IT Governance – Investment – 4

By Jody Jankovsky

As a business owner, you are required to wear a lot of different hats which can be challenging – especially in areas you aren't as familiar with. For many business owners, leading an IT department was something they had never planned to do. After working in IT for 30 years and consulting with hundreds of companies I have seen almost every form of IT management – and mismanagement. In this series of articles, I draw from that experience to outline some best practices for you as a business owner to leverage to get the most from your Information Technology.

In the first, second and third articles in the series [hyperlink to each] I discussed how IT Principle's define the role of Information Technology in your business, the architecture and infrastructure implemented in support that role and defining the IT decision making model within your organization.

In the final article in this series we'll be looking at information technology as what it is – an investment. A critical component of building and maintaining strong IT is properly budgeting for IT investments that align with your corporate objectives as we discussed in the first article. That means assessing your current assets and determining where you can best invest to improve your business.

IT budgeting allows you, as a business owner, to anticipate the possible IT costs you'll be confronting to plan appropriately and not be surprised by an unexpected bill that upends your cash-flow. Your budgeting process should be a collaboration between you, the employees and vendors who are responsible for your IT assets and services. This process is basically the same as any other financial budgeting process and should be a projection for where you want your business to go, and how IT can get you there.

A good IT budgeting process covers three main objectives: compliance, aligning technology with business goals, and cost anticipation.

The foundation of technology budgeting is maintaining compliance with the tools and systems already being leveraged by an organization. You must maintain the legal status of all the technologies you are using – no exceptions. Begin by identifying any possible non-compliant systems by talking with your team and determining if any tools or systems are being used without the proper licensing (i.e. freeware, license code sharing, or disk sharing). Then determine the budget impact and costs of bringing those systems into compliance.

The next step is to identify the projects you'll need to meet your corporate objectives and the additional or expanded technologies your business will need to do so. Determine if your current technology is enough to support the planned corporate objectives. For example, if you are anticipating a 20% increase in transactions, can your current systems support that growth? Are you expanding to new locations, will your telecommunications infrastructure scale? Are you seeing the need for data analytics but have no systems in place to provide the data?

Other possible steps to take are to shift through departmental needs and determine the impact on your budget. You'll also need to consider how your company measures up to industry standards and if your technologies are providing an appropriate competitive advantage.

Lastly, identify those costs necessary in support of current Information Technology products and services. Anticipatory budgeting comes in three main forms: maintenance, support, and services.

Maintenance costs are your non-labor expenditures necessary just to maintain the state of your existing systems. An IT budget should plan for the maintenance of software and infrastructure maintenance contracts, hardware warranties, infrastructure hardware subscriptions (Firewall, SPAM, Virus protection), replacements for assets nearing end of life, growth of current systems, consumables (paper stock, printer toner, ink cartridges), and physical components (cabling, data center, cooling, security).

Support costs are basically comprised of labor costs necessary to keep all of your technological systems up and running. They often come in the form of vendor support contracts for infrastructure systems, phone systems, business software, business equipment and those with monthly/yearly charges.

Service costs are pretty variable between organizations but generally cover non-labor costs for technologies. For example, Telecommunications, ISP, web-hosting, email services, domain names, SSL certificates and other subscriptions.

The budgeting process can be managed internally, but small businesses can often stand to benefit from bringing in an outside firm whose experience can help you better evaluate and anticipate the IT needs your business should be budgeting for.

Jody Jankovsky - Founder and managing partner of Black | Line Consulting, Jody Jankovsky has acquired considerable experience is addressing clients' needs throughout his 25-year career in the IT industry. After graduating with a degree in Computer Science from Illinois State University, Jody began his career in Information Technology with Big-Six accounting firm Arthur Andersen S.C. After five years of corporate life, Jody moved his software design experience, his IT knowledge and his entrepreneurial spirit from Chicago's Loop to the suburb of Naperville and formed his own IT consulting firm in 1993. Through work in a diverse range of industries, Jody has developed an intimate understanding of the close relationship between information technologies and business productivity. Black | Line Consulting provides full-service Network Solutions, IT Management and Software Development – imparting technology answers for business questions. Jody can be reached at 630-388-1700 (phone) or jsj@blacklineconsulting.com (email).