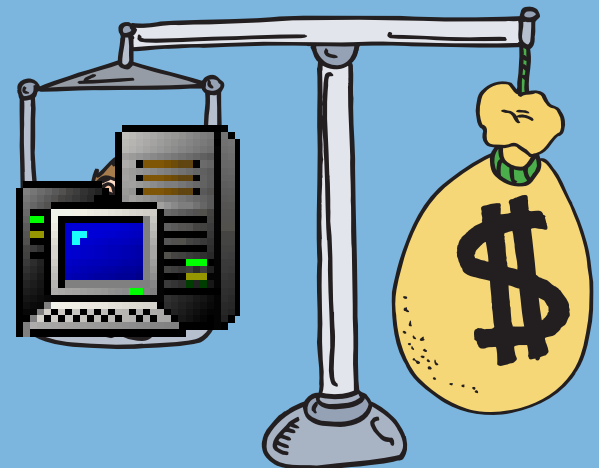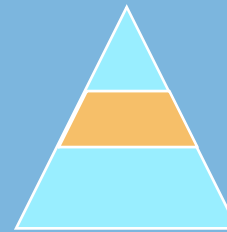# IT Projects Are Like Other Investments

Jerry Lieberman, DSI

2003 DAAG Conference

May 15, 2003

What should you take away from this paper?

DA structuring adds value to IT implementation projects.

- Clear direction for implementation
- Framing tools effective

IT investments can be evaluated like other investments.

- You can roughly monetize soft benefits and evaluate IT projects with a traditional NPV approach.

DECISION

DS

STRATEGIES

Examples based on 2 specific projects

Project #1: Support model for IT implementation

- Multinational had to consolidate / update IT systems after merger.

- Technical IT strategy already selected.

- Select support functions to centralize vs. localize.
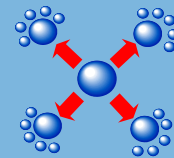
Project #2: "Go / no go" decision on sub project

- Cutbacks ended large IT project.

- Which sub projects should still be funded?

- Go / no go on "linchpin" sub project

DECISION
DS
STRATEGIES
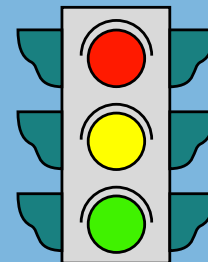
Support model - centralization vs. localization of functions – structured with strategy table.

Which functions should be supported centrally, locally, or somewhere in between (common problem)?
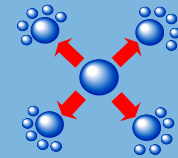
Facilitated intermediate level strategy table summarizing working level matrix with hundreds of tasks

- Simplified to 3 choices – central, regional hubs, local
- Actions to implement decisions now clear

DECISION

DS
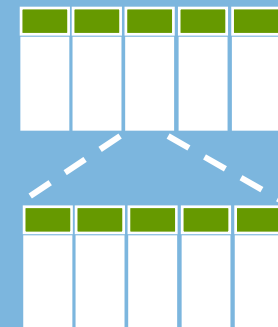
STRATEGIES

Strategy table can really focus strategic analysis.

Alternative strategies

- Centralize everything

- Localize everything

- Intermediate strategies
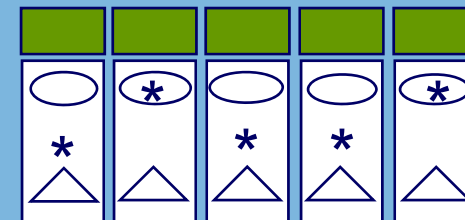
Analysis provided valuable insights, but no definitive answer.

Developed Hybrid strategy using strategy table. For each decision in strategy table, what was more important?

- Savings from centralization – select central

- Benefits from being closer to customer – select local or regional

IT projects can produce real cost reduction, as well as soft benefits.

IT projects can create tangible, ongoing, near term cost savings.

- Fewer support staff

- Fewer help desk events

- Fewer admins after automation
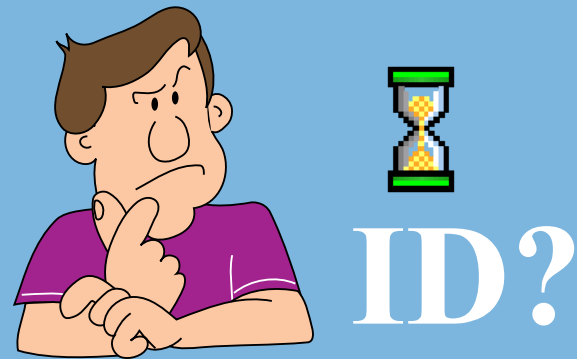
- Less time spent on manual processes

Softer benefits need careful discussion with DRB on how to value

- Supplemental beyond hard savings

- Difference maker for approval

Monetize Productivity Benefits.

New employees had to wait several days for ID. IT project would automate process and reduce wait.

ID?

