DESAUTELS Faculty of Management
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Other Industry Experiences in IT-to-Value Pathways

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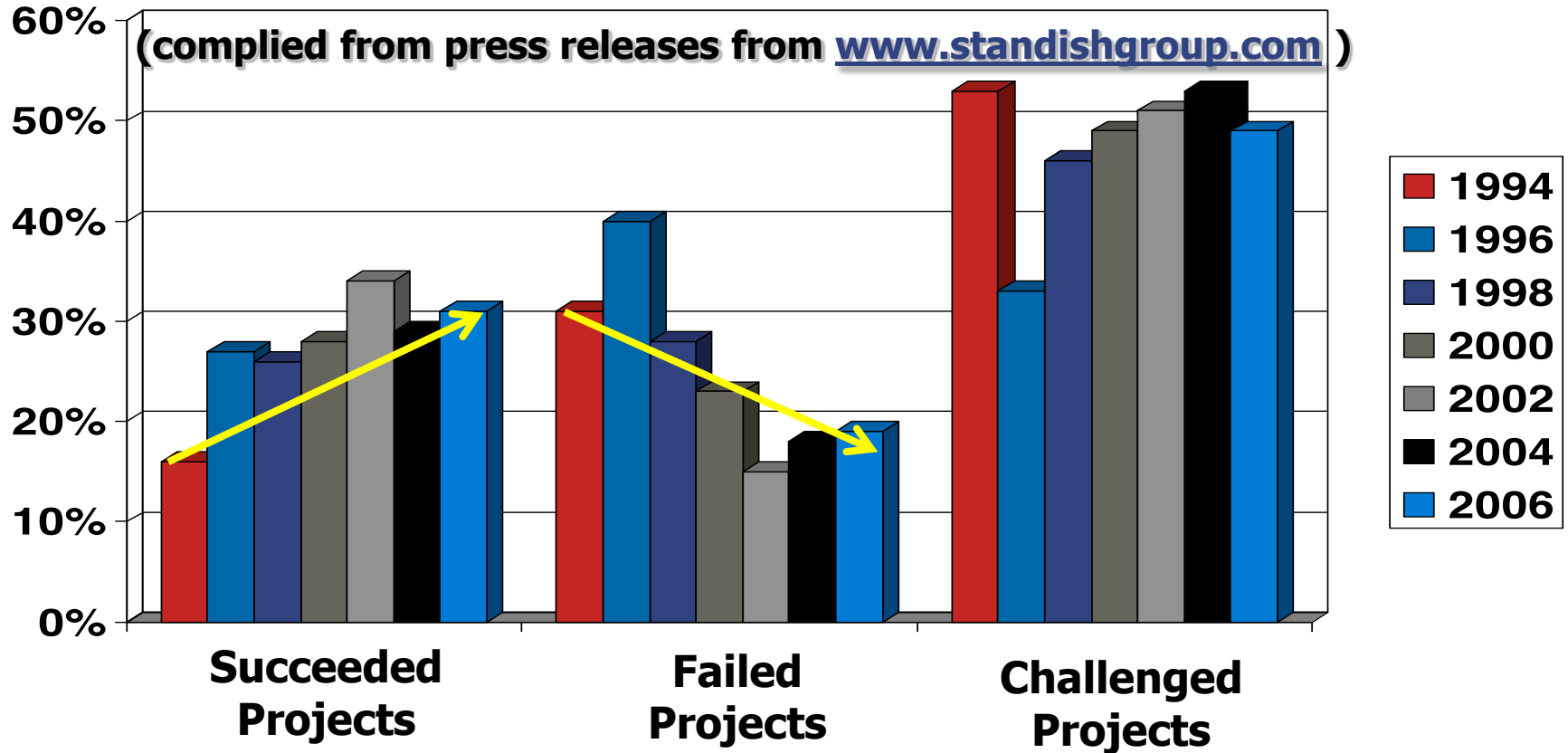
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Industry performance in IT projects?

