

WHITE PAPER

SMBs Can Achieve Business Success Through IT Planning

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IDC OPINION

Technology is playing an increasingly important role in allowing small and medium-sized businesses (SMBs) to operate in a fiercely competitive and fast-changing environment. Today, SMB customers are increasingly savvy and have high expectations for immediate personalized service and support. Moreover, while customer expectations are rising, businesses are under pressure to do more with the same or fewer resources.

SMBs traditionally add technology as a means of addressing an immediate problem. However, the short-term focus and point solution nature of such IT infrastructure acquisition can set the stage for problems as companies grow. SMBs can improve their business processes by looking at technology adoption for the IT infrastructure in a comprehensive manner — that is, by addressing an immediate problem while taking future, long-term needs into consideration and viewing the IT infrastructure acquisition as a business investment.

To make technology evolution more manageable, most successful SMBs acquire and implement IT infrastructure in phases rather than through massive and expensive upgrades. IDC believes that an orderly, incremental approach allows for planned growth that maps an IT infrastructure evolution to long-term business goals.

In this paper, IDC shows that growing this way helps companies avoid the pitfalls faced by many SMBs that adopt technology in a less orderly, piecemeal fashion. IDC shares some of the difficult experiences of SMBs that acquired pieces of their IT infrastructure on an as-needed basis and without a comprehensive plan that mapped to long-term business goals. In addition, this paper discusses what an SMB should look for in IT infrastructure providers (e.g., vendors, value-added resellers [VARs], systems integrators [SIs], and service providers) to make the most of its short- and long-term technology investments as the business grows.

SITUATION OVERVIEW: LEARNING FROM LARGER, LESS AGILE ENTERPRISES

Large enterprises have a solid understanding of the value of long-term technology planning because even modest changes in IT infrastructure can take considerable time and investment to implement. In contrast, SMBs can seem much more agile and able to put in place new technology solutions in a timely and efficient way. In truth, though, SMBs are invariably resource constrained in both staff and funds. An even more serious constraint on technology effectiveness is the way SMBs often acquire technology, addressing immediate business concerns with the least expensive solution available. Using this ad hoc approach to technology acquisition often results in an unwieldy multivendor network that is difficult to manage and upgrade. This approach increases the operational costs of the network, often erasing any short-term savings derived from point product purchases.

IT Infrastructure: The Importance of Planning

Creating a Clear and Consistent Structure

Further complicating SMB technology development over time is high personnel turnover in the IT department, which leads to two problems:

- ☒ The fundamental thinking that may have guided technology purchase decisions may be lost, especially if IT objectives and management objectives were not developed in a cohesive way and encoded in a comprehensive plan.
- ☒ The technology strengths and IT orientation of new staff may not be at all in line with the philosophy of departed staff, making progress all the more difficult.

Interviews with key SMB IT decision makers underscored these problems. According to one frustrated IT manager at a manufacturing firm with 150–200 employees:

I inherited this infrastructure. I was the software guy, and we also had a hardware guy. We were segmented, with no real IT manager, at that time. When I adopted the title of IT manager and inherited the infrastructure, I realized that the hardware guy had never been given any good direction of what the company's needs were, especially moving forward. There was just no communication at all. He did the best he could with a very limited amount of information.

