THE BIG SMALL: Business Agility Through Digital Transformation

ORACLE NETSUITE

INTRODUCTION

Growth comes in different shapes and sizes. It is experienced by small—often start-up—organizations and midsized companies alike. Size doesn't guarantee success, of course. Instead, acumen and ambition matter. Hard work matters. Belief matters. Aspiration and inspiration matter.

The Big Small are the companies of differing sizes that share these characteristics, values and sense of mission. They are the risk takers, the growth chasers.

What role does technology play in this story? At its best, technology is the enabler of growth. The right technology facilitates innovation and execution. The wrong technology choices, by contrast, put barriers in place, hindering integration, international expansion and the delivery of world-class customer experience.

It is in this context that we will explore the possibilities of digital transformation. For the Big Small, digital transformation through cloud-based applications allows small companies to demonstrate the scale of a much larger organization and allows midsized companies to be as fleet of foot as a start-up.

In this ebook, we will look at the challenges and opportunities facing the Big Small. We will explore the Big Small's shared characteristics and values, and understand how they are able to become an engine for growth that benefits the wider economy. We'll examine the barriers they face as they seek to move to the next level of expansion and introduce you to those responsible for delivering key business functions—from finance to HR, from IT to marketing and sales. Finally, we'll demonstrate how digital transformation—and the cloud in particular—allows the Big Small to flourish, introducing stories of success designed to inspire.

BIG SMALL: THE GROWTH CHASERS

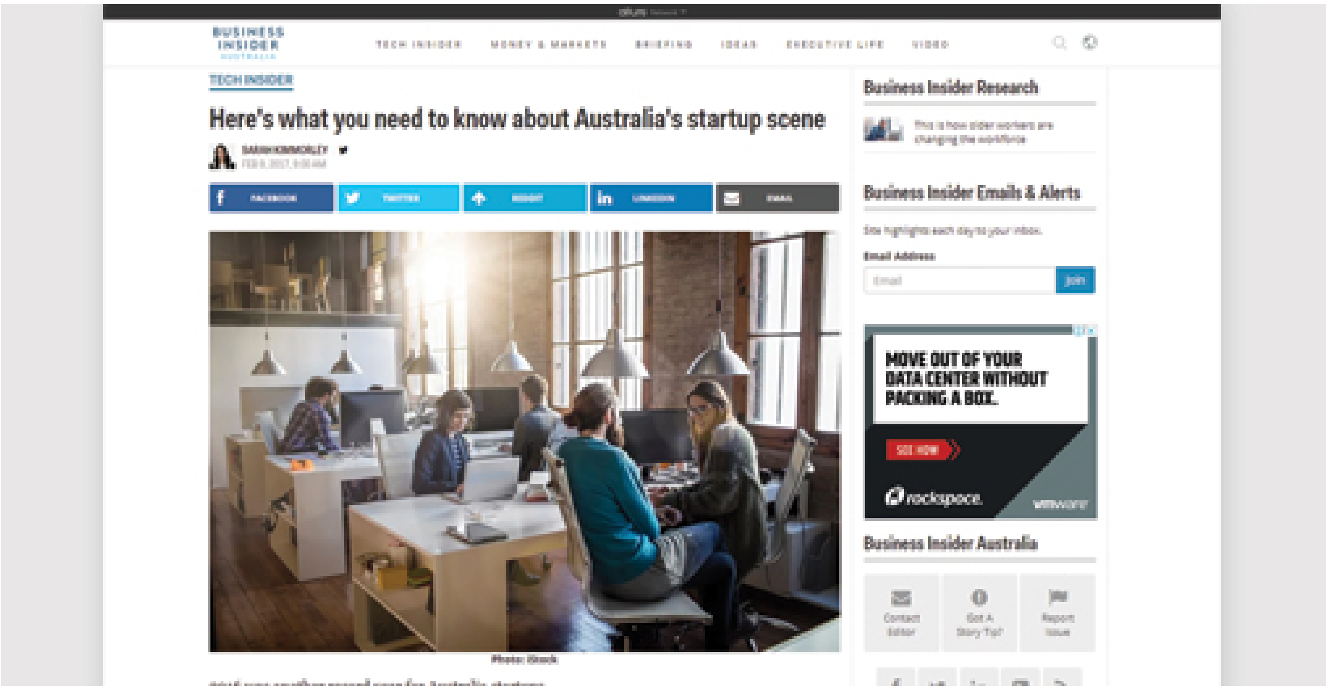
Start-ups and small companies are often characterized as the lifeblood of an industrialized economy—an engine for growth and a key employer. Over 97% of all businesses in Asia-Pacific Economic Cooperation (APEC) countries are small, with their contribution to national economies often exceeding 50%.[1]

Small businesses are particularly vital in countries such as Singapore and the Philippines, where they contribute up to 70% of total employment.[2]

The midsize, our Big, have survived the perils of start-up life and are now looking to avoid the business equivalent of middle-aged spread—stagnating growth.