- **68 % of IT projects fail**
  - "The IT Complexity Crisis: Danger and Opportunity" by Roger Sessions, Nov. 2009

- **IT Project Average Performance**
  - On time, budget and scope   16%
  - Cost overruns   189%
  - Time overruns   222%
  - % of Original Specs   61%

  The Standish Chaos Report, 1994

Standish Surveys
show improvement over time – but slow

(complied from press releases from www.standishgroup.com)

Succeeded Projects | Failed Projects | Challenged Projects

Legend: 1994, 1996, 1998, 2000, 2002, 2004, 2006

A Study on IT implementation: Conference Board, 2001

- **34% were very satisfied**

- **40% of the projects failed to achieve their business cases within one (1) year of going live.**

A Study on ERP implementation: Source Panorama Consulting (2008)

- **Only a 7 % chance of a project coming in on time**

- **Nearly two-thirds (59 percent) of implementations cost more than initially planned.**

- **Even once the software was up and running, more than half (57 percent) of participants suffered operational stoppages.**

- **Just 21 percent realized 50 percent or more of their projected benefits.**

Performance in IT Adoption

- **IT adoption study found failure rates of 30%-75% across efforts to improve work practices (2003, McAfee)**

- **A company has a little better than a 50 percent chance that users will want to and, indeed, actually *use* the application (Panorama Consulting, 2008)**

Why continue to invest in IT?

- **"Insanity is doing the same thing over and over again and expecting different results." Albert Einstein**

- **"The world hates change, yet it is the only thing that has brought progress." Charles Kettering**

- **"Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable." William Pollard**

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Why do IT catastrophes and disappointment happen, and how can they be avoided?
Why some companies are more successful than others?

Chaos Report 2009: Project Impaired Factors

1. Incomplete Requirements	13.1%
2. Lack of User Involvement	12.4%
3. Lack of Resources	10.6%
4. Unrealistic Expectations	9.9%
5. Lack of Executive Support	9.3%
6. Changing Requirements & Specifications	8.7%
7. Lack of Planning	8.1%
8. Didn't Need It Any Longer	7.5%
9. Lack of IT Management	6.2%
10. Technology Illiteracy	4.3%

