



## Small Business Owners and Managers — Now is the Time for You to Think about Change

Analyst: Mike Kahn

If you remember the false yet dramatic panic in the 1966 movie “The Russians Are Coming, The Russians Are Coming,”<sup>1</sup> then you have a good perspective on the continual prophecies about the pending arrival of the latest and greatest technologies to satisfy the needs of the “SMB marketplace”.<sup>2</sup> Well the cry that “The Technology is Coming, The Technology is Coming” is so loud and repeated so often that small enterprises have become insensitive to that warning. **This is fortunate, because most smaller enterprises are not driven by the march of technologies, whether real or just promised, especially when it comes to information technology (IT).**

Many, if not most of us, get dragged kicking and screaming into the future, either by the burden of maintaining and supporting obsolete hardware and software or by the whining of customers and employees.<sup>3</sup> Then again, it really don't seem like infrastructure to most of us, more like a closet full of well-worn clothes. Every once in a while, we say that we need a new outfit of clothing, because what we have is appreciably worn, continually in need of repairs, or much less functional than it used to be when it was first acquired. Rarely do we say that we want the most advanced tool or technology just because it has been positioned as “hot” or that what we now have is “old”. Most small enterprises run pretty lean, because we owners understand whose money is at stake. So when the crier shouts “The Technology is Coming, The Technology is Coming”, we may pay some attention to all of the noise, but we tend to filter it out very quickly. This is exactly what many (or most) of us have been doing for the last five years.

Not that we haven't continued to invest in our modest IT and other infrastructures, but we haven't been pushing that hard to move to that widely-heralded future. Revenues have been slow to grow in the down economy and, while money has been cheap (relatively), that has not induced us to spend profligately, as have the U.S. consumers. **Change is only good when it is worthwhile and it has been more worthwhile to cut costs than to spend in advance of an economic recovery.** To spend just because a software or hardware vendor says its time for a new release or an improved architecture really grates us as another instance of vendor and supplier abuse.

Yes, there have been exceptions for all of us. Storage growth has been out of control for many reasons and that just is hard to ignore over the long-term. Employees have gotten more mobile, and keeping them productive is a high priority, fueling sales of really useful laptops, PDAs, and cell phones. But these sit at the edge or fringe of IT infrastructure, albeit a most-visible fringe.

**We all need to recognize that things really do change over time.** So, as we enter 2005, here are a few thoughts to consider that might actually get you to move from your position of being backwardly prudent with your infrastructure.

<sup>1</sup> If you didn't see the movie, just envision the chaos and fear that would have occurred during the Cold War if your town was just told that the Russians had landed.

<sup>2</sup> See *The Clipper Group Captain's Log* dated December 14, 2004, entitled *Why “SMB” is a Meaningless Acronym - Trying to Define the “Middle”* and available at <http://www.clipper.com/research/TCG2004096.pdf>.

<sup>3</sup> Yes, this also applies The Clipper Group; we are not much different when it comes to our IT and related infrastructures. We are a small company.

1. **Enterprise change is often made possible by technology, in spite of all of the continuing hype. All of the talk about having a responsive business model that handles or even thrives on change is true.** It is often a competitive advantage, but for most of us in smaller enterprises, it is usually about competitive survival. Easily dismissed in the short term as deferrable *business-process hogwash*, this is not so easily dismissed in the long term (think “decade”), especially when we have been deferring major infrastructure investment for most, if not all, of the last five years. **You can only go so far by belt-tightening on the road to survival; at some point, you must invest for the future place that you want your enterprise to be.**
  - *You must consider the strategic issues and initiate change, not just let it happen.*
2. **Some technologies will make a difference in the way that you do business or in what you pay to get it done.** Examples are small-enterprise-changing technologies that improve:
  - a. **Sharing of information;**
  - b. **Preservation of data and files;**
  - c. **Collaboration among employees, partners (suppliers), and customers (and their customers, etc.);**
  - d. **Customer relationships and/or their experiences;**
  - e. **The “speed of business”; and, lastly,**
  - f. **The cost of doing business.**

**This should be your checklist for thinking about IT spending in 2005.**<sup>4</sup> It is very important that you simultaneously hit on several of these objectives as you invest for the future. In the 21<sup>st</sup> century economy, focusing solely on a one-dimensional justification will not cut it, especially for a small business.

- *Further inaction likely will have a damaging long-term impact.*
3. **How you choose to implement technology affects the costs, the risks, the timetable, and the benefits.** These choices range from *do-it-all-yourself* to *outsource-it-all*. Inertia has a lot to do with what we are doing today. “If it ain’t broke, don’t fix it!” is often our operating mantra. Yes, some of us keep a car until it seems to break down regularly, but this philosophy does address whether your needs have changed since you purchased the vehicle.
    - *Many things have changed in the last five years, including the availability of vast information on vendors, products, and services on the Internet and the increasing acceptance of Web-based ordering. Just think about the way you now can research an automobile procurement before you set foot in a dealership, not to mention the fact that you can buy most anything online. Moreover, outsourcing has become a real option for many small enterprise functions, including HR, logistics, and backup and recovery.*
  4. **How you pay makes a big difference, as well.** Of course, the first thought is that “we always pay through the nose!” That is somewhat true, because we are not big enough to demand the discounts that are reserved for the largest enterprises. In an era of commodity products, terms and conditions, and financing arrangements may be a greater differentiator among the suppliers than the products that they sell or the services that they offer.
    - *It’s not a simple as buying each component for a little as possible. While this “Yankee Cheap” philosophy is commendable and frequently useful, it only works as long as being cheap isn’t keeping you from getting to where you need to go.*
  5. **Running in place is rarely a productive pursuit.** I suspect that most of you are not sitting around waiting for someone to tell you that it’s time to invest in technology and services for the benefit of your enterprise. Nonetheless, consider yourself officially informed. **The new year is time for you to focus on those changes that are needed to run forward in the right direction.** So the cry should be “The Future is Coming, The Future is Coming”, and it is only a week away.
    - ***Think about the future as relatively soon rather than five years away. If you don’t, your enterprise may be at risk. So don’t panic when you next hear that cry, but don’t ignore it either.***



<sup>4</sup> It will also be used to focus our 2005 bulletins.

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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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