

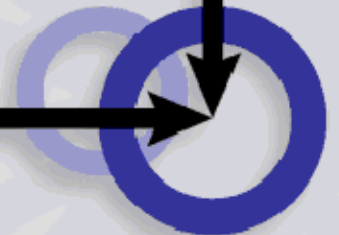
IT Projects - Measuring and Maximizing Return on Investment (ROI)

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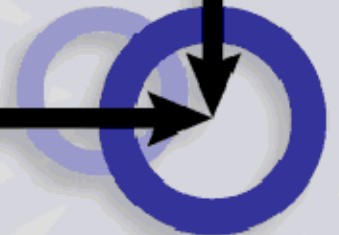


PBS 2001 Technology Conference



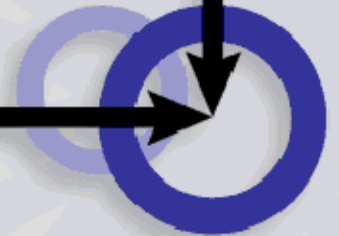
Conclusions

- ROI measurements can help IT managers validate and prioritize projects
- Maximizing ROI occurs when you consider **all** costs and **all** benefits
- Project approval is achieved by matching project type with an organization's technology adoption profile



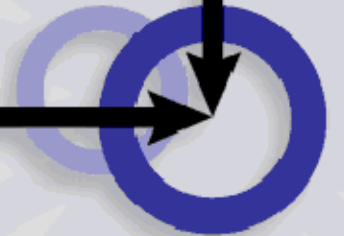
What is Return on Investment (ROI)?

- ROI is commonly expressed as a percentage derived from dividing revenue by investment
- ROI is an estimate of the financial benefit (the “return”) on money spent (the “investment”) on a particular project



Why is ROI important?

- Evaluate competing projects
- Provide metrics for business case
- Measure managerial effectiveness



Costs and Benefits

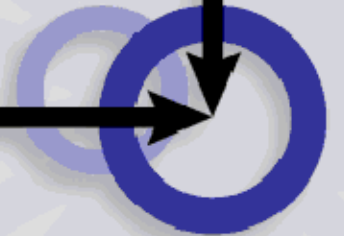
Costs (Investment)

Direct Costs

Known, expected costs

Indirect Costs

Less identifiable, usually distributed costs



Costs and Benefits

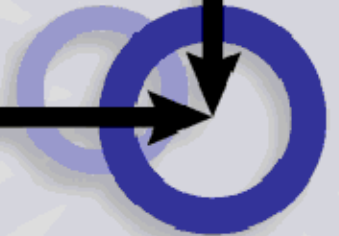
Benefits (Revenue)

Hard Benefits

Easier to measure and quantify in actual dollars

Soft Benefits

Harder to quantify in actual dollars even if they can be measured



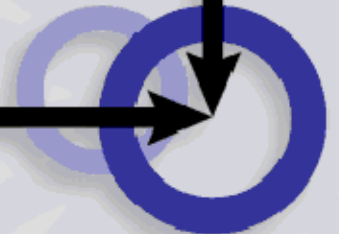
Cost Calculation Factors

Direct Costs

- Acquisition
- Development
- Operation and maintenance
- Implementation
- Training
- Staffing
- Conversion

Indirect Costs

- Utilities
- Rent
- Communications
- Management



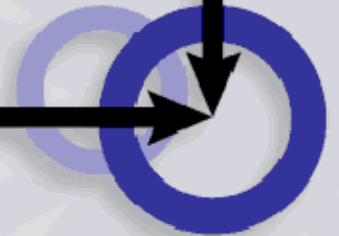
Benefit Calculation Factors

Hard Benefits

- Increased revenue
- Reduced expenses

Soft Benefits

- Customer and employee satisfaction
- Improved decision-making



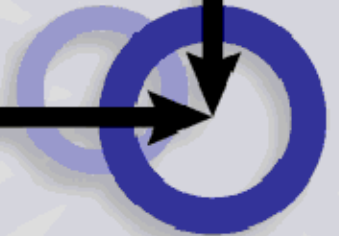
IT Project Types

Invention

Focus on creating
new processes,
products, markets

Improvement

Focus on efficiency

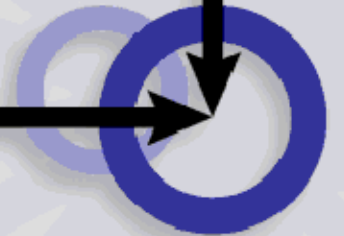


Improvement Projects

Example:



The acquisition and implementation of a new off-the-shelf application to improve contracts management



Improvement Projects

Example:

