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How the Cloud Changes the Game for Line of Business Managers in Midsize Companies

An Executive Brief
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LINE OF BUSINESS MANAGERS IN MIDSIZE COMPANIES

INTRODUCTION

It can be argued that what distinguishes midsize businesses most from large and small companies is not size, but attitude. Midsize businesses are tough, refusing to be intimidated as they take on global competitors. They are energetic, rapidly processing information to make decisions and respond to market conditions. They are innovative, drawing on collaborative relationships with colleagues, partners, and customers to fuel business growth.

Yet, as every midsize business knows, attitude cannot overcome significant challenges. Midsize businesses may have plans and visions that rival global conglomerates, but they have very limited budgets and staff to realize them. Whereas a large business may have an entire team to support each product, a midsize business may have a lone product manager overseeing several products. Whereas a large enterprise may have hundreds or thousands of engineers developing, testing, rejecting and launching new prototype products simultaneously, a midsize business may only have the budget and time to release a single product every couple of years. Whereas a large business may have a multi-million dollar marketing budget to do mass advertising, a midsize business may have to depend on sophisticated targeting of its messages.

While attitude alone cannot mitigate the challenges faced by midsize businesses, technology can help. And no technology offers more promise than the cloud.

In this paper, we explore midsize business challenges from the perspective, not of the IT department, but of the line of business managers they support. Using real-life use cases, we show how cloud services—and, in particular, the IBM SmartCloud offerings—can help midsize business managers reach their goals and transform the business.

MIDSIZE BUSINESS NEEDS

Regardless of industry, the management team (from president to department heads) at most midsize businesses share a common set of goals. In a 2011 survey of midsize businesses worldwide, sponsored by IBM,[1] 71 percent of respondents listed their top priorities as:

- **Customers** – Sure, every business claims to value its customers. But midsize businesses demonstrate an extra dose of respect for their customers—probably because they know how difficult and costly it would be to replace them. As such, midsize businesses are willing to invest in products, strategies, and collaboration tools that help them enhance their value to customers.

- **Innovation** – Midsize businesses cannot muscle their way to success; they need to bring something new to market. And because there is nothing older than last year's new idea, innovation needs to be built into the very fabric of a midsize business, ensuring a continual stream of new ideas. The most successful midsize businesses are those that refuse to be mired in old assumptions or processes, or even roles; instead, they embrace a collaborative approach to problem solving.

- **Growth** – In our fast-paced economy, any company that is not moving forward will find itself falling behind. Midsize businesses are relentlessly driven to propel their businesses forward. And they know that speed is of the essence: midsize businesses gain an edge over larger competitors by aggressively seizing market opportunities as they happen.

Interestingly, in the IBM study,[2] "reducing costs" was cited as a priority by only 21% of respondents. That is not to say that midsize businesses are big spenders; in fact, quite the opposite is true. Midsize businesses are accustomed to working with lean budgets, in which investments are expected to result in measurable revenue or productivity improvements. As a result, ensuring the best return on investment, rather than cutting costs, is an ongoing goal.

MEETING BUSINESS NEEDS THROUGH TECHNOLOGY

To achieve their goals, midsize businesses are increasingly turning to technology. In the dizzying array of commercial software applications on the market, it seems that every department can find a solution to automate every business function. Among the technologies and applications that can transform midsize businesses are:

- **Storage and data analytics** – For the first time, midsize businesses can collect increasing volumes of data, and put it to work for the business. Using cost-effective

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[1] Survey of 2,112 business and information technology decision makers in midsize businesses was conducted by KS&R, Inc. in late 2010. Survey findings are summarized in *Inside the Midmarket: A 2011 Perspective*, available at http://www-304.ibm.com/businesscenter/cpe/download0/212133/Inside_the_Midmarket__Global_Report.pdf.

[2] Ibid.

storage solutions and data analytics tools, marketing managers can better target their messages; operations directors can streamline distribution processes; and product development managers can improve product quality.

- **Collaboration** – Social business and collaboration tools can improve communication among employees and partners, reducing time to develop products and bring them to market. In addition, collaboration tools enable the business to be more responsive to customers.

- **Customer Relationship Management (CRM)** – Formerly available only in highly customized, complex systems, CRM functionality is now accessible to midsize businesses. CRM tools help them better target and serve their customers.

- **Mobility** – The biggest game-changer in recent years, mobile devices and tools have fueled customer expectations for on-the-go access to the data and applications they need. A business that does not enable mobile access is sending a "not welcome" message to customers.

