



Position Paper:

Maintaining the momentum in improving digital adoption and capability in SMEs

Problem

Our vision is that all businesses (and individuals) can thrive using technology but we know that the SME digital gap is holding New Zealand back as a country overall and in the aim to become world-leading in the adoption of technology. In fact, some of our larger corporate members have indicated they are concerned about the rate at which small businesses can adopt or invest in new technology, when compared with their own businesses.

In 2023 the total online presence amongst small businesses remains relatively flat with a third (33%) still having no online presence (Yellow 2023). While a large proportion of SMEs still have no online presence, 22% of SMEs with no website say they would like one, 12% say they would like a Google Business Profile and 9% say they would like a Facebook page (Yellow 2023).

It is clear that we need all of our businesses – regardless of size – to embrace and adopt digital transformation if we are to achieve an effective, inclusive, and sustainable digital transition of the whole economy. Various reports have identified the value to be found in increasing the digital transformation – one report shows a value of \$46 billion worth of economic value in our non-technology sectors by 2030 (Google 2021).

Other reports show that increased taxes from increased revenue due to productivity improvement will exceed the costs of digitalisation after 6–7 years from implementation (NZIER 2023). Cost is a barrier to digitalisation for business as well as skills shortages and finding time for upskilling staff are often reported as an even greater barrier.

There are also behavioural barriers such as beliefs, motivations and perceptions that cause small business leaders to be reluctant about technology adoption (Xero 2021).

Position

Continue to support the small business Digital Boost programme. Recent reviews show that most participants in the Boost education platform show an uptake in businesses digital capability including new and complex digital tools such as payment gateways, digital marketing and cloud services (MBIE 2023). However more effort now needs to be put into reaching the next tranche of businesses given that the participants to date report that they have had some previous experience with basic digital tools.

With the growth of new technologies such as the use of generative AI, programmes that support digitisation of SMEs need to be continually updated to introduce these sorts of new tools to users to ensure they are able to integrate the opportunities that they provide.

Those Digital Boost users who utilised the Digital Facilitation Scheme report positive impacts around their onboarding and learning experiences. This scheme should be expanded to enable more businesses to take advantage of the facilitation provided, especially for those who are less aware of the benefits of digitisation on their business. The Regional Business Partner network is also a relevant channel for this work.



The Digital Boost Alliance programme sits next to the Digital Boost programme and is working through a number of initiatives over a longer term period. It is a collaborative effort between the government and private sector organisations focused on motivating and inspiring small businesses, individuals, and communities across New Zealand to lift their use of digital technologies. Government should remain committed to working with the Alliance in developing solutions to assist SMEs participating in the overall project.

To lower the cost of digitalisation, Government should take an active role in incentivising SMEs. The focus must be on improving digital adoption and digitalisation practices with businesses who are resistant to change, unable to make informed investment decisions or those that struggle to navigate ambiguity/uncertainty, these incentives can be seen in other countries such as Denmark, Australia and Singapore and could include utilising the tax system to provide greater subsidies for digitisation, specific rebates for pre-approved digital packages, or direct grants to businesses through the Boost platform.

Recommendations

- Invest in continuing to develop the Digital Boost Programme and in particular the education platform.
- Follow Singapore's example of providing access to low-cost advisor services on digitalisation for small business through such programmes as the Digital Facilitation Scheme.
- Lower behavioural barriers to digitalisation by facilitating SME networks.
- Develop a range of financial incentives to reach the next tranche of SMEs that have yet to see the benefit to digitisation.