

## Why “SMB” is a Meaningless Acronym — Trying to Define the “Middle”

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Clipper is abandoning the overused and over-generalized acronym “SMB” (small- and medium-sized businesses), which has been used extensively in the vendor and market research communities to cover everything above SOHO (small office/home office) to companies with about 1000 employees. **The size of a company (typically measured in terms of revenue or number of employees) is not the only significant discriminator by which to categorize the information technology infrastructure of an organization.** Today, there are small organizations (in terms of revenue and employees) with hundreds of terabytes of data and there are very large enterprises to which information technology is not a primary or the highest concern (often because spending on other capital assets overshadows IT spending).

At this point, we will not be trying to describe IT infrastructure in detailed quantitative terms. Instead, **we will use the following IT Infrastructure classifications.**

- **Large-Scale Operations (LSO)**
- **Mid-Scale Operations (MSO)**
- **Small-Scale Operations (SSO)**

We will see if they are workable in meeting our analytical and publishing needs.

Individual businesses and organizations tend to know into which classification they fall. The confusion, if any, is in defining the middle. The small and large are more easily recognized. So, think about the middle as having one or more of the following characteristics.

- **More than a handful of servers**, but less than many dozens.<sup>1</sup>
- **More than a couple terabytes of storage**, but less than couple dozen.<sup>2</sup>
- **More than a thousand online business transactions** (think “orders” not web page reads) **a month** (about 50 a day), but less than ten thousand.<sup>3</sup>
- **More than a few dozen employees**, but probably not more than several hundred.<sup>4</sup>

<sup>1</sup> This can be a deceptive quantifier, especially in an era of server consolidation. This is compounded by organizations that rely on scale-up servers (SMPs with a large number of processors) running mixed application workloads and further compounded by running multiple operating systems instances on a single processor (through virtualization).

<sup>2</sup> The terabytes of storage can also be misleading in organizations that are using tape for something other than backup and recovery. It is also important to consider the volatility of the data stored, e.g., how much of it is really archived data or files that are seldom or never accessed.

<sup>3</sup> These quantities may be much lower, if a transaction spawns many others, like an order for a custom-manufactured product.

<sup>4</sup> The number of employees is the least reliable quantification of where the boundaries of the Mid-Scale Operations, but the most available statistic.

- **More than one geographic location for centralized IT infrastructure**, that is, more than one data center.<sup>5</sup>
- **More heterogeneity of operating environments and hardware vendors**, rather than limited or no heterogeneity.<sup>6</sup>
- **Something less than a multi-faceted enterprise-wide IT organization** that is focused on IT efficiency across the enterprise.<sup>7</sup>

It would be nice to put a dollar value on IT spending, of course, but that would be dangerous, certainly for MSOs and below, because much of the IT administration is done outside of the IT organization (if there is one) and spending tends to be more erratic than in larger organizations. Of course, the vendors want to classify you on how much you have to spend and that is definitely not the way that smaller enterprises prefer to face the vendor community.

**The middle is broad in scope and quantifying it is further complicated because the definitions (in terms of capacities or size) and technologies are changing. When the industry pundits and writers talk about the industry focus moving toward SMB, this is the middle to which they refer.** However, the “small” of SMB does not apply. It may seem small to vendors that have been selling primarily to the top 1000 enterprises worldwide, but it is the mid market. Additionally, the Large-Scale Operations encompasses many thousands of additional enterprises beyond the top 1000. It may be appropriate to have a very large class (i.e., VLISO) for the upper quartile of the LSO class, and the SSO class also may need to be further subdivided (but still above SOHO).

<sup>5</sup> This characteristic alone may place an organization at the top of the middle. Any organization that has prepared for near instantaneous failover from one data center to another should be considered in the LSO category.

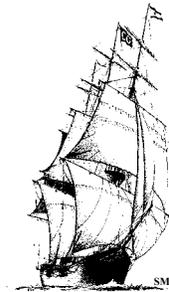
<sup>6</sup> An all Windows environment or an enterprise-encompassing application set from a single vendor (regardless of hardware manufacturer) is an MSO marker. Supplier and type complexity at multiple levels is an LSO marker.

<sup>7</sup> This is the least quantifiable of all of the characteristics. Organizations that primarily procure their IT through a single VAR or vendor are probably an SSO. Organizations that design/procure/build/integrate their own solutions are probably an LSO.

### Let's Dump “Enterprise-Class” As Well

While we are trying to define the middle, let's consider another polluted word “enterprise”. Does “enterprise” imply “very large organizations” (as implied in the often-used descriptor “enterprise-class”)? To many, it does. However, as discussed above, many smaller organizations have very large-scale requirements, and vice versa. To others, an enterprise is a more generic organizational descriptor than “business”, one that includes government agencies and non-profit organizations. We are not ready to abandon “enterprise” as an organization descriptor, but “enterprise-class” is worth dropping from the product-marketing lexicon, especially in an era where there are multiple tiers of service offerings.

Hopefully, we will all know an MSO, if we see one. At least, we will have some boundaries to begin a more meaningful discussion. Let us know what you think.<sup>8</sup>



<sup>8</sup> Send your comments to [editor@clipper.com](mailto:editor@clipper.com).

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### **About the Author**

**Mike Kahn is Managing Director and a cofounder of The Clipper Group.** Mr. Kahn is a veteran of the computer industry, having spent more than three decades working on information technology, spending the last third at Clipper. For the vendor community, Mr. Kahn specializes on strategic marketing issues, especially for new and costly technologies and services, competitive analysis, and sales support. For the end-user community, he focuses on mission-critical information management decisions. Prior positions held by Mr. Kahn include: at International Data Corporation - Director of the Competitive Resource Center, Director of Consulting for the Software Research Group, and Director of the Systems Integration Program; President of Power Factor Corporation, a Boston-based electronics firm; at Honeywell Bull - Director of International Marketing and Support; at Honeywell Information Systems - Director of Marketing and Director of Strategy, Technology and Research; with Arthur D. Little, Inc. - a consultant specializing in database management systems and information resource management; and, for Intel Corporation, Mr. Kahn served in a variety of field and home office marketing management positions. Earlier, he founded and managed PRISM Associates of Ann Arbor, Michigan, a systems consulting firm specializing in data management products and applications. Mr. Kahn also managed a relational DBMS development group at The University of Michigan where he earned B.S.E. and M.S.E. degrees in industrial engineering.

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