

APRIL 2013

TECHNOLOGY

BDC VIEWPOINTS STUDY

Research and Market Intelligence at BDC

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SUMMARY

Technology is ubiquitous and can significantly affect a company's operations, competitiveness and productivity. The objective of this study was to gain a better understanding of entrepreneurs' technology use and plans for investment in this field. To do so, BDC surveyed 562 business leader members of its BDC ViewPoints panel.

The findings led to several important observations. First, although many entrepreneurs indicated that their company will invest in information and communications technology (ICT) in the next 24 months, amounts allocated for these investments are relatively modest. Concerns regarding technology investments are numerous and varied. These obstacles to investment need to be addressed to encourage more businesses to take the plunge. Successful technology investments can improve productivity, reduce costs, increase sales and even help some companies develop a competitive edge. The key is to plan and set proper metrics to evaluate the investments.

SURVEY HIGHLIGHTS

This study was intended to provide a better understanding of technology use in Canadian small and medium-sized enterprises (SMEs), entrepreneurs' perception of technology advances, and their intended investments and rationale for investing.

The survey was available online between Tuesday, April 16, and Monday, April 29, 2013. A total of 562 BDC ViewPoints panel members completed it.

Three out of five business leaders indicated that their company will invest in software, hardware and website development in the next two years.

Although many entrepreneurs said they will invest in ICT, the amounts allocated to those investments remain relatively modest. However, the larger the company, the larger the size of the intended investment.

Very few respondents said that they have no concerns regarding their technology investments. Most entrepreneurs have some concerns, whether they relate to insufficient return on investment, performance, reliability, security, cost, lack of familiarity with available solutions and/or solution providers, or employee training and adoption.

Use of technology solutions in businesses varies greatly and tends to be more extensive in larger firms.

Overall, we noticed widespread adoption of basic productivity tools and financial accounting systems. More advanced solutions—such as customer relationship management (CRM), inventory/supply chain management and enterprise resource planning (ERP) systems—are much less common.

Business leaders said they invest in technology mostly to improve their productivity, increase sales, reduce costs and gain a competitive edge.

The actual benefits generated from their investments follow the same ranking, but fewer respondents mentioned them. In sum, business leaders seem to obtain the intended benefits but to a lesser extent than they may have anticipated.

Overall, the majority of entrepreneurs obtained a positive return on their investments, which they noted in terms of productivity gains, higher efficiency, better control and improved competitiveness.

Business leaders rely on four important sources of advice and guidance: solution vendors, Internet searches, external consultants and internal experts.

Although cloud computing has entered the business lexicon, many respondents said that they are not that familiar with the concept.

Nearly 90% of businesses have a company website, and more than two out of five respondents indicated that the company had overhauled its site in the last year. With regard to frequency of updates, there are no set rules; updates tend to occur when needed, based on content.

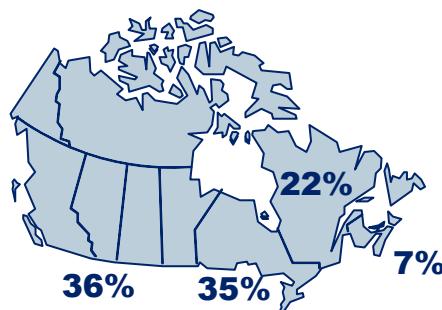
Online sales are growing but still have a way to go. Three out of five businesses do not earn any revenue from online sales. One quarter of the respondents said that their online income stream represents 10% or less of their total revenue. This means that only 15% of respondents have an online income stream that contributes over 10% of total revenue.

CONTEXT AND METHODOLOGY

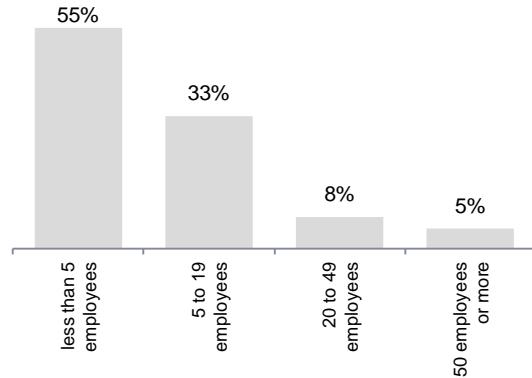
An invitation for the survey was emailed to 2,650 BDC ViewPoints entrepreneur panellists on April 16, 2013. The survey was available online from April 16 to April 29, 2013. In total, 562 entrepreneurs responded.

