



IT Effectiveness Index

Mid-Year Report

July 2009

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The IT Effectiveness Index Executive Summary

IT failing one of four small businesses according to Effectiveness Index

According to the initial results of the 2009 IT Effectiveness Index™, nearly 23 percent, or almost one out of four small businesses score a “D” or “F” grade when it comes to evaluating their IT effectiveness. Based on responses to an online survey that is a first in targeting the IT practices of small businesses, preliminary results show another 37 percent are barely maintaining their IT operations, scoring only a “C” grade.

Sponsored by a consortium of leading small business media and technology companies, the dismal report card of survey results so far is especially disturbing since more than two-thirds of the small businesses responding indicated that their IT and Web commerce are the foundations that enable their business success. Thus in nearly two-thirds of businesses of 100 employees or less, IT operations are failing to fully support or keep pace with small business needs.

Key Findings:

- Nearly one in four small businesses score a “failing grade” when evaluating their IT effectiveness
- In almost two-thirds of businesses of 100 employees or less, IT operations are failing to fully support or keep pace with small business needs.
- Failing grades in IT effectiveness show in lack of security, problems with IT availability, unacceptable levels of downtime, and lack of disaster recovery or business continuity implementation.
- Small businesses are falling behind in IT effectiveness, forcing them to make do with less staff, cancel or put IT projects on hold, and slash capital expenditures in their IT budgets.
- Small businesses need to consider alternatives to capital expense, do-it-yourself approach to IT

In many cases, the symptoms of mediocre or failing IT grades are displayed in a lack of security protection against cyber threats, an inability to prepare for or respond to incidents, as well as growing concerns about IT availability and unacceptable levels in downtime of IT systems. Preliminary study results, for example, show that only 23 percent have fully implemented an incident management process to restore systems in the event of a security breach or system shut down, and only 26 percent have fully implemented a disaster recovery and business continuity plan.

The result is that many small businesses appear to be falling behind in IT effectiveness. They find themselves at an even greater disadvantage in an uncertain economic environment that has forced them to make do with less staff, cancel or put IT projects on hold, and slash capital expenditures in their IT budgets. Results of the survey indicated, for example, that nearly half the businesses responding faced obstacles in implementing new IT projects because of cuts in capital investments, and 35 percent lack the staff to properly manage their IT investments.

How does your IT effectiveness measure up?

Spend ten minutes taking the IT Effectiveness Index survey, and you'll get:

- An immediate letter-grade valuation (A through F) of your IT practices
- Details that explain your evaluation, along with a comparison of how other companies of your size and in your industry scored.
- Suggestions for improving your IT performance
- A free copy of the SMB IT Effectiveness Index Report when it is published in early 2010

The evaluation is free and private. We invite you to learn more about ITEI and about your own IT effectiveness.

Visit ITEI and Take the Test

www.iteffectivenessindex.com

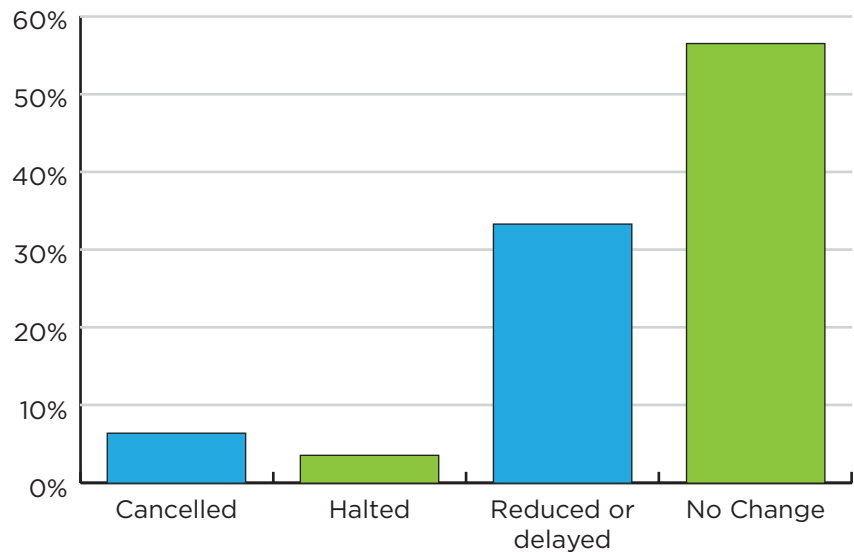


Figure 8 - Nearly half (44%) of small businesses have delayed, cancelled or halted IT projects in the wake of economic uncertainty.

As these findings indicate, small businesses are being forced to consider alternatives to conventional IT practices that go beyond the traditional do-it-yourself approach of trying to fund and operate IT entirely with in-house funding and resources. At the end of the survey, the IT Effectiveness Index sponsors offer those who take the survey a chance to examine their results in more detail and will eventually enable respondents to compare their scores against their peers in their respective industries.

