

2008 CDW Small Business Driver's Seat™ Report

Technology smarts drive small business growth

April 29, 2008



Introduction

- » The 2008 CDW Small Business Driver's Seat Study examines the role of technology in today's small businesses. It complements the CDW Rearview Mirror Study, published in 2007, which captured insights of mid-size business leaders on how they used technology to grow from small companies to their current size
- » The CDW Small Business Driver's Seat study asked 555 small business executives (5-99 employees) to share their attitudes, challenges, and achievements, and to identify the technology trends they think will be most important for their businesses as they grow
- » This study also identifies some significant differences in technology strategy, experience, and plans among minority- and women-owned small businesses



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Executive Summary

- » **The IT Hill Climb: The growth period of a company from 50 to 100 employees is a time of dynamic, often dramatic IT evolution**
 - As a company gets traction, networks grow in complexity and size, applications grow more sophisticated, and more IT-dedicated professionals are hired

- » **Zero to Sixty: Executive attitudes towards technology during this period appear to influence business growth rates**
 - **68%** of respondents who “consider IT a strategic investment” experienced 10% or more average annual growth over the past five years, compared to just **36%** of respondents who “stick with technologies that are proven useful and cost effective”

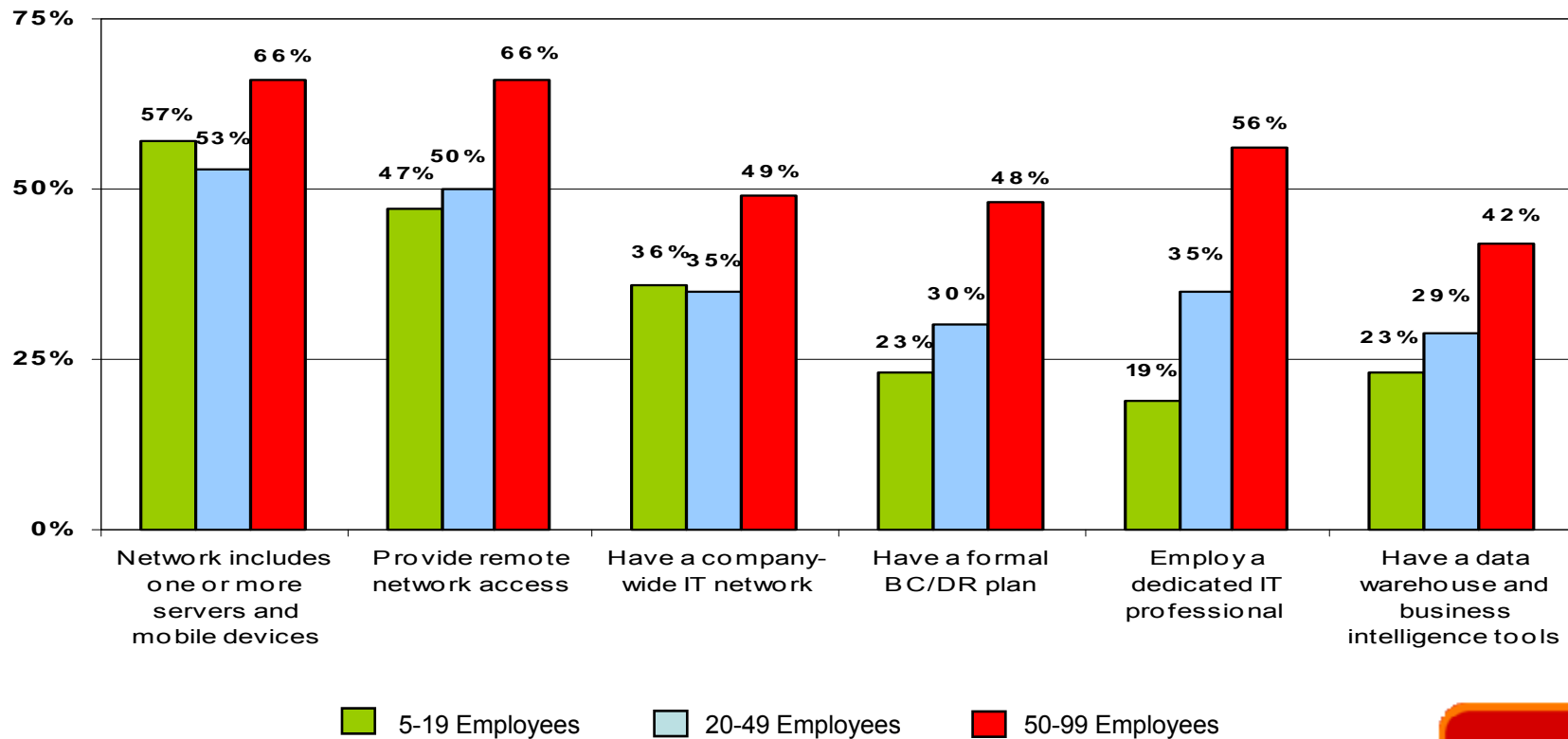
- » **Racing School: External costs and intense competition drive small business executives toward technology that can help them...**
 - Grow their businesses: Business intelligence, eCommerce/online marketing
 - Manage shrewdly: Server consolidation, virtualization, data warehousing
 - Protect their assets: Business continuity/disaster recovery (BC/DR)



