

SMB Digital Transformation Trends

SMB TECHNOLOGY DIRECTIONS FOR A CHANGING WORLD

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As we move ahead and hopefully past the pandemic, small and medium businesses (SMBs) are more than ready to put COVID-19 in the rearview mirror.



SMB Group's **2021 SMB Technology Directions for a Changing World Survey Study** examined how SMBs are reshaping their business and technology strategies for what comes next. In February 2021, we surveyed **761 North American SMB (1–1,000 employees) decision makers and influencers and midmarket (1,000–2,500 employees)** organizations. Here, we refer to the entire sample as “SMBs” for the sake of brevity.

This infographic offers insights from the survey about SMB digital transformation trends. SMB Group defined digital transformation for survey respondents as “how businesses use digital technologies to create new and/or modify existing business processes, practices, models, culture and customer experiences to meet changing business and market requirements.”

SMBS ARE TURNING TO TECHNOLOGY TO FUEL NEW BUSINESS INITIATIVES

74%

of SMBs strongly agree/agree that effective use of technology is key to business growth

67%

of SMBs strongly agree/agree that they are making significant changes to their business strategy in the wake of COVID-19

65%

of SMB's strongly agree/agree that they are making significant changes to their technology strategy in the wake of COVID-19

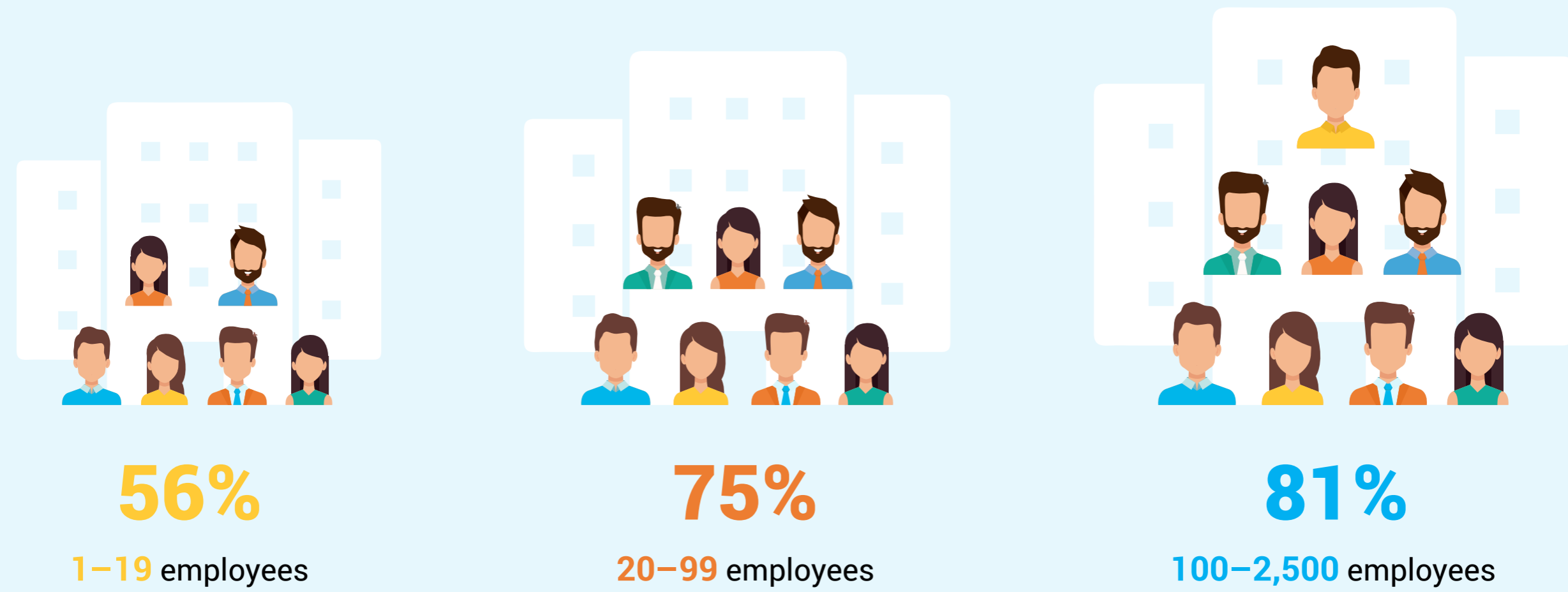
The majority of surveyed SMBs saw a **strong connection between technology and business growth**. **67%** have made changes to their business strategies over the past year to remain viable and grow, while **65%** have shifted their technology strategies.



For some, COVID-19 was the push that came to shove: many companies needed to digitize their businesses before the pandemic struck but had dragged their feet until COVID-19 forced them to implement new business processes.

LARGER SMBS HAVE A STRONGER CONNECTION BETWEEN BUSINESS AND TECHNOLOGY THAN SMALLER ONES

Percentage that strongly agree/agree that effective use of technology is key to business growth

