

Covid 19 coronavirus: Paul Drum: The post-virus future for SMEs is digital

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The world has changed and SMEs need to change with it. Photo / 123RF

COMMENT:

To criticise our coalition Government for yesterday's recovery Budget feels like carping. The Ardern administration has provided global best-in-class leadership, albeit measured against the low bar of international comparison, through the gravest social and economic crisis since the Great Depression.

The Government deserves credit despite the unprecedented amount of debt spending. It's worth noting that in 2,000 years of recorded interest rates, borrowing has never been cheaper and this Budget is about saving jobs, creating new jobs and keeping companies alive.

It is also about the future, with the generous retraining, tertiary education and apprenticeships package designed to keep the lid on unemployment. The forecast reduction of unemployment to 4.2 per cent within two years is heroic.

But below the multi-billion dollar headline spending was an important Budget item: \$10 million in funding to support small businesses improve their e-commerce service offering and further support for business advice, the e-invoicing project, Business Connect and the Better For Business programme.

The opportunity for Robertson to address systemic weakness in the SME eco-system is significant and many accountants and accountancy firms would argue strongly for more funding in this important area.

Every year for the past 11 years, our accountancy organisation has surveyed more than 27,000 small businesses across the Asia Pacific. And every year the answer is the same: New Zealand and Australian SMEs rank 10th and 11th respectively out of 11 countries for uptake of technology and participation in the digital economy.

This persistent and systemic failure of small businesses to adopt digital business practices has proved a significant drag on the economy and represents a large lost cost opportunity. High growth companies are much more likely to use various technologies in their business, including e-commerce and social media, as well as investing in technology.

I strongly believe the technology gap between small business in New Zealand and small business in Asia is likely to have been a major contributor towards our businesses reporting lower growth than their peers in the region.

Covid-19 has, of course, changed everything. Businesses have been forced to use technology in order to conduct their business. Right now the digital economy is the primary route for the ongoing financial viability of many small businesses.

Yet barriers to their participation remain, and now is the right time to invest in measures to support the SME sector's transition to new ways of doing business.

The Government has allocated a small amount to improving small firms' e-commerce offering and should consider expansion of this initiative and even direct financial support. Singapore's E-Commerce Boost Programme is a good example for our Government to follow.

Direct financial incentives should also be provided for companies to engage professional advisers for counsel on technology options and to help with its implementation. To create a supportive network to provide relevant and practical tools and resources for the SME sector to draw upon as they make the

digital transition, Government should partner with local government agencies, local business chambers, banks and others to assist with this process.

Given our data shows the level of digitisation of business is strongly influenced by age, policymakers should investigate the barriers to younger people starting their own company or buying an existing business and enact policies to mitigate or remove these barriers.

These measures and others related to provision of information and support around the use of social media, payment technologies and cyber security could provide the platform for the SME sector to undergo a paradigm shift in the way they do business.

It would also measurably improve New Zealand's competitiveness and future proof the economy against the next global pandemic and other existential economic shocks.

As everyone seems to understand now, the world has changed and SMEs need to change with it. They just need a little more help to do so.

Paul Drum is the general manager of external affairs at CPA Australia.