Cutter Benchmark Review

Analyzing IT Metrics
for Informed Management Decisions

Creating Solid Business Cases from Start to Finish

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From the Editor, Gabriele Piccoli

Creating Solid Business Cases from Start to Finish

This month we take a break from our focus on IT innovation and its many facets and return to basics. Perhaps one of the most challenging aspects of life in the IT business is the difficulty we often face in selling projects internally to the organization. There are many reasons for this difficulty. In the collective mindset, the "IT guy" is seen as a person with questionable social skills who is much more comfortable in front of a computer than an audience — especially an executive audience speaking a blend of marketing, finance, and strategy mumbo jumbo.

I am not sure how much truth this stereotype holds. What I am sure of, having spent my life at the intersection of management and engineering schools, is that much less emphasis is placed on communication and business fundamentals in technical programs. IT professionals are excited by the possibilities of technology and are typically doers, not talkers. After all, if it works well and it is efficient (and perhaps elegant), there isn't much to discuss or explain. I love the honesty of engineering and technology.

But the business world is rarely so clear-cut. First, you are often attempting to obtain resources for something that you have yet to build; thus we really don't know if it will work or not. Moreover, a good idea is not a good idea until it exists in the minds of others (particularly decision makers). This sounds a bit philosophical, along the lines of "if a tree falls in the forest and nobody hears it, did it really make noise?" Yet, when proposing a project, it is critical that those who have to approve it "see" the benefits that it will deliver.

Note that like any communication feat, the crafting of a sound argument is first and foremost an act of clear thinking. I was recently asked by a PhD student how I learned to write clearly in English, being that Italian is my mother tongue. After reflecting on the question, I responded that writing clearly is not a matter of grammar or vocabulary — those come with time and a lot of reading (the kind of massive reading you do in a good PhD program)! But writing clearly is about thinking

clearly. If you know exactly what you intend to say, putting it on paper is no problem. The same, in my opinion, holds for any argument designed to garner support and funding for a project. But while in theory this sounds fine, in practice making business cases and having them approved remains one of the greatest challenges IT professionals point to in their work.

Of course, no part of my diatribe above will probably shock or surprise you. You have heard (if not experienced) all this before. As I've said in many of my previous editorials, at *CBR* we don't just raise issues, we tackle them and try to provide guidance as to how to solve them. It is for this reason that we decided to produce a *long overdue* issue of *CBR* on crafting better business cases. Our intent is to evaluate how the organizations in our base of respondents make business cases today; to benchmark the success (or lack thereof); and to provide tangible guidance on improving the quality of your arguments and the odds of receiving approval for the projects that you propose.

Our academic contribution is provided by John Ward and Elizabeth Daniel. John is Professor of Strategic Information Systems at Cranfield University, School of Management (UK). John's main interests are the strategic uses of IS/IT, the integration of IS/IT strategies with business strategies, the development of organizational IS capabilities, and the management of IS/IT investments. Elizabeth is Professor of Information Management and Associate Dean for Research and Enterprise at the Open University Business School (UK). With John, she is coauthor of the book *Benefits Management: Delivering Value from IS & IT Investments*. She has applied the benefits management ideas in many organizations in both private and public sectors.

The practicing side is contributed by Mike Sisco. Mike is a Senior Consultant with Cutter Consortium's Enterprise Risk Management & Governance and Business-IT Strategies practices. He is also founder of MDE Enterprises, Inc., an IT manager training company

whose mission is to provide practical insight and tools to help IT managers of the world achieve more success.

John and Liz provide a very thorough discussion of the role of business cases. They also provide substantial insight, drawing both on the current Cutter survey and previous data they have assembled in their independent research. They classify the respondents in four categories: the underappreciated IT function, the low value-added IT function, the high value-added IT function, and the IT function that is getting away with substandard results. Using this categorization, they draw conclusions as to the value of different behaviors related to the development of business cases, the identification of benefits, the estimation of cost, and post hoc evaluation of the investments. John and Liz's contribution ends with tangible guidance.

Mike begins his contribution by taking the perspective of those who read and approve (or reject) the business cases we write. Based on this evaluation, he identifies some of the biggest challenges we face. With this frame of reference in place, he evaluates the survey results and proposes a set of prerequisites for approval: credibility, trust, and business value. Mike also concludes his piece with a set of tangible guidelines that you can immediately implement.

I am very pleased with this issue, as I think our contributors have been able to go deeper than the standard stuff we read about crafting business cases. I think that this issue of *CBR* will be one of the best received and will find immediate use in many of our subscribing organizations.

— Gabriele Piccoli, Editor,
Cutter Benchmark Review

THIS MONTH'S CONTRIBUTORS

John Ward

Professor of Strategic Information Systems at Cranfield University, School of Management (UK)

Elizabeth Daniel

Professor of Information Management and Associate Dean for Research and Enterprise, the Open University Business School (UK)

Mike Sisco

Senior Consultant, Cutter Consortium

COMING NEXT MONTH

Mashups: Strategic and Technological Issues for Corporate Use

A VIEW FROM THE FIELD
Eugene Ciurana, Director of Systems Infrastructure, LeapFrog Enterprises

A VIEW FROM THE FIELD
John Maloney, Founder and Owner, KM Cluster

by John Ward, Professor, Cranfield University (UK); and Elizabeth Daniel, Professor and Associate Dean, Open University (UK)

Increasing Your Odds: Creating Better Business Cases

Studies continue to show that as many as 70% to 85% of IT investments fail to deliver the expected benefits [3, 4]. Our research and work with companies over the last decade have shown us that the preparation and use of a comprehensive and robust business case is a major contributor to improving the success rate of IT projects. The results of the Cutter survey presented in this issue of *CBR* underline this fact; better business cases not only increase the chances of getting investments funded, but they also increase the overall business value delivered from projects.

Based on our research and consultancy with organizations, we published *Benefits Management: Delivering Value from IS & IT Investments* in 2006, which describes an approach to managing information systems and technology investments that has been adopted by many organizations [6]. The process and tools in the approach ensure a focus throughout project definition, planning, and implementation on the identification and delivery of the benefits an organization wants from its investments. This encourages both IT and business managers to work together to identify and quantify the expected benefits and then to determine how they will be achieved. This includes the necessary changes to business processes, organizational working practices, and even roles and structures as well as the IT applications and infrastructure. We believe a business case should not be prepared — and most definitely not approved — until both *what* is expected and *how* it can be achieved have been clearly investigated and understood.

We should clarify what we mean by a "business case." In many organizations this is interpreted as a purely financial case for investment, but in our view it is a more comprehensive "argument" that should describe all the benefits expected, whether or not they can be expressed financially. While any business case should describe as many of the benefits as possible in financial terms, an exclusive focus on such benefits can result in a number of problems including:

- "Creative" calculations of financial benefits based on inadequate evidence

- Only sufficient financial benefits being claimed to provide the necessary return in relation to the costs

- Understating the costs of implementation to make the investment more attractive

While senior managers and shareholders are primarily interested in the forecast ROI, many of the other stakeholders are often more interested in the softer or more subjective benefits that will be delivered. It is often these stakeholders who will have to change how they work to deliver the financial benefits, and they will inevitably be less committed if there is nothing in it for them [1]. In working with organizations, we have seen many examples of why it is important to express benefits in terms that users appreciate. One striking example was during our involvement in the UK National Health Service's $12 billion investment in new IT systems. One of the systems being deployed provides online reporting of all clinical test results to staff in hospital wards. Although managers wanted to focus on the cost savings this would yield, the clinical and nursing staff members only became interested when they realized that the system would stop them from having to wait for test results to be delivered or from having to leave the wards and their patients to collect results from other departments. As a result, they were keen to use the new system, which was essential to realizing the cost savings the managers wanted.

Even though senior managers usually insist on a strong financial case, other research suggests that they do not always demand rigorous evidence to support major investment decisions. This lack of evidence can lead to "delusional optimism" due to an overestimation of the benefits and underestimation of the costs of achieving them [2]. And, of course, overinflated benefit figures in business cases are likely to perpetuate the reported low success rates! The data in this recent Cutter survey shows that this is all too often the case with IT investments in many organizations.

SURVEY DEMOGRAPHICS

Given our interest in how organizations can increase the benefits they deliver from their IT investments and the central role of business cases in achieving that, we were delighted to be invited by Cutter Consortium to undertake this survey about the quality and effectiveness of business cases for IT investments. We are also pleased that the results of this survey are consistent both with a survey we carried out in Europe on this subject in 2006 [7] and our experience of how the more successful organizations develop and manage their business cases.

Overall, the survey generated 84 responses. These were from a wide range of organizations from a broad spectrum of industries in many countries, including the US (46%), Europe (24%), and India (11%). Large organizations (those with more than 500 employees) represented the majority of the sample (67%) with small and medium-sized organizations representing the remaining 33%. Just over half the responses were from IS/IT managers or consultants and the rest were from business managers in various roles.

MEASURING SUCCESS

With such a good response, we were able to differentiate those organizations that are more successful from those that are less successful in delivering the benefits expressed in their business cases. This enabled us to compare practices in developing business cases to see which were more frequently associated with higher levels of success. Given that the business rationale of making investments in IT is to deliver benefits to the organization, we took the achievement of expected benefits as our measure of success. More successful organizations are defined as those where more than 50% of their IT investments deliver the expected benefits (43% of respondents), and the less successful organizations are then defined as those where less than 50% of their projects deliver the expected benefits or those that do not know how many projects deliver the intended benefits (57% of respondents) (see Graph 1 in the Survey Data section beginning on page 24). The analysis that follows is based upon a comparison of the two groups: the more successful and the less successful organizations.

SATISFYING MANAGEMENT

The Cutter survey asked about management's level of satisfaction with the value delivered by IT to the organization (see Graph 2). It is interesting to compare how this view relates to the actual level of investment success described above. It seems obvious that if the majority of IT investments are delivering the benefits expected, then management would be satisfied and vice versa, but as seen in Table 1, which analyzes the responses according to both success and satisfaction, this is not always the case.

The majority of those organizations that deliver more project success do satisfy their management, and we refer to the IT functions that achieve this as "high value-added" in Table 1. Similarly, those IT teams that do not deliver many benefits and hence do not satisfy management we call "low value-added." But as mentioned above, interestingly and counterintuitively, there are cases where benefits are delivered but management

Table 1 — Relative Levels of Success and Comparison with 2006 Survey [7]

Success and Satisfaction	Management Satisfaction: Dissatisfied and Neutral	Management Satisfaction: Rather and Very Satisfied	Total
> 50% of projects deliver the expected benefits	Not appreciated: 13 respondents (16%) (2006 survey = 16%)	High value-added: 23 respondents (27%) (2006 survey = 27%)	36 respondents (43%) (2006 survey = 43%)
< 50% of projects deliver the expected benefits and "don't knows"	Low value-added: 39 respondents (46%) (2006 survey = 43%)	Getting away with it: 9 respondents (11%) (2006 survey = 14%)	48 respondents (57%) (2006 survey = 57%)
Total	52 respondents (62%) (2006 survey = 59%)	32 respondents (38%) (2006 survey = 41%)	84 respondents (100%) (2006 survey = 102 responses)

is not satisfied. We refer to these groups as "not appreciated." Finally, there seem to be some lucky IT groups that do not deliver the majority of benefits expected but with whom management is satisfied. For obvious reasons we have described this group as "getting away with it" and would expect that management satisfaction may not last for much longer.

