

Tech Tidbits: Small Changes Yield Big Results

By Michael L. Curry

In 1896, the Italian economist Vilfredo Pareto made the observation that many of the results in life are influenced by a few choices. Dubbed the 80/20 rule, Pareto's principle implies the greatest benefit we experience is often a result of just a few factors. The 80/20 rule turns out to be very useful to a small business in approximating the expected result of an investment in technology.

As an eBusiness consultant when I start working with a new business client I am on the look out for small changes that can improve the bottom line, such as automating inefficient business practices. Inefficiencies are easy to spot, they are the repetitive tasks we do over and over and intuitively know to be a waste of our time. When we can apply the 80/20 rule in a primary revenue generating processes, the results are dramatic.

Technology is increasingly the competitive edge businesses uses to distinguish themselves from competition and become more profitable. How might you apply technology to your business practices? Here are just a few examples of how technology has helped many other small businesses.

Saving Time. Time is our most precious non-renewable resources, and saving time is the primary motivation of many projects. By automating the mundane, you free yourself and others to perform tasks that have the potential to significantly improve your business. How many hours might be saved through an investment in technology? It should be relatively easy to come up with a list of repetitive tasks, and then make some conservative estimates as to how many hours a day are spent doing them. As a starting point estimate a savings of 50% and calculate what that additional time is worth over one to three years.

Reducing Error. Computers are better suited to doing some detailed tasks than a human. We become distracted and often make costly mistakes. This is why the quality control processes are commonplace in manufacturing to

catch frequent sources of error. If an error is not caught what does this cost the organization? Is there some way that you can automate a repetitive task? To estimate the potential benefit of automating a process, you should consider the value to your business of decreased employee turnover, increased productivity, an improved reputation, lower support costs, and fewer product returns.

Increasing Revenue. The bottom line of any technology project should be to make money somehow. It may be by increasing sales, retaining customers, avoiding expenses or in some way putting more money back in the company at the end of each day. The sales staff may champion a technology improvement if they believe the investment can help close sales. In making benefit calculations be conservative estimating benefits especially with respect to increased sales so many factors influence the buying process and it is difficult to be confident an idea will increase sales until it has been tested.

Decreasing Costs. Are there expenses that can

“Anytime you encounter a repetitive task essential to the businesses income, ask yourself: can this be automated? By automating the mundane, you are freed up to perform tasks that have the potential to significantly improve your business.”

be eliminated or reduced by adopting technology? For example, you may remember new computer software programs not so long ago included a simple how-to-book that explained the basics of the new software. Such books have been nearly eliminated, and today if you buy software, at most you find a pamphlet that explains how to install and register the product or contact support if you need help. This was not just a cost savings strategy on the part of software manufactures because studies found users rarely read the old how-to-books. Consequently, manufactures found it more

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beneficial to invest in improving their electronic help and eliminate the books. The Internet makes it much cheaper to publish and distribute documents than ever before so this is one way a small businesses can decrease costs.

Improve Response Time. Automated reporting tools can speed the digestion of raw information to help make more informed business decisions. Retail and manufacturing companies, for example, experience a lag time between buying inventory and recouping costs through sales. For these organizations, adding a system that better tracks inventory on hand against sales orders will reduce overhead. I often find when I can help a business visualize their data and see things previously hidden they make better decisions and quickly realize a return on investment. The life of any business is their cash flow, so a report generator can be extremely beneficial.

Implements A Requirement. There are many cases where laws, regulations or other rules dictate information must be available on a reoccurring basis. If there is a possibility of punitive damages from noncompliance, or if the requirements are labor intensive then an automated system may offer some cost benefit. For example, many small businesses choose to outsource their payroll just to simplify meeting statutory requirements of state and federal tax withholdings. Other companies may decide to invest in automated personnel records system if it makes sense to keep their records in-house.

As the 80/20 rule implies, simple solutions can make a tremendous return on investment. I recommend a business start by looking for ineffectiveness in their primary revenue generating processes. To help gauge how much you can afford to spend on improvements, calculate how much you might benefit from becoming more efficient. Then start small and gradually introduce improvements to become more profitable.



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