Where the Small are typically founder-led, the Big have professionalized, often employing a career chief executive. Where Small possess flat structures, Big are more hierarchical in nature. Where Small rely on all-rounders to adopt functional leadership, Big have heads of department in place in most instances. Where fast decision-making is a function of size for Small firms, Big need to rediscover a fast-thinking culture to combat bureaucratic inertia.

The Big Small are at different stages along the growth cycle. For the start-up, survival means winning market share and winning it quickly. For the midsized business, rapid growth is followed by more measured expansion, often—but not always—through organic growth.



Despite their differences, the Big Small share a number of characteristics that make them stand out from the rest. First, the Big Small are international in sentiment and outlook. National borders are no barriers to these companies. Second, they are fast moving, willing to take and make decisions quickly.

1, 2 Frost & Sullivan 'Born In the Cloud: Four Big Growth Opportunities for Small Business in Asia-Pacific'

Third, they are innovative by nature. These companies create a space between themselves and the competition by developing products and services that are substantively different. Alternatively, they create differentiation through better product execution and/or better customer service.

Fourth, these companies aspire to be bigger and better. Growth is part of their mission statement, values and their DNA. Barriers to growth exist, as we will discuss in the next section, but for these organizations, barriers are there to be vaulted.

A final unifying feature? The growth chasers, big and small, typically make a greater commitment to IT than their counterparts. According to analysis by Deloitte[3], the average small and medium-sized business (SMB) spends 3-5 per cent of its revenue on technology. Compare that to the fastest growing companies, a third of which spend over 10 per cent of revenues on IT. Spending it wisely means avoiding the inhibitors to growth that we'll discuss next.

WHAT STOPS GROWTH?

So far so good. But what brings growth to a halt or prevents it in the first place? Ask business leaders and you'll hear the same external factors cited again and again. Top of the external list of barriers are market uncertainty, an ever changing regulatory landscape and a lack of access to finance.

3 Report (Deloitte) Small Business, Big Technology

The laundry list of internal factors is even longer and includes more than one IT-related challenge. The list includes:

Capital-intensive technologies. The traditional IT purchasing model isn't built for growth. Not only does it demand that organizations pay upfront for IT infrastructure but that they buy software and hardware such as storage with the capacity to handle peak loads. The surplus capacity this approach necessitates is deeply inefficient.

Legacy technology. As the ultimate greenfield site, few start-ups struggle with legacy technologies but it doesn't take long before old tech needs to be incorporated with new. Mergers and acquisitions—common routes to growth—often mean the Big Small are confronted with the limitations of legacy earlier than they would have hoped.

Integration. Counterintuitive maybe, but acquisitions can end up holding a company back. The very thing that should propel a business to the next level often slows it down. Issues of integration prove complex and time consuming. The hope of smoothly incorporating the acquired team can be frustratingly illusory. For the Big Small, the inability to reconcile, for example, management, financial and sales data across geographies—or even within a single operation—has a material impact on business effectiveness.

Skills and capabilities. Dynamic organizations need dynamic people with skillsets to match. They also need the management skills to take the business to the next level. Those skills and capabilities are in high demand and short supply.

Management inefficiencies I. As companies grow and functional units gain their own status and identity, the tendency towards siloed thinking takes hold. Instead of judgments made in the round with all the relevant information at hand, decision-making becomes fractured and incomplete.

Management inefficiencies II. One of the consequences of growth is that the small but perfectly formed start-up team becomes multiple teams in multiple locations. When once communication and collaboration meant popping a head around the corner of the next office, keeping the extended team informed and maintaining cultural cohesion becomes a much greater challenge.

TOWARDS DIGITAL TRANSFORMATION

Faced with barriers to growth, digital technologies provide the Big Small with the tools and techniques to respond.

For start-ups that have known no other business climate, digital transformation is business-as-usual. Today start-ups are born digital, born in the cloud, born global. But for others, digital really is transformational.

Consider, for example, that digital technologies allow for subscription models where once organizations would need to make an upfront capital commitment. This not only helps manage internal resources—as we will see when considering cloud computing in the next section—but it allows the Big Small to reinvent product and service propositions.

The subscription model is being applied in some unexpected places. In the United States, for example, homeowners will soon be able to install solar panels and pay a monthly subscription fee, without an upfront cost. Want to understand why solar panels—or insulation for that matter—aren't more prevalent? It's because of that upfront cost. It creates friction. Digital transformation removes friction. The Big Small use it to remove friction from the services they offer and what they demand of the services they use.

