



# SMB Newsletter

Issue 35

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For any organization Information Technology (IT) is a major operating expense. In 1987 major US Corporations invested an average of \$1500 per employee in IT; in 2004 the number had tripled to \$5100 per employee. Although we do not have financial numbers for organizations with under 100 employees or even under 500 employees, IT expenditures have continued to increase over the years.

We believe IT expenditures can be controlled and organizations can successfully, efficiently, and effectively use IT in their day to day operations. We believe successful implementations of IT happens when software and hardware are purchased to support the business processes —software is selected to support the business needs and then hardware is selected to support the software. This also means business and technical people work to eliminate or at least break-down what is known as “The IT Divide.”

How LAD Enterprizes Views Information Technology’s Relationship to Business is the subject of this Newsletter. It is a “**Model**” that helps both business and technology people think and talk about Information Technology whether it is assessing the current infrastructure, selecting software or creating a strategic information technology plan.

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## HOW DO YOU THINK ABOUT INFORMATION TECHNOLOGY?

One of the most misunderstood functions within an organization is Information Technology. Finance, Sales, and Marketing functions have been around for years. Vocabularies and operating practices are understood. “Everybody” knows what to expect, but when it comes to the Information Technology function it is a different story. Think about it this way; the field itself has only been around since the early 1960’s.

So:

How do Executives, Managers and Employees grasp and learn about Information Technology?

Do they need to know techno speak?

How do they know when they have paid the right amount or just paid an outrageous price for the latest fad?

How do they know when they've gotten it right?

Intuitively businesses realize technology is a business enabler, but many businesses look at Information Technology as an expensive mess. Add the fact that there are four generations working in the workplace today; each of which has learned about and uses technology differently in their daily operations.

Executives and management teams complain about the expense, but the number of dollars spent on technology each year continues to increase. And this trend will continue for some time as new business initiatives demand and require new software and hardware. When it comes to Information Technology, organizations will continue to spend money in two areas:

- New initiatives
- Maintenance of the operation and infrastructure – people, software. and hardware.

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**Your Business  
Technology Advisors**

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The challenge is keeping the maintenance dollars at a "reasonable" level so that funds are available for the new initiatives.

Making Information Technology work and keeping maintenance costs down has little to do with Information Technology. What is required is a common understanding and communication. Executives, Management and Technologists need to figure out how to communicate more effectively and eliminate what has come to be known as the Information Technology divide.

Many times those who abdicate responsibility complain the loudest about inefficiencies and cost. There is no reason why a non-technical Executive or Manager cannot succeed

when it comes to the integration of Information Technology into the daily activities of an organization. Being able to understand some basic concepts or principles, requiring technologists to speak the language of business, and taking responsibility by asking for and insisting on clarification of a term, concept, or action are all that is needed.

We believe there are two basic concepts or principles that can be effectively executed and applied within an organization to help the non-technical Executive or Manager succeed when it comes to Information Technology.

1. Link Information Technology Solutions to Overall Business Strategy.
2. Keep it Simple.

## THIS ISSUE'S QUESTION — *WHAT IS INFORMATION TECHNOLOGY ?*

Information Technology (IT), as defined by the Information Technology Association of America (ITAA), is "the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware." IT deals with the use of electronic computers and computer software to convert, store, protect, process, transmit and retrieve information, securely.

**IT = Software and Hardware used to Manage Information.**

## *Link Information Technology Solutions to Overall Business Strategy*

So why not just create a short-term plan? A long-term plan enables an organization to remain focused on a company's strategic and fundamental goals. Organizations that purchase Information Technology needs based on short-term goals, have a tendency to have disparate application systems, different hardware platforms, and require multiple support personnel skill sets to maintain the infrastructure all of which increase overall cost.

Does this mean that you never change your plan? No. We actually recommend you review and update your plan at least once a year. If there are monthly management meetings, one of the discussion items on the agenda should be the organization's information technology.

How do you decide what to include in your plan? We recommend a top-down approach and have found the seven layer OSI (Open Systems Interconnection) Model an excellent tool to help think about Information Technology needs. OSI is an international standard for how communication occurs within a network. Its purpose is to help implementers, developers, technicians and service

providers ensure products properly work with one another and communication can occur within the network and with end-users.