The IT group of a transport company we worked with recently had been clearly "getting away with it" for some time, mainly because management did not view IT as critical to business success. Following a takeover, the new management team realized the company's IT lagged far behind that of competitors. It set the IT department targets to reduce IT costs and deliver measurable savings in business costs within 12 months. If the group failed, management would "find someone who can." With a few months to go at the time of this writing, the jury is still out, but the IT department is confident it will deliver.

Other results of this survey suggest that the different levels of satisfaction shown by management may be related to the amount of information it receives about how successful investments have been. As is discussed later, more of the organizations in the high value-added group carry out post-implementation reviews compared to the organizations in the not appreciated group. Without such reviews providing information, senior management may be unaware of the successes achieved by the not appreciated group.

Table 1 also shows the results from the similar survey we carried out in 2006 [7]. What is remarkable is that the numbers in each category are almost identical. Given that this survey is of a completely different sample it is surprising but reassuring that the figures are so close!

DEVELOPING THE BUSINESS CASE

Our survey results show that the majority of the responding organizations "always" or "often" develop business cases for their IT investments, whether they are new applications (69%), new infrastructure investments (59%), enhancements to both applications and infrastructure (73%), or business change programs involving IT (65%) (see Graph 3). These results did not differ significantly between the more successful group and the less successful group. In the next article in this issue of *CBR*, Mike Sisco is more forceful in his views on the responses to these questions. He argues that organizations should develop business cases for their IT investments and is disappointed that only about 30% of organizations always do so. While we agree that business cases should be developed for all major investments, given the amount of work involved it is understandable that they are not always prepared for smaller investments.

Similarly, there was little difference between the more and less successful groups in who develops the business case, with, overall, most being developed by IT with business consultation (44%) or as a collaborative activity between business and IT (33%) (see Graph 4). Also, there was no significant difference between the two groups with regard to who approves business cases: an IT steering committee (45% of all respondents), the CIO (43%), the CEO (36%), and the CFO (36%) (see Graph 5).

However, there are some significant differences in what those business cases contain and what is achieved from their preparation. Table 2 shows that in addition to being more successful in obtaining the necessary funding, the more successful group is more likely to identify all the benefits available from the investment, gain commitment from business colleagues to realizing those benefits, and achieve an acceptable ROI for the project (see Graph 6).

From our experience, these three aspects are related. Seeking to identify all the benefits expected from an investment will yield a richer set of benefits, including softer, nonfinancial benefits, many of which will accrue to a wider set of stakeholders. When these stakeholders can see the benefits they will gain from the investment,

Table 2 — Business Case Effectiveness

In addition to obtaining funding for the investment, preparation of a business case "often" or "always"…	More Successful Group	Less Successful Group	Total Respondents
Identifies all available benefits	50%	27%	37%
Gains commitment from the business to realizing the benefits	64%	44%	52%
Attains an ROI above a required hurdle rate	56%	33%	43%
As a result …			
More than 50% of business cases approved	78%	44%	58%

they are more willing to become involved in the project and the associated change management. Identifying more benefits is also likely to increase the forecast ROI.

> **Management will almost always find funds for investments that have a compelling financial case, provided they are convinced the ROI will actually be delivered.**

Table 2 also shows that the more successful groups get a much greater proportion of their business cases approved compared to less successful organizations (78% to 44%) (see Graph 7 for overall results). The identification of a richer set of benefits, greater involvement of business colleagues, and an improved ROI leads to a more robust and attractive business case that is more likely to be funded. This reinforces the importance of including a wide range of benefits and not solely focusing on financial benefits. The higher success rate in the more successful group also means that the organizations do not waste time preparing cases that will not get funded. This higher success rate may also be related to the more frequent reviews, since these provide evidence of benefits that the organization can actually achieve. Conversely, for the less successful group, more business cases are rejected, reducing the credibility of the IT group, making it more difficult to get funding in the future.

In response to our question asking respondents to identify the most frequent reasons that IT projects fail to get funded, the main answers are similar for the more and less successful groups, therefore here we present the numbers for total respondents: funds not available (71%), business value not clearly demonstrated (69%), and senior management has not understood the business value of the project (48%) (see Graph 8). As Mike says in his article, management will almost always find

funds for investments that have a compelling financial case, provided they are convinced the ROI will actually be delivered. That the business value is not clearly demonstrated in the business case is more likely to be the underlying reason for rejecting the proposal. Also as Mike says, if the IT department has a poor track record in delivering to time, cost, and user needs (as 31% give as a reason), management's confidence in the forecast value actually being achieved may be too low to risk funding even attractive investments.

IDENTIFYING BENEFITS

Given the importance of the inclusion of a rich set of benefits in the business case, we wanted to explore the types of benefits that organizations include and the extent to which they seek to measure or quantify them (see Graph 9). Table 3 compares the types of benefits included in business cases by our more and less successful groups.

Table 3 clearly shows that the more successful organizations include a wider range of benefits, a finding that is consistent with our 2006 survey [7]. In particular, they are much more likely to include: revenue increase or preservation, internal and external cooperation, and innovation benefits. In contrast, the less successful tend to concentrate more on efficiency and cost-related benefits, which can most easily be expressed financially.

Table 4 supports these conclusions, showing that the more successful organizations are more confident that their business cases identify all available benefits compared to the less successful. They are also more likely to establish appropriate measures for benefits and then quantify them, which is a key step in estimating their financial value (see Graph 10). In our benefits management approach, assigning measures and quantities to identified benefits is an essential activity. Identifying measures often increases the precision about what is meant by a particular benefit and also provides an

Table 3 — Types of Benefits Frequently Included in the Business Cases

Benefits types "often"/"always" included in addition to cost-reduction benefits	More Successful	Less Successful	Total Respondents
Cost avoidance	56%	48%	52%
Revenue increase or preservation	64%	46%	54%
Process improvements	58%	60%	59%
Internal cooperation	47%	31%	38%
External cooperation	50%	29%	38%
Information benefits	44%	35%	40%
Innovation	56%	38%	45%

agreed basis for review at the end of the project. It also tests what is really meant by those vague and general benefits found in many business cases such as "improved decision making" and "better information."

What's worrisome are the low overall averages for each answer. Across the board only about one-third of the organizations believe they do a good job of expressing the benefits that justify their IT investments. However, this is not a surprise, since these average figures are almost identical to the results of our earlier survey where 35% were confident that they identified all available benefits, 31% that they adequately quantified them, 36% allocated responsibility to business managers, and 38% often overstated the benefits to get funding [7]. The differences between the more and less successful groups are also similar in the two surveys.

From our experience, it is also important when quantifying benefits to adopt a more "evidence-based" approach by finding objective information, from either internal or external sources, that justifies or supports the size or value of each benefit claimed. A few years ago we were working with one of the major banks in the UK. It was implementing a new branch information system that was intended to achieve a US $10 million per year savings in administrative costs. The project team had prepared a business case that stated the system would save the target amount and confidently went to present it to the IT steering committee. However, the team was completely floored by the first question from the committee, which was, "Explain how the $10 million savings will be achieved?" Without a convincing answer to this question it was not surprising that the business case was thrown out. We then worked with the team to identify and quantify all the potential benefits from the system. It was possible to provide clear evidence of how these benefits could be achieved and that in total value they easily exceeded $10 million. On the team's second presentation of the case, it was approved without any further questions.

To find out how often organizations look for such evidence for expected benefits, we asked to what extent they use pilots, reference sites, benchmarking, and modeling or simulation to provide that supporting evidence (see Graph 11). Only a minority of organizations responded that they "often" or "always" use these techniques, and interestingly there appears to be no significant difference between the more or less successful groups. Overall, for pilots, 48% often or always use them; 38% use reference sites; 32% use benchmarking; and only 18% use modeling or simulation. This was rather surprising because in our 2006 survey [7] benchmarking and reference sites were used more frequently by the more successful groups to provide support for the benefits claimed.

Table 4 also shows that more successful organizations are more likely to allocate responsibility for benefit realization to business managers (see Graph 12). This confirms results of our previous research, which stresses the importance of identifying an owner for each of the benefits identified and each of the business and IT changes needed to deliver that benefit. Benefit owners are individuals or groups that gain the advantage inherent in the benefit and are therefore willing to work closely with the project team to ensure its successful delivery. Agreeing on ownership of benefits and changes improves project success in many different ways. First, it demonstrates the appetite for the project within the organization: if the relevant individuals will not put their name to benefits or changes, perhaps the project should not go ahead?

Assigning ownership for the business changes involved in IT projects is important to ensure those changes are actually carried out, otherwise many become purely technology projects. A telecommunications corporation we worked with was undertaking a global enterprise resource planning (ERP) replacement with the intention of delivering significant benefits from an integrated system across its three main companies. Business managers were not involved in the project at the outset and as a result were not willing to make changes in how their departments worked. Due to the strong senior management support, the project went in roughly on time, although at higher cost than expected. But, as one

Table 4 — Effectiveness of Benefit Identification, Quantification, and Business Ownership

Do you believe your current approach to business cases "often" or "always"…	More Successful	Less Successful	Total Respondents
Identifies all available benefits	50%	27%	37%
Establishes appropriate measures for the benefits	36%	17%	25%
Adequately quantifies the benefits	47%	21%	32%
Overstates the benefits to get approval	25%	46%	37%
Do you allocate responsibility to business managers for benefit realization?	42%	27%	33%

of the business managers remarked afterward, "It's our old business but on a new system; none of the benefits that were promised have been realized."

Finally, Table 4 shows that nearly half the organizations in the less successful group say they often or always overstate the benefits in a business case to win funding. Whilst their honesty is laudable, this is obviously a dangerous practice. It inevitably leads to disappointment with the final result of the project, since the promised benefits were never achievable. And the next business case will probably need to be even more oversold if it is to win funding; hence a vicious circle is likely to be established. As suggested earlier, this may be one reason for the apparently high failure rate of projects and also, as Mike says, it reduces the IT firm's credibility.

ESTIMATING COSTS

What may not be expected is that, in addition to identifying a richer set of benefits, the more successful organizations in our sample also tend to include a wider set of costs in their business cases (see Graph 13). Table 5 shows that rather than simply including the obvious "out of pocket" costs for purchasing IT products or external services, they are more likely to include the total costs the organization will incur in implementing the IT and making the business changes essential to achieving the benefits.

These significant differences in including business change costs, both external and internal, between the two groups suggest that in the less successful group the projects are seen more as IT projects than business change projects. If the business changes and resulting business costs are not made explicit at the start of the project, they will certainly be noticed by the business managers as the project proceeds. If those managers cannot fund the changes they are being asked to make, they are likely to resist making them, slowing or even stopping the project.

The IT group within a major accountancy firm proposed the development of an e-procurement system.

