

Knocking Down Barriers:

International SME Perspectives

Empowering SMEs globally to perform with impact



A global study of 11,000 SME voices on doing good and thriving

sage

Overview

Sage serves millions of small and medium businesses (SMEs) across the world. Our global research with over 11,000 SMEs in nine major markets shows that now is a time of real potential*.

The majority of SMEs believe that the aftermath of the pandemic can be an opportunity to promote sustainability, diversity, and community. Beyond this, they are committed to embedding these values in their own businesses.

But many SMEs need support – our research shows a strong belief that not everyone currently has equal opportunities to start and make a success of their own business – and existing SMEs face significant barriers to reaching their full potential impact.

This is why our global sustainability and society strategy is built with the views and aspirations of our SME customers in mind. We understand that a large part of our impact as a business comes through enabling SMEs around the world to reach their own potential.

We believe everyone should have the opportunity to thrive, but in today's world, not everyone is given an equal chance. Our research shows SMEs want to make a positive impact – but they need support. Sage is committed to offering that help, through dedicated programmes and engagement.



96%

of SMEs feel that having a positive societal and environmental impact, and a commitment to diversity - matters to their business.

62%

of SMEs do not believe that everyone of equal ability and motivation has the same opportunity to start a business in their country.

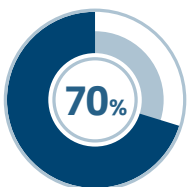
85%

of SMEs see a role for accountancy and HR software providers in making their businesses more sustainable.

SMEs want to perform with impact

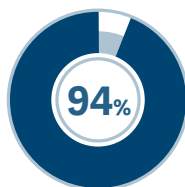
Our international research shows that SMEs are united by a desire to contribute positively - to their community, to the environment, and to promoting diversity. Overwhelmingly, small businesses are already at least somewhat familiar with their impact socially (89%), environmentally (88%) and in their community (88%). Beyond this - there is a strong desire to do even more, with 94% saying there are positive impacts they should prioritise further. It is crucial that SMEs feel empowered to make the impact that they want to make.

Community, diversity and sustainability matter to SMEs



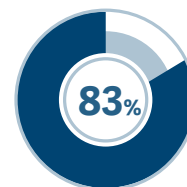
Community

A majority (70%) of SMEs feel that it is at least somewhat important to their customers that they invest in charitable / community initiatives.



Diversity

More than 9 in every 10 SMEs recognise that there are benefits from having a diverse workforce.



Sustainability

Over four fifths of SMEs see the recovery from the COVID-19 pandemic as an opportunity to promote sustainability.



It's impossible to have a family and not think about the type of world they'll inherit. When I first launched my business, I was focussed on getting it off the ground and managing all that was new to me (accounting, cashflow etc). But, now I'm more established, I am definitely more focussed on what my business' wider purpose may look like."

Ryan Panchoo, CEO, Borough 22



What SMEs see in impact

While our study shows that SMEs want to make positive change in their communities - it is also clear that impact doesn't mean the same thing to all SMEs.

There is clear diversity in the priorities that SMEs have when it comes to impact – with 48% prioritising employee health and wellbeing, to 36% focusing on environmental and sustainability issues in their products and 31% seeking to boost diversity in the workplace – with this mix varying by country.

