

# **‘The Blind Leading the Blind’**

## **Why the information technology investment appraisal process is too often ineffective in the UK today**

A report of the findings of  
Cranfield School of Management  
Information Technology Investment Appraisal  
Survey 2003

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## Introduction

### General comments

One of the most profitable areas of investment for any commercial or public sector organisation ought to be the area of information technology. Unfortunately, this is by no means always the case.

In practice, there has for some time been a serious concern, and even considerable anecdotal evidence, that a substantial proportion of IT projects in the UK are poorly-planned and executed, and that the investment on these projects is therefore wholly or partially wasted. With little or no significant return, the investments are often profitless and even disastrous. They are frequently undertaken by 'organisationally blind' individuals leading their business without due regard for IT investment. Typically, even the most senior managers do not know how and why the organisation in question should invest in IT. In short, there has been a fear that much IT investment in the UK is, unfortunately, a question of 'the blind leading the blind'.

Cranfield School of Management set out to investigate the quality of the IT investment decision process inside organisations. This report contains the findings of the investigation.

### The past

The magical catalyst of technology has always had an enormous attraction for public and private sector organisations because of the paradigm shift it can effect in their entire working practices. The history of science is full of examples of technology that has transformed the way a commercial process takes place and created opportunities for enormously increased profits.

The computer, when first introduced, caused an ever increasing ripple through industry and commerce due to its immense processing and storage power. As organisations began to exploit their potential for replacing previous manual processes with computerised processes that worked faster and were far more accurate, the 'IT in business' revolution moved on to facilitate a whole range of interactive, customer-focused applications that would never have been possible had speed of operation not continued to increase exponentially.

With technological expenditure, it is all too easy to be wise after the event. A successful implementation that leads to high levels of profitability and a revolution in efficiency and therefore cost-effectiveness looks like a pre-ordained victory, but in practice, things are rarely as certain as that!!

### The sheer complexity of the options available

In practice, IT investment decisions are all highly complex and involve an assessment not only of technological factors, but also of many operational issues, customer-orientated considerations and a multiplicity of human resource considerations.

Furthermore, internal political considerations are also, inevitably, a crucial factor. A practical management theory - known somewhat facetiously as the 'De Lorean Theory' holds that '*projects tend to be judged not by the quality of what they produce, but rather by the amount of funding they receive*'.

This is, regrettably, profoundly true of the whole process of IT investment. The theory, as applied in the IT industry, has what might perhaps be described as the 'Cranfield Corollary': *'that the greater the amount of funding devoted to an IT project, the greater the status of the director who is heading it'*. Not surprisingly, the consequences of this Corollary are potentially extremely dangerous as they could easily lead to IT projects being supported and lobbied *'due to the political status they would confer on those behind them and running them, rather than because of the potential business benefit the project could win for the organisation investing in it.'*

In practice, such 'personal' issues appear to be a frequent factor in IT decisions, and it is precisely the possibility for this kind of abuse that this survey was designed to investigate.

### **The scope of the survey**

In November 2002, Cranfield School of Management embarked on a major survey into the approaches to IT investment appraisal taken by UK organisations.

Why did Cranfield decide to make the survey focus the IT investment appraisal process rather than on the entire experience of implementing IT in organisations?

There were three main reasons for this;

Firstly, it is clear that the IT investment appraisal process is the initial and critical element of the entire implementation process, and that if the initial appraisal process is not carried out properly, the chance of the overall implementation being a success is much reduced. This does **not** mean that a successful IT investment appraisal process necessarily leads to a successful implementation, but the chance of success will be significantly increased.

Secondly, in these critical and financially constrained times for all private and public sector organisations, selecting optimal investments has become an especially important issue.

Thirdly, by its very nature, the IT investment appraisal process has the advantage of being a readily identifiable and self-contained area of the implementation. This usefully serves as a perspective on organisational views of IT and the benefits they are achieving, while also facilitating the analysis of attitudes and approaches to this stage of the implementation process.

A questionnaire was composed and, after being reviewed by 15 experienced IT managers with whom Cranfield School of Management had a close relationship, the finalised survey was sent out to 700 business and IT leaders who had attended events at Cranfield.

A total of 105 responses to the questionnaire were received; a response rate of 15 percent which is remarkably high for this kind of survey. Cranfield believes the large number of responses indicates the degree of concern that the IT investment appraisal process is not being properly handled by many organisations today.

Of the organisations represented in the responses, 64 percent spent more than £500,000 annually on IT. Of the individuals responding, 16 percent worked on the business side of the organisation, while 84 percent had some degree of professional involvement with information technology.

## **Key Findings**

### **Primary findings**

The principal findings of the survey were as follows:

- 37 percent of respondents believe that the quality of IT investment appraisal in the UK is either 'poor' or 'very poor'. This figure is 32 percent when they consider their own organisation.
- 43 percent think the entire IT investment process is too bureaucratic.
- 47 percent think that the IT investment appraisal process is inconsistently applied.
- 85 percent think the IT investment appraisal process is too often influenced by personal or political aspirations.
- 47 percent believe that the assessment of business benefits in the IT investment appraisal process is 'poor' or even worse.
- 65 percent believe that the IT investment appraisal process typically embodies a poor or even worse assessment of the implications of business change upon the organisation.
- 30 percent of respondents believe that IT investment appraisal is regarded as unimportant by business unit management.
- 88 percent of respondents believe that their organisations are trying to improve IT investment appraisal.
- 49 percent believe their organisations are trying to improve IT investment appraisal.
- 56 percent of respondents believe that the team of people charged with the responsibility for IT investment appraisal is ineffective or only slightly effective.