The cost of the system was estimated at $8 million, and the group asked business colleagues to estimate benefits that would make an acceptable return on this investment. When the costs of the project increased, particularly costs related to changing processes in most of the business departments, business managers started to question the need for the system and revised down their estimates of the benefits. Even though most of the IT cost had been incurred, the project scope was reduced to avoid causing significant business change. As a result, very few of the estimated benefits were delivered.

In reviewing business cases, we find that all too frequently the benefits included are "just sufficient" to give an acceptable return on the costs that have been identified. This practice also encourages an unrealistic minimization of the costs often leading to significant cost overruns, which, given the marginal justification, leads to a poor, or even negative, return and to lower levels of management satisfaction. In our experience, this tends to happen more often when IT initiates the projects, so that they become cost-led and have to be "sold" to the business by suggesting the benefits that will be delivered.

REVIEWING INVESTMENTS

In our 2006 survey [7], the factor that most distinguished the more successful from the less successful organizations was the extent to which projects were reviewed after completion. For this Cutter survey, Table 6 shows that the majority of total respondents "often" or "always" reviews the triple constraint of time, cost, and quality (TCQ) (66%), although this number is somewhat higher in the more successful organizations (see Graph 14). As Mike points out, carrying out TCQ reviews helps the IT organization establish its credibility by showing a successful track record of IT project delivery. However, less than 50% of total organizations regularly undertake reviews of either the benefits realized or the ROI achieved, and the differences between the two groups are quite significant.

Table 5 — Inclusion of Costs Other than Purchase Costs

Costs "often" or "always" included in addition to external technology costs	More Successful	Less Successful	Total Respondents
Internal IT human resources costs	61%	52%	56%
Internal business human resources costs	53%	42%	47%
Direct business change costs	56%	27%	40%
Indirect business change costs	39%	21%	29%
New operational costs	69%	42%	53%

Undertaking benefit reviews is important for a number of reasons. Clearly, the threat of a post-implementation review might be enough to stop the practice of exaggerating the benefits included in a business case. However, it also has other important purposes. Reviewing the benefits delivered may show that some benefits, although not realized yet, are still available but require more work to achieve. The cost of doing that work can then be estimated. The opportunity to realize benefits that were not or could not have been foreseen when the original business case was prepared may also be identified. Often, if an IT investment is seeking to remove a problem an organization has struggled with for a long time, it is difficult to see the opportunities that arise until that problem has actually been solved.

Reviews provide a valuable opportunity for the organization to learn from the completed projects and transfer the lessons to future projects. One important area of learning is what type of benefits the organization tends to be successful in achieving and, conversely, if there are certain benefits they keep forecasting but fail to realize. If so, management should demand strong supporting evidence to prove such benefits can be achieved when they are included in future business cases.

We have also seen the practical benefit of reviews in our work with organizations. An international pharmaceutical firm we were working with introduced a formal review process for all IT projects. In addition to the benefits noted above, this also had two less obvious consequences. First, fewer business cases were submitted since project teams knew their proposals would be assessed on completion. Second, teams put more care into the cases that were prepared, and as discussed earlier, this led to the identification of more benefits and higher ROI in the cases that were submitted.

In our 2006 survey, slightly more (49%) said they regularly carried out reviews of the benefits achieved, but the difference between the more and less successful groups was almost identical with this Cutter survey (23%) [7].

Further analysis confirms the findings from other research: that carrying out benefit reviews is also associated with higher levels of management satisfaction [5].

When we look at how the frequency of undertaking benefit reviews varies within the more and less successful groups, we find that only 41% in the "not appreciated" group "often" or "always" do such reviews, compared with 70% in the "high value-added" group. Perhaps equally significant is that the difference is similar in terms of TCQ reviews (56% to 87%). As discussed earlier, this may be a major cause of the different levels of management satisfaction between the two groups.

Carrying out reviews may also explain the unusual position of the small "getting away with it" group. This group is more likely to carry out benefit reviews than the "low value-added group" (44% compared to 30%). Having a comprehensive post-implementation review process not only increases management's confidence that the projects are being well managed, it also shows that the organization and individuals can learn from previous projects, which will over time also lead to increased levels of success and satisfaction.

> **Clearly, the threat of a post-implementation review might be enough to stop the practice of exaggerating the benefits included in a business case.**

WHAT NEEDS TO BE IMPROVED?

Respondents were asked to identify the areas they believe would most improve the long-term success rate for getting projects approved within their organization (see Graph 15). Table 7 shows the top five areas identified. Generally, there is a high degree of consensus between the more and less successful groups, with both identifying the alignment of IT investments with company priorities as the most significant. This supports Mike's strong argument that, unless the IT organization is "in sync" with the business, it is difficult both to identify the most relevant and valuable IT investments and to develop convincing business cases to justify funding.

Table 6 — Frequency of Reviewing the Results of Projects

"Often"/"always" carry out reviews of:	More Successful	Less Successful	Total Respondents
Time, cost, and quality (TCQ)	77%	58%	66%
Benefits realized	58%	33%	41%
ROI achieved	43%	17%	27%

Table 7 — Means of Improving the Success Rate of Business Cases

Areas you believe would most improve the long-term success rate for getting projects approved within your organization	More Successful	Less Successful	Total Respondents
Ensure IT investments are explicitly aligned with company priorities	64%	63%	63%
Identify and quantify all the expected benefits from the investments	53%	52%	52%
Increase involvement of business managers in developing the business case	44%	56%	51%
Prove by post-implementation reviews that the expected benefits are delivered	39%	38%	38%
Provide a full and robust assessment of the costs and risks of investments	17%	29%	24%

Interestingly both groups of organizations also agreed on the importance of identifying and quantifying all the expected benefits from the investment. Given that Table 4 shows that the more successful organizations are already more likely to identify all available benefits, this finding suggests that even these organizations recognize there is still significant room for improvement in this activity.

Table 7 also shows that more of the less successful organizations recognize they need to improve the involvement of business managers and also their assessment of costs and risks, compared with the more successful group. This is as expected given the weaknesses in these areas of the less successful organizations, as shown in Tables 4 and 5.

Perhaps surprising, and troubling given their important role, is the relatively low ranking of post-implementation reviews by both the more and less successful groups. Less than half the respondents see improving this activity as important, whereas the evidence from both this Cutter and our 2006 survey suggests that "closing the loop" by carrying out more systematic reviews of benefits realized has a major effect on success. Although the top two areas for improvement in the list are clearly important, it is the post-implementation reviews that could provide the knowledge to achieve them.

SUMMARY AND CONCLUSIONS

Traditionally, the main purpose in building a business case for an IT project is to obtain approval for the financial spend. However, in addition to obtaining funding for the investment, the preparation of comprehensive and robust business cases provides organizations with other important advantages. These include: enabling priorities to be set among different investments for funds or other scarce resources; ensuring commitment from business managers to achieving the intended investment benefits; and importantly, providing the basis for reviewing the realization of the business benefits when the investment is complete.

Our experience of working with a wide range of organizations and the results of this Cutter and our 2006 survey show that there are clear linkages between the preparation of comprehensive and robust business cases and the successful outcome of those investments. Where we have been able to make direct comparisons between the two surveys, the average responses are very similar, as are the main areas of difference between the more and less successful groups. The correlation is particularly close in those aspects relating to benefit identification, quantification, and review.

This confirms our view that success in both getting business cases approved *and* delivering them depends on the following:

- Identifying all the available benefits, not only to enhance the case for investment but also to gain the commitment of management and other stakeholders to successful delivery. This can be reinforced by making business managers accountable for the delivery of the benefits they own.

- Establishing measures for all benefits and providing evidence that justifies the quantification and financial values of the benefits. This will help prevent those project failures that are a result of overstating the benefits in order to obtain funding. The provision of evidence to support the value claimed for the benefits also increases management's confidence that the investment is justified. And it means that more can be learned from post-implementation reviews in terms of the reasons for delivery or otherwise of particular benefits.

- Including all the costs associated with the investment, not just the more obvious ones, so that the benefits have to be sufficient to justify not only the IT costs, but also the business change costs involved in exploiting the new technology.

- Carrying out post-implementation reviews to assess the benefits actually achieved as well as review the triple constraint of time, cost, and quality. This will increase management satisfaction with the business value delivered from IT and also provide significant knowledge about how to improve future business cases. And of course it also discourages overly optimistic business cases from being put forward.

All of these items are largely common sense, and this survey confirms it is what the more successful organizations actually do.

Those that report they deliver the benefits from the majority of their IT investments are more likely to identify all available benefits from an investment, provide measures and quantities for benefits, include a fuller set of costs, and make business managers responsible for benefits realization. The more successful organizations also are more likely to undertake reviews of their projects, allowing them to capture organizational learning and pass this on to other projects.

Overall, these approaches led to those organizations having both a higher success rate in project approvals and even more importantly, an increased level of business benefits delivered to the organization. It is easier and better to learn from the success of others than one's own failures, so we hope this article will help organizations increase the benefits they get from their IT investments.

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by Mike Sisco, Senior Consultant, Cutter Consortium

Getting the Support You Need for Your Business Case

Have you heard this (or something similar) before?

"Next week, I have an opportunity to present my technology initiative recommendations to our company's senior management team for the members to review and hopefully endorse. What can I do to help ensure they understand the importance of each initiative and will agree to fund and support them?"

Odds are that in your role as an IT manager or CIO, the above scenario is something you've encountered. It's a common situation that takes place every day in companies around the world. It's also a part of IT management with which many managers struggle.

When Cutter asked me to participate in a *CBR* survey that would focus on getting IT project initiatives approved, I immediately started recalling many of the situations I've experienced in which I needed to get senior management's approval.

I can clearly remember the challenge this was for me as a young manager. I can also remember in at least one case how painful it was when I couldn't explain myself very well, and our CEO had no choice but to decline my recommendation.

Little did I know then that there are many dynamics working for and against you as an IT manager when you need to go after the funds that allow you to do the work you think is necessary for your company.

This *CBR* survey on creating better business cases garnered some interesting results from its 84 respondents. Their feedback as well as the analysis I offer in this article will assist you when you need to seek the approval of and funding for your next project.

I'm going to approach this article a bit differently than might be expected. As opposed to presenting you with the survey results and sharing insights regarding the numbers, I'm going to provide perspectives about what it takes to get the support you need from management. I use the survey results to support the points and reinforce the need for better business cases when trying to

gain approval for your IT initiatives. I also address the numbers that challenge rather than support my points.

PUT YOURSELF IN YOUR CEO'S SHOES

Step back a moment and try looking at the situation from your CEO and other executive management's perspective. Understanding how your CEO, CFO, president, and COO think is an important step for any CIO. To become senior management's partner, you need to understand what makes those individuals tick.

Let's break it down a bit. Members of senior management in your company usually have the following characteristics:

- They are businesspeople, not technical people.

- They do not understand technology nor do they want to.

- They understand a significant investment is being made in technology, but they do not always understand why or what it is for.

- They usually see the IT department as a "spender."

- They need to view the technology department as a value-add department capable of leveraging every part of the business.

- They want to be able to count on IT to help the company succeed.

- It is hard for them to know if the IT department is doing the right things and/or supporting the company appropriately or cost-effectively.

- They tend to spend money where they think it will do the most good for the company.

- They look to invest in things that provide tangible business value.