The results of the survey were weighted by region and company size. BDC's Research and Market Intelligence team analyzed the results and prepared the following report.

RESPONDENTS' PROFILE



% OF RESPONDENTS BY REGION



COMPANY SIZE

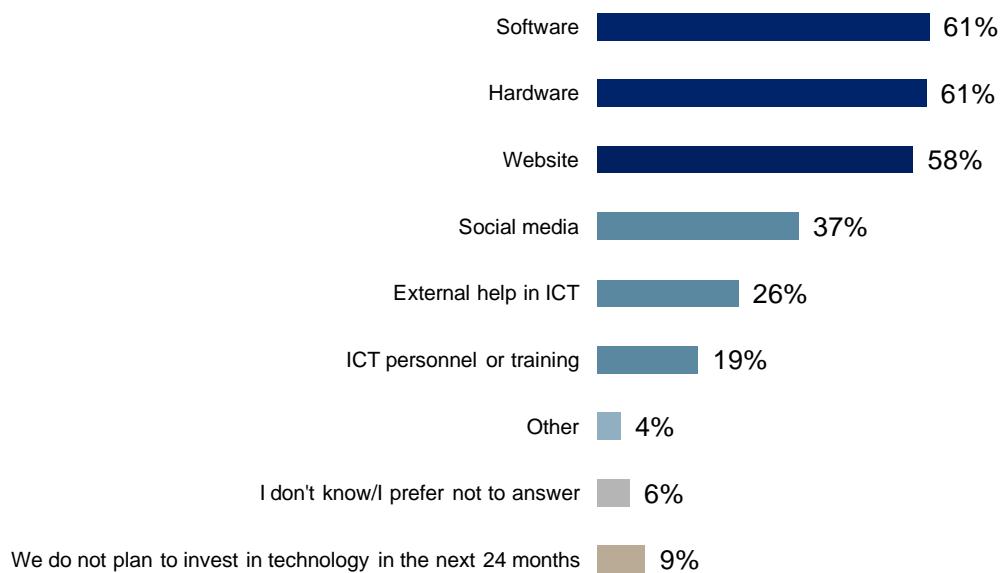


ICT-DIRECTED INVESTMENTS

BDC ViewPoints panel members were asked to identify their planned ICT investments in the next 24 months from a list of potential investments.

The main areas in which companies plan to invest are software (61%), hardware (61%) and their company's website (58%).

GRAPH 1: ICT-DIRECTED INVESTMENTS IN THE NEXT 24 MONTHS
Does your company plan to invest in any of the following technology-related areas in the next 24 months?



Base: All respondents. Multiple answers allowed. (n=562)

- > Intentions to invest in software and hardware are at their lowest level among companies with fewer than five employees (55%) and increase gradually by firm size to peak at over 80% for companies with 50 or more employees.
- > Respondents from companies with 50 or more employees are statistically more likely to invest in ICT personnel or training (46%). It is also worth noting that one third of respondents in firms with five or more employees plan to invest in external ICT help.

As a follow-up question, we asked respondents to identify the total amount their company plans to invest in each planned investment.

SOFTWARE AND HARDWARE INVESTMENTS

For both software and hardware investments, over 40% of respondents indicated that their company plans to invest less than \$5,000, and another quarter plans to invest between \$5,000 and \$9,999. This means that, overall, less than 30% of businesses intend to invest more than \$10,000 in software and hardware in the next 24 months.

