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2024 SMB Priorities

Aligning Technology Investments to Business Requirements







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# Introduction

**2024 SMB Priorities: Aligning Technology Investments to Business Requirements** provides an overview of the business and technology strategies of small and medium-sized businesses for the coming year.

This eBook provides highlights from SMB Group’s **SMB Business and Technology Directions for 2024** survey. Fielded in December 2023, the survey queried 744 SMB decision-makers and influencers in SMB (1-999 employees) and mid-market (1,000-2,500 employees) companies across various industries. The survey delved into SMB business priorities for 2024, and examined how technology investments align with these priorities across different areas of the business.

The survey also assessed other key dimensions such as workforce and workplace trends as well as environmental, social, and governance (ESG) engagement and plans.

In this eBook, **2024 SMB Priorities: Aligning Technology Investments to Business Requirements**, we share key trends about SMB business and technology priorities and plans, and how technology investments align with them.

For the sake of brevity, we refer to the entire sample as “SMBs” throughout this eBook.

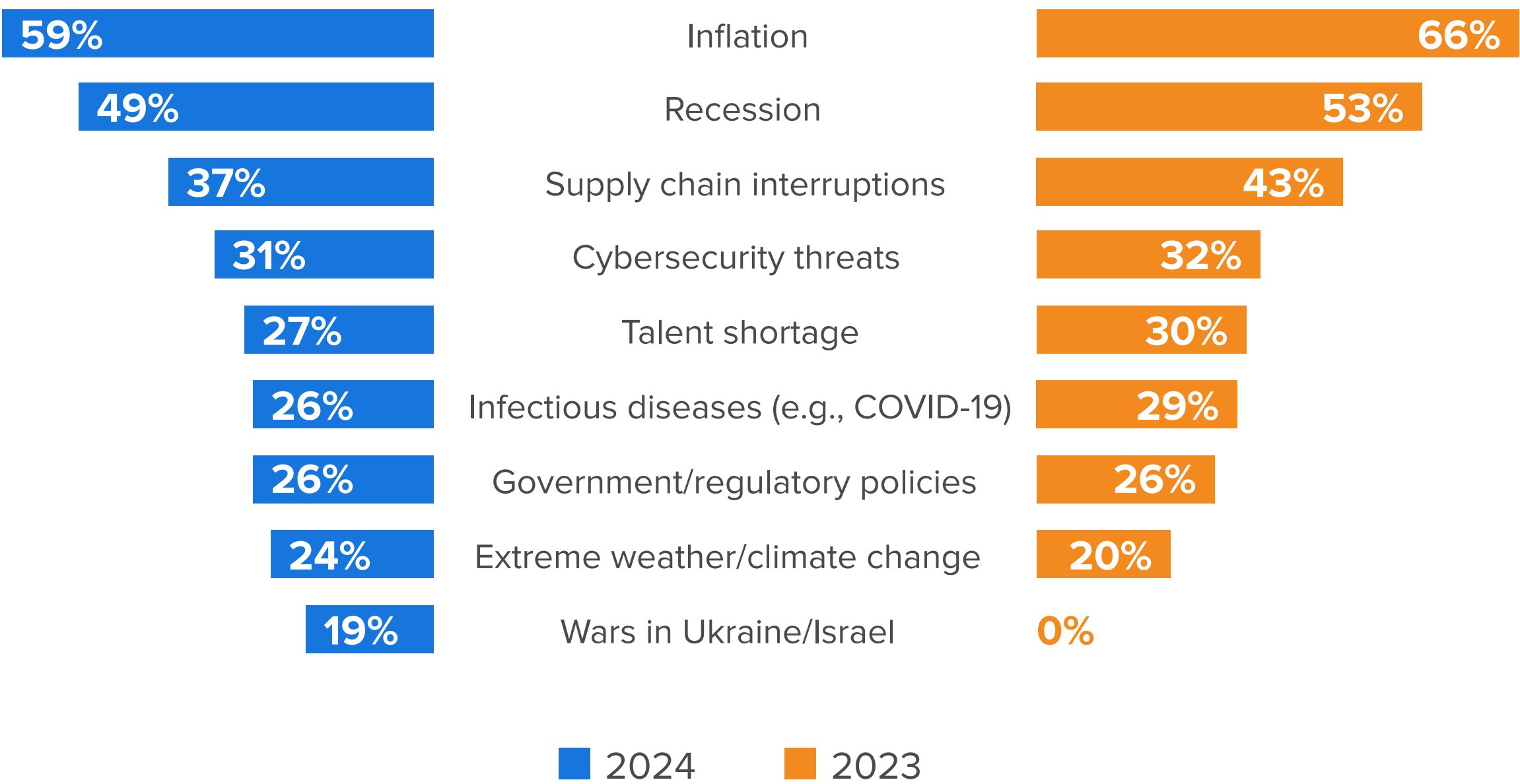
Our companion eBook, **SMB Workforce and Workplace Trends for 2024**, examines SMB workforce, workplace, and collaboration plans and trends.





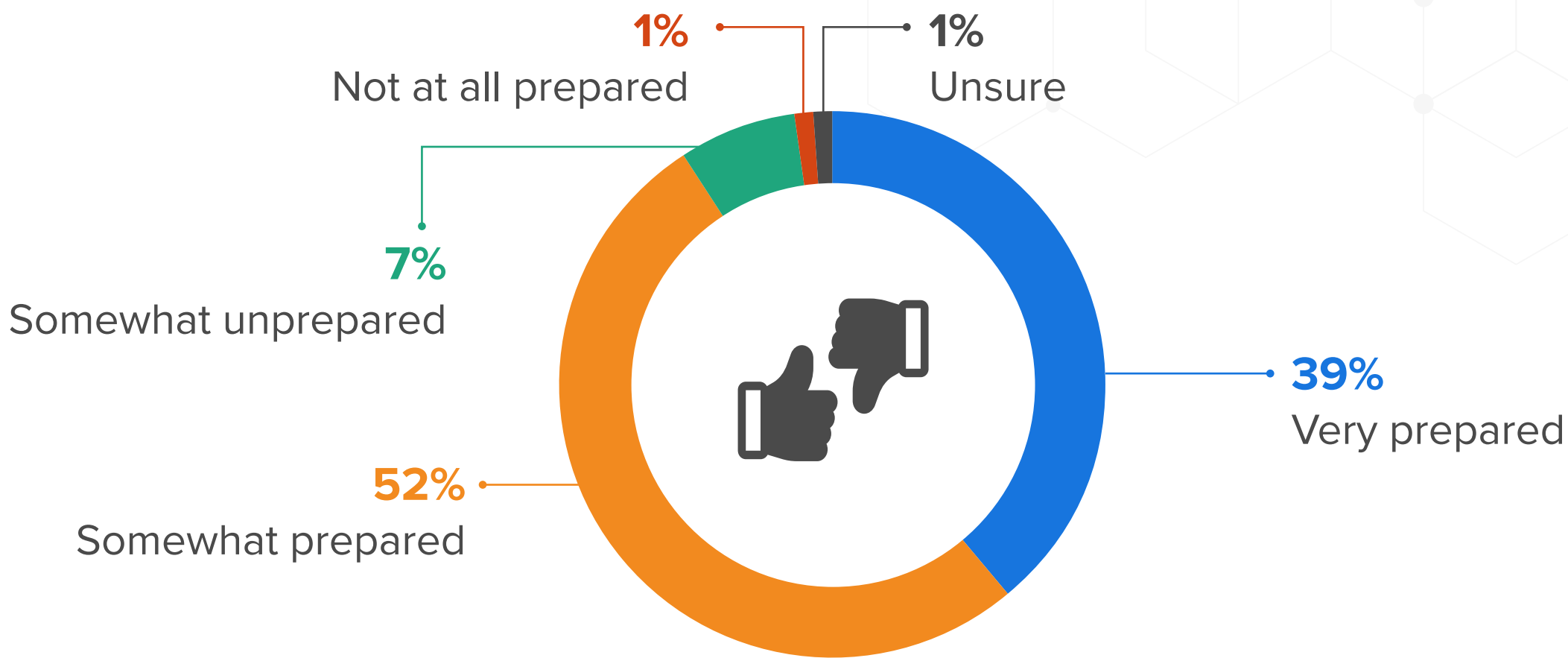
# Inflation and Recession Worries Persist, But a Majority of SMBs Are Confident in Their Ability to Adapt to Macro Economic Challenges

Macro trends SMBs say they are “very concerned” may negatively impact business



Worries about inflation and the risk of recession are lessening slightly compared to last year. Despite these macro challenges and others—from supply chain disruptions to geopolitical conflicts—most SMBs are confident in their ability to cope. 39% of SMBs feel very prepared, and 52% feel somewhat prepared to successfully navigate these issues.