The IT Hill Climb

IT evolution in a business follows a steep curve, maturing intensely as companies grow from 50 to 100 employees

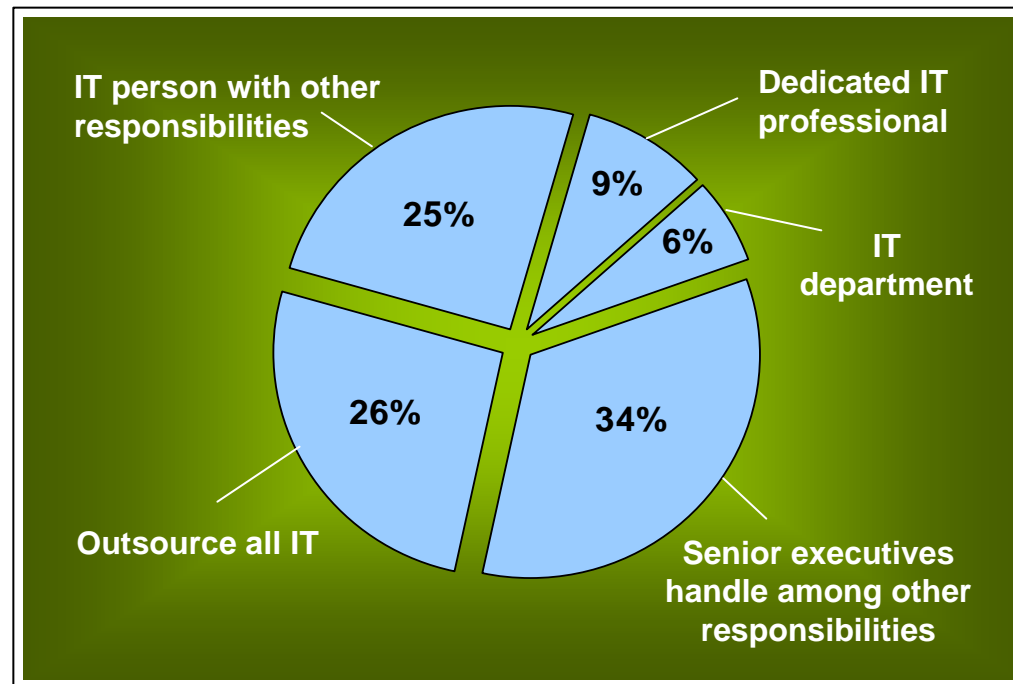
IT Achievements by Company Size



Technical Support: The IT Pit Crew

Principals in very small businesses take on IT in addition to other responsibilities, but are more likely to employ an IT professional as they grow beyond 50 employees

Which statement best describes the IT support your company has today?



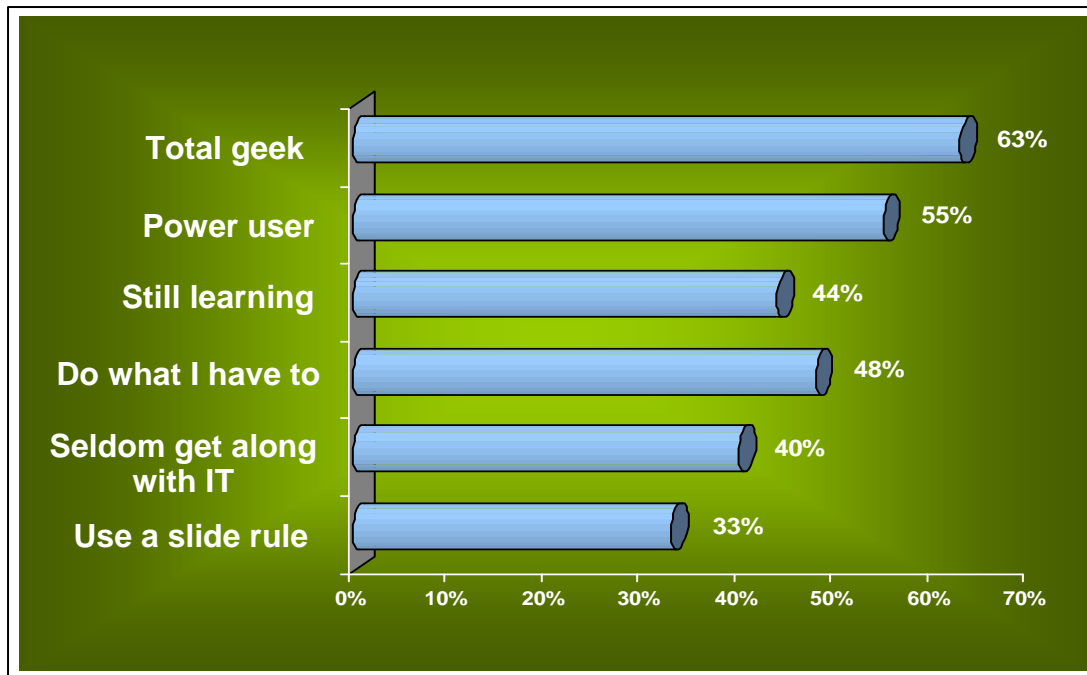
Full Sample: 5-99 Employees



Zero to Sixty With a Technology Turbo

High-growth companies are most often led by tech-savvy principals who view IT as a key contributor to business success and a strategic investment