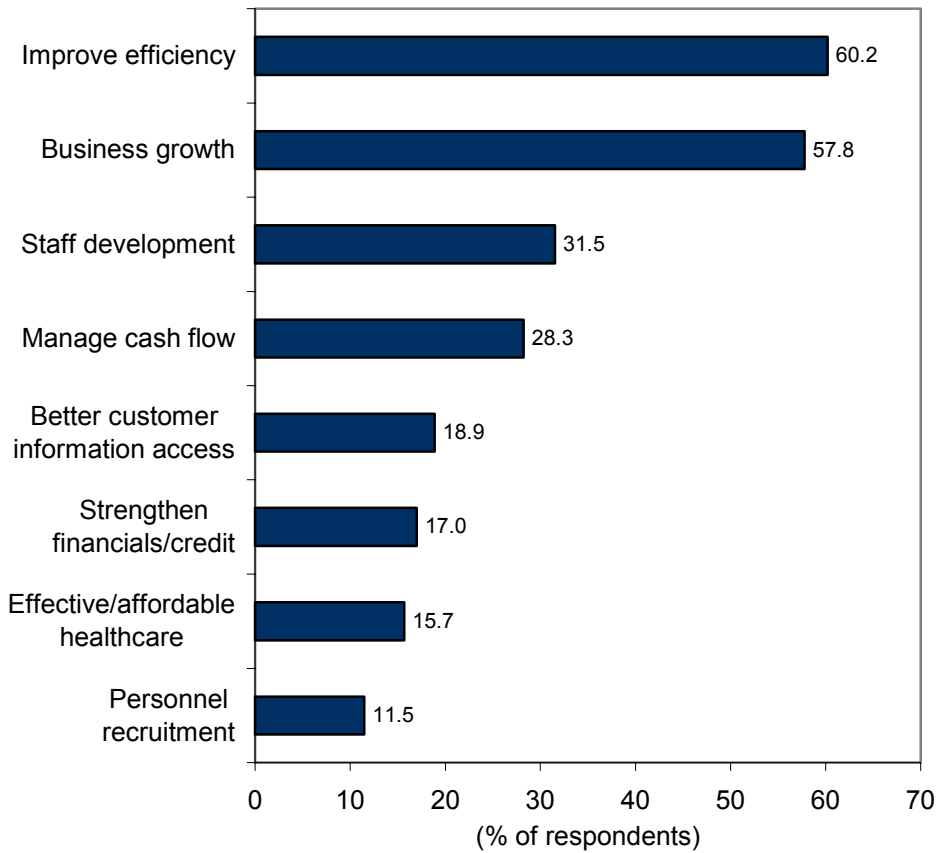
Connecting IT Strategy with Fundamental Business Priorities

We believe that when SMBs map their business objectives in a prioritized way to long-term technology plans, they can improve communications, streamline business processes, and provide secure communications to employees, customers, and partners. Having a plan creates a common understanding between the business decision makers in the organization and the technology staff, greatly reducing confusion and helping companies achieve business objectives quickly and cost-effectively.

IDC research has found that SMBs often think about their business goals and their IT spending priorities as two independent and unconnected topics. Figure 1 shows the range of business priorities cited by SMBs large enough to have dedicated IT staffs and formal budgeting processes. The top business priorities are very much at the heart of what any business would be concerned about: look internally at improving efficiency and effectiveness and look externally toward driving new revenue through customer outreach. In effect, the focus is on growing top-line revenue and doing so by using resources with maximum impact to generate profits. Other business priorities either are derived from these goals (improve financials) or contribute to them (recruit and develop staff).

FIGURE 1

Key Business Priorities for Next 12 Months Among Companies with 100–999 Employees



n = 697

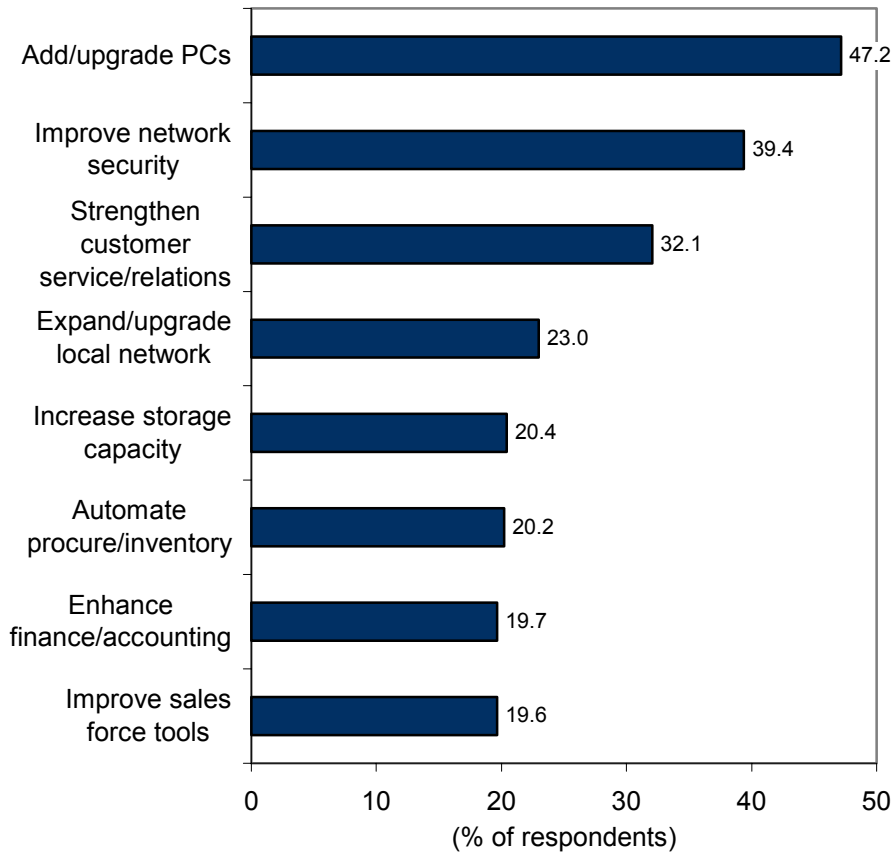
Note: Multiple responses were allowed.