- > Intended investments in software are, on average, below \$20,000 for firms with fewer than 20 employees but climb to \$40,000 for those with 20 to 49 employees and to \$69,000 for companies with 50 or more workers.
- > Intended hardware investments follow a similar trend. Companies with fewer than 20 employees plan to invest less than \$15,000 in hardware over the next 24 months, while companies with 20 to 49 employees are looking at investing \$29,000 and firms with 50 or more employees plan to invest \$75,000.

WEBSITE AND SOCIAL MEDIA INVESTMENTS

Although quite a few respondents mentioned that their company plans to invest in its website and/or social media, investments remain very modest. In fact, 62% plan to invest less than \$5,000 in their website, while 77% said that they plan to invest the same amount in social media.

- > On average, planned website and social media investments are under \$10,000 for firms with fewer than 20 employees and under \$20,000 for those with 20 or more employees.

HUMAN RESOURCES (EXTERNAL HELP OR ICT PERSONNEL)

There is a direct correlation between firm size and intended investments in ICT-related external help and personnel. In sum, the smaller the firm, the smaller the intended investment.

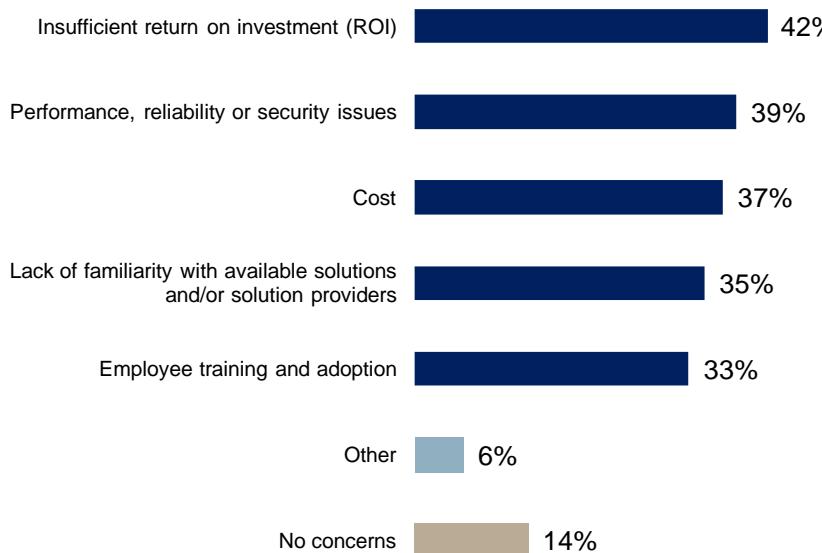
- > Mean results for investments in external help range from \$8,800 for companies with fewer than five employees to \$46,000 for those with 50 or more employees.
- > Although a smaller percentage of respondents plan to invest in ICT personnel or training, mean results increase with company size and range from \$18,000 for companies with fewer than five employees to \$75,000 for those with 50 or more employees.

TOP CONCERNS RELATED TO TECHNOLOGY INVESTMENTS

Any investment has its share of risk and uncertainty; therefore, unsurprisingly, entrepreneurs and business leaders identified a variety of concerns associated with their investments in technology.

From results presented in the next chart, we see that all of the concerns seem to affect respondents to a certain extent. This leads us to believe that those planning technology-related investments need to be reassured on multiple fronts, including obtaining adequate returns on investment (42% of respondents); ironing out issues related to performance, reliability or security (39%); managing costs (37%); gaining sufficient information about solutions and/or solution providers (35%); and, last but certainly not least, providing employee training and encouraging ICT adoption (33%).

GRAPH 2: TOP CONCERNS RELATED TO TECHNOLOGY INVESTMENTS
What are your top three concerns regarding technology investments?



Base: All respondents. Those who answered "I don't know" or "I prefer not to answer" were excluded from the total calculation base. Maximum of three answers allowed. (n=547)

- > Respondents in Western Canada were much more likely to indicate that some of their top concerns pertain to performance, reliability or security issues (44%), and a lack of familiarity with available solutions and/or solution providers (42%), compared with their peers in Quebec (25% on both concerns).
- > Less than one quarter (23%) of respondents from companies with fewer than five employees have concerns about employee training and adoption. This ratio climbs significantly for all other businesses, ranging from 41% among those with five to 19 employees to 57% among those with 50 or more workers.