- **Business Analytics** – Sophisticated business analytics tools provide more than visibility into performance metrics; they can provide insights that are immediately actionable. Based on the type of data they collect, business analytics can help business managers confidently implement initiatives that will, for example, better target their marketing programs; align revenue and sales operations; improve employee productivity; direct investments toward the highest yielding projects; and reduce errors.

Furthermore, midsize businesses can use technology to enable round-the-clock business operations. E-commerce sites and customer care portals can be configured for high availability—meaning that customers will not receive a message that "the system is down for maintenance."

Technology can also help midsize businesses protect their data assets and comply with government and industry regulations. Even more important: technology solutions can help ensure that customer data is secure. Companies that have worked hard to earn customer trust understand that a single data breach can destroy their reputation in an instant; therefore, to protect their businesses, they seek out security experts who can offer the latest in services and products.

Of course, all this technology comes at a cost. In many companies, the resource-strapped IT department has often found itself at odds with line of business leaders who are focused on meeting growth objectives. However, a solution exists that can meet the needs of midsize business managers, without overtaxing the budget or resources of IT. That solution is found in the cloud.

ABOUT THE CLOUD

It is not necessary to be a technical expert to understand the value of the cloud in running a business unit. The cloud is itself not a technology, but a business model—one that relies on automation, standardization, and shared facilities to create operating efficiencies, to lower costs, and to speed time to market. These characteristics enable business managers to deploy new functions and applications faster, more easily and less expensively than in the past.

An easy way to illustrate the difference between traditional and cloud models is to consider common examples from the consumer world. A decade ago, consumers purchased software from retail stores and loaded it onto their computers. They had to consider whether their computer had sufficient memory and operating speed to handle the software's requirements. And each time there was a software update, the consumer was responsible for purchasing the updated version. This was an expensive and time-consuming process, and one that potentially hindered productivity (for example, when tax software ran slowly on a system that barely met the minimum requirements); collaboration (for example, when users with different versions of the same email package couldn't share pictures); and functionality (for example, when a user's PC had insufficient memory to handle an upgrade). In traditional models, software is tied to hardware, restricting the ability to scale or expand capacity. And individually loaded software applications are challenging to maintain.

While many applications can still be purchased or downloaded and stored directly on the user's personal computer, today most consumers are using more and more cloud-based applications (whether they call them "cloud" or not). Cloud applications, like online banking and e-commerce functions, are accessed over the public Internet, requiring little or no software to be loaded on the user's own personal computer or other device. Advantages include:

- **Device-independent access** – Applications can be accessed from any PC, tablet, or smartphone. Because the computing 'muscle' comes from the provider's own remote data center, users do not have to consider how much capacity their device has or what software has been loaded onto it. In a business setting, this feature is extremely important. Businesses that use online tools to serve customers must make the interaction as easy as possible, or customers just won't bother. In addition, to maintain maximum productivity from employees, it makes sense to enable them to work effectively not just from the office, but from home, a hotel, or on the road, using any device.

- **Rapid deployment of new services** – Cloud services rely on standardized templates and tools, allowing businesses to test and deploy new SaaS applications in a matter of minutes or hours (as opposed to weeks or months for many traditionally

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deployed applications). This allows the business to respond more quickly to changing market conditions.

- **Easy to set up, administer, and use** – For end users, access to cloud services is as simple as clicking on a link and perhaps entering some sort of authentication data (e.g., user ID and password). For business managers, the ease of use extends throughout the application delivery lifecycle. Cloud deployment can enhance application quality by providing a replicable software image that facilitates testing and error-reduction. Cloud management tools can include sophisticated measurement and reporting capabilities, offering the business manager visibility into application usage.

- **Elasticity** –The cloud makes it possible for businesses to expand their computing resources as needed, without astronomical costs. In cloud configurations, server hardware is shared among users, and capacity is allocated as needed. This means that seasonal fluctuations in computing needs, or even a burst in traffic from an unexpectedly successful marketing campaign, can be accommodated under the shared hardware configuration. For the elastic workloads that are common in growing midsize businesses, the cloud is a more cost-effective solution than over-investing in hardware to handle peak usage.

- **Low cost** – The shared cloud infrastructure introduces economies of scale, and the automated processes introduce efficiencies that enable providers to drive costs out of the business. The low cost cloud structure is extremely important to midsize business units that are operating under tight budgets. By trading capital hardware expenditures for the operating expenses associated with the cloud model, the business unit can better align expenses with revenue, ensuring a faster return on investment.

