Designed to Fail: Why IT Investments Underachieve (and What to Do About it)
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Magic Bullet Thesis

Technologists develop robust technology and shoot it at the problem and expect it to resolve problems, create the required change and penetrate users.
Value for money from IT

Need to improve Realisation of IT benefits

Current focus of attention Reduce IT costs

This is where the problem lies!
The relationship between IT and business benefits
Benefits and change....

Benefits cannot be delivered without change ...

... change without benefits cannot be sustained
“Why is it that every major transformation initiative always seems to end up being managed as an IT project?”

John Doyle, former Auditor General, British Columbia, Canada, June, 2012
Increasingly complex change that is both shaped and enabled by IT
Factors contributing to the lack of achievement of benefits from IT investments

- They depend upon business and technical changes in a complex way
- They do not all come immediately
- They are generally not managed for
- They are often not properly identified

Benefits

They depend upon business and technical changes in a complex way
(IT) benefits management

The process of organizing and managing such that the potential benefits arising from the use of IT are actually realized

* It is a process which integrates the realization of benefits with change management and can be applied to all types of change programs as well as IT investments
Satisfying the investment objective

**ORGANISATIONAL CONTEXT**

CONTENT

IS/IT Functionality

Business changes

OUTCOME

Positive outcomes

BENEFITS

Benefits

INTENT

Investment objectives

**PROCESS OF CHANGE**

Enables

Delivers

Achieves

Satisfies
Outcomes of IS/IT investments

Effect of outcome
Positive

Negative

Opportunity realization “bonus”
What is being sought

Nasty surprises
Price worth paying

Unexpected
Expected

Predictability of outcome
IT benefits management overall objective

Effect of outcome

Positive

Identify, exploit & learn from

Achieve by good management

Negative

Understand & avoid

Recognize & minimize

Unexpected

Expected

Predictability of outcome
The IT latency problem...

For typical 1st Generation CRM investment
A model for (IT) benefits management

- **Identify & structure benefits**
  - .. in business terms
  - .. scale and money
  - .. where and who?
  - .. how and when?

- **Plan benefits realization**
  - .. making it happen

- **Execute realization plan**

- **Review & evaluate results**
  - .. measurement control and learning

- **Potential for further benefits**
Stages and activities of the Benefits Management Process

- **Identify & structure benefits**
  - Analyse the drivers to determine the objectives for the investment
  - Determine the types of benefits that will result by achieving the objectives and how they will be measured
  - Establish ownership of the benefits
  - Identify changes required and stakeholder implications
  - Develop outline case for investment

- **Plan benefits realisation**
  - Finalise measurements of benefits and changes
  - Determine the change actions that will produce the improvements
    - with accountable stakeholders
    - and timescales
  - Do a risk assessment/analysis
  - Submit investment case for funding

- **Execute realisation plan**
  - Manage the change programmes – pursuing benefit delivery as well as technical implementation

- **Review & evaluate results**
  - Formally assess whether the investment objectives and benefits were achieved
  - Initiate action to gain outstanding benefits still achievable
  - Identify lessons for other projects

- **Potential for further benefits**
  - Use the project team and other key stakeholders to identify any new benefits and initiate action to realise them
(IT) Benefits Management toolset

- Identify & structure benefits
- Potential for further benefits
- Review & evaluate results
- Plan benefits realisation
- Execute realisation plan
- Post Investment Review

Stakeholder Analysis

- Driver Analysis
- Benefits Dependency Network

Risk Analysis

- Factor
  - A1 Clarity of vision
  - A2 Degree of change
  - A3 Novelty of solution
  - A4 Technology innovation
  - A5 Business impact

- Range
  - 1 2 3 4

Business Case

- Project Report on Delivery Status
- Project Report on Costs & Benefits Status

- Benefits Realisation Plan
Constructing plan for realization of benefits

Why do we need to improve performance?

What improvements do we want/could we get?

Where will improvements (benefits) occur?

What changes are needed for improvement?

Who is responsible for making changes?

Who will be affected by the changes?

How and when can changes be made?

How can we measure benefits?

Can they be quantified?

Can a financial value be put on it?

Benefits Realization Plan
How will benefits be achieved?

- Why do we need to improve performance?
- What improvements do we want/could we get?
- Where will improvements (benefits) occur?
- What changes are needed for improvement?
- How can we measure benefits?
- Can they be quantified?
- Can a financial value be put on it?
- Benefit identification and location
- Benefits Realization Plan

Who is responsible for making changes?
Who will be affected by the changes?
How and when can changes be made?
Mapping and understanding how benefits will be achieved: the Benefits Dependency Network

IT System

- Launch sales drive
- Attract new customers
- Improve marketing
- Increase productivity
- Reduce overheads
- Examine margins

Increase sales vol.
Reduce costs
Improve margin

Increase profits!
Increase ROCE
Benefit Dependency Network: linking IT with benefits

- IT System
- IS/IT Functionality
- Enabling activities
- Business changes
- Business benefits
- Investment objectives
Benefit Dependency Network: linking IT with benefits

- **IT System**
  - IS/IT Functionality
  - Enabling activities
  - Business changes
  - Business benefits
  - Investment objectives

**Drivers**
- To increase sales volume from new customers
- To improve effectiveness of A&P spend

**Benefits**
- Reduce cost by avoiding waste on irrelevant customers
- Increase response rate from A&P campaigns
- Increased rate of follow-up of leads
- Increased conversion rate to sales

- DRIVERS
How to get the benefits....