Read [this article](#) if you would like some tips on how to increase the likelihood of success with your technology investments.

TECHNOLOGY SOLUTIONS CURRENTLY USED

Entrepreneurs and business leaders have implemented a variety of technology solutions in their organizations in the hopes of improving efficiency and productivity. We presented panel members with a list of high-level generic technology solutions and asked them to identify the ones they currently use.

A significant number of respondents indicated using basic productivity tools (88%) and a financial accounting system (76%). Other solutions—such as a CRM system (27%), inventory/supply chain management system (26%) or ERP system (9%)—are much less common.

Among other solutions used, several respondents mentioned various types of design software, such as computer-aided design applications. A few have developed in-house software for specific needs. Lastly, many retailers use point-of-sale software to track sales and customers.

- > Generally speaking, technology use tends to be more prevalent in larger firms than in smaller ones.
- > A greater proportion of respondents in Western Canada use a financial accounting system, such as AccPac or Quicken (86%).
- > A statistically larger percentage of respondents in Quebec mentioned using an ERP system (15%).
- > Larger portions of current BDC clients (34%) and former clients (32%) than non-clients (19%) indicated using an inventory/supply chain management system. This is also the case, to a lesser extent, for ERP systems.



According to a recent article published by McKinsey & Company on the topic of big data, the biggest mistake is to start analyzing the data without a plan. If you would like to learn more about how to create a successful plan for data analytics, we invite you to read [this article](#).

MANAGING EXPECTATIONS

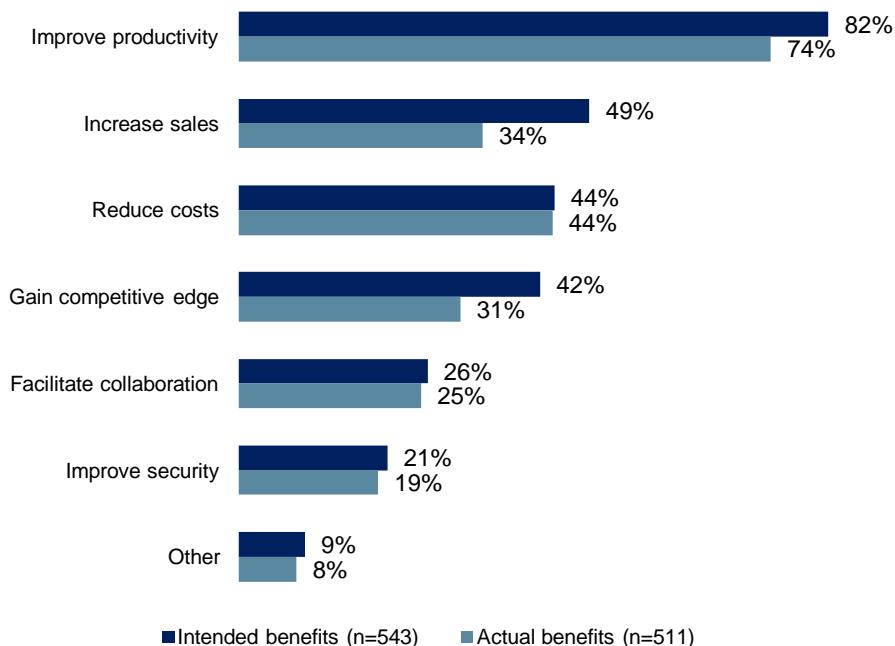
Many reasons prompt a company to invest in technology solutions; most of them are performance driven. According to this study, the main reason entrepreneurs invest in technology is to improve productivity (82%), followed by a desire to increase sales (49%), reduce costs (44%) or gain a competitive edge (42%). Few respondents indicated investing in technology to facilitate collaboration (26%) or improve security (21%).

Respondents ranked the benefits generated by these investments in the same order, but respondents were more likely to report wanting those benefits than actually achieving them.

