All rights reserved. Reproduction or translation of this work beyond that permitted in Section 117 of the 1976 United States Copyright Act without the express written permission of the copyright owner is unlawful.

Request for further information should be addressed to the Permissions Department, John Wiley & Sons, Inc.

The purchaser may make back-up copies for his/her own use only and not for redistribution or resale.

The Publisher assumes no responsibility for errors, omissions, or damages, caused by the use of these programs or from the use of the information contained herein.
PROJECT INITIATION

Chapter 3
Key Ideas

- Projects being when someone sees an opportunity to create business value from using information technology.
- Feasibility analysis is used to aid in the decision of whether or not to proceed with the IS project.
Key Ideas

- The **project sponsor** is a key person proposing development or adoption of the new information technology.
- The **approval committee** reviews proposals from various groups and units in the organization and decides which to commit to developing.
IDENTIFYING BUSINESS VALUE
System Request

- Lists key elements of the project
  - Project name
  - Project sponsor
  - Business need
  - Functionality
  - Expected value
  - Special issues or constraints
CD Selections

- An ongoing-case study used to illustrate concepts presented in the text
Your Turn

- If you were building a web-based system for course enrollment --
  - What would be the functionality?
  - What would be the expected value?
  - What special issues or constraints would you foresee?
Feasibility Analysis

- Detailing Expected Costs and Benefits
  - Technical feasibility
  - Economic feasibility
  - Organizational feasibility
Technical Feasibility: Can We Build It?

- Familiarity with application
  - Knowledge of business domain
- Familiarity with technology
  - Extension of existing firm technologies
- Project size
  - Number of people, time, and features
Economic Feasibility

Should We Build It?

- Development costs
- Annual operational costs
- Annual benefits
- Intangible costs and benefit
## Expected Value

<table>
<thead>
<tr>
<th></th>
<th>Costs</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible</strong></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td><strong>Intangible</strong></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>
Cash Flow Method for Cost Benefit Analysis

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Tangible</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>4</td>
<td>Total Benefits</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>5</td>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Development</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>7</td>
<td>Operational</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>8</td>
<td>Total Costs</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>9</td>
<td>Benefits - Costs</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
</tbody>
</table>

Slide 15
Return on Investment Calculation

RETURN ON INVESTMENT EQUALS

Total (benefits - costs)

Divided by

Total costs
Net Present Value Calculation

NET PRESENT VALUE EQUALS

Some amount of money

Divided by

(1 + interest rate)^n

Where “n” equals the number of periods
Organizational Feasibility

If we build it, will they come?

- Stakeholder analysis considers
  - Project champion(s)
  - Organizational management
  - System users
APPLYING THE CONCEPTS AT CD SELECTIONS
CD Selections

- What technical, economic, and organizational issues will developers of this system need to be aware of?
Summary

- **Project initiation** involves creating and assessing goals and expectations for a new system.
- Identifying the **business value** of the new project is a key to success.
- The **system request** describes an overview of the proposed system.
- The **feasibility study** is concerned with insuring that technical, economic, and organizational benefits outweigh costs and risks.
Expanding the Domain

- For an excellent source of information on IT management see:
  - www.cio.com
1. Give three examples of business needs for a system.
2. What is the purpose of an approval committee? Who is usually on this committee?
3. Why should the system request be created by a businessperson as opposed to an IS professional?
4. What is the difference between intangible value and tangible value? Give three examples of each.
5. What are the purposes of the system request and the feasibility analysis? How are they used in the project selection process?
6. Describe two special issues that may be important to list on a system request.
7. Describe the three techniques for feasibility analysis.
8. What factors are use to determine project size?
9. Describe a “risky” project in terms of technical feasibility. Describe a project that would not be considered “risky.”
10. What are the steps for assessing economic feasibility? Describe each step.
11. List two intangible benefits. Describe how these benefits can be quantified.
EOC Question Chapter 3

12. List two tangible benefits and two operational costs for a system. How would you determine the values that should be assigned to each item?

13. Explain the net present value and return on investment for a cost–benefit analysis. Why would these calculations be used?

14. What is the break-even point for the project? How is it calculated?

15. What is stakeholder analysis? Discuss three stakeholders that would be relevant for most projects.