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Tips for planning an IT budget

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Summary: Here are ways businesses can better plan their IT budgets

Too often, businesses invest in IT with the short term goals in mind. They will adopt new systems only as they need them, or take on new technologies as a knee-jerk reaction to the latest trend. Steven Ibaraki, vice-chair for the International Network Professional Association (NPA), says that businesses should never purchase technology just for the sake of being on the bleeding edge.

"Unfettered, unplanned technology was once considered the route to enhanced market share and growth, but no longer," says Ibaraki. "Today, there must be real value returned to the business from IT projects."

Faced with tightened budgets and regulatory requirements, IT professionals need to be prepared to justify their investments and plan an accurate budget. Without a clear budget to keep projects in line, costs can easily spiral out of control. Here are a few tips that can help you get improve your IT budget strategy:

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Determine the technology requirements

Think of IT as a strategic asset and evaluate the technology requirements with an eye to increasing business value. The first step in your needs analysis is to have an offsite meeting with the key stakeholders to determine IT priorities and establish a common vision. Ibaraki adds that it is critical to discuss the costs and benefits involved - including the costs of not proceeding.

Some questions to consider include:

- How will technology help meet the business objectives over next three years?
- Does the IT strategy make sense in light of the overall business strategy?
- What areas are planned for growth or improvement? What technology would help facilitate those changes?
- Does the current technology help promote business agility and efficiency while managing operational costs and risk? If not, what solutions would better support the business?
- What is the total cost of ownership, and how will that cost be justified? Through revenue, profitability, lower costs, market differentiation or better collaboration and innovation?

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Take stock of the priorities

Once the technology needs are clear, use a checklist to track the IT investments and then prioritize them accordingly. Equipment and software costs, setup and upgrade charges, network access fees, insurance, operating costs, training for staff and consultant fees all need to be considered. However, be sure to first address areas that deliver the greatest return or pose the highest business risk such as security.

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Plan for “Murphy’s Law”

Equipment fails. Employees call in sick. “Whatever can go wrong, will go wrong” as the old adage says. The trick is to prepare for it. Companies should look to build in contingencies for “scope creep” by increasing the budget expenses by 20 per cent.

In addition, don’t expect the initial budget estimate to be set in stone. Keep a close eye on spending and act promptly if it slips out of control.

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Share best practices

Not all IT professionals are skilled at managing budgets, so be sure to communicate what was learned with other project managers. Sharing that information not only helps improve project estimates, but brings value back to the organization as a whole.

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Make the budget scalable

Organizations should be proactive in monitoring new technology developments and revising the budget as new information becomes available. “The last thing you want is an aged IT strategy that misses out on the current opportunities in the marketplace,” says Ibaraki.

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