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Top Three SMB Technology Trends for 2016

Top Takeaways

Three key technology trends that SMBs (businesses with 1 to 1,000 employees) need to watch in 2016 are:

1. **SMBs That Make the Business-Technology Performance Connection Outpace Their Peers.**

   - 29% of small and medium businesses (SMBs, with 1–999 employees) are "Progressive" SMBs, defined as companies that view technology as helping them to significantly improve business outcomes.
   - Progressive SMBs invest 29% more on technology than other SMBs; are 18% more likely to forecast revenue increases; and are more aggressively adopting cloud, integration and analytics solutions.

2. **Mobile Solutions Occupy a Bigger Part of SMB IT Real Estate.**

   - Overall, 55% of small businesses and 65% of medium businesses view mobile solutions as critical to their operations. 90% use basic mobile collaboration apps such as email, calendars and contact management regularly. Adoption of mobile business apps, such as expense management and customer relationship management, grew by 70% from 2013 to 2014.
   - SMBs are rapidly deploying external, customer-facing mobile websites and apps to help attract new customers and respond more quickly to customers.
   - With investments in mobile management lagging behind mobile device and app adoption, SMBs need to invest more to protect, manage and optimize their mobile assets.

3. **Security Remains the Elephant in the SMB Room.**

   - Data can now "live" in more places, increasing the risk of data loss and leakage—whether from accidental or malicious causes.
   - Both small and medium businesses rank security as their second-most-pressing technology challenge. However, many SMBs continue to take an outdated, ineffective, 1990s-era point solutions security approach.
   - SMBs should adopt more holistic, end-to-end, risk- and rules-based security solutions that help eliminate the biggest vulnerabilities to the most critical corporate data, wherever it resides.

SMBs are quickly outgrowing their mom-and-pop shop, technology-laggard stereotypes. Increasingly, SMBs view technology as a critical part of their overall business strategy, and they are using it to empower employees with new, more effective ways to work; gain market and competitive advantages; and help improve business results.

Although technology certainly isn't the only priority for SMB decision-makers, those that underestimate its importance do so at their own peril. This research brief looks at three key technology trends that SMBs should follow in 2016 to keep pace with their customers and stay ahead of their competition.

TREND #1: SMBs THAT MAKE THE BUSINESS-TECHNOLOGY PERFORMANCE CONNECTION OUTPACE THEIR PEERS

Technology is rapidly changing business operations and business models. Innovative solutions can help employees get their jobs done more easily, quickly and effectively, and they can help position businesses to capitalize on new opportunities.

SMB Group's ***2015 Small and Medium Business Routes to Market Study***, which surveyed more than 700 respondents, refutes the notion that SMBs are technology laggards. In fact, the study reveals that just a scant 9% of small businesses (1–99 employees) and 5% of medium businesses (100–1,000 employees) believe technology fails to deliver the business results they need more often than not (Figure 1). Meanwhile, 25% of small and 16% of medium businesses see technology as a tool to support their business needs, and 41% of small and 45% of medium businesses say that technology helps them to run their businesses better.

Furthermore, study results show that 25% of small and 34% of medium businesses—or 29% of all SMBs—believe technology helps them to significantly improve business outcomes. SMB Group categorizes this group as "Progressive" SMBs. Forward-thinking decision-makers in these organizations realize that although core business goals—such as increasing revenues and improving profitability—remain constant, the means to achieve them are changing. According to our study, Progressive SMBs invest 29% more on technology solutions than other SMBs and are reaping the benefits, as they are 18% more likely to forecast revenue increases than their peers.

