

## MAKING DECISIONS

# To Quantify or Qualify

BY LARRY DIGNAN

In sports, the “intangibles” that certain athletes possess carry a lot of weight. Leadership and a good presence in the locker room are two oft-cited intangible assets.

Technology executives, however, can't use sports clichés to justify a project. If a manager can't provide a few return-on-investment (ROI) figures, there's a good chance a chief financial officer will shoot down the project.

Analysts acknowledge that there are benefits to technology projects that do require a qualitative approach. The trick is not to overdo the soft benefits and to mix in concrete figures.

“We don't try to measure what's immeasurable,” says Dale Troppito, a managing partner of the Gantry Group consulting firm. “You have to use both qualitative and quantitative analysis.”

For instance, Troppito notes customer satisfaction is largely an intangible effect that may not be measurable. But increased sales or anything that cuts costs is quantitative—and therefore calls for an ROI calculation.

Tom Pisello, CEO of Alinean, an Orlando, Fla.-based ROI software developer, says technology executives need to classify projects based on how far the benefits lean toward the qualitative. Depending on the project, the benefits could be as much as 40% intangible.

“A 60%-40% mix of quantitative benefits to qualitative is about as low as I'd go,” says Pisello. “I think a lot can be quantified.”

But qualitative benefits still matter, he says. The key is finding the right balance. “You can't use intangibles as an excuse if your team doesn't have the time to put effort into making a business case,” Pisello says. ◀

## QUIZ: FINDING THE RIGHT ROI MIX

Oh, back in the day—remember that day?—when technology was deemed the most intangible of intangibles. Unless you were replacing pneumatic tubes with e-mail, there was no way to calculate the returns an information system might bring. Not that it was necessary—it seemed clear that technology brought improvements. Then came six- and seven-figure software packages and stories about what happened if you bet on the wrong technology. Suddenly, quantification was king. Companies began assigning dollar values to every benefit they could find, whether it was merited or not.

And that answers the question of whether to quantify or qualify ROI: Quantities are necessary, but quality still counts. Knowing how—and when—to put the two together is a primary skill in constructing a successful business case. This quiz, created with the help of Alinean, helps you set expectations on how much of a project's business case will rely on intangibles. Find it online at [WWW.BASELINEMAG.COM/APR03](http://WWW.BASELINEMAG.COM/APR03). —REGINA KWON

Circle the choice that best describes your project. Use the scorecard at the bottom to tally your points.

### 1. This project is related to

- A. customer service
- B. internal infrastructure
- C. the supply chain
- D. security

### 2. The project's primary goal is to

- A. boost sales
- B. cut costs
- C. smooth organization and workflow
- D. improve customer satisfaction

### 3. Management will accept soft benefits in defense of a tech project

- A. if you submit them
- B. rarely
- C. when Lucent stock hits \$100
- D. if you've made a concerted effort to quantify them first

### 4. The business wants this project mainly because

- A. everyone else is doing it
- B. it complements our strategy
- C. it could forestall market setbacks
- D. the company will fall apart otherwise

### 5. The project's sponsor is

- A. the technology department
- B. a middle manager
- C. the business team
- D. the CEO

### Scorecard

Key	Your score
1. A-3 B-2 C-1 D-3	
2. A-1 B-1 C-2 D-3	
3. A-3 B-1 C-0 D-2	
4. A-1 B-2 C-0 D-3	
5. A-0 B-1 C-2 D-3	

### POINT SCORING:

**10-15** It's likely this project's justification will rely heavily on intangible benefits, which may make it a harder sell. Alinean's Pisello advocates making a good-faith effort early on to quantify as many qualitative goals as possible.

**5-10** Quantifiable measures should account for roughly 70% to 80% of the business case. Be sure to factor risk into the equation.

**3-5** Welcome to ROI-ville. Your business case should be based primarily on hard numbers.

SOURCES: BASELINE RESEARCH, ALINEAN