The Small Business Cloud Journey

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Intro: You Will Inevitably Move To The Cloud

Many companies, at some point in their evolvement, must decide whether or not to move their operations to a cloud-based service. Most do.

The market for cloud-based applications and cloud hosting is growing fast. Recent research has predicted that cloud and hosted applications will make up a market size of approximately $30 billion by 2019 with business applications comprising a third of this amount. To give you an idea how fast this market is growing, consider that the size was just $6 billion in 2015. More than two-thirds (66 percent) of small and medium sized businesses (SMBs) are expected to move some or all of their operations to the cloud. Approximately 50 percent of companies expect to increase their cloud usage in just the next two years.

What areas are in most demand? Billing and automation solutions are sought after by approximately 70 percent of companies moving to the cloud and about 50 percent of companies will move towards cloud based customer service solutions. Hosted customer relationship management applications - particularly marketing - are being considered by 43 percent of businesses and are expected to play a huge role - a doubling of their market size - during the next few years.

So why the continuing popularity of cloud services and hosted applications? Most experts say that businesses - particularly small businesses - need these applications if they want to grow and even survive. These applications allow business managers and owners to access their data from any device, automate certain repetitive functions and generally increase productivity within an organization. Over time, cloud based solutions - through integration with each other and their ability to be better customized and deployed rather than their "on-premise" counterparts - ultimately become "one-stop-shop" solutions as businesses grow to a bigger size.

The evolution does not happen overnight. It generally happens over four phases of a company's lifespan. It's important for you, as a business leader, to understand which phase your company is in to not only ensure that that your company is on the right timeline but also so you can prepare for its next transition.
Phase 1: The Startup

When companies are in a startup phase (generally the first one or even two years in business) money is usually tight and issues such as accounting and internal systems normally take a back seat to the pressing challenges of cash flow, financing, hiring and product development. Workflows, automation and integration are not under any consideration at this phase of development. Most, if not all processes, are being controlled by the business owner. Some cloud solutions are adopted at this stage - primarily for website and email hosting. But for the most part, startups find themselves handling paperwork and recording transactions manually or via a spreadsheet or a very simple - if not free - bookkeeping solution. These solutions are limited in capability but offer a quick way for the business owner to accomplish billing and to store data without needing a great deal of knowledge in accounting.

Unfortunately, ignoring the cloud at this stage can be costly for a startup, particularly as the company grows. As business needs (i.e. more advanced invoicing, scheduling, expense tracking, payroll, contact management) grow many business owners find themselves adding in more individual applications in a piecemeal fashion. The result, after a few years, is a disorganized hodge-podge of different solutions with little to no integration, duplicate data entry, insufficient scalability and a drain on productivity. Once at this point, a business owner is forced to bite the bullet and endure a time-consuming and expensive process of data migration, training and the un-doing of bad habits after a period of research in order to find and deploy a better solution.

Phase 2: Establishment and Problem Solving

After its first year or two of existence, problems in existing systems become more commonplace. Manual processes become more time-consuming as employees are added. Manual billing processes cause errors and delays that not only impact cash flow but irritate customers. The need for better ways to pay both vendors and employees become more pressing. Data stored in manual spreadsheets cannot be quickly retrieved and increasingly becomes more difficult to manage.
During this phase, a transition is beginning to take place. The owner is faced with the choice of delegating more tasks and relinquishing control over their business versus still operating as if she were a startup. The biggest factors driving this decision are money and time, profits and productivity. 66 percent of owners in this phase find themselves working more than 40 hours per week in their business and are usually at a crossroads: the business is growing and demanding, but still not yet at the stage where a fully integrated cloud-based system can be afforded. Most successful managers, at this stage, choose to bring on more people and abdicate certain responsibilities in order to handle the demands of the growing business.

By the end of this phase, owners have identified workflows and processes that need to be established and are committed to abandoning the short-term workarounds that were originally established during its later startup stage. As the company expands - particularly if the expansion is fast - the need for a longer-term solution becomes more obvious. The end of this phase usually results in at the very least, exploration of cloud-connected accounting and outsourced IT services.

