



Results of the 2008 DELL/ICSB International Small Business IT Survey

According to IDC, there are 71.5M small businesses worldwide that spent approximately \$171.4B on IT in 2007, with spending levels varying widely by region and company size. To better understand key drivers behind these investments, business-owners' top IT pain points, and the value entrepreneurs worldwide place on IT, DELL and the International Council for Small Business (ICSB) collaborated on the second annual "International Small Business IT Survey." Taking the pulse of 1,361 IT decision-makers in companies of 100 employees or less from nine countries and opinions from 200 small-business experts attending the 2008 World ICSB Conference, the two surveys examined small business perceptions and use of IT. This brief report presents the ICSB summary analysis of the results of this joint research project.

Key Findings of the International Small Business IT Survey: Understanding vs. Doing

Small businesses worldwide recognize the importance of IT to their success. The 2008 international survey found 96 percent of all respondents thought IT was important to their growth and 91 percent said small-business owners could financially benefit from a greater awareness of IT. But only a little more than half of these same respondents had any web presence at all. An even smaller proportion—just 39 percent—reported being able to engage in web commerce. And a still smaller fraction, 35 percent, said they engaged in two-way communication with customers on the internet. The top three drivers of IT interest were to better serve customers, grow, and market competition. It would seem that small businesses are aware of the importance of using IT to reach customers with customized, added-value content. However, the proportion of small businesses acting on that awareness is not large. Why might this be the case?

The answer becomes clear when we see what the international survey identified as the major issues driving IT investment.

Most important issues driving your IT investments.	WW	USA	Brazil	China	France	Germany	India	Japan	Russia	UK
Easy to use computer hardware	52%	51%	56%	52%	56%	51%	60%	38%	58%	44%
Securing information	50%	40%	65%	56%	49%	64%	51%	40%	50%	37%
Database management / reporting	50%	37%	68%	62%	42%	36%	57%	48%	54%	43%
Storage / recovery and business continuity	48%	49%	59%	53%	52%	45%	55%	22%	57%	40%
Enabling online communications	46%	34%	68%	54%	35%	48%	51%	21%	62%	44%
Sales / Marketing	42%	41%	60%	57%	31%	32%	52%	33%	42%	34%
Easy access to service and support	41%	36%	58%	58%	33%	32%	53%	23%	46%	29%
Building tools for community / communicate with customers	37%	36%	52%	34%	34%	33%	40%	19%	52%	32%
Accounts receivable / payable	32%	24%	53%	40%	15%	39%	49%	16%	34%	23%
HR / Employee management	23%	11%	35%	43%	16%	23%	33%	18%	15%	9%
Power / Cooling / Energy	14%	15%	15%	11%	8%	9%	29%	10%	15%	15%

Notice that the top four out of five are concerned with the *internal* uses of IT. Of the 11 most important issues identified by the survey, sales and marketing was sixth, and building tools for communicating with customers was eighth on the list. Clearly, internal issues are taking precedence. This is confirmed by the fact that 47 percent, an increase of 12 percent over last year, saw safe and secure networking solutions as a major IT innovation.

Experts' Views on Small Business and Information Technology

About two-thirds of the experts surveyed have more than 10 years of experience in teaching and consulting with small businesses, and one-third have more than 20 years experience. What's more, almost two-thirds (63 percent) of the experts own and operate (or have owned and operated) a small business.

Almost all of the experts surveyed (98 percent) agreed that IT is important for small business growth. In fact, the vast majority (92 percent) said that keeping up with the competition, with regard to IT, is important. And furthermore, nearly all agreed that IT investment by small

businesses would bring long-term benefits, with more than three-fourths saying that such benefits would be great or very great.

A majority (55 percent) of experts saw small businesses using new IT to keep up or catch up with the competition. However, *staying ahead* of the competition was seen by only 20 percent as a primary motivation for using new IT. Almost two-thirds of the experts said that small businesses upgrade, modify, or just copy existing IT innovations; *developing* IT innovations is, according to the experts, very uncommon, and this is consistent with what small business owners reported in the broad international survey.

The majority of the experts (52 percent) said that small businesses use what is widely accepted and understood, in terms of IT; 20 percent said that if their current IT was working, small businesses would probably not want to try to change it. According to experts and small business owners themselves, the most common reasons for IT change, beyond it having exceeded its lifecycle, were that they wanted advanced technology and to keep up with competitors. These judgments, consistent among both survey groups, do not offer encouragement with regard to small businesses search for better ways to manage information to their benefit.

These results paint a picture that causes some concern. Despite the importance and clear benefit of using IT innovations, experts *do not* see small businesses as generally eager to take advantage of such innovations. Communicating the importance of IT innovation and encouraging its use by small businesses would appear to be a major challenge for those wishing to strengthen and support entrepreneurship.