Percent of respondents who experienced 10%+ average annual company growth:



68%

vs

36%

Of those who consider IT a strategic investment

Of those who are conservative, stick with technologies that are proven useful

47%

vs

39%

Of those who agree that IT is a key contributor to business success

Of those who disagree that IT is a key contributor to business success



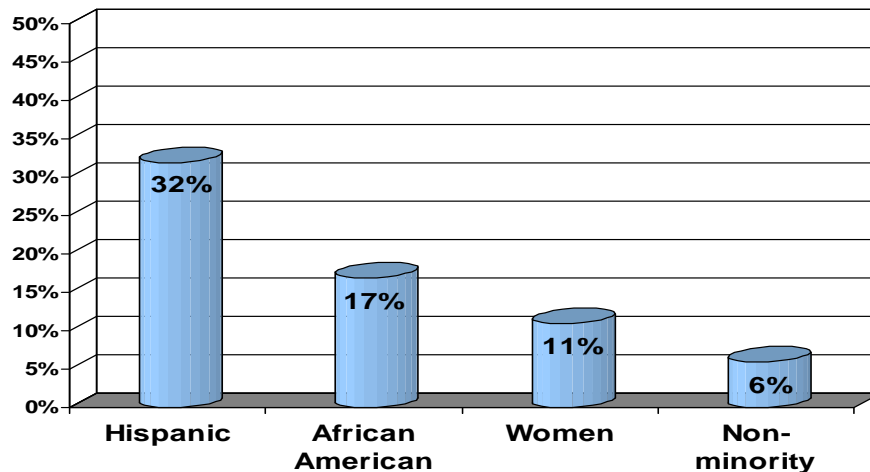
Fuel Injection: The Value of IT

66% of all respondents agree or strongly agree that IT is a key contributor in their business's ability to succeed and grow

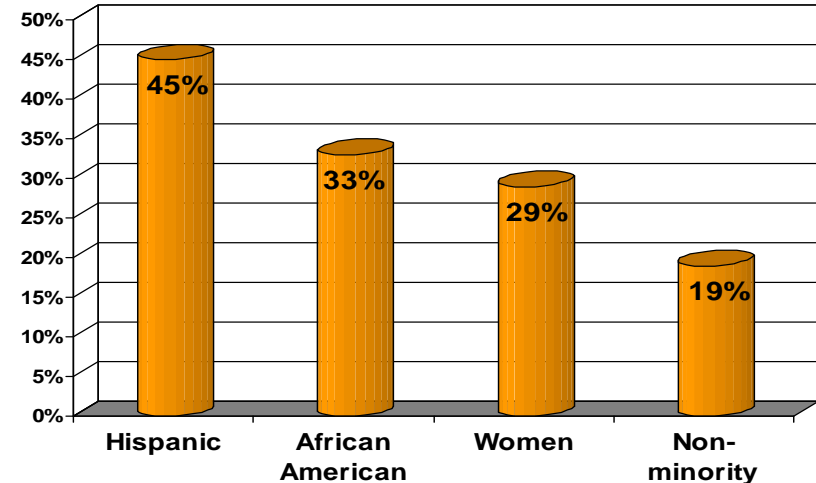
- Minority-owned businesses are more likely to view IT as a strategic investment, regardless of company size
- Belief that technology is a strategic investment increases as companies grow

