"ThisIsCable" for Business Reports are designed to demonstrate how new technologies enabled by cable providers help small business owners and managers address key challenges, solve problems and achieve mission critical objectives. More resources can be found at thisiscable.com/business.

For small businesses, 2010 is a particularly fertile year for leveraging a wide array of web-based productivity tools that can improve how they interact with customers, streamline business processes, and create competitive differentiation.

The reason: technologies that allow small businesses to “talk” to customers in more ways, solicit input from a vast array of resources (often for free), and access key software programs is rapidly maturing.

Paradoxically, however, it is not the uniqueness of web-based solutions that small businesses will harness when they take advantage of these solutions, but rather the fact that there are now commodity-like, standardized tools that will allow managers to make better choices about where to allocate scarce resources. Specifically, it will allow small businesses to reduce the cost of executing routine transactions so that they can allocate more resources to pursuing activities that make an organization unique.

In many ways, the availability of new web-based tools represents less of a technology play, and more of a business model transformation. For many years small businesses have had the option of:

- Designing their own business processes and applications; and
- Buying premise-based applications to which business processes adapted.

To illustrate, managers could develop their own ways of keeping track of their customers’ desires and requirements (by defining how to process an order, and then enter information into a database or a spreadsheet). This could be very time consuming and resource intensive.

Or, they could buy a customer-relationship management application (a software package that has a pre-built database). This was good because it saved the time and investments associated with building an application (which often meant “reinventing the wheel”) but it meant that organizations often purchased functionality that was not needed or utilized (the baby and the bathwater was acquired).

Today, small businesses have a third option:

- They can “rent” the applications and business applications that they require on an as-needed basis, and pay only for the resources that are used.

In this report, we explore the impact that social networking, a technology called crowdsourcing, and Software-as-a-Service is having on the way small businesses compete and serve their customers.
Social Networking and Small Business

Social Networks have received a lot of attention in the consumer environment as organizations like Facebook, MySpace – and from a more business-like perspective: LinkedIn – change the way people communicate with each other. It is a way of broadcasting information. Individuals can write – or post – something once in a public place, and the world can consume it.

Small businesses are utilizing social networks – especially new ones like Twitter – to offer technical support forums as well as to address customer concerns before they compound and adds an invaluable human element to customer support. Ultimately, this can make it possible for users to develop an interactive relationship with a company that supplements call centers or e-mail customer service operations.

According to the most recent Small Business Success Index (SBSI), sponsored by Network Solutions and the Center for Excellence in Service at the University of Maryland’s Robert H. Smith School of Business, social media adoption by small businesses has doubled from 12 percent to 24 percent in the last year.

The SBSI found that nearly one out of five small business owners are actively using social media in their business. Small businesses are increasingly investing in social media applications including blogs, Facebook and LinkedIn profiles. According to the survey:

- 75 percent surveyed have a company page on a social networking site;
- 61 percent use social media for identifying and attracting new customers;
- 57 percent have built a network through a site like LinkedIn;
- 45 percent expect social media to be profitable in the next twelve months

A separate study based on interviews with 105 participants representing 97 organizations in 20 countries around the globe conducted by IESE Business School in Spain, E. Philip Saunders College of Business at the Rochester Institute of Technology in the U.S., and Henley Business School in the United Kingdom, reports that the use of consumer-based social networking tools, such as Facebook and Twitter, is connecting organizations with the external world in myriad ways.

These tools bring technology and business together through innovative experiences, connect people and information, establish potential new routes to market, and enhance customer intimacy and brand awareness. The study findings indicate that the business world is at the early stages of adopting these tools and in the process of identifying key challenges, such as the need for increased governance and IT involvement, which may impact the integration and adoption of these new platforms and technologies.

- Of the organizations interviewed, 75 percent identified social networks as the consumer-based social media tools they primarily use, while roughly 50 percent of the group also identified extensive use of microblogging.
- Respondents indicated that social networking tools are spreading into important areas of the organization, including the marketing and communications, human relations, and customer service departments. Within marketing and communications, these tools have already become an integral part of the organizations’ initiatives, as marcomm staff members have understood and acted on the shift from “broadcast” to “conversational” communications or rich interactions.
- Small and medium-sized businesses are actively using social networking channels to generate leads.

The Need for More Governance in Social Media Efforts

Only one in seven of the companies that participated in the research noted a formal process associated with adopting consumer-based social networking tools for business purposes, indicating that the potential risks associated with these tools in their businesses are either overlooked or not well understood.

