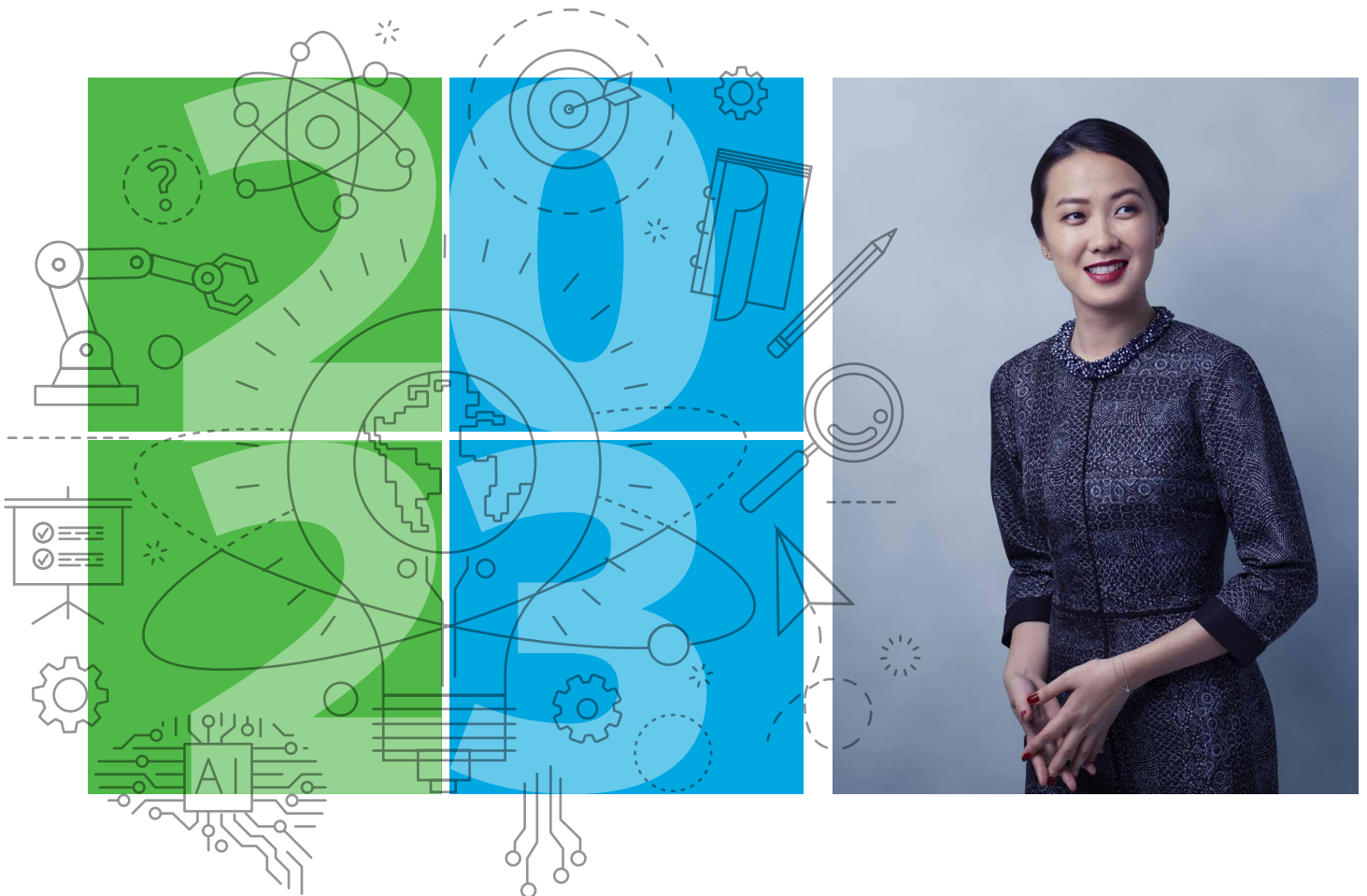


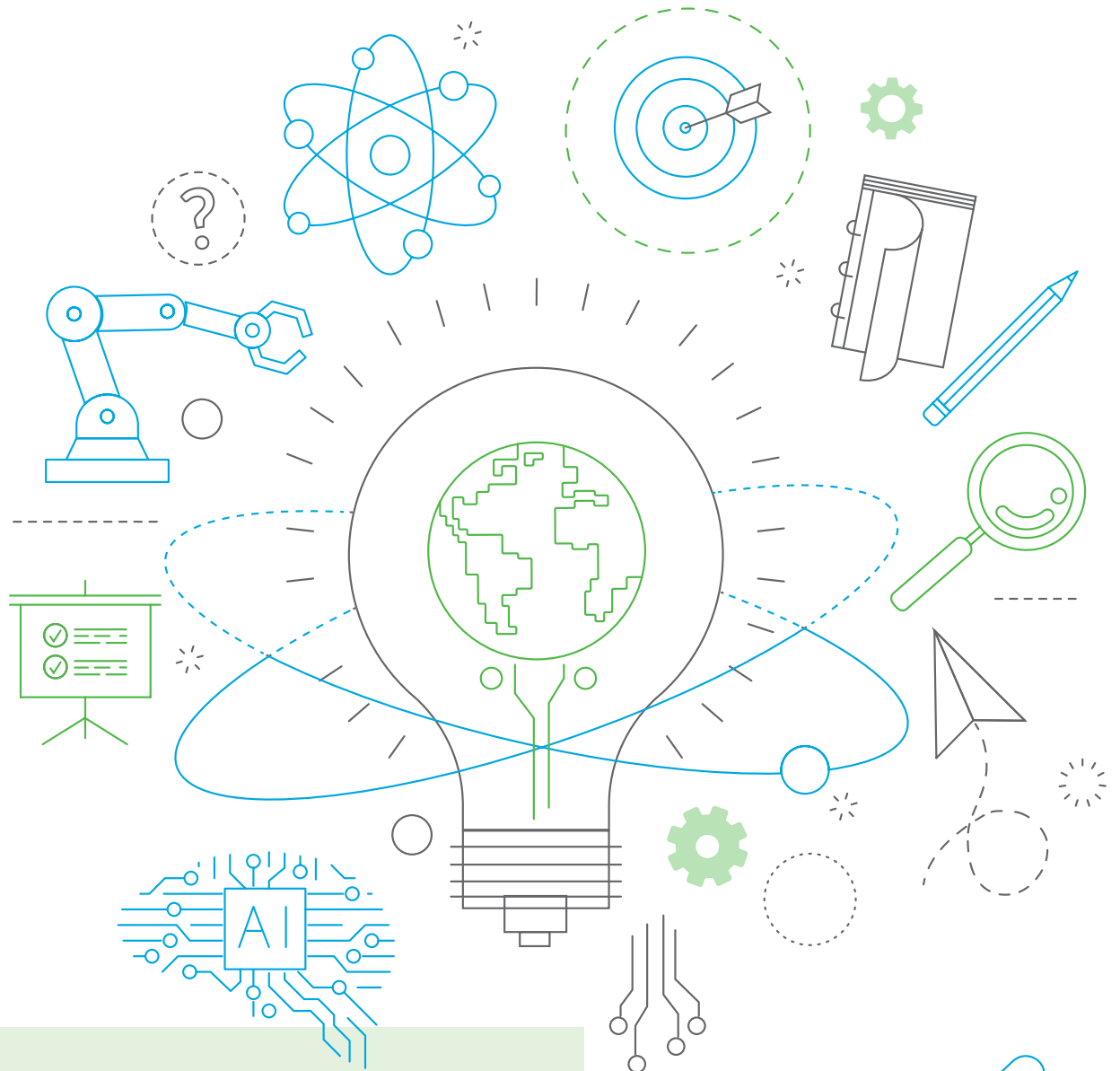
# thinkBIG ...

pulse of the SME sector

## Small business trends in 2023

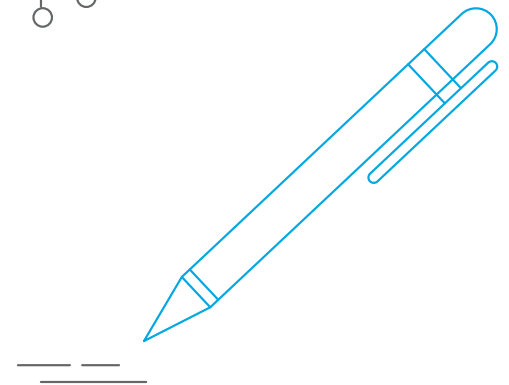
8 trends + strategy tips to help you plan for a successful year ahead





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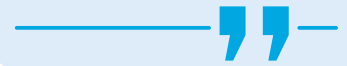
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The new year stands before us, like a chapter in a book, waiting to be written.