Standish Group CHAOS Report 2009

Chaos Report 2009: Project Success Factors

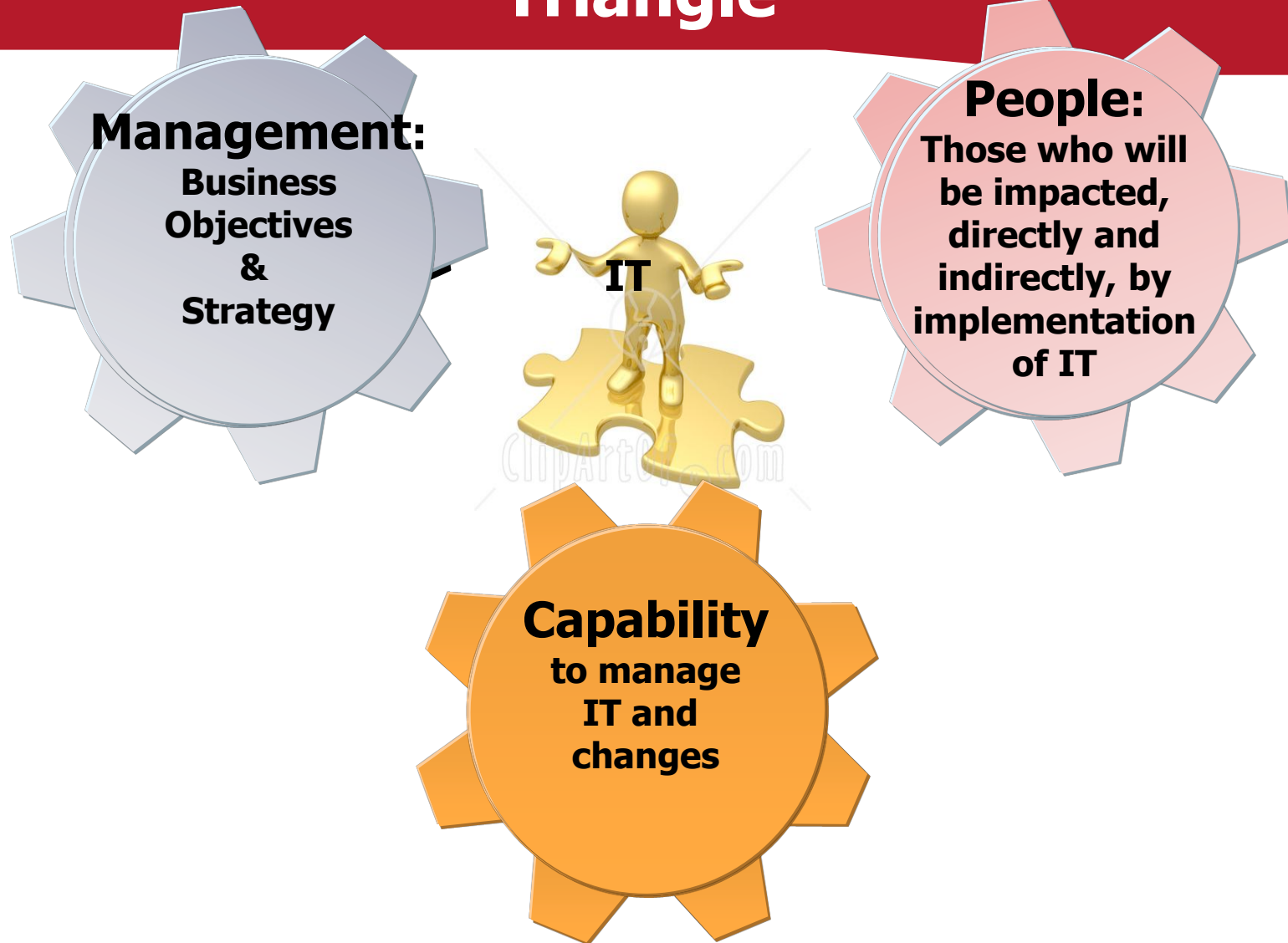|	
1. User Involvement	15.9%
2. Executive Management Support	13.9%
3. Clear Statement of Requirements	13.0%
4. Proper Planning	9.6%
5. Realistic Expectations	8.2%
6. Smaller Project Milestones	7.7%
7. Competent Staff	7.2%
8. Ownership	5.3%
9. Clear Vision & Objectives	2.9%
10. Hard-Working, Focused Staff	2.4%

Standish Group CHAOS Report 2009

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A few lessons learned

- IT provides an opportunity for an organization to operate as an entity to improve performance

- But, the onus of profiting from such opportunities entirely lies on the end users

- Don't think that end users will welcome a new IT system with open arms, just because you say to them "It will help you. It will solve your problem."

- "We will build, they will come" Technology-centric Cartesian reductionist approach is more prone to failure.

- Expect Resistance/Reluctance and prepare

- Expect "dip in performance" after go-live and plan ahead to minimize the length and the depth of the performance dip period

Management-People-Capability Triangle

Management:
Business Objectives & Strategy

IT

People:
Those who will be impacted, directly and indirectly, by implementation of IT