Respondents, by ownership, who consider IT a strategic investment

5-19
Employees



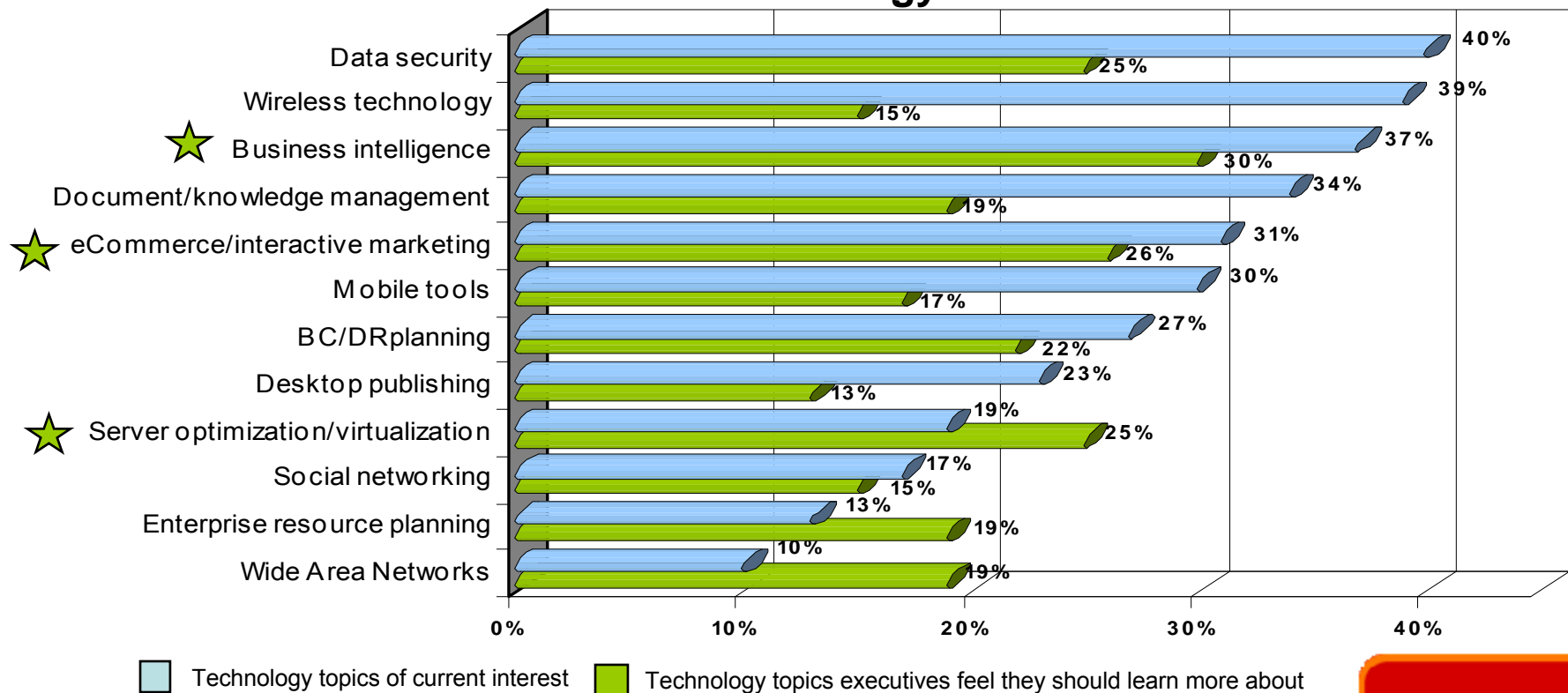
50-99
Employees



Executive Knowledge of IT

Data security, wireless technology and business intelligence are leading interests, and small businesses want to learn about technologies once known only to large businesses

Technology Interests



Q) Please check all interests that apply



Rearview Mirror: Top IT Regrets



Despite rating “not capturing full advantage of the technology we own” as the **top information technology mistake**, only **29%** of all respondents currently employ a full-time, dedicated IT professional

Looking back, small businesses regret not capturing full advantage of the technology they own

What would you rate as your biggest IT mistake over the years?

Not capturing full advantage of the technology we own	26%
Not integrating IT into our business strategy sooner	14%
None	14%
Not hiring a dedicated IT professional sooner	13%
Not investing sooner or enough into software applications unique to my industry	12%
Not having a BC/DR plan	11%
Buying IT equipment or software that did not work as promised or expected	8%
Over-investing in IT	1%
Other	1%



The Road Ahead: Plans for IT Development

Looking forward, BC/DR plans and business intelligence tools will be top priorities for small businesses

IT Milestones Small Businesses Plan to Achieve in the Next Three Years

Have a formal business continuity plan	47%
Have a data warehouse and business intelligence tools	42%
Acquire off-site data storage and back up	37%
Provide industry-specific applications for staff	37%
Support mobile computing devices	36%
Employ a dedicated IT professional	33%
Build a company-wide IT network	33%
Own and operate a data center	32%
Provide remote network access	32%
Network to include one or more servers	27%
Network to include wireless capability	26%



Q) Please check all of the following milestones that your company will achieve in the next three years



Mile Markers: BC/DR and IT Staffing Plans

While fewer than one-third of respondents have made a formal business continuity/disaster recovery (BC/DR) plan or hired a dedicated IT professional, many more plan to take these steps within three years

29%

Yes – we currently have a formal **business continuity/disaster recovery plan**

29%

Yes – we currently employ at least one full time, **dedicated IT professional**

47%

Our company will have a formal **business continuity/disaster recovery plan** in the next three years