Source: IDC's 2005 U.S. Small and Medium-Sized Business Survey

However, the focus of the business priorities is not echoed in the IT spending priorities identified by these same firms! As Figure 2 indicates, rather than having a clear strategic mission for IT within the company, SMB IT managers have identified specific point products they plan to buy (add/upgrade PCs) or general operating areas they hope to strengthen (improve network security and strengthen customer service/relations). Farther down the list are key infrastructure investments such as expand/upgrade local network and increase storage capacity, which are the investments that are most likely to significantly improve business efficiency and productivity. IDC believes that more effective linkage between business objectives and IT spending priorities will characterize the most successful SMBs in the coming years.

FIGURE 2

IT Spending Priorities for Next 12 Months Among Companies with 100–999 Employees



n = 697

Note: Multiple responses were allowed.

Source: IDC's 2005 U.S. Small and Medium-Sized Business Survey

The Evolutionary Nature of IT Planning

In talking to SMBs from different industry and company size categories, IDC has found the lack of an IT planning process to be the rule, not the exception, and problems resulting from ad hoc technology acquisition to be varied, debilitating, and potentially disastrous. At the very least, the risks of not planning are lost time and efficiency as well as technology not fully supporting the longer-term business needs. At the worst, a failure to plan ahead can place a firm in such a weak competitive position as to threaten its survival.

Managing Technology Adoption Rather than Being Managed by It

Companies will often have a business plan, especially if they have sought outside sources of financing. An IT plan is far less common because SMBs, by their nature, begin as small businesses that add technology bit by bit as they grow. Perhaps some of the following stories we heard from SMBs sound familiar:

- ☒ An IT director at a small retail food company relayed to us that his company had no plan for network infrastructure. The company's technology grew organically as the business grew. Because there was no plan, the company is now in a frustrating situation technically that has left holes in its network security. The company does not have adequate ports on its switches to support the business that led it to add local switches. In one situation, a systems administrator plugged into a switch and in one command took down the network, which stopped the manufacturing plant for 90 minutes. Problems continued into the next day. In the IT director's words, one small mistake brought the company "to its knees." A well-planned security implementation could have prevented this problem, which cost the company close to \$10,000.
- ☒ The director of IT in a small manufacturing company shared how his company's lack of planning has created a situation in which its existing network cannot expand or upgrade to meet its current, let alone future, needs. The company kept adding technology piece by piece to a token ring network to address immediate concerns. Now the art department is trying to use the hubbed 10MB network to transfer multiple gigabit files. The only way for the director of IT to resolve these networking issues is to start over. The company's new mantra is "lack of planning means poor performance." Instead of buying the least expensive equipment available, it now purchases gigabit switches that will take it into the future. The company believes that this practice will save it money and improve performance over the long term.
- ☒ The IT director of a 950-person finance company noted how a lack of planning increased the costs and complexity of a recent IT infrastructure purchase. The company needed to purchase three switches, but it elected to buy them one at a time rather than purchase them all together. This approach also resulted in multiple project delays due to internal paperwork issues.

The experiences of these IT managers are representative of the concerns and issues faced by many SMBs. These real-world examples clearly illustrate that a lack of planning has a negative impact on a company's ability to achieve its business goals. Successful SMBs control their businesses and achieve their goals with a plan. So how do you avoid these pitfalls? What can you do to ensure a successful implementation process?