In its initial analysis of the survey results, the ITEI consortium suggests that small businesses consider exploring areas that will help them upgrade their IT performance and effectiveness without the capital expense typically associated with IT budgets. Among the suggestions are for small businesses to:

- Concentrate on core competencies while seeking to explore outsourcing options
- Take advantage of free software and other offerings. Microsoft, for example, offers a global program called BizSpark (<http://www.microsoft.com/BizSpark>) designed to accelerate the success of early stage startups by providing software, support and visibility.
- Explore the benefits of Cloud Computing whereby applications are utilized and maintained on a subscription basis
- Look at IT infrastructure alternatives to capital expenditures through hosted hardware, software, and services.

The IT Effectiveness Index is the first-ever benchmarking tool that measures the technology effectiveness of small- and medium-sized businesses throughout the world. To take the survey, go to www.iteffectivenessindex.com. Sponsored by companies with a core interest in the SMB market, the survey provides insight and counsel for improving business processes and IT effectiveness. Members of the consortium include the following companies: Microsoft (www.microsoft.com); The Planet (www.theplanet.com); Kennesaw State University (www.kennesaw.edu); SMB Technology Network (www.smbtn.org); SmallBizTechnology.com (www.smallbiztechnology.com); Small Business Trends (<http://smallbiztrends.com>); SMB Nation (www.smbnation.com); HostSearch (www.hostsearch.com); and Yankee Group (www.yankeegroup.com).

IT Effectiveness Index - Mid-Year Report of Results

1. IT failing one of four small businesses

One of the most striking results of the ITEI Mid-Year Report of Results for 2009 shows how poorly most small businesses score when it comes to their information technology effectiveness. After responding to a series of questions related to how effectively they are managing all areas of their IT operations, preliminary results show that nearly 23% or almost one out of four small businesses show a “D” or “F” grade. Another 37 percent of respondents are barely maintaining their IT operations, scoring only a “C” grade. That means the IT operations of more than 60 percent of small businesses with 100 employees or less appear to be failing to fully support or keep pace with small business needs.

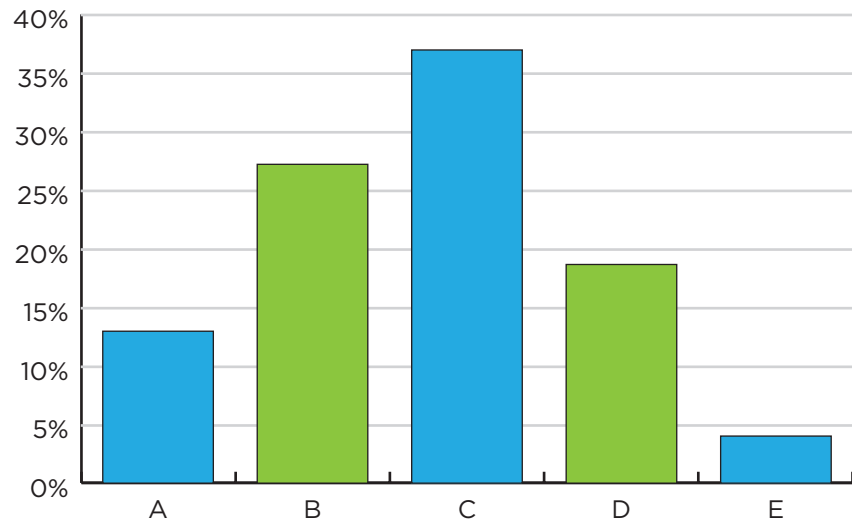


Figure 1 - IT is failing nearly one in four small businesses, while another 37% struggle.

These results are disturbing when one considers that two-thirds of the businesses responding to the survey indicate that IT and a Web presence are the foundation that enables their business success.

2. Mediocre or failing grades reflect lack of IT best practices

In many cases, the symptoms of mediocre or failing IT grades are displayed in a lack of security protection against cyber threats, an inability to prepare for or respond to incidents, as well as growing concerns about IT availability and unacceptable levels in downtime of IT systems.

Results, for example, show that for critical security protection only about 30% of companies have fully implemented an effective information security program to protect its information and IT infrastructure against security threats that could compromise the confidentiality, integrity and availability of their systems.

Incomplete or partial IT best practices are likely responsible for the lack of IT effectiveness in small businesses today. Failure to implement many of the minimum requirements of best practices clearly puts any organization at risk for costly security incidents, as well as underperformance and inefficiencies that make them particularly vulnerable during a time of economic uncertainty.

