

Small-Business IT Investment: Budget and Battle the Hype

By Patricia Kutza

The relentless parade of technologies that promise cost savings is a siren call toward which few small-business IT decision makers can turn a deaf ear. Such buzz-worthy concepts as WiFi, WiMax, VoIP and ZigBee pepper their vocabulary as they analyze which products and strategies will best fulfill their mandate: grow revenue, increase their customer base and comply with regulatory demands.

Given an IT environment fraught with hazards, it's a wonder so many small businesses do flourish. "There's a lack of appropriate IT products sold in appropriate ways by IT vendors," says Patrick Cook, chief technology officer of the www.sbtechnologyinstitute.org San Jose-based Small Business Technology Institute, a nonprofit organization that offers complimentary consulting and low-cost training to small businesses.

Elaine Hoffman, co-founder and CEO of EMH Opinion Sampling Inc., a Sacramento-based market-research data collection service, www.emhopinions.com says that keeping EMH's technology goal clearly in mind wards off the temptation to adopt sexy solutions that promise time and cost savings. "Our top priority is to use technologies that produce reliable results," she says.

Reliability Critical

That priority means making sure that EMH has the right number of properly configured CATI-enabled (computer-assisted telephone interviewing) data-collection stations for its staff of 140 interviewers and that the company network stays up with reliable data-recovery methods. It also means its CATI software must enable its outbound calling operations to run smoothly with efficient data capture and storage.

What it doesn't mean, says Hoffman, is to adopt unilaterally



Elaine Hoffman, CEO of EMH Opinion Sampling in downtown Sacramento, counts on her computer network to conduct statewide surveys.

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"Solutions tend to be either too simplistic or too complex," he says. Adding to the dilemma is a shortage of unbiased technical advocacy and too few tools that can be used to assess the true business value of IT implementations.

technologies just because their hype emphasizes they'll speed up processes and are cheap to implement.

"Online polling is alluring because it's relatively quick and inexpensive. It also tends to capture large numbers of responses, and its proponents say

that statistical weighting techniques can help to produce representative samples," she says.

"But details about how a survey is conducted are an indication of its quality and its usefulness in decision making. EMH uses CATI software so we can

Finding the Right Match

Without the deep pockets of cash that large companies spend for IT investments, small companies must make sure every IT-earmarked dollar reaps a return on its investment. That's when leveraging the technical expertise of an IT consultant can be a smart strategy.

Finding the right match, however, can be a daunting and sometimes very frustrating proposition. Small businesses can reduce some of the risks and gain many benefits by doing some homework upfront during the "vetting" stage, says Bill Pennock, CEO of Microsoft Solution Provider Squaretree IT Projects based in Sacramento.

"Don't assume that because you're not technical you have to abdicate responsibility for success to a computer guru. You, the client, are still in charge of results," he stresses. To increase the likelihood of success Pennock recommends the following actions:

- Assess your needs before you hire a consultant. For example, are they ongoing or project-based?
- Look for a consultant who can project what your technological needs will be and advise you about strategies to help get the technology in place.
- Insist that project work be delineated task by task. "If they can't tell you very clearly then be suspicious," says Pennock. "It's likely they're guessing and that your project has a high risk of going over budget and time. A report, 'We are 80 percent done,' with no specifics as to how progress is measured, is a high-risk sign of project problems."
- Run like crazy from a consultant who doesn't believe in risk management. Identifying risks, their probability of occurring and the resulting consequences give you a leg up on not only mitigating damage but also designing and exercising contingency plans. "Without this you are at the mercy of happenstance," says Pennock.

Mentoring Available

Companies based in the Sacramento region may want to take advantage of the deep expertise offered by the Sacramento Area Regional Technology Alliance. Its stellar Rolodex of consultants mentor entrepreneurs (typically founders and CEOs of startups no older than five years) with such issues as hiring the right technical staff, understanding cash flow, developing an overall budget and creating a prototype.

To be eligible for this free assistance, businesses must be located in SARTA's nine-county Sacramento region, offer a product that qualifies as intellectual property and provide, at a minimum, an executive summary that outlines their business plan.



Sacramento resident Jeremy Ellswood concentrates on his script while conducting an opinion poll for EMH.

randomly select participants," Hoffman continues.

Formalize a Budget

As if battling product hype isn't enough of a challenge, small businesses can inflict damage on their own, says Cook, by not taking the time to create a formal IT budget. "This means that the business case, true ROI (return on investment) and TCO (total cost of ownership) is impossible to measure."

Auburn-based Pinnacle Telecommunications Inc., recognizing the need to develop the right kind of IT plan, hired an IT director so the company can integrate its older legacy systems with newer technologies.

Doing so, says CEO Cecilia Lakatos Sullivan, will allow operationally oriented Pinnacle to become more efficient and offer quality service while improving the bottom line.

Setting goals for this director is key. "Although we're a small company, our IT director is tasked with doing consistent R&D. At our size, research and development consists of finding other already developed applications and adapting them to our purposes," she says.

To this end, web-based meeting services now replace travel, and existing contact-management software has been leveraged to enhance the custom adaptations and report generation needed for Pinnacle's expanded sales and marketing activities.



www.pinnacle-telecom.com



EMH call center supervisor Michael Morton stays on his feet during most shifts, supporting more than 100 callers in EMH's downtown office.

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Rely on the Proven

Like Hoffman, Sullivan is less concerned with being "leading edge" than with being able to rely on proven technologies. "We can't risk our service and quality levels with game playing and experimentation," she says, "but at the same time, we have

to acknowledge that these days technology moves quickly from experimentation to maturity."

Connecting Pinnacle's three remote offices and mobile workforce has offered the acid test for these beliefs. "There are issues with data transfer, security, speed and access.

Some of these challenges can be overcome with off-the-shelf solutions, while others (require) custom (solutions)," says Sullivan. "Deciding on the correct balance of these issues and their respective solutions, given limited personnel and resources, is critical." 