Capability
to manage IT and changes

Holistic Approach toward IT Investment and Management
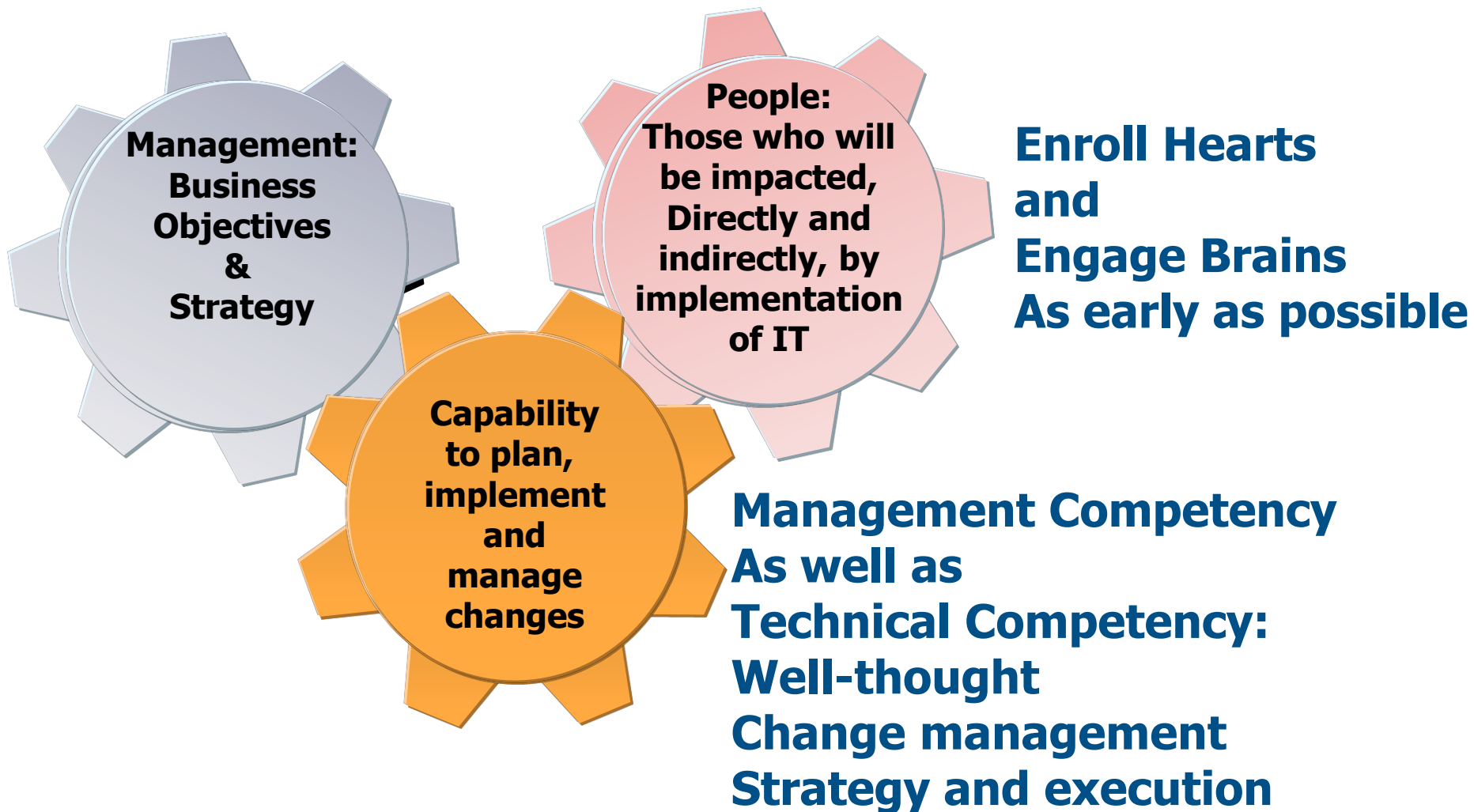
Management: Business Objectives & Strategy

People: Those who will be impacted, Directly and indirectly, by implementation of IT

Capability to plan, implement and manage changes

Enroll Hearts and Engage Brains As early as possible

Management Competency As well as Technical Competency: Well-thought Change management Strategy and execution

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Appendix:
IT budgets by Industry

- **IT Budget consists of two main components**
  - IT operational budgets (to keep existing IT systems up and running and up to date with non-discretionary and discretionary enhancement)
  - IT capital budgets (to fund long-term investments in IT infrastructure, equipment, or major systems)