Preparedness to successfully adapt to macro trends

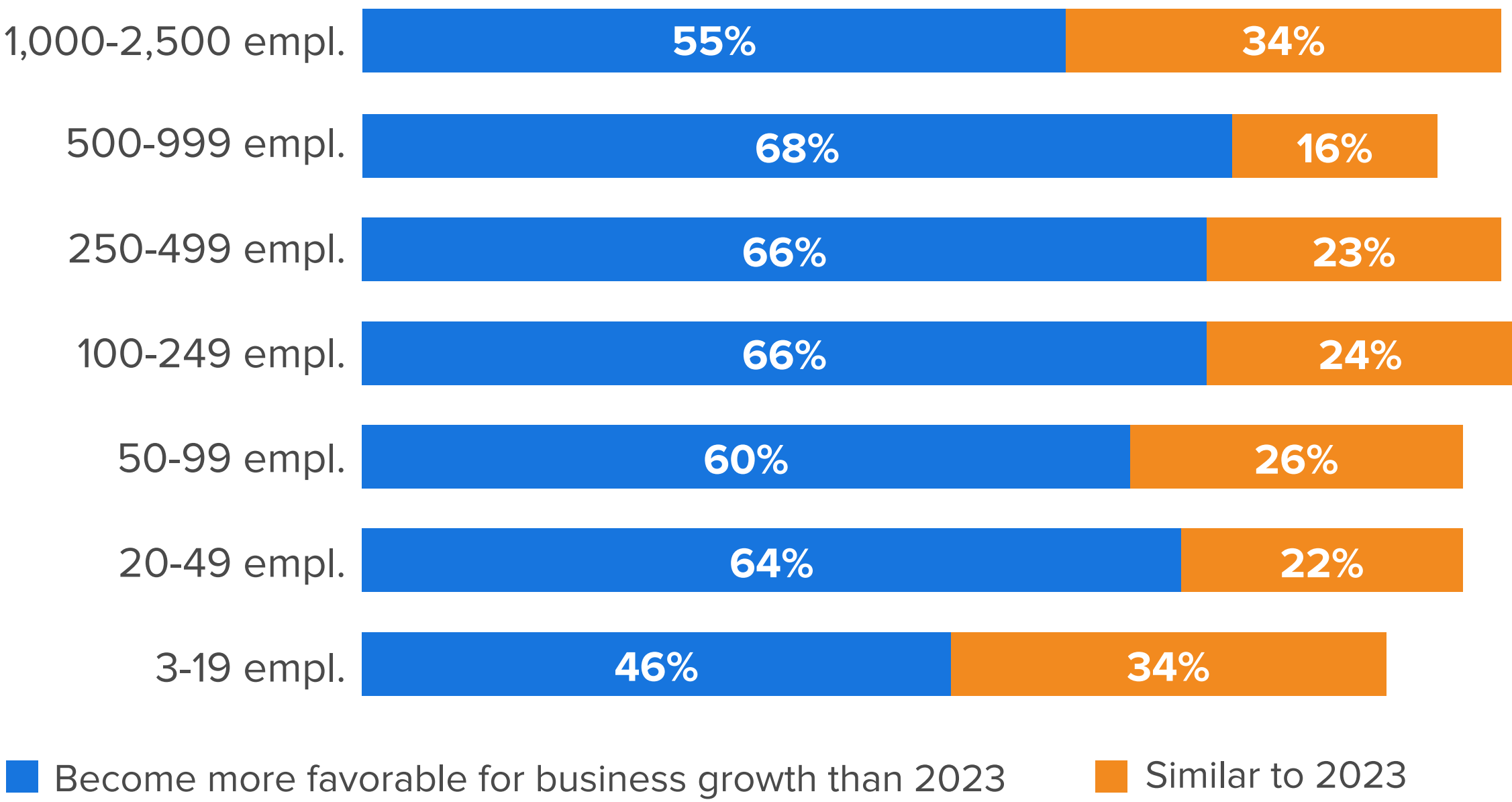
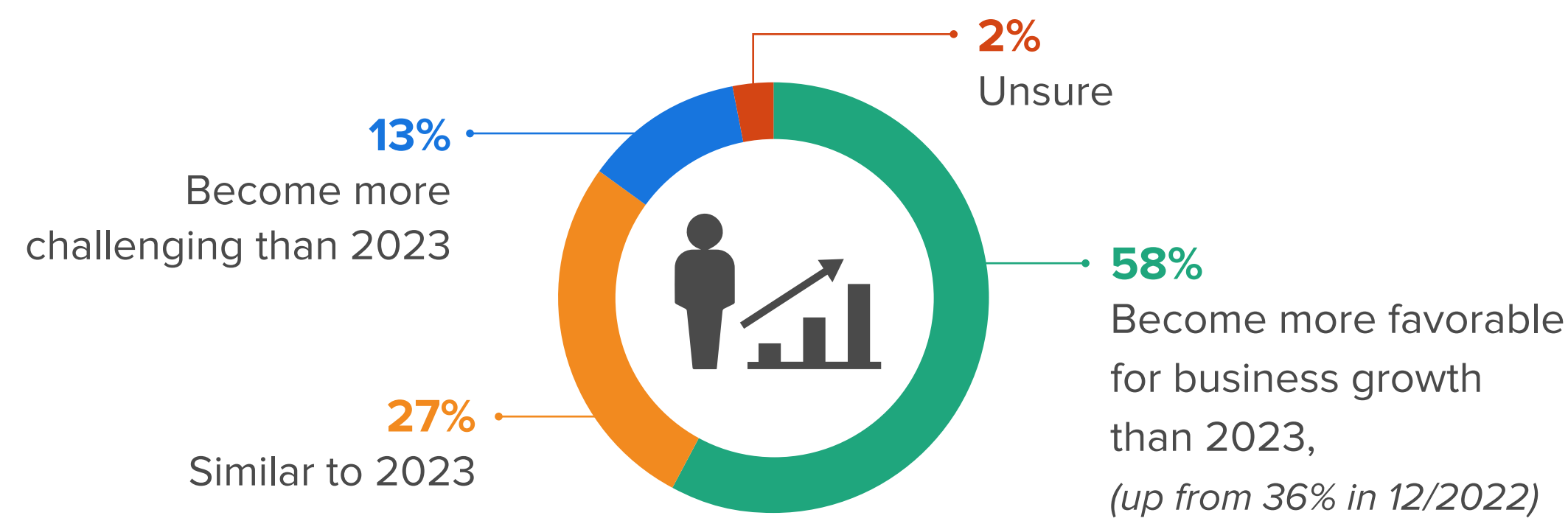


Larger SMBs tend to feel somewhat more prepared than smaller ones, which could be due to larger businesses having more resources to deal with economic challenges. Compared to their smaller counterparts, larger SMBs typically have greater financial flexibility, more substantial cash reserves, and better access to credit, which can provide a buffer against economic fluctuations. Additionally, larger SMBs are likely to have more comprehensive planning and forecasting capabilities, allowing them to anticipate and prepare for economic shifts more effectively.


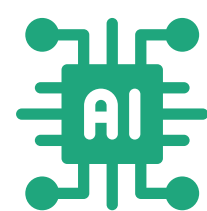



# SMBs Tip Towards Optimism for 2024

## Expectations for how the business environment will evolve in 2024



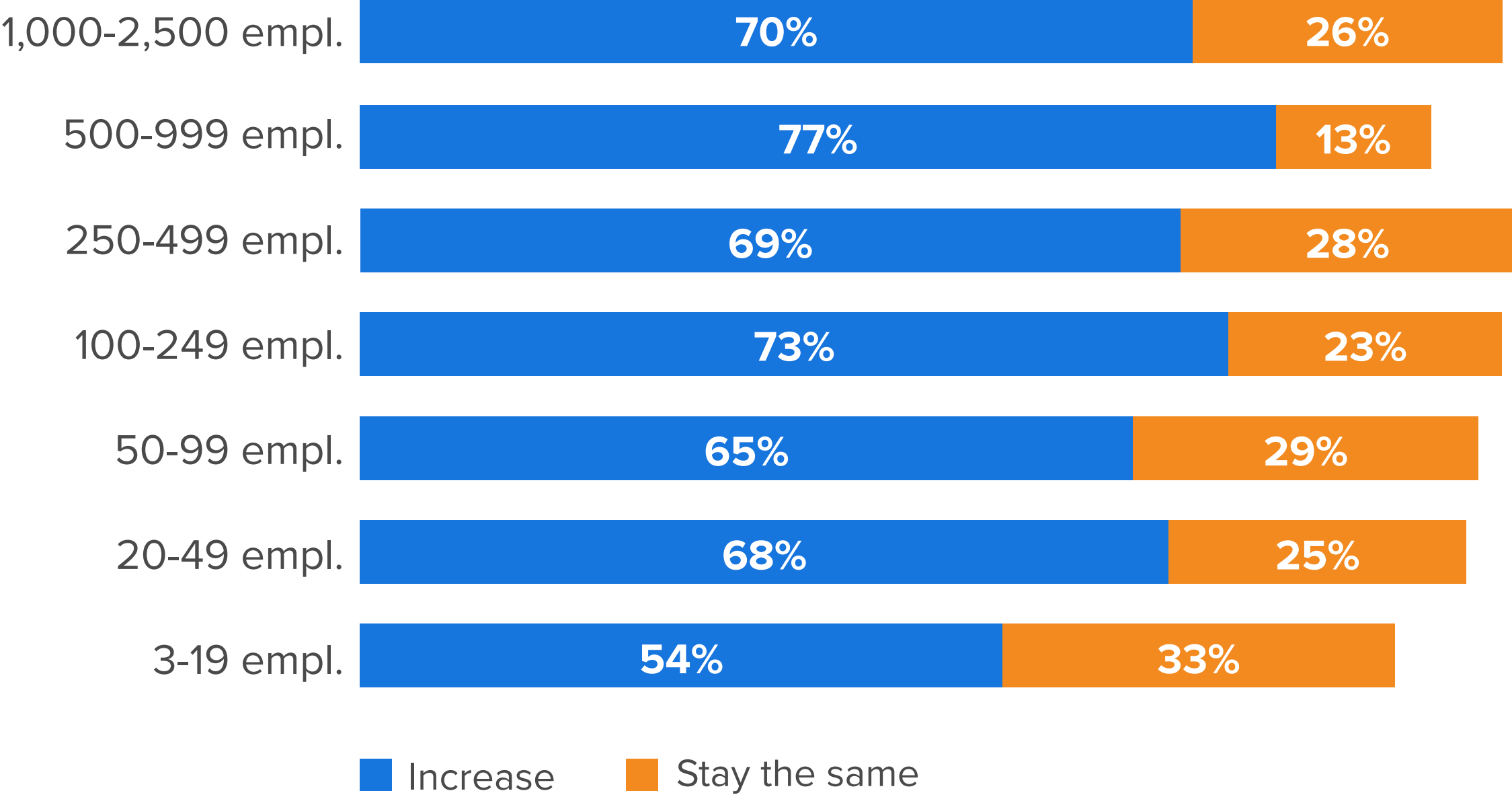
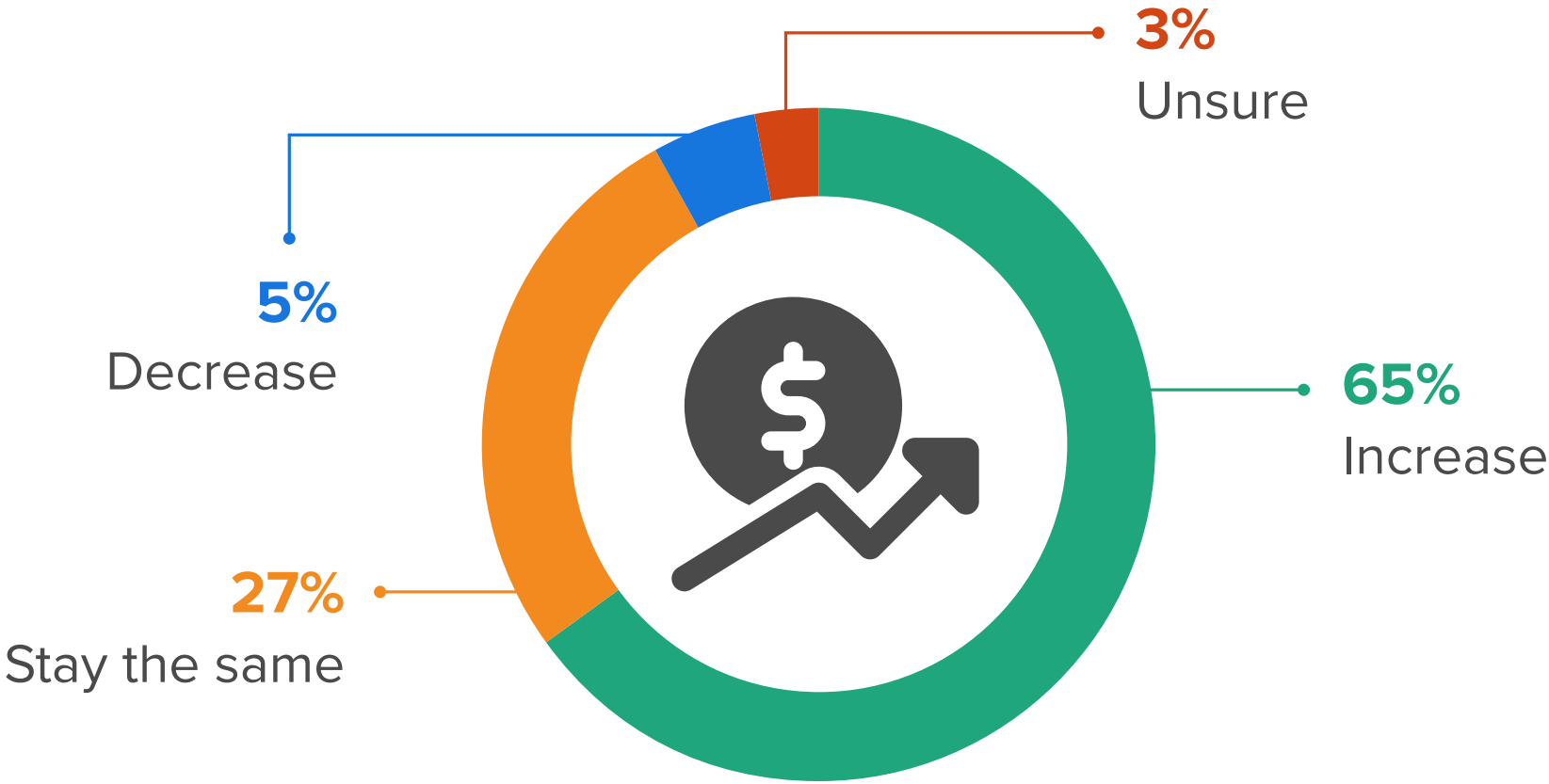
SMBs display a broadly positive outlook toward both the business landscape and their own prospects for 2024. Over half said they anticipate the business climate will improve, and about two-thirds projected an upswing in their annual revenues. This positive sentiment is similar across SMBs of different sizes. However, the smallest SMBs surveyed are a bit less bullish. The reasons behind this optimism are multi-faceted, and likely involve several factors, such as:

-  As the effects of the pandemic continue to subside, labor markets are normalizing, leading to increased consumer confidence and spending.
-  Technological advancements, such as artificial intelligence (AI), which can enhance operational efficiency and create new efficiencies and opportunities.
-  Expectations that inflation rates will continue to moderate, and that interest rates will decrease.





