Chapter IV

A Public Sector Case Study on Evaluating and Managing the Benefits of IS/IT

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ABSTRACT

The issue of expected and actual benefits realized from IS/IT investments has generated a significant amount of debate in the IS/IT literature among researchers, academics, and practitioners. This is as true in Australia as it is in the rest of the developed world. Thus, a detailed program of research into the current Australian practice and processes of IS/IT investment evaluation and benefits realization was initiated. As part of this research program, an in-depth case study of these practices and processes in a large government agency, with a mix of insourced and outsourced IS/IT activities, was conducted. A number of issues emerged from the analysis of the text data. Key issues are presented below in some detail.
INTRODUCTION

Information systems/information technology (IS/IT) now represents substantial financial investment for many organizations (Willcocks, 1992). Information systems and technology managers have found it increasingly difficult to justify rising IS/IT expenditures (Silk, 1990) and are often under immense pressure to find a way to measure the contribution of their organizations’ IS/IT investments to business performance, as well as to find reliable ways to ensure that the business benefits from IS/IT investments are realized (Singh, 1993). This problem has become more complex as the nature of IS/IT investments and the benefits they can deliver have changed rapidly (Willcocks, 1992). Furthermore, the evaluation of these IS/IT investments is a complex tangle of financial, organizational, social, procedural, and technical threads, many of which are currently avoided or dealt with ineffectively (Mirtidis & Serafeimidis, 1994). The main objective of this chapter is for the reader to gain a deeper understanding of some of the issues surrounding the current industry and government practices and norms in managing IS/IT benefits and investments evaluation.

LITERATURE REVIEW

While organizations continue to invest heavily in IS/IT, research studies and practitioner surveys report contradictory findings on the effect of the expenditures on organizational 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 expenditures (Hochstrasser, 1993). 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). For example, Strassmann (1997) suggested that IS/IT investment produces negligible benefits, but Lee and Barua (1999) report a positive relationship between organizations’ performance and IS/IT spending.
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