How technology reduces costs and improves productivity for a company
How technology reduces costs and improves productivity for a company.

Productivity is the ratio of the quantity of outputs to the quantity of inputs used. It represents a key factor of creation of surplus value. The costs of production could be described as the valuation of the inputs previously mentioned. It is therefore the object of elaborated strategies in the company. Those strategies strive for minimizing costs when they cannot totally eliminate them.

- One of the most efficient tools available is the practical application of science to business and industry, in other words technology.

Ultimately this will lead to the creation and/or the consolidation of a competitive advantage for the company, an advantage that Innovative Software Products Inc. is dedicated to helping its partners achieve.

Using Technology Increases Your Competitive Advantage

Competition, more than anything, leads to a reduction of costs. Obviously, doing business means producing more, or at least as much, at a cheaper price. Globally, companies are placing an increasing importance on the implementation of strategies that are critical in reducing expenses. Such strategies include the use of technology. If all expenses are being targeted, the costs of communications usually are the ones dramatically reduced.

Communication is an exchange of information between at least two parties. In dealing with business, communication occurs at three levels:
- Internally during interactions between the company and its employees
- Between the company and its suppliers
- Between the company and its customers

Information is the most valuable commodity in today’s business world. The reduction of its implied cost allows information to be more and more accessible. The real challenge is to process all this information in an organized manner that would operate according to relevancy.

Innovative Software Products

www.i-softwareproducts.com
DATABASE SOLUTIONS

Database software, emails, or voicemails are all media and technology tools that can be efficiently used at any of the three levels previously cited. Whether you are looking at improving your internal process or gaining control of your supply chain, you are on the right path if technology is your first option because database programs are a major importance in a company’s modus operandi.

Innovative Software Products has identified two types of databases: the transactional type and the analytical type. Both types are critical in managing a company.

Example: Joe has been in the tire business for 20 years. In the beginning it was a small shop in the back of his garage. Today, it has blossomed into a nationwide chain with 17 open locations.

Issue: Unfortunately, Joe’s business has been seriously impacted by the financial crisis due to its natural dependency on the struggling auto industry. He already knows that he will not be able to keep all his current employees if he wants his company to stay alive. In situations where several locations were in the same city, Joe and his management team needed to re-think the company’s organization, but they were also determined to keep the elite of their workforce.

Solution: They contacted a technology solution provider to deliver the tools that would alleviate their decision-making process. As a result, a custom system of databases was designed, built, and implemented. The application gave the management team the ability to generate customizable reports to track the transactional numbers of any member of the sales team. It was then capable of analyzing those numbers and to identify the best performers on the scale of a single store, and also on the scale of the entire chain. In addition, this new technology allowed them to cross-examine the profitability of the chain by clearly identifying the costs of operations and the turnovers of each location. It was then easier to make the appropriate adjustments in order to maximize the use of the company’s assets and improve its productivity.

Result: This solution is still helping the company reduce its costs by 100 man-hours each month.
CUSTOMER RELATIONSHIP MANAGEMENT (CRM)
Customer Relationship Management is another aspect of business that can also benefit from the use of technology. In his second edition for the year 2006, the McKinsey quarterly report stated that it [the use of technology with CRM] has the highest potential of return on investment, despite the difficulties that can be associated to its implementation. According to McKinsey, an incoming call costs the company between $2 and $10 when handled by a physical employee whereas this cost drops to 20 cents when managed by an automatic system.

Automatic systems have tremendously improved in quality over the years and have proven they can handle the job as long as the tasks to be performed remained simple. This means that despite the numerous capabilities of technology, human presence is still required.

- It is critically important to thoroughly analyze the integration process of this valuable tool since it needs to be adapted to the organization.

PRODUCTIVITY
We originally stated that the costs of production were in actuality a valuation of the inputs used during the process of production. Now that you have a better understanding of how technology can reduce your costs, the interesting question is how do you account for those inputs?

Do you focus on the productivity of labor? If so, you will then have to decide whether you want to use some man/hour as a measurement unit or the total number of employees associated with the company's activity. This process becomes even more complex when you are dealing with companies from different countries as the methods are different depending on your country of origin.

Instead, do you focus on the productivity of one of the two others factors of production that are capital or factor endowments? Generally, economists will use a combination of these factors depending on the sector in question.

For example, in a factory productivity might be measured based on the number of hours it takes to produce a good, while in the service sector productivity
might be measured based on the revenue generated by an employee divided by his/her salary.

Productivity improvements are a good proxy of cost reduction, and for that matter it is a reliable tool for measuring technical progress. Indeed, productivity is often considered to be an efficient way to minimize costs of production. It can be achieved through any one of these three main factors:

- capital deepening increase
- better quality of labor
- improvement in the productivity of the combination of those factors

Capital deepening involves the increase of the physical capital (equipment,) itself or an increase of its quality. Technology, and more precisely, computer equipment have been a key; and its future couldn’t be brighter. It is the perfect illustration of equipment that can sometimes appear too expensive for purchase but also very often associated to a lesser corresponding rise in wage expenses. Its applicability, its accuracy and its flexibility makes it one of the most efficient factors of production.

Quality of labor
Competition forces companies to regularly upgrade their technology so that they can create and/or consolidate a competitive advantage. That leads us to the second main factor to attain productivity gain: quality of labor. This is another designation for training. The labor force needs to be constantly or at least regularly trained to use the equipment to its fullest potential. This process is even more critical when dealing with technology.

Combination of factors
When acquiring technology from an external source, such as Innovative Software Products, companies should seriously consider the technical support services associated with the product. The last main factor stands for any improvement that cannot be the obvious result of the use of the first two. It includes aspects like a better allocation of resources, a better organization of labor, catch-up effect, etc.
# How Technology Will Help Your Company

## Managing the Workforce
- Tracking employees' numbers, tasks, and projects
- Better awareness and sense of responsibility from employees
- Better visibility of company strategy by employees which helps creating a culture of enterprise
- Creation of a central knowledge repository
- Improvement of employee skills
- Better reactivity
- Better products

## Managing the Supply Chain
- Inventory control to prevent shortage or unnecessary surplus
- Better reactivity between the company and its suppliers

## Customer Relationship Management
- Better understanding of customers' needs
- Development of consumer loyalty

## Business
- Better allocation of resources in the company
- Reduction of costs
- Productivity gains
- Increased competitiveness
- Improved capability of anticipating the market
- Increased possibility of positioning on new market thanks to higher benefit margins

## Summary

Technology is a solid, cost-efficient tool for business. It is flexible and precise. The return on investment is unparalleled and it can account for dramatic decreases in the price of goods and increases in competitiveness of companies. Yet, in order to achieve desired results the application of appropriate technology is critical according to the type of organization. It needs to be well-integrated to the company’s mode of operations.

Finally, the purchase of support services needs to be seriously considered. As new technology becomes available, more training will be needed. In today’s competitive world the learning never ends for companies that desire to succeed.

Innovative Software Products  
www.i-softwareproducts.com