Reasons to Invest in Technology

Some companies are generally reluctant to financially support their IT organization. They may view IT as a cost center rather than a profit center. In reality however, the advantage of IT is that it can drive business value while keeping the lights on. The challenge is to know *when* to invest in technology. As in most cases, timing is everything.

Here are five reasons organizations may invest in technology:

1. Direct return on investment

This is a traditional Return on Investment (ROI) scenario: If you give me one dollar, I will give you two dollars back. The financial tools and methods used to determine the ROI are similar to those used in other business projects. To evaluate whether an IT project is worth implementing, companies consider a number of variables to calculate direct monetary returns, including the amount of an initial investment, ongoing and operational costs, as well as timeline. An IT project is deemed a worthwhile investment if the amount of money it generates exceeds the amount of money invested. Companies that take advantage of IT to drive business performance are particularly skilled at conceiving technology investments that generate successful returns.

2. Indirect return on investment

Some IT investments are indirect, yet still generate valuable returns. For example, investing in IT infrastructure is often a wise decision. Similar to building highways, investing in IT infrastructure does not always create direct monetary returns that are immediately visible. In some cases, a dollar value cannot be assigned directly to infrastructure projects. However, IT infrastructure will lead the way for many software applications and IT services to be created. These applications and services will in turn create value and generate monetary returns. For example, a corporation may build a computer system environment that can process more information in the same amount of time. Even though returns on such investments cannot be assigned directly to the new computer system, the results - faster processing, quicker product turnaround and a happier client – will make the resulting value visible and monetary returns on the investment clear.

3. Lowering costs

Cutting back is not a scalable solution. Without innovation there is little hope for a promising future. Lowering IT costs may buy a little time, but it ultimately leads to insolvency. Most companies cut costs when their other alternatives have been exhausted. Like running efficient IT operations, lowering costs must always be a part of a balanced IT portfolio. However, cutting costs to get out of trouble means that time is running out, and it only prolongs the inevitable. This is not a productive way to manage technology.

4. Fighting competition

Spending money on technology to fight the competition may signal that it is already too late, and the battle may be lost. Naturally, while playing catch-up from time to time is expected, there is no company which can continuously produce winning products or services. Coincidentally, constantly playing from behind is a recipe for disaster. We have seen this scenario too many times. Consider what happened to Research In Motion with Blackberry and Nokia with mobile phones. Both companies were once on top of their games, then lost track and are now attempting a comeback. You do not want to be in this position.

5. For the sake of technology

Some companies invest in new technologies just for the sake of the industry. New technology may not align with their business strategy, and there may be no direct and indirect return analysis performed prior to investment. A new solution is purchased for its "cool factor" in addition to bragging rights among industry peers. This is absolutely the worst way to utilize technology. IT should always be aligned with business strategy, and its focus must remain on improving core business performance.