



How Australian SMEs can overcome IT challenges in 2018





This whitepaper explores the different types of technologies that owners of Australian SMEs need to be aware of in 2018. It also advises how a business's IT systems can be managed in a cost-effective manner in order to free up an owner to focus on moving their business forward.

An Uncertain Economic Outlook

Small and medium-sized businesses across Australia have enough on their plate as they welcome in 2018. The slowing economy both domestically and in some of the country's largest export markets does not help matters.

Goldman Sachs, the global investment bank, predicts a decline in GDP and a rise in the unemployment rate. (1) Other forecasts are not as glum but still seem to point to a fairly modest growth rate for the Australian economy over the next couple of years.

To stay profitable, Australian SMEs need to prepare by ensuring they are operationally sound and financially lean.

How Information Technology Can Help

“Information technology is increasingly turning into “business technology” - George Colony, CEO (Forrester Research)

In such an environment, the last thing a business owner tends to think about is the technology their company runs on.

However, more and more core businesses processes in Australian companies are becoming IT-driven. As a result, the technology that supports these processes becomes a prime contributor to the business's bottom line. In many cases, IT is no longer a cost centre but rather a growth-enabler.

In fact, software now supports most if not all of the functions of an SME: from accounting to human resources, to operations, marketing and everything in between. The use of appropriate software greatly simplifies or automates these functions, leaving the owner to focus more on what actually matters - growing their business.

For an SME, leaving IT strategy to chance can potentially slow or even hurt their expansion.

The State of IT in Australian SMEs

The Australian Bureau of Statistics' last report on "Business Use of Information Technology" (2) published in 2015, shows a year-on-year increase in the overall adoption of IT among SMEs.

This includes the use of cloud services such as software-as-a-service, storage and hosting. However, the extent of technology use does vary by industry and the size of the business. For instance, companies that employ fewer than 19 employees are the largest users of software-as-a-service, citing simplicity and increased productivity as the main reasons for embracing the "cloud."

For many Australian businesses, IT can become a true growth enabler if approached strategically.

Certain Industries Still Lagging Behind

Despite the crucial role that IT plays in supporting a businesses's growth and the increased adoption of new technologies in Australian SMEs, some industries still fail to benefit from these advances.

As well as clearly showing that IT permeates all aspects of an Australian business's operations, the ATS survey also shows that not all companies are on the front foot.

In particular, when it comes to proactively supporting and maintaining their technology infrastructure, a third of businesses are lagging behind. This is mostly the case in agriculture, forestry, fishing, transport, postal and warehousing. In these industries, professional IT support for critical software or hardware is not commonly encountered.

Making a Business "Tech-Fit"

Given the complexity of most of the systems a company runs on, not taking a proactive role in managing IT infrastructure is a significant oversight on the part of a business owner. A failure of even one piece of crucial software can have a drastic impact on the company and will often cost a business dearly.

There is no doubt that getting technology “right” will help set the stage for increased efficiency and a resulting increase in financial performance.

What’s In Store for Australian SMEs IT-Wise

Despite the mixed outlook for the Australian economy, technology predictions are always bright and the ones for 2018 are no exception. For business owners, it helps to stay abreast of the changing technology landscape in order to know what to anticipate and how this will impact their business in the coming months and years.

Among the overwhelming number of sources who predict technology shifts, one that is worth paying attention for Australian SMEs includes the International Data Corporation (IDC), the world’s leading consultancy and market intelligence provider. IDC has been issuing its annual “FutureScape” report for close to two decades now and CEOs the world over take serious note of these forecasts.

The two main predictions that will have an impact on SMEs are outlined below.

An Orchestrated Move to the Cloud

IDC’s main predictions for 2017 and 2018 is that, during this period, the move into the cloud will become commonplace among businesses of all shapes and sizes.

A prediction that ties into that is that half of technology spending will be on emerging technologies such as cloud and mobile computing, big data and other new tech. This certainly supports data gathered by the Australian Bureau of Statistics (ABS) (2) that shows a fifth of Australian businesses already using paid cloud computing.

