SMEs: Equipped to Compete

How SMEs can grow in a changing global marketplace

Survey analysis prepared for SAP
June 2013
Survey profile: Demographics
We conducted an online survey of 2,100 SME executives across several industries and 21 countries around the world in the second quarter of 2013. Respondents were equally split across countries (100 each).
Our survey included senior-level executives and their direct reports across a range of business functions and managerial perspectives. We also conducted interviews with senior executives at a cross-section of firms in countries around the world.

Q3. What is your title?

Q4. How many people does your company employ?
Our survey included a spectrum of companies measured by annual revenue and profitability. We analyzed the survey data by region, industry, company size, and profitability.

**Q6. What is your firm's revenue for the most recent fiscal year?**

- $500m to $750m (€375m to €563m) 21%
- $20m to $99m (€15m to €74m) 27%
- $250m to $499m (€188m to €374m) 29%
- $100m to $249m (€75m to €187m) 23%

**Q7. What was your firm's annual profit over the past three years?**

- Lower than –0.5% 0%
- –0.5% to 0% 5%
- 0.1%–2.0% 10%
- 2.1%–4.0% 15%
- 4.1%–6.0% 20%
- 6.1%–8.0% 25%
- 8.1%–10.0% 20%
- 10.1%–15.0% 15%
- 15.1%–20.0% 10%
- 20.1%–25.0% 5%
- 25.1%–30.0% 0%
- Greater than 30.0% 0%
Key themes
SMEs must adapt to the realities of global competition, even in their own backyards:

- Increasing global competition is among the top trends affecting SMEs today, and more respondents overall (34%) cite global expansion as an important strategic driver of growth than domestic expansion (29%).

- The percentage of revenue generated outside home countries and the number of countries in which SMEs do business will grow sharply in the next three years.

- Technology is key for SMEs as they think more broadly about issues like connecting across borders. Over half are increasingly collaborating with other firms via online business networks and platforms to drive innovation and growth.

- Business management software (BMS) is essential to supporting these initiatives—it is the top technology SMEs expect to invest in over the next three years.

- Still, the adoption of cloud computing—an obvious route for SMEs given its low-cost facilitation of tools such as BMS—remains anemic. Just 35% of SMEs use cloud, and less than half will use it in three years.
Transformation is widespread and centers on technology

Rethinking business models, products, and go-to-market strategies is a key to competitiveness, and technology helps power the change:

- SMEs are highly focused on business transformation. Two-thirds are at some point in the transformation process—either planning, executing, or recently completed.

- What drives transformation efforts? Nearly two-thirds of SMEs say transformation is essential to staying ahead of the competition, and over half say technology developments are making their traditional ways of doing business obsolete.

- Transformation is a key to growth and expansion plans. Key priorities: Capitalizing on growth opportunities in expanding markets and entering new geographical markets.

- One measure of transformation’s priority: 41% say the CEO or owner has primary responsibility, by far the most common answer.

- Technology is a major element of transformation. Investing in new technologies is a top strategic priority (26%). Yet much work remains. For example, business analytics are a key to transformation success—but SMEs struggle with data accuracy and quality.

**Transformation**: A major change in approach to a firm’s business model, technology, products, and markets; not simply upgrading or adding technology.
Human factors play an important role in the success of SMEs

Focusing on talent and culture is an imperative for SMEs, with major implications for technology adoption:

- Nearly half of SMEs are actively hiring to support growth, yet acquiring digital skills through hiring, training, or acquisitions is a transformation priority for just 20%, suggesting that collaboration with third parties is a growing trend.

- Talent and the availability of the right people are issues: Finding workers with the right skills is a concern for 39% of SMEs, and rising labor costs for 28%.

- Skills gaps are a challenge to cloud adoption (34%), and SMEs cite developing internal skills to analyze data (32%) as a big challenge when adopting analytics technology.

- Cultural issues slow technology adoption. Employees need prodding to use mobile tools (31%) and social media (35%), and many lack an understanding of cloud benefits (35%).

