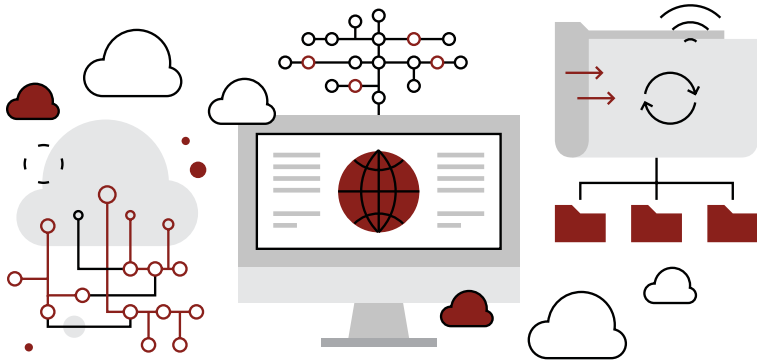


WHY SMBS NEED
**ENTERPRISE-LEVEL
IT CAPABILITIES**



IT infrastructure serves as the backbone to modern business. Nearly all processes are conducted digitally (online quoting and purchasing, shipping calculations and acknowledgements, recruiting, payroll, banking, and sales tax filing), or at least depend on some technology (point-of-sale transactions in a store). The rapid proliferation of mobile devices means consumers increasingly interact with businesses using apps, while data strategies have become fundamental to operations and projects.

It's no wonder then, that small and mid-sized businesses want the best tools and solutions to their IT needs. However, this cohort has typically been constrained by price and scale when considering the best-in-class vendors, which have traditionally structured their offerings toward enterprise use.

Yet developments in IT have brought the ability of enterprise solutions within the reach of SMB budgets. Chief among these contributing breakthroughs is the rise of the cloud. The cost of maintaining in-house systems is often prohibitive to SMBs, but deploying solutions through the cloud has opened these companies to a new range of capabilities. Still, some mid-market businesses are hesitant to engage with these products and solutions, either because spend is still an issue, or integration presents challenges. Whatever the situation is, the case can still be made that SMBs need enterprise-level IT.

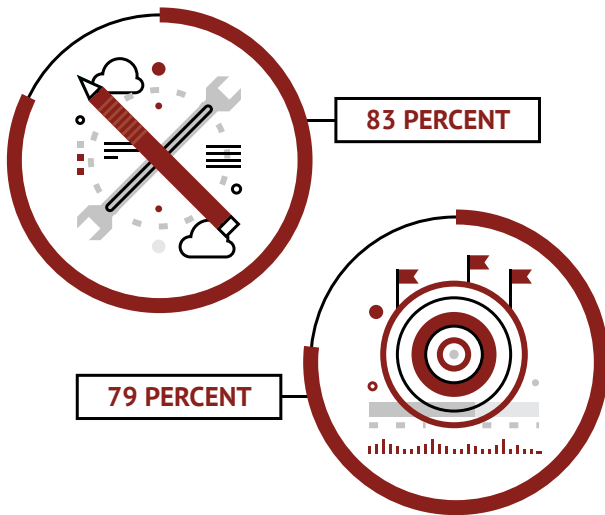
MIGRATION TO THE CLOUD

The evolution of software-as-a-service has had measurable impacts for SMBs that once felt boxed in. Now, a wide swath of these businesses make use of superior capability by using the cloud and SaaS. Techaisle (a market research firm) found SaaS penetration among American SMBs was 27 percent in 2011, 73 percent by 2016 and expected to reach 94 percent at the end of 2017.¹

This is important to note because SMB investment in the cloud has helped smaller companies begin to level the playing field with multinationals. Where once physical resources dictated success, internet startups that have grown to billion dollar valuations have

set forward the path SMBs can use to compete on a different level. The cloud has played an integral role in granting businesses of modest workforces and resources powers to rival enterprises.

Almost by definition, SMB's usually lag behind in terms of utilizing comprehensive and frictionless tools and processes, and frequently suffer efficiency drags as a result. With fewer people on staff, SMB's must seize every possible accelerator at their disposal. As the Techaisle findings point out, with the proliferation of new SaaS applications, there is no longer any reason for SMBs not to take advantage of the best tools available to empower their teams.



