An Ethnographic Study of IS Investment Appraisal

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ABSTRACT

Both academics and practitioners have invested considerably in the information systems evaluation arena, yet rewards remain elusive. The aim of this article is to provide rich insights into some particular political and social aspects of evaluation processes. An ethnographic study of a large international financial institution is used to compare the experience of observed practice with the rhetoric of company policy, and also to contrast these observations with the process of IS evaluation as portrayed within the literature. Our study shows that despite increasing acknowledgement within the IS evaluation literature of the limitations and flaws of the positivist approach, typified by quantitative, ‘objective’ assessments, this shift in focus towards understanding social and organisational issues has had little impact on organisational practice. In addition, our observations within the research site reveal that the veneer of rationality offered by formalised evaluation processes merely obscures issues of power and politics that are enmeshed within these processes.

Keywords: ethnography; IS evaluation; IS project control; organizational politics

INTRODUCTION

A considerable amount of research has already been conducted in the information systems (IS) evaluation arena yet rewards remain elusive. This has been variously explained and in this article we aim to contribute to the evaluation literature by our examination of some of the particular political and social aspects of evaluation processes in organisations. The intention of the research is to study at close quarters the process of IS investment appraisal and ex ante evaluation as undertaken by a large international financial institution, and to assess this within the context of the established research tradition in the area. The focus of the study is on evaluations of IS project proposals; assessments which occur pre-implementation. Our objective is to compare the experience of observed practice in the studied organisation with the rhetoric of company policy, and also to contrast these observations with the process of IS evaluation as portrayed within the literature.

The structure of this article is as follows. We begin by providing an overview of the IS...
evaluation literature by highlighting the difficulties entailed. The next section discusses the ethnographic research methodology before proceeding to the analysis and findings of the study. Our intention is to highlight that despite increasing acknowledgement within the IS evaluation literature of the limitations and flaws of the positivist approach (typified by over-reliance on quantitative techniques and tools), this has had little impact on organisational practice. In addition, our observations of organisational practice reveal that the assumed rationality of formalised evaluation processes merely obscures issues of power and politics that are enmeshed within these processes. Finally, we conclude with a summary of the points made in the research study and a review of the argument presented.

The Difficulties of IS Evaluation

In considering the evaluation question (and by implication the issue of ‘value’ for money of information systems), the first observation to be made is the amount of attention that the subject has demanded, both in terms of the academic literature and the level of practitioner interest (Galliers, Merali & Spearing, 1994; Niederman, Branchaeu & Wetherbe, 1991). Yet in spite of this abundance of academic study and an increase in the organisational practice of evaluation, it appears we are nowhere nearer to finding a solution to the problems surrounding it (Ballantine, Galliers & Stray, 1999) and there is little indication that the ‘hard academic, foundational questions are being widely addressed, let alone answered’ (Farbey, Land & Targget, 1998, p. 156).

With an increased level of investment in IS, organisations are becoming increasingly concerned to find appropriate mechanisms to measure performance and decision-makers are being pressured to better justify their IS investments. Whilst there has always been a degree of scepticism over the ‘real’ benefits of IS initiatives (Earl, 1996), there is now a widespread and growing concern that IS investment does not deliver value. Yet, evaluation is seen as important to business operations, being variously described as an indispensable tool for managers, a vital organisational function, and an essential part of the management process (Hirschheim & Smithson, 1988; Love, 1991; Walsham, 1993). It is closely associated with decision-making (Farbey, Land & Targett, 1995) and with management desire to improve organisational economic productivity (Picciotto, 1999). So, if careful management is seen as necessary to achieve IS benefits realisation (Earl, 1996), the obvious question that arises is why so many investments appear to evolve without undergoing any formal assessment (Wilson, 1991). This absence of formal evaluation practices does not necessarily indicate a lack of endeavour within the academic or practitioner community to devise appropriate methods: ‘Many a scholar, consultant and practitioner has tried to devise a reliable approach to measuring the business value of IT at the level of the firm, none has succeeded’ (Keen, 1991). IS evaluation, then, appears to be characterised by a level of complexity that renders it very difficult both conceptually and practically (Hirschheim & Smithson, 1988; Willcocks & Lester, 1999; Zuboff, 1988).

Reflecting on the growing number of roles that information systems play within organisations, assessment of the costs and benefits depends not only on the hard technical data but also the human, social, political, and cultural aspects. The technical specialists implementing the information systems are relatively well equipped to estimate the hard costs of implementation,1 rather the main problem appears to be the indirect, hidden, and soft costs (Hinton & Kaye, 1994) of organisational effort. The difficulties associated with this increase as information systems embrace a more prominent position within organisations and management becomes keen to demonstrate the worth of such investments.

Given this context, much attention has been paid to methodological developments in evaluation. Indeed estimates suggest that over 60 methods have been developed within the last 30 years (Renkema & Berghout, 1997). Many of these were initially based on functional and

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1. Hard costs of implementation refer to the direct costs associated with the development, implementation, and maintenance of information systems. These costs are usually easier to calculate and include the purchase of hardware, software, and training.
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