- SMEs may be missing an opportunity to better leverage social media for internal collaboration and communication—31% say the biggest benefit of social media is to improve customer service, while only 12% cite improved innovation.
Innovation and differentiation are essential elements of SME strategy

Competitive advantage in the era of empowered customers requires a focus on innovation:

- Creating a culture of innovation is a leading priority in transformation efforts (34%); over half of SMEs say innovation, cost reduction, and efficiencies are essential to growth.
- Nearly half say expanding product and service offerings is essential to driving growth in the era of new markets and empowered customers.
- The global customer must be satisfied; strengthening customer relationships (40%) is a key growth initiative; customer-centric trends are major factors affecting businesses.
- Technology is important to innovation and customer service. Nearly 60% say technology is a key differentiator for their firm. Better customer service is seen as a major benefit of social media (31%), mobile (25%), and business analytics (21%).
- Mobile drives innovation; 17% cite improved innovation as the biggest benefit of adoption, more than other technologies. Mobile is the top tech driver of competitive advantage, yet concerns over privacy, security, and complexity slow adoption.
Smaller companies and medium-sized enterprises each have their own stories to tell

Companies with sales of $25m do many things differently than those with $750m in revenue. They are moving in the same direction, but larger firms tend to act more quickly and with greater intensity. For example:

- SMEs are globalizing—medium-sized firms faster than small ones. They are more concerned (27%) than their smaller peers (17%) with growth opportunities in regional and wider markets, and much less likely to generate revenue or do business only in their home country.

- Small and medium-sized firms are roughly as likely to be involved in transformation, but medium-sized firms tend to be further along in the process (25% completed vs. 11%).

- Medium-sized firms are much less reluctant to adopt new technologies than smaller firms, and much more likely to be early adopters.

- Smaller firms place a much higher priority on investments in business management software and business analytics, where they must play catch-up, while medium-sized firms emphasize mobile, social, and the cloud.
Industry groups have distinct views of global trends and strategic imperatives

Business models and emphases are not uniform across industry sectors, and those differences show up in the numbers:

- Retailers are most concerned about shifting customer expectations and demand (42%); professional services are least concerned (24%). Manufacturers are most likely (66%) to compete against larger firms than in the past.

- Internationalization is unevenly distributed, with manufacturers, consumer products, and professional service firms well ahead of retailers and wholesalers. But retail is closing the gap, with a 105% jump in three years in firms generating over 40% of their revenue outside home markets.

- Transformation is much less likely to be planned or under way for wholesale (49% have no plans) and retail (45%) than other industries.

- Manufacturers are most likely to see technology drive revenue growth, view mobile as a key differentiator, and say technology helps them achieve longevity and sustainable growth.
The competitive landscape: Issues and trends
Economic uncertainty and shifting customer demand are top-of-mind issues

- Economic uncertainty is a larger concern in developed markets than emerging markets, reflecting different recovery rates from global recession.

- Shifting customer expectations and increasing labor costs are major issues, with some variance by industry and geography. Retailers, for example, are most concerned about customer expectations and demand.

- Increasing global competition is a top-five trend for roughly one in four companies.

- The importance placed on pursuing growth opportunities in regional or wider markets varies; roughly 27% in emerging markets cite this as a key trend, compared with 19% in developed markets.
SMEs are focused on driving innovation and efficiency

Driving innovation, cost reduction, and efficiencies, along with new product and service development, are important growth initiatives.

Emerging markets (55%) and Latin American companies (58%) place high emphasis on innovation. Emerging market firms also expect growth to be driven more (54%) by new product and service offerings than those in developed markets (43%).

Strengthening customer relations is more important as a driver of growth for retail (43%) and wholesale companies (47%) than other sectors; this also is true for companies in developing markets (45%).

Penetrating new markets is most important for manufacturers (42%) and high-profit firms (40%).
SMEs are competing on a global scale

- SMEs recognize they must prepare for both domestic and international growth—and competition. Virtually identical percentages of respondents strongly agree about the importance of competition from foreign firms and the need to penetrate new geographic markets.

- Manufacturers (69%) as well as the most profitable companies (68%) are most focused on penetrating new geographic markets.

- Increased competition from larger companies is also cited as a major concern by Asia Pacific companies (68%) and the largest SMEs (71%).
Partnerships are an important way for SMEs to gain a foothold in new markets

- Forming partnerships with suppliers and other vendors located in countries outside their home markets is another way for SMEs to achieve a greater global presence. More than two-thirds of both the largest and most profitable SMEs are increasingly doing so.

- Likewise, North American companies (60%) as well as the largest (60%) and most profitable (62%) companies are most likely to say they have boosted collaboration with other firms via online business networks and platforms.
Human factors play an important role in SME plans

- Hiring people with the right skills is crucial to successful expansion in a more competitive marketplace. Manufacturers (55%) and North American companies (59%) are most likely to be actively hiring to support their growth activities.

- Recruiting people with the right skills, however, is increasingly difficult for 40% of respondents, a problem that is more acute for manufacturers and in North America.
SMEs expect to generate significantly more revenue beyond their home countries...

