



Report

Small Business, Big Opportunity

A global study of almost 12,000 SMB leaders on their long-term outlook for the future.

Sage

Foreword by Steve Hare



It's been another pivotal year for the world's small and mid-sized businesses (SMBs). Last year, our inaugural "Small Business, Big Opportunity" report found that the pandemic had changed SMBs for good. They were emerging from an uncertain time but faced the future with optimism. Little did we know the multi-faceted challenges that lay ahead: economic declines, rising costs, supply chain disruptions, and shifts in labour patterns, all at the same time.

The good news—reflected in this year's data and my own conversations with our customers—is that despite these new issues, the positivity and resilience of SMBs have increased. 84% of business decision-makers feel confident about their company's future success, compared to 69% last year.

Globally, these business owners and managers see many of the problems of 2022, such as rising costs, cash flow issues, and reduced customer demand, as transitory and feel bullish about what 2023 has to offer. Their confidence can be attributed to investments in their tech, equipment and people, allowing them to save precious time and keep costs down in difficult times.

But beyond the numbers, what has impressed me are the varied stories of ambition and problem-solving powering the nearly 12,000 businesses represented in the following pages. For example, while many South African SMB owners started their businesses primarily to fund their lifestyle, their UK counterparts trace the origins of their high-growth businesses back to a side hustle. This reflects the varying goals and paths to entrepreneurship we see every day in our customer base.

Additionally, 81% of SMBs say that sustainability is important to them, and nearly half have reduced the amount of energy they use, showing that caring for your business and caring for the planet go hand in hand in today's world, even when it's not easy.

Looking at these statistics and the trends reflected within them, I see a diverse, resilient, and capable community of business owners that is feeling positive and thinking big. We will continue to use our voice to highlight the barriers facing SMBs and call on governments to adopt a pro-tech, pro-enterprise approach so SMBs are supported to innovate and grow whilst reaching a basic level of digital maturity. I'm proud to be leading a company serving these businesses, and as we have always done at Sage, I look forward to doing our bit to power their success in the coming year and beyond.

Steve Hare, CEO, Sage

Table of Contents

Page 4

SMB outlook: findings at a glance

Page 5

Research overview

Page 6

Summary page

Page 7

Adaptability - the seven keys to confidence in 2023

Page 9

Technology is central to the story of adaptability and productivity

Page 11

Generation COVID

Page 22

Summary of methodology

SMB outlook: findings at a glance

Rising costs and pressures on revenue and cash flow created a year of dashed hopes in 2022.

19% said rising costs impacted the viability of their business.

Having faced difficult challenges in 2022, confidence amongst SMBs globally is robust, and in many markets, higher than last year.

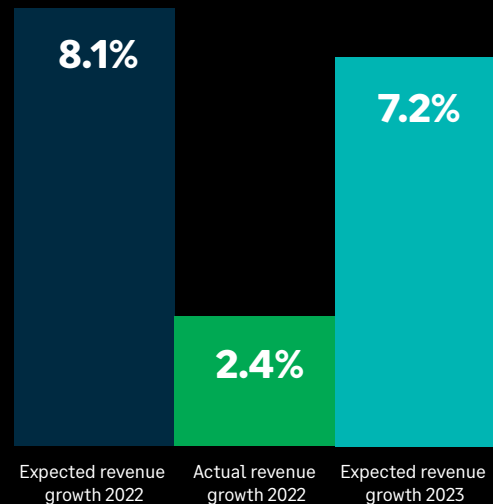
71% are confident about the success of their business now.

84% expect to be confident in 12 months' time.

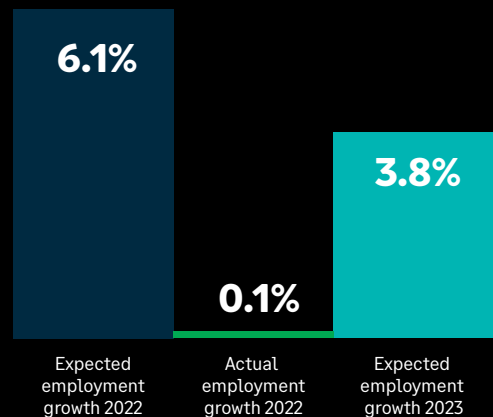
SMBs are bullish about 2023 and have plans to grow, including their revenue base and their employee numbers.

68% of SMBs think that the cost of business crisis is going to significantly improve in 2023.