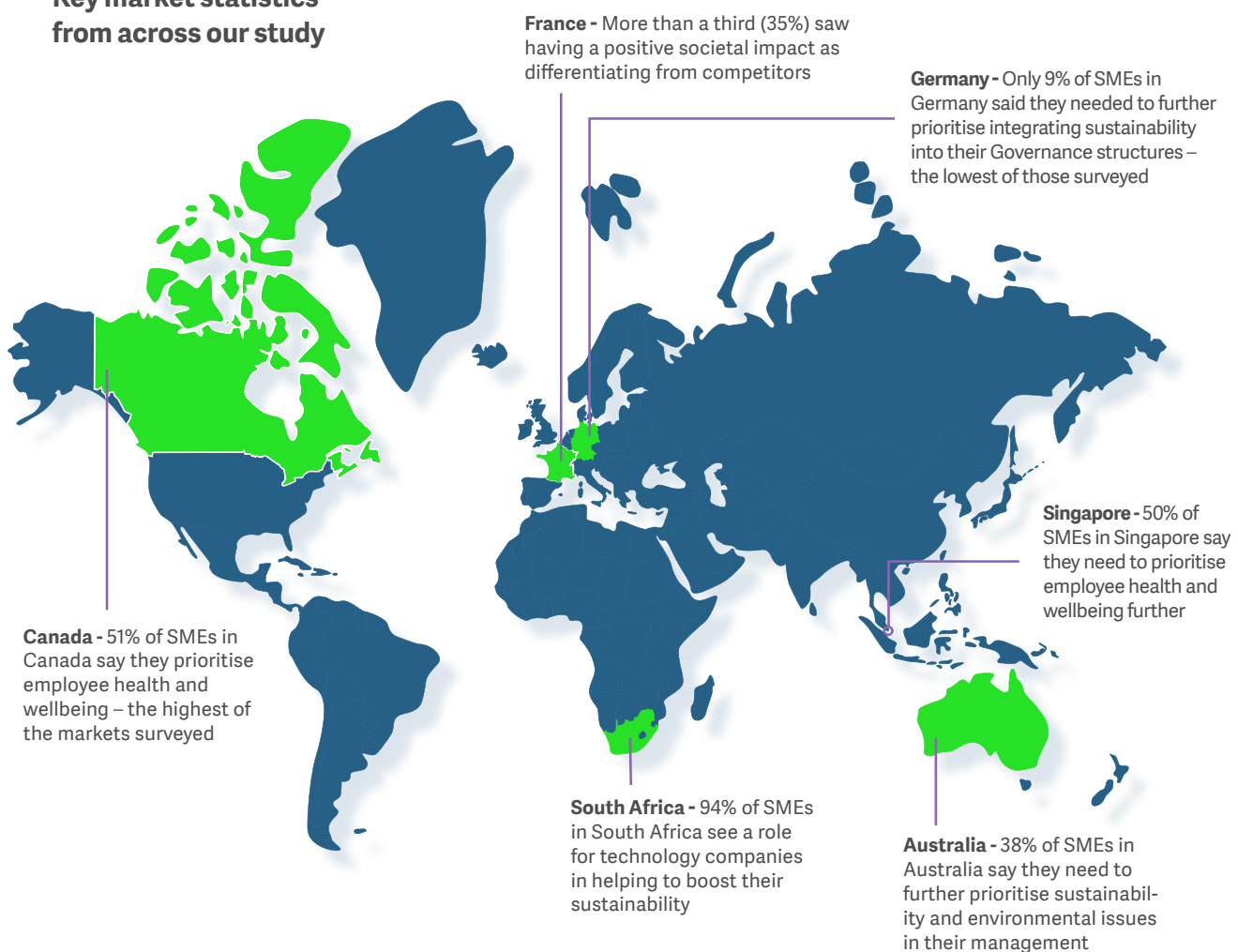
Strikingly, only 13% say that they prioritise impact because they believe it is the right thing to do. It is clear that SMEs are motivated by the significant benefits to business that it can bring.

Many recognise that customers now care about the impact of their suppliers, particularly on the environment - 77% say it is somewhat or very important to their customers that they are environmentally sustainable. They recognise that this focus has the potential to differentiate them from competitors (26%) and help them attract new customers (37%).

In short, **SMEs believe that impact can drive performance.**

While they have varied priorities, and a wider range of business motivations – they understand that doing the right thing for their businesses, customers, and community can all go hand in hand.

Key market statistics from across our study



Key challenges

SMEs want to perform with impact – but achieving this potential can often require changes within their business that can be extremely difficult to implement.

Of those SMEs who identified areas of impact that they should be prioritising, only a tiny proportion – 9% – said that there were no barriers preventing them from prioritising and making changes.

In fact, a majority of SMEs (67%) said that they were facing multiple barriers to implementing positive changes – indicating a complex array of challenges that stand before SME leaders as they try to contribute to the environment, community and diversity.

While these challenges vary significantly – they fall into three major categories.

- The first is the **cost** associated with implementing core changes. Globally we found that 37% of those who felt their business needed to prioritise new areas of impact – said that cost was a leading barrier.
- The second is a **skills gap** in small and medium enterprises that prevents them from making changes – with over 10% saying that they don't even know where to start when thinking about creating desired impact.
- The third challenge is **difficulty making the time** to implement the changes that they want to make – with 30% citing lack of time as a reason.