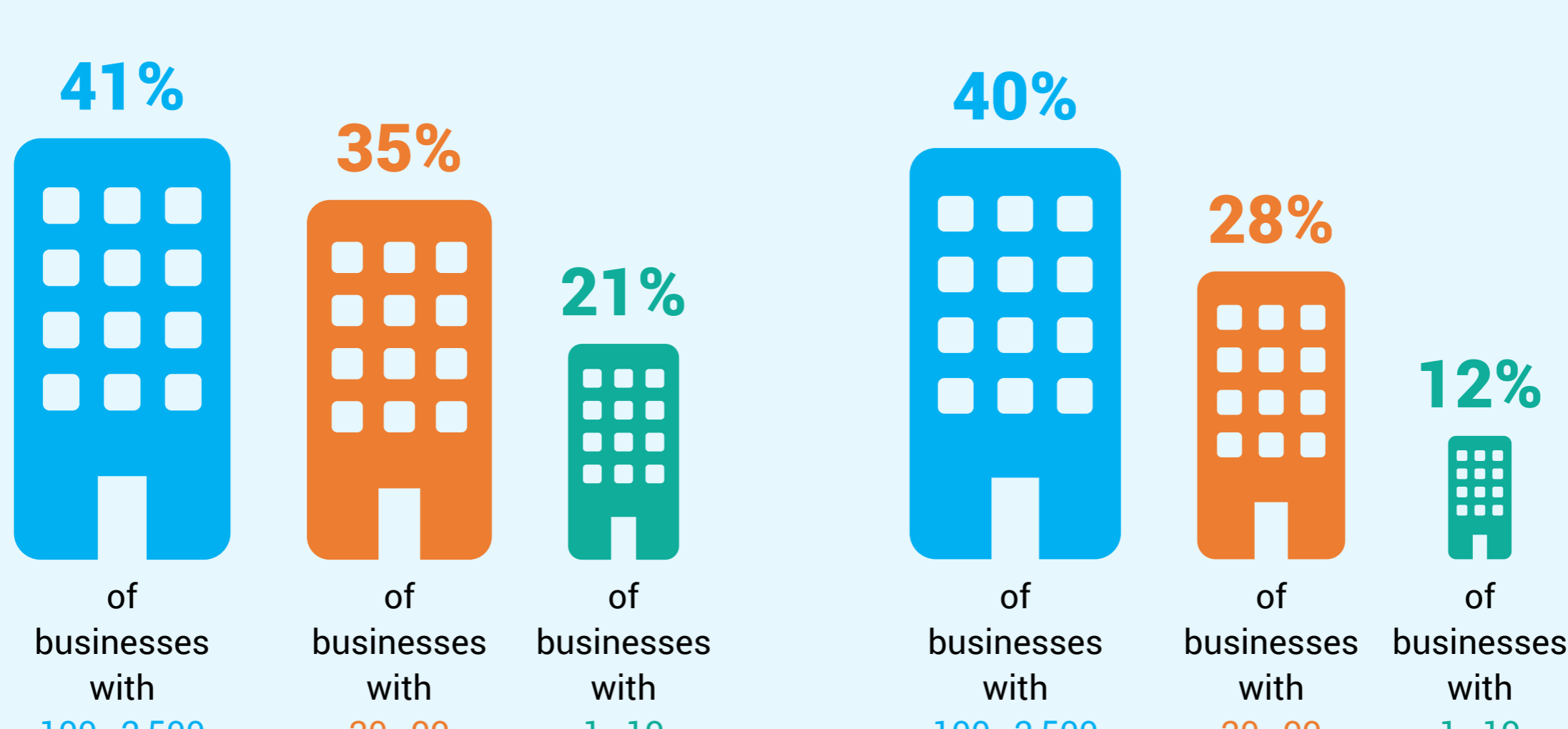


Technology's role in businesses becomes more prominent as companies grow. Companies with more than **100 employees** were **1.5 times** more likely to agree that using technology effectively is key to business growth than those with fewer than **20 employees**.

Larger SMBs—with more technical and business expertise and resources at their disposal—were more likely to have adjusted their business and technology strategies than smaller companies.

Percentage that have made significant changes to business strategy in the wake of COVID-19

Percentage that have made significant changes to technology strategy in the wake of COVID-19



Do you agree or disagree with the following statements regarding your business?

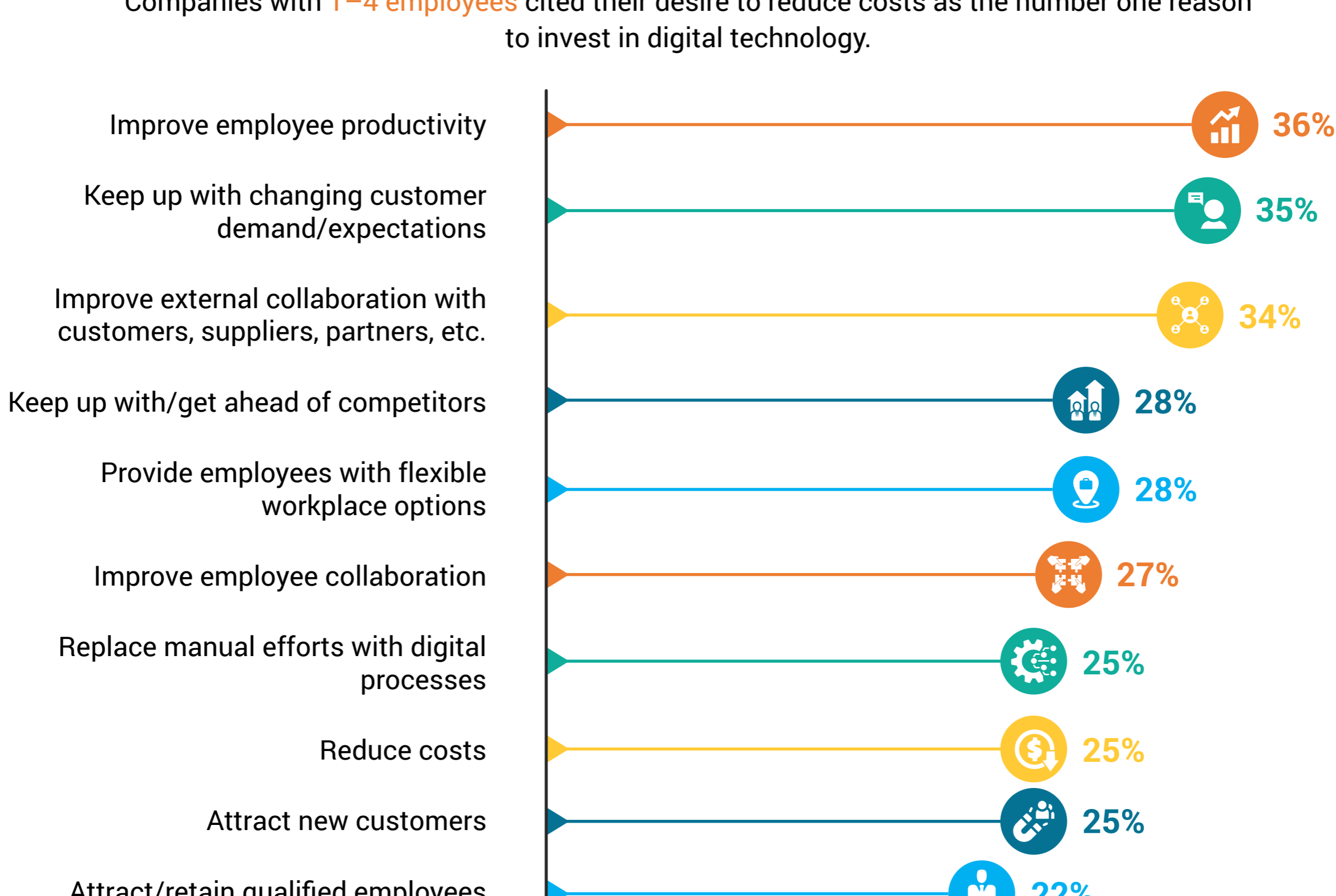
PEOPLE-CENTRIC MOTIVATIONS DRIVE SMB TECHNOLOGY ADOPTION

Top Drivers to Invest in Digital Technology (All SMBs)



The top three drivers for SMBs to invest in digital technology solutions focused on people: improving employee productivity, keeping up with changing customer demands, and improving external collaboration. These drivers were remarkably consistent regardless of company size—with one exception.