Figure 1: SMB Attitudes Toward Technology and Correlation to IT Spending and Expected Revenue Growth
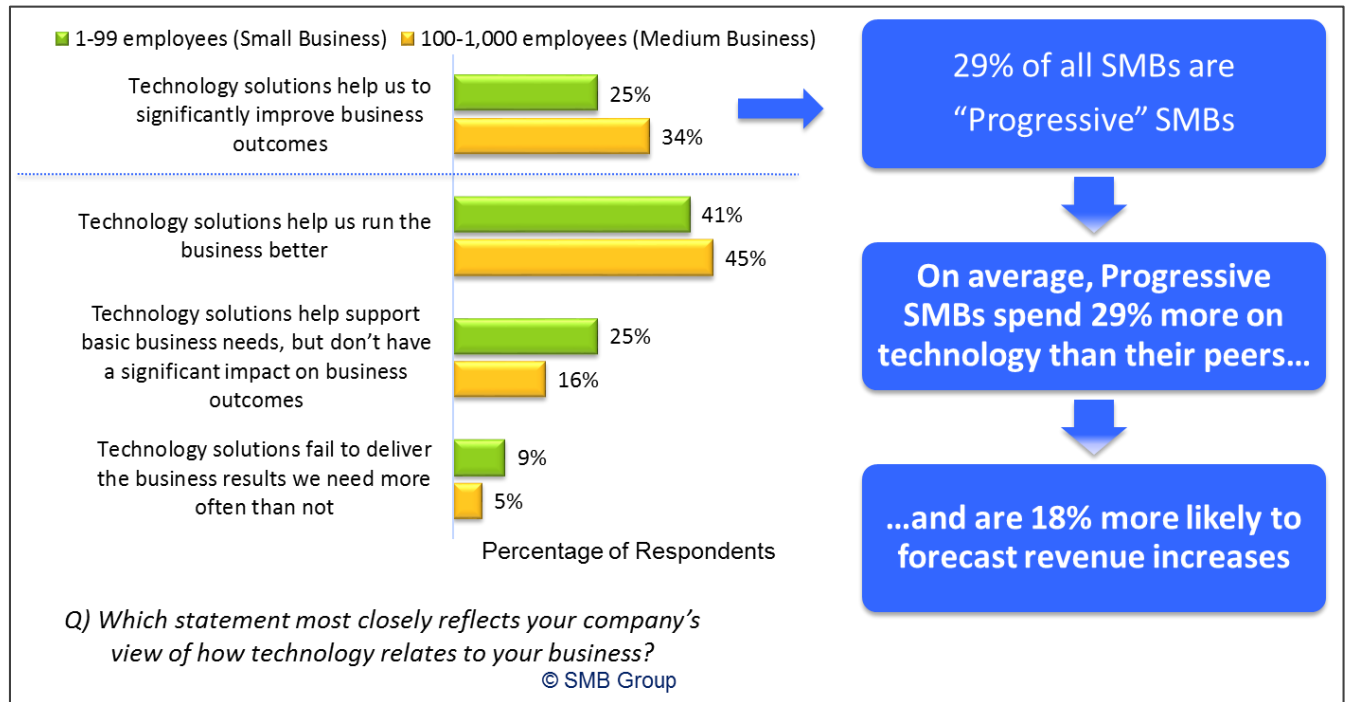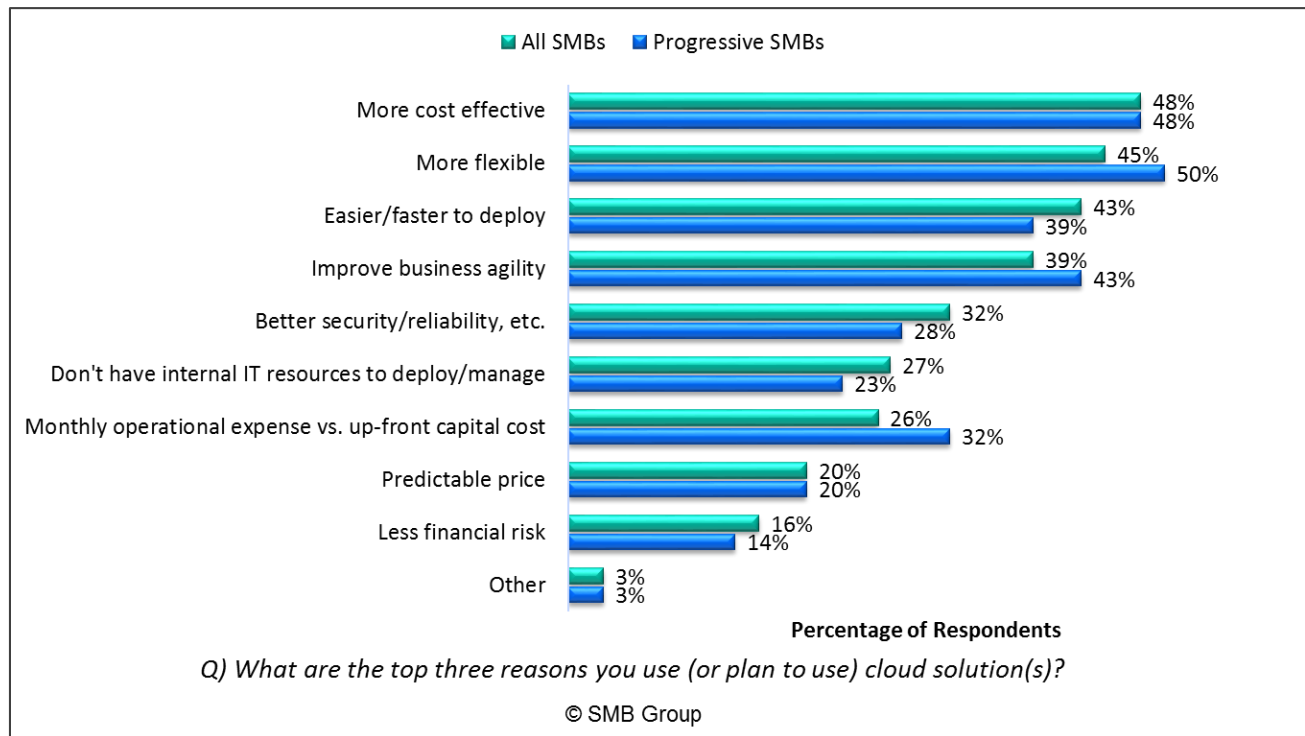

Source: SMB Group 2015 Small and Medium Business Routes to Market Study

So where are Progressive SMBs placing their technology bets?