2024 revenue expectations





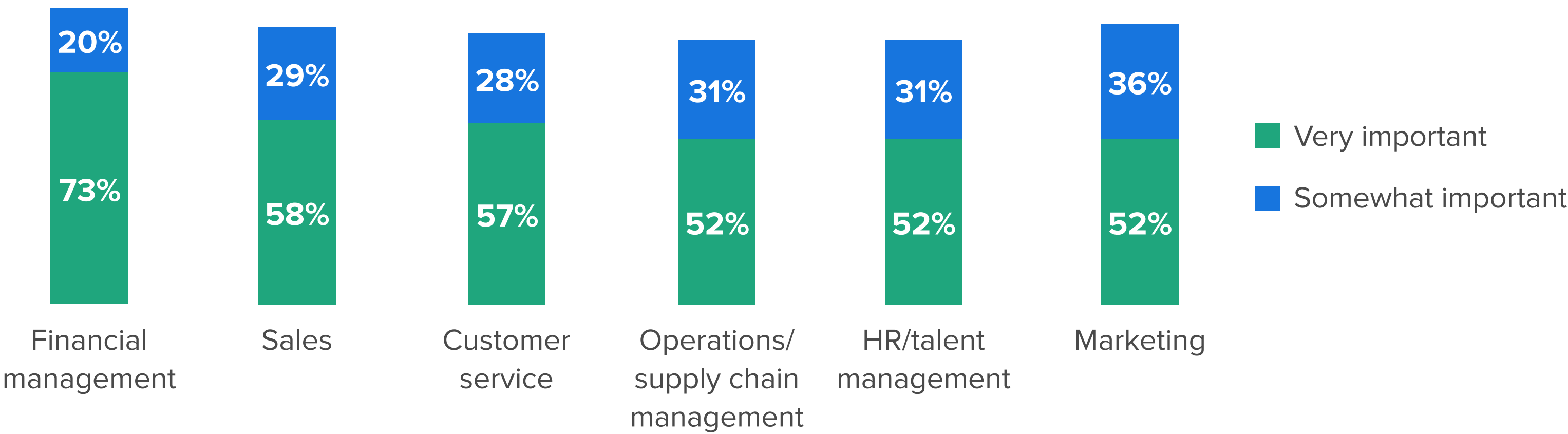


# A Majority of SMBs View Technology as Vital to Their Businesses

## Benefits technology provides to the business



## Importance of technology to business functions



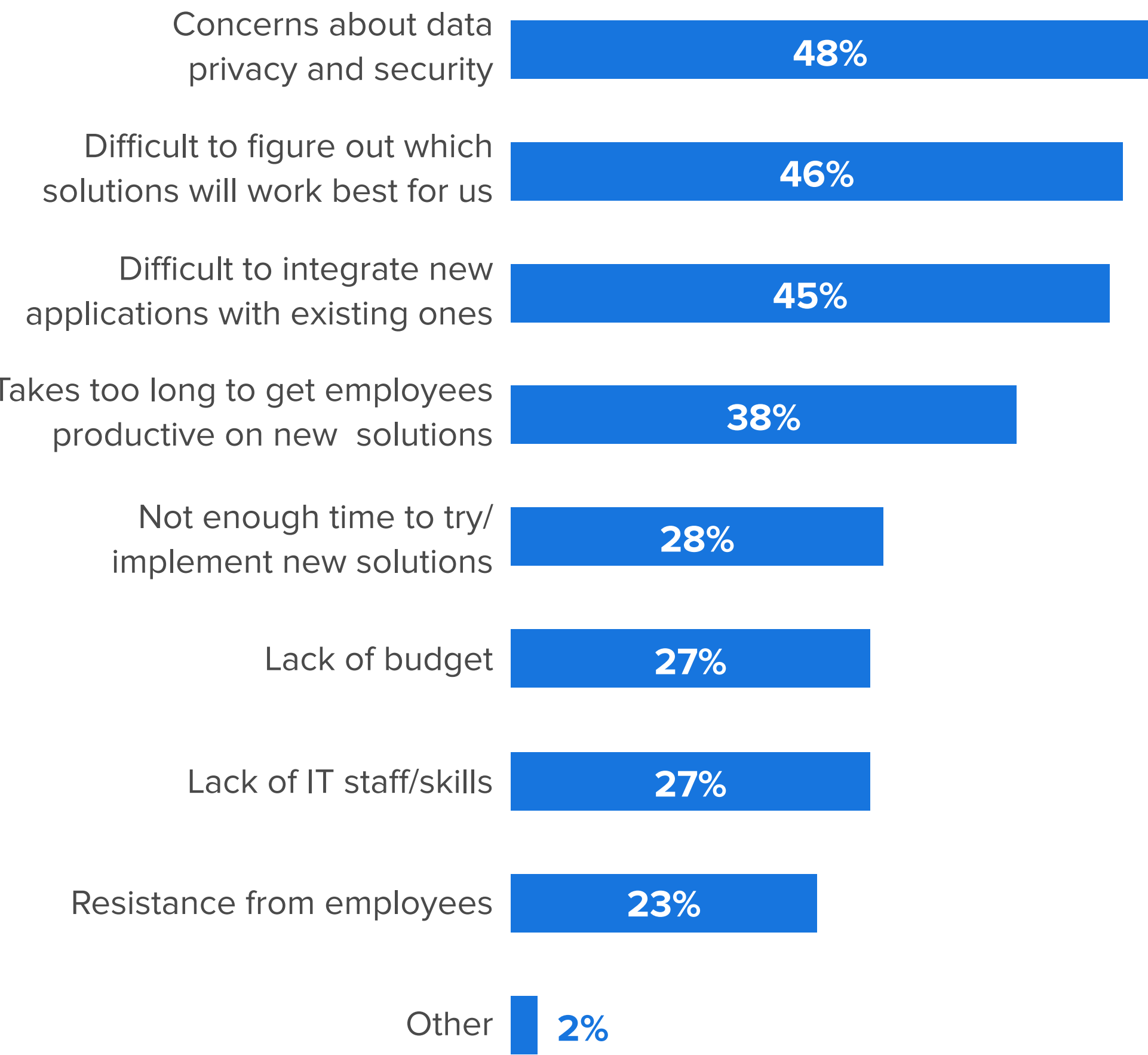
SMBs see technology as providing a myriad of benefits to their businesses. They ranked improving relationships with customer, partners, and suppliers, time savings from automation; and access to better information for decision-making at the top of the list. These benefits are making technology increasingly vital to their businesses. Over half of respondents rated technology as very important across a range of business functions, while about one-third ranked it as somewhat important.

Respondents were most likely to say that technology is very important in financial management, likely reflecting the desire of SMBs to harness data for better decision-making, forecasting, and overall financial health.

The growing consensus that technology is critical for success is a testament to fact that in this digital era, technology is increasingly interwoven with all aspects of the business. Thanks to cloud computing and other game-changing technologies, SMBs can take advantage of the efficiency, insights, and innovation benefits that were once the domain of larger enterprises.



