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10 Deadly Mistakes Small Business Owners make when Buying Business Software

Buying software for your business can be a challenge. No matter how much research you do, you often get a surprise when you install it. This is true of tools such as Microsoft Word and other such products. They will usually impact productivity until you learn how to use the software. However, what I mean by business software is something more complex that you use to run your business. It might be something at the low end, such as Quick Books, moving on up to products such as Business Vision, ACCPAC, etc. and even more so when you get to specialized tools that go beyond managing finances and into specific construction support, Enterprise Resource Management (ERP), Customer Relationship Management (CRM) or manufacturing tools. The mistakes identified here relate to these purchases.

1. Limiting your search to the Internet, friends and business associates.

When starting something new, we start looking for sources of information. Often this consists of talking to friends and colleagues, and the Internet is always a good source of information. You quite possibly have very limited knowledge of the area (or you would have solved the problem already) and you want to learn. However, you shouldn't stop there. While this research is an excellent foundation, there is a lot more to know.

- Is the software a good fit for your business?
- What are the pitfalls and problems?
- What will your supplier provide?

If you have a business advisor or coach, mastermind group or another support expert, get their opinions, thoughts, etc. Get them to help you with your planning. You need every bit of expertise that you can find. It will help you to succeed in meeting your business goals, increase the value, reduce the cost and speed up the time to getting a return.

2. Not performing a technology assessment.

When you install new software, you are looking to upgrade the performance of your business. If you are successful, you will be much more reliant on your technology infrastructure. If it is unstable or unable to handle the new volumes or incompatible with your new software, it will



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impact the performance of your business. This can mean lost productivity, increased overtime or lost sales.

A technology assessment will look at your existing infrastructure and outline what you need to do:

- To support your new business requirements.
- To prevent problems from creating instability.

The normal inclination is to get your software supplier to perform this assessment. Don't do it. The software supplier's focus is to sell the software. They will minimize the upgrade costs at the beginning to ensure that the cost looks more palatable. Surprises and additional upgrades are often the result.

3. Thinking that there is only one perfect software product for your business.

Many software products provide very similar functions. From the order process, through invoicing, accounts payable, inventory, accounts receivable. Many products are focused on one particular industry and provide functions targeted at that type of business. The suppliers will all try to sell you on their features and how easy they are to use and convert. They will bring the price down something you will be willing to pay. None of these things are important.

Many products can do the job and some can do the job better than others. The question is which one? I have been in many situations where the least functional product met all of the business needs. Most products have the flexibility to be used in different ways. The real key is to understand what your business goals are and what the business outcomes will deliver. What are your business goals? What does your business process require? Once you have decided that it meets those needs, the only question is whether you will need any features or functions in the future. If you know what they are, go for them. If you don't, forget it. Extra features and functions will cost you more money and they will probably change by the time you need them.

4. Choosing a supplier who is not committed to forming a strong business relationship.



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The biggest problem that most small businesses encounter is poor quality service. With a large company, you typically have skills and resources within your business to support your software. Small businesses seldom have this luxury. Small businesses are dependent on their software and technology suppliers. Yet small businesses are just as dependent on their software and technology as large businesses.

You need to have suppliers that you can trust. They need to be concerned about the success of your business. Because small businesses do not buy as much as large ones, the financial incentives to satisfy you are not enough.

A good software supplier will recognize the value of a long term relationship, even with a small business. Look for them. Get references. Assume that you are in it for the long term and ensure that they want to be. Don't go for the cheapest solution. It will hurt you in the long term.

- 5. Not looking at how the software will improve business performance.**
Why do you buy software in the first place? You buy it because you want to improve your business performance. You may start off by seeing that someone else is doing better than you, that they have achieved improvements by buying a software product, but that is not enough.

What kind of improvement are you looking for? Are you trying to increase sales, reduce costs, get more productivity out of current assets? How will the software help you to achieve this improvement? Does your staff have to change the way they work to get value from the software? Unless you can define exactly how the software will help and what other changes are required, you will not succeed, or at least not be as successful as you could. Most software projects fail to achieve anywhere near the benefits that they could.

- 6. Not considering long term needs.**
When most companies go out to buy technology, they often focus on the purchase price. This is understandable and most software suppliers recognize this. What the software suppliers also recognize is that the original purchase price is only a small portion of the real life-cycle cost.



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They know that many of the needs have not been defined, and that customers will have to get maintenance and support for the software. They will also have to pay for software upgrades as the supplier provides them, so that they can maintain support.

Since the purchase price of the software is only a small portion of the costs involved (see item 8), getting a 10 or 20% reduction is a small benefit if the subsequent upgrades are much higher.

7. Not examining business recovery requirements.

As mentioned under technology assessment, upgrading your business with new software will make you more dependent on it. Items often identified during an assessment are virus checking, backup and recovery. There are often big gaps in these areas. Your ability to survive from some sort of failure is critical and it happens more often than you may think. A few simple steps outlining the critical business functions, and how you will recover them will go a long way to keeping your business running.

Check out the article on business continuity programs on my website.

8. Not knowing the total costs involved.

When you have little experience in buying software, you assume that the cost of the software is the major cost of installing the software. It isn't. Other costs (often hidden) will cost bring the total cost to 3-4 times that. Check out my article on the cost of buying business software, which outlines where you can expect these costs to come from.

The good news is that even though the costs are higher, your benefits are probably understated. Most businesses don't identify all of the opportunities available by improving business processes.

When doing this review, get independent help. Your software supplier won't want to scare you off and your technology supplier will likely only look at the technology costs.

9. Not preparing your people for the change.



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This is the single biggest impact on your business, and is the one most often forgotten. A lot of articles and books have been written on change management and the impact on your business. Many more articles and books have been written on the failure rate of software projects. Most of these have referenced large businesses, because these are the ones that everyone wants to hear about and the problems encountered are large and visible.

The same problems exist in small businesses. The reality is that once your business gets beyond a few people, you start to have process and communication problems. When you change software, you are changing your business processes, you are changing what your people do. You have a change management problem!

Don't assume that you can train your people, install the software and turn it on. You have to get your staff ready, involve them in the changes, the reasons for the changes and the benefits.

Most projects fail because of poor change management, not bad software or bad project management!

10. Not being ready for the effort involved.

This relates somewhat to item 8. Many software projects start off fast with a lot of involvement from management. As the detailed technical issues are encountered, management backs off because they aren't interested and the project becomes a technical project focused on installing the software and not on the business benefits. Without a continuing focus on the original goal, many decisions are made that reduce these benefits. The end result is poor return on investment, increased cost and sometimes outright failure. Many large companies have encountered very large failures. Small companies can't afford this. They often wouldn't survive.

The project will take a lot of effort. Management participation is required to keep the project on track. The key is to keep management involvement at the business level and not buried in the quagmire of technology issues.



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