Aligning Technology With Business Imperatives: Solutions For Midmarket Business
INTRODUCTION

Midmarket firms are a primary force in local and national economies – but they are often constrained by a lack of targeted strategic inputs, especially with respect to the business impact of IT investments and need a strategic framework to prioritize and align investments (inside and outside of IT). They often rely on IT resellers and consultants for insight on specific technology solutions, but may struggle to obtain a more holistic view of IT/business strategy drivers and opportunities.

The Proaction framework is intended to address this gap. Using data collected from its extensive, global research on midmarket firms and the deep experience of its principals and analysts, Techaisle has developed an eBook focused on top four key IT/business issues of midmarket firms:

1. Driving productivity gains
2. Reducing cost and improving profitability
3. Stimulating innovation and improving quality
4. Engaging with new and existing customers

Using the Proaction framework, midmarket business and IT decision makers can build fact-based plans that yield significant, predictable benefits to their business.
In nearly all midmarket businesses, productivity gains have a substantial and lasting impact on the bottom line. A Techaisle survey found that improving productivity sits at the top of midmarket priority lists in all regions of the world. Survey also reveals that midmarket firms are shifting their priority from individuals to a much wider set of processes, and to the business as a whole. Increasingly, effort is focused on group rather than individual productivity. Digital business is permeating all functions, rather than being confined to targeted workloads, and efficiencies are sought across systems, not simply within them.

Productivity and technology have long had a symbiotic relationship. Today, productivity initiatives focus on processes. The watchword most closely associated with process improvement is agility.

Techaisle’s research finds that in midmarket businesses, agility is often positioned as the end goal of digital transformation – stages in a process that uses technology to encapsulate tasks and connect them into a framework that allows midmarket firms to move from digitizing documents and simple tasks, to digitalizing processes, which reduces cycle time by accelerating hand-offs between related activities, to digital transformation, where businesses are able to deliver “previously-unattainable or un-imaginable outcomes”. At each stage, midmarket firms use technology to drive productivity improvements that are beneficial to the business.
Techaisle’s research also finds that productivity gains in midmarket firms with organization-wide digital transformation (DX) strategies are 1.4 times higher than gains achieved by midmarket firms that are taking a siloed (department-by-department) approach to digital transformation. More than 50% of midmarket firms identified one or more of three solutions – analytics, digital workspace and collaboration – as technologies that drive improved productivity within their businesses.

**Analytics**, is critical to helping businesses extract meaning from digital information; it can deliver improved productivity at both an individual level (by enabling professionals to more quickly answer questions that are important to their function) and at a process level (by accelerating workflow across functions, and by identifying bottlenecks and/or opportunities for new process design).

**Unified digital workspace**, in which productivity and collaboration applications are delivered in a single environment, is also very appealing to midmarket businesses. Asked to assess the impact of a unified workspace, 47% of firms reported that it improves employee productivity.

**Collaboration** contributes directly to productivity and amplifies the benefits of other attributes. 44% of respondents report that collaboration solutions drive increased engagement and innovation, and 51% believe that they reduce turnover. The survey found that innovative firms were 80% more likely than non-innovators to have gained improved productivity from collaboration systems.

Apart from solution categories, Techaisle’s research identified three technologies that midmarket businesses consider to be essential to enabling productivity gains: Modern PCs, cloud and mobility.
Mobility has moved from being an important extension of core infrastructure to being an intrinsic component of infrastructure strategy. The link between mobility and productivity (and between mobility and attraction and retention of younger staff) is so compelling that midmarket IT operations need to build the capacity for mobility deployment and support.

Modern PCs can be fairly seen as fundamental to enabling staff members to capitalize on current and emerging productivity solutions. The capabilities that are built into modern PCs — support for mobile work, for collaboration, and for the security layers that protect an ever-more-flexible work environment — are essential to deployment of logical-layer solutions supporting agile processes.

Cloud isn’t actually ‘physical’ — but is a non-optional component of current IT infrastructure — provides support for functions, including collaboration and access to applications and information/data — that are critical to supporting essential processes. Beyond these comparisons, though, cloud provides the ability to accelerate processes in ways that no other platform technology can match.
As per Techaisle survey, 51% of midmarket firms consider increasing profitability to be a top business objective in addition to cost control. The emphasis on cost is telling, in that it focuses on an issue, expenditures, which can be directly controlled. Survey reveals that midmarket firms have many business and technology-focused reasons for reducing operating costs.

