

Increase Your Profitability by Enhancing Your Computer System

By Neil E. Schloss, CPA

The information explosion has occurred and the era of technology is upon us. Opportunities for today's businesses are unlimited due to the power of the information age. Your business, regardless of size or age, needs to maintain information about its operation.

Such information helps you control costs, manage inventory, assess purchasing needs, in short — to survive profitability in a competitive environment. Small mom and pop stores can now compete with Fortune 500 companies because of the technology tools available to them. These tools include multi-media packages, spreadsheet, word processing, database and graphic

applications. In addition, the Internet, modems, CD-ROMs, fax machines and printers give the smaller companies as much leverage as the larger ones.

A small company can advertise their product line to the whole world by using a web page, take an order over the phone, process the transaction using the modem and fax back a confirmation of their order in a matter of minutes.

No more can we use the excuse that the mail is running late. It just does not cut it in today's environment. The fax machine allows us to receive information in mere seconds. The internet and modems work even faster. Business as we know it is starting to

fade away as more and more people conduct their business over the internet and use the available technology tools.

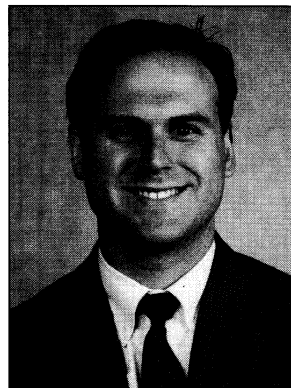
Inflation, declining productivity and inadequate cash flow can be a constant threat to profitability. However, today's companies can increase their profitability by using the technology available to them.

The most common mistake a company makes when evaluating new technology for their company is assuming that the equipment they have is insufficient for their needs. They tend to believe that new technology is where to invest their money and time. The company should be focusing on their

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existing system and improving this first, before evaluating new technology. The problem that exists with many companies is that they do not use the software packages available to their full potential.

Of course, being on the cutting edge of technology is some people's philosophy. However, evaluating the overall cost of implementing new software before the investment will save time and money. Careful research will reduce costs in training, ongoing maintenance and continued support of the system.

Before making critical decisions on enhancing the computer system, a company must first establish a technology plan. The plan must evaluate three major areas: Where are we today? Where are we going in the future? What do we have to do to get there?

The first of three questions, where are we, should focus on the capabilities of the existing system, what is currently automated and what can be automated, what computer knowledge do my employees possess and what am I currently getting from my system.

The second question, where are we going, will map out the future of your company. Are we going to buy new computers or can I upgrade what I currently have? Are we going to continue doing manual work or are we going to automate the work? Are we going to train our employees? What will I get from a new system that I did not get before? For most companies, new technology, faster machines and networking will be the answer. However, you must evaluate the costs involved before proceeding.

The third question, what do we have to do, will determine your overall cost. Upgrading your existing system rather than buying new equipment can save you money. However, if you own an older machine, such as a 386, it might be time to purchase the new equipment.

Process re-engineering has been around for years. Replacing manual work with automation has a somewhat large up-front cost. However, keep in mind, your company can save a lot of money in the long run. Time-saving is also another benefit.

Training can be done in three basic ways: in-house, externally or hands-on. No matter what avenue your company uses, just remember the importance of training. Inefficient, unknowledgeable employees will just result in a large

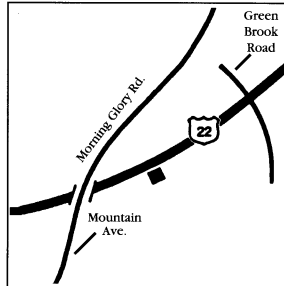
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expense to your business.

Who has time to sit in a library for hours-on-end conducting research? In today's busy business world, the library is not always an option.

If your computer technology includes CD-ROMs, modems and networking equipment, you now have the ability to conduct research and obtain information right from your fingertips. SCSI CD towers allow for a complete inhouse library. These towers can be transformed into a small space in the office, giving the company more productive office space. Networking your office also allows employees to share information between personal computers and mainframes within your company and also between your electronic data processing equipment and outside public and private data bases.

The Internet allows the display of lots of information, making it a marketing tool that can be used along with traditional advertising.

Why use the Internet? One of the most important reasons is to cut communication costs. Electronic mail is the fastest, least expensive, form of com-

munication - regardless of where the recipient is located. Just think of your current telephone long distance bills. Also, customers and potential clients are demanding more, and faster, service for less cost.

A proper information system can provide you with the data to develop word processing, mailing lists, data bases to generate reports and letters, advertisements, cost/pricing comparisons, etc. You are then able to communicate this information both internally, to employees, various levels of management and stockholders, and externally, to customers, suppliers, potential customers, etc. EDI (Electronic Data Interchange) has become the new means of traditional commerce. The saying "Paperless Society" has become a reality.

Buying new technology that is not flexible to change can hurt a business. In the past, companies have developed proprietary software to manage their business. With the technology changes now taking place, this old technology may not be pliable for the future. The computer world is ever-changing.

What works for your business will not necessarily still be true five years from now. This fact must be taken into account when planning for the future of your business.

Training is the most vital aspect of any company. With the ever-changing world of technology, employees need to remain efficient. To keep your business competitive, training employees needs to be your highest priority.

Have an employee evaluate an outside computer class before sending the whole company. Buy a training video. Hire a consultant to train employees hands-on. Overall, whichever method you chose, remember the importance of training. The benefits from your initial cost will be recognized very quickly.

You should obtain the maximum benefit from your investment in technology and become a user of information. The cost-effectiveness will be recognized.

Mr. Schloss is an information technology consultant with Amper Consulting, Edison.

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