PROACTION
Aligning IT with Business Imperatives

STIMULATING INNOVATION & IMPROVING QUALITY IN YOUR BUSINESS:

SOLUTIONS FOR MID-MARKET BUSINESS

Commissioned by

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Global Industry Analyst & Market Research Organization

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Stimulating Innovation and Improving Quality in your Business: IT Solutions for Midmarket Business

Like businesses of all sizes, midmarket firms have an ongoing need to **stimulate innovation and improve quality**. Midmarket firms need to balance these requirements against a backdrop of limited scale, rapid market change and constraints on **resources that can be dedicated to shaping the future, rather than reacting to the demands of the present**. Which technologies are best able to empower scarce resources as they help midmarket organizations to set new benchmarks for business performance?

**Context:**

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. Large enterprises are able to combine internal, cross-functional specialist teams with advice from management consultants to develop strategy blueprints. Small businesses are typically reacting to immediate requirements; strategy is not a primary consideration. Midmarket firms, though, have need of strategic framework to prioritize and align investments (inside and outside of IT). They often rely on IT resellers and consultants – smaller companies that are focused on addressing single ‘point’ requirements rather than business-wide issues – for insight on specific technology solutions, but may struggle to obtain a more holistic view of IT/business strategy drivers and opportunities.

The **Proaction** series 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 reports focused on key IT/business issues: productivity, cost and profitability, innovation and quality, and new customer acquisition. Each report follows a framework designed to address the needs of midmarket organizations.

- **The objective:** what are midmarket firms looking to accomplish, and why they would invest in IT solutions to achieve success in this area?
- **The processes:** what will midmarket firms do differently as they attain their objectives?
- **The logical layer:** what IT solutions will need to be in place to support process evolution?
- **The physical layer:** what technologies will the IT department need to deploy, in order to deliver the capabilities needed by the logical layer and processes?

Using the Proaction framework, midmarket business and IT decision makers can build fact-based plans that yield significant, predictable benefit to the business.
The objective: innovation and continuous improvement

It has been said that investors expect business executives to focus on two primary objectives: demonstrating sustainable growth, and reducing ‘churn’ – loss of existing customers – to the lowest possible level. Growth satisfies the shareholder’s desire to see increasing enterprise value, while churn detracts from growth by mandating new sales to replace lost revenue streams – and churn has the additional negative impact of increasing corporate expenses, as the cost of acquiring new customers is generally higher than the cost of maintaining relationships with existing accounts.

While growth and retention are aligned at a corporate finance level, each requires its own focus. To drive growth, a business needs to innovate – to bring new products and services to market. To reduce churn, businesses generally focus on quality improvement, which results in both better customer retention and reduced delivery/service cost.

Like all organizations, midmarket firms need to meet many different business requirements and objectives. Unlike small businesses, midmarket firms have the resources to pursue multiple objectives at the same time – but with far fewer resources than their larger enterprise competitors, midmarket executives have to juggle investment dollars to address pressing requirements. In the midmarket business context of innovation, quality and innovation isn’t an ‘either/or’ issue: more than one-third of midmarket firms in all of the US, Asia/Pacific, Europe and Latin America see each of quality improvement and product/service innovation as a top business challenge.

Adoption and use of technology can help support both quality and innovation-oriented processes. 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 empower workers, build agility into innovation and quality initiatives and support transformation of workflows throughout the organization.

Importance of improving quality and driving innovation to midmarket firms

Source: Techaisle SMB & Midmarket business issues, IT priorities, IT challenges survey
The Processes
Where will midmarket firms focus, to improve quality and drive innovation?

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.

In the survey, Techaisle examined the nexus of IT and targeted outcomes: how can IT contribute to process transformation, improved agility and increased team productivity? In each area, the research identifies objectives that will align IT investments with broader business goals.

Process transformation
Process transformation is cited by midmarket firms as the most important area for IT support of business innovation. Drilling down, the survey shows that improved customer service (34%) is the process area expected to benefit most from IT innovation; importantly, this is also an area that addresses concerns around customer retention, linking success here to the parallel requirement for improved quality. Improved process efficiency (30%) also connects innovation and quality: it reduces cycle time (which accelerates innovation) and also reduces cost (a key quality metric).

More than one-third of respondents opted to focus on one of two engagement-oriented process transformation outcomes. This group was evenly split between seeing new ways of engaging customers and improved interaction with suppliers and partners (each 18%) as a key objective of process transformation. Techaisle expects that this holistic approach to go-to-market, focused on streamlining the connections between the firm and its suppliers, its go-to-market business partners and its end customers, to be increasingly important to business success in the midmarket, and across digital businesses as a whole.
Business agility

Business agility, highlighted by 37% of midmarket firms as a key force in driving innovation, spans four essential outcomes. According to Techaisle survey respondents, the most important of these is increased IT speed (35%), without which the organization can’t react to new opportunities and competitive pressures. The ability to introduce new IT-led products and services (28%) and to create new operating models and revenue streams (23%) are also key IT contributions to a midmarket firm’s agility objectives. A smaller proportion (14%) of midmarket firms are looking at ways of using IT to pursue global expansion – but Techaisle expects that this will become a more important objective over time as digital technology blurs traditional geographic boundaries in many business sectors.