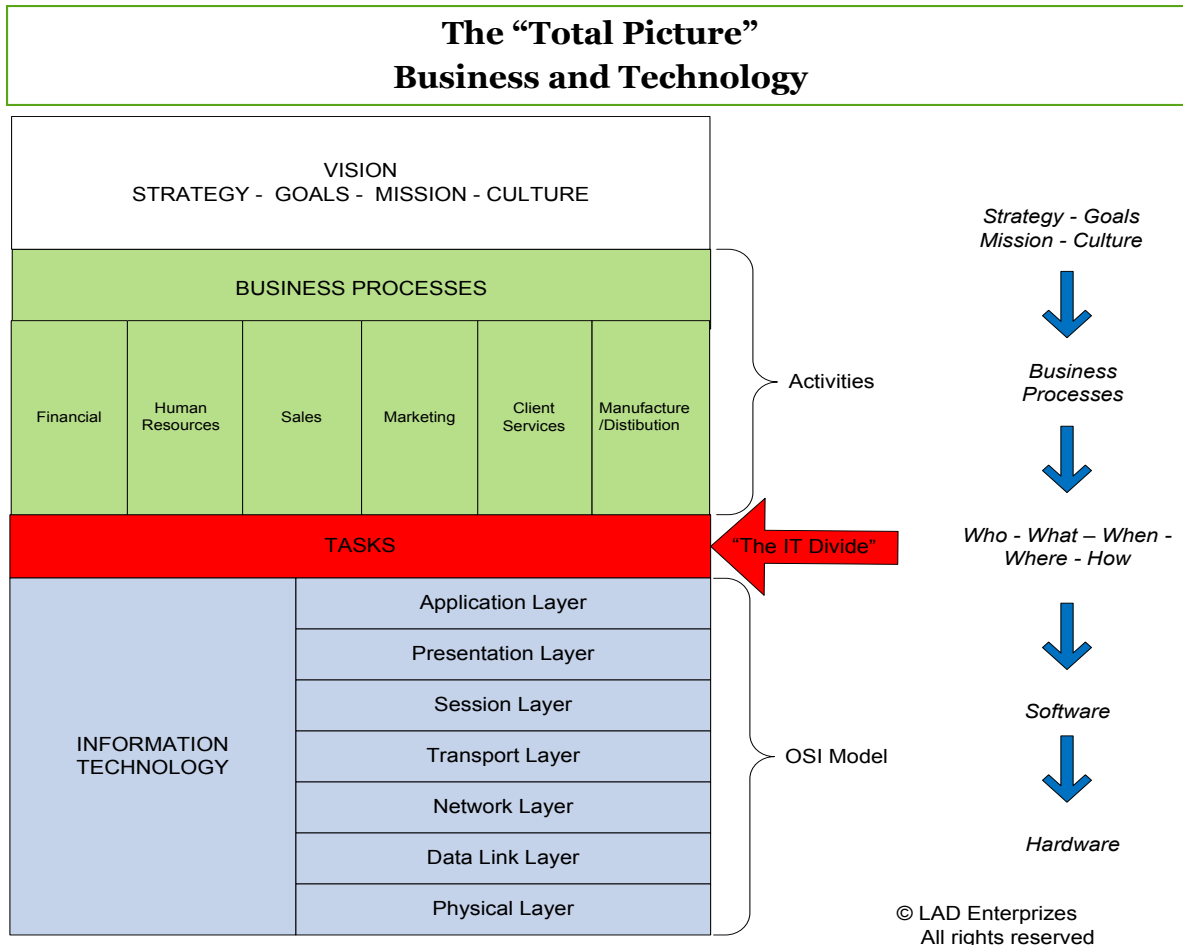
OSI divides communications into seven layers within two groups. The upper four layers (application layer through transport layer) known as the **software layers** are used whenever a message passes from or to a software user. The lower three layers (network layer through physical layer) known as the **hardware layers** are used when any message passes through a computer. (More information on the various layers can be found elsewhere. Just Google OSI.)

We found the same approach can be used when thinking about your Information Technology needs. By looking at the "total picture", it is possible to align your business processes and Information Technology needs with the overall strategy and goals of an organization.

