

# The State of Information Technology on Small Businesses World-Wide: Listening to Entrepreneurs and Experts

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Results of the Global Technology Study



# Summary: Small Business Owners and Experts Agree

Information Technology (IT) encompasses various hardware and software that small businesses use daily. IT influences their productivity which in turn, affects their competitive position. A healthy competitive position typically yields success in business. There is of-course, more to productivity and business success than technological prowess. Still, the role technology plays in making small businesses viable competitors should not be underestimated. Thus, the International Council for Small Business (ICSB) and the DELL Inc. collaborated on a joint international Global Technology Study. We asked small business owners in 12 countries around the world about the role of IT in their business. We also asked consultants, researchers, educators, and government officials who assist small businesses to help explain how IT plays a role in small business productivity and success. This report gives the result of these studies. Overall, we found that regardless of their locale, small business owners generally agreed on the importance of IT to their operations, as well as on the problems and challenges it presents. Moreover, we found that experts generally were in agreement with small business owners. The details of these findings follow.

## On What did the Small Business Owners and Experts Agree?

The joint DELL/ICSB study had two elements: collection of survey data from small business owners in twelve countries around the world, and a survey of expert participants attending the 2007 World ICSB Conference in Turku, Finland. A central question was whether these small business owners and experts would agree on key issues about IT and its role in small businesses.

Analysis of data from the two studies reveals the challenges that small businesses face in dealing with IT. But also highlighted opportunities afforded by IT. Overall, we found a general consensus among owners and experts, to the effect that IT plays a major role within small businesses

around the world. They use IT to attain key objectives, including better serving customers, growing the business, and competing more effectively in the marketplace.

While IT helps small businesses grow in these crucial respects it also comes with a list of problems, We refer to the specific problems presented by IT as “pain points.” Pain points can diminish their competitiveness, make growth more difficult, and cause customer dissatisfaction. These problems might not seem new or striking revelations. However, it is of note that small business owners agreed with experts as to some of the key pain points related to IT:

- Budgets are often limited in terms of funds available for IT investment.
- Time needed to research, understand, and select appropriate IT systems

is a general pain point that is not confined to any specific country or region.

- Managers and employees are often uncomfortable with technology and, in particular, with the speed of technological change, regardless of how much daily interaction they might have with the technology.

The issues, identified by both experts and small business owners, led to discussion of possible solutions. However, further exploration showed that small business owners generally do not know sources to go to or places to look for IT solutions that might meet their specific needs.

## The Impact of IT Today and Tomorrow on Small Business Growth and Productivity

Of the small business two-thirds—66%—think that IT is extremely important to their business. And almost as large a proportion of experts, 57%, stated that IT plays an extremely important role in its impact on small business growth. The ICSB study also found that the vast majority—88%—of experts think most small business owners would benefit financially, that is, prove to be more competitively effective, with a greater awareness of IT options. Data from various countries included showed

- 72% of US small businesses are interested in technology to grow their businesses.
- 49% of Chinese small businesses report having a website to conduct commerce.
- 75% of Indian and 64% of Mexican small businesses feel “Always on Connectivity” is the next important IT breakthrough.
- 51% of Australian and 49% of US small businesses feel “Self-Maintaining Systems” are the next important IT breakthrough.
- 67% of Brazilian small businesses feel that “VOIP” is the next important IT breakthrough as well.

Our findings that small businesses around the world are adopting IT solutions to improve growth and performance. However, small business owners typically encounter two competitive disadvantages in employing IT solutions: an *information* problem, and a *resources* problem. The first involves the inherent difficulty of

accumulating and evaluating information on the most recent computer hardware and software technologies, given limited staff and technical capabilities. While not all hardware and software technology is highly sophisticated or a radical departure from what is available before. Even so, new models, new versions, and, occasional radical improvements demand substantial investments of intellectual resources (which may not be available) in order to discover and evaluate changes that might eventually prove inappropriate, non-operable, or too expensive to maintain. Though not all technologies and technological upgrades are expensive, some can be quite costly. And, the more expensive they are, the more small business owners face resource constraints that limit their abilities to use technology or to use technology in its latest iteration. The upshot is that the small business owner’s choice to add, increase, modify or pass on technology is a decision that may have major consequences for the venture’s long-term success.

### IT Challenges Faced by Small Businesses Owners

The ICSB survey asked small business experts to identify and evaluate factors that may limit the use of IT in small businesses. The largest proportion, 82%, thought that budget and financial constraints limit use of IT in small firms. Almost as many—78%—stated that management discomfort with IT is a major factor in limiting

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application of IT in small firms. Finally, 77% thought that rapid change of IT is a major factor limiting IT use. These results present a gloomy picture for small businesses when it comes to the rapid change of IT and how such changes are absorbed and implemented.

Even so, the DELL survey results demonstrate the tenacity and willingness of small business owners around the globe to adopt IT solutions despite continuous IT change. These results found 91% of small business owners reported that their most sophisticated IT product was worth every penny they paid to buy and maintain it.

### The Pain Points of IT as Seen by Experts and as Experienced by Small Business Owners

Despite the recognized challenges to the use of IT and notwithstanding the energetic persistence of small business owners in using IT, there is room for improvement. Such improvements can be addressed by first identifying the pain points experienced by small business owners worldwide. The Top 5 Pain Points reported by small business experts are:

- Inadequate technical support/service from software manufacturers;
- Electronic information/data security;
- The time it often takes to get answers to relatively simple IT questions;
- Inadequate technical support/service from hardware manufacturers; and;

- Difficulty finding the right software for the task.