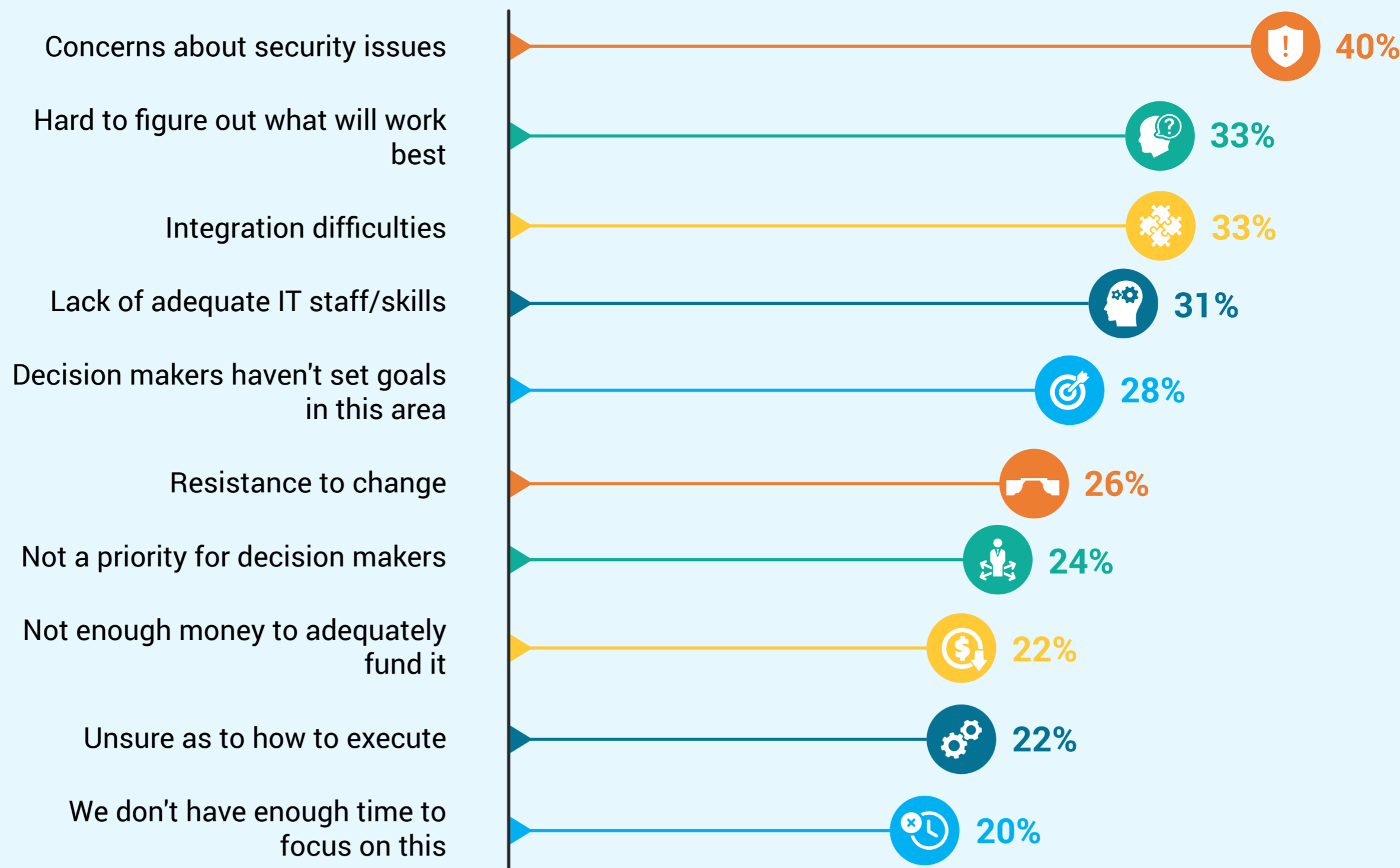
Companies with **1–4 employees** cited their desire to reduce costs as the number one reason to invest in digital technology.



What are the top three drivers for your company to invest in digital technology solutions?

CONCERNS ABOUT SECURITY AND INTEGRATION – AND CONFUSION ABOUT SOLUTION VALUE – CHALLENGE SMB TECHNOLOGY ADOPTION

Top Challenges to Implement Technology Solutions (All SMBs)



What are the top three challenges your company faces when implementing digital technology solutions?



The **top challenges** SMBs face when trying to implement new technology revolve around **security concerns, integration difficulties, and just trying to figure out what solution will work best** for their companies.

Again, these challenges are very similar across SMBs of all sizes, with the exception of very small businesses.

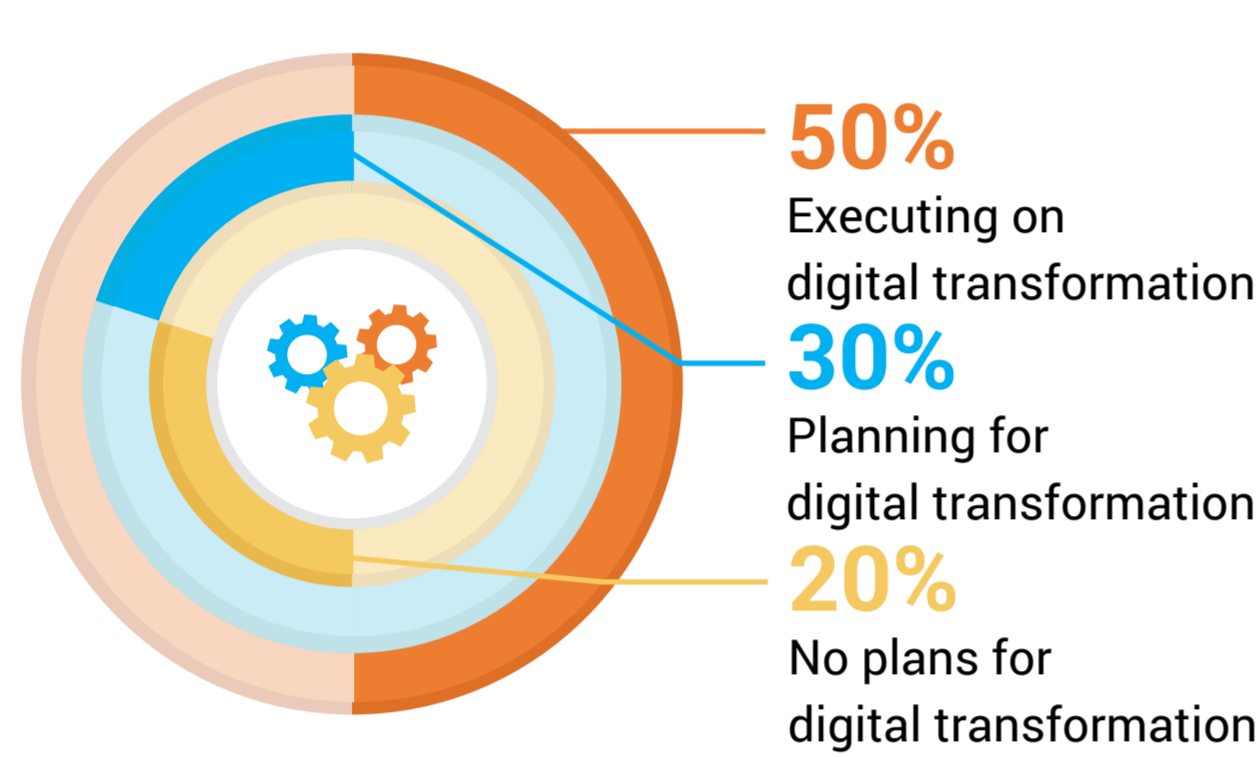


Companies with **1–9** employees were much more likely to report a lack of funds and the lack of priority for decision makers as top obstacles than their larger peers.

