Technology Throughout the Lifecycle of Your Business

WHITE paper | Business Development Series

Columbia Bank
WHERE **RELATIONSHIPS RULE**

Contents

As part of Columbia Bank's commitment to helping local businesses and organizations, the bank produces a series of biannual white papers. These papers are intended to provide general best practices and ideas for readers to consider on timely business topics. The information may not always represent the practices of Columbia Bank. For a full list of white papers in the business development series, visit www.therightbank.com/resources/business-resource-center.

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- *Managing a Diverse Workforce*

- *Strategic Time Management and Your Business*

- *Becoming a Best Place to Work*

As companies grow and scale, their needs change. Shifts can occur gradually or suddenly depending on factors such as cash flow, number of employees, release of new products or other circumstances. To take advantage and adapt to a business's changing landscape, companies can utilize new technologies to become more efficient, competitive and profitable.

One important consideration in doing business today is that consumers increasingly demand faster and more personalized service. To cope with these added pressures, companies are constantly looking for ways to streamline and be more efficient. Fortunately, there are a variety of new technologies that can help businesses increase efficiency, enabling them to focus on their customers and make it easier to manage the business. The rapid advancements in technology have also lowered costs for implementing new software and tools, making it more affordable for companies of all sizes — from startups to established businesses — to improve operations, marketing and accounting.

Technology as a Means to Gain Operational Efficiency

According to Teachaisle, a global small- and medium-sized business IT market research and industry analysis organization, using the cloud to reduce operational costs is one of the top business priorities among companies in 2015. Newer businesses have an advantage, as they can leapfrog a number of older technologies in which many mature businesses have already invested their resources. But regardless of size, there are several key technical areas where businesses can devote their energy to improve operational efficiency.

Today, a new company can begin without ever devoting on-site space to a server or having to deal with maintenance, while an established company with a significant amount of servers might consider moving them to an off-site data center. This can help businesses avoid the costs associated with managing and upgrading physical server equipment.

Another advantage of no longer maintaining a server on-site is that a business's data is constantly backed up. However, it is important to test your back-ups and ensure they are working properly. Companies also gain added benefits by being able to share files and collaborate on projects through cloud-based applications. Companies with large amounts of data may find cloud data storage to be a more efficient option than an on-premise solution.

Protecting this data is extremely important and companies should consult with a security professional to develop a plan that's tailored to the business's needs. That said, there are two types of programs that companies can quickly deploy to increase cybersecurity. A password management application can effectively secure the online accounts businesses use to receive and make payments as well as store customer data. Encryption programs can also help safeguard information. There are many companies that specialize in providing such applications. They offer plans for companies of all sizes, and the costs are far less than those associated with a security breach.

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An additional area that can reduce costs for many companies are phone systems. Replacing traditional phone lines with lower-cost voice over internet protocol (VOIP) services and outsourcing answering and message-taking to a third party can be great options for a newer business that may not have the resources to hire a full-time employee to answer phones, allowing staff to concentrate on their work. However, companies that are more established may prefer to bring such activities in-house as they can gain greater control.

Companies can also increase efficiency and reduce costs through payroll solutions. Cloud-based payroll solutions can not only save time, but eliminate the need to store social security numbers, tax forms and other sensitive information on office computers. Startups as well as larger, established companies may consider outsourcing their payroll, so they can focus more attention on core business activities.

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While there are more tools and technologies available to businesses than ever before, so many options can make the task of choosing more difficult. Chad Layman, chief executive officer of the Marquam Group, a business and information technology consulting firm in Portland, Ore., recommends that everyone involved in selecting new technologies — from company principals to outside consultants — have a keen understanding of a company's work flow before any decisions are made. Layman believes that insight into an organization's processes and finances is the key to forming a technology plan that will streamline operations while satisfying both short- and long-term goals.

Attracting and Retaining New Customers through Technology

Every company likely wants to gain new customers in addition to maintaining great relationships with their existing clientele. While nothing can replace a business owner and employees personally knowing their customers, there are technologies available to help companies do a better job building relationships, whether they've just launched or have been in business for generations.

Marketing automation and CRM – Marketing automation enables businesses to nurture prospects into sales-ready leads through multiple communication channels including email and social media. These communication tools help a business capture a prospect's attention and generate interest in the offering. The prospect then sees the service or product as a solution to their needs and initiates contact. The company responds and the prospect is turned into a lead. A customer relationship management (CRM) platform helps companies convert these leads into sales and turns them into repeat customers. There is a wide range of marketing automation and CRM solutions on the market. Each offers various levels of sophistication, which can provide the necessary features for companies with different needs throughout their business lifecycle.