A Deloitte study in 2014 found 83 percent of startups said the cloud has made tools and technologies available to them that they otherwise could not access, while 79 percent of mildly mature businesses believed the cloud enabled them to enter new markets and take advantage of varied revenue streams.

In the same study, 80 percent of startups credited the cloud with helping them grow faster; and Deloitte measured SMBs using the cloud as growing 26 percent faster than peers that did not engage with the technology, and at a clip that was 21 percent more profitable than those that didn't.²

The Deloitte study tracked SMB organizations (< 750 employees) across a variety of industries including architecture and engineering, finance, healthcare, high tech, manufacturing, utilities, professional services, retail, transportation, and many more.

They assigned the organizations to one of three categories; startup phase (< 5 years old), rapid growth phase (> 10 percent growth rate), and relative maturity phase (> 5 years old, growing < 10 percent annually).

It's clear that the cloud grants SMBs enterprise-level capabilities, but it also helps make them more efficient and effective in other areas. While the study acknowledged that benefits derived from cloud adoption varied across the three categories, strong improvements are available to all that participate.

The survey indicated that on average SMBs spend 3-5 percent of their revenue on information technology. As you might expect, the IT investment rate varied greatly between startups and relative mature organizations, with the younger organizations tending to invest at higher rates than the more established businesses. The ability to turn cloud services on and off at will is a strong advantage for any organization wanting to innovate, try new approaches, and preserve critical resources.

While reducing cost is a frequent benefit cited by cloud providers, the Deloitte study cautioned that may not always be the case. Further, many organizations that adopted cloud technology and applications, cited other tangible advantages such as flexibility, scalability, empowering mobile and remote workers, maintenance reduction, and enhanced security as significant benefits. The biggest use of cloud technology today is infrastructure/storage, or in other words, good old fashioned IT blocking and tackling. Applications are not far behind however.

UPKEEP COSTS ELIMINATED, RESOURCES REDIRECTED

The gap between enterprise and SMBs is evident when considering IDG found in 2016 enterprises on average planned to invest \$3.04 million in cloud computing, while SMBs (< 1,000 employees for this study) expected to spend some \$280,000³. While large-scale companies (> 1,000 employees) can afford to invest in systems and still have plenty enough resources to maintain and continuously improve it (some even develop their own in-house), SMBs don't often have the means to meet such overhead costs, and thus the heightened interest in cloud computing.

The IDG survey found that the average respondent had 45 percent of its IT infrastructure in the cloud, and planned to have moved 59 percent of it to the cloud by the end of 2017. That's a rapid shift by any measure. The cloud based services were spread across many IT related functions including storage, disaster recovery, database, monitoring, and communications. Some of the stated primary goals associated with cloud deployment continue to be lower total cost of ownership (TCO), replacing on-premise legacy systems, and enabling business continuity. Hardening security and enhancing the ability to deliver real-time information are also key considerations. With regard to security, identity and access management is the dominant trend.

Another key observation from the survey is that with the rapid rate of cloud adoption, IT departments in many of the respondent organizations are undergoing significant change. This includes shifting personnel, skillsets, and roles, as well as in some cases reduced budget and/or head count.