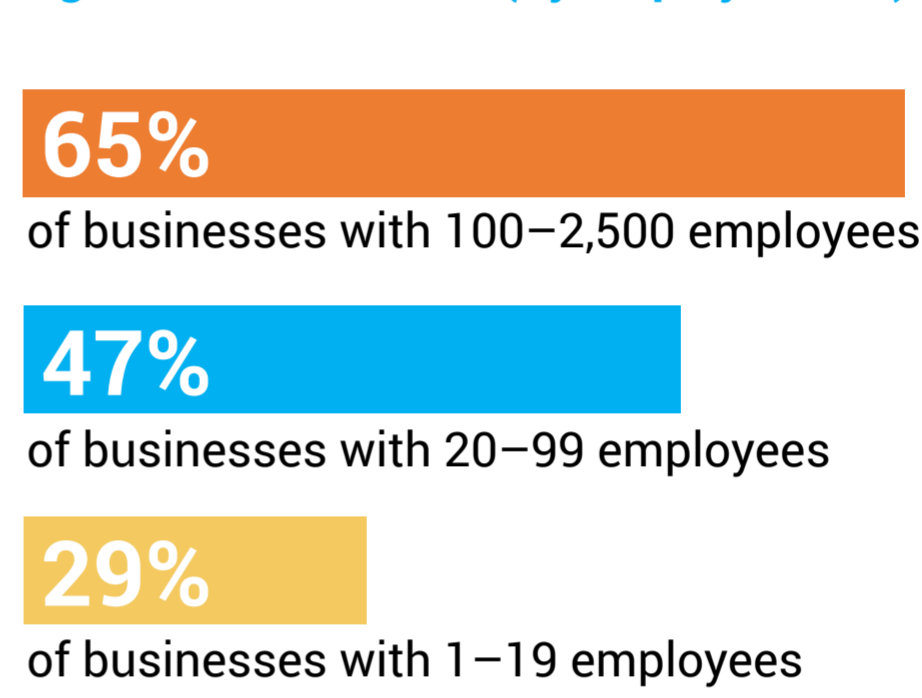


SMB MOVEMENT ALONG THE DIGITAL TRANSFORMATION CURVE

Digital transformation status (All SMBs)



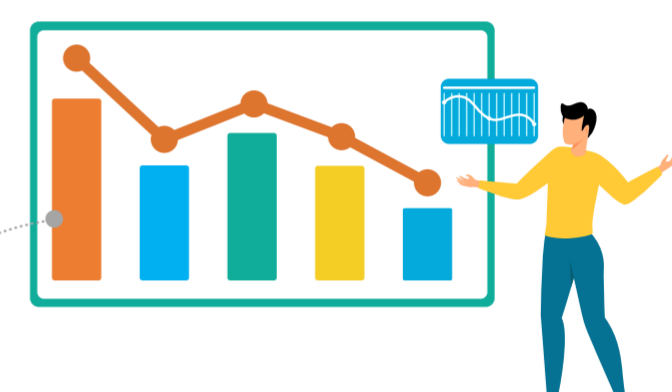
Percentage currently executing on digital transformation (By employee size)



Which of the following best describes your company's activities regarding digital transformation?



50% of SMBs have established a digital transformation strategy and are executing on it. Once again, however, the likelihood that SMBs have started down this path corresponds with company size. **SMBs with 100–2,500 employees are 2.25 times more likely** to have started executing on digital transformation than those with fewer than **20 employees.**



This is troubling for smaller companies—because businesses that have begun the digital transformation journey are faring better than those that are putting it off.

Percentage currently executing on digital transformation (By employee size)



65%

of businesses with **100–2,500** employees



47%

of businesses with **20–99** employees



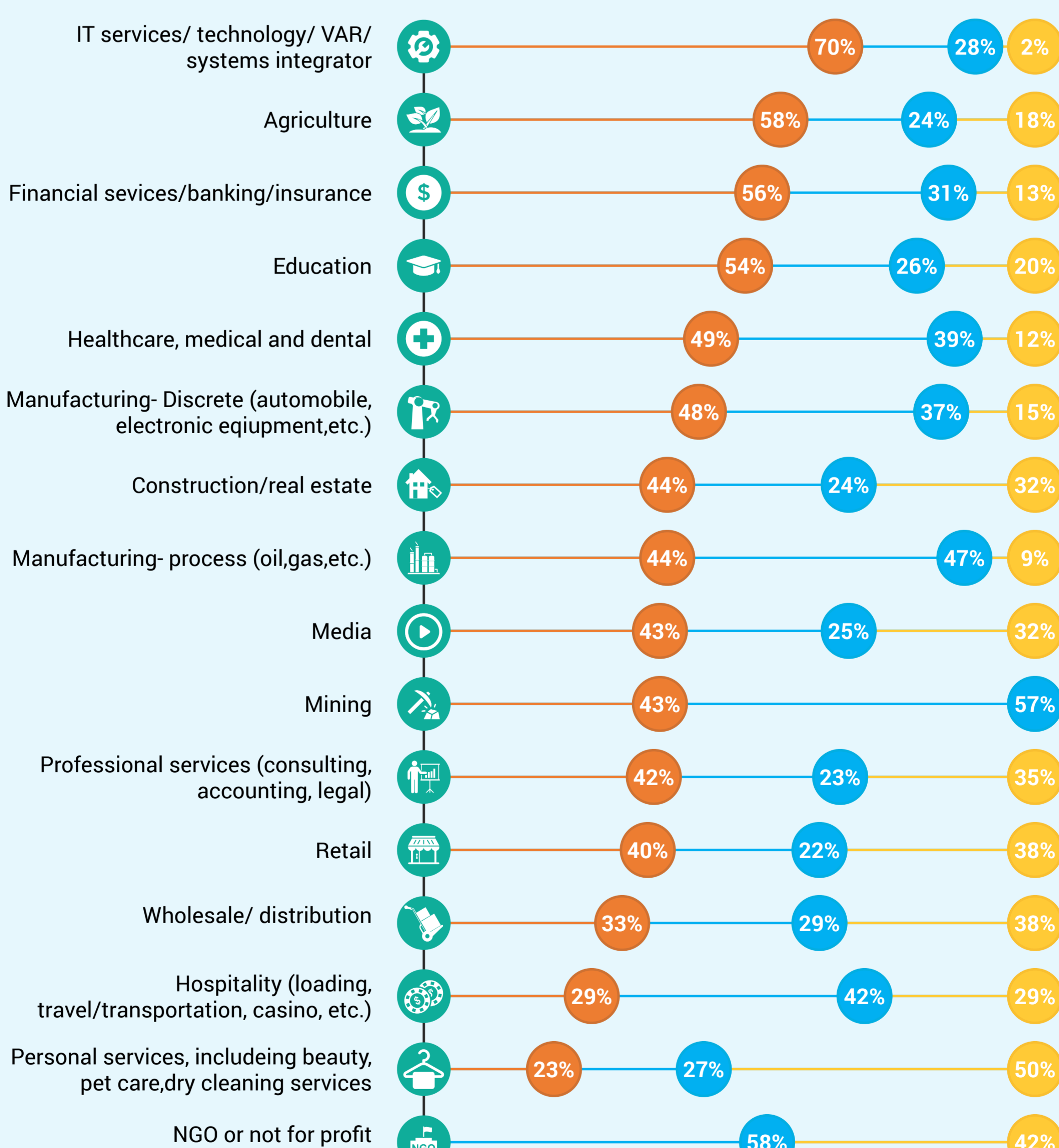
29%

of businesses with **1–19** employees

Which of the following best describes your company's activities regarding digital transformation?

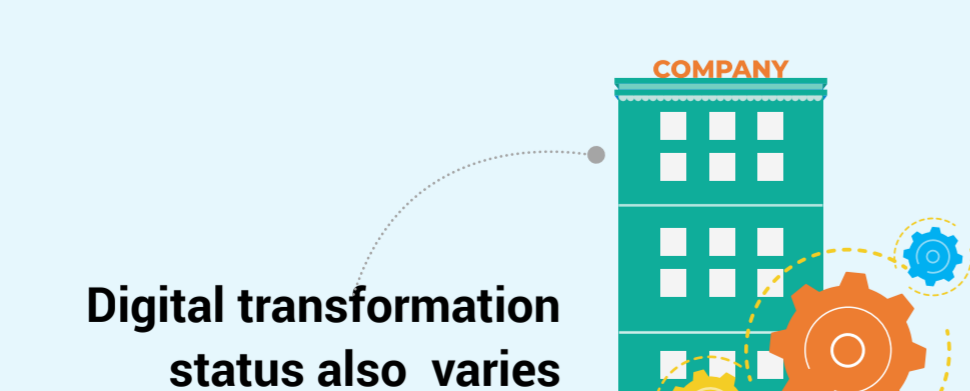
INDUSTRY DIFFERENCES ON THE DIGITAL TRANSFORMATION JOURNEY

Digital Transformation Status by Industry



■ We have a digital transformation strategy and initiatives are underway in our company
■ We are planning for digital transformation and will begin executing within the next 12 months
■ We have no active or planned initiatives for digital transformation at this time

Which of the following best describes your company's activities regarding digital transformation?



