impact intelligence includes *impact evaluation* which is the activity of assessing the impact of a particular project or initiative. This again is a common practice in the social sector where independent agencies are tasked with evaluating the impact of an intervention. For example, an evaluation might assess if a project that imparted vocational skills in a community improved employment.

In the context of digital technology initiatives, impact intelligence is much broader than the ability to run A/B tests and other controlled experiments. Although useful at times, the capability to run experiments is neither necessary for a basic level of impact intelligence nor sufficient for an advanced level.

A CEO’s promise of better performance through investments in AI, API, or cloud no longer sways investors or analysts. It’s a tricky situation. A lot of investments in digital or technology initiatives have been based on faith or fear more than fact. When industry peers claim success of an investment, faith builds up around replicating that success in one’s own organization. Similarly, investments to play catch-up with peers are greenlighted out of a fear of getting

left behind in the market. When these initiatives do not run with tight impact-feedback loops, impact intelligence suffers. An impact-feedback loop is one in which the feedback originates from an initiative's impact, rather than from its delivery (output) or immediate outcome.

Without impact intelligence, Approvers come up short against probing questions from investors or analysts. This sort of scrutiny is often greater in startups and other private companies. Their investors routinely ask about the performance of investments in new product variants or new features. They can demand greater access to material information than investors in public companies. Startups often start with good impact-feedback loops, but many lose their way as they grow and as the complexity of their business increases. It does not augur well for their efforts to secure new rounds of funding.

Does it Apply to All Initiatives?

Investors, analysts, and the C-Suite Core care about any initiative that involves significant expenditure and opportunity cost. Therefore, all initiatives could benefit from impact intelligence.

The guidance in this book applies to any business or non-profit initiative where it is possible to introduce short impact-feedback loops. This is not true for all new initiatives, unfortunately. For example, in capital-intensive industries, companies might have to invest heavily in property, plant, and equipment before they can begin operations or generate revenue.

The mining industry offers a case in point. It is generally not feasible to commission a new mine with tight impact-feedback loops in place. Proposals for new mines take years to win regulatory approval, by which time the economic outlook for the mined commodity might have changed. Some aspects of a new mine can be executed with reasonably short impact-feedback loops—testing new mining techniques or waste management practices, for example. However, the *new mine* initiative as a whole remains incompatible with the idea of build-measure-learn in short cycles. Mining projects may be planned in phases. Each phase allows the company to assess project viability, operational efficiency, and market conditions before committing to significant capital

investments for the next phase. Even so, the capital outlay for each phase might be big enough to worry investors interested in steady returns.

The examples in this book mainly feature digital initiatives. It's due to three reasons. First, their very nature makes it feasible to enroll them in tight impact-feedback loops. When planned well, you don't have to wait for the whole initiative to get done before you see any impact. It allows you to course correct midway. Second, because sometimes digital initiatives tend to be among the more expensive initiatives or an expensive component of broader business initiatives. And finally, because in large organizations, nobody really understands the true business impact of the average digital initiative. It is usually based on narratives.

The Funding Winter and a Capital Discipline Spring

Capital Discipline has become a byword in some investment circles, especially those scarred by the sub-par performance of big investments into new initiatives. This includes some digital transformation initiatives.

The notion of capital discipline encourages a careful consideration of where to invest, divest, or hold back in cash reserves. A consideration based in fact, not faith or fear. Apple and Berkshire Hathaway are considered poster children for capital discipline given their track record of a judicious mix of investment, divestment, and cash returning actions.

Trillions have been spent to date on digital transformation initiatives. The results are mixed. The consensus among analysts is that most initiatives have underperformed. The reasons offered are varied: lack of clear measures of success, sub-par leadership, internal resistance to change, inability to attract or retain the necessary talent, and so on. Whatever the reasons, it hasn't gone down well with investors. Any new spending on digital is no longer an easy sell at these places.

Most startups, on the other hand, have been going through a funding winter since 2022. It has been attributed to several factors: economic uncertainty, rising interest rates, market corrections, and geopolitical tensions. Some high-profile startup failures also

played a part in lowering investor appetite for rosy valuations. You could say that it was a valuation winter as much as a funding winter because the terms offered to new startups did not match their expectations. And established startups were not interested in a down round.

But we could see this through the lens of capital discipline. In seeking stronger justifications for greater valuations, investors focussed on their path to profitability. Startups were asked for evidence of strong unit economics. In other words, VCs switched from the growth-at-all-costs playbook to the capital discipline playbook. The funding winter was, in some ways, a capital discipline spring.

This is not limited to startups. Uber is not a startup anymore. Founded in 2009, it reported its first annual operating profit in 2024. No one, not even GenAI, has that kind of runway anymore. Things have changed at Uber too. They are a mobility, delivery, and advertising solutions business now. Even so, in Feb 2024, their CFO asserted that there was “strict” discipline around greenlighting new product ideas.

Winning investment during times of capital discipline requires impact intelligence. Founders of startups and Approvers in the Classic Enterprise must develop a keen sense of the potential and actual impact of every new effort. They must put tight impact-feedback loops in place to pivot, double down, continue, or exit initiatives based on their early impact. Only then can they convince investors that they are putting their investment to good use.

The Other Extreme

Some teams, mostly at top-tier tech companies, have been operating at elevated levels of impact intelligence for a while now. Search teams at Google, Amazon, Airbnb or Booking.com are one example. Content feed algorithm teams at Meta, LinkedIn, Twitter, etc. are another. So are ride hailing, pricing, and driver algorithm teams at the respective companies. Most gig economy algorithms in general are tuned to maximize impact, mostly in the form of revenue and gross margin, after they have captured the market. Increasingly, some of them are turning into exploitative or extortionate platforms that offer a raw deal to their partners,

customers, or suppliers. Cory Doctorow has written about them in his book, *Chokepoint Capitalism*. So has Yanis Varoufakis, in his book *Technofeudalism*. Even those who consider these authors to be radical leftists will find a kernel of truth in their core arguments. This is the evil genius extreme of impact intelligence. It is not what this book is about, and it is not easy to reach that extreme level of impact intelligence anyway. For the target segment of this book, there is little danger of qualifying for entry into the evil genius club simply by following the guidance here.

Numbers and Narratives

The earlier examples featured investor questions about the benefits delivered by big, high-profile investments. Answering them well is key to sustaining investor confidence that such investments are a better bet than returning cash in the form of dividends or buy-backs. A great answer combines a good narrative with reliable numbers. The latter results from a strong internal culture of continuously assessing the business impact of initiatives.

Being able to answer investors accurately is one thing but you'd prefer to share accurate good news rather than accurate bad news. Here again, a culture of continuous impact assessment would help you steer your initiatives better toward delivering adequate business impact.

Of course, it's not just about being answerable to investors. The champions of various initiatives naturally want them to be successful for the sake of their business, their customers, and their employees. It's just that they often lack the know-how or the means to implement effective impact-feedback loops. Or, as we shall see, they operate under false, old-school beliefs that place greater faith in plans.

It is not easy to gain and maintain impact intelligence. Multiple initiatives and other internal and external factors might affect a business metric. You don't want to be in a position where you reassure investors that a costly initiative is paying off only to realize later that the observed improvement was due to other factors. It is necessary to train the impact assessment muscle on smaller initiatives first to be able to deal with the complexity of impact assessment of big initiatives. Therefore, the rest of the book

features smaller initiatives to make its points. As you apply the methods and techniques suggested on smaller initiatives, you'd begin to see how they apply to your biggest ones.

But we are getting ahead of ourselves. Let's begin with the basics.

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