

Adding IT to the SME toolkit

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The past few years have seen a marked change in the marketing of software and services.

Vendors such as SAP and Oracle, which had previously confined their attention to the giants of the business world, have begun to court small and medium-sized enterprises (SMEs) with a cornucopia of new products.

"So many companies that have traditionally focused on large enterprises are now going into the SME market. It is amazing. Everything is about SMEs," says Joslyn Faust, principal analyst specialising in the SME market for Gartner, the consultancy.

But, she warns, it is not necessarily to everyone's benefit. "Many of these vendors do not understand that it is a totally different business model. Service, support and pricing are all very different. The products need to be very simple and they all need to work together. SMEs are worried that the IT they are offered will prove to be too complicated, too costly or that the vendor will consider them too small for proper support," she says.

Buying consumer-grade technology is one answer for very small firms.

Eilert Hanoa, chief executive of Mamut, a European provider of integrated software and internet services for SMEs, shares Ms Faust's concerns: "There is a misconception within the SME sector that technology is expensive and that it is a luxury a small business cannot afford. Most SMEs have few people to turn to for technology advice and this has led to an abundance of fear, uncertainty and doubt when buying IT.

"This sorry state of affairs has been compounded, and in some cases encouraged, by an IT sector that has done the SME sector a disservice by downsizing enterprise applications for the SME market without addressing their need for less complexity."

SAP, however, one of the world's largest software groups, has seen a significant change in its mix of customers over the past 10 to 20 years. At one time it was a provider of enterprise resource planning (ERP) software only to large corporates, it now estimates that 70 per cent of its customers - about 35,000 globally - are SMEs.

Simon Etherington, head of the SME division for SAP in the UK, says the sector is covered by a three-product family: Business One, an out-of-the-box business management system for companies with less than £30m-£40m in turnover; Business by Design for larger groups; and Business-all-in-One for vertical industries. These products are generally marketed to customers via channel partners who can offer technical help and business advice.

Are there any companies too small for an SAP offering? "If there are, we haven't found them yet," says Mr Etherington.

But he warns that IT is no magic bullet. The customer, he says, must have a clear vision of what it wants to do, where it wants to go and how it thinks IT can support its objectives.

He says that SMEs may have an advantage because they see their business processes - essentially what the business does - more clearly than bigger enterprises. And any IT investment must be treated as a business project rather than an IT initiative, he counsels.

Dawn Baker, head of marketing for the small business division of Sage, the UK accounting software group, concurs: "Small businesses have to make monthly decisions based on cash flow. So an owner may be faced with the dilemma of whether to take £100 extra as a bonus or use it to buy a piece of software.

"Another option, especially for businesses at the upper end of the SME sector is to look into hosted versus on-premises software solutions, as this might provide a higher degree of

flexibility with less up-front investment. Either way, any investment in IT should be linked to a business plan."

Big-ticket technologies such as ERP are not alone in being reconfigured to fit a smaller customer. Virtualisation -running a number of operating systems and application packages on the same server - is becoming increasingly attractive to small companies, not simply because of savings on the cost of servers but because of disaster recovery and business continuity.

Martin Niemer of VMware, a leading 'Small businesses are more likely to see the business benefit of a new technology rather than view it as a status symbol' vendor of Virtualisation software, says that companies with only four or five servers and fewer than a dozen staff are virtualising their servers as a protection against downtime, "which could cost them a huge amount of money".

Typically, VMware consolidates applications from 10 machines on to a single server. The latest servers can run as many as 30 virtual machines.

So how do we define an SME or SMB (small and medium-sized business)? Definitions vary geographically. In Europe, a small company might have 10-49 employees and a medium-sized one, 50-250. In some regions, 5,000 people might still constitute a medium-sized company.

Smaller concerns are generally seen as more flexible and agile than their larger competitors. Simon Devonshire, head of SME marketing for O2, mobile operator, says small businesses are typically quicker to adopt new technologies than large corporates.

"This is largely the consequence of a difference in the attitude towards technology in small versus larger businesses. In large corporations, new technologies such as the latest handheld mobile device and laptops are often viewed as a privilege, restricted to senior management.

"Small businesses are more likely to recognise the business benefit that a new technology will bring as opposed to seeing it as a status symbol."

Again, the technology cannot be deployed unthinkingly.

Michel Robert, managing director of the European hosting group Claranet warns that SMEs must be sure their investments will move the business on. "Most SMEs don't care if the technology is the newest or the fanciest or the quickest. They care about reliability and about whether it will take them in the right direction. SMEs cannot afford to experiment and get it wrong."

He points to the dangers of growing complexity, which SMEs may be ill-prepared to deal with. He recommends outsourcing the bread-and-butter operations: "This will allow you to focus the technical resources you have on the future and on innovation and on aligning IT with the business."

The impact of the internet on SMEs has been particularly strong. While a couple of decades ago, an SME might be considering what accounting package to buy, today it is chiefly concerned with connectivity.

Chris Stening of Easynet, part of the BSkyB group, says the company has seen an exponential demand for broadband from SMEs driven by e-mail, web traffic and online applications.

"The internet has changed the way small businesses think about themselves," he says.

A company can use a cleverly designed website to make it seem larger than it really is: equally, a failed internet connection can quickly cost a small company more than it can afford.

A survey carried out among UK SMEs by Quocirca, the consultancy, for Easynet Connect, the company's SME network, says connection has become vital for many: "While a quarter of

companies could work for days with no internet connection, most companies require failures to be fixed inside a day. For one in four, time to fix is even tighter at less than an hour and for some no break is acceptable.

"In such critical situations, a second redundant connection has to be worth considering," Quocirca recommends. The survey shows that from a simple web presence and e-mail, SMEs are selling online, using internet protocol telephony and networked video. Almost half use the network for remote back-up and disaster recovery.

Are there simple guidelines that SMEs should follow in their adoption of IT? Joslyn Faust of Gartner suggests that potential buyers should not focus on price too strongly. "Free or almost free does not mean stress-free," she says, adding that new additions must work with existing equipment if the company is not to have problems as it grows.

She also says it is important to make sure that the vendor understands the customer's business. "Too many do not understand these vertical markets, which leads to frustration for their customers as they get up to speed."

There are heartening signs, she says, that vendors are working towards the idea of "one-stop shopping" for SMEs. "That is what SMEs have always wanted but what they have not been able to have because of the state of the market. It takes a few years for vendors to get it right."

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