



# SMART TECHNOLOGY INVESTMENTS IN A SLOW ECONOMY

## *Fighting Back with Improved Efficiency*

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Though the depth and breadth of the current economic slump is still a matter of debate and a definitive timetable for an economic turnaround is unknown to all, businesses of all sizes and in all sectors are coping with a slow economy and the likelihood of reduced profitability. Many are doing so, in part, by slashing discretionary line items in budgets. Common items that are being cut include spending in advertising, marketing, travel, and information technology. In this issue, we will look at what types of information technology spending make sense in a slow economy.

### FOCUS ON EFFICIENCY

Like all capital spending, expenditures on information technology should be viewed as an investment and there should be an expected demonstrable return on that investment. More specifically, part of the return on that investment should be to increase efficiency within the organization. This aspect takes on increasing significance in a slow economy because information workers will almost certainly be asked to do “more with less”, as a result of staff cutbacks. Therefore, one of the first questions to ask when considering information technology expenditures in today’s economy should be “how does this investment increase efficiency”.

One accountant-centric example of increased efficiency resulting in a positive return on investment might be in the area of financial and operational reporting. Historically, the processes of generating and distributing key financial and operational reports have been labor-intensive and include many manual processes such as keying and re-keying data, manually updating charts and graphs, and emailing and distributing reports. To the extent that these efforts can be economized by deploying such tools as **Microsoft’s FRx** or **PerformancePoint Server**, **Business Object’s Crystal Reports** or **Xcelsius**, or **BizNet’s BizNet Xcelerator**, then organizational efficiency is improved and we can achieve “more with less”.

### IMPROVE UTILIZATION OF EXISTING ASSETS

Information technology expenditures that improve utilization of existing assets can be very wise investments in a slow economy. For example, small investments now that result in deferring significant expenditures until later are very welcome means of conserving cash. One example of such an investment could be deploying virtual servers in order to leverage the existing investment in current server technology. In previous issues of this newsletter, we have discussed how tools like Microsoft’s **Virtual PC 2007** and **Virtual Server** and **VMWare’s VMWare Workstation** can be used to create and deploy virtual computers and virtual servers in companies of all sizes and the benefits related to

virtualization. Undoubtedly, one of the best technology investments that can be made in a slow economy is that of creating and deploying virtual computers.

Another example could be to add random access memory (RAM) to existing desktop and laptop computers in order to potentially delay the need for replacing these computers. Adding memory to most computers is a very simple and inexpensive upgrade. However, one important consideration when attempting to extend the life or utilization of existing investments in information technology is the mantra of “not throwing good money after bad”. In other words, while attempting to leverage investments in existing technology assets, attempting to extend the life or utilization of certain existing assets may not be a wise choice. For instance, attempting to prolong the life of a laptop or desktop computer more than four to five years old may not be a smart investment. Rather, advancements in technology over the past few years mean that a significant expenditure likely would be required to upgrade the computer to current technological standards; further, it is probable that an entirely new asset could be purchased for less than the total cost of any such upgrade expenditure. Thus, attempting to prolong the life of that computer probably does not provide an adequate return on investment, regardless of the state of the economy.

## TRAIN YOUR TEAM

In good times and bad alike, companies often make significant investments in hardware and software for projects that promise substantial returns. However, failing to adequately train – and continually re-train – team members will almost certainly ensure that the promised returns will never materialize. Accordingly, when considering information technology projects of any size – from upgrades to Microsoft’s **Windows Vista** and **Office 2007** to complete replacement of ERP systems – insist on adequate training budgets and see that these budgets remain protected. Merely deploying hardware and software will not provide the requisite returns if team members are not fully prepared to take advantage of the features in the system. If information training budgets related to new projects are cut, consider delaying these projects until such time as proper training resources can be allocated.

## SUMMARY

The challenging economic environment we face today does not mean that we cease to improve the functionality provided by our information technology infrastructures. Rather, it means that investments in information technology will face increasing scrutiny. Business owners and shareholders will demand appropriate returns on these investments and in order to deliver these returns, managers must direct specific attention on three key areas: 1) focusing on efficiency, 2) improving utilization of existing assets, and 3) training their team members. Doing so means increases the likelihood that appropriate investments in information technology will be approved, regardless of the status of the economy.

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