There probably aren't any real surprises here. However, these issues create challenges for you as an IT manager when you need company funds to support your IT initiatives.

Limited Capital

First of all, your senior management team has a limited amount of capital to spend on investments that help grow the company or help it to be more successful. In that regard, your CEO and CFO make tradeoffs every day. Vying for this limited amount of capital are other departments that need the money to support their initiatives just as much as you need it for your IT initiatives.

Many of these other organizations are generating revenue for the company. When two operations need money and there has to be a choice between the two, my experience has shown me that the revenue-producing department usually gets the decision over a non-revenue producing department. The reality is that most IT organizations do not directly produce revenue, so all too often they are viewed as cost centers and not value-add operations that provide substantial leverage for the company.

In situations like this, it's really too bad because the IT department truly does offer your company substantially more leverage than most other organizations in the company. The reason is that the IT department can do things with technology that can reduce cost or improve productivity in virtually every department of the company. No other organization in the company has this kind of potential.

For example, most of your company's organizations such as human resources, accounting, payroll, and operations can do things that improve their own organization's performance, but they can't do very much to improve the performance of other organizations of the company. IT certainly can affect every department's performance. One validation of this is that I've had two different CEOs have me spend more money in IT when they were asking other department managers to cut costs. The reason is simple: they both understood the leverage IT could have in helping their company reduce expenses much more overall than what they could get if they asked the IT organization to simply cut expenses by 10%.

Lack of Technical Knowledge

A second major challenge the IT department has with typical senior management teams is that most senior managers simply do not understand technology. And because of this, they can't really tell if their IT department is doing a good job for them or not.

Let me explain. I've conducted more than 40 due diligence efforts to support the acquisition of new companies and led dozens of IT assessments as a CIO and IT manager. When you conduct an IT assessment, you

hear one of two things from the client, which is made up of senior management and the department managers of the company. The client either loves its IT department or has reservations about IT's performance.

More often than not, your client has concerns about the technology support it is getting from its IT department. For years, studies have suggested that more than 50% of the IT departments are out of sync with their business client. Many refer to this as an IT-business disconnect. In my travels, I'd say I've seen a disconnect between IT and the business in about 70% of the companies for which I've conducted an IT assessment.

In almost every situation, the IT managers do not realize their focus is off center and not in sync with what their company needs from their IT organizations. They are actually doing what they think is important and appropriate for their company.

This is a key point. IT managers focus on what they think is important for their company because, in general, they are very conscientious and want to do a good job for their firm.

The other key point from this is that although senior management feels the pain when its IT organization is out of sync with the business, the senior managers can't articulate the issues. They feel it's not right but can't put their finger on the problem or explain the situation. It goes back to the challenge mentioned earlier in that senior management of your company generally does not understand technology or the IT organization.

Developing Business Cases

In one of the first survey questions, we asked respondents the extent to which the organization develops business cases and applies a formal financial investment appraisal approach to certain types of IT projects or programs. The results shown in Graph 3 in the Survey Data section (see page 25) indicate only about one-third of the respondents *always* develop business cases and financial results for their IT project initiatives.

When the IT organization works on project initiatives that are not understood and approved by senior management, it is very easy for IT to be out of sync with the business. Regardless of what we think in IT, we are not in a position to know what is best for our company. Without our company's business insight (senior management and operational department managers of the company), we run a very high risk of being disconnected from our business client.

In reviewing the survey results, I would have liked to have seen a much higher percentage of respondents who always develop business cases for their IT initiatives. Unfortunately, I believe the survey results reinforce this idea of IT and business being disconnected much of the time. If the IT organization does not develop a business case, too often senior management probably does not understand why IT needs to spend money for things it wants to do.

> **Most of us in IT have a lower desire to communicate; that's one of the reasons so many of our personality type are drawn to IT.**

You might ask, "Why do many IT organizations not build business cases?" My belief is that it has much to do with the type of people we in the IT field are. Most IT managers come from technical positions, and technical people by and large have poor communication skills when it comes to communicating with people outside of their own immediate network of friends. Not only that, but most of us in IT also have a lower desire to communicate; that's one of the reasons so many of our personality types are drawn to IT. As a technical expert in areas of programming, network administration, and a dozen other highly technical positions, we don't always need top-notch communication skills. The challenge of course is that when we become managers, solid communication skills become a requirement.

When senior management doesn't understand why IT is asking for money because the IT folks aren't communicating at all or are communicating poorly, it's a reasonable theory that this affects why many IT initiative recommendations do not get approved, as shown in Graph 7.

Graph 7 suggests that most of the time projects are failing to be approved: 31% are approved less than half the time and another 33% are only approved 50%-75% of the time. Only one out of four are getting approved most of the time according to the survey results.

My perspective is that when you do not build a business case and then review with senior management to have it approved, you run a higher risk of being out of sync with the business than when there is a strong level of communication within the senior management team.

From what I've seen, the CIO is more likely to initiate new projects without senior management's involvement than any other senior manager. I believe the reason is that the senior managers of your company don't understand technology as much as they might understand human resources, accounting, or operational issues so it's easier for IT to work more in a vacuum at times.

In the previous article, John Ward and Elizabeth Daniel take a slightly more liberal view, and to some extent I agree with them. Their point is that for smaller projects, the IT organization may be justified to initiate the project without developing a formal business case. I would agree that internal IT projects that help improve IT productivity or lower the IT organization's cost don't necessarily require a formal business case unless the effort or cost is significant. However, my opinion is that when IT focuses on initiatives that affect other business units or the company as a whole, then a structured approach tends to work best and will help keep IT in sync with its business client and partner.

Looking at another survey response adds more insight to the situation. Graph 5 shows who approves IT investment recommendations. This response says that senior management is heavily involved in approving and funding IT projects, especially if you consider the fact that senior management is normally a part of any IT steering committee. This is as it should be.

However, the results discussed so far (seen in Graphs 3, 5, and 7) may point to a basic problem. If IT managers are not developing business cases and senior managers do not understand why they are spending so much money for technology, it's logical that they are reluctant to approve many of the recommendations presented to them. Remember what we said earlier? Company executives have to juggle the funds they have available for investing in initiatives of the company. They tend to invest in the initiatives that they can understand and that make sense to them in light of the company's challenges, needs, and opportunities. When IT managers fail to develop a solid business case that justifies their recommendation, they miss a real opportunity to help senior managers understand the need and the value that is attainable. Without this knowledge, it is difficult, if not impossible, for them to approve the recommendation.

REQUIREMENTS FOR APPROVAL

You have to earn your senior management's support; it doesn't happen automatically. You start earning its support as soon as you become a manager in the company, and you must continue to earn it every day as an IT manager.

In order for senior managers to support your IT recommendations, they need several things from their IT manager and your recommendations:

- Credibility
- Trust
- Business value

Let's take a closer look at these issues.

Credibility

Credibility is earned by implementing projects successfully; it's doing what you say you will do. It's vital for any IT manager to develop a track record of credibility, and you do that by implementing your projects successfully and by delivering the projects on time, within budget, and in a way that meets client needs.

Without establishing the credibility that you can deliver projects successfully, it's very hard to get senior management's approval for your recommendations. Just try to get a US $500,000 infrastructure project funded when you lack credibility as a manager who can deliver projects successfully.

Trust

Trust comes with experience. In gaining experience with you as an IT manager, your senior management team needs to view your IT organization as one that only makes recommendations that are going to benefit the company in some way.

Trust is achieved when you establish a track record of delivering projects successfully and when these projects provide business value for your company.

Business Value

Senior management needs you to make IT recommendations that provide tangible business value. To your senior management team, business value comes in the form of:

- Cost reduction
- Improved productivity
- Increased revenue
- Differentiating the company

Analyze this a bit and you will quickly conclude that business value to most senior management teams means improving the financial viability of the company.

If you can't present your recommendations in a way that spells out the business value benefit that will be achieved, you probably won't get the attention of the senior executives with which you work.

What I think this says is that it is very important for you as an IT manager to develop a business partnership with the senior management team of your company. When you look at how the team views business value (cost reduction, productivity improvement, increasing revenue, or differentiating the company), every aspect has an impact on the financial performance of the company.

IT managers must establish a positive relationship with their senior management team, and the only way you can do this is to do things that have a positive impact on the financial performance of the company.

When senior management trusts the fact that its IT manager is recommending things that have positive business value and when it also sees a positive track record of delivering things the IT manager says he or she will deliver, then you have something very special. Present that $500,000 infrastructure upgrade recommendation with these credentials and your outlook for approval is significantly better.

Most senior executives want to do the right thing as long as it is in context with the company's current business needs and issues. I've observed many IT managers who could not get approvals for their projects, yet I had no problem getting approval. The key difference is that when a company can barely crawl because of the challenges it faces, your recommendations have to be the type that helps the company walk before running. My point is that many managers ask for things that are not in context with the company's situation.

IT FOCUS SHOULD BE DRIVEN BY BUSINESS NEED

I'm a strong proponent that everything we do in an IT organization should be driven by business needs and issues. One of the reasons many IT managers are out of sync with their business client is that they haven't really established what the business needs and issues are.

As I mentioned earlier, IT managers are conscientious and want to do a good job for their company. In most of the situations I've encountered where the IT organization was disconnected with the business client, the IT manager did not realize this problem existed. In fact, most managers were very positive about the things they were working on and where they had their technology resources focused. The problem of course is that the focus missed the target of what the company really needed from its IT organization.

An interesting part of the survey asked who primarily is responsible for developing business cases (see Graph 4). The good news is that 90% of the business cases are reportedly developed with both the IT and business organizations involved. I was happy to see this to be the case. In addition, 77% of the time IT is an equal partner or the leader in developing the business cases. I believe it is the IT manager's responsibility to facilitate and lead the development of IT initiatives and the business cases to justify them as long as the initiatives are developed to address legitimate business needs and issues. So I was again pleased to see the vast majority (77%) indicating IT is taking this role in their company.

Let's go back to the issue that most IT project initiatives are not getting approved. To provide insight into this, we asked respondents to identify the top three most frequent reasons why some IT projects fail to be funded. Graph 8 illustrates the results.

I think the results for this question speak volumes about what we are looking to understand from this survey. There are two clear leaders for why IT projects are not funded according to our survey respondents:

1. Funds are not available (71%)

2. Business value of the project has not been clearly demonstrated (69%)

The third highest reason, "senior management has not understood the business value of the project," was cited by almost 50% of respondents. This is very similar to the second-highest response above regarding business value. Both of these reasons suggest that senior management turns projects down when it doesn't clearly understand the business value. If it doesn't understand the business value, it makes sense that the funds aren't going to be available.

My belief is that the real issue here is that IT isn't articulating the business value very well. That's why it gets a response that funds are not available to support the project. I also believe that it is the IT organization's responsibility to articulate the value, although having reinforcement and validation from your business client or project sponsor is extremely valuable.

In some circumstances, it may even be better for the business manager to articulate the issue with IT lending support. This is especially true if your IT organization has yet to establish sufficient credibility and trust. My recommendation is that you take the approach that allows you and/or the business manager to present the case in the most appropriate manner to achieve your objective. Remember, if you are recommending projects that offer true business value, much of the concern and stress is eliminated.