# Challenges that Hamper SMB Technology Adoption



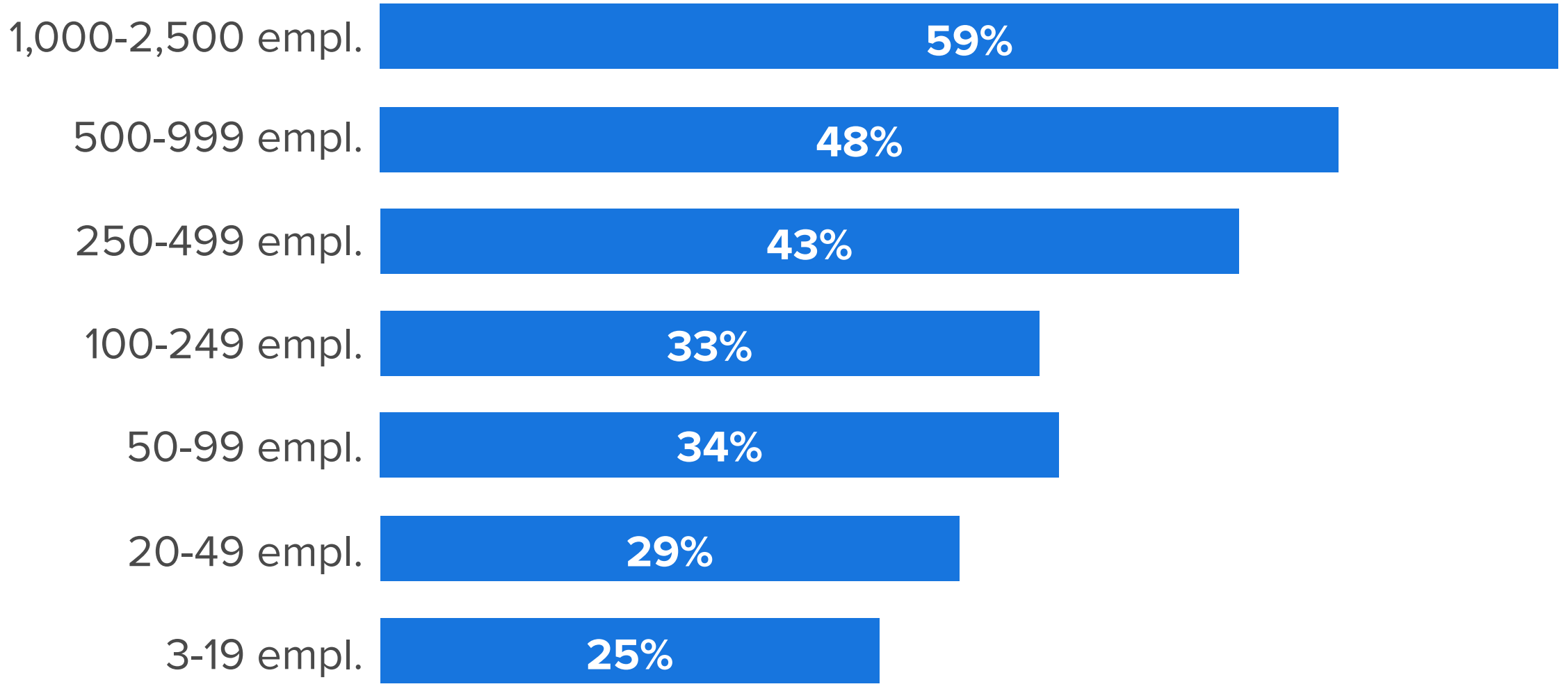
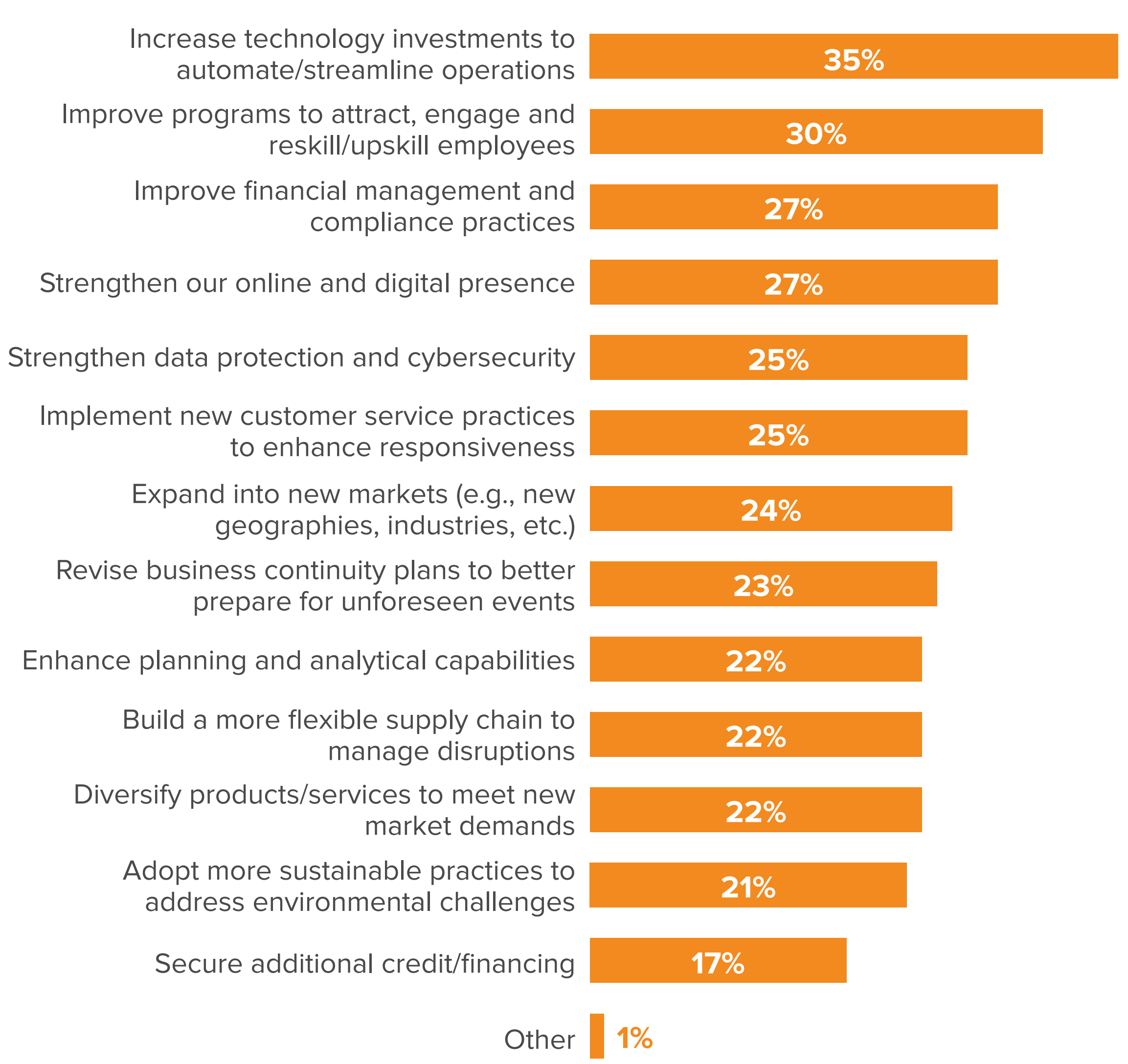
	1	2	3
1,000-2,500 empl.	Concerns about data privacy/security	Difficult to integrate new apps with existing ones	Difficult to figure out which solutions will work best for us
500-999 empl.	Concerns about data privacy/security	Difficult to integrate new apps with existing ones	Takes too long to get employees productive on new solutions
250-499 empl.	Difficult to integrate new apps with existing ones	Concerns about data privacy/security	Takes too long to get employees productive on new solutions
100-249 empl.	Difficult to integrate new apps with existing ones	Takes too long to get employees productive on new solutions	Difficult to figure out which solutions will work best for us
50-99 empl.	Concerns about data privacy/security	Difficult to figure out which solutions will work best for us	Takes too long to get employees productive on new solutions
20-49 empl.	Difficult to figure out which solutions will work best for us	Difficult to integrate new apps with existing ones	Concerns about data privacy/security
3-19 empl.	Difficult to figure out which solutions will work best for us	Concerns about data privacy/security	Difficult to integrate new apps with existing ones

The advantages of technology also come with significant hurdles for SMBs. Topping the list are data privacy and security concerns, selecting the most effective solutions, and integrating new solutions with older ones. These challenges are common across SMBs of various sizes, indicating that these are widespread concerns in the sector. SMBs also often face resource-related barriers, such as insufficient time, financial constraints, and a shortage of IT personnel and expertise, which can stall or complicate the adoption of new technologies.

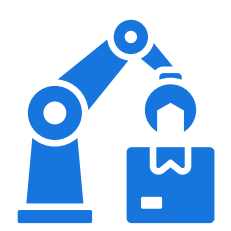


# SMBs Prioritize Tech Investments to Improve Operational Efficiency

Top strategic initiatives for 2024



■ Increase technology investments to automate/streamline operations



SMBs are most likely to cite investing in new technology to automate and improve operations as their top strategic initiative for 2024.



However, this correlates strongly with company size: Businesses with 250 or more employees are 1.6 times more likely to rate it as a top initiative than SMBs with fewer than 250 employees.



This is likely because bigger SMBs tend to have more money to spend on new technology, and more resources to help extract value from their investments. Smaller SMBs typically have less money to spend, and more pressing issues that they believe need to be addressed.



# Technology Plays a Critical Role in Supporting Strategic Initiatives



Each business sets its own goals based on where it stands in the market, where it wants to go, and how it plans to get there.



Still, one thing remains common among them: they see technology as a key player. Most SMBs plan to invest in new technology as part of their strategy to reach their varied goals.



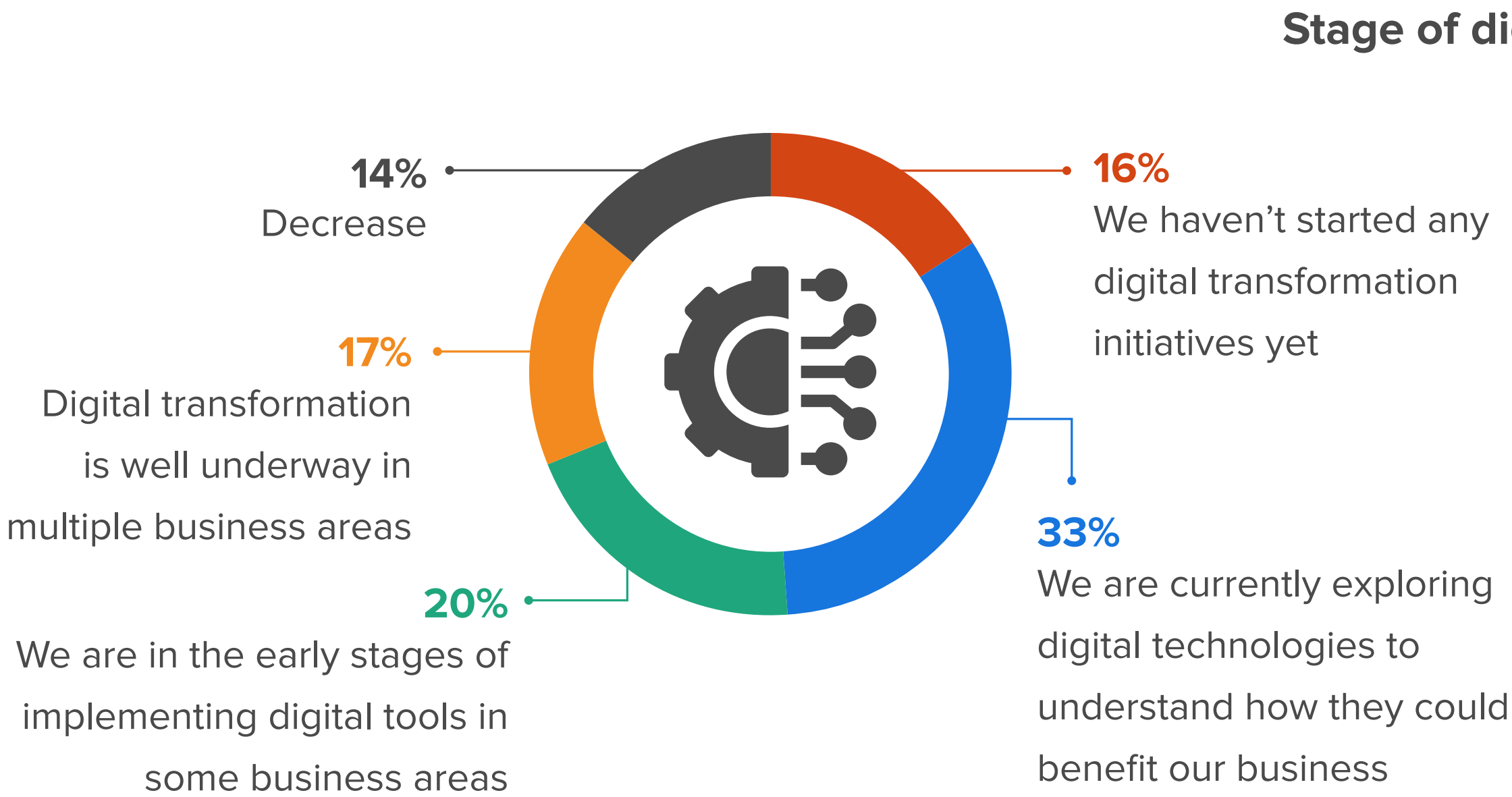
This underscores that SMBs increasingly see technology as a vital part of their journey towards success, and as key to making daily operations run smoothly, staying ahead of the competition, and growing their businesses.

