

# EXECUTIVE SUMMARY

## BUSINESS ANALYSIS BENCHMARK - 2009

### THE PATH TO SUCCESS

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**IAG**  
CONSULTING

# *Business Analysis Benchmark – The Path to Success: Executive Summary*

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The Business Analysis Benchmark is a large scale survey effort by IAG Consulting designed to assess the link between an organization's maturity in requirements definition and management and project outcome. This year's theme is *The Path to Success*; the study presents detailed findings on the impact of business requirements maturity and analyzes the strategies and tactics needed to implement enhanced requirements maturity.

IAG's Requirements Maturity Model (RMM) is a means to benchmark an organization's effectiveness in requirements definition and management by looking at maturity in six underlying capabilities. Like similar standards-based models, it classifies companies based on observed, tangible competency in each capability to make an objective assessment of overall maturity. Using this approach, IAG found:

1. Requirements maturity improvement is highly correlated with improvement in development effectiveness.
2. Requirements maturity cannot be changed through continuous focus on only one underlying capability.
3. High requirements maturity companies can be found amongst the followers of many different approaches to development such as Agile, Iterative, Plan Driven (Waterfall), and Prototyping/Visualization centric methods.

The above findings validate the Requirements Maturity Model as a mechanism for identifying the impact of poor requirements practices on companies, quantifying the performance change expected for a particular organization's situation, and, diagnosing the changes needed should a company choose to pursue a path of improvement. This report identifies both the strategy and tactics of enhancing requirements definition and management maturity.

The statistics presented in the Business Analysis Benchmark not only debunk a number of commonly held beliefs about development effectiveness, it shows that the average organization wastes a large proportion of their IT development budget due to poor requirements maturity. ***To be clear, 75% of organizations surveyed waste over one in three dollars spent in IT development and implementation annually as a result of to poor requirements maturity.*** These findings detail key issues and actions needed to recapture this wastage.

Key findings of the Business Analysis Benchmark include:

- 1) Requirements maturity has a strong positive correlation to *EVERY* major measure of development efficiency assessed. On time performance, on budget performance, on function performance, overrun magnitudes for each of the above, and project success rates all improve as requirements maturity increases. ***On average, performance virtually doubled on each of these metrics as organizations progressed from using an ad-hoc***

***approach for requirements definition and management to having institutionalized and consistent competency in all capability areas:***

- a. Average on time performance of technology projects increased by 161%.
- b. Time overruns on projects reduced by 87%.
- c. Average on budget performance for technology projects improved by just over 95%.
- d. Budget overruns reduced by just under 75%.
- e. Percentage of projects that deliver the functionality needed by the business rose by just over 75%.
- f. Average functionality missed dropped by approximately 78%.

*"This survey is a testament to the need for investing in your requirements process to deliver value to your stakeholders."*

Scott Hebner,  
Vice President Marketing and Strategy, IBM Rational Software

2) A total of 74.1 per cent of survey respondents were classified as immature Level 1 or Level 2 organizations (where the highest maturity Level is 5). These organizations waste 39% and 34% respectively of their development budget due to poor requirements definition and management maturity. **This wastage due to poor requirements maturity will increase to over 50% of IT spending on development and a significant proportion of the maintenance budget in certain circumstances.**

3) Poor requirements definition and management maturity undermines organizational competitiveness. Organizations with poor requirements maturity expend far more time, budget, and management effort to achieve the same results as organizations with high maturity. For example, **organizations with low requirements maturity achieve the business objectives of a project initiative a mere 54% of the time while taking 35% more time to achieve this poorer result.** This impact may be so significant over time that it shifts fundamental financial performance metrics such as Return on Assets. IAG found Level 4 companies, on average, outperform the ROA of their peer group competitors by 10%.

4) While this report discusses and busted a number of commonly held beliefs about requirements and development efficiency, two issues garnered significant attention and support from the report's external review panel:

*"This [report] was extremely helpful to me, not only to understand the findings relating to my current situation, but also what CEO and CIOs are interested in."*

Carol Deutschlander,  
Home Hardware Stores Limited

- ***CIO's cannot simply attempt to hire great analysts and expect the problem of poor requirements to go away:*** In fact, lower skilled people in a high requirements maturity company significantly outperform highly skilled people in a low requirements maturity company.
- ***Agile, Waterfall, Iterative, Prototyping/Visualization have immaterial performance differences for any given level of requirements definition and management maturity.*** There is a raging debate amongst development methodologists each espousing one method over another. This study finds that changing development methods - in the absence of also improving requirements competence in the areas of process, techniques, staff, technology, organization and deliverables - only nominally

improved or reduced overall success rates on projects. IAG has had excellent results with all these approaches, and, the findings of the Business Analysis Benchmark do not endorse any one method over another. The key issue for readers: ***the overall level of requirements maturity has a MUCH greater effect on project outcome than the development method selected.***

The Business Analysis Benchmark describes the issues and impacts of each level of the organization, and the role each plays in moving a company forward along the path of maturity. This report has a preface that describes the survey, maturity model, and basic facts surrounding the impact of requirements maturity on project outcome. The remainder of the report is organized along the lines of readership group – discussing the key findings as they relate to:

1. **The CEO:** how does requirements maturity impact overall organizational competitiveness?
2. **The CIO:** how does IT Leadership approach the major issues in making requirements definition and management change?
3. **The Project Management & Analyst Leadership:** what is the effectiveness of various paths of change, and what are the required activities to bring improvement?

In addition to this content, IAG has also asked a series of external reviewers to comment on survey findings. These invaluable insights are captured in the green call-out boxes throughout the report.

*"I've worked carefully through the Benchmark Study. It's terrific stuff -- some of the conclusions are almost iconoclastic, and yet they make tremendous sense once you analyze them. And the RMM is an excellent tool -- of course it does and should heavily parallel CMM / CMMI, but it also provides tremendous value added as you've applied/customized it to Business Analysis practice."*

Senior Requirements Specialist  
Major Property & Casualty  
Insurance Company

## Executive Summary Multimedia Links

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This is a multimedia Executive Summary. You can use the links below to access other study documents:

- To download the full study click here: 
- To get short video walk through of the findings – click here: 
- For more background on the Requirements Maturity Model – click here: 

## About IAG Consulting

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IAG Consulting is a market leading professional services firm specializing in requirements definition and management. Established in 1997, IAG has over 40 senior consultants, has worked with the majority of the F500 companies, trained over 20,000 Business Analysts, and written over 1,200 requirement specs.

IAG helps US and international organizations define their business and system requirements for IT projects and organizational change initiatives. IAG provides consulting expertise, best practices, maturity assessment, and transformational programs to the IT and business community.

Based in New Castle, Delaware, IAG is privately held with offices in the US and Canada. Contact IAG or the author at [www.iag.biz](http://www.iag.biz) or 1.800.209.3616.