Digital transformation status also varies considerably by industry.

Not surprisingly, **IT services have a big lead on other industries.** **70%** of IT-related SMBs said they have developed and are executing on a digital transformation strategy.



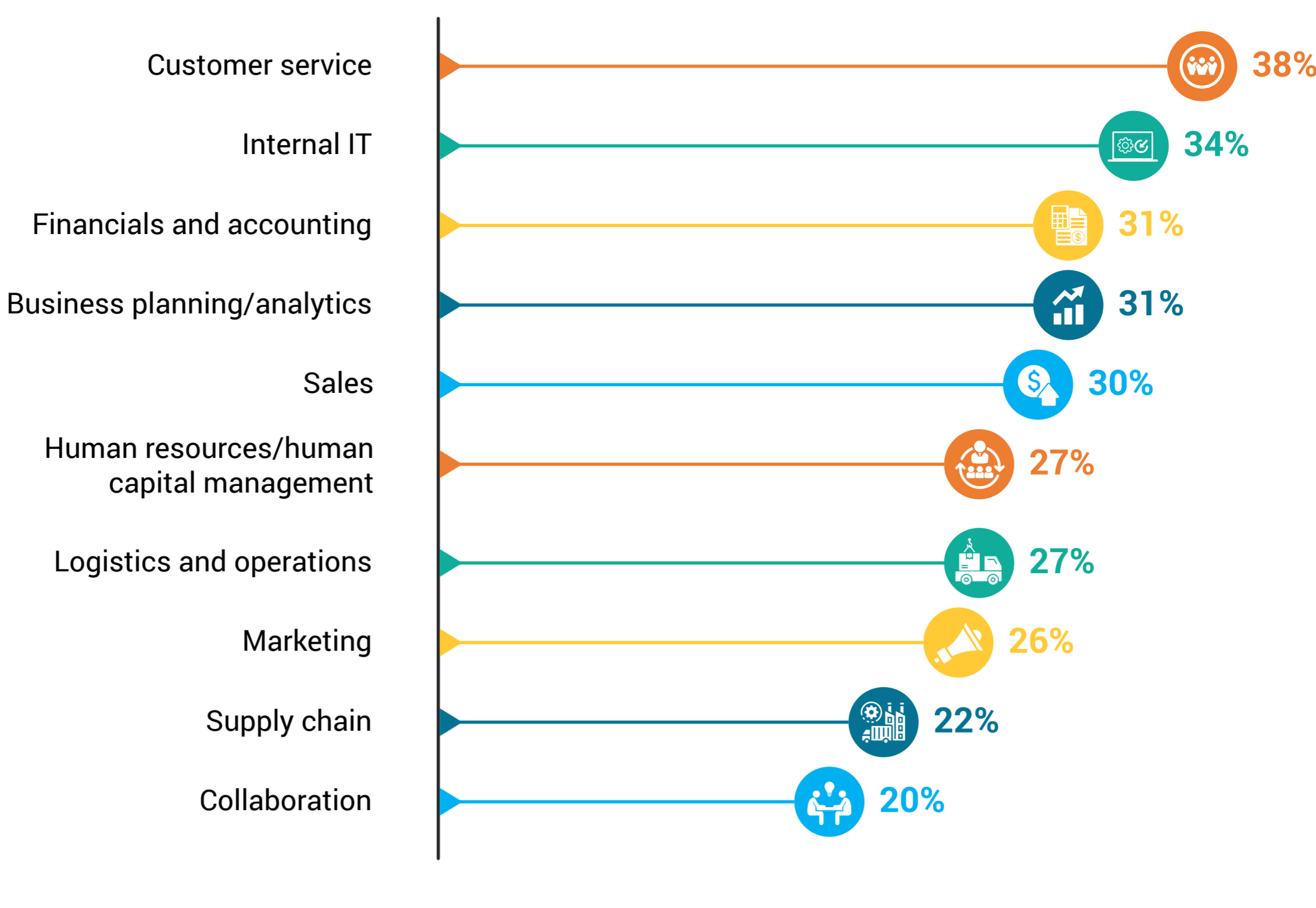
More than half of SMBs in agriculture, financial services, and education share this status.



NGOs, personal services, wholesale/ distribution and retail are the most likely to have no plans for digital transformation.

SMB AUTOMATION PRIORITIES VARY BY DIGITAL TRANSFORMATION STATUS

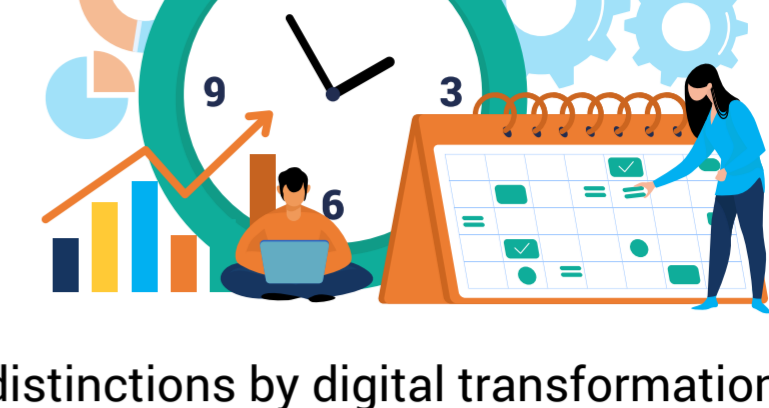
Top three areas to automate (All SMBs)



What are the top three areas your business needs to automate to sustain and grow?

