



## Making Software a Good Investment

By Rebecca A. Morgan  
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*Determine your objectives and goals before you sign on the dotted line.*

The salesman describes the software as the perfect solution. If you write the check for the new software package and for consulting, will your problems go away? Hardly.

Gaining business advantage does not happen automatically when you spend money on software. Thousands of companies have invested billions of dollars in software. Some of those companies have liked the results of the investment, but many have not. What is the difference?

Organizations that (1) stay focused on business need and impact, (2) provide appropriate quantity and quality of resources, (3) utilize excellent project management, and (4) integrate verification of expected outcomes into the project put the odds in their favor. If you don't have every single one of these qualities, the risks increase substantially.

### Why Consider Software?

Successful software implementation starts with an understanding of business needs and of how you expect software to meet them. Ask yourself, "Why am I even considering buying software?"

Perhaps an important customer insists on ordering via EDI (electronic data interchange), a capability you don't currently have. Perhaps you see a window of opportunity in the market that software could help you leap through. Perhaps you are fed up waiting for numbers that aren't believable and look to software for help.

Identify the prime drivers so you do not lose sight of why you are considering buying software.

### Learn from others:

Visit other companies. See what they are doing. Learn from their experience. Go to a conference with an exhibition hall full of software companies. Ask them to describe the capabilities they offer that were crucial to the decisions of their customers. Work to gain understanding of what is possible. Then become clear on what could truly help your business.

### Tie The Software to Your Bottom Line

If you expect software to pay for itself, you must know how it will help your bottom line. Not a hope, but a plan. It's time to determine both "why" and "how" the investment will make your business better. Without that clarity, the investment relies on serendipity - a bit risky for most.

- Define the purpose of the investment, accompanied by specific objectives
- Define what changes you will make and specifically how those changes will impact the objectives - the cause and effect relationships you expect to leverage.

Too many organizations skip that second step. They define purpose and objectives, but don't truly understand how they are supposed to happen.

### An Example:

You need to improve cash flow and reduce costs to remain competitive. During a round of golf, a friendly competitor told you a recent software implementation at his company has really made his place run better! You wonder if software may be the answer to your problem.

The positive experience of someone else is your driver for considering software.

The purpose of the potential software purchase is to improve cash flow and reduce costs, turn those into objectives by attaching numbers and time frames. You set the objectives as: Cash flow must be positive every month and cash reserves should stay between \$1 million and \$1.5 million, both beginning within 5

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months. Direct product costs and all overhead costs must fall by 3 percent per year, beginning this year.

At this point we know from a business perspective how you expect the business to be better. But we don't know how the software will make those things happen.

Let's say, in this example, that you believe the key to reaching those objectives is "visibility and planning." Define "visibility and planning" so everyone understands what you mean. You may define it as good cost data, a helpful 18-month sales forecast, and exception notices when anything varies from plan more than 5 percent.

Now determine what combination of business process changes, education and training, and software capability will generate those tools. Understand the cause (the thing you change) and the effect (how the objectives are impacted). Software cannot do it alone.

So, a key step is understanding the purpose and quantified objectives of making a software investment. Understand what is business process change and what is software. Now you know the role you expect software to play in reaching the objectives.

### **One more thing.**

With an understanding of purpose, objectives and relevant cause and effect relationships, check one more thing. Ask yourself: "Can we accomplish the same thing by changing our business process and utilizing software we already have?" If the answer is "yes," consider if that is a better solution.

### **A Strong Foundation:**

When you are clear on why you are considering software, and have a defined expectation about how it will flow to your bottom line, you have increased your odds of successful software implementation.



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