Securing returns on IT investments

Measuring success in technology **Interviewed by Jason Lloyd**

Information technology solutions allow companies to enhance business performance. Data is transformed into business intelligence, which is crucial for success. IT solutions can automate and streamline business processes, minimize human error, increase productivity, enable better customer service and guarantee business continuity. The return on investment (ROI) should provide customer satisfaction and contribute to increased revenue. Many companies find themselves wasting money on projects that fail to meet business and customer expectations.

Smart Business spoke with Ryan Stephens, president and CEO of Perpetual Technologies Inc., about how businesses can ensure a return on their IT investment.

Ryan Stephens
President and CEO
Perpetual Technologies Inc.

Why are companies struggling with IT?

It is easy to be lured by the hype of bleeding-edge technology while not understanding how it relates to a company's needs. Certain risks are associated with new technology. New technologies often are not fully tested and can introduce unexpected problems. Expert assistance may not yet be available. Deployment costs such as training, testing, implementation and upgrades may be significantly higher.

Additionally, IT initiatives are not properly aligned with business objectives. Information systems exist to support business internally and externally. Business units and executive management have to be involved in making IT decisions. Regular meetings must be conducted between IT staff and management to ensure that projects stay focused on satisfying actual business requirements.

Companies frequently have no mechanism to measure success. This implies a lack of accountability, realistic benchmarks or expectations for future projects. Implementing a grading system will help ensure projects stay on track and within budget.

How do you know where to draw the line with spending?

IT options are endless, but budgets are limited. Companies must analyze their needs and establish goals based on those needs. Once goals are established, a risk assessment is done. Projects should be well defined and opportunity costs weighed.

Certain expenditures cannot be avoided. Any significant expense should be clearly defined, analyzed by management and financially justified. By taking a pro-active approach to spending, it is easier to maintain control as your IT needs grow. It is important to note that the newest technology is not always the best. Technology investments that don't contribute to business success should not be considered.

How do you compute ROI?

Returns are computed based on a comparison of benefits and results versus the total investment. Methods for computing these returns differ among companies. Benefits include customer and employee satisfaction, streamlined processes and enterprise protection, among others. Regardless of the method used, hidden costs must be considered. Hidden costs may include operations, maintenance, training, licensing, hardware, upgrade requirements, data migration, risk of system unavailability and labor.

How can IT success be measured?

Informally, the best indication of a successful investment is customer satisfaction.

Formally, there are frameworks for measuring and even managing IT success. Examples of these frameworks include the basic return on investment approach, the Balanced Scorecard and Six Sigma. There are numerous resources available that can help you tailor a framework or approach to your business needs.

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