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Pay Now...Or Pay More Later How To Manage Your Technology Budget

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In many small businesses, the owner's take-home pay depends on monthly profit. It can take years to reach financial stability. In an environment like this, how can you set a budget for anything, especially unglamorous expenses like your computer technology?

It's easy to ignore your technology budget, delaying new purchases as long as possible. Don't fall into this costly trap! Downtime can cripple your business, and planned replacement of outdated systems is far less expensive than emergency recovery of failed systems.

Take Inventory

In large companies, the IT department keeps a list of everything tech-related in what's called an asset-tracking database. It provides an instant snapshot of a company's technology to plan upgrades, track software licenses, and prevent "misplacement" of expensive equipment.

Few small-business owners need full-blown asset-tracking, but a great start for your tech budget is a quick equipment inventory. List each computer along with key installed programs: word processing, financial applications, contact management software, anti-virus programs, etc. Include peripherals and supplies like printers, toner cartridges, backup media, routers, monitors, scanners, smartphones, etc. Jot down the approximate cost and age, in years, of everything on the list.

How Long Can It Last?

Next question: are any items in your inventory ready for replacement? Computer years are like dog years...one year for us is about 19 or 20 computer years, making a realistic lifespan around three to four years. Past that, it's generally better to invest in new computers than repair old ones. With outdated comput-

ers, service calls take longer, parts don't work, and new software runs poorly, if at all. By a computer's fourth birthday you should be budgeting for replacement. Servers last a bit longer if the specifications are carefully planned, as much as four to six years.

There's no rule of thumb on a software's lifespan. Some programs, like anti-virus software, must be renewed annually. Products like Microsoft Office release updates every few years; therefore, buy a new copy preinstalled each time you get a new computer. Many other products, like QuickBooks and Act!, release annual updates, but it's fine to skip an upgrade or two. If in doubt, check their list of new features to see if there's something you want.

Laser printers last for years, but dramatic improvements in speed and functionality mean it's wise to compare replacement costs against repair of broken printers. Inkjet printers, especially inexpensive models, give out quickly; consider a color laser printer next time an inkjet dies.

You don't need to-the-penny estimates, so don't sweat the small stuff...for everything else, it's reasonable to assume an average lifespan of around three years. Lump the small items together in your budget and estimate that about a third will be replaced each year.

Replacement Costs

Now that you've reviewed your upgrade needs, how much will you spend? Software is easy—off-the-shelf programs like Quick Books, Norton Internet Security, Office, etc., have predictable retail prices. As for computers, you may see \$400 specials, but a more realistic desktop budget is \$600-\$1,000. Basic laptops run around \$800-\$1,200; even high-end models rarely cost more than \$2,500. And color laser printers start at less than \$300.

Servers are more difficult to estimate—you

can spend less than \$1,000 or over \$50,000, depending on function and features. When a tech asks you how much you want to spend on a server, the proper response is this: how much do I need to spend? Ask for at least two price options—a basic server that contains the minimum specifications to meet your needs, and a server that's got "ideal" specifications, that will be fast and safe and keep you going for several years. Key tradeoffs between these two options will be speed, data protection, capacity, upgradeability and possibly compatibility. While these factors are important, it's possible to cut a few corners when your budget is limited. Make sure installation costs are included, to give you the full expense. If you can afford it, plan on a mid-priced system somewhere in between those two price options. If you can't afford even the basic server, you may need to rethink your plans. For reference, most companies spend \$2,500-\$3,500 on their first server, including installation.

As for the rest, once again there's no need to sweat the small stuff. With most equipment, your replacement cost will remain the same, but you'll get more features; occasionally prices even drop.

Plan For Growth

What will your staff look like a year from now? Are you planning to hire people who will need new computers and a network connection? Do you need new software systems to keep everyone connected to the latest data? Are you ready for a new server to cut maintenance and improve reliability? Add all these to your budget, including installation costs—and round up!

Maintenance And Support

Who do you call when you have problems, and how much does it cost? Check your expenditures from the last few years, then re-

view your plan for replacements and upgrades. Will you need more or less time this year? Can preventative maintenance save money by reducing downtime and emergency support needs? And, if you're a closet techie do-it-yourselfer, is that the best use of your time?

Accounting For Murphy's Law

One final reality check: whatever you've budgeted so far, consider it your best-case

scenario. Things will go wrong, expenses will increase, estimates will be too optimistic, you'll encounter unforeseen needs...something, maybe even many things, will add costs you can't accurately predict today. Include a cushion in your budget to account for this. If you're unsure how much to add, try 20%, and check next year to see whether that was enough.

Now that you've got a good solid budget, figure out how to set aside the funds you need

to keep your systems running smoothly. You've created a multi-year technology plan that, if followed, will keep your technology costs in check while boosting stability and reducing downtime.

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