## SMB plans to invest in technology to support strategic initiatives

Strategic initiative	Percentage ranking it in the top 5	Percentage planning to make new technology investments
Improve programs to attract, engage, and reskill/upskill employees	30%	80%
Strengthen our online and digital presence	27%	75%
Improve financial management and compliance practices	27%	75%
Implement new customer service practices to enhance responsiveness	25%	74%
Strengthen data protection and cybersecurity	25%	78%
Expand into new markets (e.g., new geographies, industries, etc.)	24%	77%
Revise business continuity plans to better prepare for unforeseen events	23%	42%
Diversify products/services to meet new market demands	22%	66%
Build a more flexible supply chain to manage disruptions	22%	72%
Enhance planning and analytical capabilities	22%	74%
Adopt more sustainable practices to address environmental challenges	21%	71%
Secure additional credit/financing	17%	73%

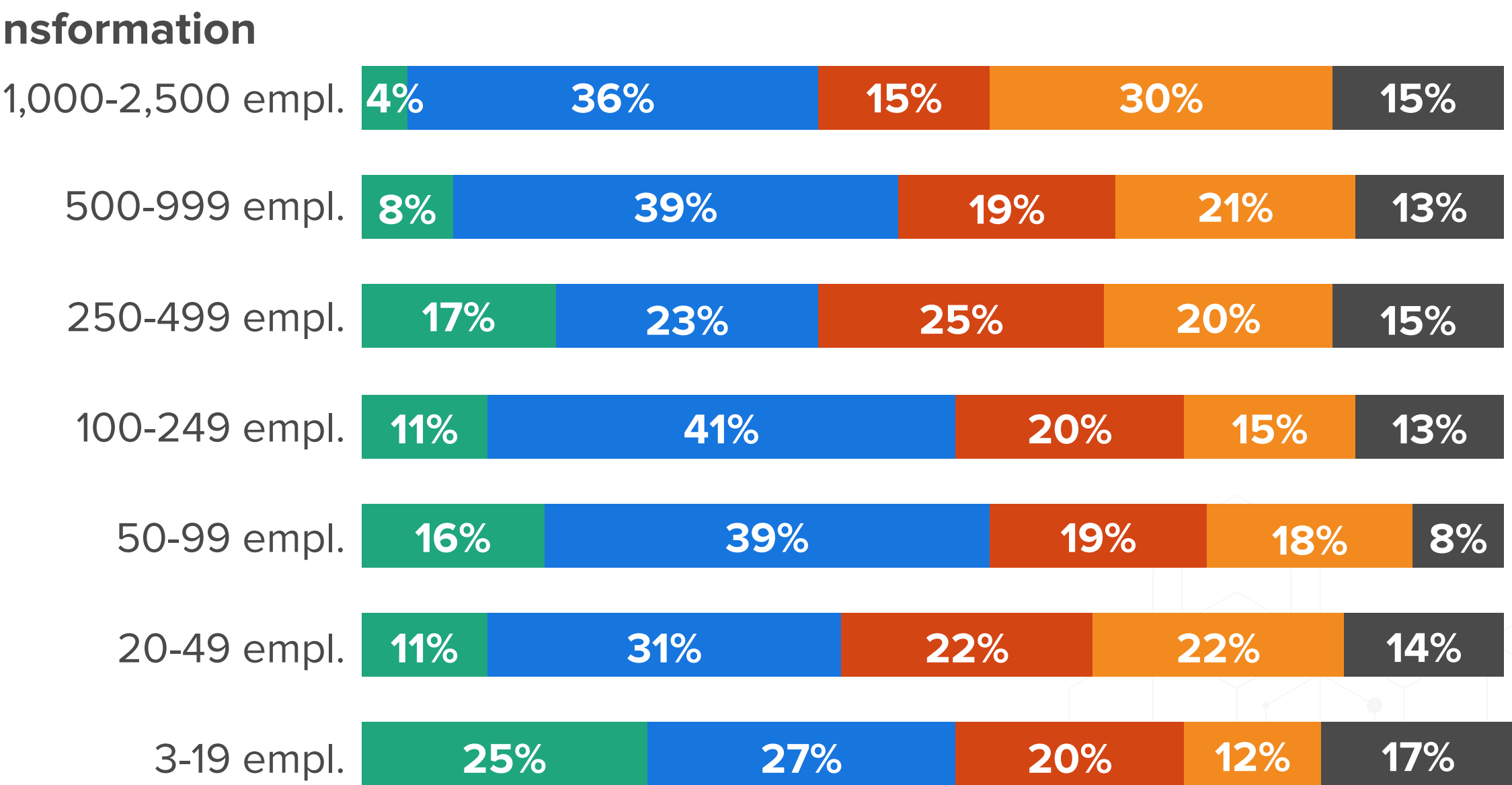


# Most SMBs Have Started on the Digital Transformation Journey



The data reflects that a majority of SMBs recognize the critical role that technology plays in staying competitive and relevant. About one-third said that digital transformation is underway in many or most business areas, and 20% indicated that they are in the early stages of implementing digital tools. Another third are currently exploring digital technologies to see how they could derive benefit from them. Only 16% have yet to begin their digital transformation journey.

Larger businesses are more likely to be further along the digital transformation curve than their smaller counterparts. The split between larger and smaller SMBs indicates that while the direction is clear across the board, resources do impact the speed of adoption. However, the digital divide will continue to narrow as vendors develop more solutions designed specifically for SMB requirements and budgets.

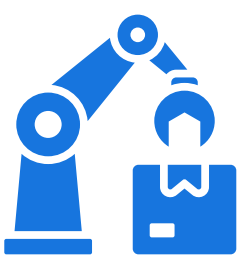
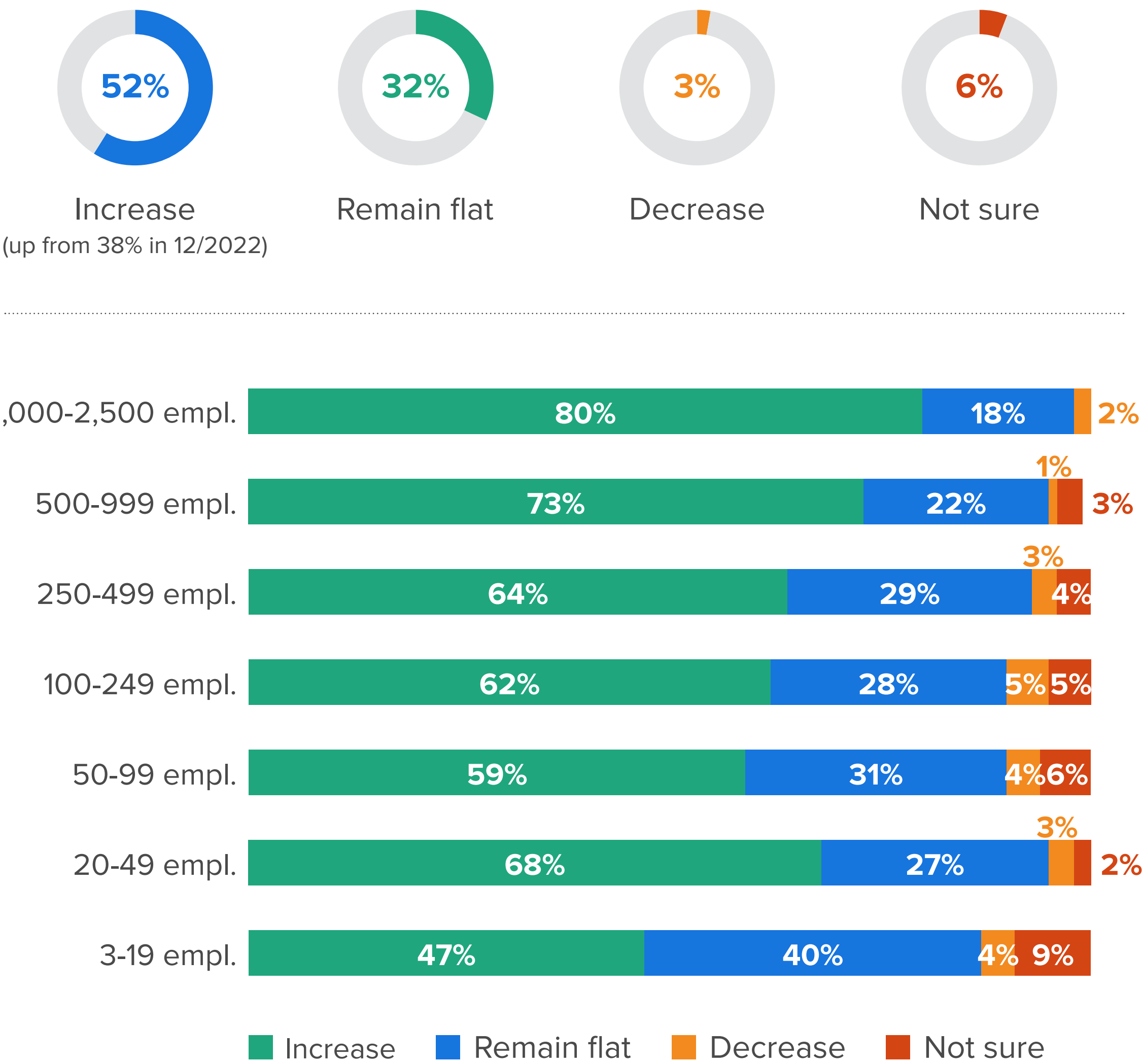


- We haven't started any digital transformation initiatives yet
- We are currently exploring digital technologies to understand how they could benefit our business
- We are in the early stages of implementing digital tools in some business areas
- Digital transformation is well underway in multiple business areas
- Digital technologies are fully integrated across most of our business



# Over Half of SMBs Plan to Increase Tech Spending in 2024

Expected change in technology spending from 2023 to 2024\*



Small and medium-sized businesses are gearing up to spend more on technology in 2024 compared to 2023. 59% plan to increase their budgets, evidencing their recognition of the growing importance of tech in the business world.





# Ease of Use is the Most Important Criteria for SMBs When Selecting New Solutions

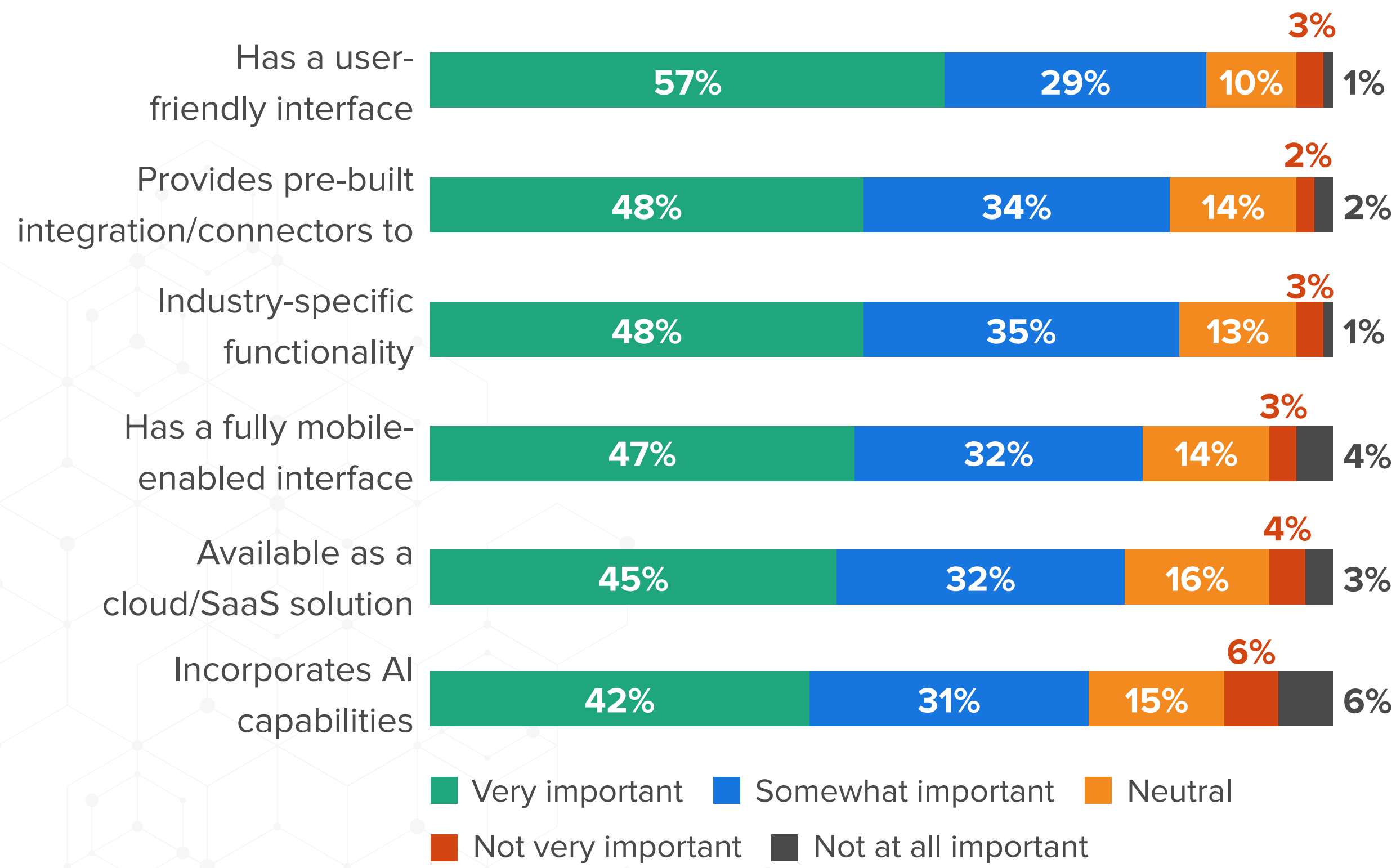


When SMBs invest in new tech tools, 57% rank ease of use as very important. But almost half are also prioritizing functionality such as built-in connections to other tools, industry-specific functionality, mobile capabilities, cloud services, and artificial intelligence.



