

“Choosing The Right Software”

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Many MFIs are finding their information systems to be a bottleneck to business improvements and growth. Implementing information system is no easy task and can be risky. The good news is that there are proven techniques for managing software acquisitions. The right planning and methodology can increase dramatically the chance of success.

Some microfinance stakeholders mistake the design and implementation process of an information system as something that must take many months (or even years) and cost a fortune. However, with solid planning and methodology, the design and implementation process of an information system can be completed in a matter of weeks within a reasonable budget.

1. THE RIGHT PLANNING

Time is the project's worst enemy - the longer it takes, the lower the odds of success. According to the Standish Group, IT project success is inversely proportional to project duration. Project duration directly affect project success. The primary reason for information system projects failure is the scope being too complex and too ambitious - too much at one time.

One school of thought would argue that larger projects with more funding and resources should be more successful. Instead, the reverse appears to be true. Standish Group research confirms that small projects are more likely to succeed than large projects and that the most successful projects have six-month timeframe. Obviously, this does not suggest that compressing the schedule and reducing the resources of a large project will make it successful.

The # 1 rule to reduce the complexity of information system projects is to break the big problem down into a series of small workable solutions that can be managed efficiently one at a time. Once satisfied with the first solution, the MFI can begin to work on the second solution, and build on the achievements of the first solution. Opportunities multiply as the MFI works each solution. Employee's morale increases, as each solution brings positive results. Not only the MFI has a better system by the time it's completely implemented, the MFI delivers workable applications much faster, get better feedback, significantly reduce its risks, and reduce the total overall cost in both time and funds compared to producing the same system using the big bang approach.

2. THE RIGHT METHODOLOGY

Determining which application truly meets the organization's needs is often a challenge. The largest difficulty will be sorting through the marketing hype of the potential software vendors and narrowing the list down to a small number of vendors that is manageable.

An effective solution starts with identifying the information needs. The biggest mistake to make is to start with the technology rather than the information needs. The needs drive the choice or design of technology, not vice versa. This may seem an obvious statement, but it is one unfortunately overlooked by too many organizations.

The process for identifying information system needs starts from the bottom up, starting with the people that will actually use the information in their work. The only way to identify the needs of users is to ask them! Some organizations may think they know the users' needs regarding an information system, but there is no substitute for a formal survey.

3. THE RIGHT SIZE

For MFIs, it is important to buy the right-size software. A common mistake for organizations is misjudging the amount of software they need to buy. People tend to over-buy not under-buy. Some MFIs have a tendency to over-buy due to a lack of knowledge, to be "safe", and because of the marketing hype of some software vendors.

Big is not always a quality. If an MFI over-buy, the software functionality, technology, and cost may be overkill. The MFI may pay a significant sum of money for a product that is too complex for its organization. It may result in buying software that the MFI's internal resources cannot adequately implement and support. On the other hand, if the MFI under-buy, it may not have the functionality it will need as the organization grows.

Tier shifting strategies are being made by some vendors. Vendors that have traditionally supplied applications to large organizations are offering scaled down, pre-configured versions of their applications, trying new methods of implementation, and pursuing new distribution channels to sell and implement their software. Their strategy has been to simplify the product and manage implementation costs by "turning off" functionality that less complex organizations do not tend to use. There are, however, some serious issues to be considered by this approach, such as how vendors can avoid functional overkill. The drawback for MFIs is that they can have little or no ability to customize the software and they may have higher maintenance costs.

Too many times, organizations find the information system they have purchased and installed at great expense does not meet their needs and expectations. Sometimes, they simply gain marginal improvements in efficiency or scale. Poorly executed projects are expensive in terms of money, credibility and employee morale. They can result in employees starting maintaining information on their own "systems", which range from the hard copy files to notes on scraps of paper. They start spending a lot of time "working around the system" in order to get their jobs done. A similar situation is the employees changing what they do and how they do it "so it works with the system," a situation not unlike the tail wagging the dog. Frequently there are never-ending and expensive customizing and programming by the vendor or internal information technology staff to "make the system do what we need it to do." Obviously, none of these alternatives promote efficiency and profitability.

Some applications necessitate sophisticated technology, for example client-server network. This type of technology requires technically skilled administration and is more hardware intensive. There are many solid systems available for MFIs that run on technology other than client-server network and they may be the perfect functional match.

Sometimes, MFI's management does not have a good understanding of the information system function. At the same time IT experts may not have a thorough understanding of the MFI business functions and needs. The right methodology may provide an excellent communication vehicle between the MFI's management and IT experts.

A good methodology avoids overselling by vendors, recommendations based on theory or succumbing to good demos and sales presentations that may result in the sale of an expensive and yet inefficient information system.

The right methodology may assist the management in coming to a solid decision that has the support of all stakeholders. The MFI has also a plan that will sell itself to the organization's staff and others who need to approve the necessary investment. Finally the information system could be an important part of the MFI's strategy.

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