Value of productivity =   (wait time reduction)
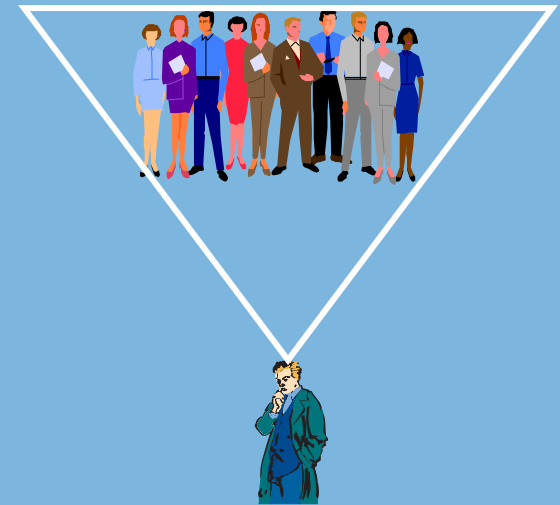
* (% wait time nonproductive)   ⬅

* (cost / hour of employee)

Monetize Support Staff Efficiency Benefits.

Major benefit from centralization – how to quantify?

- Support staff efficiency = # of users / # of support staff

Cost of support staff = (# of users) / (support staff efficiency)
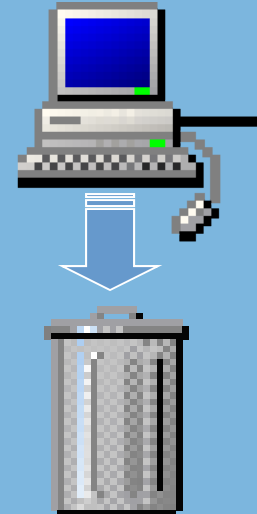
* (cost / year of employee)

Monetize Infrastructure Reliability Benefits.

What is value of better infrastructure reliability? E.g.

- Email down a few minutes

- Satellite uplink out

- Major network crash

Analysis structure:

- Experts assessed using historical data
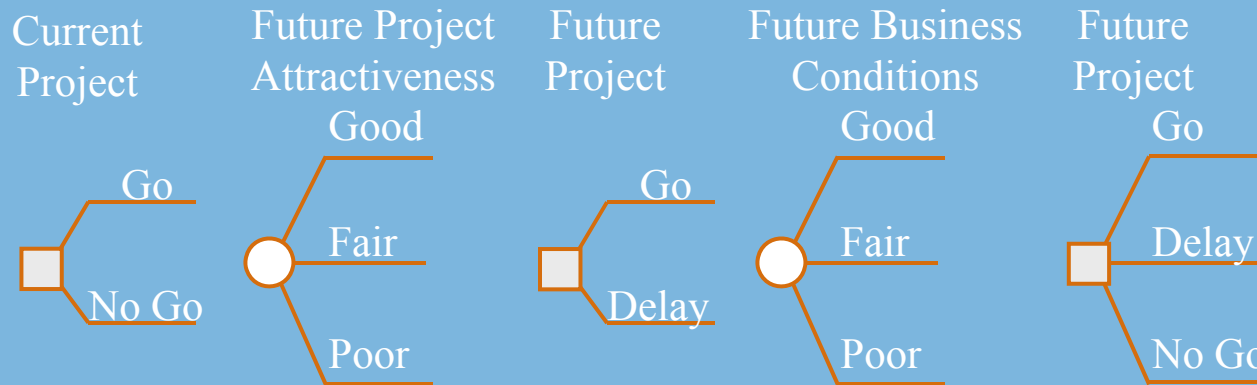
- Split into major vs. minor failures

Infrastructure reliability cost = (# of failures) * (duration of failures)

* (impact of failures on operations)

Option Value from Related Projects – Clear thinking changed actions, leading to largest benefit.

Many projects related - How to value interactions?
- Linchpin sub project provided annual cost savings for future projects.

Options thinking changed problem structure
- Option value was largest benefit.
- "Go/ no go" became richer, more valuable decision.

Value of DA Thinking – structuring problems, monetizing soft benefits, and analytical insights.

Careful structuring provides great value.

- Clarify real (strategy table) decisions to be made.

- Identify tangible savings.

- Identify, structure and monetize soft benefits.

- Structure option value from related projects / decisions.
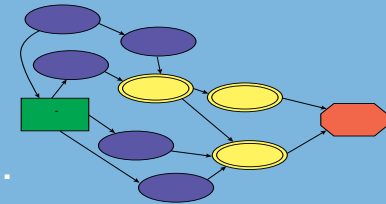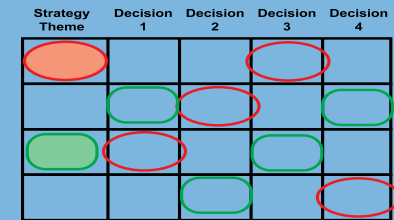
Value of modeling usually comes from process, not answer.

- Quantify business case to see what matters.

- Insights, even from a simple model with highly uncertain inputs, can focus analysis and guide the decision.

- Rarely is the real decision truly a go / no go decision.

	Strategy Theme	Decision 1	Decision 2	Decision 3	Decision 4

	A	B	C	D
Attr 1				
Attr 2				
Attr 3				
Attr 4				
Total				

Model

DECISION
DS
STRATEGIES