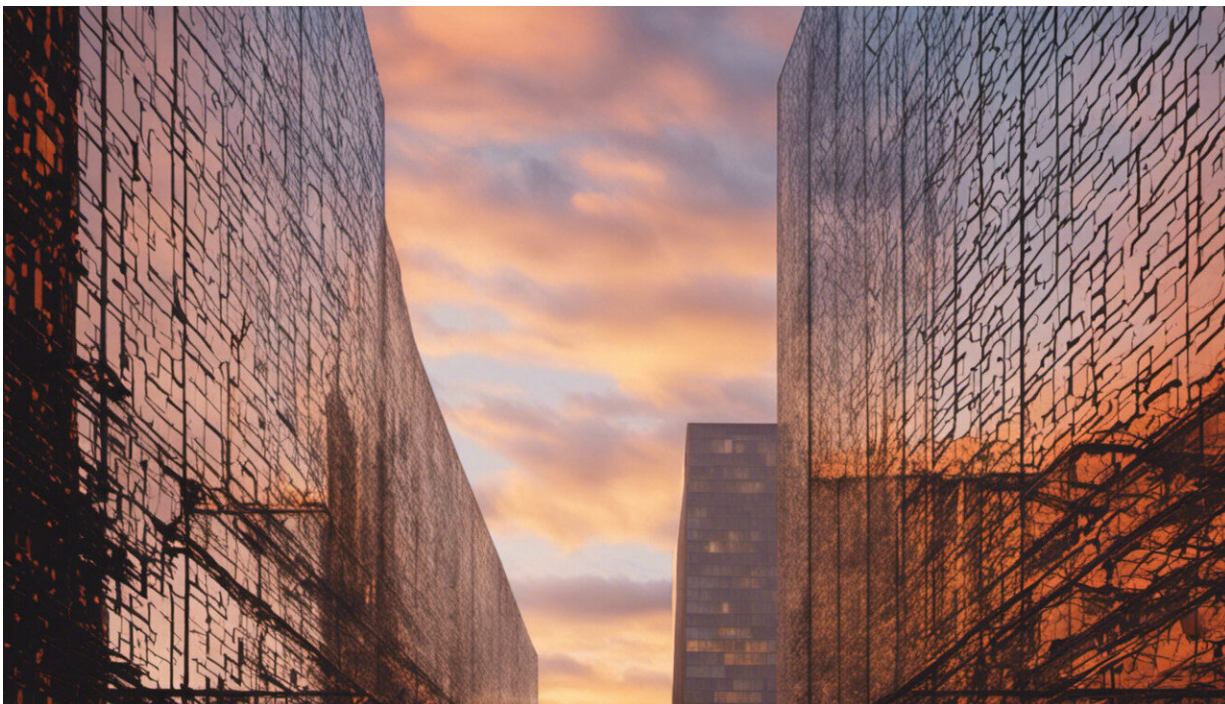


Broadband won't make businesses more productive if they lack software savvy

July 17 2015, by Derek Mcauley



Credit: AI-generated image ([disclaimer](#))

One of the great promises of technology ever since the invention of the [spinning wheel](#) is that it can increase productivity. The use of business computing has grown exponentially in the last 20 years and exploded into the colossal consumer business it is today, with many people having not just one but several computers or similar devices such as

smartphones at their disposal.

With this amount of technology in use and the rate of innovation you might expect that this would improve [productivity](#). But this appears not to be the case, according to [latest figures from the OECD](#).

As far back as 1987, economist [Robert Solow](#) said: "You can see the computer age everywhere but in the productivity statistics." It appears to be a long-standing problem. More recently [a study](#) by John Fernald of the Federal Reserve Bank of San Francisco noted that although technology had led to substantial increases in productivity, its impact was felt primarily in those industries that were information technology-intensive, and much more limited across the rest of the economy.

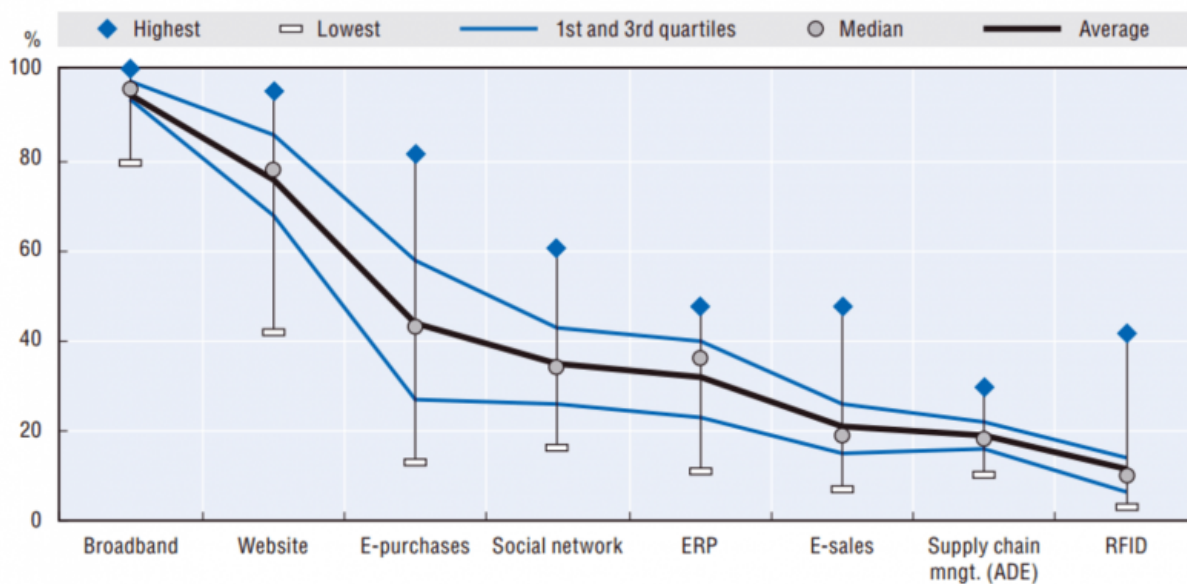
Herein lies the true challenge of the growing digital economy: how do we spread the growth and [productivity gains](#) experienced by the IT sector to other economic fields? This year's OECD Digital Economy Outlook provides some interesting statistics that illuminate the issue.