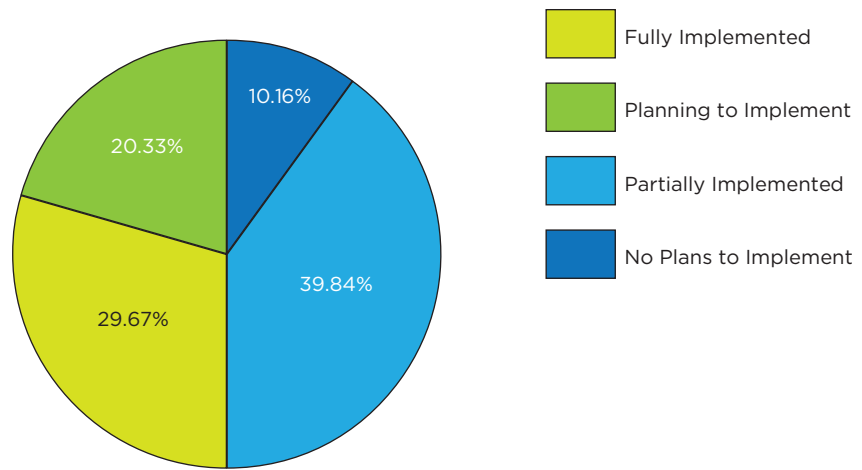


Figure 2 - Only 30% of companies have fully implemented an IT security program.

When asked whether their organization had a defined incident management process to restore normal service operation as quickly as possible after a security incident, less than 24% -- only one in four companies -- had fully implemented a plan.

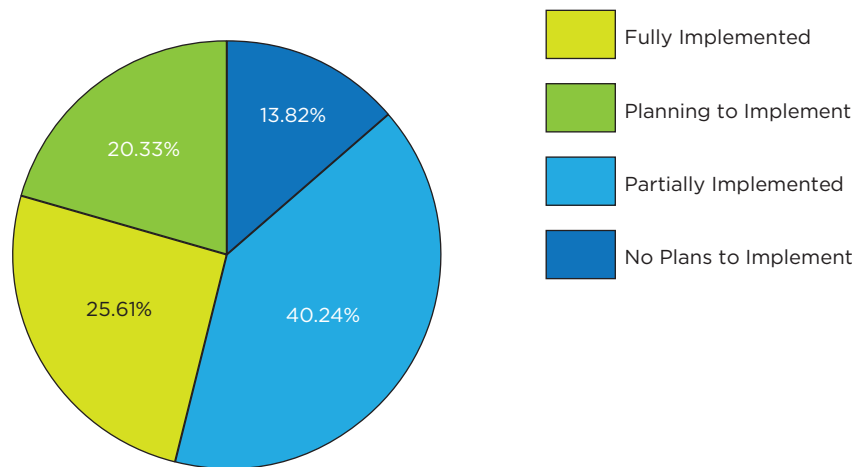


Figure 3 - Nearly 75% of respondents have not fully implemented a defined incident management process.

Without an established incident management process, businesses will fail to minimize the adverse effect on their business operations for security incidents, and risk compromising service quality and availability.

Similar results are shown in key areas, such as implementing a disaster recovery and business continuity plan, and compliance with policies and regulations. Businesses need to plan for disaster recovery and business continuity to sustain business operations in the event of a natural or man-made disaster. This generally means implementing formal policies and plans to restore business functions, such as storage (data), networks and servers, often located at a secondary site in the event of a disaster. Yet, the survey suggests that only one in four small businesses appears to have fully implemented a disaster recovery and business continuity plan to insure the business can continue operating.

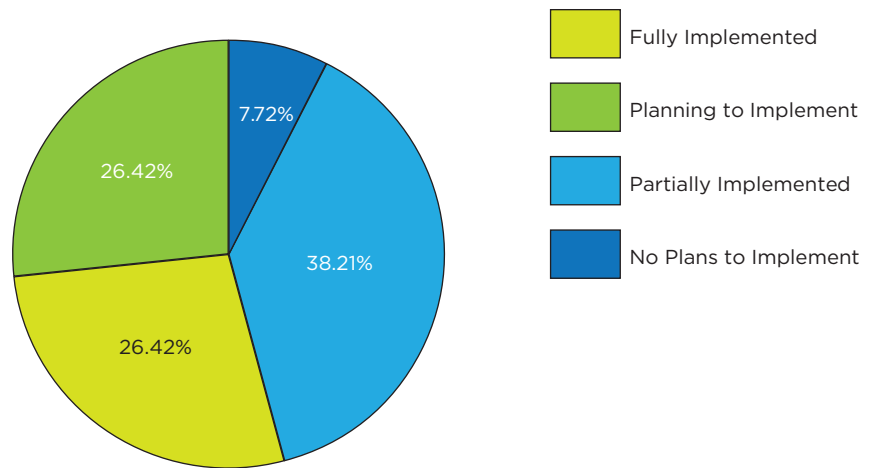


Figure 4 - Only about one in four businesses has fully implemented a disaster recovery and business continuity plan.