- **IT spending trends**
  - Gartner study: IT spending in 2010 is totaling $3.3 trillion worldwide, where 30% of this spending are made by the Financial industry and manufacturing industry.
  - During the period of 1987 and 2004, the IT's share of yearly investment in fixed assets almost doubled;
  - and IT spending is growing despite a little of slowdown in the recent economic challenge..
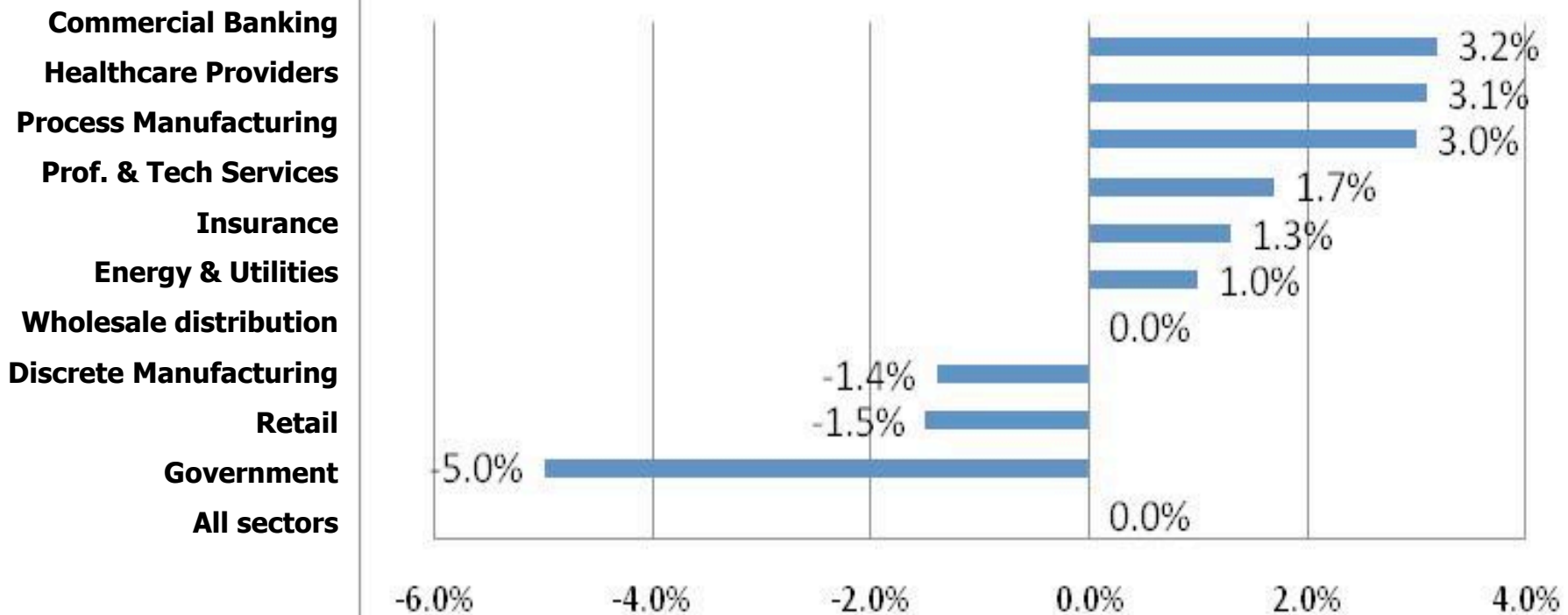
IT Operating Budget as % of Revenue
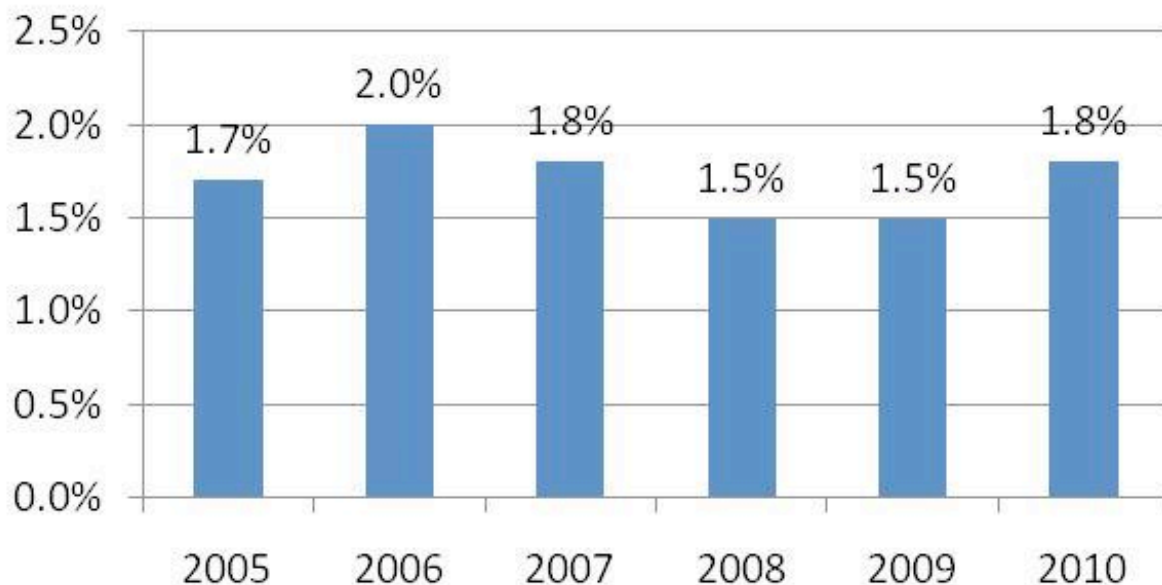
Please note that IT spending as a Percentage of revenue varies Significantly by industry sector. Therefore, the statistics presented Here should be only used as an Indication of overall trends, not for Benchmarking specific organizations.