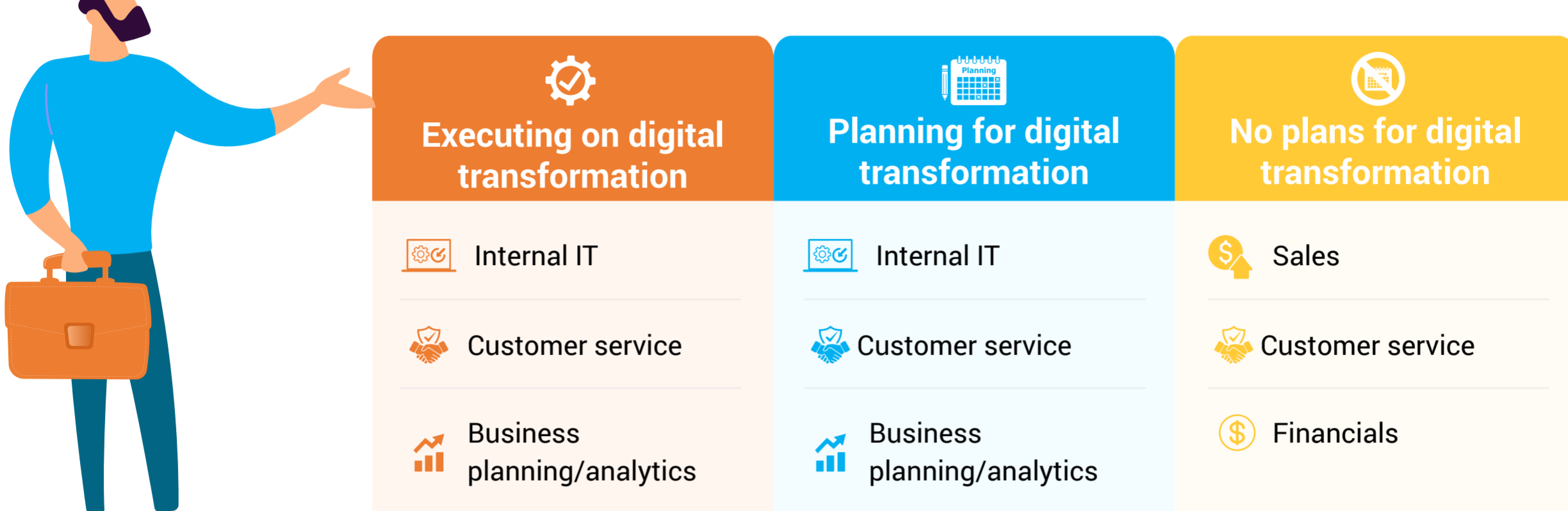


After being caught off guard and unable to meet new customer service requirements arising from the pandemic, **SMBs ranked customer service as their highest priority for automation.**



There were some key distinctions by digital transformation phase. **Those further down the digital transformation path were likely to have already automated areas such as sales and financials**—and can now focus on other areas, such as internal IT and business planning to build toward a more resilient future.

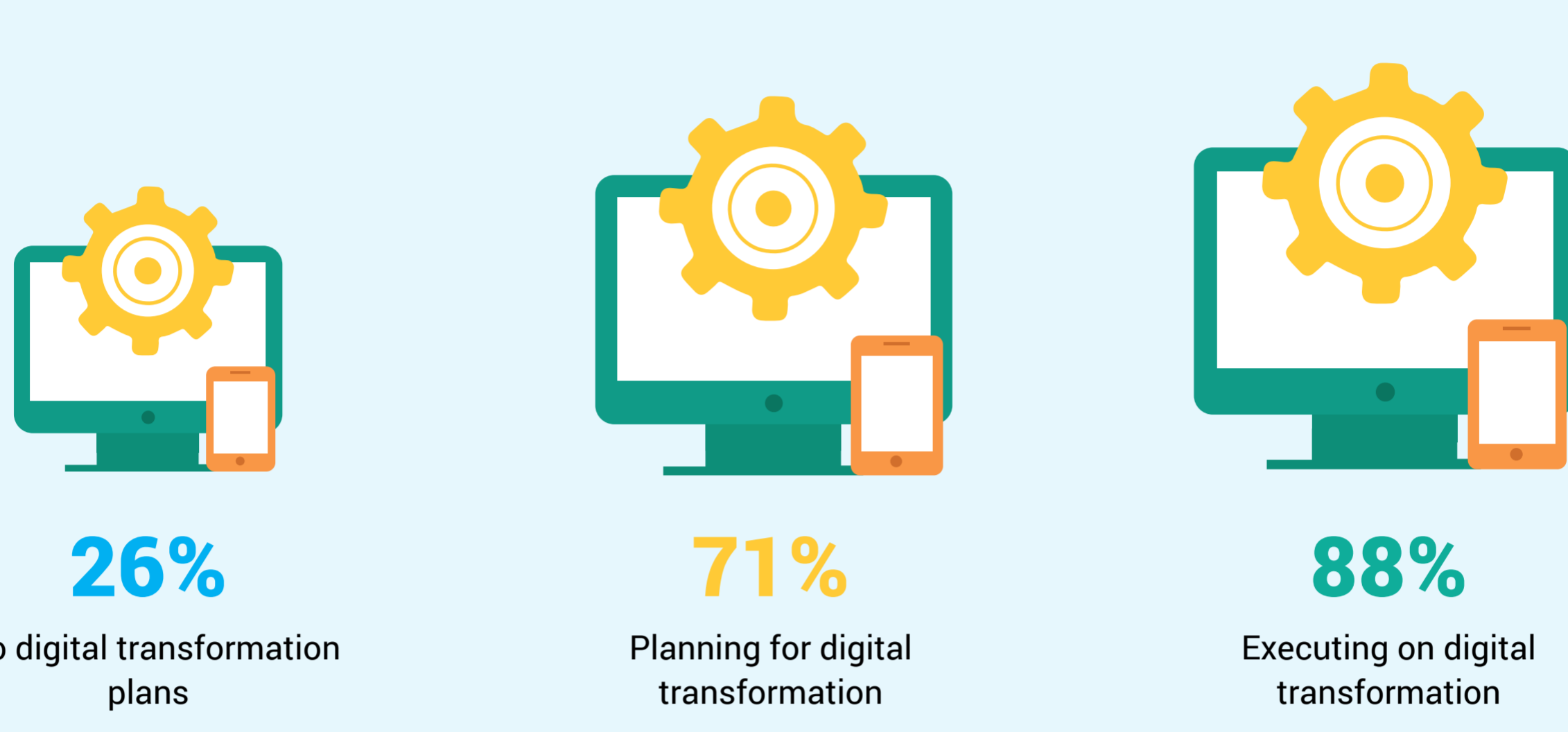
By digital transformation status



SMBs with no digital transformation plans were more likely to be focusing on the basics: sales, customer service and financials.

DIGITAL TRANSFORMATION LEADERS ARE CLOUD FIRST

Percentage of SMBs extremely likely/likely to select cloud/SaaS solutions (By digital transformation status)