WE DON'T HAVE THE MONEY

The following is what you hear from almost every IT organization when you conduct an IT assessment:

- "We are working hard and working on the right things."

- "Our client does not understand or appreciate us."

- "The client does not do what it needs to do to use technology effectively."

- "We don't have enough money to do the job."

Let's stop right here for a moment and consider this last statement: "We don't have enough money to do the job."

I've heard many, many IT organizations state this as a reason for their failure to support their company effectively. It doesn't matter if you are acquiring a company and interviewing the company's CIO or if you are joining a new company and listening to the IT managers of the company. I've led the technology part of more than 40 company acquisitions and conducted dozens of IT assessments in my career. The IT organization tells me the things listed above almost every time.

Sounds like the results depicted in Graph 8 are right on the money: 71% of respondents state that lack of funds is the reason why IT projects are not approved. Looks like an overwhelming validation of what I have heard from so many IT organizations when I showed up as their new CIO.

The problem I have is that although this is what I've heard in so many situations, I can't recall an instance where we did not have enough money to do what we truly needed to do for the business.

In some of these cases, cash flow was so bad that we truly did not have money for lots of things. But, the CEOs I worked with always found a way to fund projects that provided real business value, especially when my recommendations were in context with our company's situation.

In one particular case, I followed an outgoing CIO of a company, and "lack of funds" was one of the stated reasons for so many of the problems. However, after conducting an IT assessment it was clear that the former CIO was doing things she thought were appropriate although the senior management team didn't understand why IT was spending so much money or why IT

was working on several projects that didn't make a lot of sense to the senior managers.

In this situation, the CIO was spending thousands of dollars on nonessential items when basic services like e-mail and network stability were not in place.

After the IT assessment, I refocused the technology resources on important issues for the business that provided tangible value for the business. As stated earlier, business value has to come from cost reduction, productivity improvement, increased revenue, or differentiating the company.

Any project we were doing previously that had no value (as validated with business managers) was cancelled. When this happened, I had no problem getting the funds to support the project initiatives I recommended.

My sense is that IT should not be working on anything that does not provide tangible and quantifiable business value. Doing so causes you to be disconnected from your business partner(s) and destroys any credibility you might hope to attain. If the senior management team cannot clearly define the business value IT is providing with the technology initiatives it is focusing on, there is an IT-business disconnect. It's that simple.

Another way of looking at your recommendations is to ask yourself a question: "If I owned the company, is this where I would spend money and focus our efforts?"

The feedback to the question in Graph 8 says a lot. To get IT project initiatives approved, IT must be able to articulate the business value for doing the project.

And, in order to do this, you must be able to speak to the recommendation in business terms and not technical terms. Business managers don't understand technical jargon so learn how to discuss things in their business value terms — again, cost reduction, productivity improvement, increased revenue, and differentiating the company.

Discuss your IT initiatives in terms of the benefits they will produce in these terms, and senior managers become interested in what you have to say because it's relevant to them and something they can understand. When they understand and it has substantial business value, they tend to find a way to get you the money. That's what I've seen throughout my career, even in companies that had very little money to do things.

Another question that provided some interesting insight asked respondents about their organization's current approach to IT projects. The criteria and responses are shown in Graph 10. In every scenario,

more than 60% of the respondents indicate a response that isn't good when you want to establish credibility and get project funds approved by your senior management team.

Let's take a closer look at the responses to three of the available choices in Graph 10.

> **When you don't identify the benefits for doing a project, it is almost impossible for senior managers to approve the project. They don't normally spend money on things that can't provide a benefit to their company.**

Identifies All Available Benefits of a Project

Respondents stated that 63% of the time they never, rarely, or sometimes identify the benefits of a project. Another group of 35% say they do this often. Only 2% state they always provide the benefits.

This suggests a big problem. First, when you don't identify the benefits for doing a project, it is almost impossible for senior management to approve the project. Senior managers don't normally spend money on things that can't provide a benefit to their company.

Second, I believe this response suggests that many of the IT organizations are not business-minded in their approach to supporting their companies. For example, many of the IT organizations I've observed that were out of sync with their company's needs and issues were focusing on technology and not on business improvement. In that regard, they were creating technical projects that they thought were appropriate but not communicating effectively with business managers; so although they were working hard, they were working on the wrong things. When you don't quantify the benefits in your approach to getting approval, you risk a disconnect even if senior management approves the project. The reason is that although the money is provided, senior managers don't actually understand why you are doing the project.

Adequately Quantifies the Relevant Benefits

This response reinforces the problems mentioned above: 68% of the respondents never, rarely, or sometimes quantify the benefits, and only 2% always quantify the benefits. The results are almost identical to the above response (identifying all available benefits).

To improve the percentage of project initiatives approved in your company, you need to raise the response level of those saying they "always" quantify the benefits.

Overstates the Benefits in Order to Get Approval

The good news is that 63% of respondents say they sometimes, rarely, or never overstate the benefits to get approval. The bad news is that the other 37% either always or often use this strategy to get projects approved.

This also points out a problem. When you overstate the benefits of a project, get it approved, and then don't achieve the results you used to justify the project, you are destroying your IT organization's credibility. It also damages the trust and confidence others will have in what you say you will do. This issue can seriously affect your being able to get future projects funded and approved.

> **When you overstate the benefits of a project, get it approved, and then don't achieve the results you used to justify the project, you are destroying your IT organization's credibility.**

John and Liz in the previous article had even more insight into this question. Their analysis indicates that simply identifying a break-even financial return is often not enough to gain management approval. Their conclusion that I wholeheartedly agree with is that the identification of a richer set of benefits, greater involvement of business colleagues, and an improved ROI leads to a more robust and attractive business case, which is more likely to be funded.

In fact, many IT initiatives may not necessarily have a financial return although I think you can turn any benefit or risk into a financial value. For example, initiating a project that is required to meet some type of regulatory requirement doesn't suggest an immediate financial value, but when you consider it has business continuity implications, every senior manager gets that part.

EVALUATING THE RESULTS

Graph 14 shows the results of a question that starts to evaluate the results of completed projects. It asks respondents what aspects of the IT project are formally reviewed following completion.

There is a positive response in that 66% of respondents state that project time, cost, and quality are often or always reviewed after projects are completed. It's a higher number than I would have thought. This is a good thing and something that should be done. One of the ways to establish a positive track record is to track the successes of your projects. You won't know this success unless you do a post-project review regarding the factors of on time, within budget, meeting client's needs, and how much benefit is achieved.[1]

What's concerning about this question are the other two criteria responses: business benefits realized and the actual ROI achieved. Only 41% of respondents say they often or always review projects to determine whether business benefits are realized. Not doing this is missing out on a major opportunity for your IT organization. Establish a track record where your projects achieve the projected benefits and you create real trust with senior managers and other business managers and generate credibility for your IT organization.

The last criteria, reviewing actual ROI, is even more concerning in that 72% state that they never, rarely, or only sometimes review their completed projects for achieving a projected ROI.

What this may mean is that many do not develop an ROI that can be reviewed or that many are not reviewing the actual ROI achieved after completing projects that were forecasted with an ROI. Regardless of the situation, the responses to this question point out that far too many IT organizations are not using ROI calculations and business benefit criteria to their advantage. These types of business criteria are what get the attention of the CEO, CFO, and other business executives of your company. We are missing out when we don't take advantage of using these elements to quantify and articulate the value of what IT provides our companies.

Business benefits and ROI measurements are powerful indicators that senior managers need to justify the cost of IT expenditures in their own minds and for others who are interested in what an IT organization contributes to the company, such as your company's board of directors. Evaluating the results of each project and keeping track of your IT organization's performance is something every IT organization should make an effort to do. The trend can be the difference in getting funds

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[1]One of the tools I use to help me track performance of my IT initiatives is called an IT Initiatives Portfolio. You may review a 20 Minute IT Manager session that discusses the importance of doing this and download the tool I developed for my own use by going to www.20minuteitmanager.com/sessions/062402INITPORT.

for your next IT initiative, and a positive trend does a lot to justify what the company spends for IT support.

Another question asked, "What percentage of your organization's IT investment projects deliver the business benefits or ROI expressed in the business case?" The results shown in Graph 1 reveal some improvement is needed.

The responses here bothered me quite a bit. What the answers suggest is that only about 13% of the respondents see IT projects actually delivering the benefits or ROI presented in the business case most of the time (more than 75% of the projects). Look at the next-best category of achieving the benefits (50%-75% of the projects), and you only add another 30%. What this says is that roughly 57% of the respondents encounter projects delivering less than what was expected most of the time. Some of this is due to the fact that managers oversell benefits of a project as indicated in Graph 10, but it also indicates that many projects deliver less than expected results even if the projections are realistic.

No wonder the majority of senior management teams is unhappy with its IT organization. This is reflected in the responses to the survey question asking how satisfied executive management is with the value the organization is getting from its IT investment. The results in Graph 2 sum it all up for us.

As with any survey, one must be careful in drawing conclusions, especially from a small sampling as this one is. At the same time, the results are reflective of a variety of companies that are made up of organizations from around the world, in many different industries, and of varying sizes, from small to very large companies.

This satisfaction response in Graph 2 is the most troubling. In my opinion, a neutral response means the executive team isn't happy with IT. What I've seen is that if the team is happy with IT, this comes out loud and clear; it is not "neutral." When the team is "on the fence" about IT, it usually means the executive team has concerns about IT performance but can't articulate the issues and doesn't really know if its IT organization is performing well or not. Remember what I said about senior management earlier: that senior managers feel the pain but can't articulate the issue. I think that's what the 34% neutral rating in Graph 2 suggests.

If you include the 34% neutral component as a negative response, it means that only 38% of respondents selected "very satisfied" or "rather satisfied." About one-third of our respondents say executive management teams are truly happy with their IT organization

and what they are getting from their investment in this critical area of their company.

I really liked the insight provided by John and Liz and how they broke this down. What is so interesting is the label they put on each group of responses (high value-added; low value-added; getting away with it; and not appreciated). I suggest you refer back to Table 1 in their article (see page 6), as I think it is well worth reflecting upon.

RECOMMENDATIONS

Based upon the results of the survey and my experience gained in more than 25 years of managing IT organizations, I recommend you follow a few simple steps that will help you establish much more credibility and build business cases that accomplish the result you are looking for regarding getting your project initiatives approved. These steps are detailed below:

- Conduct a business assessment to determine your business client needs and issues.

- Quantify the business needs and issues.

- Stop any project that you might have that has no business sponsor or that does not clearly provide business value for your company.

- Determine the IT initiatives needed to address the business needs and issues.

- Develop a business case with the appropriate business partner for each initiative, including:
  - Goals and objectives
  - Specific deliverables
  - Benefits to be achieved (business value)
  - Financial ROI

- Gain agreement, commitment, and funding from the approval person or entity.

- Develop an achievable project plan and deliver the project on time and within budget, ensuring that it meets your client's documented needs.

- Conduct a followup review that quantifies the success or failure of the project regarding:
  - Actual cost to budget
  - Completed on time or not
  - Benefits achieved

- Track your IT initiative success and failure trends and communicate them to senior management.