This blend of priorities highlights that SMBs are not just looking for the newest tech, but for smart, adaptable solutions that align with their unique business challenges. With about one-third considering these factors at least somewhat important, it's clear that there is a broad consensus on the value of these tech attributes across the board.

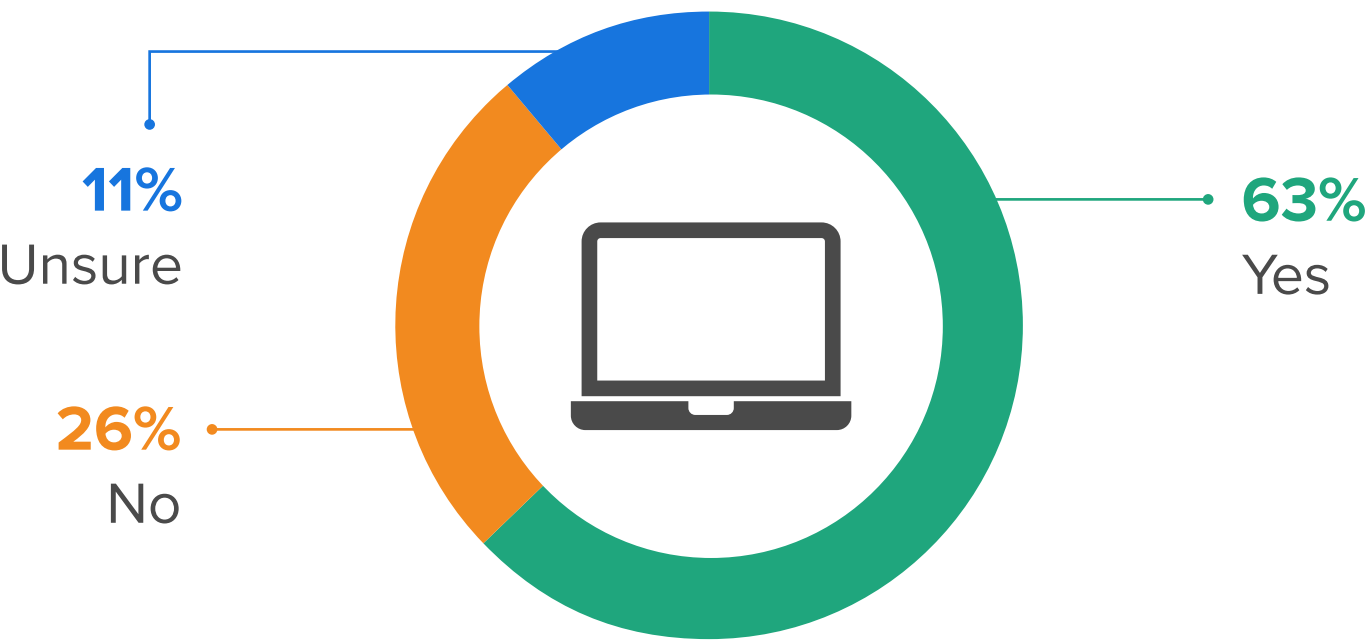
Importance of different factors when selecting a new technology solution



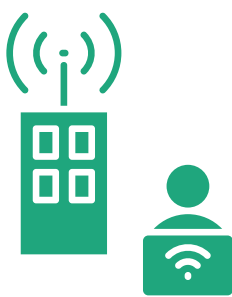


# Two-Thirds of SMBs Plan to Purchase PCs and Laptops in 2024 with Performance, Innovation, and Remote Work Features Top of Mind

## Plans to purchase PCs/laptops in 2024



63% of SMBs said they plan to invest in new PCs and laptops in 2024. Plans to upgrade correlate closely with company size. For instance, 81% of SMBs with 1,000 to 2,500 employees say they plan to purchase new desktops, compared to just 44% of those with 3 to 19 employees.



The primary factors driving SMBs to upgrade include better performance, innovative features, and better capabilities to support remote work. These are closely followed by improving employee satisfaction through access to modern technology and strengthening security.



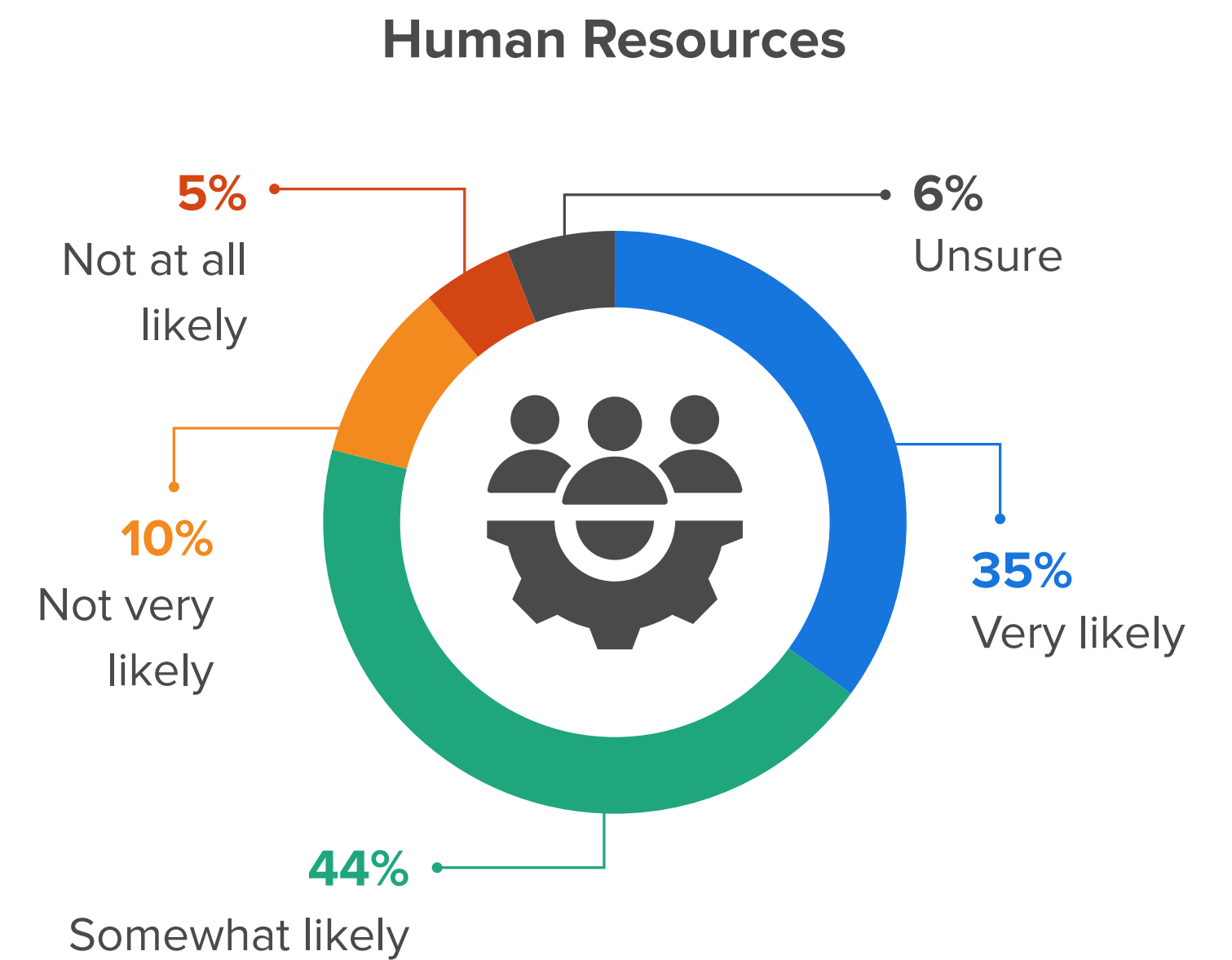
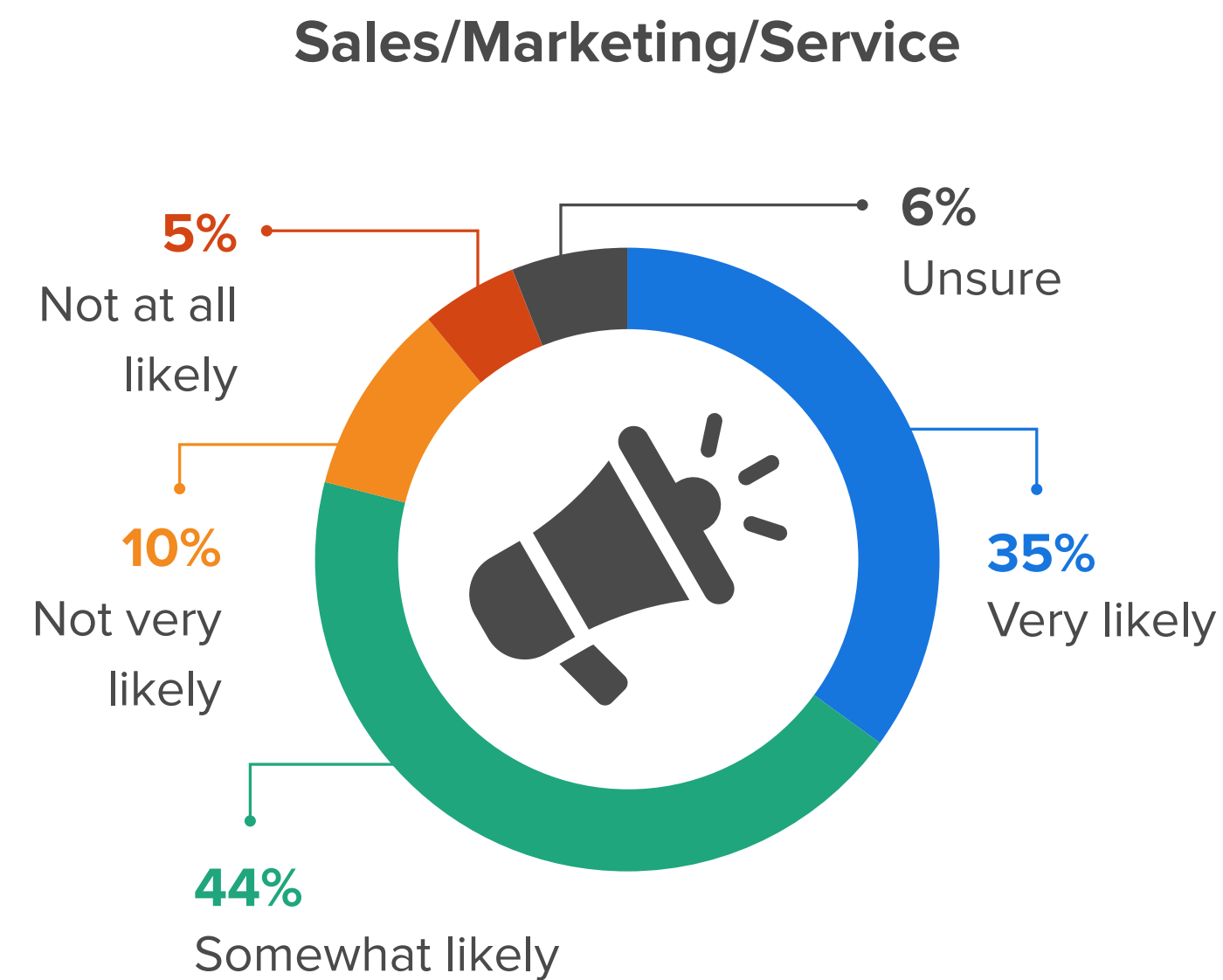
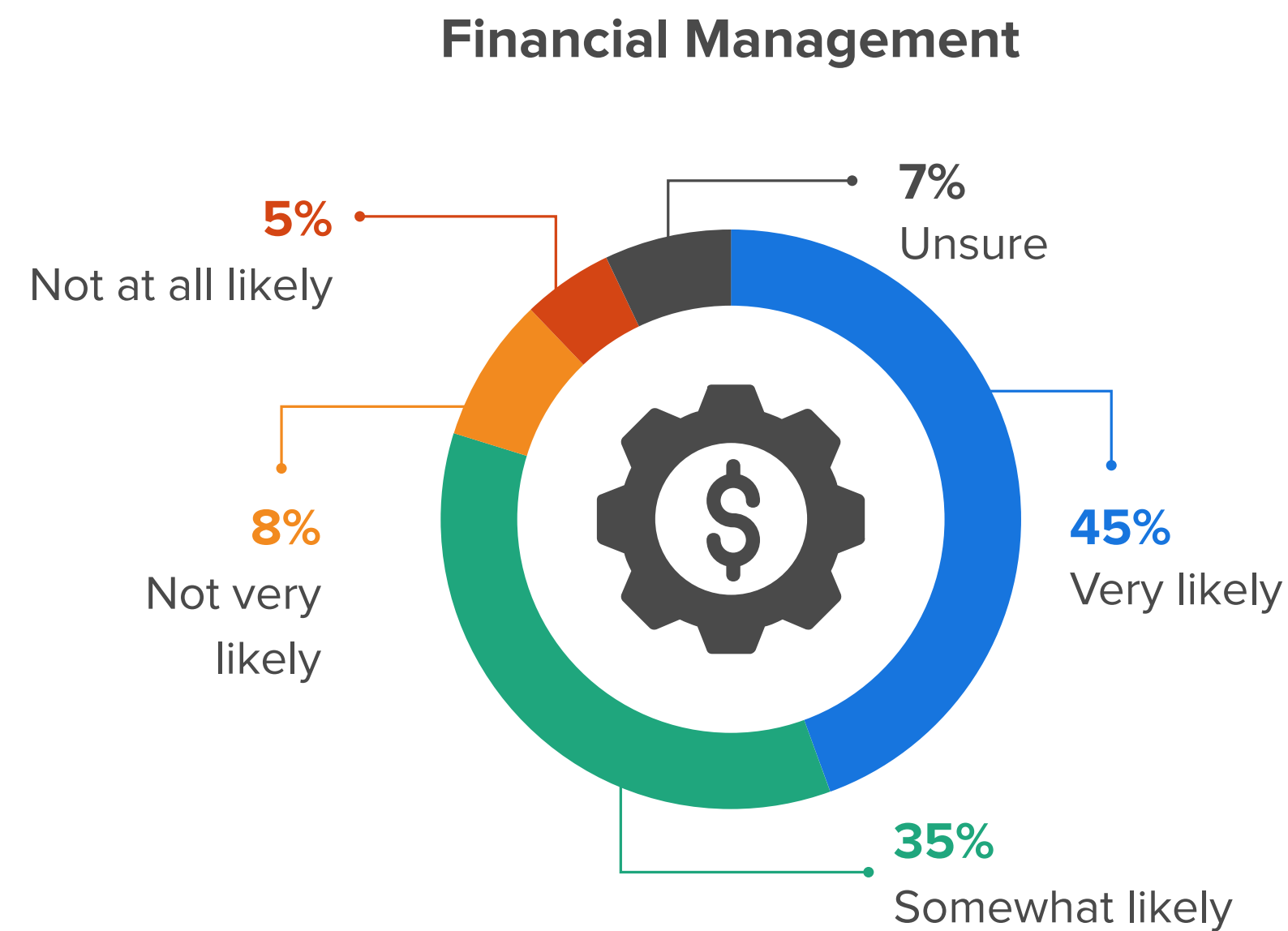
The focus on updated technology, supporting remote work, and improving employee satisfaction suggests that SMBs view client devices not only as key to improving employee productivity, but also to promoting employee satisfaction.

