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Getting the Thinking Right Up Front Lowers Costs

I hate surprises, especially the surprises that cost me more money -- *sometimes much more* -- than I had planned. Too often executives are faced with project cost overruns, not getting the reporting and predictive insights they need, and being too dependent on costly consultants. Getting the thinking right up front lowers cost and reduces risk.

Organizations have engaged our firm and professionals to save many failing projects over the years, and through our experience in turning around these projects we have identified the following considerations for executives starting new projects:

1. Hire an independent and trusted advisor. As you would hire an attorney to help you navigate a complicated legal case, the best decision you can make before undertaking a large and complicated project is to hire an independent and trusted advisor who is an expert in planning, analyzing and avoiding hidden hazards.

To be "independent" means that your consultant's motives are not at odds with the success of your business. For example, if a software company offers to write your business requirements at a discounted rate, you can be certain that their solution will be the only one that meets your needs. Requirements should be written with the objective of selecting the right solution for your business problem, not favoring a particular answer.

To "trust" someone means believing that the likelihood is extremely good that a person or firm will deliver. At Heartwood, our professionals maintain a level of integrity higher than industry standards. I had a recent client that had outgrown QuickBooks, and the sales teams at the large ERP companies were circling like sharks. They didn't need the complexity offered by high-end packages; with our help, the client saved at least 80% on its upfront and on-going support costs. Acting as stewards of your business, your trusted advisor's recommendations and advice should be the same as if he or she owned the business.

2. Comprehensively envision and articulate what you need. It's a fool's errand to provide an answer to an unknown question, yet this is a common mistake made by companies when investing in IT solutions. Many mid-tier managers have not put in the time to think through what is needed to run their business, rather opting to purchase the solution with "all the bells and whistles" knowing that with enough time and funding they will be able to make a solution work. IT solutions that offer high levels of flexibility and customization are obtained *only* at higher cost. Focusing on both the discriminating and core business requirements is the lower cost approach – few companies can afford to make huge capital investments into every aspect of their business, and then only use little of its functionality. I'm always amazed how often I see companies purchase software and then immediately shelve it or use very little of the available features. Taking the time upfront to define what you need, how you are going to implement it, and what realistically might evolve over time, saves money and time in the long run.

3. Evaluate alternatives. When a vendor is offering a solution that seemingly makes a major "headache" go away, it can feel unnatural to look elsewhere for other alternatives. But in an environment when investors and shareholders are demanding more, CFOs and other business executives need to evaluate their options before making a decision. Evaluating alternatives is as much an art as a science:

- ask solution providers to demonstrate their solution using your sample data and your processes;
- understand what it will take, technically, to implement the solution; and
- understand training, support and maintenance costs in addition to one-time costs.

Any process can be accomplished manually with old fashion sweat and hard work -- what does this option cost and offer?

Case study: I once worked with an organization to select a software product to build rules to reconcile hundreds of financial elements with third-party debt servicers. The business owner for the project was new to the company and wanted to implement a software package that had served him well in a role at a prior employer. This purchase was considered a "done deal" until the team that I led documented the details of what the business needed, evaluated each solution based on those requirements, and then changed his mind when we determined the extraordinarily high integration costs to this organization's legacy systems. We selected and implemented a lower cost package that saved money and produced results more quickly.

4. Negotiate based on the functionality you will use. Software costs are always negotiable, so negotiate your costs based on the functionality you will use and the expense that you will incur to implement the technology. A lot of software goes unused. Don't pay for something that you don't need, and don't pay for something you don't use.

A trusted advisor with unique skills in strategy, accounting, finance and IT helps you get to the right answer faster -- this lowers costs and reduces risks.