Public Sector Case Study on the Benefits of IS/IT

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INTRODUCTION

While organisations continue to invest heavily in IS/IT, research studies and practitioner surveys report contradictory findings on the effect of the expenditures on organisational productivity (Grover et al., 1998). Therefore, it is not surprising to see that the term “productivity paradox” is gaining increasing notoriety as several studies point toward fairly static productivity and rising IS/IT expenditure. Despite large investments in IS/IT over many years, it has been difficult to determine where the IS/IT benefits have actually occurred, if indeed there have been any (Willcocks & Lester, 1997). The main objective of this article is to generate a deeper understanding of issues surrounding the current practices and norms in managing IS/IT benefits and investments evaluation.

RESEARCH APPROACH

A case study was conducted to investigate the practices of IS/IT investment evaluation and benefits realisation in large Australian organisations. Semi-structured interviews were used to gain a deeper understanding of issues.

CASE DESCRIPTION

Seven interviews were conducted with participants from a Western Australian state government department and two major outsourcing contractors. The questions asked related to the formal benefits realisation methodology used, major outsourcing contracts, contractual relationship between department and contractors, and IS/IT investment evaluation methodology or technique deployed. Other data collected included contract documents, planning documents and minutes of relevant meetings. Around 80 pages of transcripts were coded and analysed. The analysis was conducted in a cyclical manner and followed guidelines for interpretive research set out by Klein and Myers (1999).

CASE STUDY RESULTS

A number of issues arose from the analysis of this text data and the key issues are presented next.

Issue 1: Lack of formal IS/IT investment evaluation methodology

Most of the participants claimed that some sort of formal methodology or process was put in place for evaluating these contracts. However, closer examination revealed that what was described did not constitute a formal IS/IT investment evaluation methodology. Participants wrongly considered various contract control mechanisms as a formal IS/IT investment evaluation methodology.

Issue 2: A formal IS/IT benefits realisation methodology was used

Every participant was aware that a formal IS/IT benefits realisation methodology was being used for outsourcing contracts and projects. A benefits realisation approach was used as an end-to-end process to assist in: (1) providing a rigorous process to select the right projects; (2) placing responsibility and accountability at the appropriate level; (3) driving process re-engineering through changes in the organisation; (4) ensuring benefits are realised; and (5) ensuring agreed re-investment of time savings applied as expected.

Issue 3: Lack of understanding of IS/IT investment evaluation methodology

The confusion indicated in Issue 1 about what constitutes a formal IS/IT investment evaluation methodology demonstrated a lack of understanding of such methodologies. This may be due to the fact that the department was unable to introduce a formal IS/IT investment evaluation methodology because it was required to follow the state government’s outsourcing guidelines (MOPC, 2000; SSC, 1999b).
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