## Importance of capabilities when upgrading PCs/Laptops

Capability	Rank
Better performance (e.g., better processors, more RAM, faster storage, etc.)	1
Innovative new features (e.g., touchscreens, better graphics, and lighter designs, etc.)	2
Improve capabilities to work remotely (e.g., longer battery life, noise cancellation, docking station support, lighter weight, etc.	3
Improve employee satisfaction with up-to-date technology	4
Enhanced security features	5
Ensure compatibility with latest software versions	6
Highly rated service and support	7
Improved energy efficiency	8
Standardize desktops for easier management/support	9
Older PCs are out of warranty	10



# SMBs Are Likely to Select Cloud/SaaS Solutions the Next Time They Purchase New Software



SMB preferences for cloud and software-as-a-service (SaaS) have been steadily rising, and this trend will continue across major business solution categories.

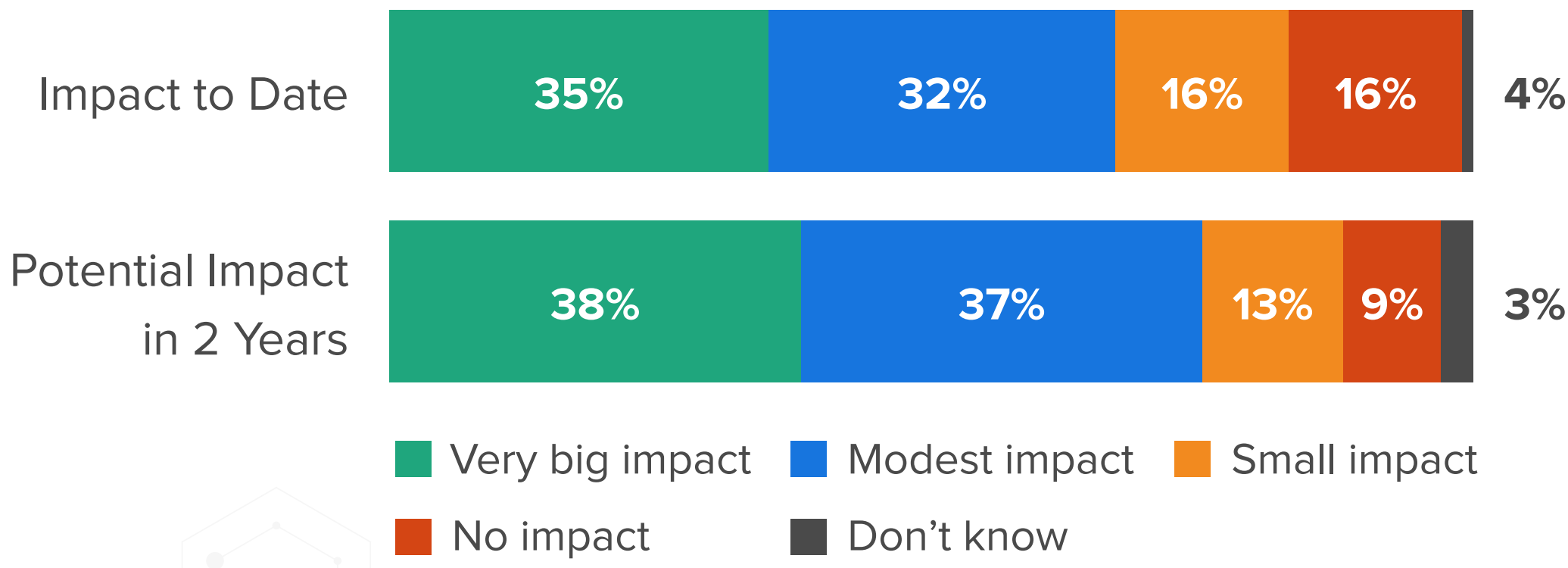
45% of respondents indicated that they are very likely to select a cloud/SaaS solution the next time they purchase a financial management solution, and about one-third said they are somewhat likely. About one-third of respondents said they are very likely to deploy cloud solutions for sales, marketing, and services, and for human resources, while about half said they are somewhat likely.

The future looks bright for cloud computing as providers keep making their services smarter with artificial intelligence (AI), and machine learning (ML), and other capabilities that help SMBs get work done more efficiently and make better decisions. In a nutshell, It's not just about moving to the cloud; it's about getting a toolbox full of smart, time-saving capabilities that help businesses stay on top of their game.







# Most SMBs Are Embracing AI

## Impact of AI on the Business



Two-thirds of SMBs say that AI has already had a very big or modest impact on their businesses to date, and just over three-quarters expect this level of impact in two years.

SMBs are eager to see how AI-driven automation can help them. Some of the most compelling aspects of AI are its ability to:

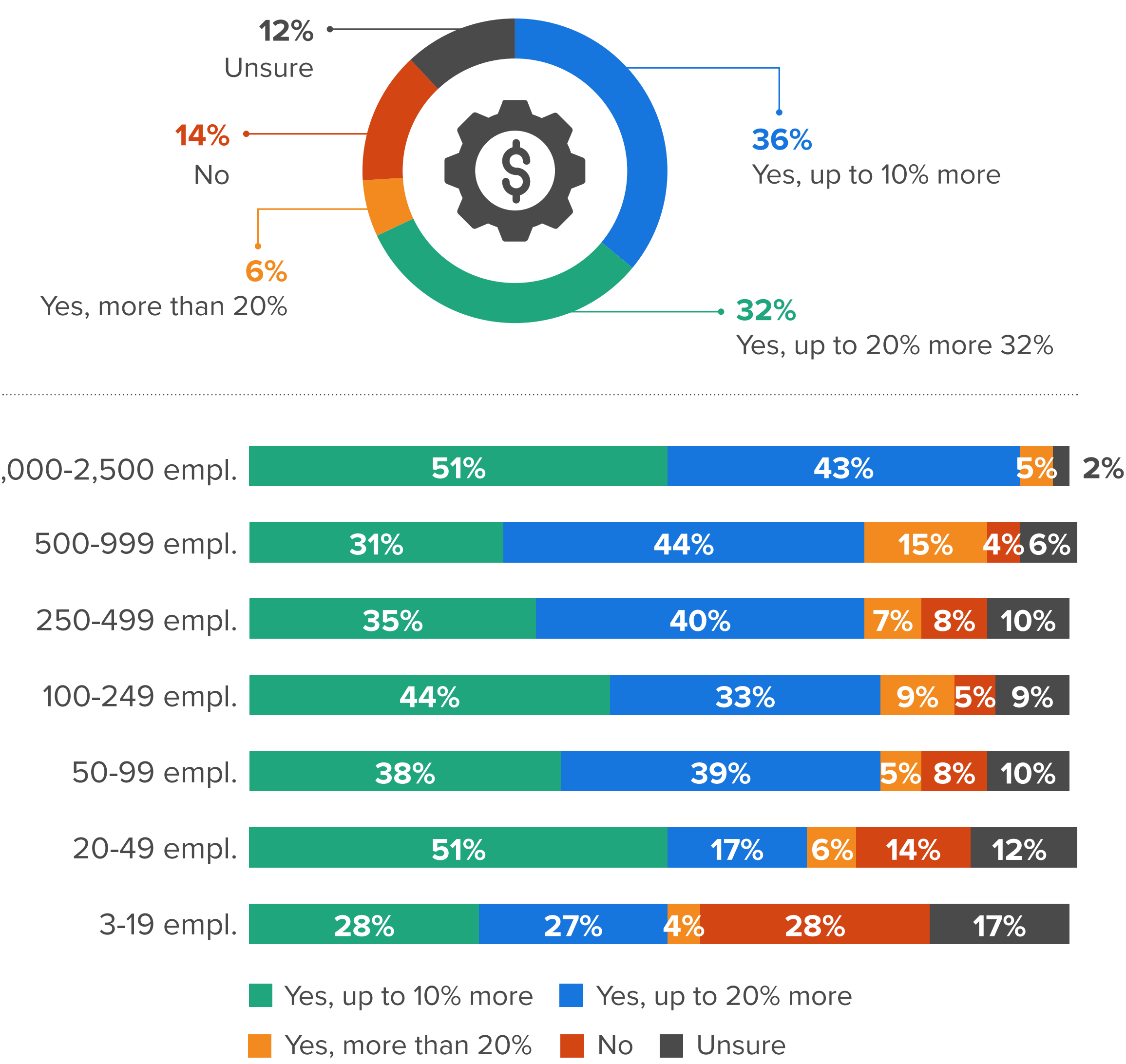
-  Perform certain tasks that would otherwise require human labor, which can lead to significant cost savings. They can also perform repetitive tasks with consistent quality, which is vital in areas like data entry, accounting, and inventory management.
-  Work around the clock without the need for breaks or downtime, increasing the overall output of the business. They can also process large volumes of data much faster than a human, leading to quicker insights and actions.
-  Analyze large datasets to uncover trends and patterns that may not be immediately apparent to human analysts, helping people to make better decisions.
-  Enhance customer service through chatbots and personalized recommendations, enabling SMBs to improve customer satisfaction and loyalty without the need for a large customer service team.