First, although adoption of cloud computing (also known as "software as a service" or SaaS) is rising among all SMBs, Progressive SMBs outpace their peers in cloud solution adoption in several areas, including marketing automation, collaboration and workforce management solutions.

Overall, SMBs are increasingly turning to the cloud because they believe it provides a more cost-effective, flexible and faster way to deploy IT solutions than traditional on-premises software (Figure 2). However, Progressive SMBs are more likely to view the cloud as a mechanism to improve business agility and flexibility compared to other SMBs.

Figure 2: Top Reasons for Cloud Adoption: All SMBs vs. Progressive SMBs

Q) What are the top three reasons you use (or plan to use) cloud solution(s)?

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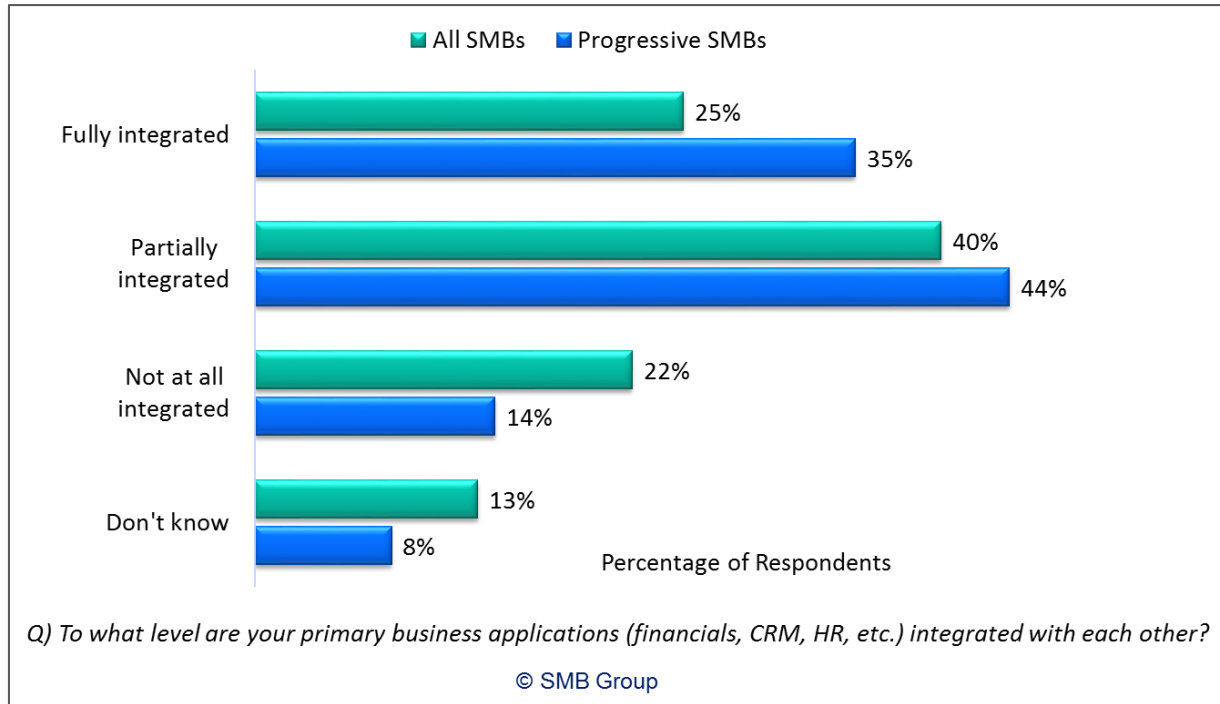**Source:** SMB Group 2015 Small and Medium Business Routes to Market Study

These benefits are intrinsic to the cloud model, enabling organizations of any size to deploy software to automate manual processes—and to keep pace with ever-more-demanding business requirements. Cloud computing providers take care of IT infrastructure, applications and ongoing management and support, helping to free up human resources and financial capital to focus on more strategic projects.

Most cloud solutions offer SMBs other benefits versus on-premises software as well, including predictable, subscription-based pricing; the flexibility to scale computing resources up or down as needs change; real-time information access that improves collaboration on tasks and projects; and web and mobile access so people can use solutions any time, anywhere, on any device—from desktops and laptops to smartphones and tablets.

