LIES, DAMNED LIES AND ROI

What really defines ROI on a development project, asks Graham Oakes.

Graham Oakes: steering the project is crucial

How do you calculate the return on investment for an enterprise integration platform? Many organisations struggle with this question. They recognise the need to tie any initiative back to some clear assessment of business value, yet find that the benefits of an integration platform can be pretty abstract. Flexibility and agility are good things to have, but what is their exact monetary value?

ROI calculations then start to turn into an exercise in making up numbers to justify the funds you want to invest for 'obvious, strategic' reasons. The numbers get pulled out of the air. The project gets approved. The ROI case gets filed away and forgotten.

Smarter organisations use techniques like scenario planning to put some flesh on their numbers. They develop a number of future scenarios, then calculate what it would take to develop systems to support them with and without the integration platform. The difference between the costs, weighted by the probability of the scenarios, becomes the ROI for the platform.

This looks more scientific, but it's only as good as the initial scenarios. And it's often just as quickly forgotten. For me, this misses much of the point of calculating ROI.

We calculate ROI for two reasons – yes, firstly to help sell the project, but secondly to help steer the project as it proceeds.

Project teams make dozens of important decisions every day. They choose where to prioritise their resources. They choose to accept some risks and avoid others. They choose between design options.

The ROI case for the project can be an important input to many of these decisions. Understanding the sensitivities behind the ROI can, for example, give you a lot of information about the likely impact of different risks.

Knowing this, you can choose to accept or avoid particular risks much more intelligently. Or you can make design choices that open up options for valuable future scenarios without compromising the current project.

Throw away the ROI, and you're flying blind on these decisions. Now it all comes down to personal preference, prejudice and shouting matches. Ever been on a project like that?

Bear this in mind when calculating ROI for your projects. What sort of decisions might you need to make down the line, and what information about organisational priorities and principles might help you make them? An ROI case that begins to surface this information can add real value.

Selling the project is important. It helps the organisation to prioritise, and helps stakeholders to buy-in to the project's goals. But steering the project is crucial – lack of a clear framework for decision making causes many projects to flounder. That's what ROI is really for.

● *SOA, Web Services & Enterprise Integration Evaluation Centre Expert Dr Graham Oakes is the principal of content management, product development and customer service strategies consultancy Graham Oakes Ltd. Email: graham@grahamoakes.co.uk. Website:* ***www.grahamoakes.co.uk****.*