The continual evolution of AI, with capabilities such as object recognition in visuals, will further expand what is possible for SMBs, enabling them to scale efficiently and achieve more with their resources.








# Many SMBs Are Willing to Pay a Premium for AI in Applications They Use

## Willingness to pay for AI embedded in technology solutions



A majority of SMBs are willing to pay extra for AI capabilities embedded in the solutions they already use, with a sweet spot of 10% to 20% for these additional capabilities. The smallest SMBs surveyed, however, are more resistant to paying a premium than their larger peers are.

Taking advantage of AI capabilities in the applications they already use offers SMBs several practical benefits, including:

-  AI capabilities embedded within existing business solutions can be more easily integrated into current workflows, so SMBs can improve efficiency without disrupting business operations.
-  Employees are already familiar with interfaces and workflows in existing solutions so they can start using new AI functionality without a steep learning curve or extensive training.
-  Using AI within existing solutions is likely to be more cost-effective than building or buying standalone AI systems.
-  Business solutions in use are likely already tailored to the specific needs of the business. When AI is integrated, it can be customized for these more specific needs.
-  SMBs can use AI in a trusted environment, within solutions that are already compliant with relevant data protection regulations, minimizing security risks.

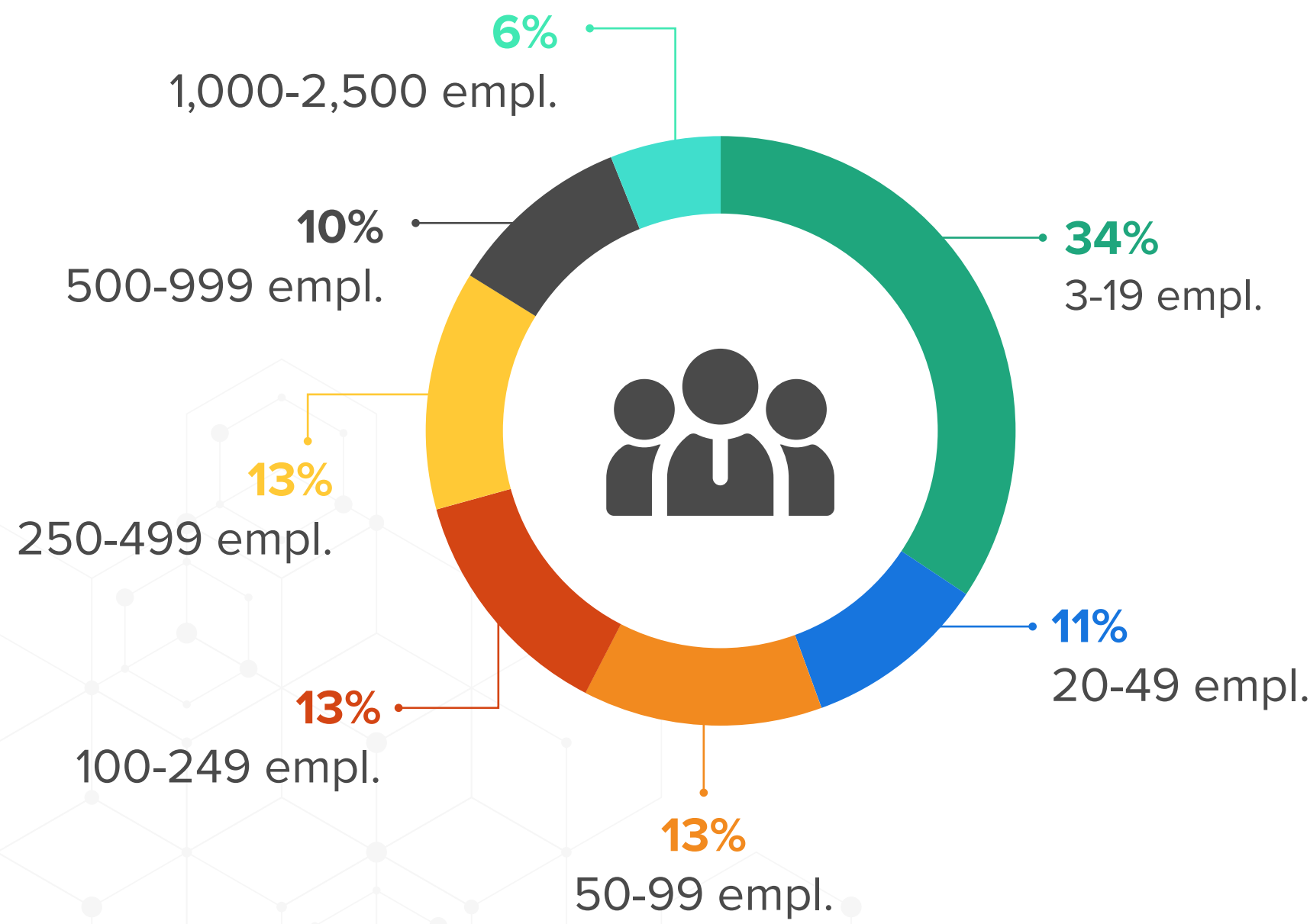
As AI evolves, vendors can integrate new capabilities into their offerings, providing ready access to the latest technology.



# About the Study

Unless otherwise noted, all data in this eBook is sourced from SMB Group’s survey. Data was collected in December 2023 via a web-based survey from a random sample of 744 survey respondents.

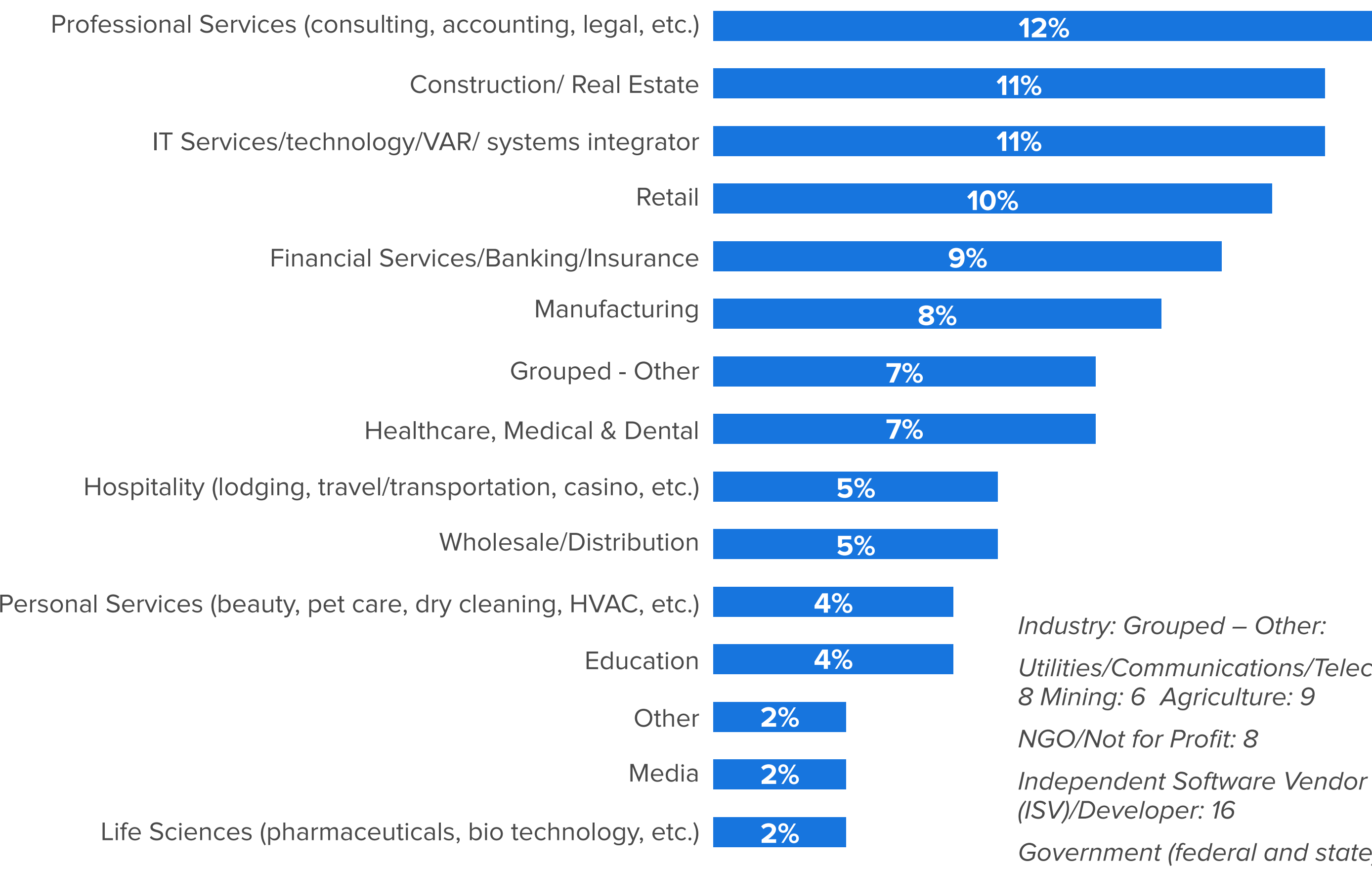
## Employee Size Distribution\*



\*For brevity, we will refer to the entire 3 to 2,500 group as SMB throughout this report.



## Industry Distribution







SMB Group is a research, analysis, and consulting firm focused on technology adoption and trends among small and medium (1-999 employee size) and mid-market (1,000-2,500 employee size) businesses. Founded in 2009, 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.

**Thank you to our survey sponsors!**