Successful Implementation of an IT Plan

Like business strategy, IT strategy can never really be considered completed. Changing business dynamics and emerging opportunities can make investment in new technology essential. The proactive goal of driving more revenue is every bit as important as reactive goals such as responding to new government regulations or competitive threats, although for many SMBs the fear of losing business is more likely to free up technology investment money than the opportunity to drive more business. Annual budgeting can provide the discipline necessary to make sure that critical infrastructure investments are being made today to support future technology needs.

Step One: Connect Company Technology Road Map to Business Planning

The first step can be the most difficult, but it paves the way for the most progress. How is the company planning to evolve over time? The answer to this question can point to key technology areas, such as support of remote offices, that will require critical foundation work. Are there new technologies that could or should be incorporated into your network? Even if the answer is no at present, it will be beneficial to plan now for future technology integration.

Competitive challenges and changing customer preferences can factor into this step as well. Are new types of firms emerging that have the potential to siphon off existing business? If technology advantages are associated with these competitors, then support of business objectives through technology advances will have to be funded in order to keep pace or continue to be relevant to customers. Allowing new competitors to capture business because it "may not be worth pursuing" can be a dangerous path to follow. Many small firms have grown by building on business that was considered unprofitable by firms that may no longer exist. The fundamental questions are: What business challenges does your firm face today? How can technology help to address these challenges?

Assemble a list of advanced capabilities that you would like to have, especially if they will support business objectives. What new customer service capabilities would you like to add (e.g., call centers or online services)? What new resources would allow your remote workforce to be even more effective? Will any of your employees need secure access from home? Are you under pressure to provide remote access for all knowledge workers? Can your technology infrastructure support this requirement? What technology tools can you use to make your staff more efficient?

Step Two: Leverage the Current IT Environment

A major challenge for SMBs is finding the best ways to build on existing resources to make the most of network and staff capabilities. Your technology may be doing the job today, but will you be able to build on it tomorrow? If your existing equipment cannot support new technologies that you believe your business will need in the future, such as advanced security, wireless, or voice over Internet protocol (VoIP), start developing a plan that involves a schedule and budget that will allow your IT infrastructure to transition and evolve in step with your business vision.

Consideration should not be limited to equipment and services. It must also include the "processes," practices, and skills of staff in using and managing technology. How can you add technology in the least disruptive manner? What can be done to leverage existing IT staff training? Can current business processes be enhanced to improve customer satisfaction?

Step Three: Address Critical Needs

This step goes hand in hand with step two, but it must be carried out with full commitment. An incremental approach is required, but a timetable for replacing inadequate technology is essential. The goals are to prepare a fully thought-out and carefully crafted plan for very specific change and to deliver measurable performance improvement to company operations. A director of information systems at a manufacturing firm with 100–250 employees shared an experience that all SMBs should strive to avoid:

We had a token ring setup, which was very primitive, and instead of thinking about it, it was like the old Istanbul concept, add one more thing, add one more thing, but certainly not what I would call enterprise thinking where we take a look at where we are going and what we need to get us there. It was not done that way. It was not well thought out. The 'plan' was what do we need to do to get by today but not tomorrow? We have switches located all over the place. We have wiring running everywhere. We have wiring that goes nowhere. Our phone closet is a company joke. If you saw the wiring, you would shriek.

Step Four: Identify Key Technology Partners

For most SMBs, local or regional VARs, SIs, and service providers offer information, access, and instruction regarding advanced technology. Smaller companies may rely on a smaller VAR in their local community, but larger SMBs with more advanced requirements, such as regional offices, may look to national firms with multiple locations that are organized to meet their needs.

Rather than simply act as technology conduits, such technology partners can serve as an extension of a company's IT staff, providing important guidance as well as a wide range of services, including installation and support. Training and knowledge are especially important and are often associated with levels of certification that technology partner staff members have earned from the technology providers they serve. Can a technology partner provide you with the service and support you will be looking for?

Listening skills are just as important as technology skills. Does the technology partner take the time to truly understand your business challenges and objectives? If a technology partner seems to have all the answers before asking your key questions, maybe it is not the right company to be working with.

