

This is a follow-on note to our SMB Techaisle Take issued on March 24, 2020 and Channel Partner Techaisle Take issued on April 5, 2020

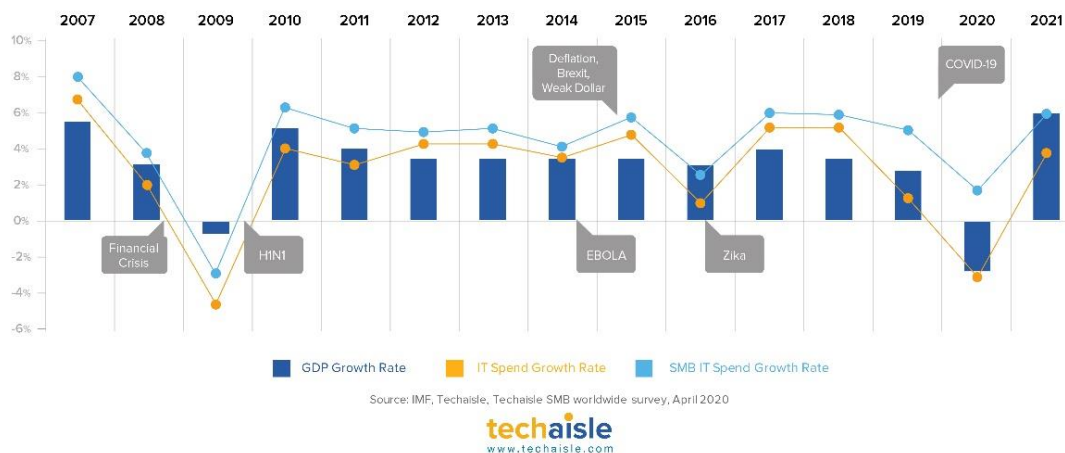
Agility and Adaptability will accelerate recovery for SMBs Worldwide

Precision is impossible but agility and resilience are realizable. In every crisis, there is opportunity. If history is any indication then the SMBs are well-placed to narrow the banks of uncertainty. With integrative thinking SMBs will be adept at maneuvering around the edges of flames that have been fanned by COVID-19.

Over 12 years of Techaisle tracking data paints a fascinating picture in which SMB business goals established by unexpected challenges drove new IT priorities. Klaus Schwab, Founder, World Economic Forum observed that, "In the new world, it is not the big fish which eat the small fish, it's the fast fish which eat the slow fish." SMBs are the fast fish as compared to enterprise segment.

After every downturn, SMB IT spend has rebounded higher and faster than overall (consumer + SMB + enterprise + government + education) IT spends. [Techaisle had published its forecast scenarios here.](#)

Global SMB IT Spend vs. Overall IT Spend vs. GDP – YoY Growth Rate (excludes spend on Telecom services)



It is well understood and recorded that during the 2008-2010 period of financial crisis, global GDP and IT spend growth rates were negative. But what happened in 2010 recovery period is notable. The SMB IT spend YoY growth rate was 1.5X higher than overall IT spend growth rate. A perfect recovery. A more telling example is for year 2016. Economic uncertainty plummeted the overall IT spend, yet SMB IT spend growth was 4X overall growth rate and even a stronger recovery in 2017. A key reason for the difference was SMBs' resilient ability to pivot priorities to reduce costs, drive growth and achieve business agility. 2020-21 should not be any different.

SMB technology and business alignment results in resiliency, agility and adaptability

The subject of business and technology alignment has been a hot topic of debate for many years. The Zachman Framework, a widely-respected model used to align IT and business needs has been in use for nearly 30 years. Nowhere is the alignment more pronounced and demonstrable than within SMBs. Technology is business critical infrastructure for SMBs. SMBs are increasingly dependent on IT support, and IT products and services that improve productivity and efficiency or which expand market reach and potential. *Resiliency, agility and adaptability are enviable qualities of an SMB business.*

Forecast is futile. But if past is prologue, to understand the future beyond COVID-19, we first need to expand on the two examples of 2008-2010 and 2015-17 time periods when SMBs' IT spending grew faster than the market.