Strategy, Goals, Mission and Culture drive Business Processes. Business Processes determine necessary tasks

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(who, what, why, where and how). The tasks define the Information Technology functional requirements (software and hardware) to be investigated, decided upon and implemented.

The challenge occurs when discussing the tasks and Information Technology requirements. The communication channel tends to break down. This is known by many as the “IT Divide”. Both sides have their own jargon, abbreviations, and unique experiences. Neither is able to explain in terms understandable by the other the necessary requirements, gaps, and potential solutions that may be an acceptable fit. Executives, Manager and Technologists each go their own way out of frustration with one another. And the alignment of business processes and strategy with Information Technology goes by the wayside.

Information Technology success comes from having a common understanding. Everyone on the team needs to take a look at the total picture and approach the solution with the same view and goal. If this occurs it is possible to align business processes and Information Technology needs with the overall strategy and goals of an organization. The result is motivated employees, satisfied customers, and reduced costs.

Is it wrong to take a bottom-up approach to technical needs?

Many people do. It depends on the organization’s approach and philosophy. But think of it this way, does your organization’s sales and marketing approach drive the overall strategy and goals of your organization.

## Keep IT Simple

We have found many organizations have a tendency to complicate their Information Technology environment. It is our belief that information technology should not and does

not need to be complicated. We believe organizations should focus on keeping it simple.

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By simplifying and consolidating an organization's Information Technology there is:

- Reduced or lowered costs,
- Improved efficiency and increased consistency,
- Easier overall administration,
- Ability to respond quicker to change, and
- Better use resources (hardware, software and people).

Some "Keep IT Simple" recommendations are:

- Standardize on hardware and software,
- Develop and follow policies and procedures,
- Document your network infrastructure,

- Purchase and use proven products from well known and reliable vendors,
- Select and integrate application systems prudently, and
- Limit business workstation use to business use only.

It is our experience that the more complex the environment, the more complicated it becomes as well as inflexible. This results in additional time and effort needed to maintain and/or change the environment increasing operational and maintenance costs. By keeping it simple we have found funds can be reallocated from maintenance and routine operational activities to spending on strategic information technology and/or operational needs that support the overall organizational objectives and goals.

### FOOD FOR THOUGHT

In July, 2007, the Business Rearview Mirror survey<sup>1</sup> was performed by CDW. CDW "wanted to learn from both an IT and a business perspective what it took for them (*small businesses*) to reach 100 employees."<sup>2</sup>

Some interesting facts about the businesses in the study.

Businesses indicated integrating and using IT to their advantage. IT ranked second among all business challenges; first was training and retaining staff.

98% of small businesses that successful used IT had a defined IT strategy; 44% considered IT a strategic investment providing a cutting edge; 35% considered IT necessary to compete with larger companies.

61% of respondents that viewed IT as a strategic or competitive investment had double-digit average growth over five years.

65% used external IT professionals as an extension of staff to handle both software and hardware.

<sup>1</sup> Copy of the PowerPoint presentation, [www.cdw.com/rearview](http://www.cdw.com/rearview).

<sup>2</sup> Lauren McCadney, senior segment manager at CDW.

### Upcoming Seminars

April 29, 2008 -- 10:00 to 11:00 AM (Webinar)

**Be Prepared: When the Ceiling Caves In — Disaster Recovery and Business Continuity Planning**

Sponsored by: PICPA

Sign-up at [http://www.picpa.org/practice\\_areas/prac\\_mag/index.asp](http://www.picpa.org/practice_areas/prac_mag/index.asp)

May 6, 2008 -- 3:00 to 4:30 PM

**Creating an Information Technology Plan for Today's NPOs**

Sponsored by: Duke Street Business Center (DSBC) at Lancaster Public Library

RSVP by April 30, 2008 to [dbsbc@lancaster.lib.pa.us](mailto:dbsbc@lancaster.lib.pa.us) (or by phone to 717-239-2131).

### OUR SERVICES

**NETWORK ENGINEERING** (Network Technical Assessments and Planning, Local Area Network Implementation, Network Administration, Maintenance and Support)

**INFORMATION TECHNOLOGY CONSULTATIVE SERVICES** (Strategic Technical Business Planning, Software Selection and Implementation Assistance, Business Workflow Improvements, Disaster Recovery/Business Continuity Planning, Interim CIO)

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