

Barriers to technology adoption for SMEs still exist, even in an increasingly 'tech intense' world

By [Karmany Reddy](#)

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Following the onset of the Covid-19 pandemic, most businesses were left with their backs to the wall as they faced the challenges presented by global lockdowns. While some large enterprises had the competitive edge during this period, many smaller businesses attempted to bridge the gap by moving their service offerings online.



Source: [Unsplash](#)

In an effort to keep up with consumer demands, business owners needed to find ways to fast-track daily operations to meet customer expectations and stay in business. As a result, one of the biggest challenges to emerge during this digital transformation was the adoption of new technology and allocating additional funds or resources to accommodate this essential component to their business function.

In 2019, a report by [Xero in partnership with World Wide Worx](#) found that over half (53%) of small businesses in the country had not adopted cloud technology yet due to connectivity problems. But the urgency to transform is taking centre stage - with the 2021/2022 report finding that 65% of small business decision-makers feel technology has become more critical to their businesses since the start of the pandemic.

On a global scale, while 97% of companies have accelerated the adoption of technology to get through the pandemic and scale for the years to come, only 23% of SMEs were able to dedicate resources to digital tools. This is according to a survey carried out by the World Economic Forum (WEF), which also points to the fact that SMEs are still scrambling to meet mandated health and safety measures, ultimately impacting their ability to remain operational.

In South Africa's relatively young e-commerce market, barriers still exist for businesses who struggle to get all the components of a seamless experience, from payments through to logistics, right. For smaller businesses, the foray into e-commerce can be much harder because they also have to compete with the bigger, more established players in the market.

Many entrepreneurs often encounter these barriers as they go, with no foresight or knowledge of what they can expect. Some of the most common barriers standing in the way of SMEs being able to fully digitally transform include:

Funding

Over a vast range of studies, the most commonly identified barrier to technology adoption is financial constraints. Because of the precarious environment that many SMEs operate in, short term objectives and the day-to-day operations take priority, pushing bigger, long-term projects like digital modernisation further down the list of priorities. "Digital transformation" is a vast field which can cover everything from an electronic invoicing system or a company website to company-wide software systems, and building out an e-commerce platform. Depending on the SME's goals, this can come at a significant cost, especially as the global pandemic has forced companies to shift available funds to more pressing areas such as health and safety, and employment protection.

Skills shortages

"Going digital" often requires an array of skills that include technical savvy, analytical skills and basic marketing capabilities. As SMEs consider leaving legacy systems behind for more modern systems, they face tough competition from larger organisations, which can easily attract skilled staff in these areas. The skills gap that exists in the IT space, therefore, trickles down to SMEs who, without trained staff to operate these new technologies, fall behind on their journey. A small business looking to implement an e-commerce strategy for instance, may find itself in need of web design, coding, marketing, and SEO skills, while a business looking to implement better systems and workflow could benefit from cloud computing skills so a skills audit goes hand-in-hand with a digital transformation roadmap.

Lack of or inadequate infrastructure

Many SMEs face infrastructure challenges, ranging from loadshedding, to poor transport infrastructure which all can impact a business. Reduced access to connectivity, either as a result of high costs or poor infrastructure, also plays a major role, impacting ordering, payments, marketing and many other aspects of a business. This digital divide can hamper how businesses reach consumers in their communities, meaning the prospect of eventually scaling becomes difficult. For businesses in remote or hard to reach areas, this becomes even more unlikely.

Not enough government support

The survey carried out by the World Economic Forum (WEF) also gave insight into SMEs' dissatisfaction with the level of government support. Many felt that they did not receive financial backing from their governments when the pandemic hit. Survey participants advocated for state support through tax incentives, grants, subsidies, employment support and debt financing. This lack of support is especially troubling given the high rate of failure of SMMEs in South Africa, and the important role they play in our economy.

While solutions to these barriers must be addressed individually - it all starts with improving policy from the top down. The use of open-source assessment tools, management and workforce training, as well as direct advisory services that offer guidance to SMEs throughout the digitalisation process can all be useful tools in addressing skills shortages.

In the same way, raising awareness through educational and online platforms where effective techniques, useful links on funding and support services are made available, will help educate entrepreneurs along their journey.

SMEs are the backbone of South Africa's local communities and economy - providing crucial opportunities for employment among otherwise jobless youth. Focusing on targeted solutions that take into account all of the perceived barriers will not only lead to a more digitised economy but also a positive outlook for the greater economy at large.

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