- SMEs are internationalizing. Only one-quarter currently generate no revenue outside their home market, dropping to 17% in three years. Asia Pacific firms are ahead of the curve—only 12% get revenue exclusively at home, dropping to just 4% in three years.

- Larger SMEs have a lead over smaller firms, with 64% getting more than 20% of revenue from outside their home country in three years. Smaller firms are part of the trend, although moving at a slower pace.

- Emerging economies trail developed economies today, but expect to close the gap in three years as both continue to expand. Latin American companies lag markedly, however—nearly half are wholly domestic now, although this is expected to drop to under 40% in three years.
...and they expect to do business in many more international markets than today

- International footprints also are growing. One-third currently do business only in their headquartered country, but that is expected to drop to 20% in three years. Just 15% currently do business in six or more countries, rising to 35% in three years.

- Manufacturing and consumer products firms are multinational leaders, with wholesale and retail playing catch-up. Over one-third of manufacturers will operate in six or more countries in three years.

- Emerging-market companies lag today but will expand across borders almost as quickly as those in developed economies. Asia Pacific companies are moving fastest. In sharp contrast, 62% of Latin American SMEs operate in only one market—but that is expected to drop to 41% in three years.
Business transformation
Transformation is important to SMES, with two-thirds of them at some point in the process

- SMEs know they must embrace business transformation. Only one-third have not undergone a transformation and have no such plans; more than one-third have done so or are doing so now.
- Progress varies by industry sector. Retailers and wholesalers are less likely to have undertaken transformation than other sectors.

**Transformation:** A major change in approach to a firm’s business model, technology, products, and markets; not simply upgrading or adding technology.
Transformation progress also varies by region and company size

- Nearly 80% of North American SMEs are at some point in the transformation process; 46% in Latin America have no transformation plans.

- SMEs of all sizes pursue transformation, but larger firms are further along than smaller ones.
Transformation priorities are focused largely on expanding into new markets

- Transformation must help SMEs capitalize on growth opportunities. Top strategic priorities are growth in expanding markets (41%), entering new geographic markets (36%), creating a culture of innovation (34%), and investing in new technologies (26%).

- The emphasis on geographic competitiveness extends across virtually all industries, regions, and company sizes. Retailers and wholesalers are somewhat less focused on growth opportunities in expanding markets; larger firms are more focused on entering new geographic markets.

- Emphasis on creating a culture of innovation and investing in new technologies is roughly consistent across all industries, regions, and company sizes.

- More profitable firms prioritize acquiring digital skills (26%) more than less profitable SMEs (17%).
Learning to operate internationally and building networks are key challenges

- Key challenges in transformation closely reflect strategic priorities; operating in new geographic markets (41%) and building strategic partnerships and alliances (39%) top the list.

- SMEs recognize the important role technology will play in global expansion. Increasing competition from firms with superior technology capabilities is a key challenge, as is determining the right mix of technology investments.

- Emerging market firms (37%) are more concerned than peers in mature economies (27%) about competitors with superior technology; Latin American companies (44%) are most concerned.

- Determining the right mix of technology investments is a greater challenge for the largest SMEs (38%), perhaps reflecting greater geographic breadth and more complex customer and supplier relationships.
Transformation is necessary in a globalizing marketplace

- Nearly two-thirds of SMEs say they must transform to stay ahead of the competition. North American firms (75%) are particularly focused on transforming business operations; EMEA is least focused (58%).

- Over half of SMEs say technology developments are making traditional ways of doing business obsolete, and that their supply chain is growing more complex; 59% are doing business in more geographic regions than in the past.

- Smaller companies are much likelier (71%) to say they must transform. The largest SMEs are less likely to say they are doing more business in more geographic regions than in the past than smaller ones—possibly because they have been established longer in more markets.
SMEs are bullish about their ability to adapt—perhaps too much so

- Most SMEs are confident their organization can make the changes needed to compete. Nearly two-thirds say senior management is equipped to successfully drive business transformation.

- Confidence is high that they are more innovative (59%) and nimble (56%) than their key competitors. Latin American firms are more likely to see themselves as nimble (74%) and innovative (70%) than firms in other regions.

- Still, nearly half say they struggle to determine the best transformation strategy, suggesting some overconfidence about transformation efforts. Firms in Latin America (61%) raise this issue most often.
Transformation is most often driven by the CEO or owner

- Primary responsibility for driving transformation lies most often with the CEO/owner (41%), followed distantly by Chief Strategy Officer (24%), CIO (19%), and CTO (14%). This indicates transformation is an enterprise-wide concern.

