SMEs are growth machines

The challenges of job loss and the economic crisis over the last 5 years have stimulated lots of conversations and research. Some IT skeptics have suggested that technology will destroy more jobs than it creates since IT is so effective at improving productivity.

In fact, the opposite is true. New research shows that over the last three years, tech-savvy small and medium-sized enterprises (SMEs) created more new jobs and drove more revenue gains than SMEs using little technology. That’s one major conclusion from Ahead of the Curve: Lessons on Technology and Growth from Small Business Leaders, an economic impact report based on a global research project commissioned by Microsoft and performed by the Boston Consulting Group (BCG). The study surveyed 4,000 SMEs with primary research in 5 countries and secondary research in 19 countries.

The research is important in several ways. First, it is relevant to government officials seeking new sources of much-needed local growth, and since SMEs represent up to 75% of all jobs in some economies, the opportunity is big. BCG estimates that if more SMEs employed the full range of available IT tools, including basic productivity software, Internet connectivity and new Cloud-based services, SME revenue could grow by a combined $770 billion in just the U.S., Germany, China, India, and Brazil, the five primary countries surveyed. These same SMEs could also create some 6.2 million new jobs. What’s more, BCG believes that this association between IT adoption and growth would be consistent in countries across the world.

The research is important to SMEs because it reveals some best practices that set what BCG calls “technology leaders” apart and identifies what other companies need to do to catch up. In particular, it shows how new Cloud services are enabling small businesses to make business process changes and innovations to significantly grow their businesses.

The BCG research revealed additional information about SMEs and their product usage. Across nearly all product categories, these fast-growing SMEs use more Microsoft solutions than slower growing SMEs do, and that SMEs view Microsoft as the top partner for new and future technology needs, above all others. In fact, when asked what technologies survey respondents could not live without, they chose Microsoft Office as the top productivity application over all others. What’s more, SMEs that adopted Microsoft Cloud services grew faster than SMEs who do not use any Microsoft products. “The BCG research reveals that Microsoft products and services are the number one choice of these technology leaders” says Vahé Torossian, Microsoft’s corporate vice president of Worldwide Small and Mid-market Solutions and Partners organization. “Microsoft is the brand that small businesses trust and use to power their growth.”
Exhibit 1: “Technology leaders” use more Microsoft solutions than “technology followers and laggards” do

But at the same time, the research reveals a risk, because SMEs adoption of IT is uneven. Across the world, lots of SMEs, and their customers, don’t have access to modern broadband networks, and many lack the skills to benefit the most out of IT. SMEs are also still using large amounts of old and less efficient hardware and software. New machines are sometimes very expensive due to high import duties, and SMEs are concerned about online security and privacy. But the growth prospects described in the study are too important for governments and the IT industry to ignore.

The risk of a growing technology gulf is relevant to governments looking to maximize economic growth, and it is an opportunity for policy makers and the IT industry to implement strategies to remove barriers to IT adoption by addressing the top concerns small businesses have about using more technology. “Our objective is to help more SMEs transition to, and benefit from, modern IT,” says Mr. Torossian. “For customers, it means providing product training and helping SMEs understand the full range of available devices and services, but it also means community investments like skills training, and partnering with governments and communities to remove the bigger, systemic barriers that hold SMEs back.”

Based on the barriers identified by survey respondents, Microsoft identified public policies in the following 4 areas as ways to help more SMEs access advanced technology:

- Ensure affordable access to technology, including universal broadband networks, interim solutions for faster network such as “super Wi-Fi,” dynamic spectrum access and TV white space technology, reduced import tariffs for devices, discounts for SMEs by tech providers and free Wi-Fi
- Skills development for young entrepreneurs and SMEs
- Government driven incentives for SMEs, such as e-government services to reduce bureaucracy and lower SME fees, reduced cost and fast track SME patent applications
- Legislation/regulatory change to protect SME data privacy and security

The Boston Consulting Group’s Ahead of the Curve: Lessons on Technology and Growth from Small Business Leaders study is based on primary research data from interviews of more than 4000 SMEs in 5 developed and emerging countries1 and secondary research in a further 19 countries2 across the world. A copy of the report can be downloaded at www.bcgperspectives.com after October 5, 2013.

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1 Brazil, China, Germany, India and the US
2 Australia, Japan, Korea, Indonesia, Singapore, France, Italy, Netherlands, Spain, UK, Russia, Egypt, Israel, Kenya, South Africa, Turkey, Mexico, Colombia, Canada
To arrange an interview with one of the authors, please contact BCG’s Eric Gregoire at +1 617 850 3783 or gregoire.eric@bcg.com.

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Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

To arrange an interview with a Microsoft representative, please contact Kristi England in Redmond, WASH. US on +1 206.393.8252 or John Schweizer in Paris, France on +33 6.48.67.63.64.

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