



Chapter 15

Research on IS/IT Investment Evaluation and Benefits Realization in Australia

Chad Lin, Graham Pervan and Donald McDermid
Curtin University of Technology, Australia

In modern organisations a large portion of senior management's time is now being spent on finding ways to measure the contribution of their organisations' IS/IT investments to business performance. It has been shown that IS/IT investments in many organisations are huge and increasing rapidly every year and yet there is still a lack of understanding of the impact of the proper IS/IT investment evaluation processes and practices in these organisations. At the same time, the issue of expected and actual benefits realised from IS/IT investments has also generated a significant amount of debate in the IS/IT literature amongst the researchers and practitioners. This is as true in Australia as it is in the rest of the developed world. Thus, one can argue that a detailed program of research into the current practice and process of IS/IT investment evaluation in Australia is warranted. This paper reviews the progress made in research in this area and proposes a research program incorporating surveys, case studies, and expert focus groups to assess current practice and to develop an approach, model or framework based on the fit between theory and practice of IS/IT investment evaluation by large Australian organisations.

Previously Published in *Challenges of Information Technology Management in the 21st Century*, edited by Mehdi Khosrow-Pour, Copyright © 2000, Idea Group Publishing.
This chapter appears in the book, *Information Systems Evaluation Management* by Wim van Grembergen. Copyright © 2002, IRM Press, an imprint of Idea Group Inc.

INTRODUCTION

Information systems/information technology (hereafter referred to as IS/IT) investment may be described as any acquisition of software or hardware which is expected to expand or increase the business benefits of an organisation's information systems and render long-term benefits (Willcocks, 1994). IS/IT now represents substantial financial investment for many organisations (Willcocks, 1992a). Information systems and technology managers have found it increasingly difficult to justify rising IS/IT expenditures (Silk, 1990; Willcocks, 1994). They are under increasing pressure to find a way to measure the contribution of their organisations' IS/IT investments to business performance, as well as to find reliable ways to ensure that the business benefits from IS/IT investments are actually realised (e.g., Willcocks & Lester, 1997). This problem has become more complex as the nature of IS/IT investments and the benefits they can deliver has evolved over time as IS/IT itself has changed rapidly (Willcocks, 1992a).

According to Symons and Walsham (1988), the potential use of IT as a competitive weapon has become a popular slogan. However, there is still a lack of understanding of the impact of the proper IT investment evaluation and benefits realisation process. In consequence, the capacity of many organisations to assimilate and apply IT falls far behind the available opportunities. Therefore, it is not difficult to see that the measurement of the business value of IT investment has been the subject of considerable debate by many academics and practitioners (e.g., Ballantine, Galliers & Stray, 1996; Hitt & Brynjolfsson, 1996). The difficulties in measuring benefits and costs are often the cause for the uncertainty about the expected benefits of IT investment and hence are the major constraint to IS/IT investments (Renkema & Berghout, 1997). Hence, evaluation is often ignored or carried out inefficiently or ineffectively because of its elusive and complex nature (Serafeimidis & Smithson, 1996).

Recently, the issues of gaining business value from and justifying current investment in information technology have been identified as the most critical but difficult management issues in Australia, the UK and the US (Pervan, 1998). According to Baker and Berenblum (1996), investment in IT is one of the major factors determining the success or failure of organisations. As a result, organisations are becoming increasingly competitive in seeking to implement the effective use of IT (Dober, 1994). However, recent research also indicates that IT managers may not be paying as much attention to the measurement of the organisation's IT investment as their CEOs (Pervan, 1998), resulting in difficulties in explaining the "productivity paradox" within their organisations.

9 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/research-investment-evaluation-benefits-realization/23438

Related Content

Supporting Structured Group Decision Making Through System-Directed User Guidance: An Experimental Study

Harold J. Lagroue III (2010). *Strategic Information Systems: Concepts, Methodologies, Tools, and Applications* (pp. 1574-1591).

www.irma-international.org/chapter/supporting-structured-group-decision-making/36776

Understanding Human Factors in Systems Selection and Implementation: Exploring the Role of Power and Politics

Konrad Peszynski (2010). *International Journal of Strategic Information Technology and Applications* (pp. 10-25).

www.irma-international.org/article/understanding-human-factors-systems-selection/45766

Information Strategy as Enabler of Competitive Advantage

Neeta Baporikar (2014). *International Journal of Strategic Information Technology and Applications* (pp. 30-41).

www.irma-international.org/article/information-strategy-as-enabler-of-competitive-advantage/114616

Implementing Information Technology to Effectively Utilize Enterprise Information Resources

Y. Mustafa (2006). *Cases on Strategic Information Systems* (pp. 238-255).

www.irma-international.org/chapter/implementing-information-technology-effectively-utilize/6443

Evolving Organizational Growth through Information Technology

Ira Yermish (2006). *Cases on Strategic Information Systems* (pp. 256-271).

www.irma-international.org/chapter/evolving-organizational-growth-through-information/6444