Progressive SMBs are also 55% more likely to have fully integrated business applications than other SMBs (Figure 3). They recognize that while manually importing and exporting data among different systems may work for very small businesses, using different applications and databases that don't "talk" to each other drains productivity, wastes time, creates errors and doesn't scale. When people spend too much time trying to piece together information, it reduces the amount of time they can spend on higher-value endeavors, such as planning, customer engagement and creative activities.

In contrast, by integrating different business applications, SMBs can streamline operations and gain a more consistent and unified view of information to help foster better decision-making.

Figure 3: Level of Integration: All SMBs vs. Progressive SMBs
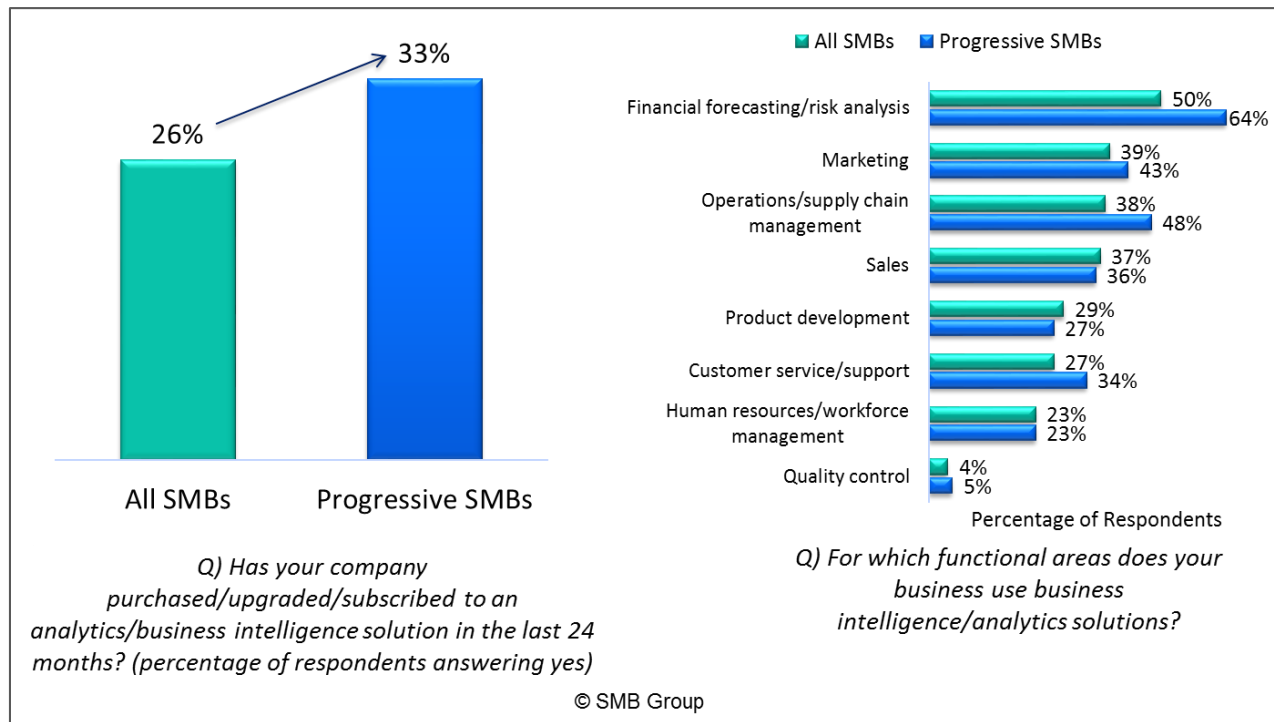

Source: SMB Group 2015 Small and Medium Business Routes to Market Study

SMBs often worry that they don't have enough time, personnel or money to integrate multiple functions in one fell swoop. However, some business solution vendors offer an incremental yet coordinated approach to integration. SMBs can start with one module and then add pre-integrated modules and partner applications as needed. In addition, several integration vendors now provide SMB-friendly solutions to help these companies integrate popular applications.

Finally, Progressive SMBs distinguish themselves when it comes to using analytics and business intelligence solutions. In addition to being 86% more likely to have purchased or upgraded an analytics solution in the past 24 months than the SMB population-at-large, Progressive SMBs are more likely to use analytics across key business areas, such as financial forecasting and risk analysis, marketing, operations/supply chain and customer service and support (Figure 4).