- Regional differences are sharp: At SMEs in North America (52%) and Latin America (51%), the CEO/owner is more likely to be in charge of transformation efforts than in EMEA (34%) and Asia Pacific (45%).

- The smallest SMEs are more likely (54%) to depend on the CEO/owner, while the largest companies are least likely to do so (28%). This may reflect the greater resources that larger companies are able to devote to transformation.
Technology adoption: Trends, benefits, and challenges
More than a third of SMEs are early adopters of technology

- SMEs are prudent but active when it comes to technology. A majority (52%) say they invest only when there is a clear ROI, but more than one-third are early adopters. Only 13% say they are reluctant to adopt new technologies.

- Divergences between industries are clear but not dramatic. Manufacturers are more likely to be early adopters (42%), while retailers and wholesalers are less so (under 30% each).

- The largest firms are much likelier (42%) to be early adopters than the smallest (28%); the most profitable SMEs are much more likely than their less profitable peers to be early adopters.

- Geographic differences are clear. Almost 47% of North American SMEs are early adopters, contrasted with less than one-quarter of Asia Pacific firms; almost two of three Asia Pacific companies say their technology investment is contingent on clear ROI.
Technology is at the heart of business transformation and seen as the keystone of business success

- SMEs see technology as a key element of business transformation and essential to their long-term prospects. Almost two-thirds strongly believe technology helps them achieve longevity and sustainable growth (the number rises to 75% for North American companies).

- Well over half say that technology is at the heart of their business transformation efforts.

- Mobile technologies in particular are seen as transformational by 60% of SMEs. This figure rises considerably for the most profitable firms (70%).

- Almost 60% of respondents overall agree that technology is a key differentiator for their firm. North American (64%) and Latin American (62%) firms are more likely to agree than those in EMEA or APAC.
SMEs do not consider themselves to be less tech-savvy than larger firms

- SMEs are largely confident that they have the technological resources and understanding to compete with bigger companies.
- Less than one-third say their firm lacks the technology capabilities of larger competitors, and just over one-quarter say they struggle to understand how technology can create measurable benefits for their firm.
- Even the smallest companies are confident they can handle technology and understand its relevance—just 32% say they struggle to understand how technology can create measurable benefits.
- Big Data, too, is expected to play an important role; only about one-third of SMEs say it is not relevant to their business performance.
Deployment of key technologies will see double-digit growth, with business analytics and cloud growing fastest

- SMEs will increase their use of technology across the board over the next three years. The tools most commonly deployed today are business management software (48%), mobile (46%), and analytics (44%).

- Only cloud computing is expected to remain at less than 50% adoption, although it will jump from 35% to 47% in three years. Here, larger and smaller SMEs diverge significantly (64% vs. 40%, respectively).

- Smaller firms are expanding their use of analytics; more than half of those with sales under $100m will use these tools in three years, a jump of 43%.
Investment priorities: Business management software leads the way, with analytics not far behind

- SMEs are prioritizing technologies that enable them to gain better understanding and insight across the enterprise—business management software (50%) and business analytics (43%), followed by newer tools such as mobile (37%), social media (36%), and cloud computing (34%).

- While developed and emerging markets do not split widely on their technology investment priorities, North American companies are markedly more focused on business analytics (58%) than other regions, including EMEA (40%), Latin America (45%), and Asia Pacific (44%).

- Smaller companies are emphasizing investment in business analytics (52%) and business management software (58%)—catching up on these established enterprise tools—while their larger peers are more focused on mobile (41%), social media (44%), and the cloud (40%).
Revenue growth has multiple drivers, but cloud computing trails other key technologies

- Business analytics (43%), mobile (42%), and social media (40%) will drive the biggest gains in revenue growth, followed by business management software (39%) and cloud computing (36%).

- Analytics will drive revenue growth at roughly half the companies in North America and Asia Pacific, and half of the most profitable companies. BMS will boost revenue for manufacturers (48%) and the most profitable firms (49%).

- Mobile is viewed favorably at Asia Pacific firms, the most profitable firms, and manufacturers, while social media is expected to pay off most strongly for Asia Pacific companies (55%) and the most profitable companies (50%).

- Cloud computing lags as an expected revenue driver, although 45% of Asia Pacific companies and 44% of the largest and most profitable firms see it contributing strongly. Again, the data suggests that SMEs are missing an important opportunity to leverage cloud services.
Competitive advantage created by technology will see double-digit increases

- SMEs are reaping competitive advantages from technology; business analytics, social media, and cloud show the biggest gains in the years ahead.

- The most profitable companies (62%), the largest (62%), and Asia Pacific companies (61%) have the highest expectations for analytics.

