

THE AGILITY ENGINE

The role of IT in preparing small and midsize organizations for growth in the next economy

IT is at the center of modern businesses. CIOs have emerged as key strategic leaders, developers are in demand, and organizations across industries subscribe at some level to the notion that every company is a technology company.

At small and midsize operations, IT faces particular opportunities and challenges. They prepare the rest of the organization for long-term resilience, set the foundation for ongoing digital transformation, and ensure that every other part of the business has the tools it needs—all while managing the budget and talent constraints that many smaller firms face.

SAP and Oxford Economics surveyed 2,000 executives, including 223 from the technology function, to understand how small and midsize organizations are positioning for the new economy. We also analyzed responses from top financial performers—those with the strongest reported revenue growth over the past year and profit-margin change over the past three years—to identify best practices, and looked at results by company size to determine where strategies vary.

Our research was conducted during the first months of the COVID-19 pandemic, so the survey data sheds light on how small and midsize organizations have been navigating the crisis and the IT function's role in responding to the challenges ahead.

Expansion and experience

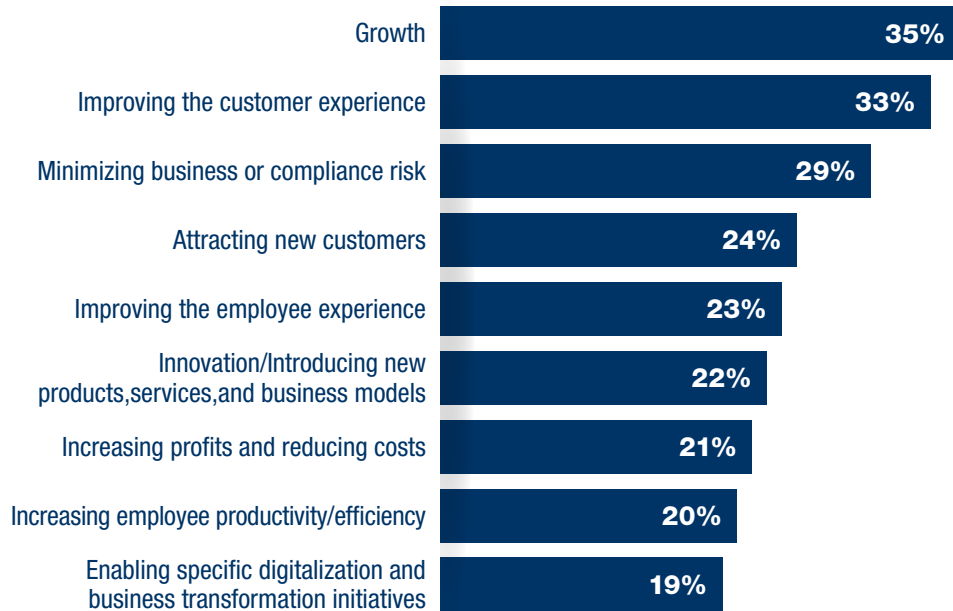
The most successful IT functions are defined by creating platforms for continual innovation and evolution—even without yet knowing the ways their organizations will need to change in the future. The technology executives in our sample cite broad aspirations like growth and improving customer experiences as the top-two strategic goals for their organization over the next three years, ahead of initiatives like enabling digitalization or increasing productivity. Improving employee experiences also registers as a top-five goal, and is much more likely to be cited as a priority among top financial performers.

Focusing on sustained growth and strong relationships with customers and employees is more urgent than ever as smaller organizations aim to stay resilient and competitive in the face of ongoing economic uncertainty. In fact, even executives who responded to our survey during the early peak of COVID-19 were likely to prioritize expansion and experience over risk-related goals.

Fig. 1: Technology executives see growth and customer experiences as top organizational priorities