### **Overall comments**

The survey indicates that the conception of focusing on the IT investment appraisal process is justified. It is clear that many respondents are themselves concerned about the effectiveness of the IT investment appraisal process both at their own organisations and in the UK generally.

An important and disquieting theme deriving from the survey is that business leaders, and senior management generally, appear relatively uninterested in managing IT investments. Some respondents suggest that management may prefer to leave the whole management task to technical specialists. The risk this approach carries in terms of the IT investment appraisal process being driven not by the leaders of the organisation but by technical professionals can easily be imagined. It is not, in Cranfield's view, sufficiently clearly understood throughout UK organisations that technology is fundamentally only a means to an end, and that the end has got to be a business case which has the potential to transform an organisation's profitability and effectiveness. The technology in itself is seldom the 'end'. An underlying theme identified in responses is that in practice, an influential manager gets a

'bee in his or her bonnet' and 'starts the ball rolling' for the IT project even if the business case is weak. Once rolling, such balls are difficult to stop.

The difficulty of defining business benefits clearly is surprising but not uncommon; one might expect this to be the easiest element of the entire appraisal process. After all, everybody working for a business has a good idea of where the business should be going – or do they? The survey seems to suggest that in practice people are far more interested in, and motivated by, their own personal and/or political agenda than by the real needs of the organisation.

Cranfield was particularly alarmed by the findings relating to the poor understanding within the proposal of the nature of the business change. After all, the ability of IT investment to effect appropriate business change is generally speaking the most important reason for initiating the investment in the first place. It seems an inescapable conclusion that this problem is substantially caused by the lack of involvement of business managers in these processes. A related issue is that the 'right' business staff for the project in hand (i.e. right in terms of their experience and expertise) are often not released to assist with the project when their involvement becomes necessary. But if their line manager has been inadequately involved in the IT investment appraisal process, should we really be surprised by this? Indeed, this non-involvement is probably a crucial contributory cause of a number of the reported problems. Perhaps, in the current highly demanding economic climate, line managers are simply too busy solving the problems and challenges of today to put their hearts into creating tomorrow. But if they are not going to create the organisation's future, who is?

Cranfield believes that the survey's implications are to pose the following important and testing questions to organisations:

- Are we really securing the benefits from our IT investments?
- Is the business case development, and subsequent approval process, a significant cause of poor benefit realisation?
- Given that many of the causes of inadequacy are outside the IT function, do we sufficiently involve the business community in such discussions?
- Do we really understand best practice in the area of IT investment appraisal?
- Do we have an individual clearly tasked with the responsibility and resources to improve this area?
- Is our Approval Group really effective in sorting the 'wheat from the chaff'?
- Is the approval process really approving projects, with the accompanying business change implications, or just providing 'ticks in boxes'?
- Does the Approval Group actively release the resources, finance, business people etc that are required to action the project and secure the benefits?
- Given the responses above, do we have a real need and desire to do better in this area?
- Indeed, what chance do we have of securing real value from our IT investments in the next two and three years?

Other key general comments are as follows:

- There are no grounds whatsoever for complacency over the quality of the IT investment appraisal process. The status quo is not acceptable.
- The level of involvement of business unit management in the IT investment appraisal process is particularly worrying.
- Generally, the IT investment appraisal process is applied ineffectively and too often allows managers to get on with pursuing their own agenda rather than working to benefit the organisation.
- There is, nonetheless, hope that the situation may improve in due course, but it is not entirely clear whether the confidence most respondents had in their organisation trying to improve the situation, was a reflection merely of a desire for change, rather than a serious attempt to achieve it.
- It does not appear that adequate time is devoted to the IT investment appraisal process.
- It seems that the calibre of people working on the IT investment appraisal process is not always what it should be in terms of their capabilities and influence.
- In practice, the cost/benefit analysis does not appear to be taken very seriously.
- The Approval Group too often appears not to understand the business case being presented to it.
- Tactical concerns are too often allowed to overshadow strategic issues in the approval group meetings.
- The business resources required to make the IT implementation happen successfully are too often not made available when the project needs them.

### **Specific comments**

The survey reveals beyond question that there is a serious problem with the quality and success of IT investment appraisal in the UK.

This presents a major problem for businesses and until they rectify the quality of IT investment appraisal they cannot expect to win the benefits from information technology – particularly those underpinning change management – which they need to win.

The survey reveals weaknesses at all stages of the IT investment appraisal process, but in particular in the following areas:

- The alarming extent to which a significant proportion of IT projects fail to deliver initially defined benefits, at the initially agreed cost and to the initially agreed timescale.
- There is a lamentable lack of confidence in the ability of IT investment to effect appropriate changes in how the business operates and how it meets its customers' needs

- The overall poor quality of IT investment appraisal in the UK.
- The fact that fundamentally irrelevant personal and/or political aspirations and factors appear to influence key decisions relating to IT investment appraisal.
- The frequent lack of accountability relating to the IT investment appraisal process.
- The limited involvement of business managers in the IT investment appraisal process, and in particular the influence they exert on the IT project during the appraisal process.
- The quality of understanding of the technological complexity of the IT project at the appraisal stage.
- The lack of consistency in the application of an organisation's IT investment appraisal process.
- The ineffectiveness of UK business associations and professional bodies associated with the IT industry in improving the standards of IT investment appraisal in the UK.
- The lack of any specific body or organisation that offers leadership and encouragement in improving the quality of IT investment appraisal .
- There is considerable cause for concern about the quality of the skills available for developing business cases for IT investment.
- The clarity of the responsibilities of people involved in developing business cases for IT investment often seems highly questionable.
- The quality of the business benefits outlined in the construction of the business case for IT investment is often very poor.
- The availability of adequate resources for completing an IT project is often inadequate.
- Those approving the business case for IT investment often appear to have a inadequate understanding of the business case underpinning the investment.