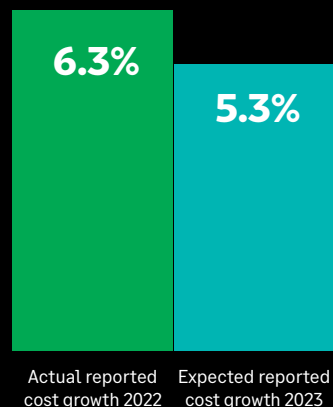
Revenue growth



Employment growth



Cost growth



Research overview

Last year, SMBs looked ahead to 2022 with high hopes. Our 2023 study clearly shows that those hopes were dashed as a consequence of the cost of the business crisis, which was driven primarily by Russia's invasion of Ukraine and the resulting shockwaves felt across the world.

In each country surveyed, SMBs widely report not meeting their aspirations for 2022. The majority of SMBs report that rising costs dashed their growth plans and one-fifth report that rising costs challenged their viability. Cashflow and liquidity problems were cited as second to rising costs as a barrier to growth.

Sadly, we know that many of the intertwined crises of recent years, be they geopolitical, economic, environmental and social, have fallen disproportionately on SMBs.

However, SMBs widely endorse the view that the problems of 2022 will be transitory. They maintain that the economic issues of the last year are temporary and fleeting, rather than embedded for the medium or long term.

Crucially, this study finds that increasing productivity and being adaptable is critical for allowing SMBs to effectively combat these challenges.

Far from feeling defeated, SMBs have proven resilient and adaptable. The question for the future will be whether large numbers of these SMBs cannot just survive but thrive in an increasingly complex economic environment. This study has identified **'seven keys to confidence'**.

Sage is a global leader in accounting, financial, HR, and payroll technology for small and mid-sized businesses. We believe that these businesses have the power to enable more people and communities to thrive. Our purpose is to knock down the barriers that stand in their way, removing friction, and delivering insights so that they can thrive.

That's why we launched the largest annual global track of its kind into SMB outlooks, surveying over 11,000 SMBs in markets across the world, to understand their experiences in the past 12 months and their outlook for the future.



Summary page

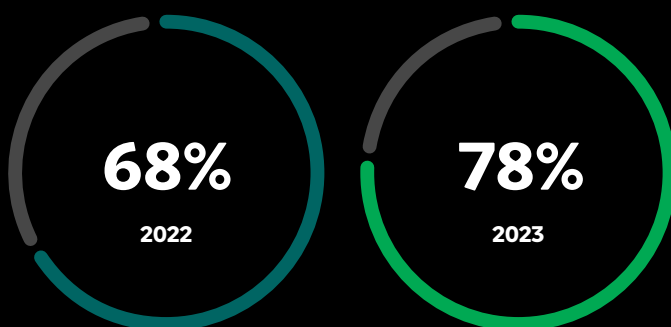
SMBs are bullish about 2023 and see themselves leaving behind the problems of 2022

Russia's invasion of Ukraine triggered a significant rise in prices globally, negatively impacting the expected revenue and employment growth of SMBs worldwide. The cost of business crisis, driven by the increased price of utilities, salaries, and raw materials, even challenged the viability of 1 in 5 SMBs. However, these challenges have not critically undermined the confidence of SMBs, who seemingly view these issues as transitory rather than enduring and have optimistic growth forecasts for the year ahead.

The cost of business crisis challenged the viability of 1 in 5 SMBs.

Confidence about 2023 is driven by productivity and adaptability

SMB confidence about the upcoming year has been driven by increases in productivity and by implementing adaptations. Tellingly, the percentage of SMBs satisfied with their productivity increased from 68% in 2022 to 78% in 2023, and SMBs named increased efficiency or productivity as the foremost driver of business confidence. Indeed, our results clearly showed that the more adaptations an SMB made in the last year, the more likely they were to be confident about their future success. The results also uncovered an important relationship between having a formal growth plan and being more likely to make adaptations, and therefore have that confidence in their business success.



The percentage of SMBs satisfied with their productivity increased from **68%** in 2022 to **78%** in 2023.

Tech is central to the story of adaptability and productivity

Seeking productivity gains to respond to the cost of business crisis, SMBs have turned to adopting new technology in order to operate better. Indeed, investing in equipment or technology was the most effective adaptation an SMB could make to increase confidence, and they reported that tech investments were worthwhile in order to save time and increase productivity.

Businesses seem to be highly cognisant of the value of technology; they intend to increase their level of investment in tech by an average of 16% next year. They are also warming to emerging technologies, with over 1 in 5 envisaging that they are likely to adopt AI technologies in the near future.