One aspect of the problem was noted by novelist William Gibson when he said: "The future is already here – it's just not evenly distributed". With that in mind the recently published [UK government productivity plan](#) reiterated the need for a world-class digital infrastructure in the UK, with a broadband strategy that seeks to achieve, among other goals, basic broadband (2Mbps) for all, and superfast broadband coverage to 95% of UK households by 2017. While this is laudable, the OECD report notes that 95% of all UK enterprises already have broadband, albeit with a voracious appetite for more bandwidth. Clearly, fast internet connectivity may be necessary but it's not sufficient for improved productivity and competitiveness. We need to understand what, once businesses have broadband, they use it for.

Subhead? All about the software

The OECD report considered the [uses of certain software](#) including websites, online purchasing, social networking, enterprise resource planning (a suite of applications that help manage a business), online sales, supply chain management and radio frequency ID tags (RFID) for purposes such as stock control.

Figure 3.3. **Diffusion of selected ICT tools and activities in enterprises, 2014**
 Percentage of enterprises with ten or more persons employed



Use of software in the enterprise is surprisingly low. Credit: OECD

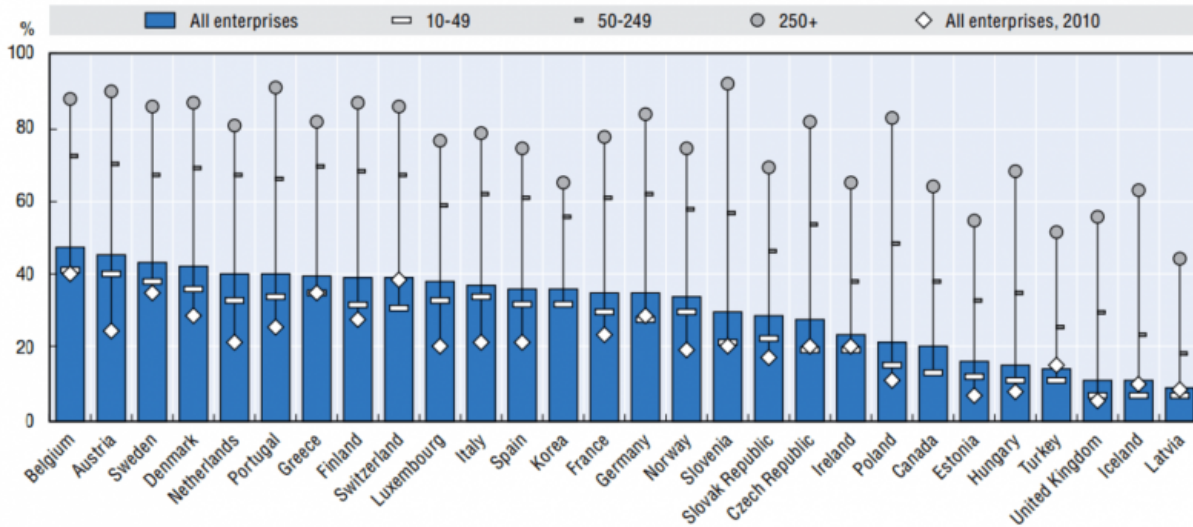
Corporate websites are popular; across OECD countries 76% of businesses have a website. The UK is slightly ahead of the average at 80%, but far behind Switzerland and Finland with 95% of all business having a web presence.

One telling statistic for the UK is the [low adoption of enterprise resource planning software](#). Enterprise resource planning software emerged in the

1990s from its background in manufacturing to become more widely applicable across all business sectors. It provides a suite of software applications to manage a business and integrates all aspects of the operation, including planning, accounting, supply chain, sales and marketing. Estimates vary but best-in-class companies find they can reduce operational and administrative costs by between 10-20% within three years of implementation.

The UK trails far behind most of the EU with only 11% of firms using this type of software and the problem is particularly prevalent in small (10-49 employees) and medium-sized (50-249 employees) UK businesses. This ranks the UK alongside Latvia and Turkey, while most other EU countries are well above 30%, led by Belgium (47%) and Austria (45%). The low adoption rates in the UK would go some way to explaining the UK's lagging productivity figures.

Figure 3.4. Use of enterprise resource planning software, by size, 2010 and 2014
As a percentage of enterprises in each employment size class



Use of enterprise software is not evenly spread, and the UK doesn't figure highly. Credit: OECD

As long ago as 1999, research showed that preparation for the introduction of the euro currency across the eurozone would require significant changes to IT used in businesses. One solution adopted by many companies affected was wholesale replacement of older legacy systems with new enterprise resource planning software.

The UK government might like to reflect on the policies and incentives it might put in place that would encourage British businesses to catch up with our eurozone partners who have benefited from this investment in productivity for the last ten years as an unexpected side effect of European monetary union.

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