## The Full Results of the Survey

This section provides the full results, with additional comment by Cranfield School of Management where appropriate.

*Note: Where percentages are quoted in the following, these are based around the total number of respondents minus any blank or 'Don't know' answers.*

### Part 1: You and your organisation

1. The question asking respondents to supply their job title furnished the following responses:

Job Title	Total
Associate Consultant (ITC Strategy & Planning)	1
Business Development Director	1
Business Manager	7
Business Systems Analyst	1
Finance & Management Information Director	1
Finance Director	1
Head of IS	1
Interim Manager	1
IT Director	1
IT Director/Head of IT	39
IT Project Manager	1
IT Specialist	4
IT Specialist - Project Manager	1
Manager in IT	35
Manager IS	1
Manufacturing Excellence Manager	1
Programme Manager	1
Project Manager	2
Project Manager in IT	1
Researcher	1
Senior Projects Manager	1
Technical Officer	1
(blank)	1
Grand Total	105

*Comment:*

*With more than 71 percent of respondents falling into the IT Director / Head of IT / IT specialist or project manager category, the responses should certainly be seen as reliable indications of how people with this level of responsibility are thinking at present.*

2. The question asking respondents to supply details of the 'number of people your business employs in the UK' furnished the following responses:

No of people your business employs in the UK	Total
1 1-50	3
2 51-500	19
3 501-2500	30
4 2501-5000	26
5 Above 5000	22
(blank)	5
Grand Total	105

3. The industry sectors in which respondents' organisations operated were as follows:

Industry Sector	Total	Industry Sector	Total
Aerospace and Defence	1	Local Government	3
Bookmaking/leisure retail	1	Logistics and IT	1
Brewery	1	Management Education & Consulting	1
Building Sector	1	Manufacturing	3
Business Process Outsource - Finance	1	Media	1
Central Government	1	Media & Direct Marketing	1
Charity	2	Media & Entertainment	1
Chemical Industry	1	Medical Devices Suppliers	1
Construction Materials	1	Mining & Quarrying	1
Defence	1	Motor Industry	1
Education	3	Oil & Gas Exploration	1
Electrical Engineering	1	Petrochemicals	1
Electricity Generation	1	Pharmaceuticals	4
Energy	2	Postal Industry	1
Finance	5	Power Utility	1
Financial Services	3	Property Consultancy	1
Financial Services – Reinsurance (predom)	1	Pub & Restaurant Retailing	1
Food & Drink Ingredient Manufacturing	1	Public Sector	2
Government	3	Retail	3
Health Care	2	Retail Distribution	1
Health/Insurance	1	Sales and Distribution	1
Housing	1	Science & Technical Publishing	1
Housing Association	1	Telecommunications	2
ICT (Emphasis on Communications)	1	Transport	1
Information Systems Strategy	1	Utilities	3
Insurance	1	Water/Waste Water	1
Insurance/Finance	1	(blank)	23
Investments	1	Grand Total	105
Legal	2		

4. The question asking respondents to supply details of 'the approximate annual spend on IT' furnished the following responses:

Approximate annual spend on IT	Total
£1-£500,000	10
£500,001-£2,500,000	27
£2,500,001-£10,000,000	27
Above £10,000,000	40
(blank)	1
Grand Total	105

*Comment:*

*With more than 65 percent of respondents spending more than £2.5 million on IT annually, the survey clearly involved respondents with a major impact in the UK IT industry. The sample can certainly be considered significant.*

5. The question asking respondents to supply details of the percentage of their IT spend that is attributed to outsourced service providers furnished the following responses:

% Outsourced	Total
0-25%	57
26-50%	21
51-75%	10
76-100%	9
Do not know	6
(blank)	2
Grand Total	105

6. The question asking respondents to supply details of their 'involvement with IT investment appraisal' furnished the following responses:

Involvement with IT investment appraisal	Total
Not directly involved	6
Part of the review group	70
Responsible for a project delivery post approval	50
Responsible for an element of a project delivery post approval	16
Responsible for the preparation and/or presentation of the business case	69
Responsible for the preparation of a component of the business case	34
Responsible for the preparation of the Information System Strategic Plan and Review & Control of such plan	1
Sponsor of projects	52
Development of IT Strategy	1

*Comment:*

*The overwhelming proportion of respondents were heavily involved with IT investment appraisal. Again, the sample is thus highly significant. Please note that respondents were able to tick more than one box in the above matrix.*

## Part 2: Your views on IT investment appraisal

*Note: Cranfield School of Management defined the concept of 'IT investment appraisal' in the questionnaire as the tasks of 'developing a business case' and 'approving a business case' for significant projects which involve a substantial component and have an aim of directly delivering business benefits.*

7. The question asking respondents to supply an assessment of the quality of IT investment appraisal in the UK furnished the following responses:

Quality of IT investment appraisal in the UK	Total
1 Very poor	1
2 Poor	31
3 Reasonable	47
4 Good	5
5 Very good	2
9 Don't know	12
(blank)	7
Grand Total	105

*Comment:*

*With more than 37 percent of respondents indicating that they considered the quality of IT investment appraisal in the UK to be either 'very poor' or 'poor' it is clear that there is a serious problem in this respect. The fact that almost 55 percent regarded the quality as 'reasonable' does not contradict the fundamental problem.*

8. The question asking respondents to supply their assessment of the 'quality of IT investment appraisal in your organisation' furnished the following responses:

Quality of IT investment appraisal in your organisation	Total
1 Very Poor	2
2 Poor	30
3 Reasonable	44
4 Good	23
5 Very good	1
9 Don't know	2
(blank)	3
Grand Total	105