Over **1 in 5** SMBs see themselves adopting AI technologies in the near future and **over half** (53%) intend to increase their investment in technology in the next year.

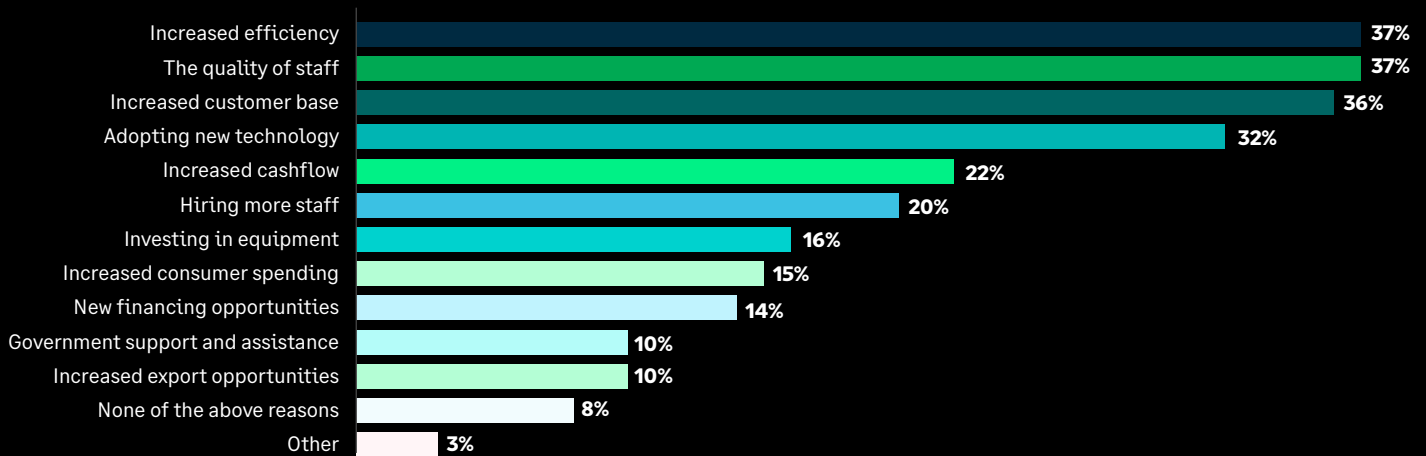
Adaptability - the seven keys to confidence in 2023

Higher confidence is driven
by increased satisfaction in
productivity and talent

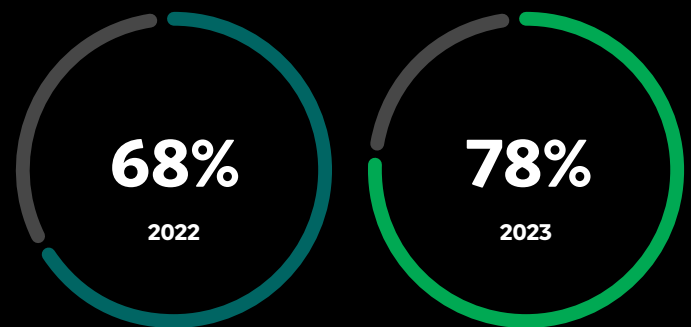
This study has uncovered the diversity of experiences SMBs
have faced in the past 12 months. We studied what was most
likely to drive up an SMBs' confidence in their business.

The top drivers of confidence are productivity and talent.

Drivers of business confidence



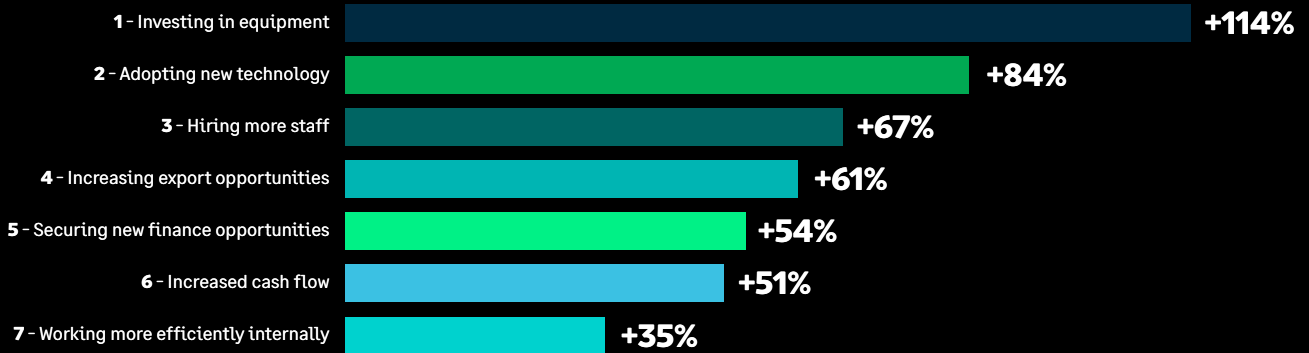
Satisfaction in productivity
has rocketed in 2023



