IT Budgeting – Best Practices

Does your organization have an IT budget? Before you answer, allow us to ask another question: Do you have a budget that integrates overall business goals and IT needs? By defining company-wide objectives and establishing a budget oriented towards those objectives, your business can support an IT spend that achieves companywide goals. Below we look at different components of an IT budget, highlighting the relative impact of each component as well as outlining ways your budget can become more comprehensive.

Mandatory and Maintenance

Traditionally, the bulk of IT budgets go toward mandatory and maintenance activities. These activities include licensing for applications and support costs for those applications. These fixed costs should account for the first priority in building an IT budget. Too often, support is solicited only when problems occur. Businesses should review contracts periodically and negotiate Service Level Agreement's (SLA's). Maintenance practices may differ across businesses, for example some businesses may choose to own equipment while other organizations, more reliant on having the latest technology, may finding renting a more viable option. Regardless of your choice to own or rent allocating a staff member to oversee equipment maintenance, upgrades, and training can lead to cost savings and time efficiency.

For small businesses, it is especially important to periodically review existing contracts for opportunities to streamline vendors and generate savings. Consolidating your cloud, network, mobile, telecommunications and cable solution contracts can reduce costs and streamline support. In addition, finding vendors willing to negotiate can help establish more cost-effective relationships over the long term. Similarly, office solutions such as PC's, laptops, mobile devices, printers, and fax machines, as well as operating systems should be reviewed and scheduled for periodic upgrades.

Office Infrastructure

All businesses want efficient infrastructure, and a careful plan for how to implement upgrades can help the budget as a whole. By assessing quantity, cost, age of different infrastructure pieces, you can create a plan for upgrades. Whether it is phone, Local Access Networks, WiFi, storage, PC's, or printers, knowing the lifespans for different inventory and when to review their performance can create a more proactive IT plan.

One option is to manage in house, either by hiring an office manager or assigning someone to maintain good inventory management and control practices and conduct periodic reviews. For small businesses, a better option may be to outsource to professionals to own the inventory and make a plan to keep these things up to date.

Mobile Computing

Mobile computing is an exciting and developing are of focus in recent years. It makes your business more flexible and allows personnel to communicate from different locations on business issues. Corporate data can be shared easily, and personal meetings can be held without expensive travel costs.

In crafting the IT budget, investment in mobile (and also online collaboration) should carefully acknowledge the difficulties that arise with mobility, including connectivity issues and compatibility of existing hardware and software. Budgeting for mobile should include not only the devices but also application development and extending a secure environment to mobile devices. If the benefits of mobile seem attractive, try to prioritize which aspects of your business are most in need of an upgrade and look for mobile solutions. For example, if your communications systems are due for an upgrade, look for possible ways to make them mobile. If you do not have any necessary upgrades on the horizon, then you may benefit from asking employees what they wish they had access to from remote locations such as access to documents or client relationship tools.

Mobile solutions should be approached with awareness to security risks. Proper training on why certain data should be protected and how to do so is necessary in order to prevent costly security breaches.

Data Management Solutions

When it comes to storing data, options abound. Whether you choose local drives, outsourced hosting, or cloud solutions, keep in mind that periodic review of vendor contracts is key to making data management spending does not grow to inefficient levels. You should build in the upfront costs of selecting vendors, and be ready to make adjustments to your processes if you choose to outsource some aspect of data management.

Cloud spending is on the rise for many companies, cutting into some of the services previously provided by outsourcing vendors, such as hosting data, servers, and software. Similar to our recommendation for mandatory/maintenance, integration of an IT project into the larger business goals makes for more effective budgeting in the long term.

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A related option for larger companies may be virtualization, which entails enabling severs to run more than one operating system at a time, allowing for more efficient load distribution, can be seen as a first step towards the use of cloud services. Virtualization achieves some of the same benefits, such as quicker recovery times when issues arise. Additionally, virtualization can make the move from a LAN to a cloud system easier, in the case that a business' needs change in the future.

A common budget problem relating to both cloud computing and traditional outsourcing is the lack of comprehensive service. Cloud computing often lacks an adequate level of support, as opposed to many outsourcing vendors whose focus is only on the actual hardware/software, leaving implementation and support as an additional incurred cost. When looking at cloud or outsourcing options, thorough consideration of the support that comes with the service should be considered in the decision.

Security

Security is not typically the largest component of an IT budget, but it is an area where costs can easily exceed the optimal level as a result of paying for outdated services. Additionally, taking shortcuts in IT security can increase costs if a serious breach occurs. In a *Computerworld* survey, security spending was the top area of IT where businesses expect to increase spending in 2015. When acquiring new security applications, such as virus scanning software, firewalls, email security, and encryptions software, make sure there is a process to decommission redundant programs and train employees on new applications. Also, make sure that your security technologies budget line item is paired with a realistic assessment of the training resources necessary to implement, as described above.