- Big gains in competitiveness are expected from business management software at wholesalers and in developed economies.

- Retailers will see the largest three-year increase in competitive advantage driven by mobile technology, followed by wholesale companies.
Business management software
SMEs are far more likely to buy than lease business management software

- Business management software, too, has been a priority investment for SMEs, as they push to refine their enterprise-wide systems to keep pace with expansion, business transformation, and competition with larger companies.

- SMEs overwhelmingly prefer to buy or acquire these critical systems (43%) rather than lease or pay for use (23%). They are also more likely to build or grow them (27%) than lease.

- This pattern extends across all industries, regions, company sizes, and levels of profitability, and is especially pronounced among professional services companies (46% vs. 24%) and firms based in EMEA (46% vs. 20%).

- There is an important disconnect between SMEs’ adoption of business management software and their use of cloud computing.
Business management software provides multiple benefits

- SMEs appear to derive substantial benefits from business management software in more ways than any other category of technology we studied, led by cost efficiencies and improved product and service development (25% each). Closely following are supply chain optimization and better customer service (20% each).
- Larger SMEs (31%) are more likely than smaller companies (23%) to cite cost efficiencies as a top benefit.
- North American companies cite supply chain optimization as their largest benefit from business management software, slightly ahead of improved customer service and product and service development.
Cost hinders business management software adoption

Q32. What are the key challenges your company faces in adopting business management software? Select up to two.

- **Business management software** is a high priority for SMEs; it lays the groundwork for the efficiencies they hope to achieve from other technologies. Yet companies confront significant challenges in adopting new systems, with the cost of new platforms cited by more than one-third.

- Latin American (41%) and Asia Pacific companies (40%) express the most concern about cost.

- Given the pivotal role these enterprise-wide systems play, companies are also concerned about determining the best solutions (33%), integrating new software with existing systems (32%), determining ROI (29%), and achieving senior-level buy-in (26%).

- These concerns are shared to a roughly equal extent across industries, regions, and company sizes, although the largest SMEs are most likely to cite determining the best solutions as a problem (42%)—perhaps in part because their level of resources provides them with more options.

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Business analytics
SMEs prefer to buy or acquire business analytics

Acquiring and upgrading business analytic systems is a priority for many SMEs. The numbers suggest that SMEs consider data analytics core to their capabilities.

By a wide margin, SMEs prefer to buy or acquire business analytics packages (35%) rather than lease or pay for use (21%).

This pattern extends across nearly all industries, regions, company sizes, and levels of profitability. However, by a narrow margin, wholesalers prefer to lease/pay for use rather than buy/acquire (31% vs. 28%), as do Latin American firms (35% vs. 33%).
SMEs value business analytics most highly as a means to drive cost efficiencies (27%) and improve product and service development (26%).

Companies in most industry, regional, company size, and profitability groupings consistently placed these benefits among their top three.

North American (32%) and Asia Pacific countries (35%) were particularly emphatic about the boost business analytics gives to product and service development. They also see it as a means to improve customer service (22% and 24%, respectively).

Larger companies (23%) and those based in developed economies (24%) are more likely to view business analytics as a tool for improving customer service.
Data accuracy and reliability are challenges with analytics

Q30. What are the key challenges your company faces in adopting data analytics? Select up to two.

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<tr>
<td>Developing internal skills to analyze data</td>
<td>31.8%</td>
<td>28.6%</td>
<td>31.6%</td>
<td>28.5%</td>
<td>37.4%</td>
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- Business analytics are crucial tools for companies aiming to grow and compete globally. Yet here, too, they cite significant challenges in making greater use of Big Data.

- More than half of companies cite ensuring that information is accurate and reliable as a key challenge to data analytics adoption. This is an issue across the board, with the largest companies somewhat more concerned.

- Other challenges include collecting data (37%)—an especially large problem for Asia Pacific firms (46%) and lower-revenue firms (42%)—and obtaining data rights (32%), which is of special focus in Latin America (40%).

- Also of particular concern to the largest companies is developing internal skills to analyze data (39%).
Mobile
SMEs prefer to buy and acquire mobile technology

- Mobility will be a major driver of innovation going forward, as more companies compete to offer products and services to customers or communicate with them over smart devices.

- By a relatively narrow margin, SMEs prefer to buy or acquire mobile technology (33%) rather than lease or pay for use (30%).

- Larger and smaller SMEs present a contrast, however. While larger companies prefer to buy/acquire (34%) rather than lease/pay for use (25%), smaller SMEs are more likely to do the opposite (35% lease/pay for use, 30% buy/acquire).