Crucially, despite the challenges
of the past year, satisfaction in
productivity has rocketed in 2023.
SMBs report a 10 percentage point
increase in the productivity of
their business.

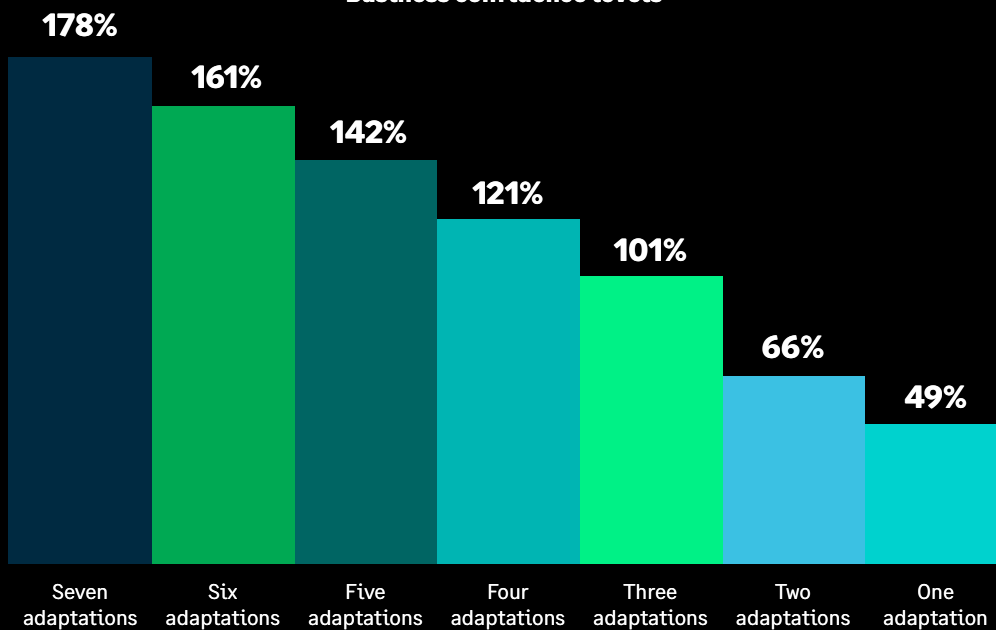
SMBs reported the largest increase in productivity if they made the following seven changes to their business in 2022.

Percentage change in productivity for SMBs who took the following actions



Furthermore, if SMBs made three or more of these adaptations, their confidence levels were at least twice as high.

