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## TO GROW OR NOT TO GROW?

Salt Lake City, UT, 1BApril 4, 2018– We hate to buy equipment for our businesses, don't we? For you folks, the really big purchases are the trucks, the forklifts and all that stuff it takes to move materials to get them delivered. For my business, our big purchases are really expensive computer equipment that sometimes costs nearly as much as some of your big stuff, but gets rolled in on a two wheeled dolly by the UPS driver. Not nearly as fun!

But at the end of the day, we all understand that our people can't do their jobs if we don't provide them the right tools. Guess what, the computers, phones, tablets and other IT equipment around your business are tools just not as big as the forklift. It's pretty easy to make the case that the IT gear in your business is in fact the tool that gets the most use from the most people in your business. It's a safe bet that your computers are the tool that has the biggest impact on the day to day operations of the Business. Why is it that more often than not, I find that there's a tendency to give the IT infrastructure the short stick when it comes time to build out the budget.

Look, I get it, trucks are expensive, but they are big and generally have lots of chrome. Forklifts are expensive but when heavy stuff needs moving, they are the only tool for the job. Plus, they are also big and I suppose sometimes they even have chrome on them as well.

Computers on the other hand can be expensive and physically less impressive. Nothing sexy about them, for sure, but just like any other tool, they need to be properly sized for the job they are doing, and they need to be replaced from time to time. The only way to make that happen is to build some money into the budget for it.

When I'm talking to business owners about their IT expenditures, I generally hear that IT expenses are a necessary evil, something that should be kept at a minimum at all times. Let's think about this from a different perspective.

A well invested IT budget can have a dramatic and very direct impact on a lot of different areas of your business. This is a digital age where Customers demand more service and lower prices, where

employees want higher wages and low stress environments and where vendors work to minimize their costs by moving more and more of their interaction with you into the digital space. So maybe it's time to ask a few questions:

Do you want your business to be in growth mode?  
Are you trying to find ways to increase your competitive advantage?  
Would you like to be surrounded by happy, productive employees?  
Is paper still being moved around your business in stacks?

These questions are just a few that should be taken into consideration when it comes time to prepare the IT portion of your budget. If you're trying to grow your business, then you absolutely must begin to think of your IT Infrastructure as one of the primary enablers of that growth. If you are growing, and your people are struggling to keep up with escalating workloads, you must ensure that they have responsive, stable computers to work on. And don't even get me started on those stacks of paper that people seem to be so insistent on moving around. Sure, there's comfort in looking at a big stack of invoices that are being filed, sorted, moved, processed, alphabetized, moved again, sorted again, folded, stamped and mailed because - well, "that's the way we've always done it."

Now certainly I'm not trying to tell you that buying new computers will suddenly make your business more profitable, if your business runs on bad processes, it will still be running on bad processes no matter how fast or slow are the systems. What I am trying to tell you that if you are constantly working to improve your processes, to minimize duplicate or redundant steps and make sure everyone can work in a way that most beneficially impacts the bottom line, you sure don't want sluggish systems holding them back.

Is there a standard number that all businesses should budget for IT? Not really, just as there's no exact formula for setting a marketing budget or anything else. Each business is unique and so each will have IT expenditures that are also unique. Business Owner have their own idea as to what is an acceptable risk on a tight IT budget. There are a few general business guidelines that can be shared if you have no real place to start.

Most of us who work in this industry agree that a "steady-state" business, one with minimal growth plans and basic service delivery needs that aren't overly reliant on technology should be using roughly 3-4% of topline revenue as a working IT expense budget number.

Companies with higher growth plans, those with low tolerance for risk or who rely heavily on technology should really be looking at closer to 5-7% of topline revenue when setting the IT budget.

And of course, if you've been at the bare minimum for years, you should probably be more realistic about the initial "refresh" cost that is a result of having to bring everything up to date, to get it current with the industry standards for performance, security and stability. Finding a balance between cost and protection is much easier these days than in the past, so don't hesitate to talk to us. If you think it's time for a full refresh but you don't want to write the check all at once, no problem, there are creative solutions that can be used. If you've been running for a while spending the bare minimum on your IT infrastructure, I can pretty much assure you that things are likely ready for a major upgrade.

Whatever you do, I think you'll find that setting a realistic budget for IT expenses each year will result in less stress for you as you plan the finances. This will lead to less stress for your employees because they'll have the proper tools to get their work done, and quite likely there will be a positive growth to the bottom line as you increase customer service and operational efficiency.