A similar situation exists for IT systems and corresponding processes that have to support compliance with specific policies and regulatory standards. Survey results show that less than half the companies responding were fully compliant with policy and regulatory requirements. Another one-third felt partially compliant, and one in five are planning to meet compliance requirements. HIPAA requirements in the health care industry and PCI compliance for credit transactions were the two most applicable regulations according to survey respondents.

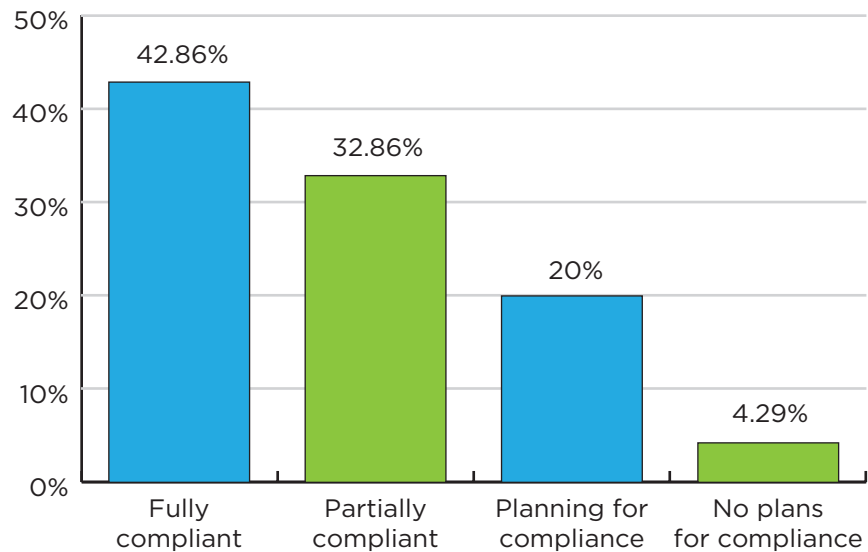


Figure 5 - Less than half of survey participants (42%) indicated their company was fully compliant with policies and regulations.

Preliminary results of the survey thus far indicate a significant gap in IT effectiveness exists in several other areas as well:

- Only 25% have fully implemented a standard process for efficiently handling changes to IT systems in order to minimize the impact of change-related incidents and improve day-to-day operations.

- Very few companies have a round-the-clock IT service desk function fully implemented to assist users.
- Just one in four companies has fully implemented a defined process for monitoring and measuring performance against service level goals or agreements.

3. Small businesses paying penalty for lack of effectiveness

Reinforcing the overall lack of best practices, the IT Effectiveness Index survey shows that more than 57% of businesses experienced some downtime of their IT systems, with one out of five companies reporting they had experienced significant or unacceptable downtime of their IT systems over the past year. This is particularly disturbing since many small businesses are web-centric and are competing online against larger companies with more staff and resources to help them avoid interruptions in service. Downtime for small organizations of 50 people or less can literally be a silent business killer when outages occur, reducing income and causing the loss of valuable customers.

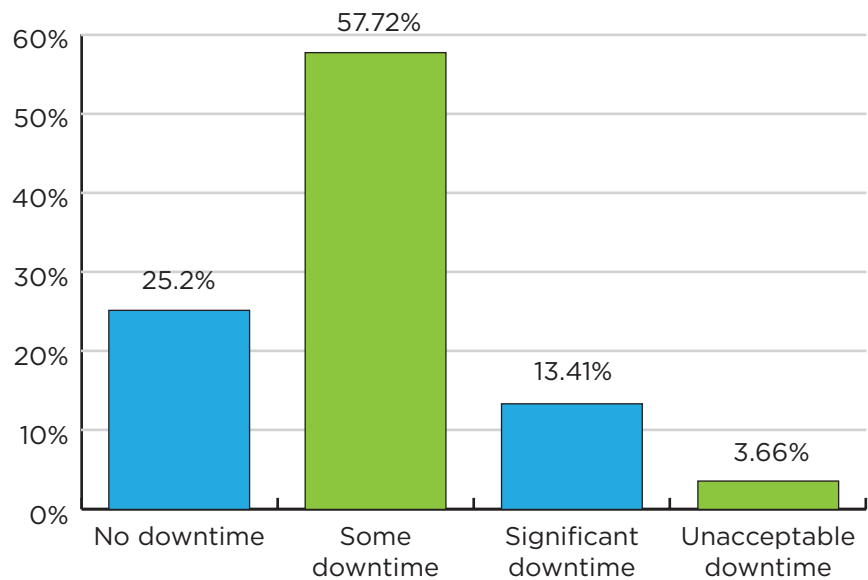


Figure 6 - More than one in six respondents experienced significant or unacceptable downtime of their IT systems within the past year.