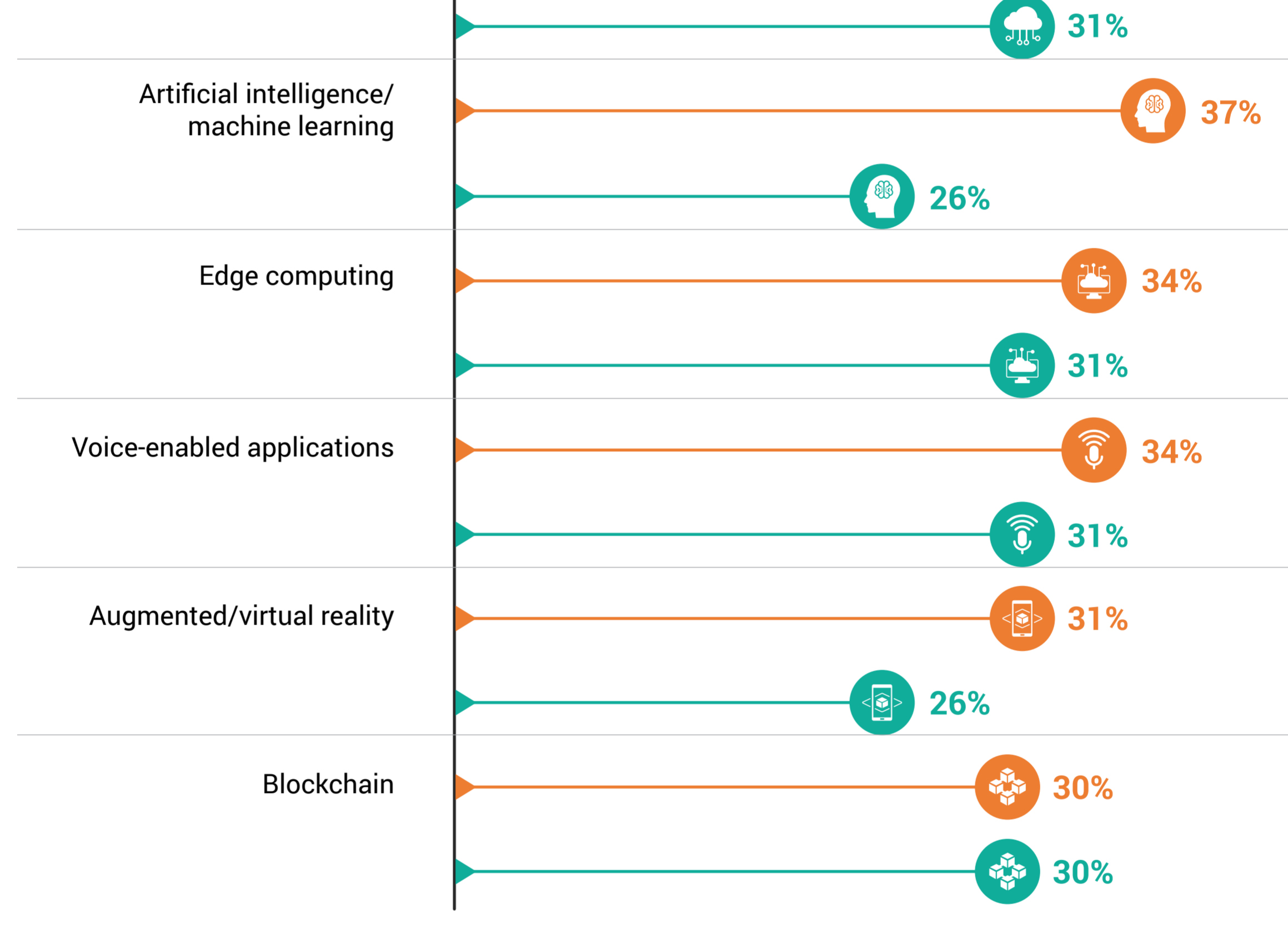


The overwhelming majority of SMBs that have started on their digital transformation process are taking a "cloud first" approach when it comes to selecting new applications than those that are holding off.

Cloud solutions are typically easier, faster and more cost effective to deploy and become productive with than on-premises solutions. These SMBs are using the cloud to help them capitalize on new opportunities today—and put new technologies to work in the future.

MOST SMBs SEE NEW TECHNOLOGY AS CRITICAL TO FUTURE GROWTH

Importance of new technologies for business growth (All SMBs)



Looking ahead, how important do you believe the following new technology solutions will be for business resiliency and growth?

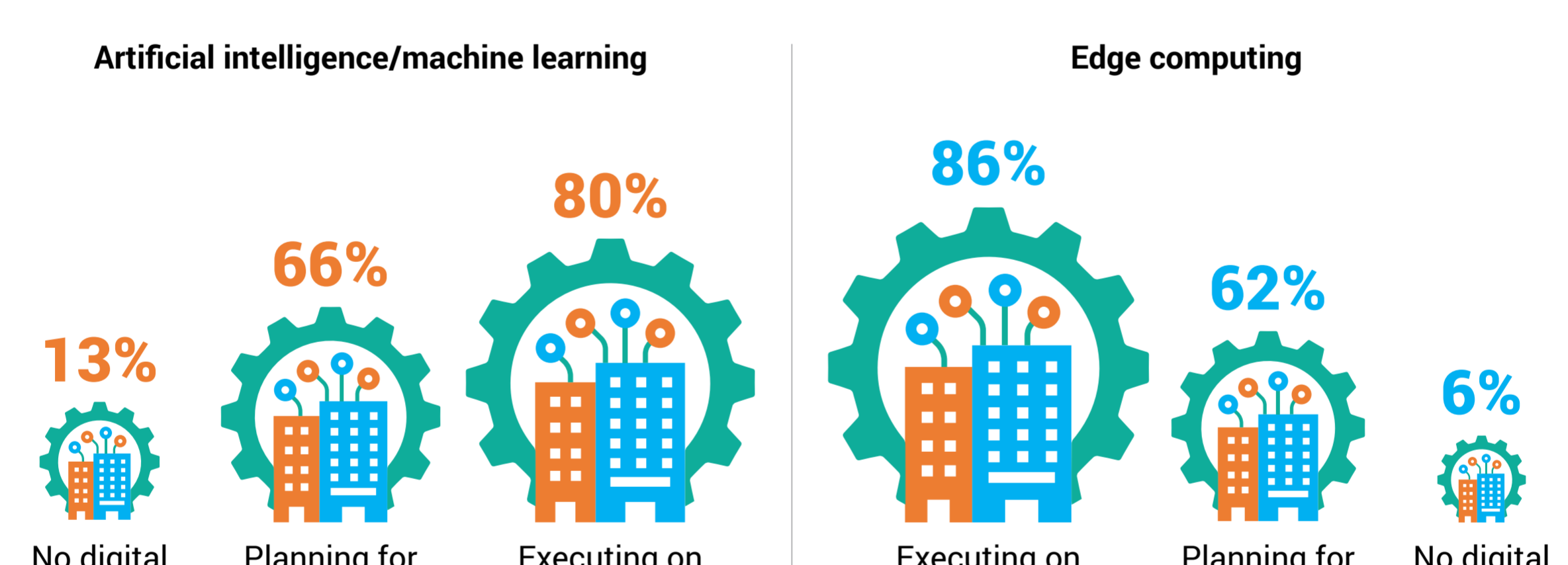


Most SMBs recognize the **importance of being able to access new technologies to help their businesses flourish.**