SUMMARY AND CONCLUSIONS

I found this Cutter survey very interesting, and it reinforced much of what you read today about the state of IT and business.

In summary, executive management teams are not all that happy with what they are getting from their IT investments as shown in Graph 2. This dissatisfaction appears to be a result of several things:

- IT initiatives are not delivering what was forecasted by IT when getting the projects approved.

- IT organizations are not developing business cases most of the time, which suggests senior management quite often is in the dark about what IT is working on or how IT is spending company money.

- Business cases often do not include all the benefits a project is expected to provide or a financial ROI that helps senior management evaluate the merits of doing such a project.

- Most IT recommendations are not approved, probably because senior management does not understand the value of the project.

What all of this says is that we have a lot of work to do when it comes to building IT credibility and the partnership that's needed between IT and the business components of the company.

The survey results shine a poor light on IT organizations in general, but I believe the solution is not as difficult as you might think nor is the view as gloomy as it may appear.

Establishing positive relationships with business managers is all about establishing credibility and trust. Credibility occurs when projects are delivered successfully. Trust occurs when IT establishes a positive track record of delivering projects that deliver true business value. That means business value in the minds of the business managers and not necessarily the IT managers. Remember, unless the client says it is good, it isn't.

IT initiative recommendations should be developed from business needs and issues. Every initiative should have a business owner who can validate the business need for doing the project and spending the money in this area. If not, you should take a hard look as to whether the project is appropriate for your company. Many IT managers in the world miss this part and work on things they believe to be worthwhile when their business client doesn't understand it. When this happens, the two entities (business and IT) are unfortunately out of sync.

IT initiative approvals will go up when the IT organization follows the criteria listed below:

- IT recommends projects that have tangible business value as follows:
  - Reduce cost
  - Improve productivity
  - Increase revenue
  - Differentiate the company
- IT develops business cases that:
  - Senior management can understand
  - Clearly quantify the business value
  - Provide needed benefits and ROI
- IT completes projects successfully
- IT gains trust by establishing a positive track record of delivering projects successfully with regard to:
  - Being on time
  - Being within budget
  - Meeting client needs

A big part of achieving a partnership with senior managers and department managers lies with communication. Doing the things listed above will help facilitate a communication process with the business managers and will go a long way in establishing the working relationship IT needs to be successful.

From the Editor, Gabriele Piccoli

Crafting Better Business Cases: Approval Is Just the Beginning

This issue of *CBR* was extremely useful to me. There are a number of nuggets and insights in the articles produced by our contributors that made me reflect on the communication and partnership process that is the writing, discussion, and decision about business cases.

Our academic contribution is provided by John Ward and Elizabeth Daniel. John is Professor of Strategic Information Systems at Cranfield University, School of Management (UK). John's main interests are the strategic uses of IS/IT, the integration of IS/IT strategies with business strategies, the development of organizational IS capabilities, and the management of IS/IT investments. Elizabeth is Professor of Information Management and Associate Dean for Research and Enterprise at the Open University Business School (UK). With John she is a coauthor of the book *Benefits Management: Delivering Value from IS & IT Investments*. She has applied the benefits management ideas in many organizations, including in both private and public sectors.

The practicing side is contributed by Mike Sisco. Mike is a Senior Consultant with Cutter Consortium's Enterprise Risk Management & Governance and Business-IT Strategies practices. He is also founder of MDE Enterprises, Inc., an IT manager training company whose mission is to provide practical insight and tools to help IT managers of the world achieve more success.

One thing that is worth pointing out up front is how robust the findings of our survey are. They very closely track data assembled by John and Liz independently even though the time frame and geographical predominance of respondents differ. Another result that seems to confirm our previous knowledge is the relative prevalence of business cases — with the majority of organizations always or often developing business cases.
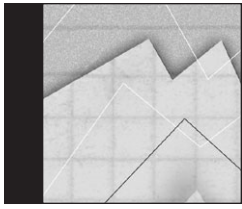
For me the most striking insight was to think of a business case less like a document that terminates its purpose upon approval of the funding but more like a living document that should serve a purpose throughout the lifecycle of the project. Both our contributions make this case rather forcefully. On the one hand, John and Liz show that successful organizations do a better job at surfacing all the potential benefits of the project and gaining superior commitment from the business. They also are much less likely to stop at approval and instead carry out disciplined post hoc reviews of time, cost, and quality as well as reevaluating the benefits the project actually delivered and the ROI achieved.

Mike's commentary lends further support to the importance of the approach taken by the more successful firms. In his introduction, he identifies credibility, trust, and business value as the three critical traits of recommendations (and the people behind them) that get approval. A thorough evaluation of all the potential benefits — including soft benefits — is needed to more completely show business value. Moreover, such a thorough job up front, and a careful review post hoc, builds credibility and trust. Also note on the issue of credibility and trust, systematically overstating the benefits (as 37% of our respondents often or always do!) is an untenable long-term strategy.

The message of this issue of *CBR* is loud and clear: the job of a solid business case is only beginning when the case is drafted and brought to the executive committee or the steering committee.

While IT professionals are doers, and spending time doing analysis and shuffling drafts of a document back and forth seems like a royal waste of time, a good business case is an investment. It is an investment that pays off in the short term — with an increased likelihood of approval — and in the long run — going a long way in solidifying one of the critical assets for the success of the IT function: a good relationship with the business and executives in the organization.

Creating Better Business Cases for IT Projects

Less than 25%
7%

Don't know
22%

25%-49%
24%

No target benefits identified
4%

More than 75%
13%

50%-75%
30%

Graph 1 — Overall, what percentage of your organization's IT investment projects deliver the business benefits or ROI expressed in the business case?

Very satisfied
5%

Very dissatisfied
8%

Rather dissatisfied
20%

Rather satisfied
33%

Neutral
34%

Graph 2 — Overall, how satisfied do you think your executive management is with the value your organization is getting from its IT investments?

Percentage of respondents

- New or replacement applications: 6% (Never/rarely), 25% (Sometimes), 37% (Often), 32% (Always)
- New infrastructure investments: 6% (Never/rarely), 35% (Sometimes), 26% (Often), 33% (Always)
- Major application or infrastructure enhancements: 6% (Never/rarely), 21% (Sometimes), 35% (Often), 38% (Always)
- Introduction of new technology: 6% (Never/rarely), 27% (Sometimes), 38% (Often), 29% (Always)
- Business change programs involving IT: 6% (Never/rarely), 29% (Sometimes), 38% (Often), 27% (Always)

Legend:
- Never/rarely
- Sometimes
- Often
- Always

Graph 3 — To what extent does your organization normally develop business cases and apply a formal financial investment appraisal approach to each of the following types of IT projects or programs?

IT without business involvement 5%
A collaborative activity by business and IT 33%
Business with IT consultation 13%
Business without IT involvement 5%
IT with business consultation 44%

Graph 4 — Who is primarily responsible for developing IT investment business cases in your organization?

Percentage of respondents

- IT steering committee: 45%
- CIO: 43%
- CFO: 36%
- CEO: 36%
- COO or president: 24%
- Other: 17%

Graph 5 — Who approves your IT investment recommendations? (Please select all that apply.)

Percentage of respondents

Identify all the potential business benefits from the investment — 13% / 50% / 35% / 2%

Create a basis for review of the realization of business benefits from the investment — 13% / 37% / 35% / 16%

Gain commitment from the business to the realization of the benefits from the investment — 7% / 41% / 32% / 20%

Attain an ROI above a required "hurdle" rate — 19% / 38% / 32% / 11%

Legend:
- Never/rarely
- Sometimes
- Often
- Always

Graph 6 — In addition to obtaining funding for the investment, to what extent do you believe business cases in your organization achieve each of the following purposes?

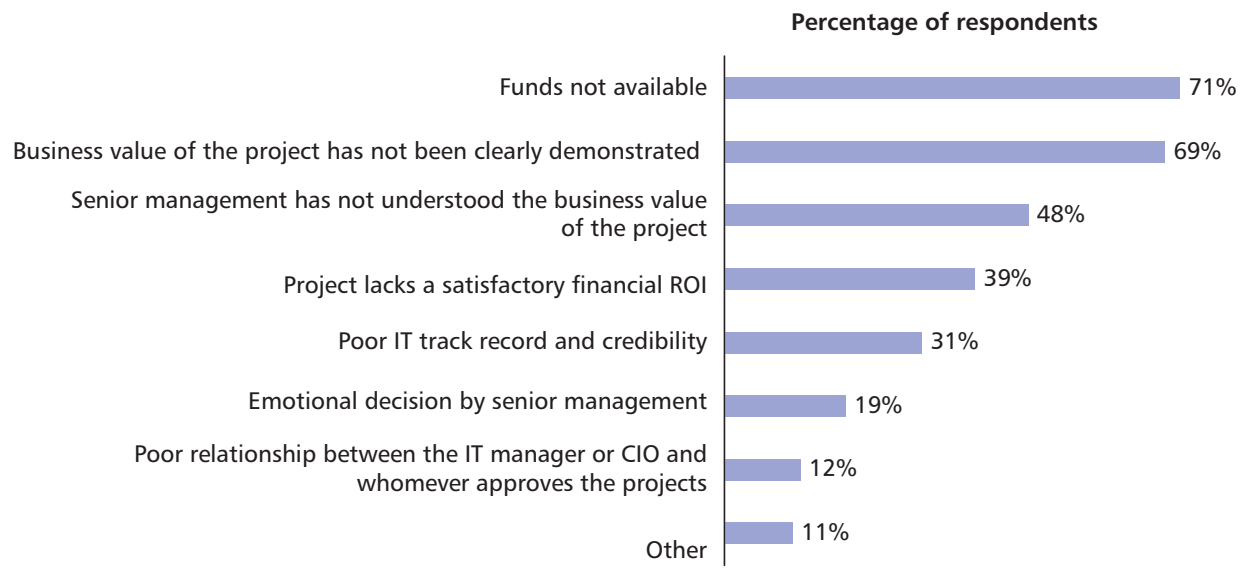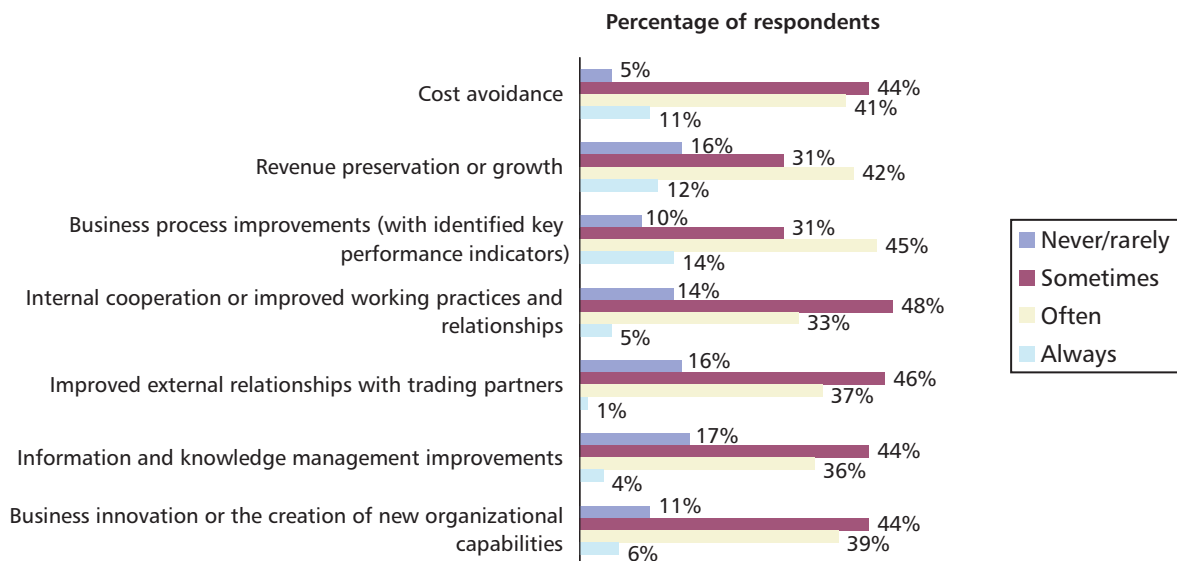- Less than 25% — 5%
- Don't know — 11%
- 25%-49% — 26%
- More than 75% — 25%
- 50%-75% — 33%