Summary. A central question was whether the small businesses and experts would agree on key issues about IT and its role in small businesses. Overall, there was a general consensus among small business respondents and experts, to the effect that IT plays a major role in small business success around the world. They hope to use IT to attain key objectives, including better serving customers, growing the business, and competing more effectively in the marketplace. However, the surveys demonstrate a greater degree of *awareness* of IT issues and opportunities than of actual *use* of IT to achieve desired objectives. This is largely due to the lack of people and financial resources to put awareness into action. An overwhelming 72 percent of small-business

respondents worldwide and 82 percent in the U.S. cited budget constraints as the No. 1 factor limiting investment in new technologies.

What the Research Tells Us Needs to Be Done

A recent survey of U.S.-based small firms (with less than 250 employees), by the National Federation of Independent Business (NFIB), found that respondents reported spending more time at their business, with more oversight of operations and more hands-on decision making. Two-thirds said that they are managing cash flows more carefully. More than half said they are watching inventories more closely than they were at this time last year. The only good news is that the great majority—70 percent—has not yet had to lay off employees. So far, then, these tactical actions—a closer and more personal degree of on-site involvement, more careful management of income, expenses, and inventory, and keeping a careful eye on pricing—have helped. Even so, *tactics* alone have never won a major battle, and the global economy may be going into the most difficult condition that's been seen in almost a hundred years! What's needed if a small business is to survive is a sound *strategy*, along with effective tactical maneuvers.

The key lies in the development of a strategy that is based on the effective use of innovative IT. The sort of strategy that small businesses everywhere need to adopt centers on communication, specifically, communication made possible by new information technology.

Designing an IT Strategy for Small Business Success

There are two fronts to consider here: internal and external. Within the business, IT must serve to provide sound and effective integration among individuals and groups. External to the business, IT strategy must focus on how the firm connects with customers. Each of these elements call for careful thought.

Technological strategy for internal communication. The current economic crisis demands increased efficiency and productivity, as well as careful monitoring and, if at all possible, reductions in capital expenditures. So it may sound counterintuitive to say that one of the most important actions small businesses can take is to invest in updated and upgraded IT. When planned out carefully an internal communication strategy based on application of technological

innovations can be a life-saver for a small business struggling to survive an economic crisis that may last years. Examples of “the next information technology breakthrough that will transform small business” identified in the survey that already exist today include:

- Always on connectivity
- PCs and servers that maintain themselves at top performance levels
- PCs and servers specifically designed for small business
- Virtualization
- VoIP

A well-negotiated leasing arrangement will provide fixed pricing over a stretch of time that gives the small business increased economic “breathing space” to move forward in investing in the right technology innovation for them.

Technological strategy for external communication. A key strategy for small business survival is reaching out, not just to customers but to potential partners, and not just within the US but worldwide via the internet. To survive both the current crisis and over the long run, small businesses must adopt a stronger customer focus. Customers must become partners, not just sales figures on a balance sheet.

Automatic, yet personalized, internet communications can help foster such efforts. A strong internet presence can stimulate customer awareness and make one a more effective competitor. A relatively unknown, small British gardening supply company, Wiggly Wiggles, set up its first website in 1995. Since then it has built an internet presence that has led to significant sales in the U.S., China, India, and New Zealand (among other nations).

We are in a global economy. The bad news is that economic problems here in the U.S. are going to affect economies around the world. You only have to watch the UK, French, German, Singaporean, Chinese, and Japanese stock markets follow a bad day on Wall Street with their own bad news. The good news is that savvy firms can reach out to customers anywhere and everywhere, becoming global competitors. This can be especially crucial for small businesses with highly specialized niche products. Outreach to new markets was once impossibly costly.



Today, such global marketing is limited only by one's imagination—and access to the IT that make it possible and affordable.

It's sensible to place an emphasis on internal IT investment and strategy, since internal capacity is required in order to engage in an effective external IT strategy. However, it's worrisome that the number one reason for not doing more was the lack of funds, cited by three-quarters of all survey respondents. Might "inadequate budget" be an excuse for focusing on internal IT concerns and forgetting or ignoring external issues? A statement that received considerable agreement was, "I look to others in my industry to see what's going on." That's a reactive approach, characteristic of the status quo rather than of fast-growth business leaders.

So, what will it be? Hunker down, cut costs to the bone, reduce the number of employees and demand that those remaining work even harder? While very necessary in today's environment, cost cutting is a tactic not a strategy for long-term survival. Make sure when you make cuts, they are with the broader strategy in mind. The sort of two-pronged strategic approach outlined here, based on effective IT innovation and application, gives the best chance for long-term survival and success of small businesses. It increases chances for coming through the current economic crisis not only intact but ready to prosper in the good times ahead. The strategy outlined concentrates on building strong and enduring communication networks, both within the business—in order to manage operations effectively—and externally, to build customer/partner networks worldwide. No one is saying this will be easy, but doing nothing is not an option if a small business expects to survive. And what better reason to reevaluate old and outdated processes and technology and look toward the new efficiencies now made possible by the strategic application of IT.

For related information on small businesses innovative use of IT to improve the customer experience, please [click here](#) to visit the **2008 Dell/ICSB International Small Business IT Survey on the ICSB official website.**

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