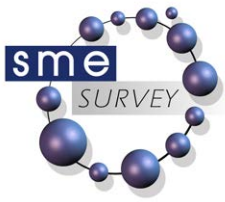


EXECUTIVE SUMMARY



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SME SURVEY 2018

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SMEs ready to embrace (some) high-tech

Small and medium enterprises (SMEs) are notoriously slow when it comes to adopting new technologies, but South African SMEs are about to do a U-turn with regard to the Internet of Things (IoT). In fact, as many as 83% of decision-makers responding to a new survey expect to be using IoT in their business within five years.

This was one of the most notable results from SME Survey 2018, a research project conducted in partnership with QuickBooks, comprising 1400 interviews with SME decision-makers. However, the IoT (the network of devices featuring an IP address and the communication between these internet-enabled devices and systems) is very much an outlier in terms of future technology uptake by SMEs, says Arthur Goldstuck, MD of World Wide Worx and principal researcher for SME Survey.

“The IoT is crucial to the development and success of many SMEs and it’s no surprise that South African businesses are recognising the value of implementing and applying this technology,” says Rich Preece, Global Leader of the QuickBooks Accountant Business. “Time and insightful data are essential commodities for any small business and they are two of the biggest advantages the IoT can offer small businesses.”

While the Survey asked SMEs about multiple future technologies – including artificial intelligence (AI), Big Data, 3D printing, crowd-sourcing, Blockchain and virtual reality (VR), as well as IoT – only the latter appears likely to have significant uptake among SMEs in the next few years.

“SME decision-makers are generally only willing to embrace a new technology if there is a clear business case to do so,” says Goldstuck.

“We noted that the uptake of fibre connectivity in preference to ADSL is paralleling that of ADSL’s growth over dial-up in this sector a decade ago. This is clearly due to the obvious benefits fibre delivers to SMEs. It has become obvious over the years that only technologies that directly benefit the SME, by helping it to save or make money, or become more efficient, will be adopted. IoT clearly fits the bill here.

“Many SMEs have already been exposed to the benefits of the IoT in some form or another, thanks to technologies for vehicle tracking and asset management, so they are already aware of its benefits. This is the most likely reason SMEs foresee this as an area of major investment in the near future.”

He points out that next on the list were AI and Big Data, which came far behind and were only expected to be adopted by 29% and 27% of SMEs, respectively. This is not too surprising, says Goldstuck, considering that these technologies are mostly beneficial to businesses with large customer bases or complex logistics.

“Technology vendors should note that, while 70% of SMEs are ready to embrace new technologies, the only one they really seem enthusiastic about is IoT. This demonstrates that, while the willingness is there, they will only embrace something new if it makes sense for their business.”

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SMEs stick with what they know

While most small and medium enterprises (SMEs) believe that their accountants are tech-savvy, many are actually using outdated technology solutions – choosing to keep expenses down by not investing in innovative new technological offerings. In fact, according to the SME Survey 2018, more than a quarter of SMEs (27%) still use Excel spreadsheets for financial data capturing and reporting.

One of the key aims of the SME Survey 2018, has been to take an in-depth look at the future of the accounting function and the role the accountant plays in these businesses. It is a role that is evolving rapidly, says Arthur Goldstuck, MD of World Wide Worx and principal researcher for the SME Survey.

“While 86% of SME decision-makers indicated that the main reason they use accountants is for bookkeeping purposes, a growing number (41%) also turn to them for financial advice or to serve as the organisation’s tax specialist (40%),” he says.

However, when asked whether they were happy with their current accounting software, a near-unanimous 93% of SME owners indicated that they were satisfied with what they had. However, this correlates closely with 87% of respondents saying that their accountants were either very tech savvy or at least somewhat savvy. Of course, Goldstuck adds, the mere fact that a quarter of SMEs still make use of Excel spreadsheets demonstrates that there is no correlation at all between the sophistication of the software being used and their satisfaction with current processes.

“The general consensus seems to be that, as long as it is doing the job it is supposed to do, owners are not going to delve too deeply into either what else their accounting package can do, or how it actually does what it does. All they are concerned with, ultimately, is that it is able to assist them with their financials and produce the numbers they need.”

This attitude, he continues, is underpinned by the fact that three quarters (74%) of SME owners indicated that they have no plans to change the accounting software they are currently using. The remaining 26% correlates very closely with the 27% who are still utilising Excel.

“This is despite the fact that there are some fantastic new accounting packages available, specifically designed with SMEs in mind - simplifying the usually complex financial aspects of business. There is also a corollary to this, namely that, as more SMEs adopt such technology, more accountants will follow suit, optimising the more advanced services like tax specialisation and the provision of financial advice.”

Day Zero warning hits SMEs hard

Running a small business inevitably means there are big issues that keep one awake at night, but the larger challenges tend to be magnified by the messages received from the media. Rarely has this been as dramatic as in small and medium enterprise (SME) owners’ reaction to the announcement of “Day Zero” in Cape Town.

SME Survey 2018 shows that before the December holidays, just 8% of SMEs indicated that they were concerned about water shortages. But when the survey resumed after the holidays, and in the wake of the announcement by the Cape Town city council that taps would run dry on a specific date, SME anxiety around lack of water jumped to 44% of respondent. It was clear that the announcement had sent a massive shock through the South African business world.

Says Goldstuck: “It is quite astonishing to note the difference between the point when everyone knew there was a drought, and the actual drawing of a line in the sand by local authorities, in announcing a date when water would run out. This clearly had a massive impact on SME owners’ equanimity. Obviously, when looked at regionally, water shortage fears are less prominent in provinces like Gauteng (15%) and KwaZulu-Natal (9%), but it leaped to 71% in the Western Cape, raising the overall average significantly.”

The number one concern for small business decision-makers, in the broader business environment, is still the competition (46%), closely followed by water shortages. The third biggest fear, one which has dropped significantly from previous iterations of the Survey, was crime, which only 16% of SMEs say keeps them awake at night.

“Of course, there are also internal fears that keep SME owners awake at night, and the number one concern about the business itself remains cash flow, with 39% of respondents anxious about this issue. Close behind this is the headache related to finding the right staff (34%).”

SME Survey has, since 2003, been the original and largest representative survey to measure the forces shaping SME competitiveness in South Africa.

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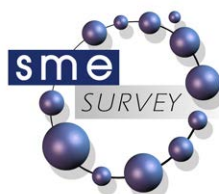
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