Graph 7 — What percentage of your organization's IT investment recommendations are approved?
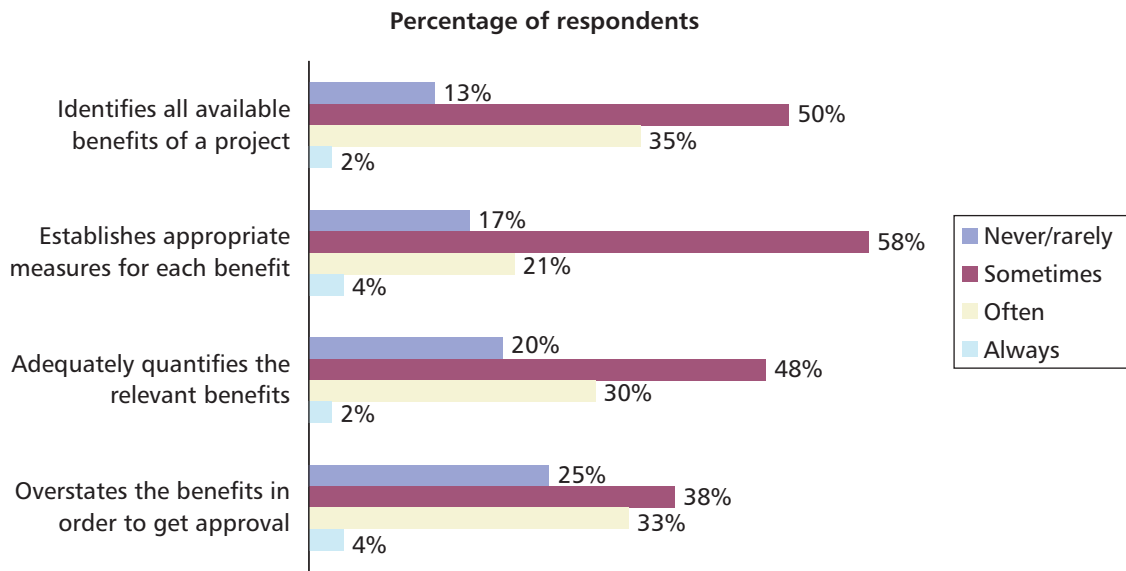

SURVEY DEMOGRAPHICS

This survey examined the creation of business cases for IT projects, with the business cases being presented to senior management with the aim of obtaining approval for the projects. Almost half of the 84 respondents (49%) hold senior management/policymaking or IS/IT management titles, with consulting, project management, and marketing/sales being among the other job titles reported. Forty-six percent of responding organizations are headquartered in North America, 24% in Europe, and 22% in Asia/Pacific, with the remainder in the Middle East, Africa, and South America. The number of IT professionals working in respondents' organizations varies greatly, with 17% reporting more than 1,000 IT professionals, 28% reporting between 100 and 1,000, and 55% reporting fewer than 100 (including 16% with fewer than 20). Responding organizations' annual IT budgets varied accordingly, with 18% having IT budgets over US $100 million, 25% having IT budgets between $10 million and $100 million, 30% having IT budgets between $500,000 and $10 million, and the remaining 15% having IT budgets under $500,000 (12% of respondents did not know their annual IT budget figure).

Percentage of respondents

Reason	%
Funds not available	71%
Business value of the project has not been clearly demonstrated	69%
Senior management has not understood the business value of the project	48%
Project lacks a satisfactory financial ROI	39%
Poor IT track record and credibility	31%
Emotional decision by senior management	19%
Poor relationship between the IT manager or CIO and whomever approves the projects	12%
Other	11%

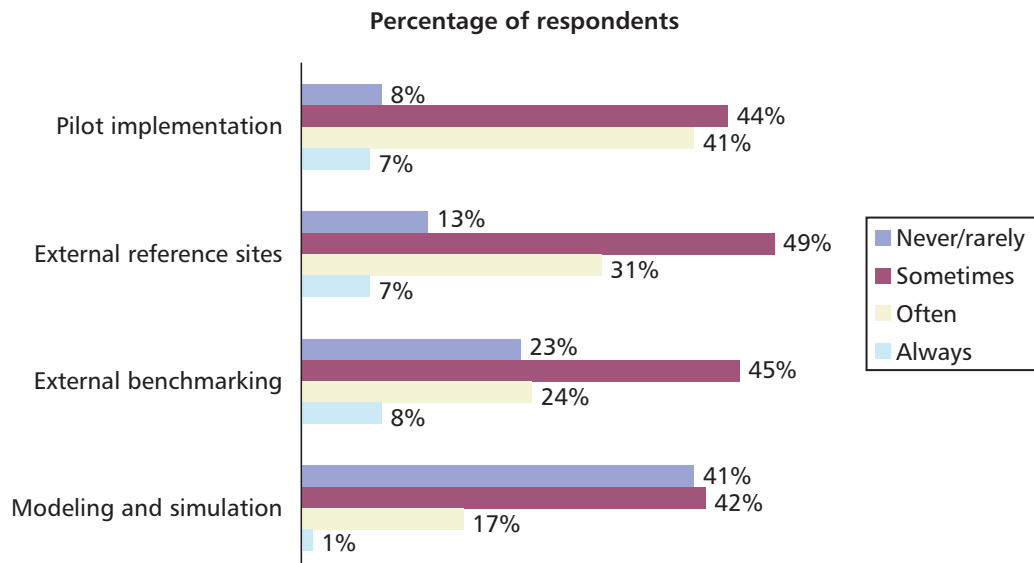Graph 8 — Please identify the top three most frequent reasons why some IT projects fail to get funded in your organization. (Please select three.)

Percentage of respondents

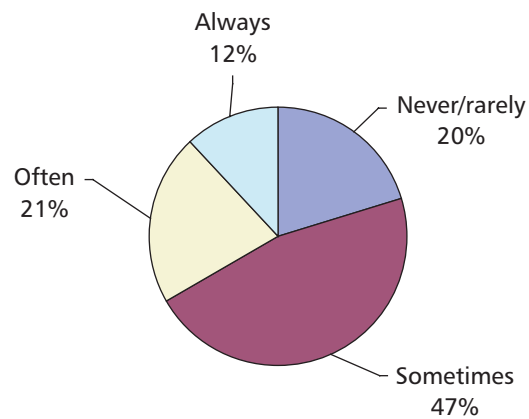|	Never/rarely	Sometimes	Often	Always
Cost avoidance	5%	44%	41%	11%
Revenue preservation or growth	16%	31%	42%	12%
Business process improvements (with identified key performance indicators)	10%	31%	45%	14%
Internal cooperation or improved working practices and relationships	14%	48%	33%	5%
Improved external relationships with trading partners	16%	46%	37%	1%
Information and knowledge management improvements	17%	44%	36%	4%
Business innovation or the creation of new organizational capabilities	11%	44%	39%	6%

Graph 9 — In addition to cost-reduction benefits, how often does your organization include each of the following types of benefits in its IT business cases?
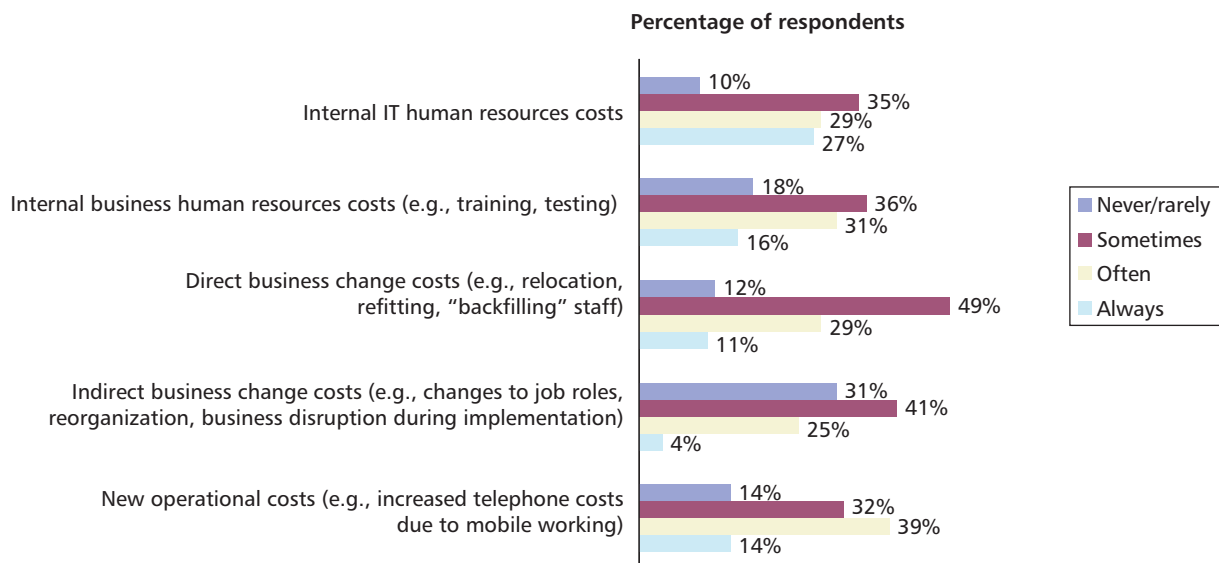
Percentage of respondents

Identifies all available benefits of a project
- 13% (Never/rarely)
- 50% (Sometimes)
- 35% (Often)
- 2% (Always)

Establishes appropriate measures for each benefit
- 17% (Never/rarely)
- 58% (Sometimes)
- 21% (Often)
- 4% (Always)

Adequately quantifies the relevant benefits
- 20% (Never/rarely)
- 48% (Sometimes)
- 30% (Often)
- 2% (Always)

Overstates the benefits in order to get approval
- 25% (Never/rarely)
- 38% (Sometimes)
- 33% (Often)
- 4% (Always)

Legend: ■ Never/rarely ■ Sometimes ■ Often ■ Always

Graph 10 — Do you believe that your organization's current approach to IT projects ...