Small businesses may be tempted to cut their IT budget by cutting into security first, but this is misguided. The resources needed to react to a security breach are far too great and risk the reputation of the business. While not every new security technology must be adopted immediately, careful assessment of the state of security affairs can prevent surprises.

Website and Social media presence

Besides the marketing aspects of your website, your business should carefully budget for maintaining back end coding for the website will likely require increased monthly maintenance costs, but predicted revenue increases might make up for higher overhead costs.

If your business is not sure about the role of your website, look for low-cost software that gives you the tools to build a simple website and become acquainted with different ways the website can aid your overall business. Besides expanding for your business into e-commerce, for example, using analytics can give your business wider exposure. If web presence starts to

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drive more new customers, than consider upgrading to services that will manage content, design, back-end coding, and more. Keep in mind the need to budget for adequate staffing to maintain the website as well as social media presence.

Free social media such as Facebook, Google+ and the professional-oriented LinkedIn allow you to disseminate information about new happenings in your business and in the industry at large. As your business grows, you can use your page on these sites as well as your website to update clients, conduct job searches, and gain publicity for corporate events.

Training

Regardless of the protocols your business takes to adapt new technologies, budgeting funds and time for mastering new technology or upgrades helps maintain efficiency and improve employee satisfaction. Make sure to stay up-to-date on possible free training opportunities as many vendors provide training as part of upgrades. Any time your budget anticipates adoption of new technology, make sure this is complemented with a realistic anticipation of the resources needed to bring the necessary people up to speed and finding ways for staff members to take advantage of such training opportunities. Effective budgeting should be paired with a plan to make sure staff can adapt to new technologies.

Small businesses staff may need different levels of expertise with various technologies, so it is crucial to be judicious in this aspect, carefully selecting how adept workers need to be with various technology. A comprehensive budget must include a strategy to address all of the costs related to securing training courses/materials, executing the training classes and actually participating in the training and any follow up activities.

Back-Up

Backing up data is an important consideration for proactive IT budgets. And not proactively anticipating back-up requirements can be financially disastrous for most companies. For some businesses, cloud solutions alongside of local storage is an attractive possibility, while solely moving to the cloud may work for others. Whatever the case, making sure your backup dollars are spent efficiently will reap benefits for your bottom line. Cloud Management Platforms (CMP's) can help make sure cloud resources are allocated effectively and reduce your bill. While SaaS backup solutions are often transparent, charging on a per-user basis, infrastructure and platform cloud solutions can over-provision the amount of storage they are using, leading to wasted cloud dollars. For your physical storage solutions, budgeting for anticipated increases as your data grows over years can reduce surprises in the long run.

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Key Performance Indicators

One way to integrate IT and overall goals is including Key Performance Indicators (KPI's) as metrics for measuring IT effectiveness. Too often, businesses rely on reactive protocols when confronting IT problems, only striving to maintain the minimum effectiveness of their IT solutions. However, in today's landscape, IT solutions are essential towards growing your business and maintaining competitiveness. KPI's can help monitor your IT performance in a more proactive and meaningful way, identifying opportunities for improvement that aid the overall functioning of your business. For example, businesses can use metrics such as Mean Time to Repair to measuring the overall availability of their IT applications and take proactive steps to improve this. For cloud solutions, keeping track of data usage and billing trends can give your business an idea of how efficiently those dollars are being spent. For security, adoption of new technology can include metrics to measure how effective that technology is at stopping attacks. For example, tracking IT support costs can help you measure how effective a new mobile solution has been. Overall, using indicators to test the adoption of new IT ideas can help your business take control of your IT spending. With KPI's, you can also reject new technology adoptions that do not drive adequate bottom-line results after a trial period.

How Ninestone Can Help

Ninestone is well-positioned to oversee improvements to your IT landscape. We begin with technology assessments tailored to the size of your business, either reviewing the current state vs. requirements for smaller businesses or conducting comprehensive IT audits for larger businesses. Once we understand your current IT situation, we develop a strategy that aligns business goals with your budget and manages the vendor contracts necessary to advance your technology in a meaningful way. Furthermore, we offer tailored technology solutions for businesses with already identified technology needs, such as office upgrades or cloud planning and migration. And we can even act as your IT support liaison if you are looking to focus on your business and not become an IT expert or hire someone who is. Regardless of your size or industry, taking a more proactive view of your technology is a recipe for success. **Ninestone** can help you develop and implement a plan that is specific to your organization and meets your requirements and is within your financial constraints.

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