Business confidence levels

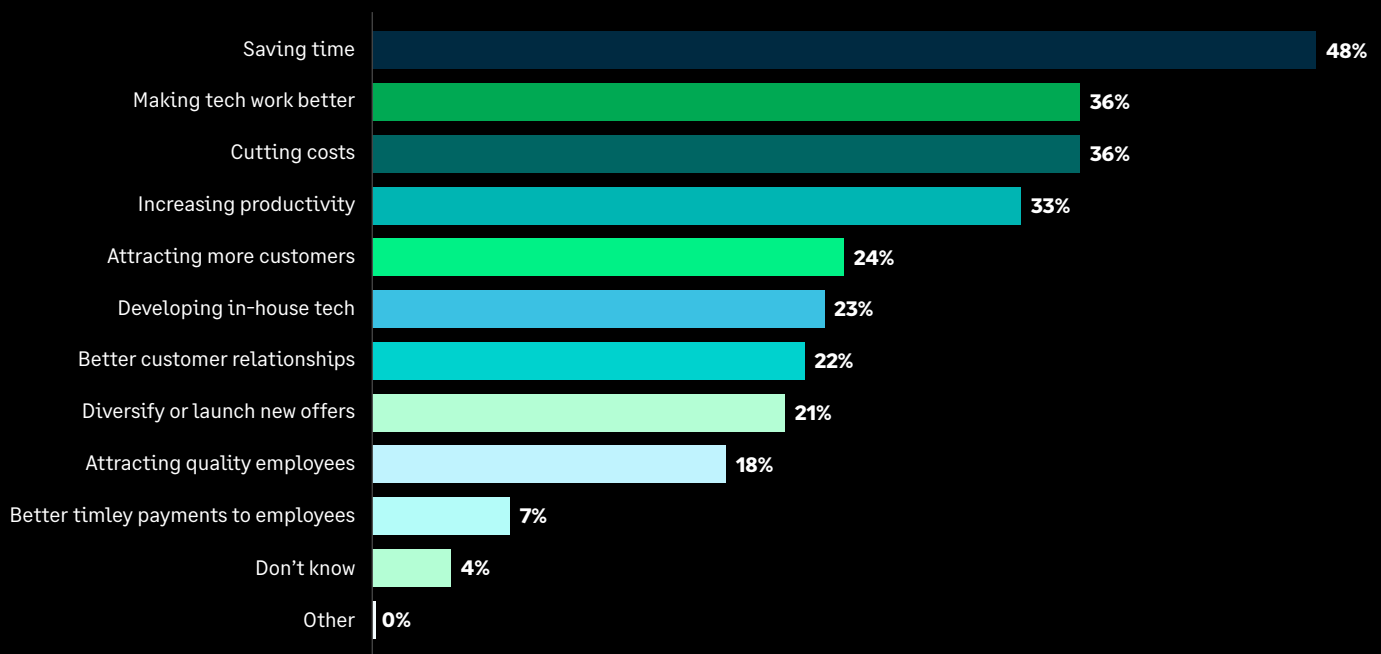


Technology is central to the story of adaptability and productivity

In building resilience across 2022, SMBs have relied on adaptability and raising their productivity. At the heart of these adaptations is technology. Overwhelmingly, SMBs report that their investments in tech are paying off and have played a central role in boosting their productivity.

SMBs identify tech as the leading lever to save time and operate more efficiently. This has been crucial during the cost of business crisis:

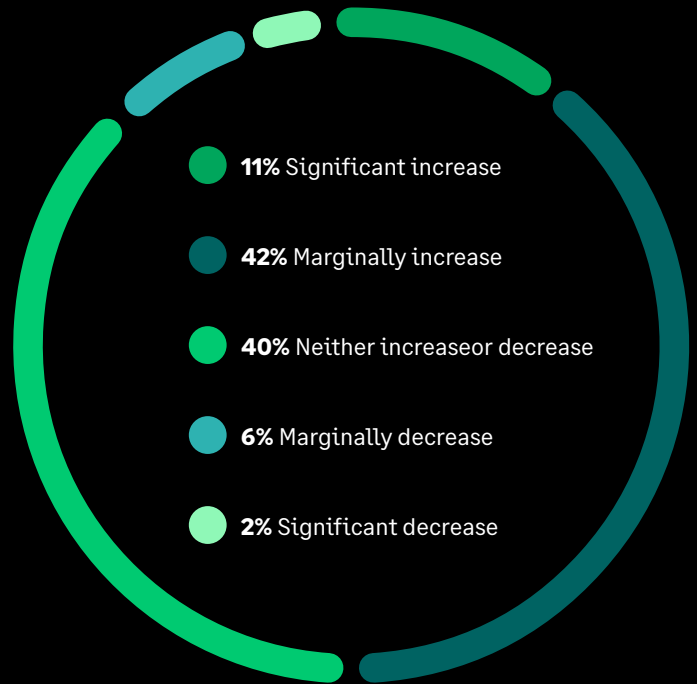
The benefits of increased investment in tech



Participants were asked - What do you view as the benefits of increased investment in technology? Select all that apply.

Linked to the benefits tech has been having in boosting productivity, SMBs predict a surge of tech investment in 2023.