**Phase 3: Automation**

By now a company has been in existence for a few years and is clearly no longer a startup. There are internal control and certain processes for accomplishing daily business tasks like invoicing, order entry and service delivery, and an expanding organizational structure. The business owner may have hired a few key people - likely a sales manager and a controller - and has a more established customer base. As such, it becomes evident that a collection of separate applications, though integrated to some extent, will not be the best long-term solution for the company. However, with other pressing needs, it's commonplace for owners to wring every last bit of value out of their existing cloud-based programs and this is usually done with an increased investment in workflows and automation.

The main objective during this period is to make things simpler and streamlined without going through the very painful, disruptive and costly process of replacing various systems with one that's fully integrated. During this phase, tools are used to integrate existing,
though disparate cloud based applications. The good news for the business owner is that there are many options available today than were around even a few years ago. Third party data "connectors" with templates for many popular cloud based applications are easily found. If these are not sufficient, today's cloud-based subscribers enjoy the ability to integrate databases using application programming interfaces - or API's - that are provided by the application's manufacturer. Unfortunately, using these tools almost always require the need for an outside developer or database expert which can be costly not just for the initial work performed but for the inevitable continuing support that will be needed.

The end result is certainly a better system than the manual, non-integrated one used in prior phases, but the problems persist. Processes like invoicing and payments are still not fully automated. More work than necessary is still being done internally instead of at the customer level through self-service tools. Certain aspects do not entirely conform to industry best practices. Data, though now stored in the cloud, is not completely available as quickly as needed. Few analytical procedures are undertaken.

The solutions work, but they still require tedious man hours to maintain. Towards the end of this phase is usually when issues of application disconnects become apparent. “All-in-one” solutions – which promise to ease expense management, as well as allow for communication between all applications – are strongly considered.

**Phase 4: The One-Stop Shop**

All of these problems come to a head at this fourth and final stage of a company's development.

By this point, a company has grown to a level of customer service and brand recognition where the market expects it to have up-to-date systems, procedures and policies befit of a company its size. Industry best practices are now a priority. Both prospective and current customers - and employees - have perceptions regarding technology and interfaces that need to be met. These include being able to enter and monitor information online without the need of picking up a phone (although when calls are made, automation and routing
are enabled to quickly answer questions and solve problems). Services and employee movements are desired to be tracked using GPS and other mapping tools. Automatic reminders for billing and payments become standard and are enhanced with product suggestions and recommendations for customers. Manual data entry is kept to a minimum. Data is not only easily retrieved externally but complex analytics showing trends and metrics about the business are helping managers make decisions in advance of problems occurring.

No longer can a combination of individual applications connected together through unreliable APIs and developers be acceptable. A full - usually industry specific or vertical - application that includes sales, marketing, service and all related accounting functions is necessary. Certain workflows must be streamlined and automated. The smart business owner realizes the need for a significant investment in a good system and is then prepared to work at customizing and evolving that solution over the long term with both the service provider and outside experts and consultants.

As a result, and after such an investment, it becomes rare for a company to replace its system, preferring instead to work out solutions with its partners. The goal is to streamline as many processes as possible and what becomes more critical is agreeing on those processes rather than whether or not the system can accommodate because systems of this size usually can. New technologies like artificial intelligence, bots and self-service automation become priorities.

Conclusion

Most businesses eventually migrate their operations to cloud-based systems follow the path described above. It is not a question of "if" it's just a matter of "when."

If you're the owner of a growing business then your job is to determine which phase you're in and to prepare for the next, inevitable phase. You have to determine if you're consistent with the best practices of your industry and if your current infrastructure is going to meet the demands you will face within the next few years given planned hiring of new employees and revenue growth.
You have to be prepared to leave old processes behind, delegate more tasks, relinquish responsibilities and rely on technology to automate mundane tasks in order to increase productivity and profits. You'll have to invest in training, development and technology support. You'll need to consider alternatives that aren't the cheapest, but the best investments for your company over the long term. Most of these alternatives – particularly the best ones - will be in the cloud.