33%

We will employ a **dedicated IT professional** in the next three years

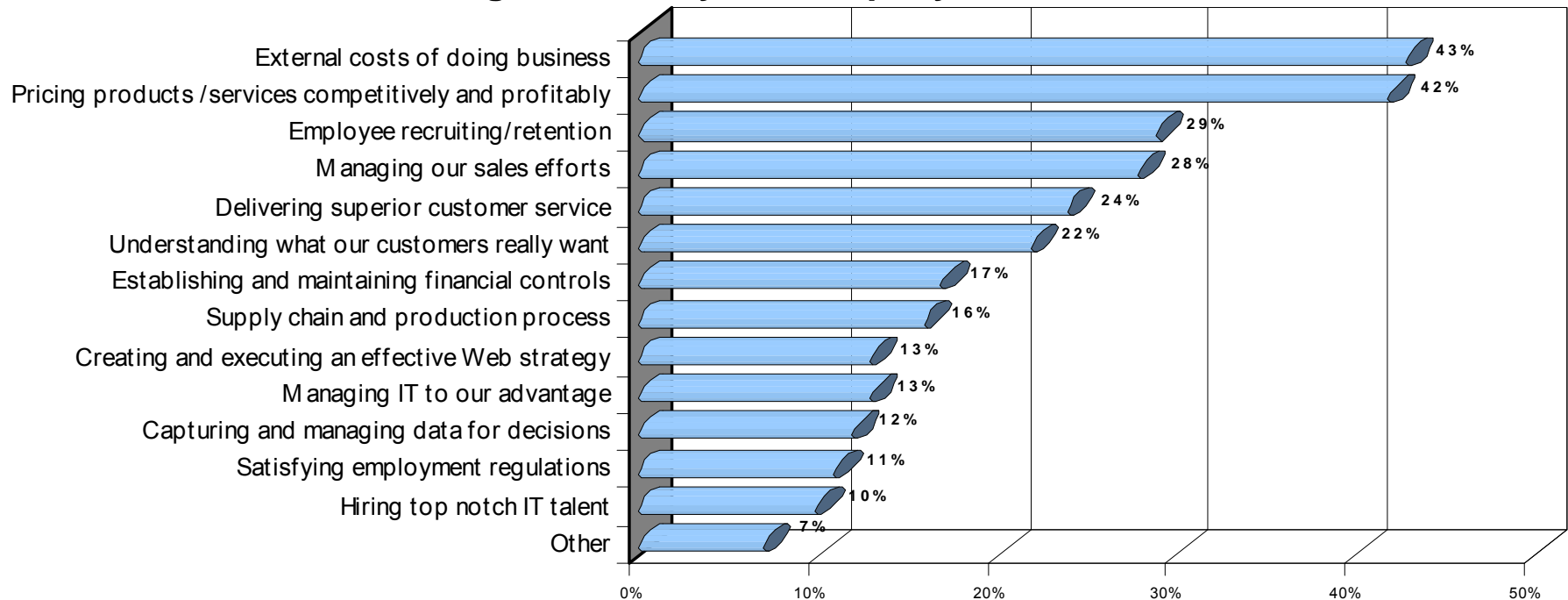
Full Sample: 5-99 Employees



Traffic Jams: Top Challenges for Small Businesses

Small businesses say that external costs of doing business and the challenge of pricing products/services competitively are their most common barriers to growth

What do you see as the most significant challenges to growth that your company faces?



Q) Please select the three greatest challenges to your company's growth today



How IT Gives Traction to Small Businesses

When asked how IT affects their bottom line, principals rate top-line initiatives highest – particularly marketing and CRM

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

16%	Marketing and CRM
14%	Production/Project Management
14%	Supply Chain Management
12%	Accounting and Finance
12%	Online Marketing
9%	Business Intelligence
9%	Sales and Business Development
6%	Remote and Mobile Computing
5%	Human Resources
3%	Communication Costs

Where in your business will IT have the most impact on the bottom line in three years?

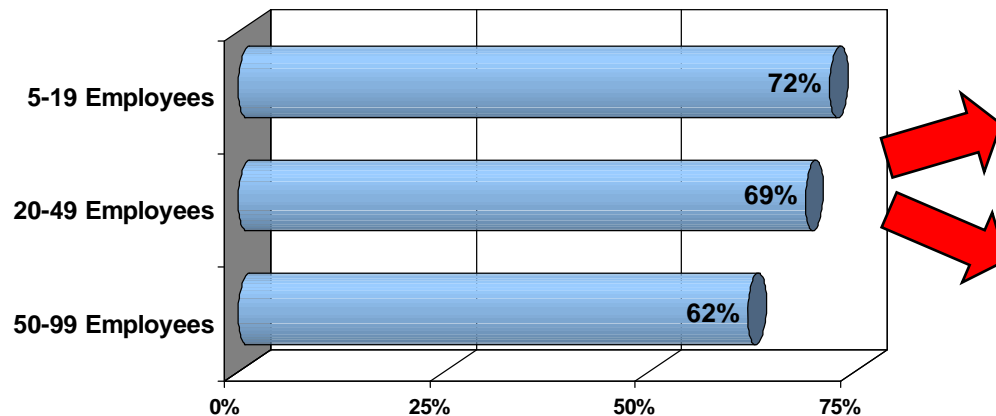
19%	Marketing and CRM
15%	Online Marketing
11%	Production/Project Management
10%	Accounting and Finance
10%	Supply Chain Management
10%	Business Intelligence
8%	Sales and Business Development
6%	Human Resources
6%	Remote and Mobile Computing
4%	Communication Costs



Who Steers on Technology Decisions?