Techaisle survey data shows that 46% of midmarket firms are turning to digital transformation to decrease costs and/or improve processes – meaning that midmarket companies that aren’t able to break through their optimization challenges risk being left behind by current competitors.

**Midmarket firms:**
Reasons for reducing operating costs

- Uncertain & Unpredictable business environment forces midmarket firms to reduce operating costs
  - Erratic revenue
  - Changing competitive environment
  - Slow pace of change
  - Absence of capital resources
  - Managing business volatility

- Inability to optimize technology investments forces midmarket firms to reduce operating costs
  - Hard to reach economies of scale
  - Low utilization rates
  - Chasing technology advancements
  - Inadequate payback on IT assets
  - Budget constraints

Source: Techaisle SMB & Midmarket surveys
Aligning Technology with Business Imperatives

Technology occupies a unique position in midmarket firms that are looking to drive bottom-line success. Midmarket firms that are able to align new solutions with enhancements to productivity and agility will move predictably from investment to measurable positive result. Techaisle data reveals that the drivers of cost reduction are divided into issues relating to people, products and processes.

Technology helps in cost reduction by addressing people, process and products

**PEOPLE**
- Improve employee productivity: 86%
- Improve internal communication: 84%
- Improve decision making: 80%
- Improve coordination among geographically dispersed employees: 79%
- Provide better co-ordination among functional areas: 77%

**PROCESS**
- Improve operational efficiency: 89%
- Create new processes that constitute a better way of doing business: 88%
- Achieve a higher level of responsiveness to customer needs: 83%
- Facilitate automation of core business processes: 79%

**PRODUCTS**
- Control and improve quality of products / services: 90%
- Anticipate customer needs: 85%
- Improve production levels: 84%
- Identify market trends through powerful analytics tools: 82%
- Help serve new markets: 80%

Source: Techaisle SMB & Midmarket technology adoption attitude survey

Key process considerations for cost control and improved midmarket profitability

<table>
<thead>
<tr>
<th>% of midmarket firms focused on this area</th>
<th>Target outcome</th>
<th>End benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve operational efficiency: 89%</td>
<td>Reduce expense and uncertainty</td>
<td>Cost reduction/control</td>
</tr>
<tr>
<td>Create new processes, better way of doing business: 88%</td>
<td>Use IT-improved processes to deliver better business outcomes</td>
<td>Cost reduction/control and improved profitability</td>
</tr>
<tr>
<td>Achieve greater responsiveness to customer needs: 83%</td>
<td>Adapt rapidly to changes in demand, meet new requirements, abandon unneeded products/services</td>
<td>Increased profitability/cost and risk reduction</td>
</tr>
<tr>
<td>Facilitate automation of core processes: 79%</td>
<td>Use technology as a means of reducing error rates and increasing control and productivity</td>
<td>Reduce process uncertainty and cost; improve standardization, reduce unit product cost</td>
</tr>
</tbody>
</table>

Source: Techaisle SMB & Midmarket survey
Compared to midmarket organizations that are still taking a department-by-department approach to digital transformation, midmarket firms with organization-wide digital transformation strategies are two times more successful at using technology to reduce business process cost and more than three-quarters of midmarket firms are planning to invest in each of seven different technologies that have been found to reduce operational costs.

**Midmarket firms:**
Currently using / planning to use Seven technology areas that reduce costs

<table>
<thead>
<tr>
<th>Technology Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration</td>
<td>90%</td>
</tr>
<tr>
<td>Cloud</td>
<td>89%</td>
</tr>
<tr>
<td>Mobility</td>
<td>88%</td>
</tr>
<tr>
<td>Analytics</td>
<td>83%</td>
</tr>
<tr>
<td>Digitalization</td>
<td>82%</td>
</tr>
<tr>
<td>Managed Services</td>
<td>81%</td>
</tr>
<tr>
<td>CI/HCI</td>
<td>75%</td>
</tr>
</tbody>
</table>

Techaisle SMB & Midmarket cloud adoption study  |  Techaisle SMB & Midmarket managed services adoption study  
Techaisle SMB & Midmarket collaboration adoption study  |  Techaisle SMB & Midmarket analytics adoption study  
Techaisle SMB & Midmarket CI/HCI adoption study  

IT, which is a major cost center in many businesses can sometimes be a target for austerity measures. But IT is often seen as part of ‘the solution’ as well. Techaisle research finds that a basket of technologies consisting of application-layer and foundation-layer solutions are both intertwined in the pursuit of bottom-line improvement, especially with respect to cost savings.