Biggest barriers to SMEs prioritising the positive impacts they feel they should prioritise



Challenge 1: Cost



The initial investment needed to implement changes is a clear barrier. 37% of SMEs said prioritising their desired areas of impact is just too costly – with this being a particular issue in South Africa where the figure rises to 46% of SMEs.

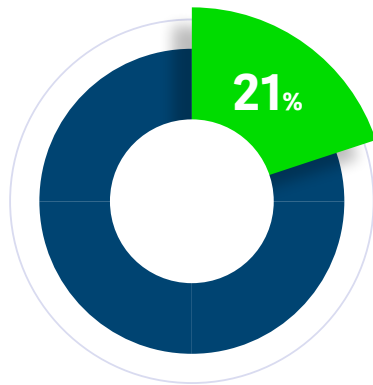


Beyond this initial investment – the return on investment is also a serious issue. 30% of SMEs believe they will see insufficient ROI in prioritising impact – and 26% simply believe it will take too long for them to see any returns on this investment.



The cost barrier varies significantly depending on the size of the business with 50% of smaller SMES (under 49 employees) citing cost as a barrier, compared with only 23% of SMEs with over 100 employees.

Challenge 2: Lack of skills and knowledge



Over a fifth of SMEs are held back from further prioritising positive impact by a lack of skills / knowledge

21%

say that they do not have the skills and knowledge to prioritise new areas of impact – which rises in SMEs seeking to prioritise complex changes such as embedding sustainability into management (32%) or improving governance (28%).

95%

say their company could easily implement at least some sustainability initiatives, but this varies significantly depending on the initiative, with 76% saying that they could not easily implement better vetting of their supply chain.

45%

say inequalities in knowledge and resources are a key reason for inequalities in opportunity to start a business – indicating this is also a barrier to entry for prospective entrepreneurs.

Challenge 3: Time

Changes being too time consuming is cited as a significant barrier by almost a third (30%) of SMEs – our research has found that this is a problem which impacts smaller businesses more - where resources and time can be in particularly short supply.

6%

only a small proportion of SMEs with 2-49 employees currently prioritises improved governance – compared to 19% of those SMEs with over 100 employees

Time was cited as a barrier for 32% of smaller SMEs with 49 or fewer employees – 7% more than amongst SMEs with 50-100 employees

23%

the proportion of smaller SMEs (with fewer than 49 employees) that currently prioritises improving diversity – much lower than the 46% among SMEs with over 100 employees



The international perspective on the barriers faced

The three major challenges of cost, skills gaps, and time are not experienced in the same way across the world.

For example – that further prioritising positive impact was too costly was listed as a major barrier by 46% of SMEs in South Africa – but only 28% of SMEs in the USA. South Africa also saw the highest proportion of SMEs (46%) cite lack of skills and knowledge as a barrier.

However, South Africa saw the lowest proportion cite lack of customer concern about impact as a barrier – only 12%, significantly lower than equivalent figures for Australia (25%) and Singapore (22%).

The support SMEs need



31%

of SMEs see investing in education and skills development as a priority for inclusive growth

27%

only just over a quarter of SMEs know their exact gender pay gap – rising to only 28% when it comes to their ethnic pay gap

85%

of SMEs see a role for accountancy and HR software providers in making their businesses more sustainable

34%

of SMEs see upholding ethical principles in technology design as a key factor when choosing their technology suppliers. 50% cite customer privacy as the most important factor in responsible technology design

Sage's commitments[!]



Skills and training support

Sage has a goal to deliver 1 million volunteering hours and to raise \$2 million through Sage Foundation



A goal to provide 10,000 school children

in the most deprived communities around its global headquarters with digital skills training



An expansion of Sage Foundation Futuremakers programme

to provide more digital skills to young people globally



Financial support

A three-year, multimillion-pound partnership with MyKindaFuture to provide digital content, mentoring and training support via Jobcentre Plus aimed at helping those from disadvantaged or under-represented communities across the UK to start their own businesses.

A three-year partnership with the Bringing Out Successful Sisters (BOSS) Network to provide training and support for black female entrepreneurs in the U.S.

A three-year partnership with non-profit lending platform Kiva aimed at improving financial inclusion in communities who find it hard to start or grow their businesses.

Support for small businesses in Atlanta, Sage's US headquarters, with business advisory and lending services for underserved and minority communities through a partnership with ACE (Access to Capital for Entrepreneurs).