Q: What are your organization's strategic priorities over the next three years?
 Respondents could select all that apply; top 10 responses shown

base=223 technology respondents



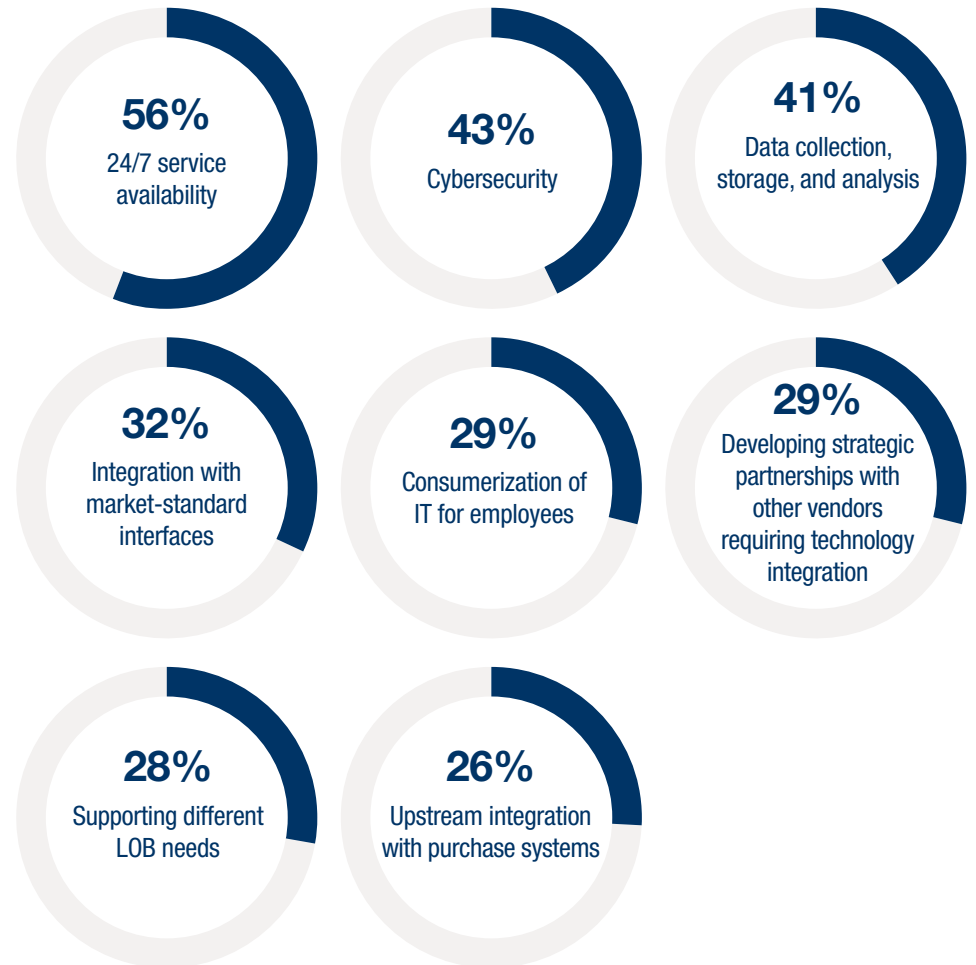
But meeting these objectives presents a range of challenges to small and midsize organizations—and the IT function feels a lot of the strain, as it must support an increasing number of new initiatives and processes while maintaining business as usual. Technology executives in our survey say the function's biggest challenges during growth periods are providing 24/7 service availability and cybersecurity, both of which become substantially more complex as organizations expand to new markets, introduce new product lines, or increase headcount.

Fig. 2: Availability, security, and data are main growing pains for IT

Q: What are the IT function's challenges as the organization grows?

Respondents could select all that apply

base=223 technology respondents



Difficulty scaling for growth affects more than just IT operations. In fact, technology executives see it as the top barrier to improving employee and customer experiences.

In order to continually evolve to meet changing customer and employee needs and navigate market shifts, IT must be well-integrated into other parts of the business.

Fig. 3: Scaling for growth is a top challenge to customer experiences

Q: Which of the following are challenges to improving CUSTOMER experiences at your organization?

base=223 technology respondents



Which of the following are challenges to improving EMPLOYEE experiences at your organization? Respondents could select all that apply; top three responses shown.

base=223 technology respondents



Managing end to end

Smaller organizations often take a siloed approach to management: marketing owns external communications and messaging, and finance hold the reins for transactions and reporting activities. But connecting IT with every function is essential to enabling process improvements and innovation across the business, and to building a platform for long-term digital transformation and sustained growth.