*Comment*

*Here, the response indicated a more optimistic perspective, but it was still the case that 30 percent responded that they considered the quality 'poor' and 2 percent described it as 'very poor'.*

9. The question asking respondents to supply their assessment of the organisation's ability to learn from past experience of the IT investment appraisal process, furnished the following response:

The organisations ability to learn from past experience is high	Total
1 Strongly disagree	7
2 Disagree	29
3 Slightly agree	30
4 Generally agree	33
5 Strongly agree	5
(blank)	1
Grand Total	105

10. The question asking respondents to supply an assessment of the statement that 'the quality of our IT investment appraisal process is high' furnished the following responses:

The quality of our IT investment appraisal process is high	Total
1 Strongly disagree	6
2 Disagree	35
3 Slightly agree	31
4 Generally agree	28
5 Strongly agree	4
(blank)	1
Grand Total	105

*Comment:*

*39 percent of respondents strongly disagreed or disagreed with the statement. This suggests a significant failure of the quality of the IT investment appraisal process at their organisations.*

11. The question asking respondents to supply an assessment of the statement that 'the IT investment appraisal process is often influenced by personal and/or political aspirations' furnished the following responses:

The IT investment appraisal process is often influenced by personal and/or political aspirations	Total
1 Strongly disagree	3
2 Disagree	13
3 Slightly agree	31
4 Generally agree	45
5 Strongly agree	12
(blank)	1
Grand Total	105

*Comment:*

*With more than 73 percent of respondents indicating that they 'slightly agree' or 'generally agree' with this statement, it is clear that a significant problem exists.*

12. The question asking respondents to supply an assessment of the statement that 'the task of IT investment appraisal is regarded as important by business unit senior management' furnished the following responses:

The task of IT investment appraisal is regarded as important by business unit senior management	Total
1 Strongly disagree	8
2 Disagree	23
3 Slightly agree	17
4 Generally agree	39
5 Strongly agree	16
9 Don't know	1
(blank)	1
Grand Total	105

13. The question asking respondents to supply an assessment of the statement that 'we receive quality advice regarding the project from external organisations' furnished the following responses:

We receive quality advice regarding the project from external organisations	Total
1 Strongly disagree	5
2 Disagree	24
3 Slightly agree	38
4 Generally agree	31
5 Strongly agree	1
9 Don't know	4
(blank)	2
Grand Total	105

14. The question asking respondents to supply an assessment of the statement that 'we have clear accountability for all aspects of the IT investment appraisal process' furnished the following responses:

We have clear accountability for all aspects of the IT Investment appraisal process	Total
1 Strongly disagree	7
2 Disagree	32
3 Slightly agree	21
4 Generally agree	32
5 Strongly agree	11
9 Don't know	1
(blank)	1
Grand Total	105

*Comment:*

*Almost 38 percent of respondents strongly disagreed or disagreed with this statement. This indicates a clear problem.*

15. The question asking respondents to supply an assessment of the statement that 'there is real involvement of business managers throughout the IT investment appraisal process' furnished the following responses:

There is 'real' involvement of business managers throughout the IT investment appraisal process	Total
1 Strongly disagree	9
2 Disagree	32
3 Slightly agree	33
4 Generally agree	20
5 Strongly agree	9
9 Don't know	1
(blank)	1
Grand Total	105

*Comment:*

*The response to this question has to be seen as somewhat alarming, with almost 40 percent of respondents saying that they either disagree or strongly disagreed with this assertion.*

16. The question asking respondents to supply an assessment of the statement that 'there is clear understanding of the business vision and goals' furnished the following responses:

There is clear understanding of the business vision and goals	Total
1 Strongly disagree	7
2 Disagree	16
3 Slightly agree	37
4 Generally agree	35
5 Strongly agree	9
(blank)	1
Grand Total	105

17. The question asking respondents to supply an assessment of the statement that 'there is little bureaucracy in the IT investment appraisal process' furnished the following responses:

There is little bureaucracy in the IT investment appraisal process	Total
1 Strongly disagree	13
2 Disagree	31
3 Slightly agree	27
4 Generally agree	24
5 Strongly agree	8
(blank)	2
Grand Total	105

18. The question asking respondents to supply an assessment of the statement that 'there is appropriate understanding of business complexity inherent in the business cases produced' furnished the following responses:

There is appropriate understanding of business complexity inherent in the business cases produced	Total
1 Strongly disagree	6
2 Disagree	23
3 Slightly agree	49
4 Generally agree	21
5 Strongly agree	5
(blank)	1
Grand Total	105

19. The question asking respondents to supply an assessment of the statement that 'there is appropriate understanding of technological complexity inherent in the business cases produced' furnished the following responses:

There is appropriate understanding of technological complexity inherent in the business cases produced	Total
1 Strongly disagree	10
2 Disagree	29
3 Slightly agree	36
4 Generally agree	24
5 Strongly agree	5
(blank)	1
Grand Total	105

*Comment:*

*With more than 37 percent either strongly disagreeing or disagreeing with this statement, there seems to be a real problem in the quality of comprehension of technological complexity inherent in business cases.*

20. The question asking respondents to supply an assessment of the statement that 'the IT investment appraisal process is consistently applied' furnished the following responses:

The IT investment appraisal process is consistently applied	Total
1 Strongly disagree	13
2 Disagree	35
3 Slightly agree	21
4 Generally agree	32
5 Strongly agree	1
9 Don't know	1
(blank)	2
Grand Total	105

*Comment:*

*With more than 47 percent of respondents either strongly disagreeing or disagreeing with this statement, there appears to be an alarming lack of consistency in the application of the IT investment appraisal process.*



