



SMB Newsletter

Issue 45

133 Cromwell Lane
West Chester, PA 19380
610.429.3122
www.ladenterprizes.com
info@ladenterprizes.com

It is more important than ever to make sure every dollar counts. Our Keep It Simple Series include Best Practices but also many of the “Tips” assist with keeping overall costs down. This newsletter revolves around our Keep It Simple Tip –

PROACTIVE MANAGEMENT AND MONITORING OR BETTER KNOWN AS “A STITCH IN TIME SAVES NINE”

Highlighted in this newsletter are a few **Key Information Technology “Metrics”** that can impact business outcomes and some points to consider before **Outsourcing Your Information Technology** needs. For example, do you need an Implementer or a Strategic Partner? Or do you need both?

Dave Burford

Laura Dallas Burford

Inside this issue:

- MAKE EVERY DOLLAR COUNT—SOME KEY METRICS** 1
- MOVING FROM 80/20 TO 60/40** 2
- OUTSOURCING YOUR IT – BEFORE YOU CALL** 3
- FOOD FOR THOUGHT - CANCEL A PROJECT?** 4
- SEMINARS AND SERVICES** 4

Keep IT Simple Tip -

Proactive Management and Monitoring

can be found on our Website under Tips, Tools, and “What Is”

MAKE EVERY DOLLAR COUNT - SOME KEY METRICS

It is helpful to periodically assess your Information Technology (IT) spending habits. Evaluating, carefully planning, and investing wisely may help you reach short-term business goals such as improved sales or fundraising as well as strengthen your business for the long-term.

To help assess these habits, you may want to look at a few Key Information Technology “Metrics” that are relevant to the business and can impact business outcomes.

Review the business value of your IT expenditures. For example, take a hard look at nondiscretionary spending. No one will disagree that you need to spend money on maintenance and maintenance is mandatory for a business. But are you spending for services that you don't need?

What should you do? – Review all contracts – hardware, software, support, etc.

Review your IT Spending Ratio. IT budgets vary by industry and can range anywhere from 2% to 8% of revenues (this is down from prior years). Research by both Forrester and McKinsey indicate an average organization spends 70 to 80% (higher for smaller businesses) on maintaining a status quo. Only 20 to 30% is spent on new initiatives. Best practice is a 60/40 ratio (maintenance/new initiatives).

What should you do? – If you are at an 80/20 ratio, now may be the right time to start thinking differently about your spending habits. Work to start moving to a 60/40 ratio. Include tasks such as reviewing all contracts and assessing current policies and procedures. Consider if it is possible to standardize, simplify, or automate some aspects of the IT function.

Review IT’s “Operational Health”. This includes items such as the reliability of your IT assets and your ability to deliver projects successfully.

(Continued from page 1)

Reliability of your IT assets. Review the reliability of your IT assets (hardware, software and network) for both internal and external “customers”. Outages and downtime such as power outages or security breaches can have a serious impact on a business.

For example, internal employees are concerned about accessing applications to support clients and compete; external customers and clients want to be able to access websites. Both groups have email communication concerns. Think about a time when you contacted a service provider and were placed on hold because “their system was down” or “our systems are not integrated” or “the system is slow”.

What should you do? — Work with your internal or external information technology consultant (s) to develop service level metrics for IT service reliability

that are measurable and lead to “customer” satisfaction.

Deliver projects successfully. Technology projects can take on a life of their own. Each project should have a clearly defined scope, budget, schedule and deliverable (s).

What should you do? — Work with your internal or external information technology consultant (s) to develop a “Contract” or a “Statement of Work” for every project and consider cancelling projects that:

- Fail to live up to expectations,
- Benefits no longer outweigh the costs,
- Business need no longer exist,
- Key assumptions have not held,
- Expected objectives and/or key results/success factors are no longer achievable, and last
- No Management Sponsors — **NO ONE CARES**

HOW TO MOVE FROM 80/20 TO 60/40—MAKING EVERY DOLLAR COUNT

It might not be possible to move from 80/20 to 60/40 all in one year, but it might be possible to do so over time. For example, A \$10 million company spending 5% of its revenues on Information Technology (IT) would have a total IT budget of \$500,000. If it spent 20% of the budget on new initiatives, it would be spending \$100,000. By moving that ratio to 30%, it could increase its new initiatives budget to \$150,000, a 50% increase in funding for new initiatives AND no increase the overall size of the IT budget.

This means the company would need to find \$50,000 in cost savings. Can savings be found? Below are 2 true scenarios.

- A small business wanting to be proactive had signed a contract for a managed care program. The plan was costing them **\$4500 per seat per year** for 28 workstations and 2 servers for a total of **\$135,000**. There was just one problem -- the level of support was more than the business needed. The business did not need 24/7 support, equipment was all under warranty, and employees had been trained in the office products so the level of application help desk was not necessary.

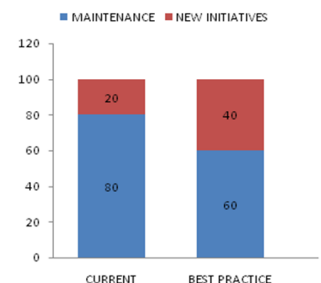
After clearly articulating the needs and finding a

different vendor, the business ended with a new contract with a total cost for the year of approximately **\$30,000 – over a \$100,000** in savings.

- A small business realized that if they used various domain and server based technologies (such as group policy) to provision workstations with network resources such as mapped drives, network printers, and faxes, support visits to workstations could be reduced. This resulted in significant savings and efficiencies. First line technicians were billed at \$100 per hour. Workstation visits averaged 15 minutes – not including the time to move between locations/offices. The business had 35 workstations. Each visit required 8.75 hours (\$875) of a technician’s time to implement. Visits occurred once every two months.

