



THE BIGGEST SME CHALLENGES of 2019

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INTRODUCTION

Running a small business in Australia is a tough gig.

That's no controversial statement, it's a well-proven adage, exemplified time and time again in struggling industries, regular collapses, and overall poor business confidence.

SmartCompany's recent reader survey further supported this hypothesis, with business owners describing themselves as "scrambling to make a profit" and pinning cashflow, competition, and cybersecurity as areas of peak concern.

In part, it's a reflection on the complex and uncertain times we live in, with artificial intelligence, machine learning, and blockchain popping up regularly as confusing buzzwords, and political instability plaguing the core of our political parties.

Tech disruption and election concern were raised time and time again by *SmartCompany* readers as a worry for their businesses, who are concerned innovation may pass them by, and that a change in government may create unfavourable business conditions for SMEs just scraping by to begin with.

With this in mind, SMEs were split on making further investments in their businesses over the next 12 months, with 36% saying they would not, and 35% saying they would. The remaining 28% were in the 'wait and see' camp.

But it's not all doom and gloom. Businesses who were keen to invest are looking towards new and innovative areas to try and stay ahead, with tech solutions, R&D, and marketing leading the pack as key areas SMEs were looking to drive change in over the next year.

And nearly 60% told us they would invest in new tech over 2019, hoping to roll out new collaboration tools, better security services, and new customer service software to help their businesses thrive and make their teams more productive.

So what's the bottom line? Well, while the gig hasn't gotten any easier, business owners are determined to make things work, getting on with the job and keeping up with changes as best they can.



**FEATURES AND
PROFILES EDITOR**
SMARTCOMPANY



DocuSign head of SMB Tom Hyde says it's common for small business owners to feel apprehensive towards rapid changes in technology, and wonder how they can keep up and remain competitive.

Taking the plunge and owning your own business is equal parts liberating and terrifying. Between the rise of artificial intelligence and automation, the difficulties attracting and retaining talent, and the looming threat of unpaid invoices, small business owners have plenty to keep them up at night. Cash flow remains the biggest source of stress for small business owners, according to *SmartCompany's* annual SME Directions reader survey, with 53% of the 613 respondents agreeing that cashflow was their biggest concern. Competition was another major cause for concern for 31% of small business owners, while almost one-quarter of respondents feared cyber security threats. The good news for small business owners is that these are issues span all industries, and there are many ways to address them. Here's how small businesses can approach these challenges head on.



53% see cashflow as their biggest concern



25% fear cyber security threats

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Make customers happy.
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CHAPTER 1 KEEPING UP WITH DIGITAL TRANSFORMATION

Technology has the power to drive unparalleled efficiencies for businesses, but it's also one of the main issues keeping small business owners awake at night. Almost a quarter of business owners surveyed said that cybersecurity worried them the most, while concerns about cloud technology and artificial intelligence

disrupting industries seem far out of reach. While many SME owners may feel they are getting swept away by the tides of change, they're still keen to embrace new technology: 46% of survey respondents intend to invest in technology over the next year, with 34% planning to invest in research and development.

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46% intend to invest in technology



34% plan to invest in research and development

KEEPING COMPETITIVE WITH STRATEGIC SOLUTIONS

Having the most up-to-date systems isn't just important for a business's cyber security: it's also critical for remaining competitive in a rapidly changing market where disruption is the norm. With 31% of small business owners saying competition is their biggest worry, technology offers the time-saving efficiency and automation necessary to gain a competitive advantage. Businesses concerned about how artificial intelligence and cloud offerings may compete with their services should instead embrace the efficiencies they offer as a way to develop faster, smarter business practices.

DocuSign head of SMB Tom Hyde says it's common for small business owners to feel apprehensive towards rapid changes in technology, and wonder how they can keep up and remain competitive.

For businesses feeling overwhelmed, Hyde suggests taking a step back to strategically think about where technology can fill gaps and drive meaningful efficiencies in your business.

"A less overwhelming approach is to take the focus away from the technology and put it back onto the business: not all technology is suitable or necessary for all businesses," Hyde says.

Taking this approach will not only help you decide which systems you need, and which systems you don't – it also helps ensure these solutions work together in harmony.

"Jumping on every technology that comes along, just to keep up with the Jones's, can get your systems into a real patchwork mess that may not deliver the outcomes you want," Hyde says.