Similarly, only one in five participants identified any policies in place concerning the use of consumer-based social networking technologies in the enterprise. Within the respondent base, social networking governance typically involves more stakeholders than standard corporate initiatives, as these organizations have yet to define who “owns” external social media strategies. Without a single point of ownership within organizations, these initiatives are extremely difficult to control and manage.
Due to the unstructured nature of social networking, companies continue to struggle with policy creation and adoption, as copying an established governance process from other, more structured areas (for example, information technology) often doesn’t work for social networking. Businesses also find difficulty in striking the right balance between the social and personal nature of these tools while maintaining some degree of corporate oversight.

Only one in 10 respondents noted direct IT involvement in externally facing social networking initiatives. Although the IT department is typically not involved as a primary decision maker, respondents did recognize the need for these tools to scale and properly integrate with existing business processes to reap maximum benefits.

Crowdsourcing Extends Talent Resource Pool
Crowdsourcing refers to the ability to let a community that may or may not be employed by an organization to accomplish a set of corporate goals. So, for example, if a small business with a small business development staff would like to develop a marketing campaign for a new offering, it could solicit ideas about the project from existing customers, partners, or people who simply like the offering to provide input. The same principle can be applied to solving a technical problem during a product development process. The idea is to use the Web to extend the resources available to a small business.

Some organizations have effectively used this technique to access a global, scalable workforce and free-up internal resources to address more pressing or proprietary concerns that should not be dealt with in a public form. The concept of Crowdsourcing incorporates the use of services – such as LinkedIn Answers – to submit business related questions and have participants in a social network to offer responses. It is very interesting to note that the use of all of these web-based technologies represent a phenomenon that is empowering small businesses all around the world.

For example, in Sydney Australia, a company called DesignCrowd has developed a new crowdsourcing business model that lets design agencies, printers & other design related businesses use crowdsourcing with their own clients.

Design studios, ad agencies, printing and web hosting companies can use what is in essence an outsourcing platform that leverages access to around 13,000 designers as if they were on their own team.

The new model lets an existing design related business harness the benefits of crowdsourcing while maintaining their relationships with their clients and providing other services (such as strategic advice, web development or printing). Agencies and graphic design studios who have previously viewed crowdsourcing as a threat are combining it with the in-house creativity, strategic planning and deep client insights they already provide.

“Allowing agencies to crowdsource changes the competitive dynamic. In the design industry, design studios don’t have to compete with crowdsourcing companies - instead, they should look to use it as a way of getting fast and highly creative output so they can focus on client strategy and growing their business,” says Alec Lynch, Managing Director of DesignCrowd.

DesignCrowd believes traditional agencies and marketing firms complement its crowdsourcing business model.

“Effective use of crowdsourcing is becoming a key competence for agencies and design professionals,” says Ross Dawson, futurist and Chairman of Future Exploration Network. “Teams with great project management and creative skills can now harness a global pool of talent, creating world-class results for their clients using a highly flexible structure.”

SaaS Introduces New Flexibility in Technology Strategy
Software-as-a-Service (SaaS) - or web-based applications - offer alternatives to so-called premise-based application suites that must be purchased and installed on corporate hardware resources. Web applications can be used to increase productivity in the realm of project management, technical and creative collaboration, and contact and account management.

The appeal of web applications comes from the fact that they can be accessed by any web browser, on any operating system, from any location. They also demand little to no investment in IT infrastructure or maintenance. This means that the small business can enjoy almost instant gratification with regards to the implementation of these applications and their resulting benefits.

According to a survey conducted by the non-profit trade association, CompTIA, nearly 30 percent of more than 400 SMBs across the United States plan to implement SaaS solutions in 2010 to lower costs and maintain their competitive edge. That’s up from 22 percent and 14 percent respectively in the two prior years.
Thirty percent of SMBs say they intend to implement managed services solutions in 2010. Since 42 percent of SMBs do not have a formal IT department, relying instead on workers handling IT needs on a part-time basis, the managed services model is ideally suited to fill this skills gap.

This dynamic, combined with the maturing SaaS market explains recent findings from Forrester Research. Analysts there report that more than one-fifth of SMBs plan to update and modernize key legacy applications, and indicate that SaaS is the path they are taking to refresh their technology assets.

**Conclusion**

Small businesses have never had more access to a broader array of resources that help them touch customers, become more efficient, and focus on competitive differentiation. In many ways, the rise of web-enabled productivity tools helps the small business sector more than their counter-parts in the Global 2000, because they are not burdened by investments in legacy technologies and processes that are in place.

Because of this – and the fact that small businesses are increasingly viewed as the engine of growth for the global economy -- providers of web-enabled solutions are racing to tailor offerings to this segment of the market. Consequently, small business owners and managers have an unprecedented opportunity to more expansively explore the role that web-based technologies can have on their go-to-market strategies.

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