Owners/principals are understandably more involved with IT decisions in smaller companies. Significantly more executives in minority-owned businesses take an active role, regardless of the company size

“Totally Involved” Executives by Company Size



“Totally Involved” Executives by Company Size, Ownership

5-19 Employees

African American-owned	Hispanic-owned	Women-owned	Non-minority owned
82%	74%	69%	68%

50-99 Employees

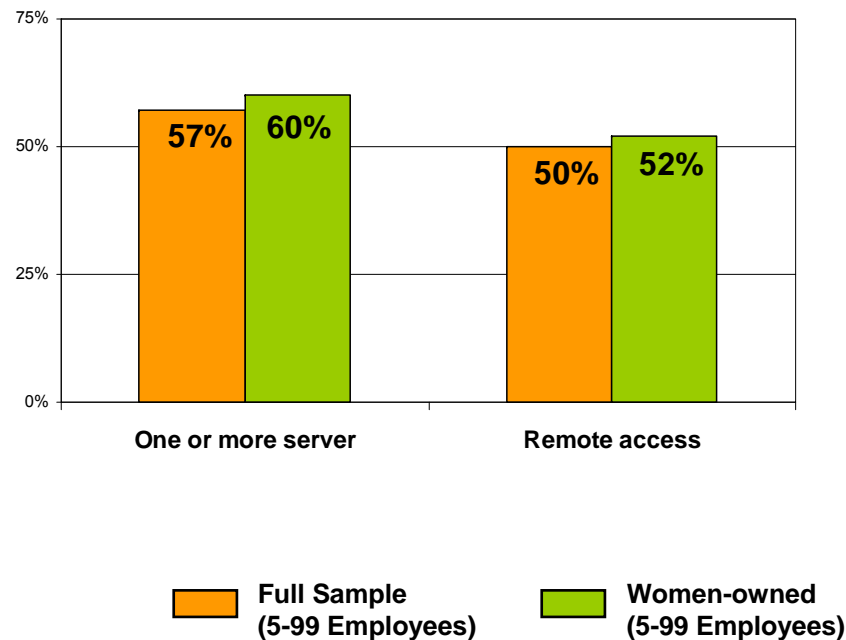
Hispanic-owned	African American-owned	Women-owned	Non-minority owned
100%	56%	50%	44%



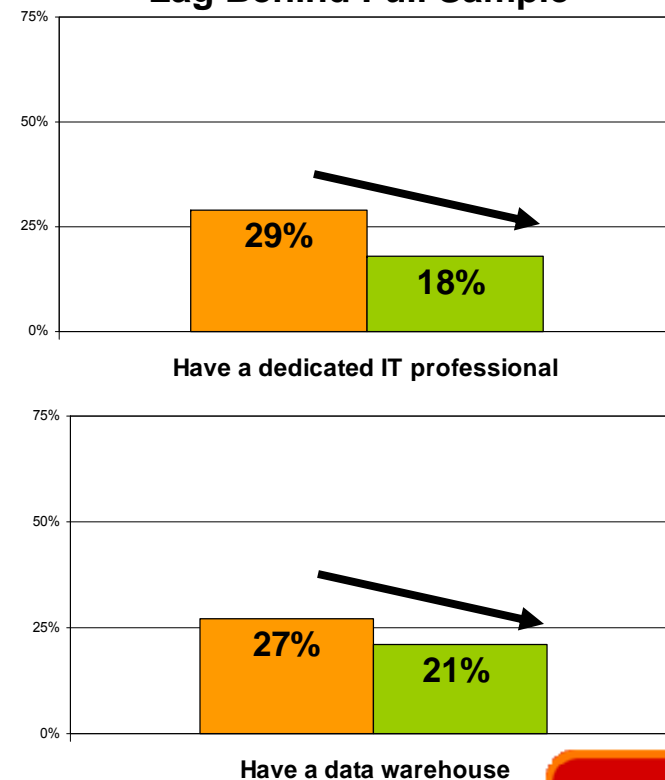
Mile Markers: Trends in Women-owned Companies

Women-owned companies adopt core technologies in line with other businesses, but lag slightly in hiring dedicated IT professionals and adopting data warehouse/business intelligence tools