Outsourcing of IT Continues to Increase

Also, IDC forecast that by 2018, a third of IT staff will be working for managed services providers. This is also in line with statistics from ABS’s last report, which shows that 44.5% of small businesses (up to 19 employees) and 57.2% of medium-sized enterprises (up to 199 employees) use contractors or consultants for IT support.

As well as this shift to an increasingly consulting-focused technology management model, IDC predicts that IT suppliers will considerably transform their own business models to survive. IT buyers, both large and small, will need to seriously re-assess their vendor management strategies to ensure they’re getting the best possible support for their technology stack.

For Australian SMEs, it will become increasingly important to find an IT partner they can trust and who can help guide technology decisions in line with their evolving business needs.

SMEs Drowning in a Sea of Software

2015's thinkBIG study (1), conducted by business advisory firm RSM, confirms that the main challenge facing Australian SMEs is being able to adapt to the digital revolution that is currently taking place. This is seen as the biggest challenge even when compared to other crucial areas of concern such as addressing skills shortages and strategic business planning.

Adapting to this newfound 'digital disruption' involves not only upgrading technology but trying to figure out if certain operations need to be completely overhauled as a result of new software tools.

Unsurprisingly, many owners of small and medium-sized enterprises get lost in this "sea of software." This includes not only choosing the appropriate applications themselves, but working out how to support them long-term and ensuring that the chosen apps continue to provide business value in a cost-effective way.

The Top Technology Challenges

Techaisle, a global IT market research firm, has released the following ranked list of technology challenges based on their research of the global SME market in 2015 (2):

1. Budget constraints
2. Excessive data growth
3. Mobile device management
4. Mobility security
5. Data protection / recovery / business continuity
6. Implementing / accelerating cloud computing
7. Regulatory compliance
8. Data / application integration
9. Energy efficiency and monitoring
10. Controlling costs / justification for IT investment.

Australia-specific Business IT Issues

Despite the data being global, the challenges faced by Australian SMEs are the same and the relative importance of each of above factors isn't be that different

locally.

As an example, the ATS study referenced earlier (3) suggests that the following factors - in order of importance - limit the implementation and use of cloud services in local businesses:

1. Insufficient knowledge of cloud computing services
2. Risk of a security breach
3. High cost of cloud computing services
4. Uncertainty about the location of data
5. Uncertainty about legal, jurisdictional or dispute resolution mechanisms.

Cost, technical knowledge, security issues and legal compliance are the overlapping concerns that SMEs, both here and overseas, have top-of-mind.

Why Security Can't Remain an After-Thought

While most of the challenges outlined earlier may not have an impact on an SME's operations immediately, a security breach is definitely something that will be felt straight away. The added danger of security vulnerabilities is that they pose a threat not just to the business itself but also its customers.

This can damage the business financially and, just as importantly, hurt its reputation and brand. Depending on the severity of the security problem, a business may totally lose the trust of both long-standing as well as future customers or clients.

Cybersecurity in Australian Businesses

The not-so-good news is that SMEs can anticipate more cyber-attacks in 2018. A recent article in CIO.com.au has even dubbed 2018 as "the year of cyber risk" (1).

The annual predictions made by News.com.au also point to the fact that cyber-attacks are on the rise and that Australian SMEs are already being heavily targeted due to the higher quality of life in this country. This makes the payoff so much more worthwhile for hackers and the threat so much more real for businesses with sensitive customer data (2).

News.com.au also advised that SMEs need to ensure that appropriate budgets are being allocated to ensuring that customer and other crucial business data is secure. This also involves publicly communicating a company's privacy policies so that customers or clients are aware of these (1).

Especially given Australian businesses' ever-increasing appetite for cloud-based services, implementing tight security measures becomes even more important.