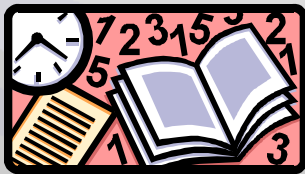


The acquisition and rollout of
desktop printers



Invention Projects

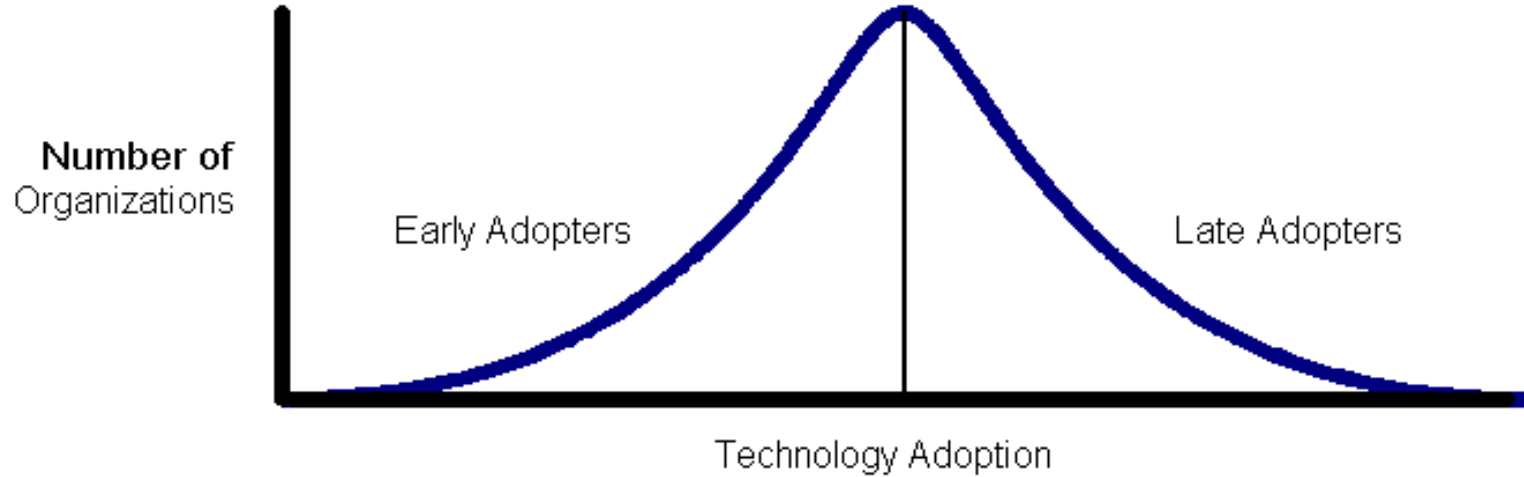
Example:



The development and implementation of an e-business initiative to manage grants processing

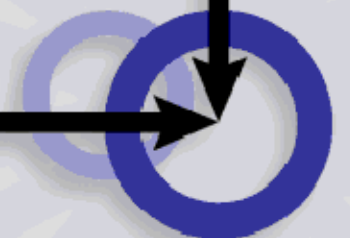


Technology Adoption Profiles



Early Adopters

- Aggressive (high risk)
- Focus on creating new processes, products and markets
- Emphasize soft benefits



Late Adopters

- Cautious (low risk)
- Focus on efficiency
- Emphasize hard benefits



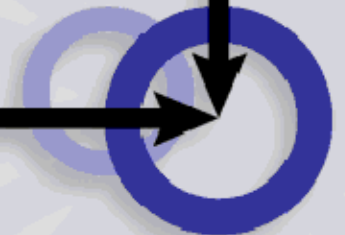
Project Approval



Adoption Profile

*Project
Type*

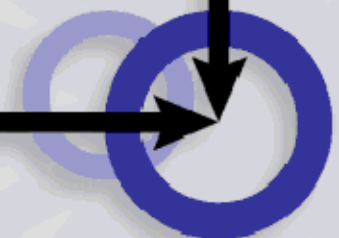
	Early Adopters	Late Adopters
Improvement	More Difficult	Less Difficult
Invention	Less Difficult	More Difficult



Project Approval

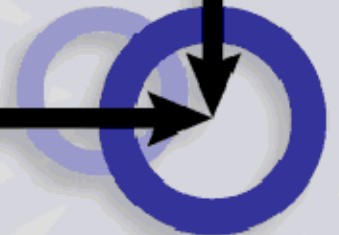
Effectively Communicating ROI

- Explain costs and benefits clearly
- Hard benefits first, soft benefits second
- Numbers, numbers, numbers!



Conclusions

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ROI Mailing List

<http://mailman.cpb.org/mailman/listinfo/roi>