Playing our part

SMEs overwhelmingly believe (83%) that the economic recovery from the COVID-19 pandemic should be used as an opportunity to promote sustainability – and we at Sage want to support them to turn this vision into a reality.

In this study, SMEs have identified the biggest challenges that business, government and society need to tackle to make sustainable economic recovery a reality. Chief among them are: **investing in education and skills development (32%), tackling racial inequality (29%) and tackling inequality for those with disabilities (27%).**

SMEs see themselves as playing their part in tackling these challenges – but we know that they also have expectations of companies like Sage. Given the roles that we occupy - as suppliers, as software developers, as a large technology company – we acknowledge our responsibility to partner with government and our SME customers to make sustainable recovery happen.

The society and sustainability strategy is about living up to that responsibility.

What this could mean

This is the current situation

As we come out of the pandemic, SMEs globally are already making big moves to contribute positively to their community.

Current top priorities for SMEs globally are:

Employee health and wellbeing



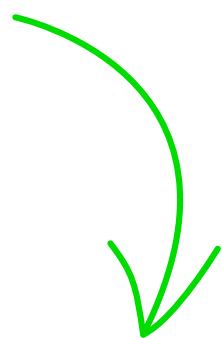
Sustainability and environmental issues – in our products



Sustainability and environmental issues – in our management



Diversity (e.g. in workforce, leadership, supply chain)



Unlocking potential

Given seismic environmental, social and technological changes, billions of people worldwide are at risk of missing out on future economic opportunities, and the wider benefits of living and working in a resilient community.

SMEs are under increasing pressure from customers, their supply chain and governments to be more sustainable, contribute more to their communities and unlock opportunities for more members of their community. In fact, significant numbers see their societal impacts as deeply important to their customer base – 77% saying their environmental impact is at least somewhat important to customers and 72% that their diversity is at least somewhat important to customers.

We believe that we can help SMEs to seize the opportunities created by these rapid changes, and we are determined to play a positive role in addressing inequalities.

In addressing these giant challenges, the majority of SMEs see the potential for business-critical benefits – from more engaged employees, to lower costs and better supplier relationships – which will improve their performance and in turn their profitability.

This is the huge potential we want to unlock.

Knocking down barriers

Big possibilities from Sage's agenda

We believe everyone should have the opportunity to thrive. But in today's world, not everyone is given an equal chance.

Barriers like discrimination, bias, lack of education, and unequal access to technology and data stack the odds against some people.

At Sage we don't think that's right. And we know we can make a difference... That's why we are making a commitment.

We will use our technology, time and experience to knock down barriers to make the future fairer for everyone.

We will do this by:

- Tackling digital inequality for innovation, enterprise and progress
- Tackling economic inequality – by supporting underrepresented groups
- Tackling the climate crisis – powering sustainable business models

People expect big things from big companies. By taking decisive action we believe Sage can back and build a new generation of diverse and sustainable businesses, fuelling their confidence to thrive.

82%

of SMEs say that it is at least somewhat important that their suppliers are environmentally sustainable – which reinforces why this is a priority for Sage.

42%

of SMEs say that software could support them in becoming sustainable by helping them manage costs, particularly around waste and recycling.

45%

of SMEs would like to see accountancy and HR software firms support them in creating a standard for measuring and reporting on sustainability and diversity.



Methodology

The fieldwork of this study was conducted by Portland Communications' specialist research team for Sage. Portland is a member of the British Polling Council and adheres to UK market research guidance published by the UK Market Research Society and ESOMAR.

Sample: **11,504 SME Decision Makers** in total (aged 18+): Australia (1,716), Canada (1,095), France (1,024), Germany (1,224), Singapore (621), UK (1,181), USA (2,591), Spain (1,031), South Africa (1,021).

Fieldwork conducted between March 22nd and March 25th, 2021 in the UK, USA, Spain and South Africa. Fieldwork conducted between June 12th and June 16th in Canada, Australia, France, Germany and Singapore.

Fieldwork particulars:

- SME Decision-makers are owners or senior managers e.g. MD or owners of businesses employing fewer than 250 people.
- Due to a lack of census data for these business communities, data is unweighted but was monitored for significant skews in personal and business demographics.

For any questions about the methodology, please e-mail: polling@portland-communications.com