



## GRASPING THE LOGICAL APPLICATIONS OF TECHNOLOGY

Businesses across all industries are finding that staying competitive today means using technology. But the lightning-fast changes occurring in technology meant that it is often difficult, even cumbersome, for executives to make an initial IT investment, let alone to maintain that investment with necessary upgrades to stay current.

An emerging trend among business leaders—one that enables them to get the most out of technology with the least amount of expense—is strategic outsourcing. While companies must focus on their core capabilities, many cannot survive without non-core, yet essential parts of their business, including database marketing.

In term of technology, the strategy of cost-effective outsourcing has translated to application service providers, commonly referred to as ASPs. Using ASPs means companies can altogether circumvent the process of finding, hiring and training an internal IT staff. ASPs also purchase, develop and lease applications for things like e-mail, enterprise resource and customer relationship management.

The idea behind ASPs is not new. For years companies have employed some variation of it. Ever since the 1960's, companies have used what was then called a "time share" computer to outsource jobs like payroll and bookkeeping. More recently, companies have been outsourcing the Web tasks to Internet service providers. The role of the ISPs is to keep sites up and running.

For company owners and managers who use ASPs to supplement their own businesses, this translates to cost savings of about 40 percent compared to an in-house solution. This is because a vendor can spread out the cost of the system over many clients. Keeping the lid on technology and data collection costs means more cash flow flexibility. Instead of building a big infrastructure, which tie up lines of credit, businesses are able to cope more easily with the normal ups and downs of business cycles.

The aspect of controlling costs is especially crucial to small and startup companies operating under tight labor constraints. For large corporations, the appeal is a speedier time-to-market of goods.

Besides assisting in the maintenance of the preferred "flat" management over the old hierarchy system, ASPs also help companies take advantage of other new business paradigms executives are facing in the 21st century. Primary among these is conducting operations in the new global marketplace where e-commerce and other Web-based applications are critical to operations. The crux of an ASP's strength with a company looking to seize on Internet opportunities is its ability to provide the latest applications without the investment of monetary or personnel resources or the expenditure of high-dollar licensing fees and a long implementation process.

But all ASPs are not created equal and it's crucial to sign on with one that has the capabilities to meet company goals. This means having enough power to effectively handle spikes in volume. For instance, will the system avoid down time when a promotion causes e-mail to go from about 100,000 to 3 million?

The system itself should also be wired with data and network redundancies to guard against failures. It should also have disaster protection mechanisms, including smoke and heat detectors as well as a sprinkler system.

Besides keeping the lines of communication open with continuous uptime, a reputable ASP will provide a confidential agreement. This is designed to ensure company data and customer privacy is maintained with the utmost security. To get reliable results without outsourcing would mean prohibitive costs of both money and time. Not only is there the initial expenditure in obtaining the right tools for the job, but there is also the collection and analysis of massive amounts of data, which requires devoting valuable employee time away from their primary duties.

In a nutshell, holding another company to specific measures of performance can allow a quantum leap in productivity at a much lower cost.

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