Apparently, in most cases, respondents obtained the intended benefits; however, the benefits may not have materialized to the full extent they anticipated.

GRAPH 3: INTENDED VERSUS ACTUAL BENEFITS

What are the reasons that prompted your company to invest in such technology solutions?
What are the actual benefits you have observed from investing in these technology solutions?



Base: Respondents who use at least one technology solution. Those who answered "I don't know" or "I prefer not to answer" were excluded from the total calculation base. Multiple answers allowed.

- > Over 90% of companies with 20 or more employees invest in technology to improve productivity.
- > The rationale for investing in technology to reduce costs really picks up traction once a company has more than five employees. The same can be said about technology investments to facilitate collaboration.
- > A statistically larger proportion of companies with five to 49 employees said that they invest in technology to gain a competitive edge. Firms of this size were also more likely to say that they have gained a competitive advantage as a result of their investment.

RETURN ON TECHNOLOGY-RELATED INVESTMENTS

Before committing to an investment, it is important to plan. This includes determining the metrics that will be used to evaluate the success and return on investment of a given project. More than four out of five respondents (83%) told us they have obtained a positive return on their technology investments to date.

When respondents are satisfied with their investments, they tend to highlight gains in productivity, efficiency, task performance, control and, ultimately, competitiveness.

Conversely, their dissatisfaction mainly stems from high costs: going over budget or spending too much in relation to their actual return on investment. Some respondents also expressed dissatisfaction with their inability to quantify their return on investment or to measure their initial investment objectives. A few of those surveyed mentioned that the fast pace at which technology progresses makes it difficult to time investments properly.

SOURCES OF ADVICE AND GUIDANCE

Entrepreneurs use a variety of sources of advice and guidance about technology. Many of them turn to solution vendors (46%) and Internet searches (41%). External consultants (37%) and internal experts (34%) are also quite influential. One in five respondents or fewer use industry trade shows, accountants and telecommunication providers. Other sources of advice mentioned by panellists include friends and family, colleagues, and members of their business network.

CLOUD COMPUTING SERVICES

Cloud computing is now part of the business lexicon but remains unclear for many business leaders. On a scale of 0 to 10, the average level of familiarity stands at 4.7. More precisely, 38% gave a score between 0 and 3 (not familiar with cloud computing), 27% gave a score between 4 and 6 (somewhat familiar), and 35% gave a score of 7 or more with regard to their level of familiarity with cloud computing.

Respondents were then presented with a definition of cloud computing and a visual interpretation of it, and asked whether their company was currently using cloud computing services. Although nearly two out of five business leaders (39%) said their company currently uses cloud computing services, the percentage may actually be larger due to many respondents' unfamiliarity with cloud computing.

- > A larger proportion of respondents (54%) who offer professional, scientific or technical services indicated using cloud computing services.



Would you like to know more about cloud computing? BDC has published [an article](#) on the subject.

