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Top Five IT Investment Mistakes

By *Heiban Landa*

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In today's world, the pace of technological change can be overwhelming. In this environment, it is even more important to do your homework before making an information technology (IT) investment for your organization. Below are the top five costly mistakes companies make.

1. Cutting corners in the now

When purchasing IT solutions for your company, it can be tempting to purchase the cheapest package/model that will meet your basic, daily needs. However, doing this may lead to more money — and more headaches — in the future.

A perfect example of this is the Dell OptiPlex desktop computer model sold between 2003 and 2005. It was cheaper at the time — but not in the long run. According to a July 2010 CNNMoney.com article, Dell allegedly knowingly sold these inexpensive computers with faulty capacitors that caused motherboard breakdowns and rendered the computers useless.

A company based in North Carolina bought many of these units (no doubt thinking it was getting a deal) and leased them to clients. The company is suing Dell for \$40 million, citing the enormous costs of replacing the units and the extreme loss of client confidence. Cutting corners in the now left this company virtually bankrupt.

2. Buying 'because they (the media) said so ...'

We've all been there. When a child sees a commercial advertising the latest and greatest toy, he will urgently tell his parents that he needs it now. As we transition into adulthood, that toy becomes the most recent technological release.

Just as when we were children, the media plays a large part in defining our "needs." Unfortunately, tech toys are often way more expensive than the coveted wagons of our youth.

Before purchasing, ask yourself if the hype is real or if the latest gadget really is necessary to further your organization's goals. A good litmus test? Ask someone in your industry who has used the technology. And, be sure to run it by the people in your IT department or service provider (be especially careful if they roll their eyes).

3. Buying 'because they (the professionals) said so ...'

When looking to invest in a piece of technology or a comprehensive technological solution, avoid asking just anyone in the IT business. After all, if your law firm needed technological advice, you wouldn't go to the vendor who specializes in technology solutions for online toy vendors, would you?

Individuals and/or organizations that purchase technology based on the advice of "someone who is in IT" haven't done their homework. You need a technology expert that specializes in your line of work, in your industry. Only then do you receive strategic guidance that can help your business move forward.

4. Not buying, when you should

Overestimating the lifespan of technological equipment is the most common IT investment mistake. Most people don't know when it's time to replace servers, workstations, laptops, etc. For example, most organizations keep their servers for seven years or more — when the average lifespan of a server is approximately three to four years.

Not knowing when your server will fail — and failing to budget for its replacement — can severely and adversely affect the capital expenses of an organization. Make sure to educate yourself about the lifespan of your technology, and budget accordingly. Plan to spend, but spend with a plan.

5. Investing in technology, ignoring support

When investing in a piece of technology, be sure to note the entire cost of the investment — this includes support and training. What will it take to support and train users on this equipment? Will the learning curve be steep? Is your internal IT staff equipped to deal with the demand?

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Many organizations budget for the cost of purchasing a comprehensive technological solution, but fail to budget for implementation, support and user training.

As technologies advance and your IT needs continue to grow, let these investment mistakes serve as cautionary tales. Proper planning with informed consultants can ensure budget items aren't missed and equipment lifecycles are accurate.

Short-term cost savings can end up being really expensive. So, remember that the more proactive your IT investment strategy, the better off you will be operationally, and financially, in the future.

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