



SMALL TO MEDIUM-SIZED BUSINESSES

# You don't have to be big to go digital

## Addressing the five common worries SMBs have over digital technologies

Digital technology is a hot topic in the IT world today. The media is buzzing with tales of total transformation occurring in a wide range of industries, from ride sharing in the automotive industry to the influence of Amazon® in the retail industry. Whenever such an abundance of hype arises around a topic, misconceptions inevitably creep into the dialogue. A common misconception plaguing small to medium-sized businesses (SMBs) is that their size may hinder them from joining the ranks of the digital-enabled.

This is far from true. SMBs can engage in digital strategies as well as any company. In fact, the SMB's size often provides advantages, such as greater agility. In this paper, we address some of the common worries SMBs express and explain why digital technologies are essential for any growth-centered company, no matter its current size.

## Ready to grow

The US Small Business Administration defines a small business as “an organization with fewer than 500 employees.” That can encompass anything from a metal fabricator making custom accessories for a motorcycle dealer to a seamstress who is making costumes for a local dance troupe. The range of business models, products, and services offered by SMBs are as diverse as the company founders and owners.

According to the Small Business Administration’s office of advocacy, there are nearly 30 million SMBs in the US (compared to 18,500 enterprise-size organizations). SMBs employ 47.8% of US workers, and SMBs have been credited with adding up to 1.4 million new jobs to the economy every year.

In Europe, the small-to-medium sized enterprise (SME) is identified as an enterprise with fewer than 250 persons. SMEs account for around two-thirds of total employment in the European Union, ranging from 53% in the United Kingdom to 86% in Greece. SMEs contribute 57% of value added in the EU, according to Eurostat, Structural Business Statistics.

There is one attribute SMBs worldwide seem to have in common. They are eager to grow. These entities might be small, but they are mighty, bringing new jobs and new growth to industries, from developing innovative high-tech products to providing services that appeal to micro-market niches.

Another common characteristic of SMBs is their optimism. Small business owner, tend to be optimistic about their business opportunities, even when they may have some concerns about the overall global economy. They tend to be confident their business venture will succeed, and say they would “do it all over again,” when asked if they were glad they launched their own business, according to a recent survey by Wells Fargo & Co.

Two-thirds of the 600 owners surveyed said their company’s financial situation today is good. And 71% said they expected their companies to be in good financial shape for the next 12 months.

Despite the optimism, many SMBs acknowledge some obstacles and challenges associated with competing against larger companies with more resources and economies of scale. SMBs also seem to harbor some hesitation around digital or disruptive technologies.

In order to maximize the growth potential, though, SMBs need to embrace modern technologies and not allow themselves to be intimidated by the accomplishments of power players breaking ground and stealing the spotlight, like SpaceX, Samsung, Spotify, or IBM Watson®.

## Identifying the obstacles

Here we will dispel five common worries that can get in the way of SMBs adopting digital strategies. We will also reiterate some essential elements of success which growth-focused SMBs can use to formulate an effective plan.

### **Worry 1: Digital technologies are disruptive, and that means chaos and confusion.**

The word “disruptive” can be intimidating. It can also evoke images of negative repercussions, from processes coming to a halt, to long-time customers being abandoned and confusion infiltrating the workforce. This is far from true. While many digital technologies, like the Internet of Things (IoT), are revolutionary, they do not mean processing plants must come to an abrupt halt, leaving customers in the lurch with unfilled orders while the plant re-tools or redefines its fulfillment strategy.

Like most technology launches, digital strategies can be deployed in a phased approach, with adequate ramp-up times for training of personnel and introduction of new offerings to customers. You set the timetable, controlling when or how you retire processes which are no longer needed. In many cases, operational changes, such as the way you process orders or predict demand, will be invisible to the customer. Your increased abilities will just be part of the whirlwind of change that has become the new normal. The main disruption to your world comes in the form of fresh thinking, bold innovations, and breaking down old barriers. These are all positives, welcomed by companies that are focused on the future.

**Worry 2: Digital technologies are only for the large enterprise-size companies with huge budgets.**

It's true that many of the dramatic success stories coming out of the digital transformation trend are from big names with budgets to match. But they, like all companies, started with an idea. Today, Amazon, Apple®, Uber, Airbnb®, and Netflix™, are among those companies which have fundamentally changed the face of their respective industry, and continue to do so with hefty budgets backing them.