"If you are looking at multiple technologies, think about the way they will work together and how they will impact your processes overall. Look for solutions that will integrate seamlessly, make work easier, more productive, and improve the customer experience."

Hyde says small business owners should consider their business plan over the next five to 10 years to identify what technology they need to bring this vision to life.

"For example, if you think you will need to unlock more time in order to grow the business, then you will need to consider how you can achieve efficiencies, look at your business processes, and review technologies that will enable this," Hyde says.

For digital marketing agency King Kong, technology enables fast growth and scalable, value-added offerings that can quickly adapt to changes in the market.

"Digital marketing has given King Kong the opportunity to grow at an extremely rapid rate," founder Sabri Suby says. "Small business owners should shift focus from competitors to addressing the needs of your market, because the business bringing the most value will own the market."

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CLOUD TECHNOLOGY DRIVES SCALABILITY

Cloud technology can empower businesses to adopt a more agile, streamlined and scalable approach to their everyday operations by automating workflows and digitising physical paperwork.

With the ability to free organisations from manual, paper-based processes, cloud-based services are becoming a crucial tool for any SME, with over one-third of Australian businesses now employing cloud-based solutions.

For under-resourced businesses, cloud technology is a major time-saver that provides cyber security peace of mind, reliability and flexible scaling options. Considering also 70% of tech CFOs planned to invest in cloud computing in the last year alone, it becomes clear that connecting to the cloud is a necessity, rather than a nice-to-have, for businesses wanting to stay competitive. As Bill Briggs, global CTO at [Deloitte](#) observes, "New technologies that may have overwhelmed organizations a decade ago when they were first introduced now drive everyday business without any fuss or fanfare."



70% of CFOs plan to invest in cloud computing

1 in 3 Australian businesses employ cloud-based solutions

ARTIFICIAL INTELLIGENCE

Artificial intelligence is often painted as a looming threat to jobs and industry, but when used effectively can be a value-add that helps small businesses get ahead of the competition. In the area of customer service, artificial intelligence, chatbots and machine learning can provide tailored and personalised customer experiences that many expect from enterprise-level organisations. Used strategically, this technology can offer an optimised customer experience that incorporates voice assistants, predictive modelling and chatbots to give customers the value and personalised service that keeps them coming back.

It's not just in customer service where artificial intelligence can drive efficiencies. SMEs can deploy AI technology strategically and procedurally across core business processes to empower data-driven decision making and reporting that can unlock new opportunities or areas for improvement in the business.

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CHAPTER 2 FINDING AND KEEPING TALENT

In a tight labour market, it can seem almost impossible for small businesses to compete with the high salaries, benefits and staff perks that many large corporates can offer. Recruitment is a costly investment, which means keeping your best performers can save your bottom line. Similarly, the cost of a bad hire is more than just monetary: it can affect the business's culture, employee morale and engagement. As many as 65% of hiring managers admit to hiring an employee who did not meet expectations, and a bad hire causes lost productivity and reduced staff morale. As many as one in five hiring managers say it's also resulted in significant financial costs. So how do SMEs attract and importantly retain, top talent? The first step is to develop an attractive employer brand.

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ARTICULATING YOUR EMPLOYER BRAND

Your employer brand communicates your culture and internal values to the outside world: in short, it's an articulation of the things that make your organisation a unique place where people love to work. If you're not in a position to compete with big corporates on salary packages, consider how you can leverage your unique employer brand to attract talent.

Yellow Octopus founder and chief executive Derek Sheen differentiates his business by the array of opportunities he offers potential employees.

"We compete for top talent with large corporates not by offering the highest salary package, but by providing all members of our team interesting work opportunities and meaningful projects," Sheen says.

Consider what sets your business apart from others – is it your fun work environment, or strong company culture? Perhaps you have a dedication to pay transparency, or flexible working arrangements: these all form part of your employer brand.

When it comes to communicating your employer brand to potential job candidates, first impressions count, and businesses should have a recruitment process that reflects this. No matter how fantastic your culture and staff perks are, if your recruitment process is outdated, clunky, and doesn't reflect what it's like to work at your business, then it can seriously impact your employer brand.

"When potential employees are faced with cumbersome paper-based forms, contracts, and a back-and-forth process, it can create a negative first impression, or even put them off the job entirely," says DocuSign's Tom Hyde. "If joining a business is time-consuming and inefficient then candidates will likely consider working there to be the same."