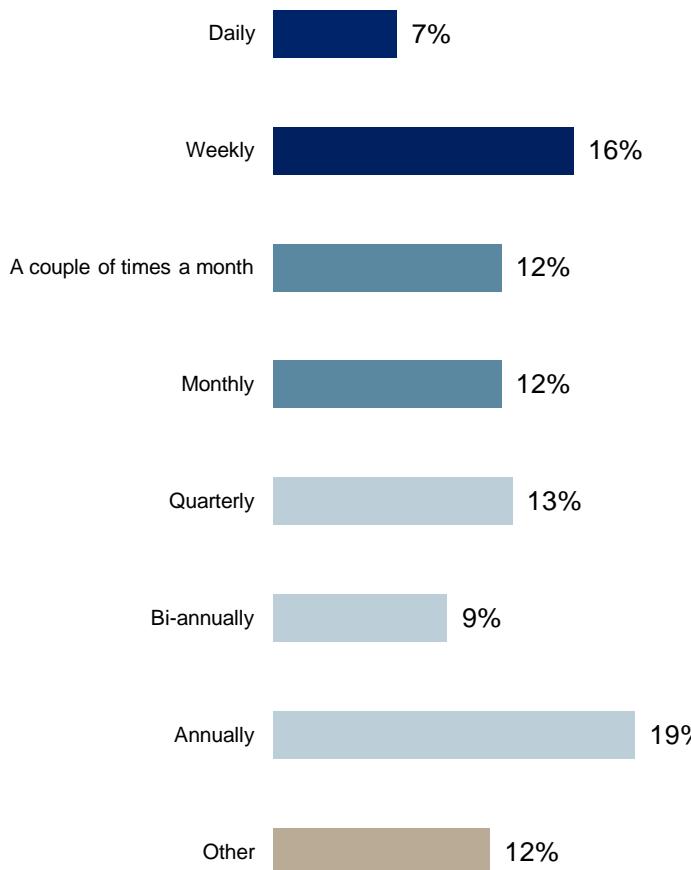
COMPANY WEBSITE

One in 10 entrepreneurs who completed this survey (12%) said they don't have a company website.

Moreover, almost seven out of 10 panellists (69%) claimed they have overhauled their website in the last two years (43% did so in the last year). By "overhaul", we meant implementing important modifications that went beyond making minor aesthetic changes to the website, adding new content or integrating social media.

We then asked respondents to indicate the frequency with which they update their website, and we found there are no set standards. Furthermore, quite a few respondents mentioned that they update their website as needed.

GRAPH 4: FREQUENCY OF UPDATES
Generally speaking, how often do you update your website?
By “update”, we mean adding new content such as new features, pictures, videos, publications and so on.



Base: Respondents who have a company website. Those who answered “I don’t know” or “I prefer not to answer” were excluded from the calculation base. (n=477)

The literature indicates that more and more Internet searches are conducted on smartphones and tablets; this is why we asked entrepreneurs whether their company's website is mobile friendly. Over one quarter of respondents claimed to have a website that is completely mobile friendly (27%) while a similar proportion said that part of their website is mobile friendly (26%). Conversely, 47% of respondents do not have a mobile-friendly website.



FOOD FOR THOUGHT

Making their website mobile friendly, whether via responsive design or mobile device detection, can be quite important for businesses that cater to consumers (B2C firms). Furthermore, a recent study sponsored by Google indicated that 95% of smartphone searches are local searches; this means that businesses should make sure that essential information (i.e., telephone number, e-mail, location and operating hours) is easily available via a smartphone or tablet, and that the landing page addresses high-level issues visitors may be inquiring about. Pages designed to be viewed on a personal computer can provide more detailed information.

ONLINE SALES

As a follow-up question, we asked business leaders what proportion of their sales stems from online transactions. Three out of five businesses (62%) do not earn any revenue from online sales. About a quarter of respondents (23%) mentioned that 10% or less of their total revenue stems from online sales.

This means that only 15% of respondents surveyed have an online income stream that contributes more than 10% of total revenue.



A mobile-friendly website can make an important difference. [This BDC article](#) provides tips on optimizing your website for mobile devices.

CONCLUSION

This study shows that an important proportion of business leaders will invest in technology to improve their company's operations and competitiveness. Since the economy is still not running at full steam, entrepreneurs seem to be remaining prudent with their investments, committing relatively limited amounts to ICT.

A well-planned and implemented investment strategy will yield some important benefits, even if they are not quite as extensive as initially anticipated. To make decisions and move forward with investments, entrepreneurs need pertinent information.

Cloud computing is a buzzword that is still unclear for many business leaders. Once they better understand the capabilities and relevance of such services, smaller firms will see that they now have access to tools that were cost prohibitive just a few years ago.

Company websites have become important go-to sources of information. Entrepreneurs must understand who is visiting their website and how they are consuming the content, via which device, to be able to provide relevant, up-to-date information that customers can access easily via multiple devices, including smartphones, tablets and PCs.



We invite you to consult our [Smart Tech pages](#) and [new e-book](#) for detailed advice on benefitting from technology.



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the Canadian
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