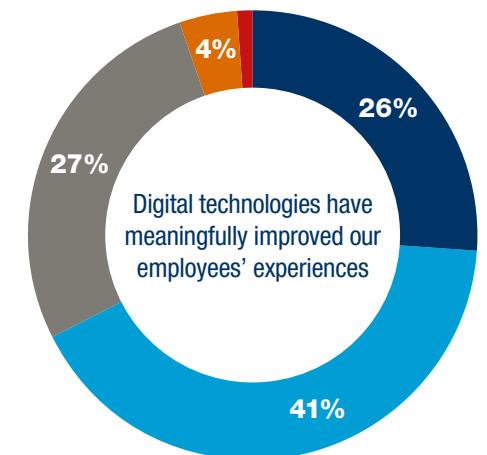
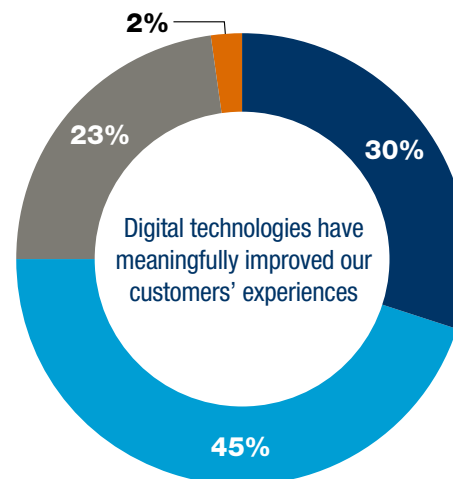
Executives tend to understand the importance of IT to business performance, especially as it relates to improving experiences for customers and employees. In fact, nearly one-quarter of executives across functions count IT among the functions with the most responsibility for delivering customer and employee experiences.

Fig. 4: How digital shapes customer and employee experiences

Q: To what extent do you agree with the following statements about your organization and your industry?

base=223 technology respondents

Strongly disagree Disagree Neutral Agree Strongly agree



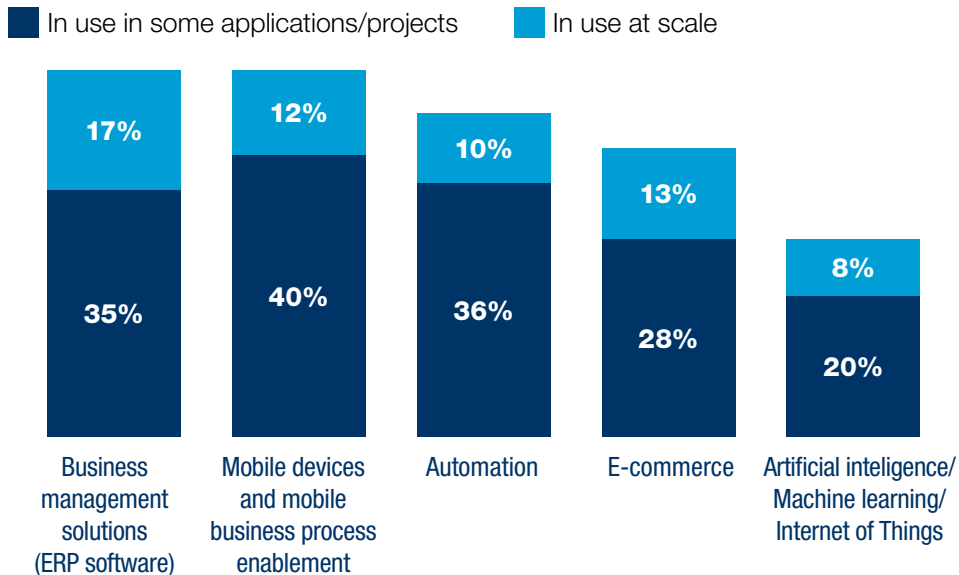
High-quality digital experiences for customers and employees have become an important differentiator for small and midsize organizations, especially in the wake of the pandemic and other disruptions. In this new landscape, the role of the IT department is even more critical. Customers, for example, have become more reliant on e-commerce as lockdowns prevented in-person shopping, and will continue to expect the convenience and dependability powered by IT. Meanwhile, employees working remotely need ongoing tech support for new environments and virtual tools, and the ability to interact digitally with HR and other parts of the business.

Many small to midsize organizations are using enterprise resource planning (ERP) software to make these connections across functions, and investing in e-commerce, predictive analytics, and artificial intelligence to support improvements across the business. In fact, over half of organizations we surveyed are already using ERP software in some capacity—though less than one-fifth deploy these solutions at scale. Further adoption of these platforms should provide executives with more operational data from across the organization—a frequent challenge for respondents to our survey.

