

# Factors that will aid small business recovery over the next year

 By [Colin Timmis](#)

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Small and medium enterprises tend to take the hardest knocks in an economic downturn. Nothing illustrates this better than the unravelling impact of Covid-19, which left many SMEs teetering on the edge of collapse.



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In his 2020 medium-term budget policy speech, finance minister Tito Mboweni painted a somewhat bleak picture of SA's economic outlook, largely because of soaring national debt. Since small businesses play a critical role in job creation and growth, they will therefore once again be required to plug the holes.

Xero has been conducting research on the [State of South African Small Business](#) for the last five years. For this year's report, we used the findings of our research, alongside advice from industry experts, to map out the key areas small businesses need to focus on for recovery. The study, conducted by market research group World Wide Worx, surveyed 400 small business owners.

Together with some of our collaborators in the report, we identified six trends that will be really important over the next year.

Here's a closer look at each trend and what collaborators had to say:

## 1. Honing technology skills

Nearly all small businesses have adopted technology they now depend on, with 97% investing in new technologies in 2019. Cloud accounting showed the most robust growth, surging from a mere 13% in 2017 to 61% in 2020 – an indication that most can now manage their finances remotely.

Yet, more than two thirds (67%) of respondents conceded that they struggled to find the right talent to execute their digital strategies. Many still lack the skills to shore up the transition, and government and technology firms need to make a more concerted effort to close this gap. Early on during the pandemic, many opted for any tech solution to allow them to continue their operations.

It has since become clear that we're in this for the long haul, so businesses must pay closer attention to decide which digital solutions suit them best.

## **2. Getting started with tech adoption**

"It's important to understand what you are trying to achieve through adopting new technology," advises Nicole Rousseau, PKF Ignite. "Once you've defined your goals and objectives, you should contact an expert in the field who can assist and help find the right technology for your business.

"Every business needs to select technology that will help them achieve their unique goals. You should map out the process properly and develop an implementation plan which is realistic and achievable. I would also recommend keeping it simple and using a phased-in approach."

## **3. Protecting wellbeing**

Xero's research shows that 79% of business owners have experienced stress as a result of work, and this will have only been made worse by the challenges brought on by Covid-19. "Protecting your wellbeing and that of your team is key for staying productive and resilient", says Mike Anderson of National Small business Chamber (NSBC).

"Try to normalise the fact that current circumstances will impact mental health and signpost the available support to your entire workforce so that everyone knows whom they can turn to. Check in regularly, create a healthy routine, listen to yourself and others, and be flexible. None of us has been through this before, but we will get through it together."

## **4. Connected everywhere and anywhere**

According to Arthur Goldstuck, founder and CEO of World Wide Worx, the small business of tomorrow is also home-and-away, meaning it can function equally effectively from a home office, an office building, or from the beach. "To be part of this trend, explore which of your processes, systems, services, and administration can become completely digital, stored in the cloud, and accessible from anywhere.

"Connectivity is the heart of the digital future. It's no longer enough to rely on one form of broadband access for a small business. Backup, or what ISPs, unfortunately, refer to as 'redundancy', is crucial. Have both fixed-line and mobile options available at all times, so that load shedding or cable breaks don't suddenly bring your business to a halt."

## **5. Embracing new ways of working through innovation**

Fred Roed, CEO of Heavy Chef, is encouraged by the signs of innovation he observes within the Heavy Chef entrepreneur community. “Across the board, we’re seeing entrepreneurs adapting their businesses to the post-COVID era. We’re witnessing a remarkable resurgence of creative pivots, side-products becoming main-products, innovative partnerships, and new product launches.

“As much as this has been a harrowing year, I believe we’ll see some extraordinary new channels of innovation opening up as a result of the hardships we’ve faced in the entrepreneur sector.”

## 6. Building an online presence

Kristen Buttress, owner of Kristen’s Kick-ass Ice Cream, believes that setting up an online presence is something every small business owner should aim for if possible.

“Most customers are at home, looking at their phones for things to do. Spend your energy expanding your brand awareness via social media and other outlets who can create exposure for your brand. Now that we’re emerging from lockdown, people want to have some semblance of normal, so adapt your offering to draw people to your brand.”

## The way forward

South African SMEs are the lifeblood of the local economy but also the most vulnerable. Over the coming months and beyond, we all have a role to play in helping to rebuild the SME sector.

True to their entrepreneurial spirit, business owners have shown a steely resolve over the past few months. SME owners have demonstrated extraordinary adaptability, drive, and innovation under the most challenging circumstances. We have to keep this momentum up, so now is not the time to ease off.

## ABOUT COLIN TIMMIS

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