Assessing Other Forms of Technology Risk

In addition to the threat of cybercrime, SME owners also need to know the other forms of technology risk (3):

- User accounts - given the bring-your-own-device (BYOD) and remote work policies that are increasingly becoming commonplace in the Australian workplace, staff need to be made aware of security best practices.
- System usage - when implementing new systems, there need to be training and support programmes in place for employees to ensure successful software adoption.
- Down time - each second that a business's mission-critical application is offline equals lost revenue. So, plans need to be put into place in order to minimise or completely eliminate such delays.
- Untested technology - this is a constant risk given the 'shiny new toy' syndrome that drives the software industry forward. While new apps can potentially revolutionise how a business operates, the need to introduce a new system needs to be carefully weighed up and, once introduced, the process then needs to be carefully managed.

How Does an SME Stay on Top of it All?

The complex nature of business technology and the rapid pace at which hardware and software are evolving means that owners of small and medium-sized companies are not able to keep up.

The key to staying up-to-date with business technology is ensuring that outsourced resources are in place to manage this part of a company's operations. However, as the ATS survey shows (1), most SMEs in Australia lack qualified people in-house to adequately service and further develop their technology infrastructure.

For instance, nearly a third of micro-businesses of up to four employees have no IT support at all. Yet, roughly half of businesses with a headcount of five to two hundred employees tend to use outside tech support.

International Trends in Outsourcing

CompTIA, a global industry trade association for the IT industry, in its recent

“Fourth Annual Trends in Managed Services” report (2), found that more than two thirds of respondents have worked with a managed services provider (MSP) over the last 12 months. This is a significant jump from 2014, where only three out of every ten businesses have outsourced any of their technology infrastructure to an MSP.

Given the speed with which the Australian IT sector is developing, there is no doubt that local businesses will also increase their uptake of managed services. The ATS survey results definitely indicate that everything is moving in this direction.

In-House vs Outsourced IT Support

There are a number of reasons why small-to-medium sized Australian companies choose to outsource the management of their technology to consultants. One of the primary reasons is that hiring in-house IT staff is cost-prohibitive until a business reaches a certain critical mass.

Adding an IT support person to the team is often a pretty significant financial commitment. On the other hand, with an outsourced provider, there is usually just one fixed monthly fee that is often a fraction of the typical salary paid to an in-house specialist.

The Numerous Benefits of Outsourcing

However, even when a SME is in a position to afford an in-house IT specialist or two, it is still more beneficial to keep the function outsourced. Following are some reasons why outsourcing makes a lot of sense for an SME (1):

- Skills and knowledge - due to the sheer number of software systems that power a typical business, in-house staff may often not have the required knowledge to competently support each one.
- Expansion - when a business starts scaling, ensuring that the technology infrastructure is adequate at each stage of a business's growth stage requires a different set of skills from just support. In-house teams may not possess these additional skills.
- Maintenance and performance - outsourced consultants, such as managed services providers (MSP), have financial and business incentives in the form of service-level agreements (SLAs) that ensure that, in the event of failure of a business's mission-critical IT systems, they'll be up-and-running as soon as possible.
- Contingency planning - as the saying goes: “an ounce of prevention is worth a pound of cure” and an outsourced provider will put a robust plan in place

drawing on its experience with other similar businesses. The diversity of experience that a consultant has is something that an in-house team often cannot match.

- Security - often the relationships that an MSP has with their individual software and hardware suppliers means they're always kept up-to-date on the latest security-related issues and trends.

Outsourcing vs Managed Services

While managed services fall under the general outsourcing umbrella, there is a distinction between the two. Outsourcing of technology is usually commodity-driven with the end-goal being mainly to lower costs. The cost-centricity of outsourcing means that often, instead of being a strategic driver that supports a company's growth, it turns into a short-term cost-cutting exercise.

Unlike suppliers of IT outsourcing solutions, managed services providers (MSP) are more strategic in their approach. An MSP provides the human resources and technical tools as well as a strategic framework for managing the technology stack within a business.

This allows them to be closer to the source of a problem and respond more quickly should an incident develop.

Why Are MSPs Better?

At a rudimentary level, an MSP keeps a constant watchful eye over a company's IT systems and interjects if any issues develop. However, there would be little value added by MSPs if their services were limited to basic monitoring of applications.