Similarly, is a prospective technology partner capable of providing technology and support in keeping with your business growth plans? As part of a long-term perspective, which will deliver maximum technology impact over time, you should seek a committed partner who will be able to serve you as your needs change. In most cases, the technology partner will become a trusted colleague and partner who recognizes that its business will grow with yours. Do you believe that your technology partner shares your company vision?

Step Five: Select a Vendor

This step can be done in concert with step four, especially if a company has a strong relationship with a technology partner who is making supplier recommendations. Many of the questions associated with channel selection also apply to vendor selection:

- Does a vendor have a full line of technology solutions that will support your needs today as well as tomorrow?
- Does a vendor have plans for integrating technology? Is a security solution designed to work with a voice solution, and do both work with wireless solutions? Although no vendor can be expected to provide best-of-breed solutions in every technology area, integrated solutions are always preferable to ensure operational compatibility and avoid finger-pointing about who is to blame when things do not work properly.
- Does a vendor have upgradeable technology (or at least a migration path)?
- Can a vendor meet your service and support needs?

CHALLENGES/OPPORTUNITIES FOR IT INFRASTRUCTURE VENDORS

Because SMBs often lack the internal IT resources to plan and execute a forward-looking IT strategy, and because the SMB market for IT equipment and services is highly specialized and dispersed, they must look to the channel for assistance. Therefore, IT vendors need to create programs and tools that educate their reseller and integration partners about their products and solutions. In addition, these programs and tools should aid the partners in the development of long-term planning solutions for their SMB customers. This point is vividly illustrated by the vice president and CIO of a 200-bed community hospital with nearly 1,000 employees that depends on VARs for information. He wants to make certain that the sources he buys from are kept up to date about the latest technology. To this end, he suggested that:

[IT equipment vendors] ... have to keep their VARs updated and current so that I'm not purchasing the wrong thing. The deal here is that I'm going to purchase something. It's like buying a car when you walk in and the salesman asks what you're looking for. You tell him that you're not really sure, but you're looking for something sort of this size, in green, and some other general specs. Well, then it's up to him to come back and give you some real good choices. The VAR has to talk to me and give me some viable options. Most of the time, I'm not a prospect; I'm a buyer! When I'm looking for something, I'm going to buy it. I know I need it. I don't know what I need for sure, but I've got money set aside.

By creating the tools and solutions that address long-term IT infrastructure planning that technology partners can use to aid SMBs with their technology planning needs, vendors can focus their product and services solution sets on the distinct pain points of SMBs. SMB customers should look to technology vendors and partners that offer these types of solutions.

CONCLUSION

Building on the ideas presented in this white paper, IDC recommends three key steps that SMBs should consider as they move forward to implement advanced technology solutions — or even pave the way for them in the years ahead.

Develop a Comprehensive Plan That Addresses Both Short-Term and Long-Term Needs

Avoid common pitfalls of chasing only near-term pain relief by committing to an incremental evolutionary approach to technology acquisition. Identify immediate technology needs to address key business challenges while also looking forward to areas that should be enhanced over different periods of time — six months, one year, two years, five years. It is not quite as simple as hockey great Wayne Gretzky's formula for success: "Don't skate to where the puck is; skate to where it's going to be." Looking forward to identify future needs can be invaluable in setting the stage for effective technology choices.

Map Technology Choices to Business Goals

One of the hardest things about business planning is the first step: understanding where things are today. It is essential to objectively assess your current technology environment and how it maps (or should map) to your short- and longer-term business goals. What changes need to be made to make sure IT plans and business plans are in sync? Where do you need to make changes, and how should you prioritize those changes? Moreover, remember that these plans need to be updated fully each year and reviewed quarterly to make sure the environment is moving forward as anticipated. The worst thing for business or IT planning is to develop a five-year plan that is then updated only after five years.

Objectively Assess the Strengths and Weaknesses of Technology Providers

The fact that many SMBs have limited financial and IT resources means that they cannot do everything for themselves. VARs, SIs, service providers, and vendors will have to provide the support as well as the technology essential for IT goals to be achieved. Assess the strengths and weaknesses of different technology providers and how they map to your company's needs. Look for technology competence and the flexibility that will make for a long-term partner. Remember that technology alone is not enough to ensure business success: Look for a technology provider that is willing to gain an understanding of your company's unique business objectives and that will craft a technology solution customized to address your immediate needs while setting the stage for long-term success.

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