Digital transformation gives the Big Small a world stage, from day one. It allows organizations that have spent their existence in the middle of a supply chain the opportunity to break out and offer services directly to end customers. This is called disintermediation—cutting out the middle man.

Evidence of digital transformation is everywhere. Today we have content-rich platforms that don't create any content (Facebook), accommodation providers that don't own any properties (Airbnb) and transportation firms that don't own any cars (Uber and Lyft). We have an airline (Qantas) whose loyalty scheme has become so ubiquitous that its frequent flyer miles are now Australia's de facto second currency. This is digital transformation as business reinvention.

The smart organization starts by disrupting itself. The rest get disrupted. No industry is immune from transformation—36% of executives believe that their industry has been significantly affected by new, disruptive competitors entering their industry in the last five years[4].

The Big Small get moving. They see digital transformation as an opportunity not a threat, an opportunity to reinvent front- and back-end. Two-thirds of organizations[5] believe they have gained competitive advantage through cloud computing. Let's find out why.

4, 5 Frost & Sullivan [‘Disrupt, Collapse, Transform: The Role of Cloud Computing in Industry Transformation’]

THE ROLE OF CLOUD AND CLOUD-BASED APPLICATIONS

The real enabler of this digital transformation is cloud. It has democratized scale and made expansion and experimentation available to all.

Cloud is transformational for three core reasons.

First, it is underpinned by a **pay-as-you-go model**. In other words, it doesn't force organizations to pay upfront for what they think they might need in the future. This ‘just in case’ approach to IT provisioning leads to surplus inefficiencies and has been a common inhibitor of growth. Instead, with cloud organizations Big and Small pay for what they need when they need it. For ‘just in case’, read ‘just in time’.

Second, because cloud is by default **a distributed platform**, information, applications and services are shared across an organization as it grows regardless of location, functional silo or existing infrastructure.

Third, cloud comes into its own as **an application platform**. These applications are at once distributed and unified, providing straightforward version control, easy upgrades and a single version of the truth.

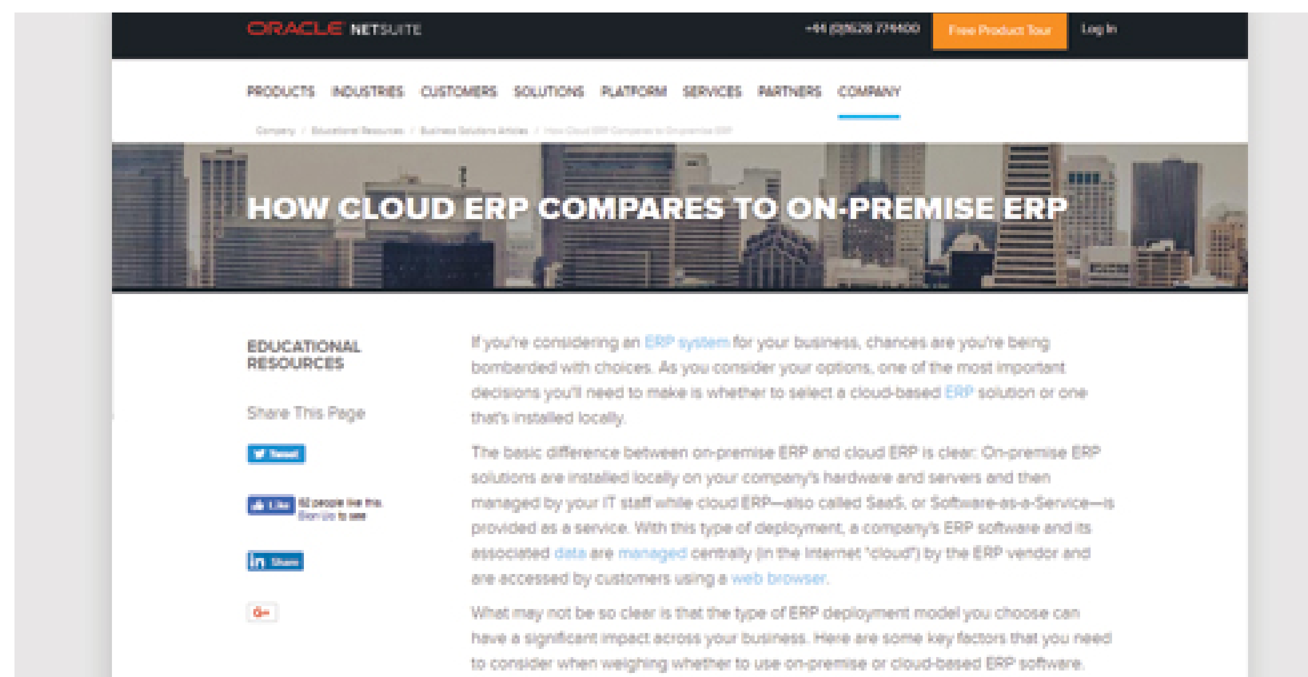
SOFTWARE-AS-A-SERVICE (SAAS)

According to NetSuite/Frost & Sullivan research Approximately 57% of small firms that use the cloud have entered new overseas markets in the past 5 years, and 69% intend to do so in the next 5 years; in comparison to only 17% and 18% of non-cloud users respectively[6].