Figure 4: Use of Analytics: All SMBs vs. Progressive SMBs

Source: SMB Group 2015 Small and Medium Business Routes to Market Study

Until recently, businesses needed data science resources and expertise in order to use most analytics solutions. But many vendors now build fairly sophisticated dashboards and reporting capabilities right into customer relationship management (CRM), accounting, human resources (HR) and other business solutions, giving SMBs an easier, more cost-effective on-ramp to analytics. Meanwhile, vendors have introduced powerful yet cost-effective cloud-based analytics solutions that are much easier to "layer" on top of existing data than in the past. Designed for business users instead of data scientists, these solutions often offer free trials, user-friendly interfaces, guided discovery, visualization tools and natural language capabilities that make it easier for all users to spot trends and identify potential opportunities and issues.

The advantages of making decisions based on facts instead of anecdotal information cannot be underestimated. With real-time visibility into business data, SMBs can operate more efficiently and competitively.

TREND #2: MOBILE SOLUTIONS OCCUPY A BIGGER PART OF SMB IT REAL ESTATE

Mobile solution adoption has been growing at a fast and furious pace among consumers and businesses of all sizes. Mobile devices and solutions have put an enormous ecosystem of apps in our pockets, making mobility an essential part of our lives and our businesses.

SMB Group's *2014 Small and Medium Business Mobile Solutions Study* reveals that 55% of small and 65% of medium businesses view mobile solutions as critical to their operations. SMBs are adopting mobile solutions to keep pace with customer and employee requirements to interact, transact and engage at any time, from anywhere, on mobile devices.

SMBs view mobile solutions as key to achieving business growth goals (Figure 5). For instance:

- 62% of small and 73% of medium businesses believe mobile solutions play a significant role in attracting new customers.
- 67% of small and 69% of medium businesses believe mobile solutions play a significant role in growing revenue.
- 64% of small and 70% of medium businesses believe mobile solutions play a significant role in maintaining or growing profitability.

SMBs see mobile solutions helping to facilitate operational goals as well:

- 62% of small and 69% of medium businesses believe mobile solutions play a significant role in attracting and retaining quality employees.
- 80% of small and 83% of medium businesses believe mobile solutions play a significant role in improving employee productivity.
- 70% of small and 75% of medium businesses believe mobile solutions play a significant role in reducing operating costs.