In addition, fully one-third of respondents thus far have indicated they consider their business unprepared or underprepared in their ability to anticipate IT problems or business issues before they occur. These results reflect a situation whereby many small business IT departments must devote considerable time and effort in a reactive mode of “putting out fires” and dealing with urgent issues. Combined with ever more limited resources, it’s perhaps not surprising that small businesses find it difficult to plan ahead or foresee surges in demand, and thus feel unprepared or underprepared to anticipate issues before they become problems.



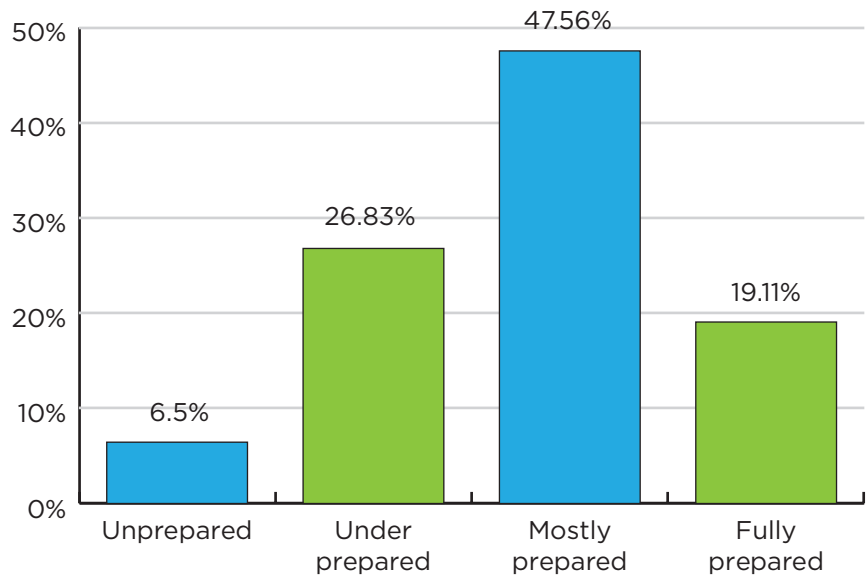


Figure 7 - More than one-third of organizations (33%) are not prepared (underprepared or unprepared) to anticipate IT issues before they become problems.

4. Small businesses falling further behind in IT

The initial results of the survey help to serve as a wake up call to small businesses at a time when IT budgets are threatened by the uncertainties in global markets. That’s because respondents appear to be falling further and further behind in their IT initiatives due to the impact of a global economic recession. The survey shows, for example that nearly one out of two businesses (43%) responding to the survey have reduced, delayed, halted or cancelled IT infrastructure projects during the past several months.

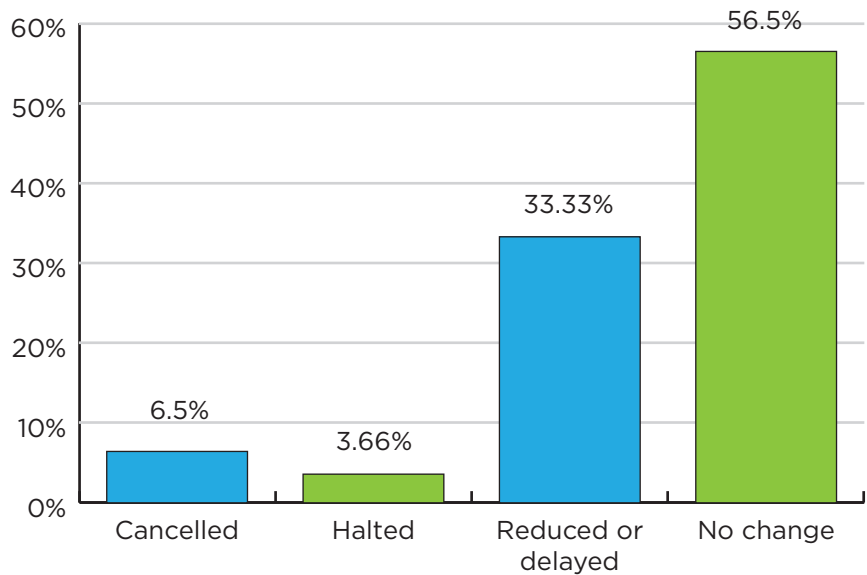


Figure 8 - Percentage of businesses that have delayed, cancelled or halted IT projects in the wake of economic uncertainty.

Small businesses throughout the world, regardless of industry, are facing growing limits on capital expenditures as well as cancellations or delays in IT infrastructure projects.