Many companies using digital technology, though, are small-to-medium-sized companies. In fact, SMBs are especially well-suited to the digital arena since they can be more agile and more responsive to changes in the market. Larger companies tend to move slowly, encumbered by layers of approvals and methodical decision-making. Plus, cloud deployment benefits the company with modest cash-flow. The subscription model, rather than a large one-time capital investment, gives companies of all sizes the ability to launch new locations, new business models, and new offerings, with minimal investment.

**Worry 3: Digitalization is all about machines, robotics, and the IoT.**

The SMB does not need to invest in robots, drones, or augmented reality devices to move into the digital area. Digital is much more than the high-profile Internet of Things applications, like the refrigerator that emails when it needs a new filter or the car that signals when it is due for an oil change.

For many SMBs, their digital strategies are often about visibility and communication, or data-sharing. Networked intelligence and connected suppliers offer important opportunities today. Communicating with customers in real-time, collaborating on designs, and partnering on innovative concepts are other ways SMBs can embrace digital concepts.

**Worry 4: Digitalization is unproven, highly risky, and invites security breaches.**

Digitalization of a large company can mean deploying several tactics, dozens of integrated IT solutions, a variety of online tools, and a cloud platform for at least some of the solutions. For a SMB, one solution may be the game-changer you need to revolutionize an industry. Consider all options.

Each tactic should be evaluated individually for its proven abilities and projected return on investment (ROI). Some new technologies have yet to collect long histories. Case studies may be limited, simply because the technology is changing so quickly. Totally risk-averse companies can avoid those technologies that are still being proven, while still taking advantage of the applications which have a reasonable number of early adopters.

New ideas often involve a degree of risk, as does taking a do-nothing approach. Many cautious-minded SMB owners control the risk by creating separate companies, protecting the original company's equity in assets, capital, and image. Other companies are going all-in, banking on big wins. Both extremes have merit, and the practical approach seems to be in the middle: Limit risk, but invest enough to give the new ideas room to take hold.

Potential security breaches, though, always need to be considered seriously—in all aspects of business today, in all sizes of companies. From phishing schemes and malware viruses to securing cloud-based data bases and customer data, security is an important topic that deserves careful attention. When formulating a digital plan, it helps to work with a provider that brings that expertise to the table. A company that specializes in cloud services and security is going to have more expertise than one SMB trying to plan a security strategy alone. Turn to experts.

**Worry 5: If we don't have a digital plan already, it's too late. We have missed the bus.**

It's not too late. But the pressure is on to jump into the digital journey quickly to avoid becoming irrelevant. In both business-to-business (B2B) and business-to-consumer (B2C) relationships, the buyer has high expectations for value, ease of doing business, and a positive buying experience. Keeping pace with the current market also means managing inventory, pricing, and order accuracy. Small missteps that may have been tolerated in the past are, today, fatal flaws. It is important to ramp up modernization and improvements to your IT infrastructure. It's not too late. But the window of opportunity is narrow.

## Digital disruption doesn't have to be disruptive

This digital evolution can occur through strategic, well-planned processes, in bite-sizes tailored for an SMB's bandwidth and budget. You can adopt a phased approach that breaks the larger goal down into manageable portions. The gains from phase one can even fund phase two. Your early wins will build momentum and gain support as you go.

So, what are some of the specific tactics the SMB can embrace?

- **Mobility:** Remote access to data, customers, processes, and plans from anywhere, anytime.

- **Visibility:** An end-to-end view of your entire enterprise, products, offerings, services, financial plans, suppliers, and partners—all in one system.
- **Usability:** Simplified reporting, dashboards, and collaboration tools which make it easy for the SMB's staff to be truly efficient and productive in multiple roles.
- **Agility:** The ability to make timely, proactive responses to unfolding trends and market opportunities.

Modern ERP solutions combine these capabilities into one solution. Using cloud deployment, you can take advantage of the subscription model and have a new solution up and running in weeks, unlike the years that can be involved in a traditional deployment.

## Final take-aways

The hype surrounding digitalization can generate misconceptions. A typical SMB may become mired down in self-doubt, thinking digital technologies are out of reach, and allowing common worries to interfere with acting. Working with an experienced software provider can help the SMB make smart technology decisions, prioritize investments, and increase confidence levels.

The SMB should, above all, heed the urgency behind embracing digital concepts. Sticking with "old school" technology and manual systems will make it difficult for your customers to engage with you. Ignoring digital technologies that you think are for the "big companies" only, will keep you from achieving your full potential.

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