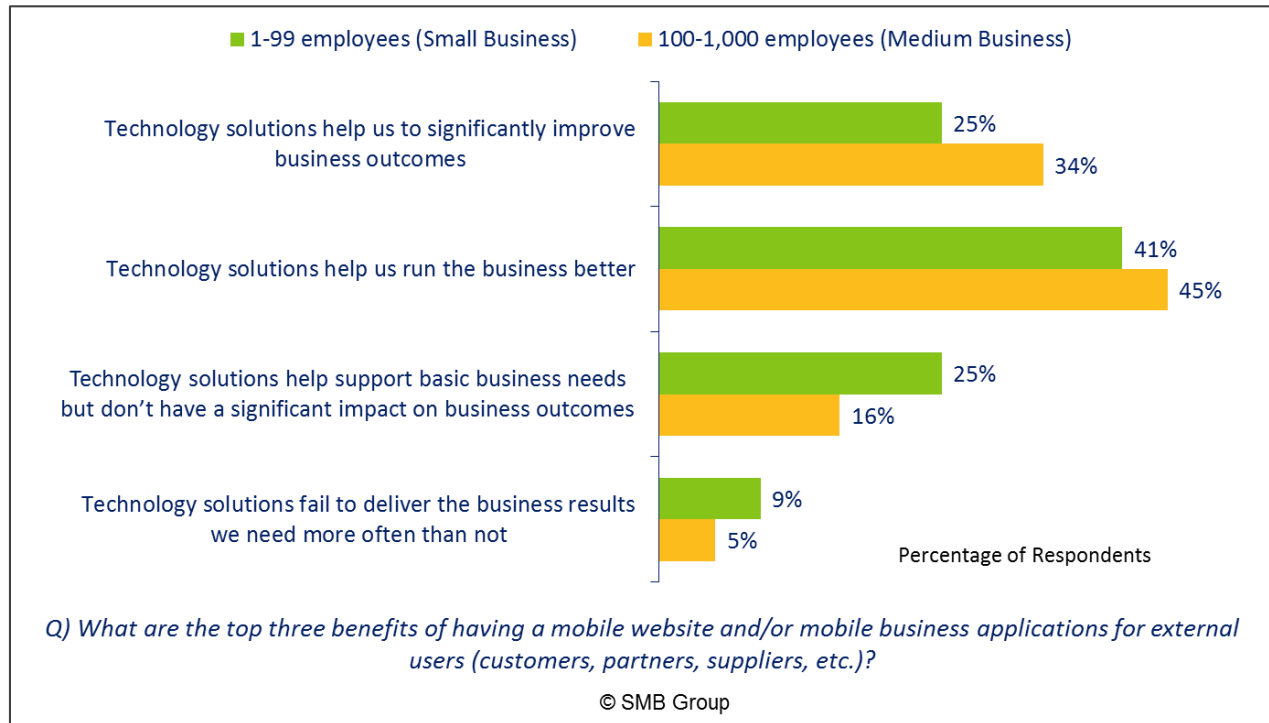**Figure 5: SMBs' Views on the Role of Mobile Solutions in Meeting Business Growth and Operational Goals**
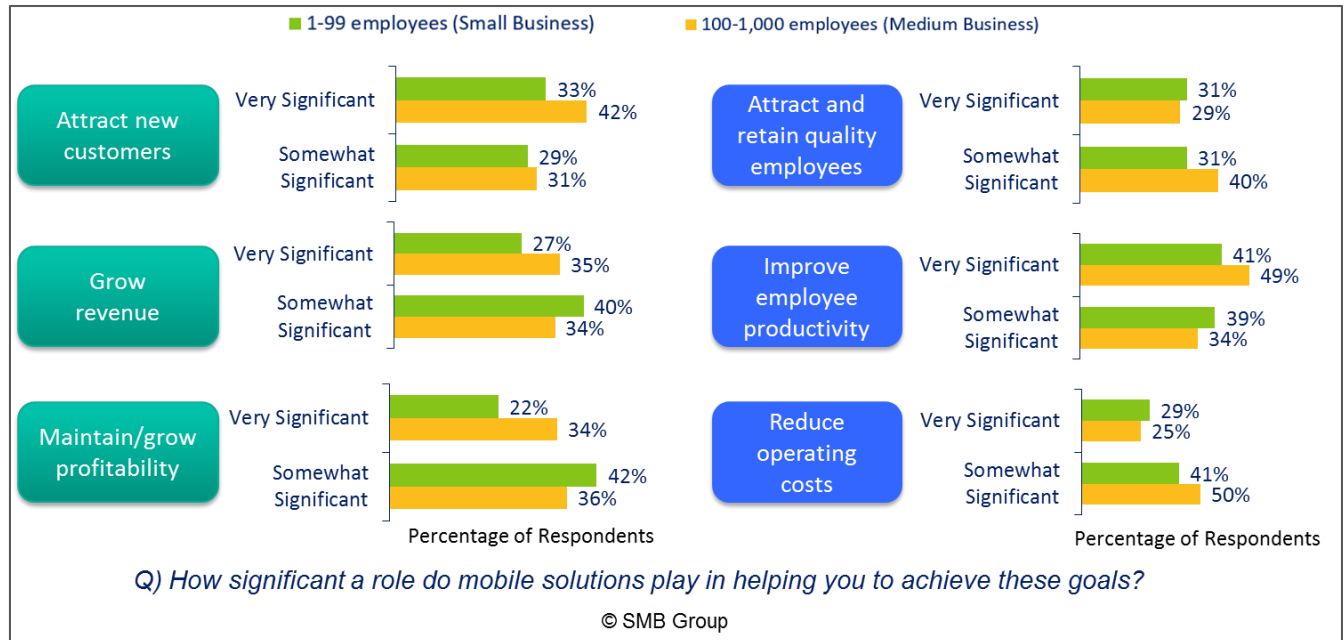
Source: SMB Group 2014 Small and Medium Business Mobile Solutions Study

The use of basic mobile collaboration apps—such as email, calendars, contacts and messaging—is now mainstream, with 90% of SMBs saying that their employees use at least one mobile collaboration app as part of regular business operations. Furthermore, SMB adoption of mobile apps to support employees with specific business functions, such as expense management or CRM, grew by 70% from 2013 to 2014.

In addition, SMBs are deploying external, customer-facing mobile websites and apps because they believe that providing a mobile interface and experience helps them to attract new customers, respond more quickly to customers, keep pace with the competition and provide a more personalized customer experience (Figure 6).

Figure 6: Benefits SMBs Gain from Using Customer-Facing Apps and/or Mobile Websites

Q) What are the top three benefits of having a mobile website and/or mobile business applications for external users (customers, partners, suppliers, etc.)?

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Source: SMB Group 2014 Small and Medium Business Mobile Solutions Study

With mobile adoption rising rapidly, SMBs are seeing the boundaries between traditional IT and mobile solutions blur just as quickly. 84% of small and 87% of medium businesses believe that mobile apps complement traditional business applications. In fact, 69% of small and 72% of medium businesses believe mobile apps will replace some traditional business applications.

Consequently, mobile solutions will continue to account for a growing share of SMB technology budgets. SMBs indicated that mobile technology accounted for roughly 16% of their overall technology budgets in 2014, and 55% of small and 73% of medium businesses forecasted they would spend more on mobile solutions in 2015.