Fig. 5: Adoption of enterprise-wide technologies

Q: Which best describes your organization’s use of the following technologies?

base=2,000 executives across functions

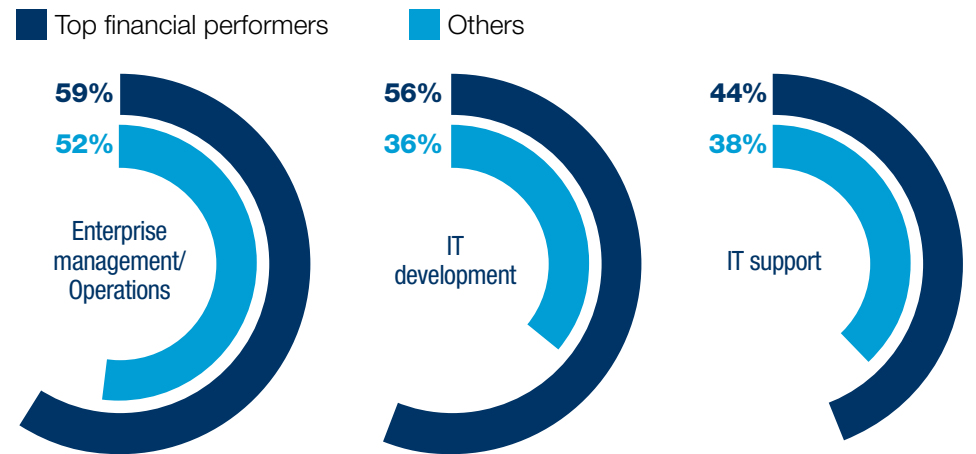


Top financial performers are more likely than others to be investing in automation and digital processes for most functions listed in the survey, including enterprise management/operations, IT support, and IT development. This correlation suggests that ERP systems and other digital tools are critical to bringing disparate teams together across the enterprise—and to driving financial performance.

Fig. 6: Top financial performers lead the way in ERP and IT investments

Q: To what extent has your organization invested in automation and digital processes for the following business functions? “Substantial investment” and “major investment” responses

base=135 top financial performers; 1,865 others (across all business functions)



A digital divide

The term “small and midsize organization” covers a broad range company sizes. Our survey, for example, captured feedback from companies with less than \$10 million to \$1 billion in annual revenue. Some priorities are consistent: for example, improving customer experiences and growth are top goal for the organizations of all sizes. However, our analysis uncovered key differences in their progress toward digital transformation and the challenges they face along the way.

Larger organizations tend to be ahead of smaller ones in terms of progress toward digital transformation. Not only are those with \$500 million to \$1 billion in annual revenue more likely than smaller organizations to say they have made substantial progress toward or completely transformed around digital, they also are more likely to have adopted a range of specific technologies, including ERP and AI.

Onboarding digital technologies—especially the ones that set the foundation for other emerging tools—will be necessary for small companies to keep pace with their rivals over the coming years, including larger firms with more resources. The smallest organizations in our survey already are more likely to report difficulty competing with larger firms or digital natives, and an inability to use digital tools to boost efficiency, better understand customers and employees, or introduce new products and services will only widen the gap.

Fig. 7: Larger firms are more likely to have invested in ERP and AI

Q: Which best describes your organization’s use of the following technologies?

