Performance Strategies for 2011 and Beyond Sneak Peak

PERFORMANCE STRATEGIES EXECUTIVE SUMMARY

For the second year, our annual performance strategies research survey reveals that the majority of businesses are focused on:

+ operating performance scale and efficiency initiatives (42%) including streamlining processes/functions, upgrading technologies/systems, and adopting new tools to drive productivity, security, visibility and controls; and

+ seeking to expand revenues (63%) through portfolio expansion (46%) through internal efforts or partnerships/alliances or acquisition (29%) or geographic expansion (23%).

Performance Strategies Key Survey Findings

Top business priorities for 2011
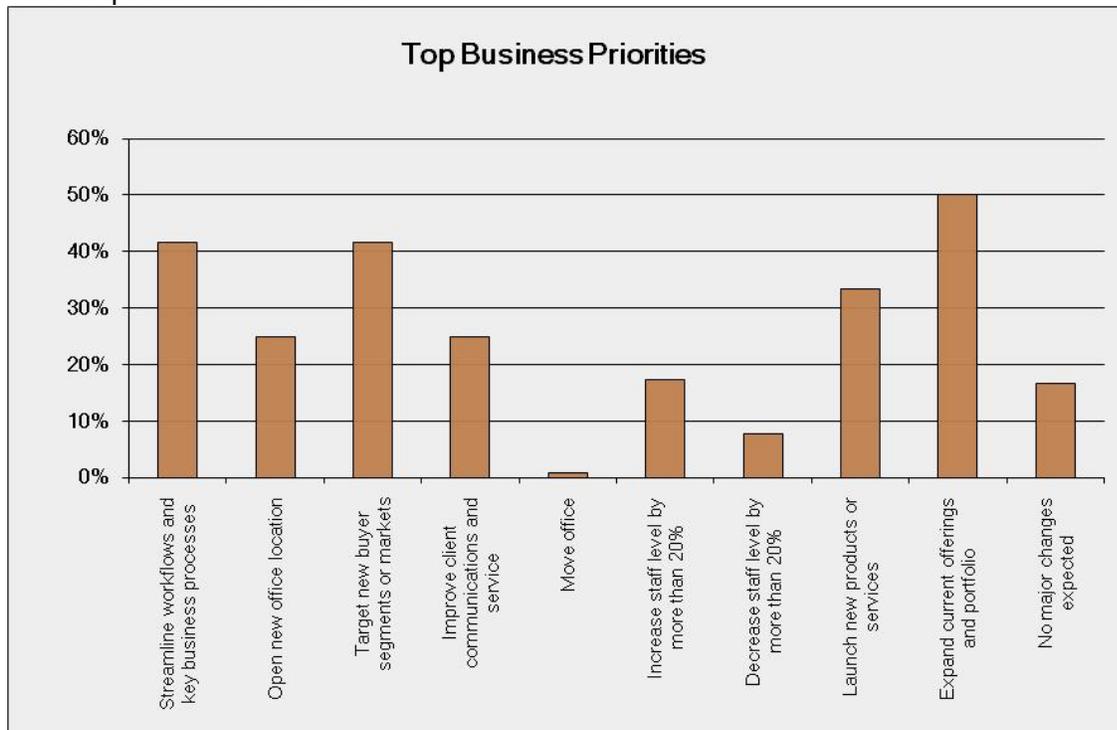
While many are looking to expand and others are upgrading their current efforts; what is certain is that standing still isn't much of an option.