21. The question asking respondents to supply an assessment of the statement that 'the IT investment appraisal process as applied is consistent with the organisation's culture' furnished the following responses:

The IT investment appraisal process as applied is consistent with the organisation's culture	Total
1 Strongly disagree	7
2 Disagree	8
3 Slightly agree	30
4 Generally agree	40
5 Strongly agree	15
9 Don't know	4
(blank)	1
Grand Total	105

22. The question asking respondents to say 'to what extent they believe that their organisation is striving to improve the quality of its IT investment appraisal process' furnished the following responses:

To what extent do you believe that your organisation is striving to improve quality of its IT investment appraisal process?	Total
2 Very little	13
3 Some extent	40
4 Significantly	42
5 Totally committed	9
9 Don't know	1
Grand Total	105

23. The question asking respondents to say whether it is clear 'who, within your organisation, is specifically responsible for improving the quality of your IT investment appraisal process' furnished the following responses:

Is it clear who, within your organisation, is specifically responsible for improving the quality of your IT investment appraisal process?	Total
1 Totally confused	3
2 Confused	8
3 A little confused	24
4 Reasonably clear	51
5 Very clear	15
9 Don't know	4
Grand Total	105

24. The question asking respondents to supply the job title of the responsible individual or group for improving the quality of their IT investment appraisal process, furnished the following responses.

What is the title of the responsible individual or group	Total	What is the title of the responsible individual or group	
(New) IS Strategy Group	1	IS Manager (Directors have some responsibility too)	1
Assistant Corporate Planning Officer	1	IS Steering Group	1
Benefits Manager	1	ISMT (IS MGT Team)	1
Business Development Director	1	IST	1
Business Development Manager (Information Management)	1	IT Director	2
Business Information Managers	1	IT Director & Finance Director	1
Business Integration to The Investment Review Board	1	IT Director & Financial Planning & Analysis Director	1
Business Support	1	IT Finance	1
Capital Control Committee	1	It is probably not just one group	1
Capital Investment Team	1	IT Manager & Financial Controller	1
CEO	1	IT Manager & Technical Director (via generic project appraisal process)	1
CIO	4	IT Projects Committee	1
CIO Technology	1	IT Steering Group	1
Corporate IS Group	1	IT sub group of Trust Board	1
Director	1	IT/Business Process Manager	1
Director of Finance	1	Managed Services Director	1
Divisional FDS and Head of IT.Group FD	1	No clear responsibility	1
Duel Responsibility of Projects and Planning plus Finance Departments	1	None	1
E Commerce Director	1	OITSG (Business-Lead IT Steering Group) and business management accountants	1
Executive Management	1	Process & IT Integration	1
Executive Team plus European IS Manager	1	Program Management	1
Finance & Supply Chain Directors	1	Programme Director	1
Finance Director	2	Programme Manager	1
Finance Director & Programme Managers Board, Directing Board	1	Programme Office/Executive Management	1
Finance/Business Development	1	Project Governance Team	1
Financial Support Accountants	1	Project Management Group	1
Group IT Director	1	Project Office Manager Exec Strategy Group	1
Head of Business Systems	1	Project Prioritisation Authority	1
Head of IT Services	1	Secretary of Investment Board	1
Head of IT	1	Senior Manager Information Technology	1
Head of Strategy and Communications Group - Strategy & Planning	1	Steering Group - Internal (IT & Business)	1
Head of Supply Planning & Logistics (Director)	1	Society wide IT Group (SWIG)	1
ICT & E Service Strategy Group	1	Strategy Manager	1
ICT Management Board	1	Systems Manager	1
IMD Director	1	Technical Officer	1
Information Systems Board	1	Technology Board	1
Information Systems Manager Finance & Management Information Director	1	The IT (Capital) projects committee	1
Investment Committee	1	The Project Support Office	1
IS Business Development	1	Various - depends but ultimately the Board	1
IS Director	2	Vice-President, Global Outsourcing, EMEA	1
IS Director & Finance Director	1	VP of IT and Head of Business Analysis	1
IS Director (Strategy Group Approval)	1	(blank)	16
		Grand Total	105

25. The question asking respondents to supply an opinion on whether UK business associations and professional bodies associated with the IT industry were doing enough to improve the standards of IT investment appraisal in the UK, furnished the following responses:

Do you think that UK business associations and professional bodies associated with the IT industry are doing enough to improve the standards of IT investment appraisal in the UK?	Total
1 Not at all	2
2 Very little	34
3 Useful attempt	24
4 Good attempt by some organisations	10
9 Don't know	32
(blank)	3
Grand Total	105

*Comment:*

*With more than 35 percent of respondents believing that these associations and professional bodies were ineffective at causing improvement here, there is clear evidence of a serious problem.*

26. The question asking respondents to supply an answer as to whether there 'is a particular association or body that you feel are leaders in this area' furnished the following responses:

Is there a particular association or body that you feel are leaders in this area?	Total
BIS	1
British Computer Society	1
Cranfield	2
Do not know!	1
Don't know	1
Expert	1
Gartner	1
Management/Business Colleges	1
Most profitable companies is USA, Australia, Asia - (not banking)	1
NCC are doing some work	1
No	9
None	1
Office of Government Commerce (OGC)	1
Office of Government Commerce (OGC) - Leaders Computer Weekly & Computing & Association for Project Management - strong interest & some useful contributions	1
Technical Information Forum	1
(blank)	81
Grand Total	105

27. The question asking respondents to supply an assessment of the percentage of the IT projects that they believed failed to deliver at least the initially defined benefits at the initially agreed cost and to the initially agreed timescale within a margin of ten percent, furnished the following responses:

What % of your IT projects do you believe fail to deliver at least the initially defined benefits at the initially agreed cost and to the initially-agreed time-scale within a margin of 10%	Total
81-100%	3
61-80%	17
41-60%	24
21-40%	29
0-20%	23
Don't know	9
Grand Total	105

*Comment:*

*Nearly 46 percent of respondents said that more than 41 percent of their IT projects failed in this respect. By any standards, this is an alarming finding.*

### **Part 3: Your views on developing a business case**

*Note: that in the questionnaire Cranfield School of Management defined 'developing a business case' as typically involving producing a document that details the business justification (i.e. costs and benefits) and all the implications of the proposed solution.*

28. The question asking respondents to supply an assessment of 'the completeness of the information within business cases' at their organisation furnished the following responses:

The completeness of the information within business cases	Total
2 Poor	17
3 Reasonable	52
4 Good	29
5 Very good	7
Grand Total	105

29 The question asking respondents to supply an assessment of 'the validity of the information within business cases' at their organisation, furnished the following responses:

The validity of the information within business cases	Total
1 Very poor	1
2 Poor	11
3 Reasonable	57
4 Good	28
5 Very good	8
Grand Total	105

30. The question asking respondents to supply an assessment of 'the appropriateness of working methods prescribed for developing business cases' furnished the following responses:

The appropriateness of working methods prescribed for developing business cases	Total
1 Very poor	3
2 Poor	25
3 Reasonable	49
4 Good	21
5 Very good	4
9 Don't know	2
(blank)	1
Grand Total	105

31. The question asking respondents to supply an assessment of 'the adherence at their organisation to the working methods for developing business cases' furnished the following responses.

The adherence to the working methods for developing business cases	Total
1 Very poor	2
2 Poor	32
3 Reasonable	39
4 Good	23
5 Very good	5
9 Don't know	3
(blank)	1
Grand Total	105

32. The question asking respondents to supply an assessment of 'the quality of the skills available for developing business cases' furnished the following responses:

The quality of the skills available for developing business cases	Total
1 Very poor	1
2 Poor	33
3 Reasonable	37
4 Good	29
5 Very good	5
Grand Total	105

*Comment:*

*More than 32 percent of respondents consider the quality of the skills available as 'very poor' or 'poor'. This is a troubling finding.*

33. The question asking respondents to supply an assessment of 'the clarity of responsibilities of people involved in developing business cases' furnished the following responses:

The clarity of responsibilities of people involved in developing business cases	Total
1 Very poor	2
2 Poor	38
3 Reasonable	37
4 Good	23
5 Very good	5
Grand Total	105

*Comment:*

*38 percent of respondents describe this clarity – or lack of – as either very poor or poor. If responsibilities are not made clear, it is difficult to see how anyone can possibly do their job effectively. For this reason, this finding seems particularly worrying.*

34. The question asking respondents to supply an assessment of 'the time allowed for developing business cases' furnished the following responses:

The time allowed for developing business cases	Total
1 Very poor	9
2 Poor	28
3 Reasonable	46
4 Good	19
5 Very good	2
Don't know	1
Grand Total	105

35. The question asking respondents to supply a perspective on 'the assessment of business benefits' furnished the following responses:

The assessment of business benefits	Total
1 Very poor	6
2 Poor	43
3 Reasonable	39
4 Good	13
5 Very good	4
Grand Total	105

*Comment:*

*Here, the finding was especially alarming, with more than 46 percent of respondents stating that they regarded the assessment of business benefits contained in the business case as either very poor or poor.*

36. The question asking respondents to supply a perspective on 'the assessment of all costs both IT and businessrelated' furnished the following responses:

The assessment of all costs both IT and business related	Total
1 Very poor	4
2 Poor	34
3 Reasonable	47
4 Good	17
5 Very	1
5 Very good	2
Grand Total	105

37. The question asking respondents to supply a perspective on 'the assessment of business change implications' furnished the following responses:

The assessment of business change implications	Total
1 Very poor	17
2 Poor	51
3 Reasonable	27
4 Good	9
5 Very good	1
Grand Total	105

*Comment:*

*This finding was one of the most alarming in the entire survey. The whole purpose of IT investment is to effect change within the business, and more than 64 percent of respondents described the assessment of business change implications inherent in the business cases presented at their organisations as very poor or poor.*

38. The question asking respondents to supply a perspective on 'the assessment of IT implications' furnished the following responses:

The assessment of IT implications	Total
1 Very poor	2
2 Poor	17
3 Reasonable	42
4 Good	36
5 Very good	8
Grand Total	105

39. The question asking respondents to supply a perspective on 'risk assessment and mitigation' furnished the following responses:

Risk Assessment & Mitigation	Total
1 Very poor	10
2 Poor	24
3 Reasonable	43
4 Good	27
5 Very good	1
Grand Total	105

40. The question asking respondents to supply a perspective on 'the assessment of alternative possible solution scenarios' furnished the following responses:

The assessment of alternative possible solution scenarios	Total
1 Very poor	10
2 Poor	24
3 Reasonable	48
4 Good	21
5 Very good	2
Grand Total	105

41. The question asking respondents to supply a perspective of 'the criteria for assessing the success of projects at completion' furnished the following responses:

The criteria for assessing the success of projects at completion	Total
1 Very poor	16
2 Poor	42
3 Reasonable	33
4 Good	10
5 Very good	1
9 Don't know	3
Grand Total	105

#### **Part 4: Your views on approving the business case**

*Note: In the questionnaire, Cranfield School of Management defined 'approving the business case' as understanding the business case, evaluating it within the business context and deciding whether to proceed.*