Types of Cloud Offers

Many consumers are familiar with the cloud through Software as a Service (SaaS), a type of cloud service in which a commercial software provider offers its software on a subscription basis to clients. For business leaders in midsize companies, SaaS is one way to enter the cloud. They can choose among a number of business SaaS applications that are available to midsize businesses, including an extensive suite of software solutions available through IBM SmartCloud Solutions. IBM's SmartCloud Solutions enable midsize businesses to automate business processes and adopt sophisticated management tools cost-effectively, using SaaS-based collaboration and social networking; business process management; web analytics and enterprise marketing; marketing management; and business analytics software.

SaaS solutions offer many of the characteristics that midsize businesses look for: low cost, pay-per-use pricing, and scalability. But, for many workloads, a new SaaS installation may not be appropriate or necessary. For example, midsize businesses may want to

protect their investments in existing traditional licensed software that is familiar to users. Or a business may require customized applications that are not readily available through commercial software packages. Or a business may need to retain data on-site to meet compliance requirements.

Fortunately, SaaS is not the only way that business managers can benefit from the cloud. Other types of cloud configurations can also help them meet their goals.

Public Cloud – Many midsize businesses turn to public cloud—also called Infrastructure as a Service (IaaS)—to host their own (custom or licensed) applications. In the public cloud, the business uploads its applications into a shared data center facility owned by the cloud provider. The business retains complete control over its applications and data; the cloud provider is responsible for infrastructure components, including server hardware and network facilities. Users and administrators access the apps via the Internet.

For midsize businesses, public cloud offers economies of scale, since infrastructure elements are shared among multiple businesses. With IBM's public cloud offer, IBM SmartCloud Enterprise, a business can build or expand its applications in just a few minutes, eliminating the lengthy and cumbersome processes associated with traditional application deployment, and enabling them to deploy in minutes or hours. IBM SmartCloud Enterprise incorporates security and service level agreements that ensure applications perform at the expected levels. Of further benefit to midsize businesses, IBM cloud-certified business partners are able to help business managers determine which workloads will return the best advantage when moved to the cloud.

When shared facilities pose unacceptable risks, businesses can also use IBM SmartCloud Enterprise in a dedicated (private) configuration. With this option, the server hardware is not shared with other businesses.

On-site Private Cloud – Cloud features such as automation, standardization, and shared infrastructure can be used to optimize the private, on-site server room into a private cloud. By implementing a cloud solution, such as **IBM SmartCloud Entry**, a midsize business can squeeze more computing power out of its existing hardware, thus deferring additional capital purchases. The same rapid deployment that characterizes the public cloud, also applies to the private cloud. This benefits line of business managers who no longer have to wait for servers to be requested, purchased, and deployed before they can bring their applications to market.

BRINGING IT ALL TOGETHER

Midsize business managers are adept at wearing multiple hats. The sales director oversees marketing. The COO may handle procurement. The strategic development officer may also manage product development. Similarly, midsize businesses require the same flexibility in their investments. When a midsize business selects a vendor, it is likely to look for depth of portfolio and breadth of options. More so than any other market

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segment, the midsize business manager is unlikely to have the time, budget, or patience to deal with multiple products, management systems, and suppliers.

For many midsize businesses, the answer is to turn to IBM and its network of cloud-certified business partners. The IBM SmartCloud portfolio supports the growth vision of midsize businesses by providing a single, integrated platform that can grow with the company. For line of business managers, the choice of IBM SmartCloud means they can enter the cloud through one door (for example, hosting an application in the SmartCloud Enterprise public cloud), and then later, incorporate greater functionality into the application (for example, integrating business analytics or collaboration tools), without having to subscribe to a whole new app. IBM SmartCloud lets business managers maximize the value from their business applications, allowing them to quickly and easily respond to changes in the market.

HOW IBM SMARTCLOUD CAN HELP MIDSIZE BUSINESS MANAGERS

Line of business managers across multiple industries have turned to IBM SmartCloud offers to solve their business needs. Here are a few examples:

Finance – A diagnostics and health management services company was already a subscriber to Salesforce.com software. The CFO recognized that the awkward hand-off of customer data between the company's SAP business system and Salesforce.com was impeding productivity. Working with an IBM reseller, the company implemented IBM cloud integration software between Salesforce.com and the on-premises SAP system. Rolled out in just ten days, the project contributed to a 20% reduction in time between contract signature and customer billing.