Source: Computer Economics, 2010
(studying organizations in US and Canada)

Change from Prior Year in Median IT Operational Budget by Sector

Sector	Value
Commercial Banking	3.2%
Healthcare Providers	3.1%
Process Manufacturing	3.0%
Prof. & Tech Services	1.7%
Insurance	1.3%
Energy & Utilities	1.0%
Wholesale distribution	0.0%
Discrete Manufacturing	-1.4%
Retail	-1.5%
Government	-5.0%
All sectors	0.0%

Source: Computer Economics, 2010
(studying organizations in US and Canada)

Industry Specific Benchmarking (Info-Tech Research 2009)

- **Healthcare Providers (Appendix 1)**

- **Governments (Appendix 2)**

- **Financial Industry (Appendix 3)**

- **Manufacturing Industry (Appendix 4)**

Appendix 1: Healthcare IT spending

	25% Percentile	Median	75% Percentile
IT Operational budget to revenue	1.03%	1.99%	3.76%
IT Operational budget to staff	$1,193	$2,000	$6,250
IT Operational budget to IT staff	$91,514	$165,517	$205,714
IT Capital Budget to revenue	0.29%	0.7%	1.23%
IT Capital Budget to staff	$450	$1,265	$1,800
IT Capital budget to IT staff	$23,529	$62,500	$84,429

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Appendix 2: Governments IT spending

	25% Percentile	Median	75% Percentile
IT Operational budget to revenue	2.30%	2.94%	8.14%
IT Operational budget to staff	$2,137	$3,369	$6,257
IT Operational budget to IT staff	$113,673	$155,689	$222,857
IT Capital Budget to revenue	0.42%	1.00%	2.89%
IT Capital Budget to staff	$548	$1,136	$2,452
IT Capital budget to IT staff	$19,875	$49,704	$87,851

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Appendix 3: Financial Industry

	25% Percentile	Median	75% Percentile
IT Operational budget to revenue	1.32%	2.91%	4.58%
IT Operational budget to staff	$4,667	$12,000	$25,000
IT Operational budget to IT staff	$100,000	$175,000	$337,222
IT Capital Budget to revenue	0.44%	0.82%	3.60%
IT Capital Budget to staff	$1,033	$3,075	$6,153
IT Capital budget to IT staff	$32,532	$48,000	$106,905

Appendix 4: Manufacturing Industry

	25% Percentile	Median	75% Percentile
IT Operational budget to revenue	0.61%	0.73%	1.32%
IT Operational budget to staff	$1,765	$3,846	$10,200
IT Operational budget to IT staff	$125,000	$189,655	$275,000
IT Capital Budget to revenue	0.07%	0.19%	0.39%
IT Capital Budget to staff	$395	$706	$2,500
IT Capital budget to IT staff	$18,182	$38,750	$73,636

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