- **Project management package**
- **Customer prospect database**
- **Campaign response tracking**
- **IS/IT Functionality**
- **Enabling activities**

**Business changes**
- **Measure outcome of campaign re. objectives**
- **Reduce marketing time on admin**
- **Redefine customer segments**

**Business benefits**
- **Use database to improve targeting in segments**
- **Increase response rate from A&P campaigns**
- **Increased rate of follow-up of leads**
- **Increased conversion rate to sales**

**Investment objectives**
- **To improve effectiveness of A&P spend**
- **To increase sales volume from new customers**
- **Increased conversion rate to sales**

**DRIVERs**
- **D**
- **R**
- **I**
- **V**
- **E**
- **R**
- **S**
Benefits Dependency Network – CRM investment

- **Evidence of achievement**
  - Responsibility
  - Timescales

**IS/IT Enablers**
- Company planning & management system
- Customer prospect database
- Contact management system
- Enquiry quotation & response tracking system
- Portable PCs for sales staff

**Enabling activities**
- Introduce project management for all A&P campaigns
- Reduce marketing staff time on admin activities
- Define customer segments
- Introduce new account management processes
- Release sales time from post-sales activity to pre-sales
- Use system to target sales activity/contact time

**Business changes**
- Measure outcome of campaigns re objectives
- Identify most appropriate communication media or channels
- Redefine customer segments
- Introduce new account management processes
- New sales staff incentives
- Increase sales time with customers

**Benefits**
- Evidence of achievement
- Responsibility
- Timescales
- Reduced cost by avoiding waste on irrelevant customers
- Increased response rate from A&P campaigns
- Increased rate of follow up leads
- Increased conversion rate of leads-to-orders
- Use system to target sales activity/contact time
- To improve the effectiveness of Advertising & promotion spend
- To increase sales value and volume from new customers
- New sales staff incentives

**Investment Objectives**
- Investment
- Objectives
- Evidence of achievement
- Responsibility
- Timescales
Example: X-Ray Booked Appointments Project

**Enablers**
- IT assessment of GP practices
- Security and Encryption
- Interface to medical records
- E-scheduling

**Activities**
- Initial training of GPs
- IT trainer in primary care
- National Standards for encryption/security
- User involvement and communication
- In-patient/out-patient scheduling process
- Adopt clinical governance best practice

**Business Changes**
- GPs can use NHSnet
- Patient to telephone for appt
- Electronic posting of results to GPs
- X-ray Department to run appointment only scheduling system
- Referral protocols developed, reviewed and monitored

**Business Benefits**
- Reduced cost due to lack of referral letters/calls
- Improved GP’s ability to track patients - fewer enquiries
- Improved patient experience, choice, access and information
- Better clinical care
- Reduced unit cost / X-ray due to less DNAs
- Improve utilisation of X-ray department
- 100% electronic referrals
- Reduce rejection rate for inappropriate referrals
- Patients can arrange mutually convenient appointment

**Investment Objectives**
- Improve unit cost / X-ray due to less DNAs
- Reduce rejection rate for inappropriate referrals

**Footnotes:**
- Initial training of GPs
- IT trainer in primary care
- National Standards for encryption/security
- User involvement and communication
- In-patient/out-patient scheduling process
- Adopt clinical governance best practice

**GPs can use NHSnet**

**Patient to telephone for appt**

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- Reduced unit cost / X-ray due to less DNAs

**Investment Objectives**
- Improve utilisation of X-ray department
Benefits dependency network: summary

How new ways of working can deliver the benefits and how to make happen

IT System

IT System

IT System

IS/IT Functionality

Enabling activities

Business changes

Business benefits

Investment objectives

DRIVERS
How Benefits Management fits with other methods

- Strategic Planning
- Programme and Project Portfolio
- Change Management Methods
- Investment Appraisal (e.g. PID)
- Systems Development Methodology (e.g. SSADM)
- Risk Management Techniques
- Project Management Methodology (e.g. PRINCE2)
The IT benefits management challenge: changing mindsets

From

• Technology delivery
• Value for MONEY
  - low level project task monitoring
• Expenditure proposal
  - loose linkage to business needs
• IT implementation plan
• Business manager as on-looker/victim
• Large set of unfocused functionality

To

• Benefits delivery
• VALUE for money
  - benefits tracking
• Business case
  - integration with business drivers
• Change management plan
• Business manager involved and in control
• IT investment which is sufficient for the job
What distinguishes successful from less successful organisations in realising benefits?

1. The more successful select projects on the basis of desirability and their capability to deliver them, not just desirability.

2. Having methodologies is not sufficient; it is important that both business managers and specialists use them on all projects.

3. Developing realistic and robust business cases, which include benefits for (if possible) all the investment stakeholders.

4. Managing the benefits over the whole investment lifecycle through consistently applied practices and processes.

5. Integrated planning of benefit delivery with organisational, process and technology changes.

6. Business ownership and accountability for the benefits and changes.

7. Systematic review of the results of investments in terms of the benefits realised or not realised.

8. Transferring the lessons learned from successful and unsuccessful projects to others.
Technology is not a panacea

• Technology has no inherent value in itself
  - possession of technology does not confer any benefits or create value

• Benefits and value must be unlocked
  - only managers and users can do this

• All IT projects have outcomes but not all outcomes are benefits

• Benefits must be actively managed for
  - they are not something which automatically occur
Further reading