Financial Crisis

2008-09: **Uncertainty & Unpredictability** - Economic implosion acted as a catalyst for action and change among SMBs. Recession prompted retrenchment in many areas. Solutions offering direct productivity benefits gained momentum as a means of coping with accelerating per-employee output requirements ('work smarter, not harder'). As SMBs experienced economic downturn, both OPEX and CAPEX came into sharp focus.

2009-10: **Agility & Business Growth** - With renewed growth prospects SMBs looked to platform technologies to support new initiatives in still-uncertain times. By the end of the year, with recovery firmly rooted, SMBs looked to attract, retain and empower staff. Emphasis on finding news ways of using technology to boost impact of staff accelerated. SMBs began their transformation with adoption of empowerment technologies that were outside of normal technology adoption curve leading to smart investments that reduced time to value.

Deflation, BREXIT, Weak Dollar, Economic Uncertainty

2015-16: **Efficiency & Value Shift** - SMBs found themselves in the middle of business pressure cauldron which made them realize that both process and product innovations were a must for long-term viability and survival. Reliance on technology to support core business activities drove increases in IT capacity requirement that far outstripped IT budget. Efficiency focus spread to all areas of business. Tasks and process that could be converted to digital formats began to be digitized.

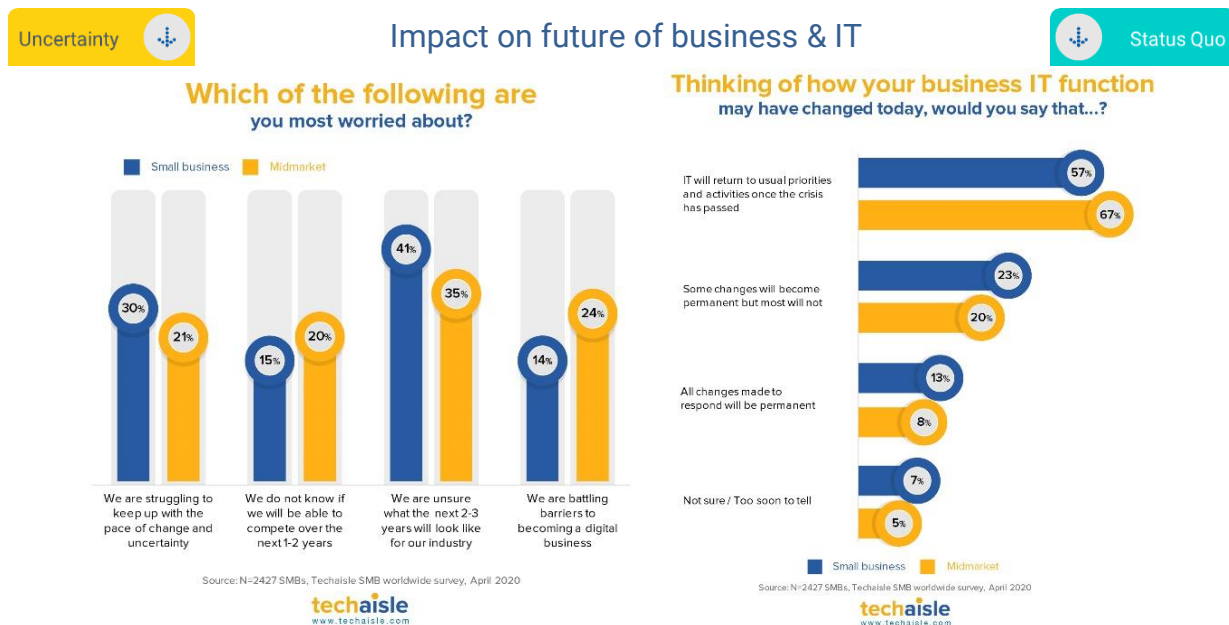
2016-17: **Optimization & Digitization** - Business success was more than ever dependent upon establishing, maintaining and optimizing relationships with customers, partners, suppliers. There was a realization that effective people, combined with strong processes delivered an optimized business. Results of business process efficiency obtained through digitalization and digital transformation accelerated, both as a means of capturing increased business benefits and as a way of mitigating risks of being left behind.