65% of hiring managers admit to hiring an employee who did not meet expectations



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STREAMLINED RECRUITING

Technology can drive unparalleled efficiency when it comes to recruitment solutions, making it faster and easier for small businesses to secure talent.

“From reducing the time spent on processing contracts through to sending digital offers, utilising the latest technology is the boost that small businesses desperately need in this talent war,” Hyde says.

Free from manual recruitment processes, small businesses can use the time saved to upskill new hires with training and learning opportunities designed to get them up to speed as soon as possible.

RETAIN AND SAVE

Once you’ve found a star performer, you’ll want to hang on to them. Agency fees, job listing sites and the time taken to hire make recruitment a costly endeavour – especially for many small businesses without dedicated HR and hiring teams. Avoiding employee turnover is the best way to keep recruiting costs down, Sheen advises.

“We haven’t really needed to spend too much on recruitment. Our staff turnover is low, with some members having been with the business since the very beginning six years ago,” he says. “Keeping staff turnover low is the ultimate way of reducing recruitment costs.”

Keeping top talent doesn’t have to be about the most attractive salary packages or big bonuses – supplementing salaries and monetary incentives with benefits is a great way to show employees you care on a daily basis. What’s more, showing appreciation for your team can encourage them to go the extra mile in their daily roles.

“Creating a culture that rewards employees and fosters excellence is critical,” says Suby of the rewards culture at King Kong. “We focus on success regularly. Every Monday

each division has a team meeting where they review the past week, noting where we’re going as well as highlighting recent success. That way we’re not only transparent about what’s going on in the business, but we can attribute our progress to respective team members.”

Small businesses can try informal, everyday shows of appreciation like sharing verbal recognition of a job well done in a team meeting or via a peer nomination program.

Rewards like team lunches, Friday drinks, or movie tickets are also small ways to show staff you appreciate their contributions, while allowing staff flexible working arrangements is a great way to show appreciation every day.

“Not only do initiatives like this rally staff and serve as team motivation, but it also means people want to stick around and help you succeed,” Suby says.

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CHAPTER 3 BALANCING THE CHEQUE BOOK

Tight budgets, high recruitment costs and rising energy prices are issues many small businesses face daily. When operations are run on slender margins, an unpaid invoice can be enough to tip accounts into the red.

Australian supplier invoices are on average paid 26.4 days late – some of the worst payment times in the world, according to a 2017 inquiry into *Payment Times and Practices*.

When an outstanding invoice can mean the difference between a profitable month and operating at a loss, how can small business owners make sure they keep the lights on?

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“Having a digital and integrated process to sign, act on and manage contracts means they are easily retrievable and there is a clear record of the terms, who has signed off on them and at what point in time.

GET IT IN WRITING

Ensuring your contracts and invoices have clear payment terms can help you avoid any ambiguity when it's time to get paid. When it comes to payment terms, verbal agreements simply aren't enough – especially if one late payment from a big client could trigger dipping into personal savings to fund the gap.

“Having a digital and integrated process to sign, act on and manage contracts means they are easily retrievable and there is a clear record of the terms, who has signed off on them and at what point in time,” Hyde says. “This is an important part of being able to manage contractual disputes.”

FRIENDLY FOLLOW-UPS

Almost half of small businesses experience delays in receiving payments more than 25% of the time, according to *SmartCompany's* SME survey. If an unpaid invoice is keeping you awake at night, communication is key. A gentle reminder via email or phone can be all it takes for clients to pay an overdue invoice. Instead of starting a conversation with accusations, aim to have an open, honest discussion with the client about why an invoice hasn't been paid.

If personally chasing up invoices isn't your strong suit, don't fret: technology can do much of the hard work for you. Bookkeeping and accounting software can automatically send personalised email follow-up reminders – a useful frequency is to send reminders out seven, 14 and 21 days after the invoice due date.

Technology can also cut out the middleman and handle invoicing and payments. “These technologies can integrate payment at the time of signing,” Hyde says. “This not only saves time chasing payments, but improves cash flow because payments can be collected sooner.”



1 in 2
small businesses
experience delays in
receiving payments



with invoices
paid on average
26 days late

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HANDLING TIGHT CASH FLOW

Sometimes, despite best efforts small businesses may find themselves cash-strapped. During these periods, there are a range of options for business owners looking to keep operations moving forward.