Top Performance Initiatives for 2011

For the following initiatives, the participants were asked if each was either a top initiative, currently being evaluated, or needed to be evaluated before year end.
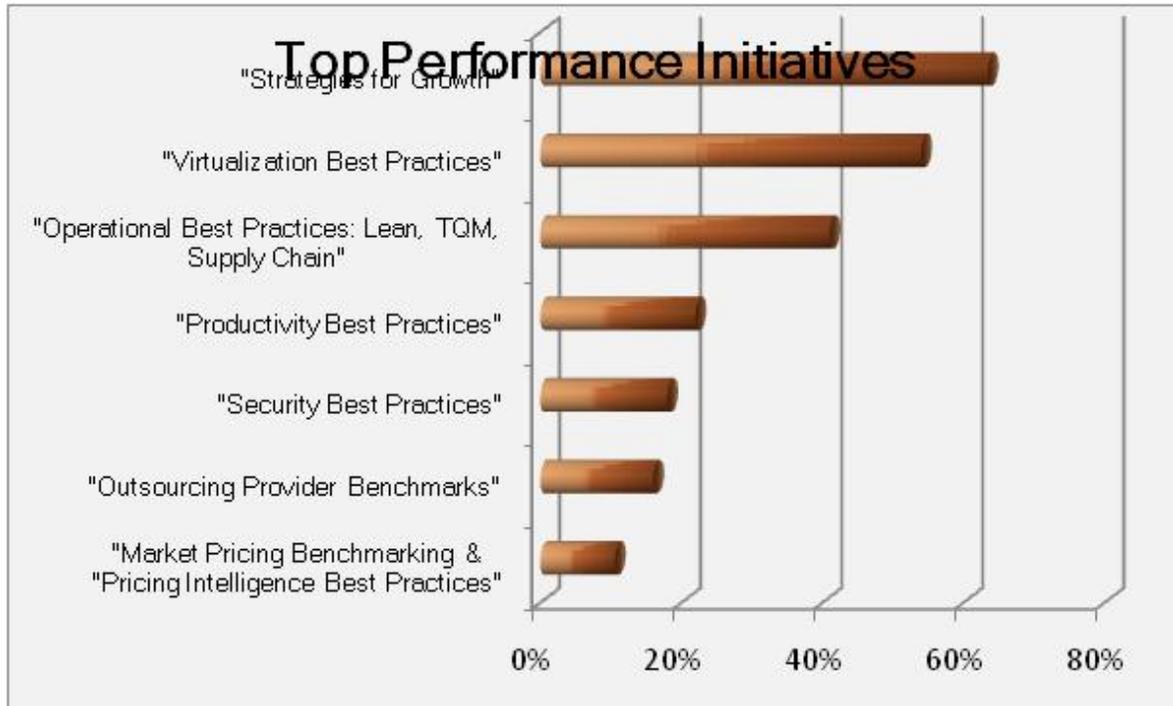
Of note about the survey questions:

- Virtualization in the context of this survey question included cloud offerings/options and SaaS solution alternatives
- Security did not include compliance or regulations which were a top initiative for nearly 10% of the participants each respectively.

Technology Performance Findings

While technology has evolved, the use and utility realization has not kept pace with the technology capabilities; i.e. the features exist but are not being used by the majority of firms.

Other technology findings include:
   a) Migration from central decision makers relying on IT to a committee and a switch in the decision making criteria towards **focus on the end-user's business perspective**.
   b) A growing number if organizations are **deploying SaaS and cloud applications** on their own, or leveraging major partners like Amazon, Google and Microsoft. 1 in 4 firms are evaluating (have or will) Microsoft 365 / BPOS (Business Productivity Online Suite), which includes Exchange Online and SharePoint Online, managed directly by Microsoft, Google Apps or other similar open source products.
   c) **Social Media** being used by more than a third of participants.
   d) Greater emphasis on controls, visibility, and **simplification of vendors, tools, and technology.**

Common Technology Challenges:
The top issues utilizing technology and tools include:
   1. Realizing near-term ROI (i.e. ease of use to achieving near-term return on investment).
   2. Implementation, setup and onboarding is complex, buggy, costly, and difficult.
   3. Usability of the "full features."
   4. Data Management.
   5. Integration and Interoperability.

The majority of firms are still relying on a combination of tools/systems along with using manual entry, MS Access, Excel, paper tracking, need better integration with other areas, interfaces, reporting is poor, complicated, buggy.
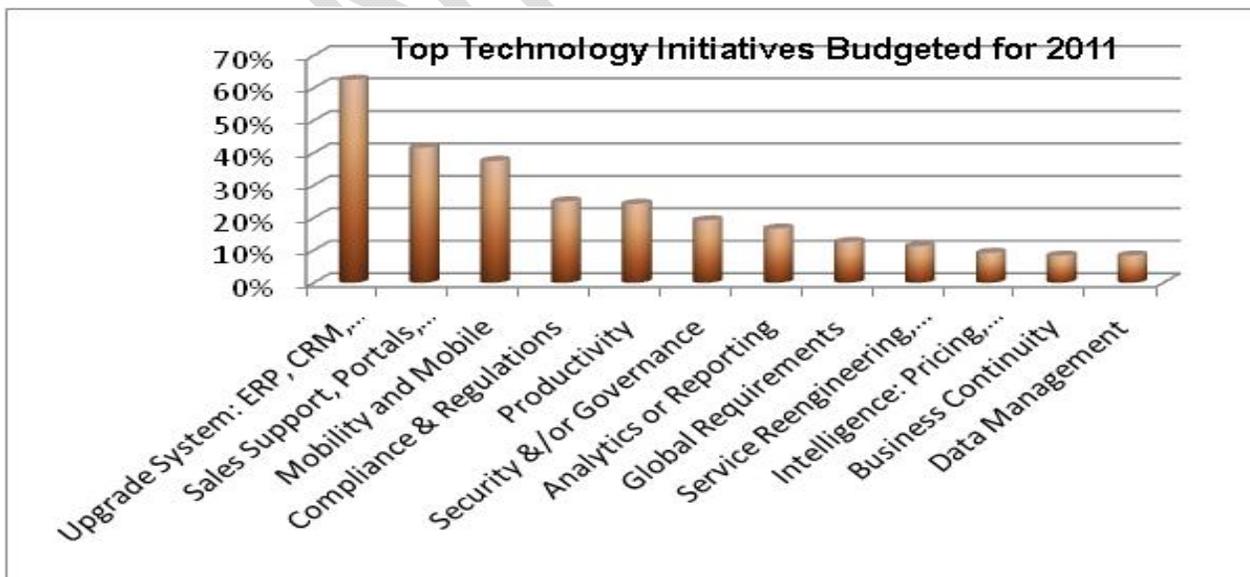
Infrastructure, Tools, and Security Solution Satisfaction