In addition to monitoring, managed services providers can assist a small or medium-sized businesses with strategic advice on anything from building a company-wide IT platform to scaling infrastructure in line with financial growth targets.

However, even the simple act of keeping a business-critical system running without interruptions already adds significantly to a company's bottom line.

Services Offered by an MSP

Following is an outline of the breadth of services offered to Australian SMEs:

- Security consulting

- Business continuity
- Video surveillance
- Network management
- Hardware sourcing and maintenance
- Helpdesk support
- Mobility / BYOD
- Unified and VOIP communications.

Different providers can have quite different service offerings depending on their specialisation and industry focus. A good MSP should start with establishing a business's needs and then tailoring a support package to meet the business objectives.

A managed services provider, when treated as a strategic partner, can become the "virtual" CIO for your business. This involves not just looking after current IT needs but defining the future technology roadmap.

This is a luxury that not many SMEs can afford if they were to look at hiring someone full-time to such a position.

Managed Services vs IT Support

Like traditional notions of technology outsourcing, the "break / fix" model of IT support is becoming a thing of the past. The problem with the reactive method of providing support is that the consultant has no incentive to suggest improvements to a company's systems or processes.

The reason for this is simple: the consultant only gets compensated when a technician is called in to fix a bug. As a result, an IT support company's compensation model and profitability depend on their clients' systems constantly breaking.

Why MSPs Aren't Just About Fixing Things

On the other hand, the work of managed services providers is focused on prevention rather than cure. The compensation model for an MSP also differs in that it involves charging a business a fixed monthly cost rather than billing for time spent fixing what's already broken.

For a managed services provider, the goal is to ensure the stability of the technology under its remit, which involves proactively monitoring and suggesting system enhancements.

There is a significant philosophical difference between this approach and that of someone providing tech support services. The difference is not unlike comparing the job of a car mechanic to that of an automobile engineer - the former fixes machines while the latter designs them so that they don't break.

Why an SLA is Your Strategic Advantage

When you engage a managed services provider, you get an additional layer of protection that guarantees the quality of the service provided. This "safety net" is known as an SLA, which stands for Service-Level Agreement. An SLA allows your business to know ahead of time what services will be provided by your MSP, how success will be measured and the remedies that you can expect should KPIs not be met for any reason.

For SME business owners, an SLA provides peace of mind knowing that their technology is in capable hands and they have a strategic partner just as interested in their technology running like clockwork. Micro-management of IT becomes a thing of the past, which leaves the owner to focus on what they should be doing - looking after the rest of their operation.

Financial Benefits of Using an MSP

One of the added benefits of engaging a managed services provider is that, unlike hiring multiple IT staff, there is no significant cash outlay for salaries or office space.

A managed services provider's monthly fee is usually considerably more affordable for SMEs than having to meet payroll every month for an internal support team. In turn, this frees up cashflow to be used in other parts of the business.

Also, the amount of services that a business receives from an MSP is much broader than what any one IT employee can provide. Additional services can be added on an as-needed basis, thereby providing the sort of flexibility that a growing business requires.

Significant Cost Savings Are a Reality

Research conducted by CompTIA clearly shows that for 69% of businesses surveyed, outsourcing to an MSP has resulted in their meeting cost savings expectations. For 24% of companies, their expectations were exceeded significantly.

This is further proof that working with an MSP provides tangible financial benefits that an SME can capitalise on.

Moving from CAPEX to OPEX

With the proliferation of cloud apps, another significant advantage of working with an MSP is that they can help a business to migrate self-hosted solutions to a cloud model.

This results in what used to be a capital outlay turning into ongoing operating expenditure. This allows for capital to be utilised for other important strategic needs and for IT budgeting to transition from a CAPEX to an OPEX model.

How to Choose an MSP

Given the complex nature of IT in general and the diverse technology requirements of individual businesses, choosing a managed services provider for an Australian SME to partner with is no trivial task.