**No single technology is sufficient – a basket of technologies is necessary**

<table>
<thead>
<tr>
<th>Technology Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use cloud for cost reduction</td>
<td>39%</td>
</tr>
</tbody>
</table>
  • Lowers IT cost  
  • Reduces cost related to business processes  
| Use managed services for cost reduction | 54%        |
  • Lowers IT cost  
  • Maintain a lean business environment  
| Use collaboration for cost reduction | 42%        |
  • Improving decision agility  
  • F2F interactions not requiring travel  
| Use analytics for cost reduction | 61%        |
  • Improve processes  
  • Better monitor operations  
| Use CI/HCI for cost reduction | 41%        |
  • Lower OPEX/CAPEX  
  • Better resource utilization  
| Use SDx cost reduction | 49%        |
  • Lower OPEX/CAPEX  
  • Better IT management  

Source: Techaisle SMB & Midmarket cloud adoption study | Techaisle SMB & Midmarket managed services adoption study  
Techaisle SMB & Midmarket collaboration adoption study | Techaisle SMB & Midmarket analytics adoption study | Techaisle SMB & Midmarket CI/HCI adoption study
To drive growth, a business needs to innovate. To reduce churn, businesses generally focus on quality improvement. Adoption and use of technology can help support both quality and innovation-oriented processes. A survey conducted by Techaisle found that midmarket organizations rely on three key pillars for driving innovation: transformative processes (40%), business agility (37%) and empowered teams (35%). Each of these pillars in turn relies on target outcomes to enhance the competitiveness of the midmarket business.

**Process transformation**

Process transformation is cited by midmarket firms as the most important area for IT support of business innovation. More than one-third of respondents opted to focus on one of two engagement-oriented process transformation outcomes.

- **Pursue new global opportunities**: 14%
- **Create new business model / revenue stream**: 23%
- **Increase IT speed and agility**: 35%
- **Introduce new IT-led products / services**: 28%
Business agility

Business agility as a key force in driving innovation spans four essential outcomes. The most important of these is increased IT speed (35%), without which the organization cannot react to new opportunities and competitive pressures.

Empowered teams

Empowered teams is the third variable in the midmarket innovation equation. The survey reveals that there are two primary objectives of workforce empowerment in midmarket firms - productivity and information sharing.
Techaisle research indicates that a modern IT infrastructure plays a major role in enabling midmarket firms to innovate. Effective support for innovation requires investment in two technology categories, foundational and transformational. Innovation leaders need to manage the same core infrastructure elements as innovation laggards – cloud, mobility, security, virtualization – but they also need to capture the advantages associated with CI/HCI, SDx and other emerging platforms.

**Midmarket firms: Core technology use**

<table>
<thead>
<tr>
<th>Category</th>
<th>Innovation leaders</th>
<th>Innovation laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>92%</td>
<td>90%</td>
</tr>
<tr>
<td>IoT</td>
<td>50%</td>
<td>32%</td>
</tr>
<tr>
<td>Security</td>
<td>89%</td>
<td>86%</td>
</tr>
<tr>
<td>VDI</td>
<td>48%</td>
<td>31%</td>
</tr>
<tr>
<td>Virtualization</td>
<td>80%</td>
<td>69%</td>
</tr>
<tr>
<td>CI/HCI</td>
<td>45%</td>
<td>28%</td>
</tr>
<tr>
<td>Cloud Security</td>
<td>57%</td>
<td>37%</td>
</tr>
<tr>
<td>SDx</td>
<td>41%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Techaisle SMB & Midmarket survey

From an IT perspective, effective pursuit of digital transformation through use of advanced applications deployed on capable, flexible infrastructure systems will position a midmarket firm to build agility into innovation and quality initiatives and support transformation of workflows throughout the organization.

**Midmarket Innovative firms who believe in holistic DX strategy are investing in numerous technologies**

Source: Techaisle SMB & Midmarket study
Midmarket firms need to both attract new customers and retain current accounts. Techaisle's survey found that 40% of midmarket firms cite attracting and retaining new customers as a top business challenge. 34% of midmarket firms are using or are planning to use digital transformation (DX) to better engage with current and new customers.

85% of midmarket firms believe that technology helps them to anticipate customer needs, and 83% see technology as a means of achieving higher levels of responsiveness to customer needs. All businesses have technology. The key to attracting and retaining new customers is found in how technology is used to create a digital business capable of out-competing. 35% of midmarket firms with an organization-wide DX approach report that they have a “top notch” customer-facing digital presence, versus just 7% of firms with ‘silied’ approaches to digital transformation – a 5x difference in performance.