Nearly the same number of respondents (42%) have also reduced their budgets for capital expenditures and a similar number (42%) have had their operating budgets reduced due to current economic conditions. Thus, small businesses that already may be falling behind in their IT performance compared to competitors will not likely be able to “buy their way out” of their predicament given the economic restraints they are facing.

5. Limited budgets and shortage of expert staff biggest obstacles

The combination of limited budgets and reduced staff appears to be the biggest obstacle in realizing the full benefits of IT for many small businesses. Results from the online survey reveal nearly 50% of respondents said that upfront capital investment is often an obstacle or a top problem when considering IT projects.

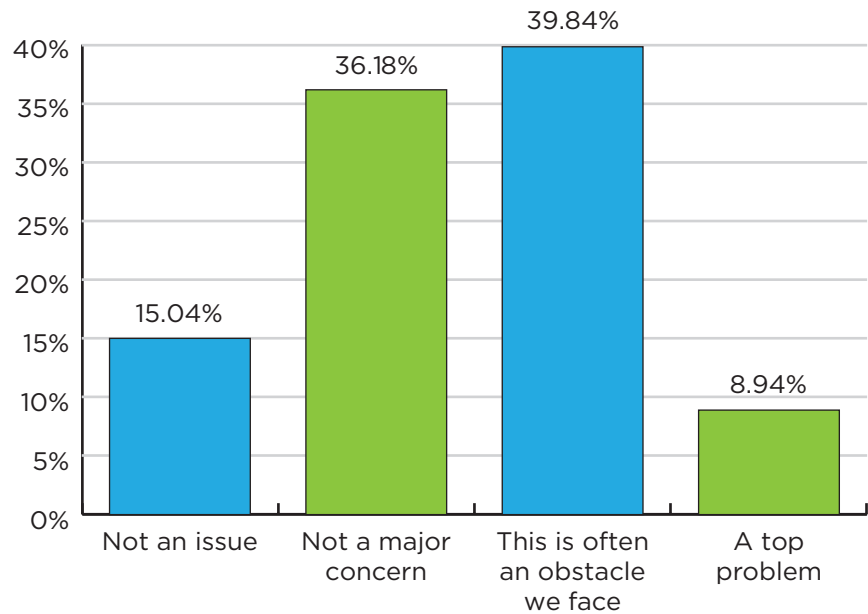


Figure 9 - Nearly half of small businesses indicated that upfront cash investment is an obstacle to funding IT projects.

One area in particular highlights lagging IT effectiveness, as organizations experience a lack of properly qualified engineers. Survey results show more than one-third of (35%) of respondents state they are not fully staffed when it comes to certified engineers that can manage specific areas of the company’s IT infrastructure, including those who are certified on systems such as Red Hat™, Microsoft® and Cisco®.

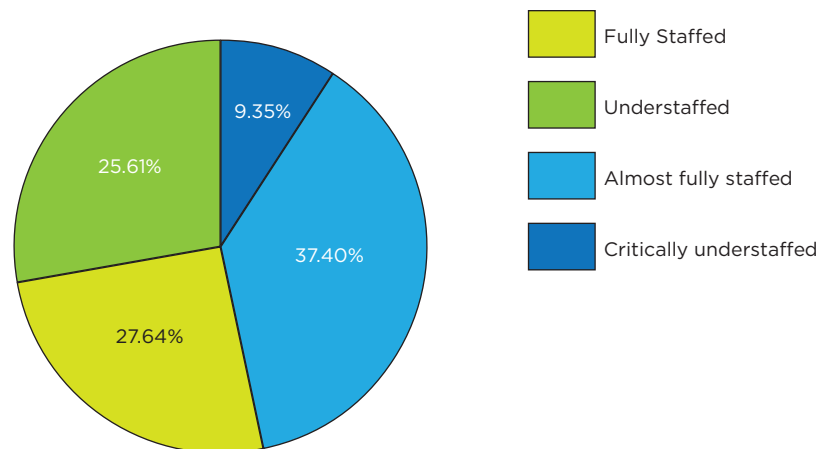


Figure 10 - More than a third of organizations indicated they are understaffed or critically understaffed when it comes to IT expertise needed.



To overcome cuts in capital and operating budgets and shortages of in-house staff expertise, small businesses need to examine IT alternatives such as Cloud Computing, Software as a Service and Hosted solutions. Those who find alternative models for funding, maintaining or even expanding IT operations and performance will be able to avoid unwanted restrictions or compromises to their businesses at a time when competition has never been more intense. For example, instead of investing scarce budget or capital dollars to handle the exponential growth in information storage demands, small businesses should consider alternatives such as hosted cloud storage options that allow them to “pay as they grow,” with an ability to scale up or down as needed.

