The Business Rearview Mirror™ Study
2007
Successful Entrepreneurs Look Back on Their Early Days and Share Advice for Small Businesses
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Small businesses face a bumpy road. Just half of small businesses survive their first four years.

- 50% Surviving
- 17% Closed and Successful
- 33% Closed and not successful

Source: SBA
In July 2007, CDW surveyed 862 business leaders and found 152 executives who beat the odds as small business owners to grow their companies to 100+ employees. This report identifies their challenges, their attitudes toward Information Technology (IT), and shares their advice for growing small businesses.

<table>
<thead>
<tr>
<th>About the Businesses</th>
<th>About the Business Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average annual growth (AAG) over past 5 years</strong></td>
<td>89% &gt;5% AAG 57% &gt;10% AAG</td>
</tr>
<tr>
<td><strong>Years in business</strong></td>
<td>95% &gt;5 years 62% &gt;10 years</td>
</tr>
<tr>
<td><strong>Company size</strong></td>
<td>84% have 100-500 employees</td>
</tr>
<tr>
<td><strong>Time it took to grow to 100 employees</strong></td>
<td>37% say 0-4 years 32% say 5-9 years</td>
</tr>
<tr>
<td><strong>IT involvement</strong></td>
<td>74% “totally involved in IT decisions”</td>
</tr>
<tr>
<td><strong>Tech-savvy</strong></td>
<td>22% total geeks 59% power users</td>
</tr>
<tr>
<td><strong>Industries Represented</strong></td>
<td>Automotive, Construction, Education, Financial Services, Healthcare, Law, Manufacturing, Non-profit, Retail, Real Estate, Transportation, Telecommunications</td>
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</table>
Key Findings

- Employee recruitment and retention, as well as managing IT, are top small business challenges.
- Small businesses that view technology as a strategic or competitive advantage grow faster than their counterparts.
- The owner’s technology savvy correlates to business growth, in revenue and in employee count.
- Small business owners are very involved in IT decisions. This said, the highest-growth small businesses owners pass the wheel, relying on others to manage IT.
- Successful business principals offer lessons learned from their growth experiences:
  - Integrate IT into business strategy early.
  - Understand as much as you can about technology.
  - Capture the full advantage of technology you acquire, with high return applications and employee training.
Traffic Jams: Top Small Business Challenges

Top Challenges as Small Businesses: Business leaders flag employee recruiting/retention and using IT to their advantage as top challenges.

Looking back at how you achieved growth to more than 100 employees, what significant challenges did you face?

- Recruiting/retention: 52%
- Managing IT to our advantage: 38%
- Satisfying employee regulations: 37%
- Establishing and maintaining financial controls: 31%
- External costs of doing business: 31%
- Understanding what our customers want: 29%
Respondents say IT in production/project management and supply chain management had the greatest impact on the bottom line of their companies as they grew.

Where in your business has IT had the most significant impact on the bottom line?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>21%</td>
<td>Production/Project Management</td>
</tr>
<tr>
<td>18%</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>16%</td>
<td>Sales and Business Development</td>
</tr>
<tr>
<td>16%</td>
<td>Human Resources</td>
</tr>
<tr>
<td>16%</td>
<td>Marketing</td>
</tr>
<tr>
<td>9%</td>
<td>Accounting and Finance</td>
</tr>
<tr>
<td>4%</td>
<td>Other</td>
</tr>
</tbody>
</table>
98% of responding executives say that their small business had a defined IT strategy. 65% agree or strongly agree that IT was a key contributor to growth beyond 100 employees.

What statement best reflects your company’s IT strategy during your growth to 100 employees and beyond?

- **5%**: We were conservative and only wanted to use IT that was proven useful and cost effective.
- **14%**: We considered our employees a competitive advantage, and spent just enough to ensure they could do their job.
- **35%**: IT helped us level the playing field with larger competitors, so we employed the best and most reliable tools we could find.
- **44%**: We considered IT a strategic investment that put us on the cutting edge.
- **2%**: We never had a defined strategy for technology.
Fast Pass: Honor IT – It’s a Winning Attitude

Small businesses succeed when they have a focus on technology. Tech-savvy owners succeed faster.

61% of respondents who view IT as a strategic or competitive investment reported double-digit average annual growth over the past five years, compared to 43% of those who spent “just enough” to ensure employees can do their jobs.

Revenge of the Nerds (The Final Sequel)

73% of respondents who rate themselves as “total geeks” report double-digit average annual growth in their businesses over the last five years.