53% of SMBs expect their tech investment to increase in 2023, 40% want to maintain it, while just 8% expect to cut it:

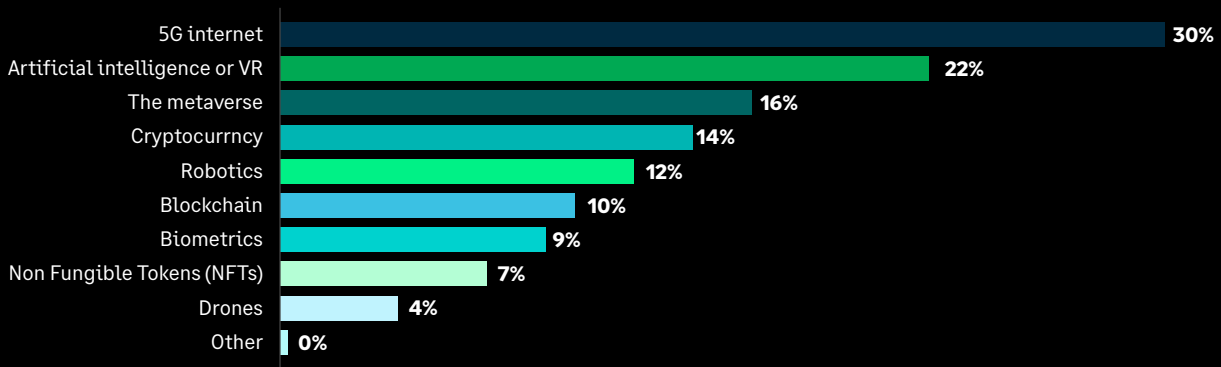


+16% average growth in tech investment expected between 2022 and 2023.

SMBs increasingly see emerging technologies such as artificial intelligence being deployed in their business

Over one in five SMBs envisage adopting AI tech in the near future.

Emerging technology likely to be adopted



When it comes to investing even more in tech, SMBs in this study identify budget (38%), rather than a lack of use cases or value, as being the most important limiting factor.

Generation COVID

While this study demonstrates that many SMBs have recovered from the devastating impact of the pandemic, it has clearly left lasting effects.

SMBs which were founded during the pandemic (2020–2022) reported better performances last year than their comparators in terms of revenue, employment, and costs. It was also noteworthy that such SMBs were much higher tech investors, pointing to the centrality of tech to SMB performance and confidence.

‘**Generation COVID**’ reports more hiring, revenue growth, and more resilience in the cost of business crisis.

COVID generation SMBs



Revenue growth

2.4% - Reported revenue growth in 2022

4.5% - Generation COVID



Employment growth

0.1% - Reported employment growth in 2022

1.1% - Generation COVID



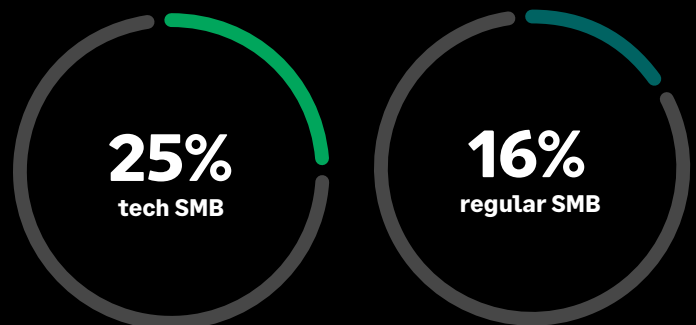
Cost growth

6.3% - Reported cost growth in 2022

4.8% - Generation COVID

Crucial to the performance of these SMBs is tech. Generation COVID report higher levels of use of digital technology, and continued increase in tech investment going forward. In the next year, they expect to increase their tech investments by 25% vs 16% for the average SMB.