- Likewise, emerging-market companies prefer to lease/pay for use by a narrow margin, and Latin American companies by a somewhat wider factor, as do retailers.
Mobile is key to improving customer service and product development

- SMEs consider the biggest benefits from adopting mobile technologies to be the ability to provide better customer service (25%) and improved product and service development (23%).

- Companies across all industry, regional, company size, and profitability groupings consistently place customer service slightly ahead of product and service development in their rankings.

- One in five retailers and wholesalers also stress the importance of mobility as a tool for optimizing the supply chain, as do a similar proportion of Latin American companies.

- While North American (22%) and Asia Pacific (23%) companies also cite mobility’s role in improving innovation, SMEs in other regions do not—surprisingly, given that mobility has become a focal point of product and service innovation.
Security, complexity, and employee attitudes continue to hamper mobile adoption

Q28. What are the key challenges your company faces in adopting mobile technology and solutions? Select up to two.

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<tbody>
<tr>
<td>Concern over security and privacy issues</td>
<td>34.2%</td>
<td>46.0%</td>
<td>28.1%</td>
<td>42.5%</td>
<td>36.8%</td>
<td>39.4%</td>
<td>29.6%</td>
<td>34.8%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Proliferation of mobile platforms and devices</td>
<td>34.1%</td>
<td>26.5%</td>
<td>35.1%</td>
<td>32.5%</td>
<td>37.0%</td>
<td>30.0%</td>
<td>36.6%</td>
<td>32.2%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Encouraging employees to use mobile</td>
<td>31.0%</td>
<td>22.5%</td>
<td>31.7%</td>
<td>25.3%</td>
<td>38.8%</td>
<td>27.0%</td>
<td>27.5%</td>
<td>32.2%</td>
<td>38.2%</td>
</tr>
<tr>
<td>App development</td>
<td>28.8%</td>
<td>27.0%</td>
<td>28.0%</td>
<td>24.5%</td>
<td>36.0%</td>
<td>26.1%</td>
<td>32.6%</td>
<td>29.1%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Determining ROI</td>
<td>26.0%</td>
<td>26.0%</td>
<td>28.8%</td>
<td>26.8%</td>
<td>17.8%</td>
<td>26.1%</td>
<td>25.6%</td>
<td>27.0%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Developing a mobile strategy</td>
<td>17.6%</td>
<td>15.0%</td>
<td>18.1%</td>
<td>17.3%</td>
<td>18.0%</td>
<td>16.7%</td>
<td>15.1%</td>
<td>17.2%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

- While more than 40% of SMEs expect strong competitive advantages and revenue gains in the near future from adopting mobility, they also face significant challenges in doing so—principally connected with “human factor” issues connected to both customer and employee use.

- Security and privacy issues, and the proliferation of platforms and devices, are the biggest challenges facing SMEs when adopting mobile technology (both at 34%). This is especially true for smaller firms (39%).

- Almost one-third of SMEs also say they face difficulties encouraging employees to use mobile technology and solutions, with Asia Pacific firms (39%) especially concerned.

- North American companies are most concerned with security and privacy, almost half deeming it a key challenge. EMEA-based companies, meanwhile, are least concerned—likely owing to stronger government policies in these areas.
Social media
Social media offers a more efficient means of communication and collaboration within the organization, but also a channel for learning more about and becoming more responsive to the customer.

Not surprisingly, given the explosion of such networks as Facebook, Twitter, and LinkedIn, SMEs prefer to lease or pay for use of social media (40%) rather than buying or acquiring it (20%).

This preference extends across every industry, region, company size, and level of profitability. However, it is especially pronounced among wholesalers (52% preferring to lease/pay for use over 19% opting to buy/acquire) and Latin American companies (53% vs. 15%).
Social media improves customer service

Better customer service (31%) and improved product and service development (25%) consistently rank first and second in SMEs’ estimation of the benefits of social media. North American companies (43%) are especially emphatic about its impact on customer service.

Companies almost across the board also say they are finding cost efficiencies from social media (at roughly 20%).