In contrast, the Top 5 Pain Points reported by small business owners are:

- Trial-ware, sample software and free-ware that comes pre-installed on new systems are often the cause of problems;
- Over-dependency on an outside company for IT help;
- Too frequent server slow downs and failures;
- Difficulty in keeping PCs are optimized and constantly maintained for security, productivity and speed;
- Problems setting up new system.

Small business owners also noted some pain points that relate specifically to vendors:

- Vendors often fail to provide adequate tech support and service;
- Vendors may fail to ensure security and safety of company data;
- Vendors are not helpful in dealing with frequent server slowdowns and failures.

The pain points identified by experts and owners can be grouped into three main areas. The first deals with IT *installation, maintenance and upgrade*. Small businesses worldwide find with respect to hardware, software, or both, installation, maintenance, and upgrade are common pain

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points that slow operations. Owners particularly seem to dislike the trial-ware and free-ware which they believe complicates their operations. Spam comes not just via email, but from the software and hardware they purchase, without having agreed to what they see as unsolicited intrusions.

The second category of pain points centers on *security and integrity of data*. Keeping data and databases safe from hackers is no longer an issue for big business alone. It has become a crucial issue for small businesses as well. Owners and experts, as noted above, see IT as important for business growth. However, as small businesses grow, owners realize that they lack IT solutions relating to data safeguards and security.

The third and final category of pain points has to do with *finding information to solve problems*. Again such problems may concern software, hardware, or both. And both small business owners and experts see vendors who provide and service hardware and software as not providing the information needed to deal with simple, as well as with complex problems. Small businesses generally do not have dedicated IT staff that give them the time and effort resources they need to fix IT problems. They must rely on vendors, who are typically seen as part of the problem that part of the solution.

## Solutions Abound but Where to Go?

If we compare the pain points experienced by a small business trying to install three new desktops and one small server with a big business rolling out a 200 desktop replacement program that uses a dozen state-of-the-art servers, it's easy to see that the big business has a greater potential for pain points than does the small business project. However, our data show that **fully half—50%—of small businesses use few or no outside resources**. If the small business owner, management, or staff does not know how to install, maintain, and update the three new desktops and server, then it may be that the small project actually has more potential pain points than the 200 desktop replacement project!

A logical question, then, is “Why didn't the small business seek help when installing the desktops and server?” Our studies show that small businesses typically do not identify any one individual as a clear “solution leader” who is charged with and responsible for taking action to solve problems that might arise in such a project. The studies show that almost half—48%—of small businesses look to other small businesses within the industry as role models to help solve their IT pain points. More than a third—34%—look to large businesses and only then do—29%—see other small businesses outside their industry as potential sources of information for IT help. Only a quarter of the small business owners—25%—seek help from IT manufactures and

Half of small businesses use few or no outside resources for IT help, while less than one-fourth reported asking an IT consultant for help.

even fewer (22%) look to local IT consultants for help. Less than one in four small businesses will ask an IT consultant to help with IT related issues! Such surprisingly low percentages suggest that small business owners feel that these sources fail to effectively address their IT needs.

### Unhappy Customers Create Business Opportunities

IT is here to stay, both locally and globally. Small businesses are, like big businesses, seeing the benefits of IT. Our studies show that when it comes to assisting small business with their IT needs, neither those who create IT hardware or software nor those who sell or distribute it are fulfilling those needs yet. And yet, unfulfilled needs are a prime opportunity for new or existing businesses to develop new services and products that address those needs.

### Once More, On What did Experts and Owners Agree?

ICSB experts and small business owners around the world agree that information technology —plays a major role in small businesses worldwide. Small businesses use IT to grow their business, help serve their customers, and compete in the marketplace. Similar IT challenges, regardless of location, are experienced by small business owners around the globe. The pain points reported by small business

owners and by experts are not too different. They center on (1) the installation and upkeep of hardware of hardware and software; (2) data security, and (3) finding the right information to solve an IT problem. While small businesses go to a variety of places for help when faced with IT problems, this might be because no one—no “solution leader” —is there to take responsibility for dealing with the problem. And this, in turn, may lead small businesses to look to convenient but not especially helpful problem-solving resources.

### So What Should be Done?

Our studies were intended to identify problems and needs rather than to provide solutions or answers. Nonetheless, there are two clear and complementary areas for action. First, IT manufacturers and vendors could make concerted efforts to be sources of solutions and not just of problems. Second, small business owners would benefit from greater awareness of the sources of sound information that would help solve IT problems and reduce the pain produced. In sum, there is work for both IT leaders and small business IT users if entrepreneurial small businesses around the world are to obtain the greatest benefits from IT innovation and development.

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## About the Studies

### DELL Study: **Global Small Business Technology Survey - Owners**

**Project Objectives:** Confirm *small business* customer technology needs and Pain Points around the world to more effectively develop products and services, enhance the sales and support experience, and craft marketing strategies and messages aimed at this market.

**Methodology:** An online survey was developed and administered to 1,800 small business technology buyers around the world. 150 interviews were conducted in each of the following 12 countries: Australia, Brazil, Canada, France, China, Germany, India, Japan, Mexico, New Zealand, the UK, and the US.

### ICSB Study: **Global Small Business Technology Survey - Experts**

**Project Objectives:** Survey the International Council for Small Business (ICSB) members, comprised of researchers, practitioners, and consultants to small businesses worldwide, about their views on how small businesses deal with Information Technology, and the challenges and opportunities they may face.

**Methodology:** In June 2007, a printed survey was distributed to all participants at the ICSB annual world conference held in Turku, Finland. Survey Participants attending the conference were from the following countries and regions:

Africa (Sub-Saharan)  
Asia (East and South)  
Australia/New Zealand  
British Isles (including Republic of Ireland)  
Caribbean  
Canada  
Continental Europe (excluding Scandinavia)  
Latin America  
Middle East (including North Africa)  
Scandinavia  
United States

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