Adopt in Line With Full Sample



Lag Behind Full Sample

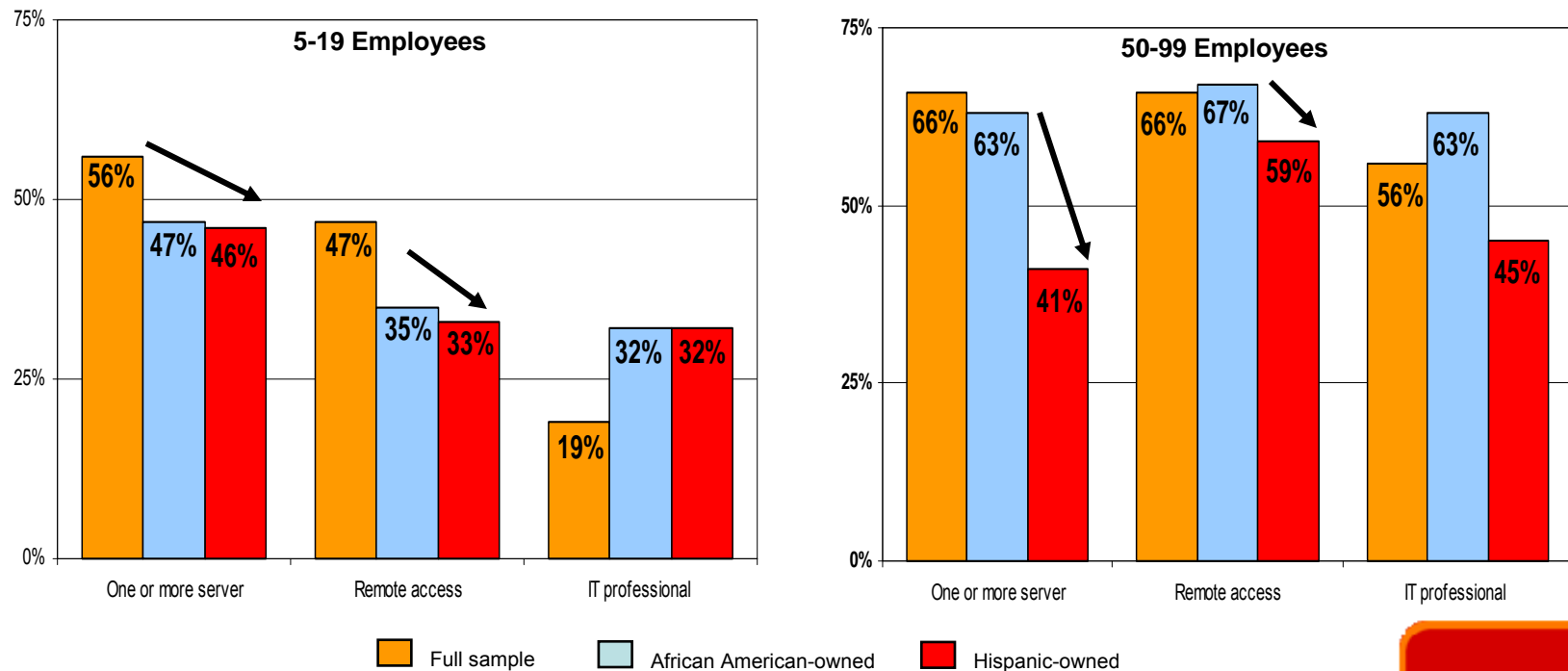


Mile Markers:

Trends in Minority-owned Companies

Minority-owned small businesses show positive attitudes towards technology and are more likely to employ a dedicated IT professional during their early years, but lag the curve on deployment of network infrastructure, such as servers and remote access tools

IT Achievements by Company Ownership, Size

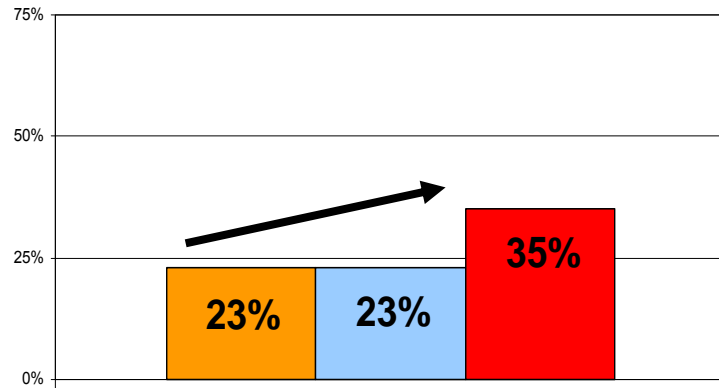


Mile Markers: Trends in Minority-owned Companies

Minority-owned small businesses lead other small businesses in the area of business continuity/disaster recovery (BC/DR) planning

Hispanic-owned companies lead on BC/DR during early years

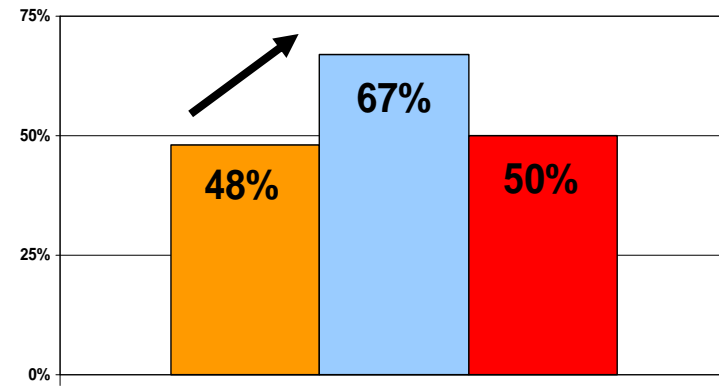
5-19 Employees



BC/DR Plan

African-American-owned companies show significant BC/DR focus once they reach 50 employees

50-99 Employees



BC/DR plan

Full sample African American-owned Hispanic-owned



Advice From the Drivers' Lounge

Small business executives emphasize the importance of research, in-house IT knowledge, trustworthy vendors, and investing early

"Treat your IT consultants as your employees."