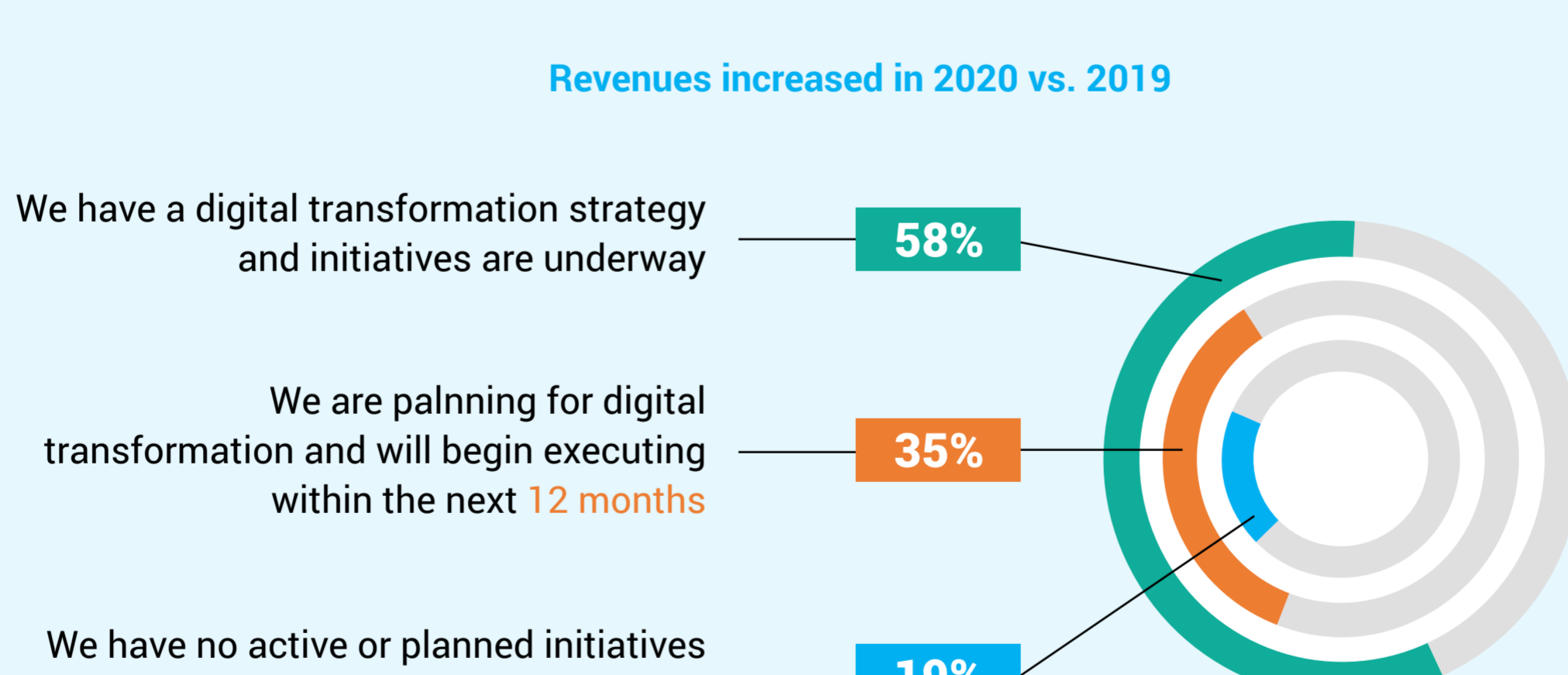
SMBs with no plans for digital transformation were dramatically less inclined to view new technologies as a means to help their businesses grow.

By digital transformation status



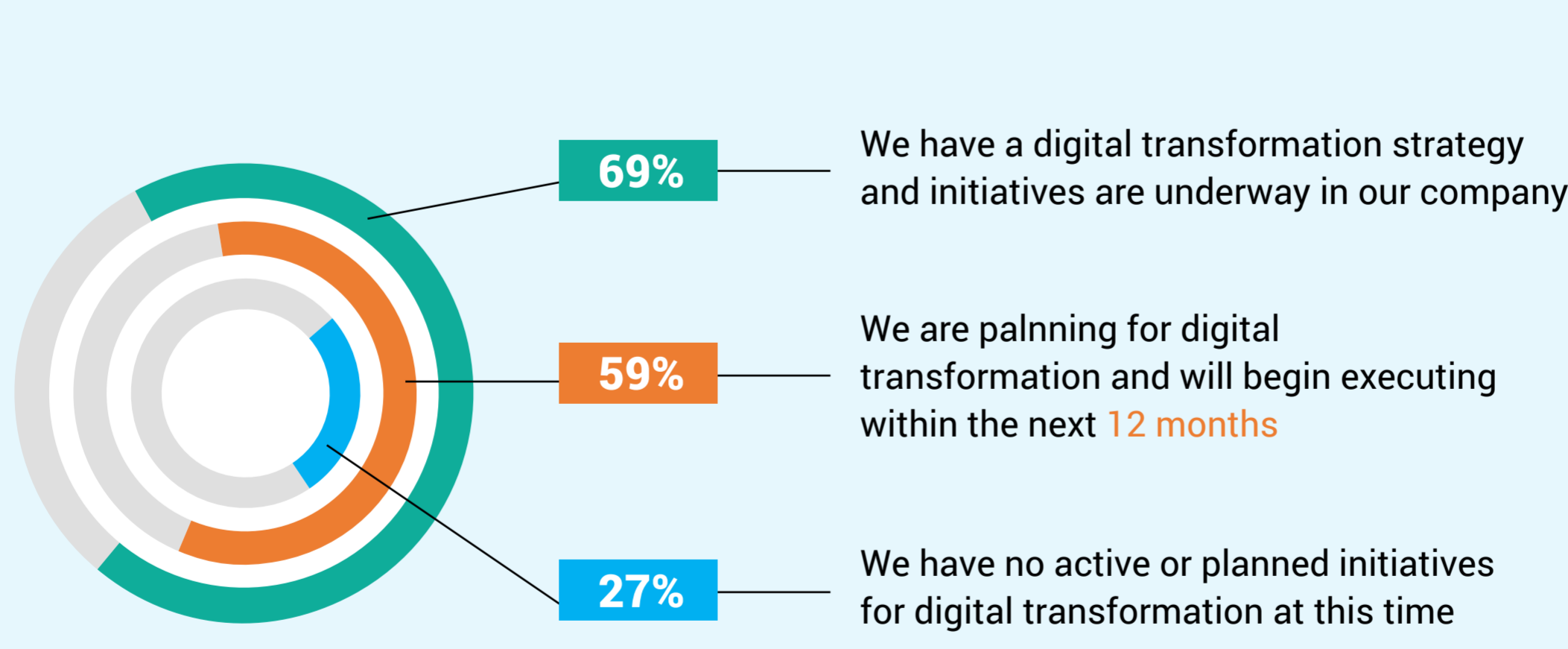
SMBs EXECUTING ON DIGITAL TRANSFORMATION OUTPERFORM PEERS

Revenues increased in 2020 vs. 2019



Did your company's 2020 revenues increase, decrease or remain when compared to 2019 revenues?

Expectations for increased revenues in 2021 vs. 2020



Do you expect your annual revenues to increase, stay the same or decrease in 2021 when compared to 2020?



There's a **strong correlation between digital transformation and business results.** SMBs with a digital transformation in place and initiatives underway were **three times more likely to have enjoyed an uptick in revenues** from 2019 to 2020 than those with no plans.



They were also **2.5 times more likely to expect revenues to rise in 2021** than SMBs that are planning for digital transformation but have yet to start executing on it.



However, **just considering how the business needs to change and crafting a strategy to start the journey correlated with better financial expectations.** SMBs that have plans in place were more likely to forecast revenue increases than those that have no plans in the works.

PERSPECTIVE

Digital transformation is a journey, not a destination. However, our data underscores that SMBs that have embarked on this journey are gaining big advantages over those that haven't.

While technology isn't the only variable at play when it comes to business viability and growth, it has become increasingly intertwined with business success. The pandemic has underscored the fact that the right technology solutions can enable new ways of doing business, and that product and service innovation fuel market momentum and facilitate new ways of working. Insights from these solutions help businesses to make better decisions to sustain themselves during economic downturns and to fuel momentum as conditions recover and rebound.

Change isn't always easy, but it is necessary. As both the old "normal" and the pandemic recede into the rear-view mirror, the performance gap between SMBs that transform and digitize their businesses and those that don't will only continue to widen.

ABOUT THIS INFOGRAPHIC

This infographic provides insights from SMB Group's 2021 SMB Technology Directions for a Changing World Survey Study.

Click below for:

• SMB Technology Directions for a Changing World eBook

• The SMB Technology Buying Journey

SMB Group is a research, analysis and consulting firm focused on technology adoption and trends in the small and medium business (SMB) market. SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging, and more effectively serve SMB customers.

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