By Joe Peppard, Professor, Cranfield School of Management, U.K.

The failure rate for IT investments continues unabated. For many of us, it is hard to accept that despite more than 60 years of combined industry experience with IT projects, the ability to deliver expected benefits from these has not improved at all.

Of course, the reasons why IT projects fail and the factors that contribute to failure (as well as success) are well-established. They include not having appropriate leadership, not understanding what’s involved, not managing organizational changes effectively, ineffective steering committee, weak governance processes and focusing exclusively on technology deployment. Indeed, I am often asked by clients to review either failed or underachieving IT investments and in most cases I could write my report without doing any investigation: The reasons are usually the same.

At the fundamental level, we seem to have a “knowing-doing” gap. We know what needs to be done if success levels are to be improved, but the doing just doesn’t happen. I have conducted research on why this is so, but the details of these findings — including that it is perceived as too difficult and the poor digital literacy among business managers – are probably best left for another blog post.

More to the point here is how to reverse the trend. I was recently asked if 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 improve the quality of the business case itself and what it contains, but also improve the quality of the process used to build the case.

The Limitations of Templates

The importance of the business case for an IT investment was brought home to me with some recent work at the U.K.’s National Health Service (NHS). To help CIOs build business cases for their proposed spend, the Department of Health and vendors provide templates, partially completed, for an array of different technologies. These can be downloaded and completed with relevant information, usually with minimal involvement of stakeholders.

While this sounds helpful, the result can be an eloquent and well-constructed business case document with strong rationale for the proposed investment (that the vendor has developed), but with no stakeholder buy-in or understanding of what it will take to deliver the expected benefits. Indeed, the first time stakeholders often hear about the new IT investment is when the project actually begins. It’s clear to me that the quality of such a process to build the business case is low.

I have also found that such business-case templates focus primarily on costs and benefits for their analysis, with only financial benefits considered. Furthermore, there is no description of exactly how each of the benefits is going to be achieved, including the assignment of responsibilities for ensuring that whatever is necessary for each benefit to occur actually happens. And, these responsibilities are not likely to rest with the CIO. Remember: Apart from pure infrastructure, IT investments are really investments in business change enabled by IT.
These observations led me to build a framework mapping the quality of the business case, against the quality of the process of constructing this case -- i.e. what is the commitment to the case. Four possible scenarios are summarised in the figure below:

<table>
<thead>
<tr>
<th>Quality of Process (i.e. what is the commitment to the case)</th>
<th>Quality of Business Case (i.e. is this a good business case)</th>
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Consultant’s Business Case

Business case produced by CIO/consultants without engaging with stakeholders. Maybe the right thing to do, but no stakeholder involvement. Includes downloading a business case template and filling in blanks.

Required Business Case

Business case contains complete costs and benefits, all stakeholders involved in its construction and clear understanding of how each benefit will be achieved. Responsibilities assigned, timelines defined and metrics agreed.

Imperished Business Case

Produces a document that focuses primarily on costs and benefits. Typically, only financial benefits considered. No articulation of how benefits will be achieved or stakeholder involvement in process.

Blinkered Business Case

Business case does not consider the “right things”. Often overstates benefits; investment may not be economically viable or is politically motivated. Discussions do not enter the Zone of Uncomfortable Debate.

While these scenarios are self-explanatory, the one that often provokes debate is the ‘Blinkered Business Case.’ This situation arises when there may be better projects to invest in, but they are either not considered or not identified -- often because investment decisions are made in a very politized environment or because portfolio management is weak (usually due to the lack of an IS strategy). While stakeholders may be committed -- ‘supportive’ is probably a better word -- to the investment decision, they are reluctant to enter into what one of my colleagues has referred to as the “Zone of Uncomfortable Debate (ZOUD)” during discussions about the proposed investment.

Leaving Your Comfort Zone

The ZOUD is where difficult issues lurk. In the contrasting “Zone of Comfortable Debate (ZOCD),” stakeholders often play with techniques and have fun generating options. Straying into the ZOUD threatens relationships and when tensions are heightened, the usual response is to retreat into the ZOCD. These can be culture issues that are never discussed as they are too sensitive. But once a project gets going, these types of issues inevitably emerge and failure is really the only possible result. Investments in this quadrant subscribe to the “magic bullet” thesis: we know we have problems (which are uncomfortable for us to discuss) but the technology will sort them out for us.

Using this framework to analyse investments, shows that many are doomed to fail or at least underachieve, right from the outset. Along with my colleague, Professor Don Marchand, at IMD Business School in Lausanne, Switzerland, I have used the phrase “Designed to Fail” to describe such investments and have written a lengthy article of this phenomenon based on our research (send me an e-mail of you would like a copy j.peppard@cranfield.ac.uk).
The business case should be seen as a living document and not something that is produced for the purpose of investment approval. It should accompany the investment through its lifecycle. Any changes, for example in project scope, should be evaluated in the context of the impact that has on the business case, particularly the expected benefits.

In addition to poor business cases and processes, I also have worries that investment committees are undereducated in respect to IT. This makes them ill-equipped to deal with IT investment decisions. While they are generally comfortable discussing costs, benefits (in financial terms), time, scope and budget of projects, they too often have little understanding of what constitutes value (in the context of IT) or how it can be achieved.

These executives need to step out of their comfort zone to understand the complexity of IT investment decisions and their impact on the organisation. That change, along with the steps described, should go a long way toward rationalising investments that add true value to the organisation.