Percentage of respondents

Pilot implementation
- 8% (Never/rarely)
- 44% (Sometimes)
- 41% (Often)
- 7% (Always)

External reference sites
- 13% (Never/rarely)
- 49% (Sometimes)
- 31% (Often)
- 7% (Always)

External benchmarking
- 23% (Never/rarely)
- 45% (Sometimes)
- 24% (Often)
- 8% (Always)

Modeling and simulation
- 41% (Never/rarely)
- 42% (Sometimes)
- 17% (Often)
- 1% (Always)

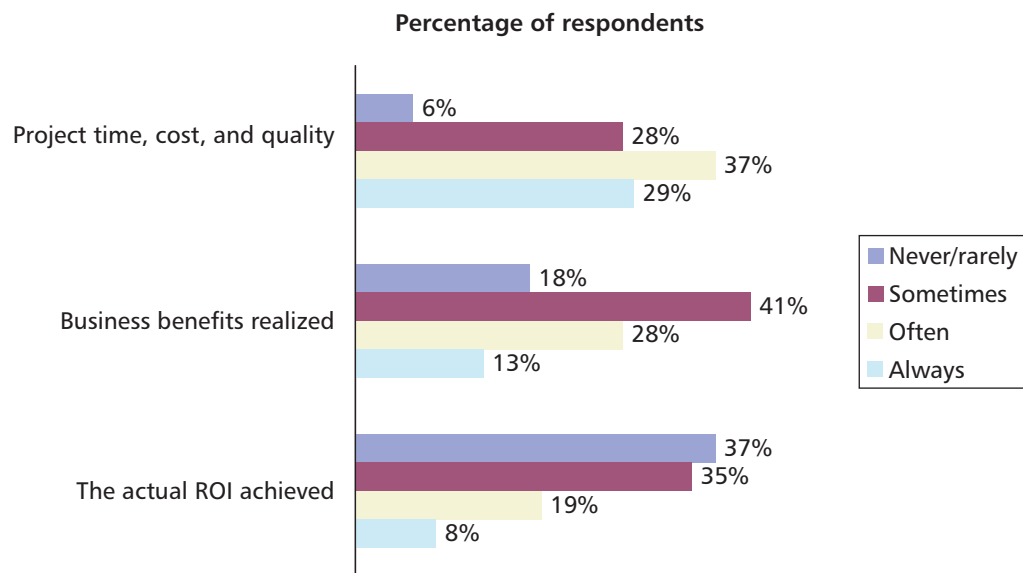Legend: ■ Never/rarely ■ Sometimes ■ Often ■ Always

Graph 11 — To what extent does your organization use each of the following techniques to identify and quantify more accurately the benefits to be achieved from IT projects or programs?
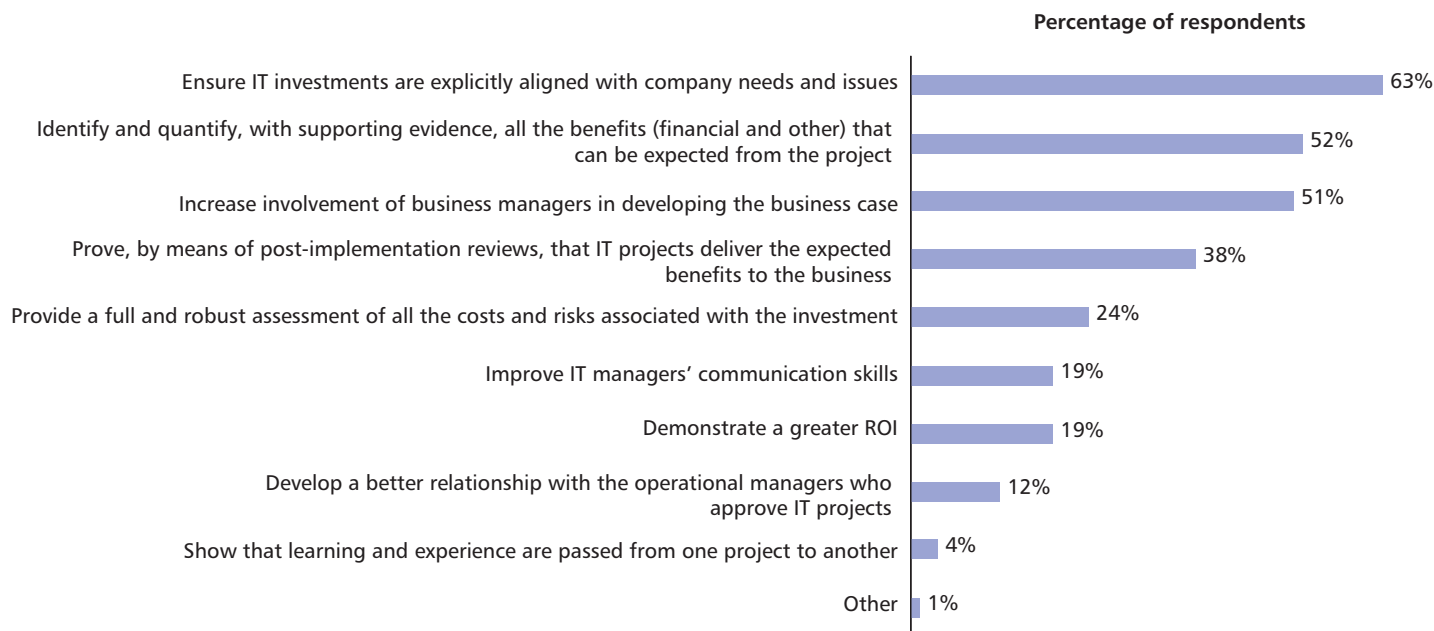
Graph 12 — Does your organization assign accountability to a business manager for each specific benefit to be achieved from an IT project or program?
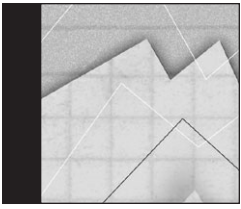

Graph 13 — In addition to the costs of technology or other external resources, to what extent does your organization normally include each of the following costs in the business case for IT projects?

Percentage of respondents

Graph 14 — To what extent, in your organization, are the following aspects of the IT project formally reviewed following completion of the project?

Percentage of respondents

Graph 15 — Which of the following items would you recommend to improve the long-term success rate in getting IT projects approved in your organization? (Please select a maximum of three items.)

About the Authors

Elizabeth Daniel is Professor of Information Management and Associate Dean for Research and Enterprise at the Open University Business School (OUBS), where she researches in the field of information systems in business. The Open University is the UK's largest university with more than 180,000 students studying both undergraduate and postgraduate courses. It teaches by means of supported open learning, with the majority of students, who are spread throughout the world, combining their studies with full-time employment. Prior to joining OUBS in 2005, Dr. Daniel worked in the IS Research Centre at Cranfield School of Management. She is the joint author, with John Ward, of the book *Benefits Management: Delivering Value from IS & IT Investments*. She has applied the benefits management ideas in many organizations in both the private and public sectors. She has published numerous papers in leading academic journals and a number of management reports. Dr. Daniel has a first degree and PhD in physics and an MBA from London Business School. She has spent more than 10 years in industry, starting her career as a medical engineer and subsequently working as a strategy management consultant. She can be reached at e.m.daniel@open.ac.uk.

Gabriele Piccoli is a Senior Consultant with Cutter Consortium's Business-IT Strategies, Business Intelligence, and Innovation & Enterprise Agility practices. He is Associate Professor of Information Systems at the School of Economics and Business Administration at the University of Sassari (Italy). His consulting, research, and teaching expertise is in strategic information systems and the use of advanced IT to support customer service. Prior to moving to Italy, Dr. Piccoli was Associate Professor of Information Systems at the School of Hotel Administration and Hospitality Management at Cornell University. He has also held positions as Adjunct Professor of Information Systems at the AB Freeman School of Business at Tulane University and as instructor at the EJ Ourso College of Business at Louisiana State University, where he received his MBA as well as his PhD in business administration with emphasis in management information systems. Dr. Piccoli is the author of the book *Information Systems for Managers: Text and Cases*. His research has appeared in both academic and applied outlets such as *MIS Quarterly*, *Decision Sciences Journal*, *MIS Quarterly Executive*, *Communications of the ACM*, *Harvard Business Review*, *The DATA BASE for Advances in Information Systems*, and *Cornell Quarterly*. He can be reached at gpiccoli@cutter.com.

Mike Sisco is a Senior Consultant for Cutter Consortium's Enterprise Risk Management & Governance and Business-IT Strategies practices. He is also founder of MDE Enterprises, Inc., an IT manager training company whose mission is to "provide practical insight and tools to help IT managers of the world achieve more™ success." Mr. Sisco was an IT manager and CIO for more than 20 years in enterprises ranging from startups to large distributed IT organizations. He has participated in more than 40 company acquisitions and led the IT due diligence and assimilation planning projects to support them. He has also been instrumental in the turnaround of several companies including the turnaround of a technical services company from losing US $2 million to a profit of $2 million in two years. He has translated his knowledge and experience into practical processes and tools that help IT managers all over the world achieve more™ success. He has written 14 books, published hundreds of articles, and provides education and consulting services globally to improve IT management skills. He can be reached at msisco@cutter.com.

John Ward is Professor of Strategic Information Systems at Cranfield University, School of Management (UK). Cranfield is a postgraduate university with an international reputation in the fields of engineering, aerospace, and manufacturing technology. Its School of Management is one of Europe's leading business schools. Mr. Ward's main interests are the strategic uses of IS/IT, the integration of IS/IT strategies with business strategies, the development of organizational IS capabilities, and the management of IS/IT investments. He was Director of the IS Research Centre at Cranfield from 1993 to 2005. He has published many papers in leading journals, including *California Management Review* and *MIS Quarterly Executive* and is coauthor of the books *Strategic Planning for Information Systems* and *Benefits Management: Delivering Value from IS & IT Investments*. Prior to joining Cranfield, he worked in industry for 15 years at IBM and Kodak, and he now acts as a consultant to a number of major international organizations. He has a master's degree in natural sciences from Cambridge, is a Fellow of the Chartered Institute of Management Accountants, and is a past President of the UK Academy for Information Systems. He can be reached at j.m.ward@cranfield.ac.uk.

About Cutter Consortium

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Cutter Consortium's philosophy is that there is no single right solution for all enterprises, or all departments within one enterprise, or even all projects within a department. Cutter believes that the complexity of the business technology issues confronting corporations today demands multiple detailed perspectives from which a company can view its opportunities and risks in order to make the right strategic and tactical decisions. The simplistic pronouncements other analyst firms make do not take into account the unique situation of each organization. This is another reason to present the several sides to each issue: to enable clients to determine the course of action that best fits their unique situation.

For more information, contact Cutter Consortium at +1 781 648 8700 or sales@cutter.com.

The Cutter Business Technology Council

The Cutter Business Technology Council was established by Cutter Consortium to help spot emerging trends in IT, digital technology, and the marketplace. Its members are IT specialists whose ideas have become important building blocks of today's wide-band, digitally connected, global economy. This brain trust includes:

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- Lou Mazzucchelli
- Ken Orr
- Robert Scott
- Mark Seiden
- Ed Yourdon