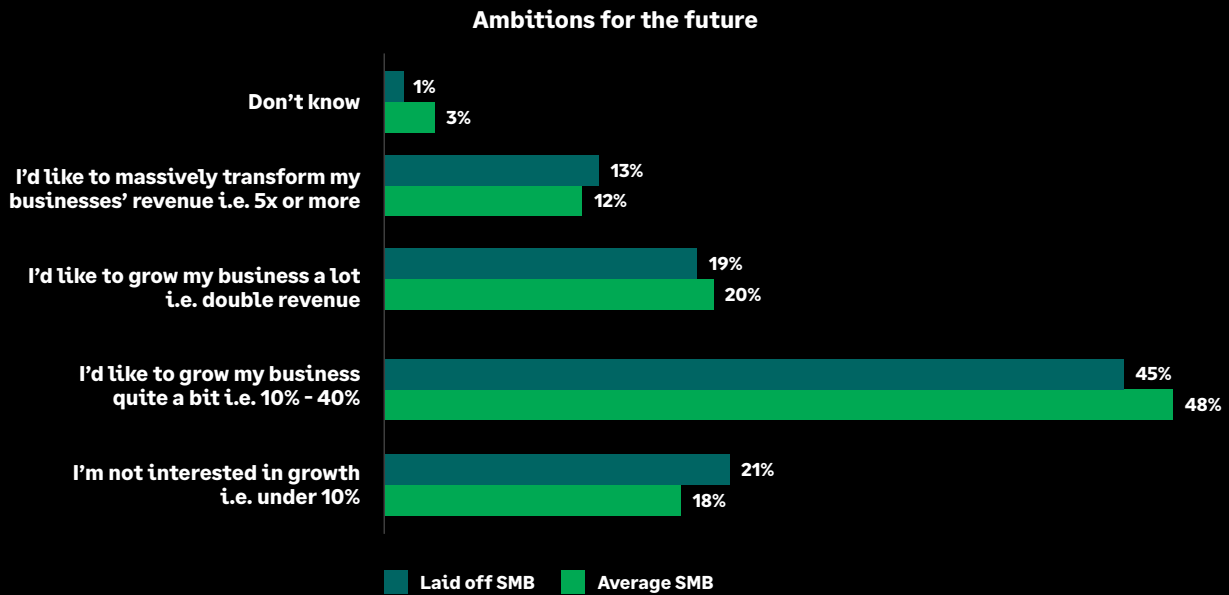
Tech investment expectations for 2023



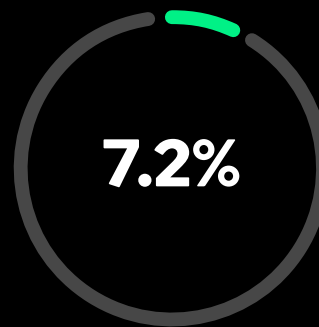


Emerging trend: post-layoff businesses are keeping up with the pack.

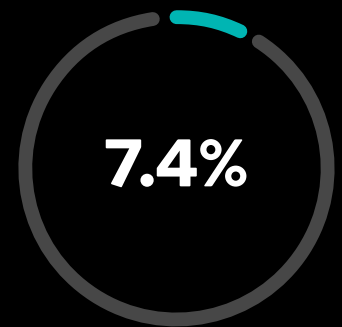
As part of this study, we captured the context for how and why a SMB founder started their business. **16% of founders report that their business was started after a layoff.** Despite losing their job in the labour market, these entrepreneurs report similar levels of optimism, growth and ambitions for the future as their peers.



Predicted revenue growth in 2023



7.2% - Expected revenue growth in 2023.



7.4% - Laid off SMB founders.



United Kingdom

'Very confident' about the future

40%

of SMBs in the UK predict that they will feel 'very confident' about the success of their business.

40% of SMBs in the UK predict that they will feel 'very confident' about the success of their business at the end of 2023, compared to 34% globally.

Over a fifth (22%) expect a decrease in their costs, while 46% of UK SMBs expect an increase in revenue, with close to half (49%) expecting to increase their workforce.

Technology is seen as a key factor in future success, with 92% planning to maintain or increase their tech investment. However, UK SMBs anticipate increasing their technology investment by only 13%, below the European average of 18%, citing a lack of budget and difficulty in understanding the best options as the top barriers.





Germany

Among the most appreciative of the benefits of technology

47%

of German SMBs believe they're managing costs well.

Over a third (36%) of SMBs in Germany attribute business confidence to adopting new technologies, compared to 32% globally.

German SMBs are also the most likely of small businesses globally to say that adopting new technology had allowed their business to overcome barriers in the past year with 24% stating this, compared to 18% globally.

Challenges remain—German SMBs are dissatisfied with how they are managing their costs, only 47% believe they're managing costs well, compared to 51% globally.





United States

Big ambitions for growth, less so for hiring, as the battle for talent remains prominent

33%

of American SMBs are 'very confident' about their prospects, looking to 2023

American SMBs are distinctly confident among their global peers, with 33% expressing confidence in their business right now, compared to 26% globally.

This could be attributed to falling costs—with 21% reporting they experienced lower costs in the previous 12 months, compared to 14% globally.

This confidence does not apply to hiring, however. 52% of small businesses in the US state that hiring the employees they need was at least “quite a big problem”, compared to a global average of 45%.





Canada

SMBs remain confident in the face of the cost of business crisis

75%

of Canadian SMBs feel that the cost of business crisis remains a significant barrier to their success.

Canadian SMBs report robust confidence (72%) in their business, just above global averages (71%).

Yet, for three quarters (75%) the cost of business crisis remains a significant barrier to their business's success. This compares to just 65% of SMBs globally.