base=2,000 executives across functions

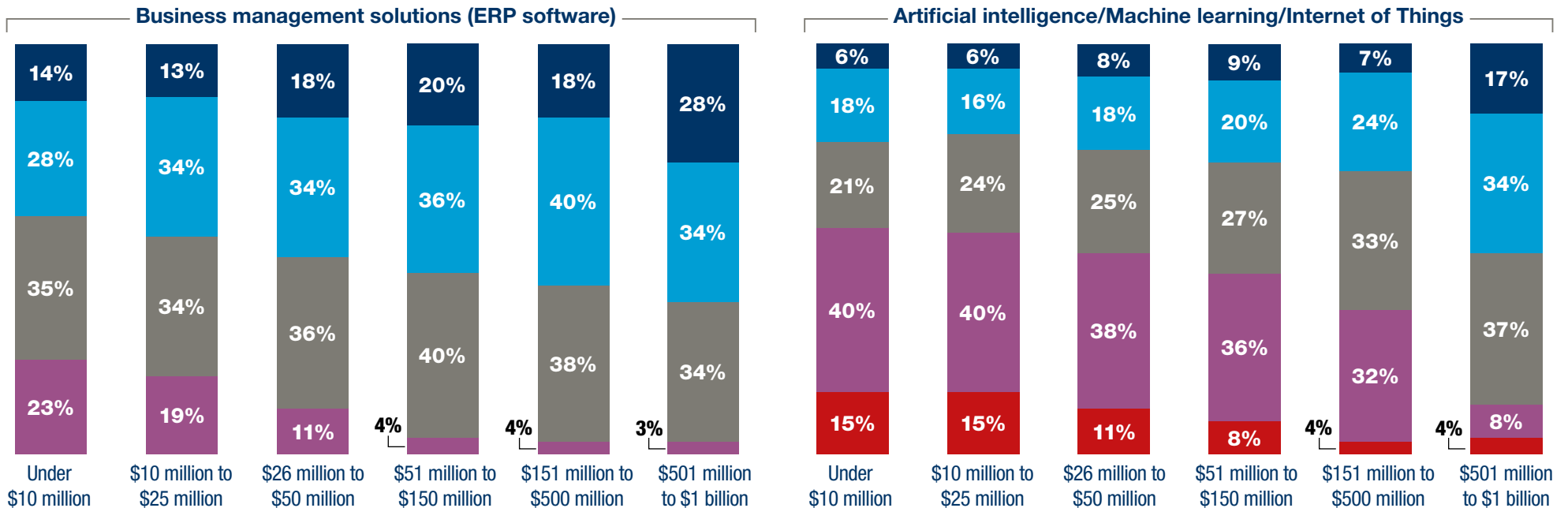
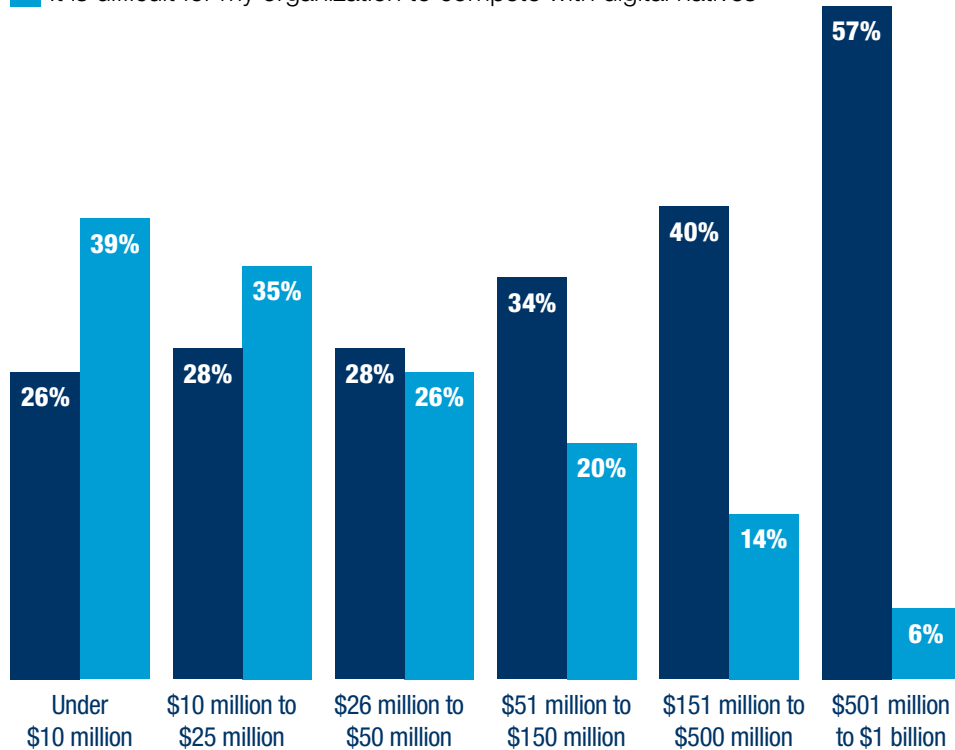


Fig. 8: Smaller firms sometimes struggle to compete

Q: To what extent do you agree with the following statements about your organization and your industry? “Agree” and “Strongly agree” responses combined

base=2,000 executives across functions

- My organization effectively competes with larger organizations
- It is difficult for my organization to compete with digital natives



Conclusion

The IT function plays a critical role in improving customer and employee experiences, during times of both growth and crisis. How can technology executives respond to the evolving needs of their small and midsize organizations and position them for long-term success?