**Midmarket firms:**
Technology & customer engagement

<table>
<thead>
<tr>
<th>Role of technology in customer relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology helps to anticipate customer needs</td>
</tr>
<tr>
<td>Technology helps to achieve higher levels of responsiveness to customer needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer intimacy and DX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting and retaining new customers is a major business challenge</td>
</tr>
<tr>
<td>Using DX to better engage with current and new customers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Have a &quot;top-notch&quot; customer-facing digital presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms with an organization-wide DX strategy</td>
</tr>
<tr>
<td>Firms with a ‘silied’ DX strategy</td>
</tr>
</tbody>
</table>

Source: Techaisle SMB & Midmarket digitalization trends survey | Techaisle SMB & Midmarket digital transformation survey
Techaisle SMB & Midmarket SaaS adoption trends survey
Technology offers the raw materials needed to create a compelling customer-facing digital presence – but transformation requires that the systems start with processes that capitalize on the new functionality. Techaisle research finds that there are three key areas where process needs to tie to market-centric systems: ubiquitous input, data, and insight.

1. **Ubiquitous input**: Digital leaders are deploying tracking devices and sensors to build a real-time understanding of the movement of goods and people.

2. **Data**: The new sources of ubiquitous input need to be integrated with existing customer information to assemble rich data that can be trusted to support decisions.

3. **Insight**: The exponential increase in inputs and data paves the way for applications that capitalize on improved input.

### Midmarket firms: Use of Market-centric systems

<table>
<thead>
<tr>
<th>Ubiquitous input</th>
<th>Tracking devices, sensors</th>
<th>56%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>Single source of customer data</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>Sentiment analysis</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Mobile apps for customers</td>
<td>54%</td>
</tr>
<tr>
<td>Insight</td>
<td>Supply chain systems</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Order tracking functionality</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Techaisle SMB & Midmarket business issues, IT priorities, IT challenges survey

### Midmarket firms: Cloud and mobility bring organization closer to the customer

- **59%**: Mobility helps to achieve higher level of responsiveness to customer
- **53%**: Mobility provides new ways of engaging with customers
- **51%**: Cloud improves sales, marketing & customer service
- **43%**: Analytics helps develop a consolidated view of customer

Source: Techaisle SMB & Midmarket cloud adoption survey | Techaisle SMB & Midmarket mobility survey
Techaisle’s research shows that modern midmarket firms are developing platforms on three key solutions – cloud, mobility, analytics – to support customer-centric digital business practices for attracting and retaining customers.

Physical layer technologies play a major role in supporting systems that build effective customer relationships. Software-defined technology (SDx), which enables a business to be more agile in adding or changing system features is seven times more likely to be used by businesses that are focused on IT-enabled customer relationship expansion than those that are lagging behind. The gap is even larger in artificial intelligence: 24% of midmarket firms with effective customer-facing environments are using AI today, as compared with just 2% of those that are not successful in creating customer-facing environments. Leaders and laggards have very different adoption levels (on the order of a 2x difference) in use of IoT technologies.

### Midmarket firms:
Key technologies supporting customer engagement solutions

- **CI/HCI**: 17%
- **Big Data**: 17%
- **IoT**: 24%
- **AI**: 2%
- **SDx**: 3%

Source: Techaisle SMB & Midmarket digital transformation study
About Techaisle

Techaisle is a global SMB, midmarket and channel partner IT market research and Industry Analyst organization. Techaisle was founded on the premise that go-to-market strategies require insightful research, flexible data, and deeper analysis. Understanding the value of data consistency across markets to inform strategic planning, Techaisle has remained holistic in its approach to insights and provides globally consistent analysis across geographies. To achieve its objectives Techaisle conducts surveys with SMBs, midmarket firms and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering emerging technologies such as cloud, managed services, mobility, IoT, virtualization, analytics, collaboration, HCI/CI, orchestration, digital transformation, security, buyers journey its channel research coverage provides in-depth understanding of resellers and channel partners globally. Techaisle’s insights are built on a strong data-driven foundation and its analysts are conversant with both primary research and industry knowledge, which is a rare combination. Techaisle offers its clients: Annual Retainerships, Syndicated Research, Custom Primary Research, Consulting Engagement, Competitive Intelligence, and Segmentation. For more information, visit www.techaisle.com