Empowered teams

Empowered teams is the third variable in the midmarket innovation equation. The survey reveals that there are two primary objectives that midmarket firms focused on empowering their workforces are focused on: productivity and information sharing. The most common innovation-related goal captured in the research was increasing employee productivity (36%), followed closely by “deeper information sharing with customers, partners and suppliers,” the choice of one-third of midmarket firms who view empowered teams as a key to increased capacity for innovation. Taken together, these results demonstrate that nearly 70% of midmarket firms that are
looking to drive digital business information see improved information access as a key to driving better employee output and deeper supply chain relationships.

The logical layer
What IT-enabled solutions drive innovation?

The logical layer question – which solutions are most important to driving innovation? – is one that should be considered in two parts. The first is at a macro level, and looks at the difference in solution adoption between ‘innovation leaders’ – firms that are translating IT investments into support for innovation within their organizations – and ‘innovation laggards’ that have not yet made the connection between digital business and improved outcomes.

At the highest level – overall solution adoption – the biggest gap is found in analytics and business intelligence, where use by innovation leaders is outpacing adoption by innovation laggards by nearly 20%. Owing to high overall adoption rates, there is only a slight gap in collaboration use between innovation leaders and laggards, and no difference between the groups in adoption of cloud and social media (both at 100%).

A closer look at the applications that are running in cloud environments, though, reveals that midmarket innovation leaders are outpacing laggards in use of specific solutions that tie to streamlined processes, greater agility and empowered teams:

- **Process**: In each of three key applications that drive corporate processes – ERP, CRM and accounting/financial management – the proportion of innovation leaders who are using cloud-based solutions is more than double the proportion of innovation laggards (nearly three times in the case of CRM). Innovation leaders are using cloud to transform key business processes, capitalizing on innovative applications that embed best practices, connect to external sources of insight, and which are updated far more regularly than conventional on-premise alternatives.

- **Agility and teams**: Three key applications – marketing automation (where leaders are 2.7 times more likely to have adopted cloud-based solutions than innovation laggards), inventory management (1.2x) and content publishing (77%) – address key agility and empowered team issues: improved connections with customers and prospects, improved management of supplier and partner interactions, and improved delivery of information to internal and external stakeholders. Innovation leaders are able to capitalize on advanced technology to differentiate their communications and relationships from less-agile competitors.
Midmarket firms: Solution use

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<th>Innovation leaders</th>
<th>Innovation laggards</th>
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<tbody>
<tr>
<td>Cloud</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>Analytics</td>
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Source: Techaisle SMB & Midmarket study

Use of select cloud applications: Midmarket innovation leaders and laggards

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<tr>
<th>Application</th>
<th>Innovation leaders</th>
<th>Innovation laggards</th>
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<tbody>
<tr>
<td>Collaboration</td>
<td>78%</td>
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<tr>
<td>Supply Chain</td>
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Source: Techaisle SMB & Midmarket cloud adoption study
The physical layer
What technologies will the IT department need to deploy, in order to support the solutions that drive innovation?

Understanding process demands and solution requirements is critical to aligning IT focus with target business outcomes. From IT’s perspective, though, there is still a missing element: a clear understanding of where to allocate attention and budgets, to build the infrastructure needed to support current and emerging needs.

Data drawn from Techaisle’s survey of midmarket firms indicates that effective support for innovation requires investment in two technology categories, foundational and transformational. Foundational technologies are those that are required as building blocks for all firms, innovation leaders and laggards alike; there is little difference in adoption rates (2% for mobility, 3% for security, and 16% for virtualization) between these two groups.

Analysis of relative adoption rates for transformational technologies – those that are relatively new and not widely deployed – paints a much different picture. IoT is currently used by half of midmarket innovation leaders, vs. roughly 30% of laggards. There is a similar adoption gap between innovation leaders and laggards in virtual desktop technology, or VDI (48% vs. 31%) and converged/hyperconverged infrastructure (45% vs. 28%); the gap is wider still for software-defined infrastructure (SDx), where midmarket innovation leaders are more than two times more likely to be using the technology than laggards (41% vs. 19%).

These figures indicate that the physical layer plays a major role in enabling midmarket firms to innovate. Innovation leaders need to manage the same core infrastructure elements as laggards – cloud, mobility, security, virtualization – but they also need to capture the advantages associated with CI/HCI, SDx and other emerging platforms.
The bottom line: using IT to drive improved innovation and quality in midmarket businesses

In many areas – including the need to bolster quality and support innovation - midmarket firms occupy a challenging middle ground between small business and large enterprises. Small businesses can succeed by focusing on one target at a time; large enterprises have the resources to commit to pursuit of multiple objectives simultaneously. Midmarket firms have resource constraints, but need to respond – rapidly – to a range of opportunities and requirements.

This is not an insurmountable challenge, but success requires a combination of strategy and technology. There is a role for executives who can clearly identify the initiatives that drive growth and reduce churn, for technologies that support these objectives, and for IT professionals who are able to develop technology roadmaps that support both immediate needs and longer-term goals. Midmarket businesses that are able to effectively address each will be positioned to satisfy the expectations of both customers and shareholders.

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

Source: Techaisle SMB & Midmarket study
About Techaisle

Techaisle is a global SMB 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 SMB and Channels analysis across geographies. To achieve its objectives Techaisle conducts surveys with SMBs and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering emerging technologies such as SMB cloud computing, managed services, mobility, social media usage, virtualization, business intelligence, big data, collaboration, networking 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: Syndicated Research, Custom Primary Research, Consulting Engagement, Competitive Intelligence, and Segmentation. For more information, visit www.techaisle.com

Contact:
Ph: 408-4597751 | US
5053 Doyle Rd, Suite 105, San Jose, CA 95129 | Singapore
| India