When it comes to managed services providers, there are definitely plenty of options in each state and major city. A Google search for the terms “it support australia” or “managed service provider australia” pulls up thousands of companies.

However, given the strategic importance of having the right fit, it’s worth putting some time into vetting a potential IT partner.

Criteria for Vetting Providers

Following is a list of criteria that needs to be taken into account when searching for the perfect managed services provider for an SME (1):

- Reputation and experience – as with any outsourced relationship, the reputation a provider has in the market is important. Taking into account the crucial role and SLA plays in your relationship with an MSP, you want to ask for references to see how successfully KPIs have been met for past clients. This also includes looking at the team and who runs the company - how many years of experience do they have?
- Services - as outlined earlier, no two MSPs will be exactly the same when it comes to the technologies they services, the types of businesses they focus on and their management framework. It pays to be clear at the outset whether the provider can meet your short-term needs as well as your longer-term ones.

- Security - given that Australian businesses face an ever-increasing number of cybersecurity threats, the MSP's ability to prepare for these and protect a business's data is critical.
- Proactive approach - proactivity and a focus on prevention rather than cure is the key differentiator of an MSP over a run-of-the-mill support provider. Therefore, it is worth exploring in detail what sort of approach a provider has with regards to future-proofing systems.
- Response times - when a mission-critical application fails, the financial implications are usually substantial. The faster a service provider resolves such issues, the more value they provide to a business. It's worth learning about the average response times, which is a metric that any good MSP should track and be able to provide.
- Price and cost savings - one of the main differences between outsourcing and engaging an MSP is the value-added nature of the latter. This doesn't take away from the fact that such services need to fit within an SME's, often tight, budgets. The key here is to evaluate the price relative to the value that you anticipate getting from the provider.

Does the Team Matter or is IT just IT?

Because managed services are very people-intensive businesses, the individuals running an MSP as well as the technicians who will support a client are just as important as the consultancy's technical capabilities.

So, as well as evaluating a provider based on the qualitative criteria outlined in the previous section, there needs to be a qualitative evaluation of the potential relationship fit. This involves looking at the people who founded the business to see what their vision, and the field staff who will actually be serving the account on a regular basis.

For any long-term business partnership to succeed, it is important to have a partner who is competent and also culturally aligns with a client. Just because it is IT does not mean that choosing the right MSP should only be based on zeros and ones!

Saxons IT - an MSP for Mid-Sized Australian Businesses

Saxons is a privately owned Australian company comprising around 50 staff - in business since 2006. The company's General Manager of ICT is a Microsoft Certified System Engineer & Certified Cisco Network Professional so providing clients with leading-edge technology permeates

Operating out of Sydney, Melbourne, Brisbane and Perth, Saxons specialises in managed IT services, tailored learning solutions and training facilities.

With a broad skill set, a diverse client base and strong partnerships with major technology vendors – Saxons are the ideal technology & learning partner for the mid- sized market.

The Saxons Approach

Before recommending a managed services solution, Saxons go through a thorough needs discovery and assessment process that boils down to the following:

1

We schedule an initial consultation to learn as much as possible about your business and how we can add value.

2

We perform a comprehensive audit of your current technology, paying particular attention to your requirements, challenges and goals.

3

We review our findings and workshop ideas between our senior engineers, architects and business analysts, while listening to your feedback.

4

We present our audit report and our solution, with an implementation plan and a technology roadmap to future proof your business.

5

We implement business continuity measures by monitoring your systems and giving your staff access to ongoing helpdesk support.

6

We assign you an account manager to maintain a productive relationship through regular scheduled meetings and detailed reporting.

Once a client's needs have been established and a support plan agreed to, the client then gets the following as part of an ongoing managed services solution:

- Personalised customer service with one dedicated Account Manager
- Saxons technicians have a breadth and depth of technical skills with relevant certifications to provide the necessary proactive IT management and consulting services
- Phone, email and remote support with escalation to onsite where required
- Timely one hour response from when an issue is logged
- Remote support (via remote access to resolve Server and/or PC related issues)
- Monthly progress report detailing all work performed

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