Far fewer (12%) consider improved innovation to be a benefit of social media.
Getting employees to embrace social media is a major challenge, as is supporting a viable strategy

Q31. What are the key challenges your company faces in adopting social media? Select up to two.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Total</th>
<th>NA</th>
<th>EMEA</th>
<th>LATAM</th>
<th>APAC</th>
<th>&lt; $100 m</th>
<th>$100 m–$249 m</th>
<th>$250 m–$499 m</th>
<th>$500 m–$750 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encouraging employees to embrace social media</td>
<td>43.2%</td>
<td>36.4%</td>
<td>41.0%</td>
<td>38.4%</td>
<td>57.6%</td>
<td>38.1%</td>
<td>41.4%</td>
<td>46.3%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Amount of effort needed to commit to a viable social media strategy</td>
<td>40.0%</td>
<td>38.9%</td>
<td>37.6%</td>
<td>38.1%</td>
<td>48.9%</td>
<td>40.2%</td>
<td>40.2%</td>
<td>38.3%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Calculating ROI</td>
<td>34.8%</td>
<td>39.9%</td>
<td>35.1%</td>
<td>35.6%</td>
<td>30.3%</td>
<td>38.2%</td>
<td>38.5%</td>
<td>32.6%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Concern over how to apply social media to our business</td>
<td>26.1%</td>
<td>26.8%</td>
<td>25.2%</td>
<td>27.8%</td>
<td>26.6%</td>
<td>28.1%</td>
<td>24.3%</td>
<td>26.2%</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

- Companies increasingly see social media as a business transformation tool, enabling them to better communicate and collaborate from remote locations.

- Reaping the benefits, then, is partly a matter of changing the corporate culture—not necessarily an easy task, as 43% of companies cite encouraging employees to embrace social media as a key challenge to adoption. This presents an especially strong obstacle in Asia Pacific (58%).

- Following closely is the amount of effort needed to commit to a viable social media strategy (40%), with Asia Pacific (49%) again the most beset.

- Calculating ROI (35%) is another significant challenge, especially for professional service firms (44%).

- Concern over how to apply social media to business (26%) is another major challenge to social media adoption.
Cloud computing
SMEs are more likely to lease or pay for use of cloud computing services

- Cloud computing offers the potential to underpin significant efficiencies and cost savings across platforms, enabling SMEs to adopt other new technologies at lower costs as well.

- SMEs strongly prefer to lease or pay for use of the cloud (43%) rather than buy or acquire (23%)—a commonality across all industry, regional, company size, and profitability groupings.

- As with social media, the lease/pay for preference is especially dramatic for wholesalers (53% vs. 18% who prefer to buy or acquire) and Latin American companies (57% vs. 18%).

- The figures underscore a potential missed opportunity for SMEs to develop these capabilities and leverage the benefits of greater efficiencies and lower costs.
Cloud computing enables cost efficiencies

- Similar to business analytics, SMEs consistently see cost efficiencies (30%) and improved product and service development (25%) as the major benefits they derive from cloud computing.

- All companies across industry, regional, company size, and profitability categories place these either first or second in their ranking of benefits.

- Retailers (34%), wholesalers (36%), and Asia Pacific companies (42%) especially emphasize the importance of cloud computing to driving down costs, underscoring its role underpinning the advantages of other new technologies.

- Better customer service is also cited as a benefit of cloud computing by one in five companies in developed markets as well as by manufacturers.
Security and lack of understanding of the benefits hold SMEs back from greater cloud adoption

Q29. What are the key challenges your company faces in adopting cloud computing? Select up to two.

<table>
<thead>
<tr>
<th>Concern over security</th>
<th>Total</th>
<th>NA</th>
<th>EMEA</th>
<th>LATAM</th>
<th>APAC</th>
<th>Emerging vs. Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37.8%</td>
<td>43.0%</td>
<td>36.1%</td>
<td>36.1%</td>
<td>41.8%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Lack of understanding of the benefits of cloud</td>
<td>34.6%</td>
<td>30.5%</td>
<td>32.1%</td>
<td>39.3%</td>
<td>39.0%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Lack of skills</td>
<td>34.2%</td>
<td>39.0%</td>
<td>32.5%</td>
<td>29.8%</td>
<td>40.5%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Determining ROI</td>
<td>31.1%</td>
<td>30.0%</td>
<td>33.6%</td>
<td>23.3%</td>
<td>32.3%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Unwillingness to relinquish control of IT</td>
<td>19.2%</td>
<td>12.5%</td>
<td>19.4%</td>
<td>22.6%</td>
<td>19.0%</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

- While cloud computing offers some of the biggest potential gains to SMEs—including the prospect of raising their competitiveness with larger companies at lower cost—all but the largest firms lag in adoption.

- The explanation lies partly with such concerns as security (38%), lack of understanding of the benefits of the technology (35%), and lack of skills (34%).

- Almost one-third of SMEs say that determining ROI of cloud computing is a challenge. Less than 20%, however, cite unwillingness to relinquish control of IT systems as a major hurdle.