Social media – Social media can help new customers find businesses that provide the goods or services they need, but it may be even better for businesses to discover what their customers are saying about them and their competition. To manage this process, companies can use applications such as HootSuite that aggregate messages on Twitter, Facebook, LinkedIn and other sites in order to monitor and track everything on one screen. Using social media in this way can help companies find compelling stories about real people using their products or services, or it can alert them to customers posting messages about negative experiences they've had with their products, services or with an employee. A swift response that corrects whatever problem may have occurred can not only repair a potential public relations crisis, but demonstrate a company's values and mission.

Using Technology to Manage a Business's Finances

Technology can play a vital role in helping keep any company in good financial health, be it a startup or a long-standing business. There are tools that can streamline tasks related to accounting as well as managing inventory and point of sale (POS). Keep in mind that while a new company may have a smaller line of products and fewer employees than a company that's been in business for many years, a system that's scalable and can grow along with your organization may be more cost effective in the long run. Here are a few things to consider when searching for these types of solutions:

Accounting – Features to look for include accounts payable and receivable, invoice and billing, customer and vendor management, job costing and time billing, as well as fixed assets and depreciation. Broad-based accounting systems may include inventory or POS all within one platform, or individual solutions may link to each other through open APIs.

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Inventory – The system should monitor reorder points, calculate cost methods and multiple price levels per item, handle assemblies and pick lists, process received versus purchased orders as well as job and project billing in addition to converting estimates to invoices. Cross-platform integration provides linkage to other systems such as POS, accounting and CRM.

Point of sale – Consider a solution that quickly and securely processes transactions, contains an inventory management solution or connects to the existing inventory system, links to the CRM platform and customer database, tracks sales staff performance and provides reports in real-time.

Rick Beckett, co-owner and fourth-generation family business member of Skeie's Jewelers in Eugene, Ore., recommends companies seek software that is especially designed for their particular type of business. Beckett says that even for a single-location store such as his, the return on investment for specialized software can be tremendous. The tracking system deployed at Skeie's enables his business to know exactly how long a piece of inventory remains on the shelves, helping them decide what should be put on clearance and which items to reorder.

How to Buy: Navigating Technology Purchase Methods

After identifying a type of technology that can benefit your business, the next steps are often selecting a vendor and defining the optimal cost structure. The most common purchase methods are lease, purchase and subscription. Each has pros and cons, which can have an impact on a company's finances, whether it has just launched or is about to celebrate a significant milestone. Businesses should consider their company's needs when exploring the following purchase options.

Leasing – One of the most significant advantages of leasing is that it can eliminate the need to make a large capital investment. This can be particularly beneficial to a startup as they often must conserve cash. A mature business may have other reasons to prefer a lease, such as using cash to pay off existing debt or to make an acquisition. Leasing also ensures technology remains up to date. A disadvantage to leasing is that businesses may pay a higher overall cost than if making a purchase. There may also be early-termination fees if the company breaks the lease.

Purchasing – An established company may find purchasing makes the most financial sense, as it can lower total cost of ownership. This is likely true if the technology lasts several years and does not become outdated during that time. Other issues to consider when owning equipment is the company remains responsible for maintenance, upgrades and properly disposing of equipment when it becomes obsolete, which requires time and expense.

Paying only for what is used, along with the ability to scale up or down as needed, can be attractive to any company.

Subscription – Subscription and pay-per-use models can benefit startups and established companies alike. Paying only for what is used, along with the ability to scale up or down as needed, can be attractive to any company, especially newer businesses or those not in a position to make a large capital investment. While tech support and upgrades are generally included in such an agreement, total licensing and maintenance costs can be more expensive over time.

Conclusion

Using technology to gain a competitive advantage throughout the lifecycle of a business requires addressing real challenges and delivering a solution. This may require stepping back and re-examining processes and workflows, and in many cases an outside perspective can provide valuable insight. As businesses grow, their technology needs change and evolve. Whether a business is just starting or well-established, company leaders need to take an objective look at their business and do a thorough examination of their finances along with processes and needs related to operations, sales and marketing, as well as inventory, POS and accounting. With the help and advice from experts in both technology and financing, business owners can begin to identify which new technologies will best streamline their business, enhance efficiency and increase competiveness. Once these are in order, it is possible to make a sound business decision.

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About Columbia Bank

For more than 20 years, Columbia Bank has served the Pacific Northwest with a focus on building long-term business-banking relationships. And along the way, we have forged a strong reputation as a proven business resource and proud civic partner. Columbia Bank's strength lies in our extensive expertise in banking community-based businesses, professional service providers and the nonprofit sector. This expertise means we can help clients tackle the financial issues specific to their enterprise. What's more, clients have access to local bankers who have the authority to make decisions for them on the spot.

Columbia Bank maintains a strong connection to the communities where we operate. The bank empowers its employees to actively engage in fostering an environment where all community members can flourish. We endeavor to work with local nonprofit organizations and community-based businesses, ensuring more dollars stay close to home. The bank supports hundreds of nonprofit organizations in achieving their missions — both philanthropically and through direct participation.

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