Linked to the cost of business crisis, 43% of Canadian SMBs say that a lack of budget is a key barrier to investing in more tech compared with 38% of SMBs globally.





France

Lacking confidence despite coping well with rising costs

30%

of French SMBs feel 'very confident' about the success of their business.

Small businesses in France are the least likely to believe that they will be 'very confident' about the success of their business in 12 months' time, in comparison to their global counterparts.

74% say that rising inflationary costs were contributing to a lack of business confidence.

The business viability and profitability of French SMBs compare favourably with SMBs around the world, however, indicating reasons for optimism.





Portugal

Have increased revenues more than international comparators

43%

of Portuguese SMBs see technology as a key factor in increasing productivity.

Portuguese SMBs have increase revenues more than international comparators, with 41% reporting increased revenues in the last 12 months compared to 34% globally.

They see technology as a key factor in increasing their productivity (43% against the global average of 33%).





Spain

Happiest globally with their productivity levels

39%

of Spanish SMBs predict they will feel 'very confident' about the success of their business.

Spanish SMBs are increasingly confident about their business. 12 months ago they were the least confident globally about their business succeeding. They are now among the most likely of any country globally to predict that they will feel very confident about their business in 12 months' time, with 39% of Spanish SMBs feeling this way compared to 34% globally.

This is likely underpinned by high productivity—39% describing themselves as 'very satisfied' with their productivity, compared to 28% globally.





Ireland

Meeting challenges by increasing productivity and looking to emerging technologies

34%

of Irish SMBs overcame barriers by increasing their productivity.

Irish SMBs were more likely than SMBs in other countries to face significant cost increases in 2022; only Spanish SMBs (14%) stated more frequently than Irish (10%) that they faced a cost increase between 25%-49% last year.

Irish SMBs have focused on raising productivity levels to overcome challenges, with 34% stating that increasing their productivity allowed them to overcome barriers that they faced in 2022, compared to 29% globally.

They are also showing more interest in using AI than SMBs in another country (9% compared to 6% globally).





South Africa

Focusing on operating more efficiently, against a backdrop of significant economic challenges

41%

of South African SMBs say that working efficiently is increasing business confidence.

South Africa had the greatest percentage of SMBs who reported that rising costs significantly impacted the profitability of their business (38% vs. 34% globally).

They feel less able to create structured growth plans for the future than their peers in other countries because of higher levels of macroeconomic uncertainty. Only 7% of South African SMBs report having structured growth plans that they update regularly, compared to 22% globally. Similarly, 27% say that they “don’t regularly think about growth”.

Despite this, 41% say that working more efficiently is increasing business confidence, the highest figure of any surveyed country, an indication of how they are fostering a sense of resilience.



Summary of methodology



11,986
SMB Business Leaders



1000+
SMB Founders or decision makers



2000+
participants for the US and UK

Strand's specialist research team conducted an online survey of 11,986 SMB business leaders. This included 1000+ SMB founders or decision makers in SMEs in each of the markets targeted, including 2000 participants for the US and UK respectively.

The survey captured all major business demographics (from size to sector) as well as detailed information about geography (NUTS 1 region and postcode area).

The survey covered Canada, France, Germany, Ireland, Portugal, Spain, South Africa, the UK, and the US.

Business leaders are defined as decision-makers in small and medium-sized businesses (those employing fewer than 250 people). In the US, a specific sample was included for those employing 250-500 people due to a different official definition of SMB, but this was left out of global results/country comparisons for comparability.

Strand's online polling studios are accredited by the British Polling Council.

Country	Sample size
Canada	1,200
France	1,221
Germany	1,068
Ireland	1,067
Portugal	1,032
Spain	1,002
South Africa	1,111
UK	2,138
US	2,147



Produced in collaboration with:

**Strand
Partners**

sage.com
0191 479 5911

Disclaimer

Whilst every effort has been made to ensure the accuracy of the materials in this document, neither Strand Partners nor the report's authors will be liable for any loss or damages incurred through the use of the report.

Authorship and acknowledgements

This report has been produced by Strand Partners. The views expressed here are in those of the authors only and are based upon independent research by them.

The report does not necessarily reflect the views of Sage.



Sage

©2023 The Sage Group plc or its licensors. All rights reserved.
Sage, Sage logos, and Sage product and service names mentioned here are the trademarks of Sage Global Services Limited or its licensors. All other trademarks are the property of their respective owners. WF 0000000.