Investigating a Process Approach on Business Cases: An Exploratory Case Study at Barco

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Abstract

Strategic information technology (IT) enabled investments are among other types of IT investments, characterised by the highest level of uncertainty and the highest potential for value creation. They are often associated with product/service innovation, new business models or an enterprise-wide transformation (e.g. Enterprise Resource Planning (ERP) investment). Although these may deliver operational excellence and a competitive advantage, it is a risky endeavour with high failure rates. One of the critical factors to achieve a successful outcome is to develop a sound business case. Many organisations perceive a business case as a valuable instrument for investment justification and decision-making, yet other organisations still do not develop a business case due to insufficient knowledge. In response to this knowledge gap, Ward, Daniel, and Peppard (2008) designed a business case development process that ends on investment approval. Others scholars however call for a continuous usage of business cases throughout the entire investment life cycle. The present research responds to this call with an exploratory case study in order to identify multiple business case tasks that complement the process of Ward et al. (2008). The paper starts with a description of background literature on what constitutes a business case whereof the authors derive a new definition. The authors then set the context and structure for an initial business case process based on the contribution by (Ward et al., 2008). The findings of the exploratory case study and the initial business case process are discussed.

Keywords: Business Case, Enterprise Resource Planning (ERP) Investment, Exploratory Case Study, Investment Life Cycle, Process Approach

Introduction

The pervasiveness of information technology in contemporary organisations is immense both at the operational and strategic level (De Haes & Van Grembergen, 2009; Peppard & Ward, 2005). Although people might still be performing some parts of business processes, their work is largely enabled by information technology. (Weill & Ross, 2009) argue that information technology can facilitate an organisation in more strategic endeavours as well, such as product and service innovation or mergers and acquisitions. These so-called strategic IT enabled investments, even more than others, are consistently recognised as investments that are characterised by the

DOI: 10.4018/ijitbag.2013070103
highest level of uncertainty and the highest potential for value creation (Otim, Dow, Grover, & Wong, 2012). In a survey by AMR Research, ASUG and SAP, organisations argued that in order to realise the potential value from such investments, a detailed business case is a perceived as crucial and should therefore always be developed (Swanton and Draper, 2010). Likewise, (Ward et al., 2008) discovered that two-third of the organisations are convinced that a business case is a very important instrument in order to gain value out of investments. A business case should furthermore incorporate risks associated with the investment and may help in the analysis of their potential impact and probability (Gibson, 2003; Papazoglou & van den Heuvel, 2007).

A business case, in literature defined as a formal document that summarises costs, benefits and impact of an investment (Hsiao, 2008; Krell & Matook, 2009), is frequently employed by organisations as they perceive it as a valuable instrument. The dot com crisis has stimulated organisations’ cautiousness and pessimism compelling practitioners to more frequently develop a business case in order to start or continue a strategic IT enabled investment (Westerman and Curley, 2008). In 2008, 96 percent of the European organisations surveyed by Ward et al. (2008, p2) were required “to produce some form of business case when justifying IT investments.” However, the utilisation of business cases is not as thorough and anchored as might be perceived. Some organisations are still not developing a detailed business case prior to an investment (Beatty & Gordon, 1991; Charette, 2006; Goldschmidt, 2005; Powell, 1993) as they lack adequate skills and in-depth knowledge on business cases (Farbey, Land, & Targett, 1999; Jeffrey & Leliveld, 2004; Taudes, Feurstein, & Mild, 2000). Others develop weak business cases without the specification of what benefits the investment should realise because it could hinder the approval procedure (Farbey et al., 1999). According to Franken, Edwards, and Lambert (2009, p65), most business cases developed “gather dust on the shelf or are lost on someone’s hard disk” after the investment is approved.

In response, Ward et al. (2008) designed a six-step approach to develop a rigorous business case. The development will mostly be performed in the beginning of an investment with the intent to get an approval to start the implementation and to obtain sufficient funding (Davenport, Harris, De Long, & Jacobson, 2001; Erat & Kavadias, 2008; Witman & Ryan, 2010). Based on the business case containing the arguments to invest or not, the people responsible will make a final go/no-go decision (De Haes, Gemke, Thorp, & van Grembergen, 2011). Nonetheless, Ward et al.’s (2008) process ends when the investment is approved while other scholars identify that a business case can support continuous monitoring of planning, requirements, costs, risks and benefits throughout the entire life cycle of an investment (Al-Mudimigh, Zairi, Al-Mashari and others, 2001). It is recognised as a mechanism promoting communication to obtain stakeholder inclusion and commitment (Peppard and Ward, 2005). A business case should evolve into a living document with a process approach (Franken et al., 2009). Unfortunately, to our knowledge no scholar has so far presented a clear-cut answer on how to implement or execute such a process approach on business cases.

Notwithstanding business case process knowledge is absent, it is in many ways beneficial to use a business case beyond the investment approval. According to Smith, McKeen, Cranston and Benson (2010), business case evaluation during investment implementation helps to remove unattractive investments and unnecessary spending, and to avoid additional spending for an unworthy investment. In case an investment seems to escalate, a business case re-estimation may prove that the investment has become unprofitable and should be stopped immediately (Iacovou and Dexter, 2004). A business case is a communication instrument which encourages the working relationship with and fosters trust between different stakeholders of the investment (Chakraborty, Sarker and Sarker, 2010; Handfield, Krause, Scannell
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