However, SMBs' growing appetite for mobility sometimes outstrips their ability to manage and secure their mobile investments. For instance:

- Fewer than half of SMBs have implemented mobile device management solutions to secure, monitor and manage mobile devices.

- Only 33% of small and 38% of medium businesses use a mobile application management solution to remotely install, update, remove, audit and monitor software programs installed on smartphones, tablets and other mobile devices.

- Just 21% of small and 29% of medium businesses use mobile app platforms to develop and deploy applications for a variety of devices, networks and user roles.

As their dependence on mobile solutions rises, SMBs will need to deploy solutions to effectively manage and protect their mobile assets, and to better integrate them with traditional applications and infrastructure.

TREND #3: SECURITY REMAINS THE ELEPHANT IN THE SMB ROOM

Technology is dramatically transforming how data flows both within the business and between the business and its customers, partners and suppliers. The convergence of new digital technologies means that we are creating more data every day. According to International Data Corp (IDC), the size of the digital universe is doubling every two years; by 2020, the digital universe (i.e., the data we create and copy annually) will reach 44 zettabytes, or 44 trillion gigabytes.

In addition, data is no longer tied to a specific device or location. In our increasingly "cloud-first, mobile-first" world, data may reside on a company server, in cloud applications and in cloud-based file-storing services. And people can access data from a smartphone or tablet as easily as from a desktop.

Because data can now "live" in many places, the risk of data loss and leakage—whether from accidental or malicious causes—grows. In other words, as we put more information into the right hands, we also increase the likelihood of putting it into the wrong ones. Cyber criminals have more avenues to access invaluable company information both in traditional ways, such as device theft, and by using newer methods such as drive-by downloads, which happen when malware is automatically downloaded to your computer from a website without your consent or even your knowledge.

And while malicious, external risks from cyber criminals capture most of the headlines, internal threats from employees, contractors or associates—who may either intentionally or accidentally jeopardize security—can be just as debilitating. Accidental breaches can occur, for instance, when employees connect personal Internet accounts to company devices or use weak passwords. Company data can also be compromised when people misuse legitimate privileged access to corporate data and systems.

As SMBs rely more on technology to run their businesses, the requirements to secure and protect data and access become more critical and complex. So it is not surprising that both small and medium businesses rank security as their second-most-pressing technology challenge (Figure 7).

Figure 7: Top SMB Technology Challenges
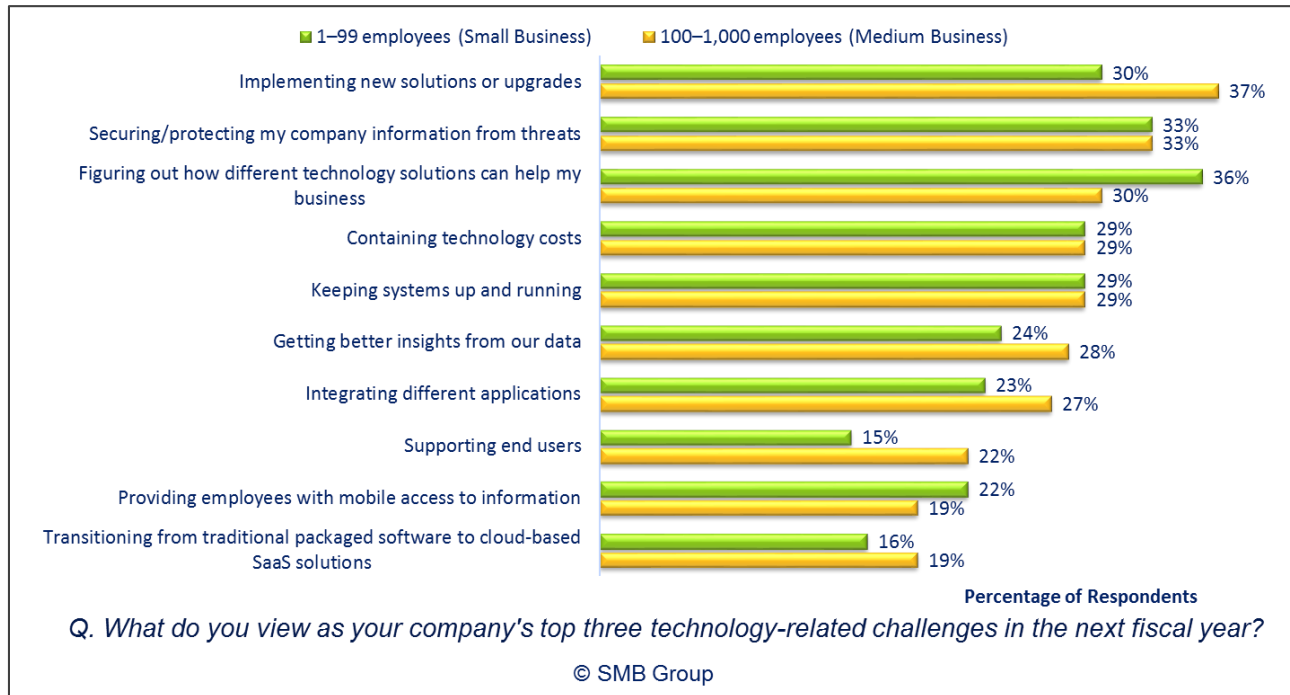
Source: SMB Group 2015 Small and Medium Business Routes to Market Study