Technology has eliminated many barriers and also created many challenges.

Solution	Most Common Tools (>10%)
Communication Tools:	Microsoft Outlook, Google Apps, SharePoint, Social Networking Sites, Intranet
Customer Relationship Management:	SalesForce.com, Microsoft CRM
Enterprise Resource Management:	Microsoft Dynamics, QuickBooks Enterprise
Financial Management:	QuickBooks, Microsoft Dynamics, Peachtree
Operational Reporting:	QuickBooks, Microsoft Dynamics
Productivity Software:	Microsoft Suite, Google Apps
Security:	McAffe, Norton, Zenith, Microsoft
Storage:	Dell, HP, EMC

Of note: No common benchmarking tools. Other notable players identified, but not utilized by > 10% included ADP, Basecamp, Lawson, Oracle, and ZOHO.

Are you satisfied with the existing Optimization of your Infrastructure? (i.e. Virtualization, Evaluation of Cloud offerings for Business Continuity or Hosted Applications, Data Center or Server Consolidation, etc.)

Legend:
- Extremely Satisfied
- Satisfied
- Not Satisfied / Could Be Better
- Unsure
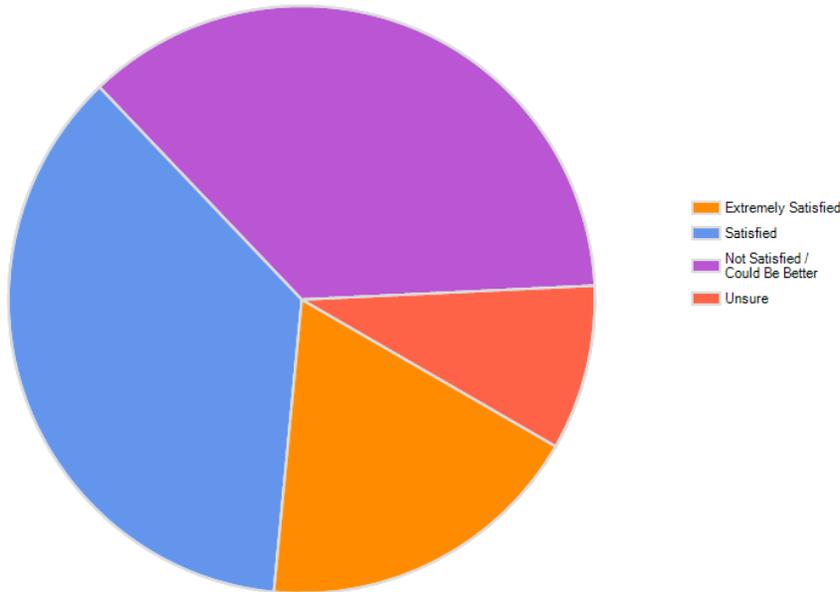
→ The majority of firms have a backup solution, but do not have a current documented business continuity strategy.

→ The majority of firms are confident in their Security and Protection although less than half have a routine, regular process for ensuring security risks are secure on a regular, routine basis. The majority reported that they update their documentation, policies, and protocols annually.

