

ARE YOU SETTING UP TO FAIL?





*Any investment has to stand up to commercial rigour, IT projects even more so given their risk profile. A weak business justification for a project can lead to poor management buy-in and ultimately an unsuccessful project. **CLARE COULSON** takes a look at the case for building better business cases...*

The percentage of IT projects that fail is legendary. Like all good legends, the details vary, but, depending which research you consult, the failure rate can be as little as 20 percent to as much as 80 percent. What is perhaps even more startling are the results of research published by software development firm, Geneca. The study of 600 business and IT executives showed that 75 percent of them expected their software projects to fail – before they had even started.

Upon the study's release, Geneca President & CEO Joel Basgall said, "There is no question that the overall survey results show that our single biggest performance improvement opportunity is to have a more business-centric approach to requirements. Unfortunately, poor requirements definition practices have become so common that they're almost tolerated. The gloomy results of this survey really drive this home."

DOOMED FROM THE START

Interestingly, the survey responses from IT professionals and their business counterparts were fairly similar, indicating that both groups have many of the same concerns with regard to their projects.

The survey findings included:

- **Lack of confidence in project success:** 75 percent of respondents admit that their projects are either always or usually "doomed right from the start".
- **Rework wariness:** 80 percent admit they spend at least half their time on rework.
- **Business involvement is inconsistent or results in confusion:** 78 percent feel the business is usually or always out of sync with project requirements and business stakeholders need to be more involved and engaged in the requirements process.
- **Fuzzy business objectives:** Only 55 percent feel that the business objectives of their projects are clear to them.

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• **Requirements definition processes do not reflect business need:**

Less than 20 percent describe the requirements process as the articulation of business need.

• **Lack of complete agreement when projects are done:**

Only 23 percent state they are always in agreement when a project is truly done.

“Although most software projects begin with high expectations, this research reminds us that problems usually lurk below the surface right from the start,” said Basgall.

PUTTING THE RIGHT FOOT FORWARD

The “start” is not the beginning of the project itself but its point of conception and can be traced back to how the business case for the proposed project is approached.

A research article published in the academic journal *MIS Quarterly Executive* entitled *Building Better Business Cases for IT Investments* by John Ward, Elizabeth Daniel, and Joe Peppard*, focused on how business cases were developed for IT investments and how those practices related to successful outcomes across 100 European organisations. It revealed that while constructing a business case prior to IT investment is the norm there are significant problems with the quality of the business cases and the process used to create them.

“Despite it being common practice, 65 percent of respondents said their organisations were not satisfied with their ability to identify all the available benefits, with 69 percent reporting that they do not adequately quantify and place a ‘value’ on the benefits for inclusion in the business case,” the authors explain.

“Although implementation issues frequently reduce or eliminate the achievement of the intended benefits, our research suggests that the benefits described in the business case were often never achievable in the first place. These benefits were often either exaggerated, to obtain funding, or there was insufficient understanding of the business changes needed to achieve the benefits.”

Garry Miller, a professional teaching fellow for the Department of Civil and Environmental Engineering

at the University of Auckland says that business cases should explore whether the right project is being proposed in the first place.

“When we look at project management, we look at success in terms of delivering on time, to cost, to quality and those kind of things, and then we ask if we delivered to stakeholder outcomes. That’s all very good for the project delivery stage, but you’ve got to get the right project in the first place. It is about being effective with the right project – that’s absolutely vital.”

In a separate blog post *Designed to Fail? Better Business Cases Are Key to IT Investment Success* Peppard says, “I was recently asked whether there was one thing that organisations could do to improve the success rates of their IT investments, and thus IT projects. For me, the answer is clear – build better business cases. I don’t just mean to improve the quality of the business case itself and what it contains, but also to improve the quality of the process used to build the case.”

EMPIRICAL EVIDENCE

This sentiment is confirmed in Peppard, Ward and Daniel’s research survey where they compare the successful IT projects that met the expected benefits (43 percent of the sample group) with the less successful (57 percent). They say the results show there are marked differences in the approaches taken to developing and managing business cases in the two groups, so they can identify the practices associated with higher levels of success.

“Our survey confirmed that more successful organisations include a wider range of benefits in their business cases than the less successful, especially benefits associated with innovation and improved co-operation, both internally and with trading partners. Although such benefits are more difficult, but not impossible, to quantify, they provide a more complete view of the business value that many investments produce.

“Less successful organisations tend to limit the benefits included in the business case to those associated with efficiency improvements and cost savings. While senior managers are often

only interested in the financial benefits, many other stakeholders, such as customers and staff within the organisation, are often more interested in the ‘softer’ or more subjective benefits. It is these benefits, rather than financial ones, that are likely to lead to greater commitment from those stakeholders to making the investment successful,” the research trio concludes.

WHAT A BUSINESS CASE SHOULD DO

In their research paper *Building Better Business Cases for IT Investments*, Peppard, Ward and Daniel say a well-thought out, considered, comprehensive and robust business case will not only look at the financial implications of a project but also:

- Enable priorities to be set among different investments for funds and resources;
- Identify how the combination of IT and business changes will deliver each of the benefits identified (a benefit realisation plan);
- Ensure commitment from business managers to achieving the intended investment benefits; and
- Create a basis for reviewing whether the expected business benefits are actually realised.

BEST OF BRITISH

The British Government has implemented a framework for creating successful business cases. Called Better Business Cases (BBC) it has been around for 25 years and a global version is due to be released by the Better Business Cases Standards Board this October under the banner ‘Investing for Change’.

In New Zealand The Treasury has created a concise version of the British framework, combined with parts of the Investment Logic Mapping framework used by Australia’s department of Treasury and Finance for the State Government of Victoria.

* Ward, John; Daniel, Elizabeth and Peppard, Joe (2008). *Building Better Business Cases for IT Investments*. *MIS Quarterly Executive*, 7(1), pp. 1-15.

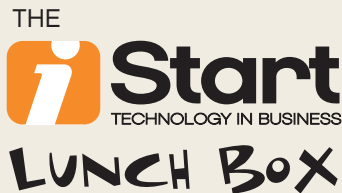
John Ward, Professor of Strategic Information Systems at Cranfield School of Management at Cranfield University in Bedford, UK Elizabeth Daniel Professor of Information Management and Associate Dean for Research and Enterprise at the Open University Business School, and Joe Peppard, Chair in Information Systems at the Cranfield School of Management, Director of the Information Systems Research Centre, head of the IT Leadership Programme for CIOs.

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