Guaranteed uptime and continuity. SaaS is built on a multi-tenancy architecture which means the underlying code base—customized for specific need—is shared. That, in turn, ensures that customers benefit from the scale of the service—hardware failure can be isolated and high levels of availability can be guaranteed. For example, NetSuite promises 99.5 per cent uptime but has actually delivered 99.97 per cent availability over the last 12 months[7].

Fast deployment. No additional hardware, networking and storage. SaaS is in the cloud so deployment is in the cloud, too. No such luxury with a traditional on-premise installation model, which typically takes up to four times as long[8] as the equivalent cloud deployment.

6 Frost & Sullivan 'Born In the Cloud: Four Big Growth Opportunities for Small Business in Asia-Pacific'
7 Based on uptime measures between May 2016 and April 2017 https://status.netsuite.com/#



8 Article: How Cloud ERP Compares to On-Premise ERP

Upgrades in the background. Another benefit of the multi-tenancy architecture, code customizations can be abstracted from the underlying application and infrastructure. That means upgrades can happen in the background. No more version control issues.

In addition, security and compliance are baked into cloud applications, updated as required. Meanwhile, the very advantages of cloud as a platform—anytime, anyplace access—apply to the applications that run on it.

BENEFITS OF CLOUD AND SaaS

Flexibility and Scalability

- Applications up and running in a fraction of the time
- Pay for what you use, not for what you might use
- Scale up and scale down as required
- Add services as required

Affordability

- No upfront costs
- No unnecessary IT maintenance staff
- Improved cash flow management
- Shared infrastructure and support

Rapid growth

- No barrier to international expansion
- Faster deployment
- Test and iterate new products and services
- Highly configurable applications to suit changing needs

Security and compliance

- Latest certification including PCI Data and SAS 70 Type II, automatically updated
- EU-Safe Harbour and other data sovereignty and compliance needs, automatically updated
- Single code base allows for faster, unified security upgrades
- More security experts working on SaaS application than in-house equivalent

Service and maintenance

- Seamless upgrades
- Continuity guarantees
- Customizations preserved post-upgrade
- Continual service improvements to prevent performance bottlenecks
- Uptime, continuity and systems performance managed by the SaaS vendor

INTRODUCING CLOUD ERP FROM NETSUITE

NetSuite puts Enterprise Resource Planning (ERP) in the Cloud to gain from all the benefits we have discussed so far. Cloud ERP provides a real-time view of data that allow businesses—Big and Small—to make informed decisions that will drive improvements or capitalize on opportunities.

Regardless of size, NetSuite Cloud ERP lets you manage all functional needs, from finance to HR, from IT to sales and marketing. It automates core business operations such as order-to-fulfilment and procurement-to-pay processes. It improves financial and other compliance with regulatory standards. And it enhances customer service by providing a single source for billing and relationship management.

And because it is cloud-based, NetSuite ERP is:

- Efficient: No additional on-premise IT costs
- Integrated: ERP, CRM and ecommerce suite working together
- Visible: Real-time dashboards and analytics
- Ubiquitous: Browser and mobile access equal anytime access

9 Article: Growing Businesses are Upgrading to NetSuite

- Global: Intelligence scales with international expansion
- Adaptable: Customize without risking version lock
- Up-to-date: Automated upgrades deliver the latest innovations.

That's why NetSuite has proved the number one choice for the Big Small. For example, it has helped cut IT costs of midsized organizations in half, reduced financial close times by between 20 and 50 per cent and improved quote-to-cash cycle times by 50 per cent[9].

SUMMARY

For the Big Small, technology doesn't guarantee growth. It can, however, enable growth.

Forward thinking firms use cloud-based technologies to fast track international expansion, reduce upfront costs, give their employees the mobile and flexible working environment they expect and create a cost effective test environment to experiment with new products, new services and new business models.

At NetSuite, we believe that the cloud really does underpin transformation and that Software-as-a-Service is the best way to deliver the applications that are key to business success. It provides a single version of the truth across management, finance, human resources, IT, sales, marketing—and beyond.

THERE ARE OVER 40,000 NETSUITE STORIES

Here are five of them, highlighting the Big Small.

Today, over 40,000 companies and subsidiaries run NetSuite, benefiting from the advantages of cloud computing while avoiding the costs and complexities of traditional, legacy on-premise systems. Here, we present the stories of a handful of these companies, some Big, some Small.

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