Centralizing the activity provided a minimum savings of \$5250. Assume an average of 15 minutes to travel between locations/offices and an additional **\$5250 is saved for a total of \$10,500**. Note the cost of interrupting the employee at the workstation was not calculated, but it should be considered as well.

IT Spending Ratio



OUTSOURCING YOUR IT -- BEFORE YOU CALL (ISSUE 43'S FOOD FOR THOUGHT FOLLOW-UP)

Maintaining and implementing hardware, software and networks is most likely not your core business. Now also may be the time to focus on your core business and find people to provide you with capabilities you do not have or assist you in non-core functional areas. You may be thinking about outsourcing your Information Technology (IT) needs to a third party company or hiring a consultant to assist you with a particular project.

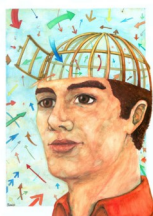
A challenge for smaller businesses is many vendors think one small or midsize business is just like the next small or midsize business. But businesses, even those in the same industry, are not the same and they might not operate in a similar manner. IT solutions and services for one business are also not the same as another business. It is important to determine what solutions and services work for your business.

One Size Does Not Fit Everyone -- You Need to Determine the Right Size for You.

As you discuss your needs with information technology companies or consultants you may want to consider the following:

Determine what you need or think you need.

Before you call a technical consultant, list and prioritize your information technology functional needs as they relate to your business strategy. Technology companies provide different services – network engineering, cabling, ecommerce, software development, consultative services, etc. Each company has their own skills, tools, and, often, ideas and approaches to deal with IT challenges. Some offer approaches and methodologies; others have prepackaged solutions. This does not mean you preselect a solution.



Be Open Minded. Find a consultant who listens and understands your business needs **AND** is not just interested in your information technology requirements. The best consultants do not just take orders. They listen to you; they engage you and

work with you to develop a solution that supports your business. There should be give-and-take conversations.

Be wary of Consultants who recommend solutions without collecting facts about your business and existing technology. This is a difficult one. Think of it this way. You visit a Doctor because you have pains in your chest. He automatically knows what the problem is. No diagnostic tests are performed in the office. No visits to the hospital for blood work or X-rays. He/she just knows. Would you continue going to that Doctor? Probably not.

Think of the old joke:

Patient: Doctor, it hurts when I do this!

Doctor: Then don't do that.

The best consultants will perform some form of diagnostic review. How long the review takes depends on a number of factors and the best consultants will explain the level of effort necessary. Look to receive a report with findings and recommendations. The report should be much more than check boxes.

Be aware that some consultants will offer to diagnose your problems for free or a small fee. This might be a tactic to eliminate competition and the result could be an incomplete "diagnosis". You could very easily end up hiring the wrong consultant.



Find the perfect fit and perfect balance.

Don't overlook intangibles, such as the attitude, motivation, and fit with your company's culture. If the consultants are not able to work with your staff, it is a waste of your time and money. Believe me the consultant (s) are doing the same thing – can they work with you. Putting together an effective team (yours and the consultant) is a balancing act. It needs to be a win-win for both of you.

Ask questions.

Don't be afraid to ask hard questions. You are interviewing the consulting organization. Three potential questions to ask are:

How do we end the relationship? Are there any penalties? As much as you can screen a

(Continued from page 3)



consulting organization, the possibility exist that after working with them for a period of time you find out the fit is not good. Or your business has grown and your technology needs have also changed. The current consultants are no longer the right fit. You need to know how to end the contract.

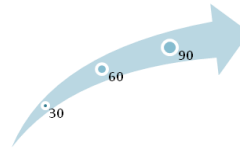
What don't you (or the organization) do well?

There are over 200 job descriptions when it comes to information technology. No one company (not even Microsoft) can do all well. It is not realistic to think a company can do them all.

Are you a reseller for any software or hardware? Do you receive commission from any third parties? This does not mean you do not hire the consulting organization. What it does mean is

the company may not be objective when recommending solutions. To someone with a hammer, everything looks like a nail. It is important to know built in bias prior to signing any contract.

If you get evasive or unclear answers, find another consulting organization.



Implement the 30-60-90 Rule.

Plan to reach a major milestone in 30, 60 and/or 90 days. Demonstrable results help both of you focus your efforts and provide an opportunity to

assess the performance of the consulting team. Adjustments can be made to the contract.

Leaders in an organization need to determine what outsourcing information technology means to them —

What Is a Successful Relationship for You?

FOOD FOR THOUGHT — CANCEL A PROJECT?

Breakthrough Ideas for 2009: The IKEA Factor: When Labor Leads to Love

“People place a disproportionately high value on products they had a hand in making. They’d rather buy their own amateurish origami than something made by a pro. The IKEA effect may explain why business managers keep failing projects alive: because of all the time and effort they’ve invested.”

For the Full Article - <http://hbr.harvardbusiness.org/web/2009/hbr-list/ikea-effect-when-labor-leads-to-love>

By Michael Norton, Harvard Business Publishing

Upcoming Seminars

Fighting the Economic Downturn: Cost-Effective IT Strategies,

Sponsored By: **PANO -- Annual Conference**

Date: **May 5, 2009**

Location: Holiday Inn Harrisburg East, 4751 Lindle Road, Harrisburg, PA 17111

Be Prepared: Disaster Recovery and Business Continuity Planning

Sponsored By: **ITAG**

Date: **May 13, 2009**

Location: Chester County Economic Development Council, Eagleview Corporate Center, 737 Constitution Drive, Exton, PA 19341

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)

Owner of **Computer Census™**

For More Information

Phone: 610-429-3122

E-mail: info@ladenterprizes.com

Website: www.ladenterprizes.com