42. The question asking respondents to supply an assessment of 'the objectivity of your organisation's investment decision making process' inherent in the approval of the business case procedure, furnished the following responses:

The objectivity of your organisation's IT investment decision making process	Total
1 Very poor	1
2 Poor	24
3 Reasonable	49
4 Good	24
5 Very good	6
9 Don't know	1
Grand Total	105



43. The question asking respondents to supply an assessment of 'the time allowed for assimilating, understanding and making the decision' inherent in the approval of the business case procedure, within their organisation, furnished the following responses:

The time allowed for assimilating, understanding and making the decision	Total
1 Very poor	3
2 Poor	25
3 Reasonable	52
4 Good	21
5 Very good	3
9 Don't know	1
Grand Total	105

44. The question asking respondents to supply an assessment of 'the criteria on which the business case approval is based' furnished the following responses:

The criteria on which the business case approval is based	Total
1 Very poor	3
2 Poor	30
3 Reasonable	52
4 Good	17
5 Very good	2
9 Don't know	1
Grand Total	105

45. The question asking respondents to supply an assessment of 'the degree to which the release of business resources to undertake the project actually occurs' furnished the following responses:

The degree to which the release of business resources to undertake the project actually occurs	Total
1 Very poor	18
2 Poor	34
3 Reasonable	36
4 Good	13
5 Very good	3
9 Don't know	1
Grand Total	105

*Comment:*

*Precisely 50 percent of respondents described this as very poor or poor, a damning finding when one considers that the release of business resources to undertake a project is absolutely crucial to that project's success.*

*Note: Cranfield School of Management defined 'the approval group' as 'the body of managers within respondents' organisations who have responsibility for approving and prioritising it business cases.*

46. The question asking respondents to supply an assessment of 'the effectiveness of the approval group' furnished the following responses:

The approval group is perceived as effective	Total
1 Strongly disagree	1
2 Disagree	20
3 Slightly agree	36
4 Generally agree	39
5 Strongly agree	6
9 Don't know	3
Grand Total	105

47. The question asking respondents to supply an assessment of the extent to which 'the approval group is composed of appropriate people for the decision under review' furnished the following responses:

The approval group is composed of appropriate people for the decision under review	Total
1 Strongly disagree	2
2 Disagree	19
3 Slightly agree	18
4 Generally agree	52
5 Strongly agree	12
9 Don't know	2
Grand Total	105

48. The question asking respondents to supply an assessment of the extent to which 'business issues were discussed in adequate detail and not overshadowed by technology' furnished the following responses:

Business issues are discussed in adequate detail and are not overshadowed by technology	Total
1 Strongly disagree	4
2 Disagree	21
3 Slightly agree	30
4 Generally agree	35
5 Strongly agree	14
9 Don't know	1
Grand Total	105

49. The question asking respondents to supply an assessment of the extent to which 'strategic issues are discussed in adequate detail and are not overshadowed by tactical concerns' furnished the following responses:

Strategic issues are discussed in adequate detail and are not overshadowed by tactical concerns	Total
1 Strongly disagree	7
2 Disagree	32
3 Slightly agree	29
4 Generally agree	25
5 Strongly agree	10
9 Don't know	2
Grand Total	105

*Comment:*

*Nearly 38 percent of respondents strongly disagreed or disagreed with the statement. This suggests that too little attention is accorded to strategic issues by approval groups.*

50. The question asking respondents to supply an assessment of the extent to which 'business management are effectively involved in the approval group' furnished the following responses:

Business management are effectively involved in the approval group	Total
1 Strongly disagree	6
2 Disagree	18
3 Slightly agree	19
4 Generally agree	44
5 Strongly agree	17
9 Don't know	1
Grand Total	105

51. The question asking respondents to supply an assessment of the extent to which 'the approval group is good at establishing business aligned priorities' furnished the following responses:

The approval Group is good at establishing business aligned priorities	Total
1 Strongly disagree	8
2 Disagree	22
3 Slightly agree	36
4 Generally agree	30
5 Strongly agree	6
9 Don't know	3
Grand Total	105

52. The question asking respondents to supply an assessment of the extent to which 'the approval group displayed a deep understanding of the business cases under consideration' furnished the following responses:

The approval group display a deep understanding of the business cases under consideration	Total
1 Strongly disagree	7
2 Disagree	30
3 Slightly agree	41
4 Generally agree	22
5 Strongly agree	3
9 Don't know	2
Grand Total	105

*Comment:*

*Almost 36 percent of respondents either strongly disagreed or disagreed with this statement. This suggests that approval groups are often displaying an inadequate understanding of the business cases under consideration.*

## The Questionnaire

The following is the complete text of the questionnaire on which the survey was based:

*Cranfield*  
UNIVERSITY  
School of Management

# IT Investment Appraisal Survey

## **Part 1 : You and your organisation**

### **Please indicate your job title.**

Chief Executive	( )	IT Director / Head of IT	( )
Business Manager	( )	Manager in IT	( )
Finance Director	( )	IT Specialist	( )
Other (please specify).....			

### **Please indicate the number of people your business employs in the UK.**

1 – 50	( )	51 – 500	( )
501 – 2500	( )	2501 – 5000	( )
Above 5000	( )		

### **Please state the industry sector in which your organisation operates.**

.....

### **Please state your approximate annual spend on IT.**

£1 - £500,000	( )	£500,001 - £2,500,000	( )
£2,500,001 - £10,000,000	( )	Above £10,000,000	( )

### **Please indicate the percentage of your IT spend that is attributed to outsourced service providers.**

0 – 25 %	( )	26 – 50 %	( )
51 – 75 %	( )	76 – 100 %	( )
Do not know	( )		

### **Please indicate your involvement with IT investment appraisal.**

Part of the review group	( )	
Sponsor of projects	( )	Tick more
Responsible for the preparation and/or presentation of the business case	( )	than one
Responsible for the preparation of a component of the business case	( )	box if
Responsible for a project delivery post approval	( )	appropriate
Responsible for an element of a project delivery post approval	( )	
Not directly involved	( )	
Other (please specify).....		