→ Nearly 40% reported: "Not Satisfied" and believe that their infrastructure could be better. Nearly 50% are evaluating replacing and optimizing their servers.
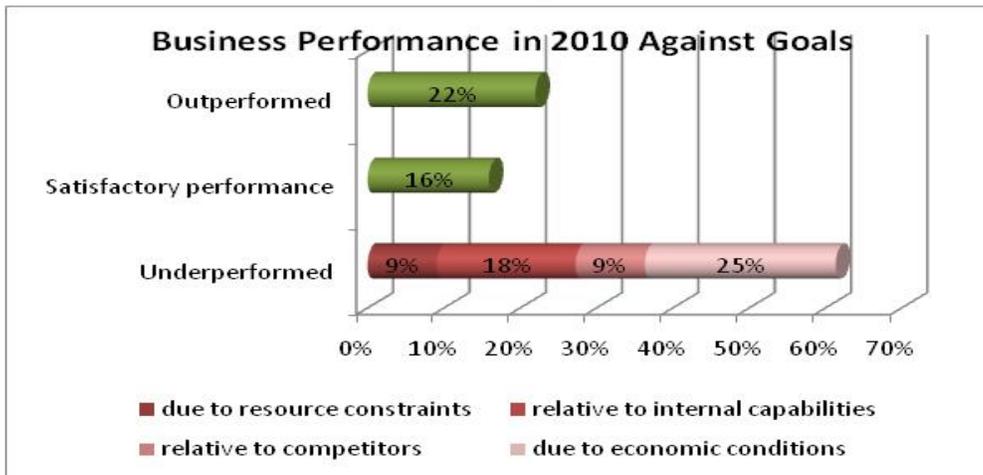
Q1 2011 Research Findings

Based on market research surveys conducted in Q1 2011 with outsourcing solutions providers (50% of survey respondents), software and technology firms (25% of survey respondents), business services (7%), and a scattering of agencies and professional services, the majority of companies have reengineered their models (8 in 10) and/or portfolio (6 in 10) and are looking to expand with the majority of companies testing new revenue strategies and tactics to grow in 2011 and beyond.

Business Performance in 2010 Against Goals

Business Performance in 2010 Against Goals

- Outperformed: 22%
- Satisfactory performance: 16%
- Underperformed: 9% | 18% | 9% | 25%

■ due to resource constraints ■ relative to internal capabilities
■ relative to competitors ■ due to economic conditions

Revenue Growth Strategies & Spending Budget Research Survey Findings

- ✓ Half planning on expansion into new markets
- ✓ Half launching additional products and/or solutions; 2 out 3 added recurring solutions
- ✓ 1 in 5 have added channel partnerships
- ✓ 1 in 10 looking at global expansion
- ✓ Less than 10% using primary Intelligence (market, competitive) as most favor leaning on industry data

Growth Strategies

(Market Expansion, Portfolio Expansion, New Sales & Marketing Tactics)
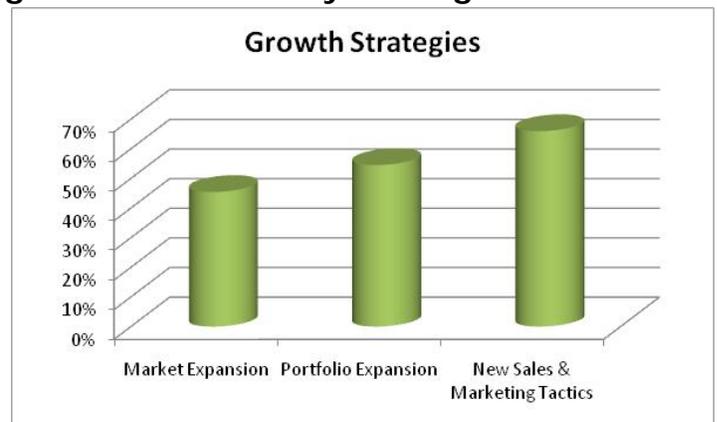
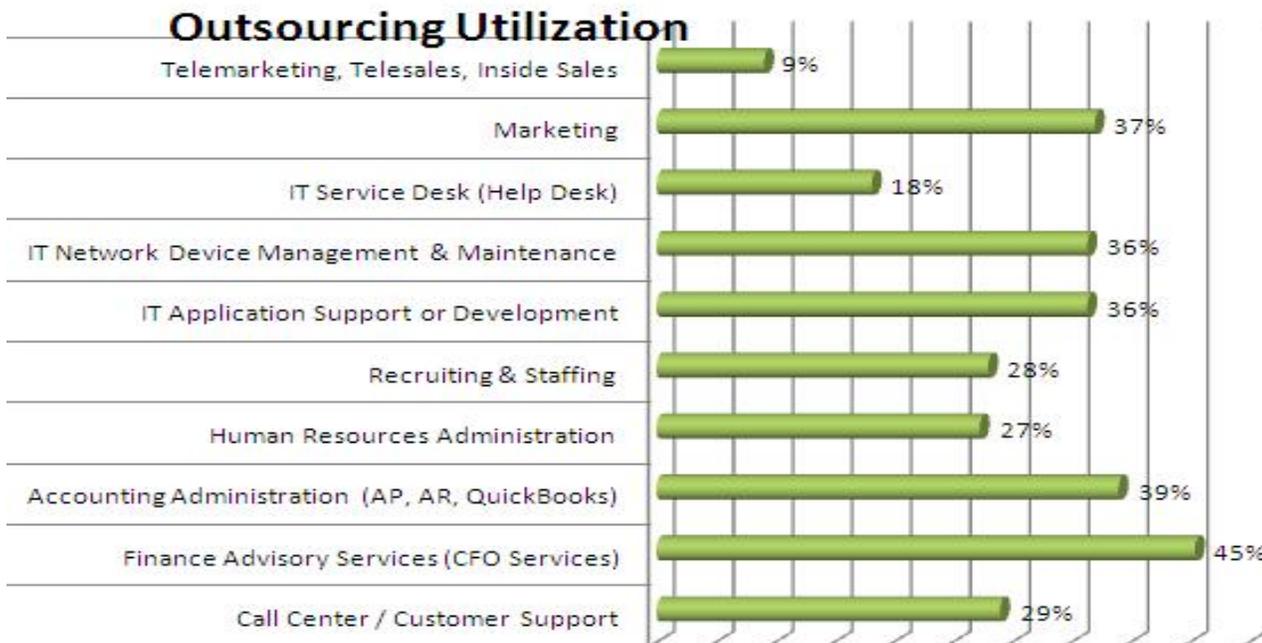*Key Takeaway:* Spending to date and forecasted for 2011 reliant on either:
    i.   Expansion Plans
    ii.   The concept of spend now to save resources in the long-run (i.e. via either a move from fixed costs to variable costs plus significant positive TCO or ROI model).