Choice Energy chief operating officer Alan Gill says SME owners shouldn't be afraid to ask for a help – and might be surprised by how many are willing to offer a helping hand.

“You obviously need to tighten-up your controllable outgoings, but you can also ask for support from others. For example, your suppliers actually want you to have a healthy cash flow,” Gill says. “Ask them what they can do for you like extending their days payable or offering you a bigger line of

credit. You'll be surprised how many are happy to help: after all, they too understand the importance of healthy cash flow.”

In business, being faced with unpaid invoices can be inevitable. To avoid serious fallout from unpaid invoices, Gill says doing your homework – including running background checks – is key when dealing with first-time customers.

“Define a due diligence process for orders over a certain threshold. That can include background checks for first-time customers. You should also consider payment history for repeat customers,” Gill says. “At Choice Energy, we have been rewarded with lines of credit that are multiples of our original terms because we've proven to be a customer that consistently pays on time.”



89% expect to grow or stay stable in 2019



31% view competition as their biggest challenge

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CHAPTER 4 READY, SET, GROW

Speak to any business about what their greatest ambition – and greatest challenge – for the next year is, and they'll tell you it's one thing: growth. Leveraging existing client bases and diversifying revenue sources are both ways businesses can scale up their operations, but digital disruption, a lack of access to funding, and increased competition remain significant hurdles SMEs must overcome.

Despite these concerns, business owners are relatively optimistic about the year ahead, with 89% expecting to grow or remain stable in 2019. For small businesses looking to scale operations, there are a few different approaches to take.

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DIVERSIFYING REVENUE

Small businesses can look to diversify their revenue streams to keep the business moving forward in times of stagnant growth. If you're currently feeling the pinch as a small business owner, consider diversifying your services to find more ways to appeal to customers. Diversifying your offerings provides your customers with even more value and helps you find new sources of revenue – and new ways to solve problems – as you look to grow your business.

“As a business owner, the market doesn't pay you to have the best products or service. It rewards you for solving problems,” Suby says. “A transaction takes place where, in the mind of the consumer, the value of the solution you're selling outweighs the price you're asking. Remember that and growth will follow.”

“As a business owner, the market doesn't pay you to have the best products or service. It rewards you for solving problems.”

SABRI SUBY, KING KONG.

CUT COSTS AND FIND EFFICIENCIES

Small businesses looking to scale their operation on a tight budget should consider where they can drive efficiencies and cut unnecessary costs. Here's where technology like cloud-based bookkeeping software, client-relationship management platforms, and eSignature software can drive efficiencies in automating, and streamlining processes.

As a small business owner, you should constantly ask whether a process can be automated or made more simple, and whether technology can cut down on manual, administrative tasks to save time and money.

For Hyde, growth means “eliminating inefficiencies in the business” to scale offerings at a rapid rate. “By completing and managing contracts and agreements more quickly, from anywhere, anytime, business owners will have more time to focus on planning to develop and grow the business,” he says.

By utilising eSignature technology Hyde says small business owners can “create mobility, thereby unlocking time that can be reinvested in the future of the business”.

Can a process be automated or made more simple?

Can technology cut down on manual, administrative tasks to save time and money?



BRINGING STAFF ON THE GROWTH JOURNEY

As your business grows, what happens to your staff – some of whom may have been with you from the beginning? Is it a case of upskilling existing staff, or bringing new, specialised talent on board?

For Suby, the answer lies in a combination of both upskilling existing staff and bringing on new talent.

“Sustainable business growth and staffing go hand in hand,” Suby says. “I quickly came to the realisation that I couldn’t do everything by myself, so investing in your team and culture should be a priority. Without good people supporting you, it’s very difficult to scale and pursue every opportunity presented.”

Bringing staff on the growth journey means constantly providing them with new opportunities to upskill, learn and develop. “The vital thing to acknowledge is that team members should be able to see how they will grow with your company,” Suby says.

This approach is particularly important in a competitive labour market: finding top talent that understands your business is rare, so bringing high-performers along with you on the growth journey should be a top priority.



CONCLUSION

Between the frenetic pace of digital disruption, the challenge of attracting top talent in a competitive market, and the constant worry of unpaid invoices, there’s plenty to keep small business owners tossing and turning at night.

But armed with an open mind and the above proactive strategies, business owners can embrace change as a chance to scale, grow and gain an advantage over their competition.

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