6. Suggestions to improve effectiveness scores

Based on survey findings, the ITEI Mid-Year Report sponsors offer several recommendations for organizations looking to improve their overall IT effectiveness score. Sponsors suggest that small businesses consider exploring areas that will help them upgrade their IT performance and effectiveness without the capital expense typically associated with IT budgets. Among the suggestions are for small businesses to:

- Concentrate on core competencies while seeking to explore outsourcing options. While outsourcing has been an option for large enterprises in the past, small businesses can now take advantage of outsourcing through Software as a Service, hosted and cloudcomputing options.
- Small businesses should explore the use of free software and other offerings by major providers. Microsoft, for example, offers a global program called BizSpark (<http://www.microsoft.com/BizSpark>) designed to accelerate the success of early stage startups by providing software, support and visibility.
- Explore the benefits of Cloud Computing whereby applications are utilized and maintained on a subscription basis. This avoids upfront capital expense, and frees up IT staff from managing constant updates and patches, while offering more flexibility for storage and application mobility.
- Look at IT infrastructure alternatives to capital expenditures through hosted hardware, software, and services. Recent studies have shown that hosting IT infrastructure can reduce costs up to 50% when compared to do-it-yourself approaches that rely completely on in-house staff and hardware/software purchases. Hosted managed services also offer small businesses access to the expertise of certified engineers without having to hire them as full time staff.

7. An industry first in measuring small business IT practices

Based on responses from hundreds of organizations worldwide, the IT Effectiveness Index (ITEI) represents the first major effort to measure how well small- and medium-size businesses have implemented effective IT systems. While the ITEI provides valuable aggregate data for comparison purposes, it also provides an individual organization grade or score. Using this score, IT and business managers can establish a benchmark for IT effectiveness and measure their progress over time.

Designed and conducted through an online web interface by a group of leading information technology media and technology providers, the ITEI offers two essential benefits for small business owners/managers that rely heavily on the Internet to grow and sustain their businesses.

1. Provides an individual company grade or score that small businesses can use to measure their IT effectiveness compared to best practices in several critical areas such as availability, security, service levels, change management and more.
2. Collects responses to questions based on best practices for implementing information technology that provides baseline or aggregate data from which individual companies can compare their own IT effectiveness score with other organizations worldwide of their size as well as those in their specific industry.

Thus, the ITEI helps to answer two critical questions every small business faces today:

- How do I benchmark my business's IT effectiveness compared to best practices within the industry?
- How does my organization's IT effectiveness compare with other companies of my size, and in my industry?

The IT Effectiveness Index helps answer these questions in two ways. First by offering a self-service, online survey filled out by business managers responsible for or expert in IT practices that provides an immediate effectiveness grade. Second, by enabling the business owners/managers to compare their grade or score with peer businesses in their specific industry and business size in a follow up report sent by email.

8. Respondents represent cross section of small businesses

Thus far, the IT Effectiveness Index has primarily attracted respondents that represent the small business of 100 employees or less. Of the hundreds of organizations fully participating in the IT Effectiveness Index online survey so far, more than 75% are small businesses with less than 50 employees.

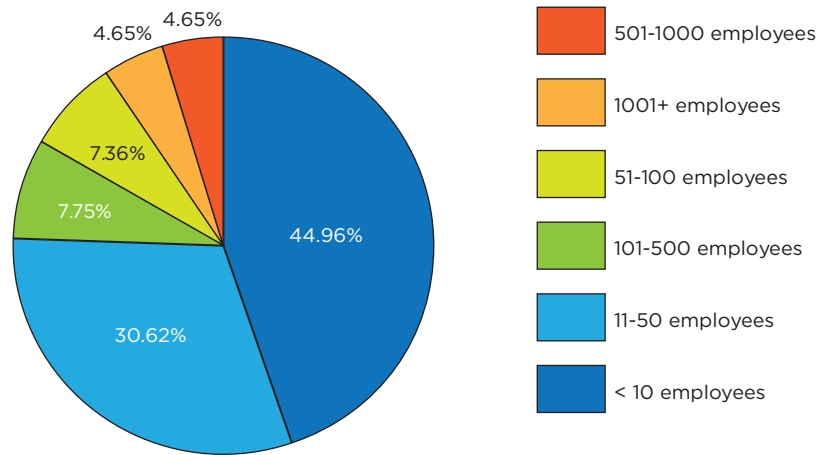


Figure 11 - Percent of employees by company size responding to the ITEI survey.

Not surprisingly, respondents filling out the survey represent the top management of each business. About half the respondents thus far are CEOs or owners of the participating businesses, with another 30% being CIO level or Directors of IT.