Post COVID-19 Impact on business and IT operations

But the questions remain. Is today the same as the past? Will the future be different? We know that to be uncertain is to be uncomfortable, but to be certain is to be ridiculous. There are already many discussions and surveys conducted by various firms on *today's* devastating impact on SMBs. At Techaisle we agree that SMBs are currently desperately operating between the raindrops but our objective is to square the circle, to simplify the path forward for IT vendors and channel partners and see past the blind corner.

To understand the impact of COVID-19 on future of IT we conducted a survey of N=2427 SMBs in several countries. Regardless of the uncertainty, over 50% of SMB business leaders in Asia/Pacific and some countries in Europe are optimistic and are confident about a V-shaped recovery as compared to US and UK SMBs who believe in more of a long U-shaped recovery.

Techaisle's global SMB survey data (below left chart) shows that small businesses and midmarket firms have different fear factors. Higher percent of small businesses than midmarket firms are struggling to manage uncertainty and keeping pace with change. Similarly, 1.2X as many small businesses as midmarket firms are unsure about their own as well as their industry's future. With respect to digitalization, midmarket firms are diametrically opposite to small businesses with 71% more midmarket firms than small businesses battling barriers to become a digital business. It is the lack of clarity that creates chaos and frustration. Mystification is simple but clarity is the hardest thing of all. IT vendors can become the lighthouse to guide the SMBs to safely dock their ships through the mist and fog.

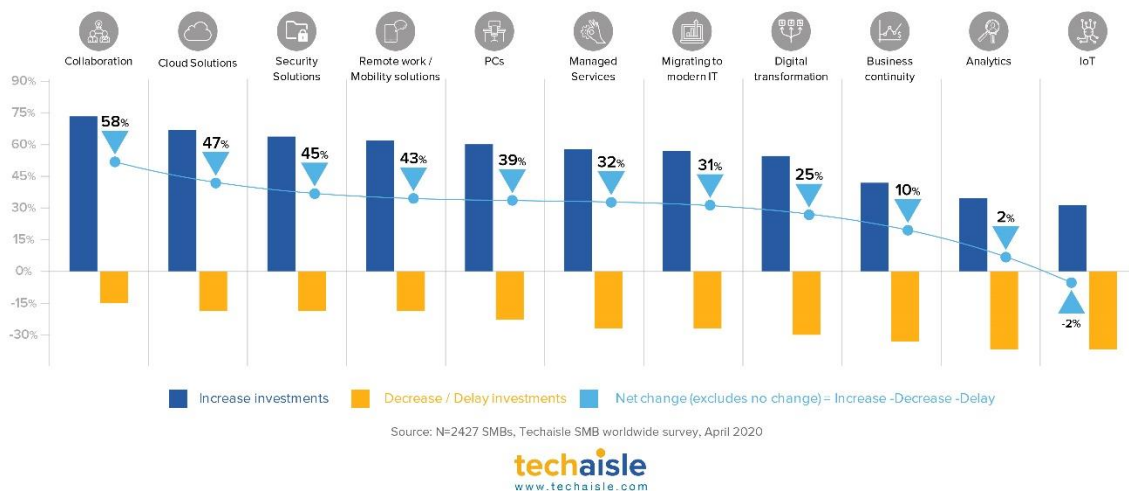


There is a third question in the mix when looking around blind corners. Ubiquitous dependence on technology means that systems failures reverberate throughout a business's daily operations. The work involved in delivering tends to devolve onto the IT department which has gone through an unplanned significant shift in modus operandi. Will IT operations and processes change? Survey data shows that outside of midmarket firms, most SMB IT leaders do not see their IT process changes remaining permanent post-COVID-19. It could be return to IT status quo. Technology suppliers will need to prepare a GTM for dual eventualities.