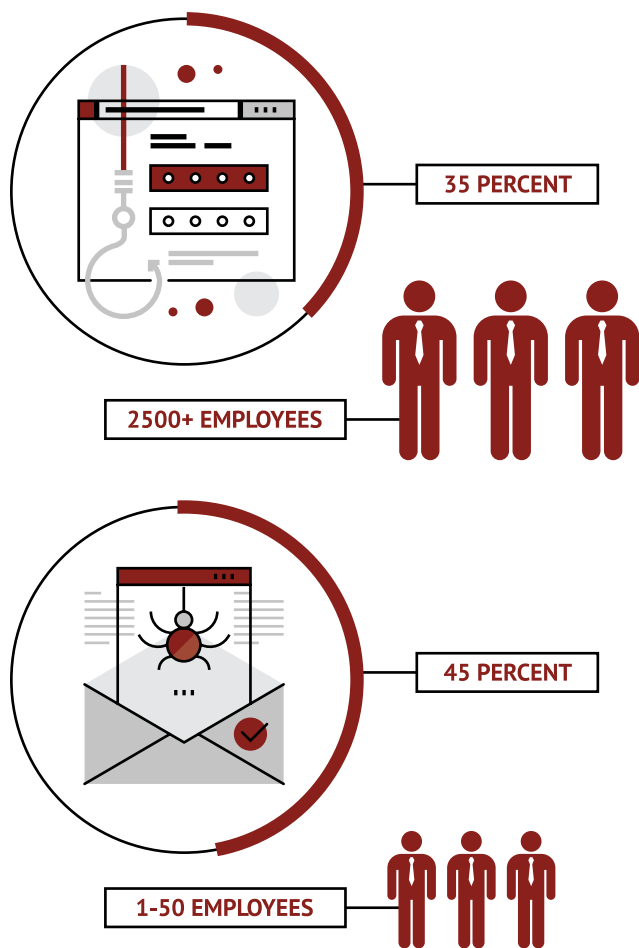
Maintenance of IT infrastructure comes at a significant cost to SMBs: A study from Passelar (a network monitoring firm) found systems administrators at SMBs routinely spend most of their time on maintenance and internal support. Meanwhile, survey respondents professed they'd rather be working on things like evaluating new tools⁴.

Maintenance and time lost aren't the only costs of enterprise-level IT, the expenses related to the physical space infrastructure occupies also place a burden on SMBs. Energy usage can grow to unwieldy proportions, and large utility bills are the last thing SMBs would like to be dealing with. Dedicated personnel also demands businesses recruit, hire and retain the best talent, which is yet another constraint to SMBs.



However, the cloud can break through those obstacles to deliver SMBs high-level capabilities that come at a fraction of the cost, and which then enables users to put those savings toward different needs. InformationWeek reported on a TSO Logic survey that found migrating virtual machines to the cloud can result in cost savings of 36 percent from current baseline operating costs⁵.

CYBERSECURITY AND STORAGE NEEDS ADDRESSED BY CLOUD



The importance of IT to business can't be understated, but in that same vein, neither can the appropriate security measures needed to safeguard the sensitive information and data businesses entrust to their digital solutions.

Many SMBs are led to believe cybercriminals may only be interested in the trade secrets of the largest companies, but any organization of any size and industry can be considered a target of malevolent actors.

Symantec found in 2015 that while 35 percent of spear-phishing attacks were directed at enterprises of 2,500+ employees, 45 percent were aimed at small businesses of one to 50 employees⁶.

In 2011 those numbers were 50 percent and 18 percent, respectively. SMBs have increasingly come under siege from cyberattacks, and those risks will continue to multiply. While ceding some control, as the cloud requires, is seen as a negative to some, it can actually be a strength of the relationship. The expertise and tools used in combatting threats aren't always readily available to SMBs, who can leverage their cloud partners to construct environments that suit their comfort level and take advantage of skilled services.

SMBS NEED TO CONSIDER THE CLOUD

Everything in business depends on IT in a way. This spans mundane processes like document scanning and data entry to digging into customer relationship management data to find the next insight that informs strategic decision-making.

And at every turn the cloud has delivered to SMBs new possibilities and capabilities that draw them closer and closer to their biggest competitors. Yet these initiatives take dedicated service and knowledge, something SMBs can find when they work with ICS Support to develop cloud strategies.



¹ <http://techaisle.com/blog/276-within-smbs-the-larger-cloud-trend-is-towards-deeper-use-of-saas>

² <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Technology-Media-Telecommunications/gx-tmt-small-business-big-technology.pdf>

³ http://core0.staticworld.net/assets/2016/11/03/cloud_exec_summ_2016.pdf

⁴ <https://www.paessler.com/press/pressreleases/paessler-worldwide-survey-2016-shows-state-of-smb-it>

⁵ <http://www.informationweek.com/strategic-cio/it-strategy/server-survey-footprint-can-be-cut-54--via-upgrades-cloud--/d/d-id/1327812>

⁶ <https://www.symantec.com/content/dam/symantec/docs/infographics/istr-attackers-strike-large-business-en.pdf>

ICS SUPPORT
8541 154TH AVE NE
REDMOND, WA 98052

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