But while they fear security breaches, many SMBs continue to take an outdated, ineffective, 1990s-era "whack-a-mole" approach to security, deploying point solutions to ward off the security threat du jour. In fact, according to Endurance International Group's 2015 Small Business & CyberSecurity Survey, although 31% of small businesses have experienced a cyber attack or an attempted cyber attack, only 42% invested resources in cyber-security protection in the past year (Figure 8).

Figure 8: Level of Cyber Attacks and Investments in Cyber-Security Protection in Small Businesses
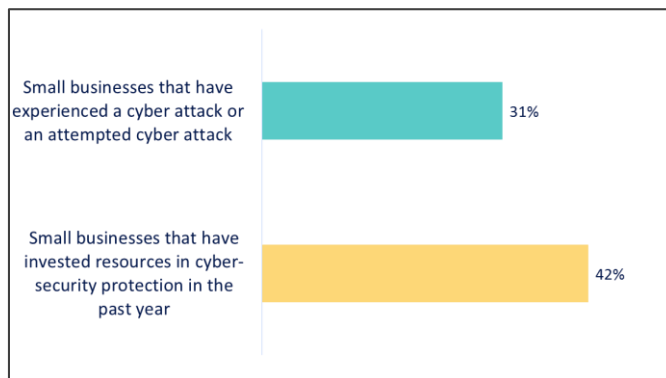
It's not a lack of security solutions that keeps SMBs from taking action, as there are hundreds of them on the market. But many security vendors have adopted a strategy that is hard for SMBs to warm up to: using the FUD (fear, uncertainty and doubt) approach to ratchet up anxiety about potential threats to scare SMBs into buying their solutions.

Source: Endurance International Group's 2015 Small Business & CyberSecurity Survey

Consequently, SMBs too often end up feeling overwhelmed, confused and totally inadequate to deal with the magnitude of the situation. But there's a high cost to pay when you bury your head in the sand or rely on security solutions that may have been adequate a few years ago but are no longer sufficient.

So how can SMBs take advantage of new technologies that help move the business forward while simultaneously protecting against evolving security threats? Basically, SMBs need to implement a new approach to security—one that enables them to continue taking advantage of the latest mobile, cloud and other technology advancements and offers them peace of mind that their biggest risks are being managed.

Fortunately, vendors are delivering more holistic, end-to-end, risk- and rules-based security solutions for SMBs. These solutions can enable SMBs to eliminate the biggest vulnerabilities of their most critical corporate data, wherever it resides—whether on endpoint devices, mobile apps, on-premises infrastructure and applications or the cloud. These solutions provide a more comprehensive, rules-based approach to make it easier to enforce policies, protect assets and block malware. By automating many security functions, SMBs can also reduce the human resources needed to protect the organization. Using a multilayered approach, these solutions can address the most sensitive data requirements and controls first and then add on new protections in an integrated manner later.

Furthermore, when considering new solutions, SMBs should assess the potential security benefits that cloud and SaaS providers can offer. SMBs often struggle with limited or non-existent in-house security expertise. Because cloud providers build their solutions for thousands, hundreds of thousands and sometimes millions of users, they offer SMBs economies of scale as well as security expertise and infrastructure skills, providing a more secure application and data environment than most SMBs can develop internally.

Although no solution can eliminate every risk, this approach can help address the biggest vulnerabilities and help SMBs to face and handle the security elephant in a more effective way.

SUMMARY AND PERSPECTIVE

Today's SMBs face many challenges when it comes to keeping pace with evolving business needs. As market expectations and requirements change, SMBs must think more strategically about how they can apply technology solutions to improve business outcomes and gain competitive advantages.

Technology solutions can help companies streamline their operations, become more agile and responsive to customers, make better decisions and move the business forward. Yet, as SMBs rely more on technology to run their businesses, the requirements to secure and protect data—wherever it resides—also become more critical.

As technology becomes an increasingly important part of the business fabric, all SMBs must periodically reassess their existing technology solutions. Do these solutions help the business keep pace with change and thrive? Or are they creating a drag that's holding the company back or—worse yet—introducing a threat that could potentially destroy the business? By taking a thoughtful and proactive approach to using technology, businesses will be well equipped not only to survive, but also thrive.

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