

## Delivering Business Value from IT Projects – Results from a Pilot Study

In a competitive and depressed economic climate, executives want to know that any IT project they undertake will deliver a significant return on investment.

Yet to date, most IT project research has focused on understanding project performance against time and budget targets. Little is known about IT projects and their success rate in delivering business value.

Until now. A new empirical research project exploring whether knowledge management practices affect business value suggests that a project team's ability to openly communicate and share ideas has a significant impact on attaining business value.

Researchers Dr. Blaize Horner Reich and Dr. Andrew Gemino, business professors at Simon Fraser University (Vancouver, Canada) and Dr. Chris Sauer of the University of Oxford have embarked on a four-year quest to determine the drivers of business value in IT-enabled business projects. They define business value as "the achievement of a set of strategic objectives which may be long- or short-term, financial or non-financial".

Following from their belief that difficult projects must engage the knowledge of many diverse professionals, they focused on knowledge management practices in this first investigation.

They suggest that knowledge management within a project has three elements:

- An **Enabling Environment** – an infrastructure and climate that facilitates knowledge practices.
- **Knowledge Stocks** – the team members' existing knowledge and their potential to increase knowledge.
- **Knowledge Practices** – activities that transform knowledge stock into a useable knowledge set for the project.

To test their research model, they surveyed project managers involved in 25 IT-enabled business projects from various industries in a west coast city in North America. Of the 25 projects involved, most were custom builds staffed by in-house employees. The average project lasted 15.5 months and utilized 261 person months, with an average budget of \$1.1 million.

The survey results did show strong support for the hypothesis that knowledge management influences business value attainment. Using statistical techniques, they found that fully 60% of the satisfaction with business benefits realized from the sample projects is explained by knowledge-based concepts.

The research team was surprised by which knowledge practices were most influential. They discovered that:

- **A project team's absorptive capacity - i.e. the team members' ability to relate to and value each other's knowledge and expertise** - was the key variable within knowledge stock that influenced business value. The actual levels of knowledge within the team relating to IT, business and governance did not have a significant correlation with business value.
- **The strength of a team's orientation to knowledge and learning**, a cultural variable, was also influential. Providing knowledge management systems (e.g. project portal, document repository, messaging, and teleconferencing) and co-location of the team were not influential.
- **The level of formal and informal knowledge sharing** (e.g. meetings, status reports, hallway and social gatherings) **between the IT team and the business team** proved to be influential in achieving business value.

While the researchers caution that the survey was very small, they suggest to project sponsors and managers that it is not the experience and competence of individuals that matters most to project success. Rather it is the team members' willingness to share and combine their knowledge.

"It seems clear that there is a lifecycle to knowledge management within an IT-enabled business project," says Dr. Reich. "The cycle starts when the governance team selects IT and business team members who are willing to listen and learn from each other. The next step is developing and nurturing a strong learning orientation within the project team. And finally, the governance team needs to create opportunities for formal and informal knowledge sharing. This combination of individual characteristics, team culture and knowledge-sharing structures is what creates the gestalt within which difficult projects can deliver value."

Source: Reich, B.H., Gemino, A. and Sauer C. "Exploring the Impact of Knowledge Management on Business Value in IT Projects", proceedings, European Academy of Management, May 2010, Rome Italy; May, 2010.

*PMPerspectives.org is a website which connects project managers and sponsors with project management researchers. Our mission is to understand and improve project management practices. The research team comprises Dr. Blaize Horner Reich and Dr. Andrew Gemino from Simon Fraser University, Canada and Dr. Chris Sauer from Oxford University, UK.*

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