"Ask questions and read before you buy."

"The big boys were not always big – stop thinking small."

"Data security is an important factor that is very often overlooked in a small business. Loss of information can have a detrimental effect on your business."

"It is easier to upgrade sooner than later. The price of upgrading never goes down."

"Make sure you have the time to learn how to utilize all of your equipment. If you don't then you should hire someone to perform that task."



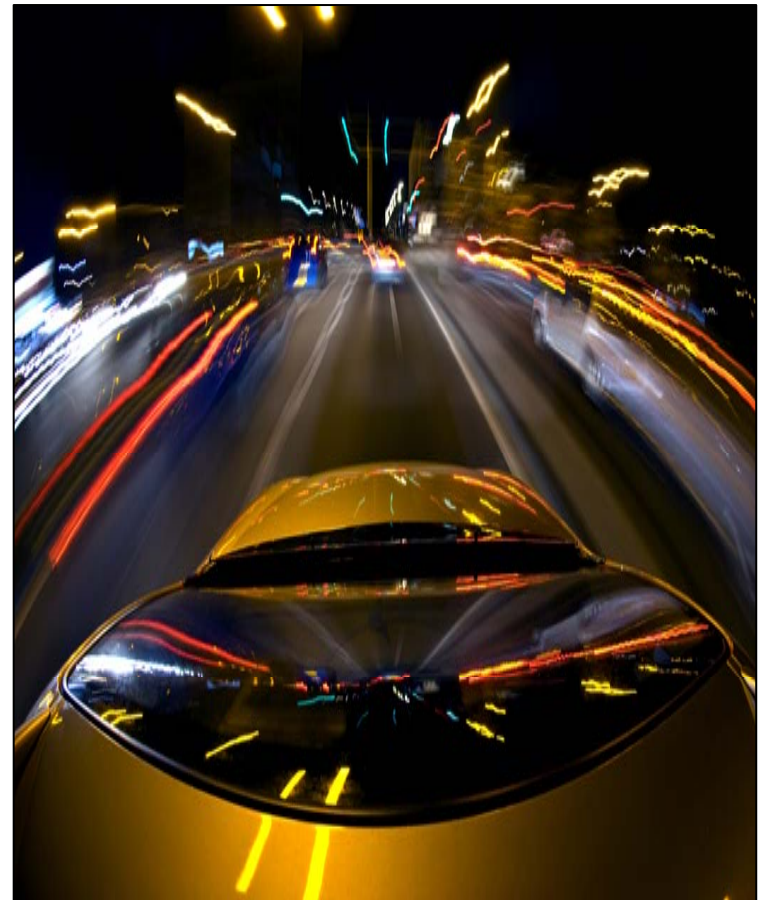
"If you don't use all the resources available to you, your competition will."

"Don't think you are too small to take advantage of IT technology. It is worth the investment in both accuracy and time saved."



Conclusions and Recommendations from the Driver's Seat

- » **Keep your hands on the IT wheel:** Understanding of IT and confidence in its value correlate with business growth
- » **Watch out for Sunday drivers:** Protect your business by securing your information assets against intrusion, loss or disruption
- » **Stay alert, and have eyes in the back of your head:** Use IT to see what's happening under the hood of your business and get a 360-degree view of what your competitors are doing
- » **Keep your skills sharp:** Invest in IT training and education for yourself and your employees. Even the best drivers take their practice laps
- » **Then put the pedal to the metal:** Engage your customers with smart eCommerce facilities, online marketing and customer relationship management tools



Methodology

- » CDW hired O’Keeffe & Company to survey owners and senior executives of small businesses (5-99 employees) during March and April 2008
- » Data collection: A national online survey through the Zoomerang Z-Sample, eRewards, Greenfield Online, and *Minority Business Entrepreneur’s* readership
- » Sample size: 555 total respondents
 - 127 responses from African American-owned businesses
 - 117 responses from Hispanic-owned businesses
 - 152 responses from non-minority-owned businesses
 - 159 responses from women-owned businesses
- » Margin of error: $\pm 4.10\%$ at 95% confidence level



Sample Demographics

About the Businesses	
Average annual growth (AAG) over past 5 years	75% >5% AAG 49% >10% AAG
Years in business	81% >5 years 54% >10 years
Company size	59% have 5-19 employees

About the Business Owners	
IT involvement	70% "totally involved in IT decisions"
Tech-savvy	55% "like technology but I still have a lot to learn"
Decision Makers	48% Owner-CEO, President or principal/partner





Thank you.

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