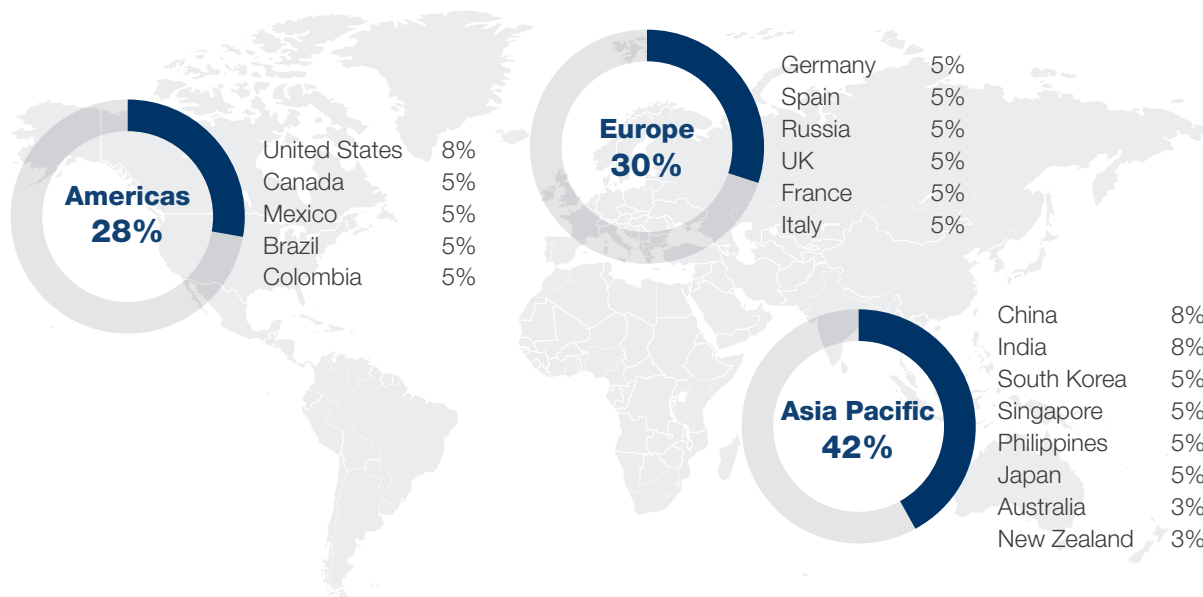
- **Set the foundation for long-term resilience.** The IT function prepares the rest of the business for future success and continual evolution. Developing processes that will allow the organization to scale up and respond to new market needs quickly—without sacrificing customer or employee experiences—will be critical to competitiveness today and in the years ahead.
- **Focus on connecting functions and processes.** IT must work closely with all other business functions in order to support continual process improvement, innovation, and enhanced customer and employee experiences. ERP platforms and other digital tools can help IT connect the dots across functions and allow for greater visibility into organization-wide processes.
- **Invest for the future.** Advanced digital technologies like artificial intelligence, machine learning, and predictive analytics are not just for large enterprises. Smaller firms can begin incorporating these tools into their platforms in meaningful ways to set the foundation for future technology adoption.

Methodology

Oxford Economics and SAP surveyed 2,000 senior executives from small and midsize organizations around the world and across industries about their goals and strategies, particularly as they relate to improving experiences for customers, employees, and business partners. The survey was administered via a mix of computer-assisted telephone interviewing and online links between February 27 and April 30, 2020.

Our survey covered several countries in the Americas, Europe, and Asia Pacific. Respondents represent a range of executive roles including operations (18%), management (17%), finance (13%), technology (11%), sales (10%), human resources (9%), marketing (8%), legal/risk (7%), and customer service (7%). Industries represented include 10% each from wholesale distribution, professional services, banking and financial services, consumer goods, retail, discrete manufacturing, high tech, and life sciences; 6% each from utilities and engineering, construction, and operations; and 4% each from public sector and logistics.

All organizations surveyed report under \$1 billion in revenue. In all countries except India, organizations have fewer than 1,000 employees; in India, some organizations have between 1,000 and 2,000 employees.



Message from our sponsor

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