Outsourcing Adoption

The following chart highlights the market adoption and utilization among small to medium enterprises regarding outsourcing by functional area.

Outsourcing Utilization

Functional Area	Percentage
Telemarketing, Telesales, Inside Sales	9%
Marketing	37%
IT Service Desk (Help Desk)	18%
IT Network Device Management & Maintenance	36%
IT Application Support or Development	36%
Recruiting & Staffing	28%
Human Resources Administration	27%
Accounting Administration (AP, AR, QuickBooks)	39%
Finance Advisory Services (CFO Services)	45%
Call Center / Customer Support	29%

Outsourcing Findings:
→ Nearly 80% outsourcing at least one function. The "big bang" approach has given way to a focused by function and/or deliverable scope as opposed to a "lift and shift."
→ Approximately 10% of the market evaluating outsourcing a new/additional function. While buyers continue to be cautious,
→ 40% believe in the value-proposition of outsourcing is achievable or attained for their company.
→ Overall, the SME market is characterized with regional leaders and highly fragmented SMB providers. While competition is prevalent, regional leaders continue to strengthen their standing in their local markets through expansion and acquisitions. BestInClass performers have Gross Margins > 70% but Net Income (EBITDA) is single digits or zero (< 10% have multiyear contracts). < 10 % using offshore. The majority have started bundling and continue to progress:
   o Bundling of products and services
   o Bundling of services and management
   o Bundling of technology and services

Top Challenges in Evaluating Providers

1. **"Finding someone great"**
   a. Analyzing the ROI vs Internal Resources
   b. Industry knowledge
   c. Price vs. Benefit
   d. Analyzing Value Proposition
   e. quality experience
   f. Minimizing risk of a bad choice

2. **"Fit"**
   a. Understanding how they match-up to our needs
   b. Finding internal resources to make sure external providers are delivering
   c. Cost
   d. Capability
   e. Reliable delivery

About Performance Strategies Research Methodology:
In the summer of 2011, we conducted a survey to c-level executives of companies with $5M to $99M in annual revenues located within the south and central United States. This survey is intended to provide trends, insights, benchmarks, and best practices for the coming years. Additional research and insights can be found at http://www.ephorgroup.com/researchresources.asp

About the survey sponsor: **Serenity Systems Inc.**

Serenity Systems is a Houston IT Managed Services Provider. We pride ourselves in building relationships with our customers, partners, and colleagues and commit to their success. **We focus on simplifying the computing experience** for our customers to allow them to do what they do best. Above all we guarantee reliability, raising the bar for service levels, quality of work, and creative use of technology.
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