48% Close to half of “total geeks” say their companies reached 100 employees within 5 years, compared to one third of all survey respondents.
Successful small business owners invested significantly in IT during their growth from 60 to 100 employees.

At the 60-employee mark, what percent of successful small businesses had reached the following IT milestones? At the 100-employee mark?

<table>
<thead>
<tr>
<th>IT Milestone</th>
<th>60 employees</th>
<th>100 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased our first server</td>
<td>68%</td>
<td>84%</td>
</tr>
<tr>
<td>Deployed our first network</td>
<td>60%</td>
<td>83%</td>
</tr>
<tr>
<td>Hired our first full time IT pro</td>
<td>53%</td>
<td>77%</td>
</tr>
<tr>
<td>Provided industry-specific apps, beyond Office™</td>
<td>48%</td>
<td>77%</td>
</tr>
<tr>
<td>Built our first data center</td>
<td>42%</td>
<td>69%</td>
</tr>
<tr>
<td>Prepared and tested a business continuity plan</td>
<td>38%</td>
<td>66%</td>
</tr>
<tr>
<td>Deployed off site data storage and back up</td>
<td>36%</td>
<td>68%</td>
</tr>
<tr>
<td>Provided remote network access to staff members</td>
<td>36%</td>
<td>74%</td>
</tr>
<tr>
<td>Deployed wireless/mobile computing</td>
<td>31%</td>
<td>66%</td>
</tr>
</tbody>
</table>
Successful small business owners drive IT, but the highest-growth small business owners rely more on IT resources.

What type of IT support did your company have in the period directly before reaching the 100-employee mark?

- 12% - IT department
- 12% - Outsourced all IT
- 42% - Owner handled IT
- 12% - Dedicated IT person, no staff
- 22% - IT person with other responsibilities

How did high-growth (>20% average annual growth) small businesses handle IT?

- 49% Had dedicated IT person or IT department
- 24% Had dedicated IT person or IT department
- 20% annual growth
- AllResponders
Small business owners do tap external consultants and vendors for IT support.

Thinking of the years right before reaching the 100-employee milestone, how did you use external IT vendors and consultants?

- 65% used them as an extension of their staff to handle both hardware and software.
- 24% used them strictly to source hardware.
- 11% used them strictly to help with software.
- 11% used them as an extension of their staff to handle both hardware and software.
Wrong Turns: What These Leaders Would Do Differently in Retrospect

Looking back, successful entrepreneurs highlight the need to take advantage of the technology acquired and integrate technology strategy with business strategy.

What has been your biggest IT mistake over the years?

- Not taking advantage of the technology we did acquire (21%)
- Not integrating technology into our business strategy sooner (18%)
- Not hiring a dedicated IT professional sooner (15%)
Driving Tips from the Veterans: IT Advice for Small Businesses

Leaders of successful mid-size businesses emphasize the need to be strategic, do your homework, and stay flexible/scalable.

“Keep growing with technology.”

“Look down the road.”

“Be Proactive.”

“Try to keep current, but within your means.”

“Work from the inside out – in other words, start where you want to be and then structure your resources accordingly.”

“Be mindful of total cost of ownership…the cheap list price equipment may wind up running far more than a more expensive unit.”

“IT helps your business grow.”

“Evaluate your business and IT needs monthly. We found our IT needs continuously changed.”
Driving Tips from the Veterans: Trends for Small Businesses to Watch

Wireless technology and data security top the list of topics that successful entrepreneurs recommend small business owners should learn about.

What do you believe are the most important technology trends that small businesses should understand?

- Wireless Technology: 56%
- Data Security: 53%
- Mobile Tools: 40%
- Document and KM: 39%
- eCommerce/Interactive: 39%
- Planning for Business Continuity: 32%
- Enterprise Resource Planning: 27%
- Server Optimization/Virtualization: 26%
- Wide Area Networks: 21%
- Desktop Publishing: 16%
- Social Networks: 16%
Methodology

• CDW selected O’Keeffe & Company to conduct the online study in June and July 2007, targeting successful mid-size business executives and CEOs who have grown their companies from small businesses

• “Small business” means less than 100 employees

• The businesses surveyed currently have 100-5,000 employees and are from a variety of industries

• A total of 862 business executives responded to the survey, and 152 of those are mid-size business leaders who have been principals in their companies since they were small businesses

• The sample size equates to a +/- 6.25% precision at a 95% confidence level
Thank you.

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