Chapter 4

Justifying Data Warehousing Investments

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Organizations are increasingly recognizing the importance of information technology. Many large IT projects in the area of data warehousing and data mining have been taken up in the last few years. While many data warehousing and data mining projects have resulted in interesting business benefits, there are also many examples of cost and schedule overruns and dissatisfaction regarding the results from these projects. A recent issue of Information Week (May 24, 1999) reported that organizations are carefully scrutinizing the returns from large data warehousing projects. This makes it increasingly important for information systems professionals to understand the payoff from data warehousing investments. It is also extremely important for information systems professionals to articulate the business benefits of data warehousing and other big ticket information technology projects in terms that senior managers in general and finance executives in particular can relate to. This article outlines an approach to justifying data warehousing investments that is based on the concept of options in finance. This approach to justifying investments is being increasingly recognized as being superior to traditional methods by finance professionals (Business Week, June 7, 1999).

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