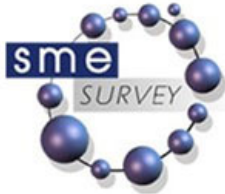


## ***SME Survey 2012: SMEs slow to harness cloud***

Despite the clear benefits of Cloud computing, ranging from reduced costs to improved efficiencies, small and medium enterprise (SMEs) have yet to embrace this approach to technology use.



According to the annual *SME Survey*, South Africa's longest-running survey of competitiveness in small businesses, just 9% of SMEs made use of the Cloud at the end of 2011. Cloud computing generally refers to accessing services and applications via the Internet that would previously have resided on the user's computer or internal network.

Arthur Goldstuck, principal researcher of the survey, says that this is not surprising, as the SME sector tends to follow in the wake of technology adoption among corporations. He adds that around half of all corporates in SA are still not making use of the cloud, so it is no shock to see how few SMEs are doing the same.

### **'SMEs are not benefiting from the multiple obvious benefits'**

"Although the number of corporates expected to be using the Cloud this year will reach 52%, the number of SMEs doing the same will only reach 18%. While this does represent the proportion of SMEs using the cloud doubling this year, it will still mean that by the end of 2012 less than one in five SMEs will be utilising the Cloud," says Goldstuck.

"This means that SMEs are not benefiting from the multiple obvious benefits they stand to gain from cloud adoption. But it is clear why it's not happening, and it is for the same three key reasons that adoption has not been more pervasive among corporations.

Firstly, many of these organisations simply don't understand the concept of the Cloud, due to industry terminology shrouding it in jargon. This in turn means that they fail to see the real advantages it offers. And as with the corporate hold-outs, many consider it to be insecure. This is especially ironic, considering that most cloud solutions are more secure than the average SME's PCs."

Broken down by sector, communications (13%); education and financial services (14%) and IT & telecoms (16%) are all well above the overall rate of adoption. However, tourism, transport and healthcare (4% each) and retail (5%) are all sectors that are far below the mean. Goldstuck adds that some of these sectors are potentially the biggest beneficiaries of managing their processes via the cloud.

### **'There is a correlation between profitability and cloud adoption'**

They could benefit both from driving down the operational and capital costs of IT, and from obtaining richer functionality and better business flexibility.

He points out that the age of the business plays a role in the likelihood of adoption, with only 5% of new businesses indicating that they utilise the cloud. Among all other age categories of SMEs, more than 8% have taken to the Cloud. Goldstuck says that this shows that new businesses are more cautious about adopting cloud services. This is again ironic, since start-ups have the most to gain from the cloud, as, for example, they would not need to invest heavily in infrastructure.

"Furthermore, there is a correlation between profitability and cloud adoption, with 11% of SMEs that are strongly profitable using cloud services. Conversely, of those breaking even or making a loss, only 7.5% utilise the cloud."

"There is certainly evidence that cloud computing offers more benefits than drawbacks to SMEs, yet a lack of understanding of these benefits means uptake continues to be slow. Despite this, there is a clear edge for those who do make use of it; after all, cloud computing is an enormous cost saver to any business, and cutting costs is a key element of profitability," says Goldstuck.

*SME Survey* is the original representative survey of small, medium and micro enterprises in South Africa. For more information, go to [www.smesurvey.co.za](http://www.smesurvey.co.za).

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