Impact on Tech investments

An important finding that can be gleaned from the Techaisle SMB investment priority survey data is the increasing importance of digitalization to meet SMBs’ evolving business strategy. Prior to pandemic, from an IT priority perspective, this translated to working with SMB business process owners, identifying and deploying technologies that could either optimize or modernize or even in some cases replace legacy processes. The challenge that is now more than ever atop IT’s list, ‘digital transformation,’ refers to investments that will address current requirements and provide a basis for support of future needs. **52% of SMBs are planning to increase investments in Digital Transformation.**

SMB: In which technology areas is your organization planning to increase, decrease or delay investments?



Irrespective of well-intentioned investment strategy, 32% of SMBs say they lack sufficient IT budgets and 39% are worried about cost of implementations. When depleted financial capacity is combined with lack of in-house expertise and security concerns, rapid investments seem impossible. This is where as-a-service model with deferred payments becomes beneficial. Data shows what the past COVID-19 business issue and technology adoption themes will look like.

Future - Past COVID-19 – Digital transformation

2020: **Reducing costs and Improving operation agility** - Cash flow constraints, access to capital, erratic revenue, uncertainties are drivers for achieving cost efficiencies. SMB executives looking to improve cost control are drilling down into three areas: better use of technology to drive productivity, solution scalability and lower IT costs. Notion of work has changed but budgets will trail needs. How best to streamline processes associated with IT service delivery and get best returns on human capital are the questions bothering SMBs.

2021: **Connected business to drive Growth, Innovation & Customer intimacy** - The key focus of business investment will be more about the ‘work’: the ways that an *increasingly-connected business* can support pursuit of unattainable objectives. The vision of customer-centric business has long been beyond most SMBs’ operational capabilities, but with increased digital transformation it will become more attainable.

In the meantime, SMB executives have been compelled to enable remote work / work from home. But they are facing another set of challenges - investing in automation and security to control sprawling mobile assets. In addition, non-technology, human aspects are transcending technology challenges.

Survey data shows the top five non-technology related experiences:

- 1) Difficulty in resolving business/people conflicts working remotely,
- 2) Drop in productivity (as opposed to expected improved productivity),
- 3) Non-collaborative environments – (space / noise / privacy / connectivity, etc.),
- 4) Unavailability of IT Support – for example, PC support,
- 5) Centralized decision-making – monopolisation of decision power among a few.

Regardless, the new business-technology value map has a different look – it is incremental rather than revolutionary. We will discuss the new digital transformation business value map in our next update.

About the Analyst, Anurag Agrawal



Frequently referred to as SMB Guru, Anurag Agrawal is a well-known industry analyst and has been named as one of the top 10 analysts to follow in SMB, Midmarket and Channel Partner segments. An intense analytical blogger, Anurag specializes in developing go-to-market strategies, writes and advises senior executives on cloud, routes-to-market, emerging technologies, and industry dynamics. Based on data collected from market research he personally consults with senior executives on developing their channel and SMB and midmarket strategies. With over 30 years in the industry, he is the Founder and Chief Global Analyst at

Techaisle. Previous to Techaisle, Anurag headed Gartner's Worldwide Research Operations. He began his analyst career with IDC where he is credited for launching IDC's much sought after quarterly market share tracker research.

About Techaisle

Techaisle is a global SMB, Midmarket and Channel IT Market Research and Industry Analyst organization that is focused on simplifying, expanding and growing client's share in three of the most complex market segments – SMBs, Midmarket, Channel Partners. 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 is holistic in its approach to insights and provides globally consistent analysis across geographies. To achieve its objectives Techaisle conducts deep surveys with end-customers and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering such as cloud, managed services, mobility, IoT, virtualization, analytics, collaboration, HCI/converged infrastructure, security and digital transformation, 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 and Competitive Intelligence. For more information, visit www.techaisle.com

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