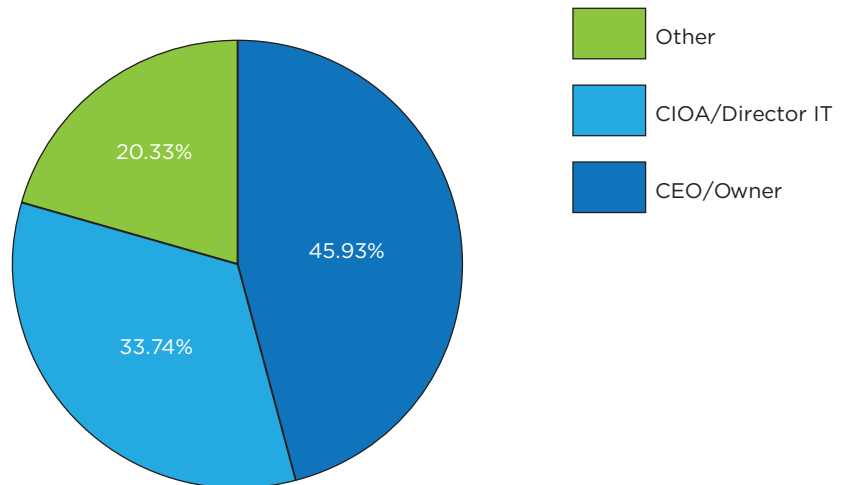


Figure 12 - Percentage of survey respondents by title or position within their respective companies.



9. IT Effectiveness Index scoring methodology

The ITEI online survey is designed to assess an organization's IT management practices using a framework based on elements of ITIL. To perform each assessment, the ITEI asks respondents to assess their organization across 11-12 key areas/objectives, depending upon whether their company is subject to government regulations. For each objective, a respondent may choose one of the following degrees of compliance:

- Fully compliant - the standard objective has been fully implemented at the organization. Results in a score = 4 for the objective
- Partially compliant - the standard has been partially implemented at the organization. Results in a score = 3 for the objective
- Planned - the organization has definite plans to implement the objective. Results in a score of either 2 or 1 for the objective
- Not compliant or planned - the objective has not been implemented and there are no plans to implement. Results in a score of either 1 or 0 for the objective

The scores from each question are totaled to provide an index score for the organization. A standard "university style" grading system will be applied to the scores. The overall survey score will be based on an average for all questions answered. Company scoring will be as follows:

- A = $4.0 < x \leq 3.7$
- B = $3.7 < x \leq 3.0$
- C = $3.0 < x \leq 2.0$
- D = $2.0 < x \leq 1.0$
- F = less than 1.0

10. About the ITEI and its sponsors

The IT Effectiveness Index (ITEI) provides business owners and IT executives at small- and medium-size businesses with a FREE on-line benchmarking tool. This tool helps them compare the effectiveness of their IT systems with companies in their industry and peer group. After taking the survey, participants immediately receive a grade from A through F, along with a brief description of what the grade means, based on responses to the survey questions. Within 48 hours or less of taking the survey, participants also receive an email with details and suggestions for improving their IT Effectiveness grade. Those who complete the survey, are offered a free copy of our Small- and Medium-size Business (SMB) IT Effectiveness Index Report, scheduled for publication in early 2010. ITEI Sponsors include:

Microsoft®

Microsoft Corporation

<http://www.microsoft.com/en/us/default.aspx>

Founded in 1975, Microsoft is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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The Planet, the global leader in IT hosting, provides customers the power to choose from the broadest range of solutions in the industry: dedicated servers, Alpha Professional Managed Dedicated Services, Northstar Managed Hosting and data center colocation.





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Founded in 1963, Kennesaw State University is the third-largest university in Georgia's university system based on full-time student enrollment. Situated in the northern Atlanta suburbs, KSU has 21,500 students, 9% of whom are international. KSU offers a comprehensive university curriculum with 48 undergraduate programs and 22 graduate degrees, and began offering doctoral program in 2007.



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SmallBizTechnology.com

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Smallbiztechnology.com helps small-medium sized businesses strategically use technology as a tool to grow their businesses and provides news, articles, discussion boards, resources, analysis and events for SMB owners.



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Small businesses are encouraged to measure your IT effectiveness

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Visit ITEI and Take the Test

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HostSearch

Helping you find a home for your web site.

HostSearch.com

www.hostsearch.com

HostSearch.com, established in 1997, provides unbiased information about web hosting providers and maintains the largest database of information about the industry. The site continually upgrades its service to ensure information meets its visitor requirements.



Small Business Technology Network

www.smbtn.org

SMB Technology Network™ (SMBTN) is an organization of consultants, solutions providers and value-added resellers who provide technology products and services to small-to-medium sized businesses.

Visit ITEI and Take the Test

Questions or comments please email us at ITEI@iteffectivenessindex.com.

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