Marketing – The marketing director for a growing medical equipment distributor was charged with improving the availability of the company's e-commerce site, while returning a positive ROI. Working with the IT director and an IBM business partner, the director approved the movement of the e-commerce site from the in-house server room to IBM SmartCloud Enterprise. This ensured the scalability needed to handle unpredictable traffic volumes without a drop in performance, while decreasing equipment costs. But the director was concerned about protecting proprietary customer account information, as well as supporting Payment Card Industry standards for handling transactions. The IBM business partner recommended the company develop a 'hybrid cloud', integrating IBM SmartCloud Enterprise private and public cloud configurations. The company implemented the customer database and the PCI transaction workload into an IBM SmartCloud Enterprise hosted private cloud, linked to the Web-enabled e-commerce site. Among the improvements realized were an increase in website uptime, leading to a 5% uptick in sales, as well as decreased time spent preparing for PCI audits.

Software development – A software development company prided itself on innovation; but the Vice President in charge was concerned that cumbersome test and

development processes forced a trade-off between quality and time-to-market. The VP implemented an IBM development platform on the IBM SmartCloud. The platform enabled collaboration between developers and line of business staff, reducing errors and speeding deployment time. This reduced the sales cycle time by 30%, and improved collaboration among business groups.

CASE STUDY:
RUSSELL'S CONVENIENCE STORES STREAMLINES OPERATIONS AND ENHANCES DECISION MAKING VIA *IBM* CLOUD COLLABORATION TOOLS

With retail locations in high-profile office towers, Denver-based Russell's Convenience Stores prides itself on delivering the highest levels of service quality. But maintaining consistency and operational efficiency across 25 stores in three states (Colorado, California, and Hawaii) was a struggle. Organizational, geographical, and time zone boundaries made it difficult to track performance, collaborate on solutions, and share best practices.

Russell's turned to IBM Business Partner Alacrinet Consulting Services, which helped the company implement a cloud-based solution leveraging IBM SmartCloud Engage Services. The solution included an integrated suite of collaboration tools, including web conferencing, file storing and sharing, instant messaging, and activity management.

The results were immediate and dramatic. Since the IBM SmartCloud Engage solution was implemented, Russell's has realized the following benefits:

- **Faster problem solving** – Store managers and executives use activities tools to track issues, ensuring that data is available to all stakeholders. Web meetings enable participants to solve problems collaboratively, ensuring that issues are addressed quickly and satisfactorily.

- **Increased sales** – Stores in multiple markets have shown increased sales—a result that is partly attributed to information-sharing across stores. Managers are taking advantage of the collaboration tools to share best practices and innovative ideas for success.

- **Reduced travel costs** – With collaboration an everyday occurrence, the need for costly and time-consuming face to face meetings is decreased. This has resulted in a 33% reduction in travel costs.

Thanks to the IBM SmartCloud Engage solution, managers across Russell's Convenience Stores locations and organizations are able to focus on doing their jobs faster and more efficiently. And that helps the company meet its goal to provide superior service to its customers.

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The Last Word

It seems that the cloud was tailor-made for midsize businesses. The economies of scale, pay-per-use model, and elasticity are ideal for a midsize business trying to compete against the deep pockets of large enterprises.

For line of business managers, the cloud can overcome budget and staffing constraints, improving productivity through process automation and enhancing customer responsiveness through new tools.

But all clouds are not equal, and midsize business leaders need to guard against the temptation to 'dabble'—subscribing to a couple of commercial SaaS offers, maybe hosting an app or two in a public cloud. That kind of flirtation may meet the short-term needs of line of business managers for low-cost computing resources, but it can inhibit future growth. Furthermore, it can leave the business vulnerable to risks associated with security breaches and performance failures.

With its SmartCloud portfolio, IBM and its business partners can help midsize businesses leverage the cloud to meet their current business challenges, while allowing them to grow in the future. Regardless of where the business enters the cloud—SaaS, public cloud or private cloud—IBM services are highly integrated. For managers in all functional areas of the business, this is a way to protect investment and squeeze maximum functionality out of the technology. In addition, with the IBM SmartCloud portfolio, business managers are assured their workloads and data are consistently protected in terms of security and availability.

The cloud can enable midsize businesses to realize their goals for business success. When midsize business managers team with IBM and its cloud-certified business partners, their chances for success increase.

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