



What you need to know before spending another penny on IT

Before you make another investment in your IT infrastructure, make sure you have answers to these vital questions:

- Can I avoid unexpected costs as in my IT projects?
- How can I be sure I have chosen the right IT solution?
- Should I apply the latest technology in my IT project?
- You're at the decision point. Have you learned everything about your IT project?
- Is a plan in place to handle unanticipated failures?



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Making IT-purchasing decisions is a stressful responsibility, so don't try to go it alone. Make use of the experience and resources around you. Check to see that everyone has the same target in mind. Consider using a talented consultant. Existing IT staff often loath consultants because they have a reputation of being expensive and telling you what you already know. But many consultants have great knowledge and expertise that expands beyond the walls of your organization. They can help you make good decisions and avoid costly mistakes.

In almost all organizations, about 70 percent of the IT budget goes to maintaining current activities, with the remainder divided among enhancing existing systems, meeting new regulations and implementing new systems. With IT confronting an environment of decreasing personnel and increasing expectations for functionality and efficiencies, those making the purchasing decisions face growing pressure to deliver under intensified budget scrutiny. The number of IT vendors is growing as is their skill and expertise in influencing buyers' choices. Choosing the right vendor depends on your ability to ask the kinds of questions that reveal the quality level of a potential IT partner. The following tips may help you make good purchasing decisions.

-The five things you need to know before spending another penny on an IT project

1: Time that you spend assessing the business value of a project can save your organization big \$\$\$\$. Skepticism can be a good thing. Take the time to prioritize projects. All projects should be pitted against each other for approval and must vie for financial and human resources. Having a disciplined process covering all IT investments, with far more rigor up front, allows prioritization. This ensures investment of financial and human resources into areas that offer the greatest benefit. Create a benefits profile to be sure these benefits are trackable and measurable. Consider return on

investment (ROI), but don't count on it. An ROI analysis is expected, and you should do one. However, defining measurable ROI for information systems has been an entertaining source of debate for a long time. Intangibles such as



avoidance of certain costs, increased productivity and increased reliability make many ROI analyses suspect. And few institutions go back to compare their actual

achievement against the original ROI analysis--usually claiming that so many things have changed, the effort isn't worthwhile. So be realistic about your ROI. Better yet, be one of the few organizations that goes back to make comparisons. They'll help in your next investment.

2: Recognize that ideas for IT projects can come from anywhere. Work on a feasibility study that looks at the project from four dimensions: financial return, strategic fit, architecture, and risk. The financial arm of the business determines the return benefit; the business unit sponsoring the project assesses alignment with company strategy; the IT department addresses overall technology-architecture issues; and the project manager evaluates risks. Your IT vision, strategy and goals should support those of the organization. That may seem obvious, but it's common to see an organization purchase a system that meets the specific needs of a single unit rather than the goals of the entire group. Misaligned purchases often lead to additional interface and maintenance work during and after IT implementation--without producing any overall organizational support. So test your assumptions before making any decisions. If you're not sure about the system's strategy, present your understanding of the IT goals to organizational executives or outside parties. You'll quickly find out if you're taking the wrong direction. If executives agree with your thinking, document the goals and review them with all interested parties for confirmation.

3: You should be focused on business processes, not technology. These processes must work well if the organization is to be efficient and effective, and technology doesn't always enhance them. Don't get caught up in enthusiasm for a new technology, no matter how much fun it is, unless it improves business results. For example, wireless technology is a great advance but difficult to justify as a purchase on technology alone. However, a wireless PDA order entry system might be a tremendous process improvement for an institution. The goal is to improve processes, not just acquire new technology. Focus on what the technology can actually do for you. Incorporate security concerns into your decision. Involve your security officer. Considering such factors as potential intrusion, auditing capabilities, authentication and authorization of users before you buy is much easier than building them in after the fact.



Avoiding wrong moves can be as important as making the right ones

4: Increase your knowledge. Purchasing decisions are too important to make without complete information. Understand that you can't possibly know everything you should about all hardware and software. So ask for help and guidance. Start with your colleagues. If you're a member of an organization that brings your peers together, plan to attend these meetings armed with a list of questions. Discuss your options and concerns with other members. Find out what others in a similar situation did or wish they'd done. Document what you learn so you can refer to it later. If your organization is a member of a buying consortium, make use of its resources, which may be significant, to compare products and services and see what similar institutions are doing.

5: Develop contingency plans. It's hard enough to make one decision, much less decide what you'll do if your first decision doesn't work out. But having a "plan B" puts vendors on notice that you already have options if they don't perform. And it alleviates the need to go into crisis decision-making mode if things go wrong.

- Don't select systems or devices that conflict with your technical architecture. You want to simplify your architecture, not complicate it. If you don't have an architecture plan or policy in place, get started on one.
- Don't create more workarounds or interfaces. New systems can mean new interfaces to allow information to flow among systems. It's not unusual to have 20 to 40 percent of IT maintenance dedicated to these types of interfaces. Every new interface will increase this burden. Integrated systems will reduce complexities so do what you can to implement interface reduction and simplification.
- Don't pursue functionality you already have. Many major IT systems have more functionality than they actually use, but it's often easier to get a new system than to persuade staff to use technology that's not quite up to the latest. Try to resist the pressure. If the functionality already exists, the data to support it is probably there, too. A new system is likely to mean redundant and potentially inconsistent data--the source of major headaches.

- Don't shortchange technology to save money. Getting the absolute minimum-size server, skimping on network capacity, putting off workstation upgrades and similar decisions are asking for trouble in implementation or use of your new system. For example, a minimal server on a payroll system can make you unpopular with every employee.
- Be realistic about the technology required, especially when a large number of users will be affected. Make sure you get accurate sizing advice for your server purchases. There are many free tools available that can assist with this.

Completion requirements should have been specified in the contract, but you may also need to have an agreement with your users that acknowledges when the project is finished. A statement of work is one means of achieving this understanding with users before the purchase is made and the work begins. But, to be realistic, you'll probably receive a request for new add-on activities soon after the project is finished.

Involving the right people, resources and methods can significantly reduce the anxiety associated with purchasing IT today. You'll be a hero when you meet the goals you promised.

Keys to success:

Once you decide to buy, you can help ensure the success of your purchase by seeing to the contract details. Write testing and acceptance criteria into the contract and tie them to the milestones and payment schedule. These criteria should clearly indicate when the vendor has completed its work and you have received what you purchased. Vendors like to know what they're responsible to deliver before they get paid, and you'll know exactly what to expect for your money.

Test criteria should be deterministic and repeatable--showing definitively that the test has or has not been passed and yielding the same answer no matter who does the test (which also allows an independent third party to conduct testing). Criteria should also be definitive--if the product or project passes the test, the vendor gets paid. If the product or project fails, the vendor must repair it.

The contract should also contain the escalation process, which usually helps accelerate completion and diffuse disputes. Make sure you're familiar with the content, because if something goes wrong, you need to know how to get it fixed promptly. If something goes terribly wrong, you need to be ready with your contingency plan.

Another provision in the contract should specify liquidated damages--a sum that the vendor is responsible to pay you if it breaches the contract or fails to perform. The provision is there to protect you, so be sure to understand it.



Summary:

There is no question that the focus on IT is a critical factor in today's business. Purchasing decisions can influence the direction of a company and can lead to great value or capital draining mistakes. Find someone you can work with who has been through many projects – good and bad. Midwest Tech Group stands ready to assist you in making IT purchase decisions and in the implementation of projects where end results are not a surprise.



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