



## How to Justify and Deliver Value in IT Investments in a Down Economy

Law firm Managing Partners and CFOs remain highly skeptical about IT spending; the desire to avoid investment risk has never been greater. Whether trying to justify a new technology purchase or even defend the value of a prior purchase, it is critical to be able to demonstrate how IT investments will deliver solid returns and quantifiable business benefit. If done well, a Return-on-Investment (ROI) analysis can help reduce the risk of adopting a new technology and even expose the risks involved with “staying the course.”

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For eight years Hobson & Company has helped technology vendors and buyers uncover, quantify, and validate the key sources of value driving the adoption of new technologies. This article leverages that ROI experience to provide a framework for creating a defensible ROI case for any new or existing IT purchase.

There are typically one to two immediate reasons for evaluating a new technology. We encourage clients to take a broader view to better understand the full breadth of value a specific technology enables. ROI is not simply about beating a certain payback or ROI hurdle. It is about fully understanding the underlying value drivers for technology, the six to ten benefits that were not previously possible, and the corresponding impact metrics you can track and improve over time.

The first step in framing the analysis is to document operational or business pains associated with the status quo or previous approach. Within the category of “Practice Management”, for example, some of these status quo pains may include: 1) a cumbersome, manual process that does not optimize client and staff mix to achieve desired profit margins; 2) a poor conflict management process that increases the risk a firm will take on the wrong clients thereby increasing its professional indemnity insurance premium; or 3) a lack of visibility into real-time Accounts Receivable (AR) aging.

The next step is to categorize these pains by ROI issue. Is the specific pain creating a cost, productivity, or revenue concern? The operational pains are typically productivity drains. The second example is a cost issue where insufficient process control is leading to year-over-year premium increases. The last example falls into the revenue category, where business operations are currently not optimized.

The completed ROI issue list now forms the analytical framework against which the new technology can be evaluated. Prospective vendors should be challenged to explain how their solution would solve these key problems and what is unique about their technology in enabling each benefit. A key impact metric needs to be agreed upon per benefit. Vendors should be pushed to provide customer validated examples of how they have moved the needle against each of these metrics.

This bottoms-up approach is the best way to credibly communicate the value of the technology internally. Once these returns are weighed against the investment, most organizations expect a payback in 12 to 24 months and a two- to four-time ROI. Post-implementation, these metrics should be tracked quarterly to ensure the ROI promise is fully realized. Following these best practices ensures the ROI goals remain the basis for success and provides an opportunity to market the success after the fact.

Hobson & Company recently lead an ROI study of the ADERANT Expert practice management solution. Key stakeholders from finance, legal, and IT were interviewed to validate the benefits ADERANT Expert creates for law firms. Customer feedback clearly supported a number of key benefits across the broader value categories of: 1) streamlines work processes, 2) improves matter profitability, and 3) improves business operations.

## Recap of Analytical Best Practices

- Document six to ten key pain points with the prior approach
- Map pain points to ROI issues (cost, productivity, or revenue)
- Articulate solution's benefit (how it overcomes the ROI issue)
- Understand solution's technical support (how technology delivers the benefit)
- Tie one key impact metric to each benefit
- Ensure the vendor has multiple client validated proof points per benefit

**To learn more about the measurable impact ADERANT can have on your firm, please call 888-604-2366 or email [info@aderant.com](mailto:info@aderant.com).**

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*Krista has significant industry experience in technology marketing including more than six years of brand management at Procter & Gamble requiring disciplined ROI analysis and credible financial proof points. She has also spent more than a decade in the high-tech sales arena. This combined experience has resulted in her deep understanding of customer ROI analysis needs when evaluating new technologies. Her work has been recognized by AMR Research as "the best ROI model in a customer's category", and by leading venture capitalists as, "the best ROI work amongst their portfolio companies".*