## Part 2 : Your views on IT investment appraisal

Please note:

'IT investment appraisal' refers to the tasks of 'developing a business case' and 'approving a business case' for significant projects which involve a substantial IT component and have an aim of directly delivering business benefits.

<b>How would you describe the quality of IT investment appraisal....</b>	Very good	Good	Reason-able	Poor	Very poor	Don't know
...in the U.K.						
...in your organisation						

<b>Please assess the following statements in relation to your organisation's IT investment appraisal process.</b>	Strongly agree	Generally agree	Slightly agree	Disagree	Strongly disagree	Don't know
The organisation's ability to learn from past experiences is high						
The quality of our IT investment appraisal process is high						
The IT investment appraisal process is often influenced by personal and/or political aspirations						
The task of IT investment appraisal is regarded as important by business unit senior management						
We receive quality advice regarding the project from external organisations (e.g. consultants/IT suppliers)						
We have clear accountability for all aspects of the IT investment appraisal process						
There is 'real' involvement of business managers throughout the IT investment appraisal process						
There is clear understanding of the business vision and goals						
There is little bureaucracy in the IT investment appraisal process						
There is appropriate understanding of the business complexity inherent in the business cases produced						
There is appropriate understanding of the technological complexity inherent in the business cases produced						
The IT investment appraisal process is consistently applied						
The IT investment appraisal process as applied is consistent with the organisation's culture						

	Totally committed	Significantly	Some extent	Very little	Not at all	Don't know
<b><i>To what extent do you believe that your organisation is striving to improve the quality of its IT investment appraisal process?</i></b>						

	Very clear	Reasonably clear	A little confused	Confused	Totally confused	Don't know
<b><i>Is it clear who, within your organisation, is specifically responsible for improving the quality of your IT investment appraisal process?</i></b>						
<b><i>What is the title of the responsible individual or group?</i></b>	..... .....					

	Certainly yes	Good attempt by some organisations	Useful attempt	Very little	Not at all	Don't know
<b><i>Do you think that UK business associations and professional bodies associated with the IT industry are doing enough to improve the standards of IT investment appraisal in the UK?</i></b>						
<b><i>Is there a particular association or body that you feel are leaders in this area?</i></b>	..... .....					

	0% to 20%	21% to 40%	41% to 60%	61% to 80%	81 to 100%	Don't know
<b><i>What percentage of your IT projects do you believe fail to deliver at least the initially defined benefits at the initially agreed cost and to the initially-agreed time-scale within a margin of 10%?</i></b>						



### **Part 3 : Your views on developing a business case**

Please note:

'Developing a business case' typically involves producing a document that details the business justification (i.e. costs and benefits) and all the implications of the proposed solution.

<b><i>Please assess the following aspects of 'developing a business case' within your organisation.</i></b>	Very good	Good	Reason-able	Poor	Very poor	Don't know
The completeness of the information within business cases						
The validity of the information within business cases						
The appropriateness of working methods prescribed for developing business cases						
The adherence to the working methods for developing business cases						
The quality of the skills available for developing business cases						
The clarity of responsibilities of people involved in developing business cases						
The time allowed for developing business cases						
The assessment of business benefits						
The assessment of all costs both IT and business related						
The assessment of business change implications						
The assessment of IT implications						
Risk assessment and mitigation						
The assessment of alternative possible solution scenarios						
The criteria for assessing the success of projects at completion						

## **Part 4 : Your views on approving the business case**

Please note:

'Approving the business case' involves understanding the business case, evaluating this within the business context and deciding whether to proceed.

<b><i>Please assess the following aspects of 'approving the business case' process within your organisation.</i></b>	Very Good	Good	Reason-able	Poor	Very Poor	Don't know
The objectivity of your organisation's IT investment decision making process						
The time allowed for assimilating, understanding and making the decision						
The criteria on which the business case approval is based						
The degree to which the release of business resources to undertake the project actually occurs						

'The Approval Group' refers to the body of managers within your organisation that have responsibility for approving and prioritising IT business cases.

<b><i>Please assess the following aspects of the Approval Group within your organisation.</i></b>	Strongly agree	Generally agree	Slightly agree	Disagree	Strongly disagree	Don't know
The Approval Group is perceived as effective						
The Approval Group is composed of the appropriate people for the decisions under review						
Business issues are discussed in adequate detail and are not overshadowed by technology						
Strategic issues are discussed in adequate detail and are not overshadowed by tactical concerns						
Business management are effectively involved in the Approval Group						
The Approval Group is good at establishing business aligned priorities						
The Approval Group display a deep understanding of the business cases under consideration						

***Thank you for your help!***

***If you would like to receive a complimentary copy of the report produced from this survey, please enter your contact details below. All personal details will be held in the strictest confidence and will not be revealed to any third parties. Under no circumstances will any of your comments be attributed to you in the survey report or in any accompanying publications without your express and written permission.***

Name: .....

Position: .....

Organisation Name: .....

Address: .....

.....

.....

.....

.....

E-mail address: .....

Telephone: .....

.....

Please return this questionnaire in the enclosed SAE to:

Maggie Bridge  
Business Development Executive  
Cranfield School of Management  
Cranfield University  
Cranfield  
MK43 0AL

In the event of any queries please phone +44 (0) 1234 754498