- These concerns extend to both larger and smaller SMEs. While large companies are less concerned about lack of skills (30%) than those with under $100m in revenues (38%), they are more concerned about security (42% vs. 38%)

- Developed and emerging economies are largely in agreement on the challenges to cloud adoption, although North American (43%) and Asia Pacific firms (42%) are especially concerned about security.
Regional technology trends
Regional differences, some deeply rooted in political and economic history, are evident across the SME map. For example:

- Latin American firms are much more likely (49%) to generate revenue only in their home countries than those in Asia Pacific (12%), EMEA (21%), and North America (22%), and are much less likely to do business in six or more countries.

- North American companies are most likely (23%) to have recently completed a transformation effort, followed by EMEA (17%), Asia Pacific (16%), and Latin America (15%); Latin America is the region least focused on transformation.

- Companies in the Asia Pacific region are least likely to be early adopters of technology (24%), compared with North America (47%), Latin America (37%), and EMEA (36%), and are most likely to invest only with a clear ROI.

- Regions are distinct, but not monolithic; attention must be paid to the specifics of each local story. For example, a developing economy may have as much in common with peers in other regions as with more-mature neighbors, and a region can have clear subdivisions.

- Individual country fact sheets will be released subsequent to this analysis.
Asia Pacific: Adoption of key technologies

- Cloud computing and analytics will see greatest growth in three years, ahead of global trends. Consumer-goods firms lead regional growth for analytics; retailers will adopt cloud fastest.

- Mobile will be in wider use, at 60% adoption, vs. 54% of global respondents. Retailers lead the way.

- Social media will see 27% growth, vs. global growth of 22%. Consumer products firms grow most.

- Business management software, already widespread, will grow on par with global trends. Manufacturing goes from 71% to 79% in three years.
EMEA: Adoption of key technologies

- Cloud computing and business analytics are expected to see the greatest increase (37% and 35%, respectively), slightly ahead of the global pace. Adoption rates for both are highest among wholesalers.

- Social media will see 25% growth, just ahead of the global rate. Manufacturers and consumer-goods firms will lead.

- Business management software adoption will rise to 54%, slightly behind global rates. Manufacturing firms will see the greatest increase; retail lags and will remain under 50% adoption.

- Mobile use will hit 54%, on par with global totals. Professional services grow fastest.
Latin America: Adoption of key technologies

- Cloud computing and business analytics will see the most growth (22% and 20%, respectively), but trail the global pace. Professional services firms lead cloud growth; analytics will be picked up fastest by consumer-goods companies.

- Business management software will be used in over half of firms, but trail global use. Consumer goods and professional services see fastest growth.

- Mobile will expand to 47% of companies, vs. 54% of total respondents. Consumer-goods firms expect the biggest increase.

- Social media will see 12% growth, behind the global growth rate of 22%. Retail use will grow fastest.
North America: Adoption of key technologies

- Business analytics and cloud computing will grow fastest; global uptake will grow faster, but from lower baselines. Professional services firms lead the way.
- Nearly 60% of SMEs in North America expect high mobile use, vs. 54% globally. Professional services will grow fastest.
- Social media will see 17% growth, behind the global rate of 22%. Again, professional services companies lead.
- Business management software adoption will grow more slowly than elsewhere, but from a high baseline. Manufacturers lead.
Human factors
Access to talent influences growth and technology adoption...

- Nearly half of SMEs are actively hiring to support growth, with manufacturers leading the way and retailers moving slowest. North American firms and the most profitable SMEs report more aggressive activity than their peers.

- Rising labor costs are a worrisome trend for 28%, and are a greater concern in Asia Pacific.

- Acquiring digital skills through hiring, training, or acquisitions is a transformation priority for just 20%, suggesting that collaboration with third parties is a growing trend.
Talent and the availability of the right people are issues. Finding workers with the right skills is a concern for 39% of SMEs, a figure that rises for manufacturers and North American firms. Skills gaps are a challenge to cloud adoption (34%), and SMEs cite developing internal skills to analyze data (32%) as a big challenge when adopting analytics technology.
Culture drives transformation yet hinders technology uptake

- Creating a culture of innovation is a top strategic priority for transformation, a response that holds true with remarkable consistency across regions, industries, and company sizes. Changing internal culture is much more of a hindrance to transformation in the Middle East and Africa than other regions.

- Strengthening customer relationships is of greater importance in Latin America and for wholesalers and the most profitable companies.

- Cultural issues slow technology adoption. Employees need prodding to use social media—less so in North America and more so in Asia Pacific—as well as mobile technologies (31% overall), and many lack an understanding of cloud benefits (35%).