*Melody Beattie, Author*



## ● ● ● **New year, new opportunities**

Every new year brings with it opportunities to refresh and renew our lives in some way. For those who own a business, it's a great time to take a step back and ask: How is my business tracking? What am I working towards? How can I do better this year?

As we settle into 2023, we find ourselves at an interesting point in human history – one where advancing technology and growing economic uncertainty have converged to create a landscape that is both unpredictable and ripe for disruption.

The events of the past few years have reminded us all that nothing is certain, and proven that we're also more resilient than we may have believed. Hard work, determination and innovation have been key themes throughout the global health crisis, with forward-thinking business owners leaping out of their comfort zones to conquer challenges and explore exciting new ideas.

This year, it's likely that these same qualities will be needed for business owners who wish to do more than simply survive. The next 12 months will not be without its difficulties. But taking the initiative to apply lessons learned and embrace change will see some achieve what could be their best year yet.

To help you put your best foot forward in 2023, we asked experts from across RSM in divisions ranging from business advisory to tax planning, research and development, digital advisory, and cyber security to share their insights on what we can expect to see in the coming months.

Here are eight trends for small businesses that you can use to support strategic planning as you chart a course for a successful year ahead.





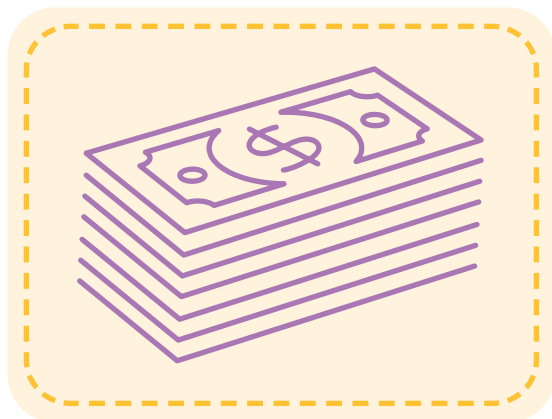
## ● ● ● *Trend #1:* **What's in a wage? Everything, it seems.**

For several years, the Australian Government has been promising to crack down on businesses that underpay their staff. In 2022, allegations of wage non-compliance came to a head for numerous business owners – with some publicly named and shamed, given hefty fines, and even threatened with jail time.

While there are certainly cases of intentional non-compliance, the unfortunate truth is that many business owners who underpay staff don't realise they are doing it. There are currently over 100 modern awards which are notoriously difficult to interpret, and well beyond the domain knowledge of everyday finance and payroll teams.

Yet, the cost of getting it wrong is incredibly high. The same is true for other employee payments such as Superannuation Guarantee and Pay-As-You-Go (PAYG) withholding, where directors can be held personally liable for any amounts that go unpaid.

With the Australian Tax Office (ATO) announcing increased audit activity, as well as the introduction of Single Touch Payroll Phase 2, the onus will be on business owners to get wage payments right this year.



### *Strategy tip >>*

Don't rely solely on your payroll system or provider! Your payroll provider will usually not be responsible for interpreting your obligations, and it's essential that you are confident or certain that obligations are properly managed.

Of course, interpreting awards, superannuation, PAYG, and other employee entitlements isn't always easy and given the potential ramifications of getting it wrong, you may prefer to work with an expert who can conduct a review within your business. They will be able to confirm if you are compliant with wages and other payments, and help you resolve any issues quickly.

After an initial review, your adviser can suggest ways to ensure compliance is maintained. Some of these could include:

- updates to wage code configurations
- introduction of processes and controls to reduce risk of non-compliance
- annual reviews to check calculations
- regular contact to keep you updated as regulations change

In the grand scheme of things, these small and simple steps can make a huge difference to the future of your business. They will give you peace of mind that you are compliant, and prove to other stakeholders (including the ATO) that you have taken reasonable steps to do what's right.



## ● ● ● Trend #2: Your data, your responsibility

Once upon a time, data breaches were little more than an inconvenience for business owners – causing minor disruptions to local systems and usually impacting only a small portion of the business.

Today, data breaches have the ability to destroy a business entirely. Modern cyberattacks are ruthless and relentless, with attackers using any means necessary to cause total disruption and data loss (including of backups).

In line with this increase in size and severity, there is growing scrutiny around the collection and use of data by businesses. The Australian Government recently passed the [Privacy Penalty Bill](#) which increased the maximum penalty for repeated or serious privacy breaches from \$2.2M to \$50M. They also announced a full review of Australia's *Privacy Act 1988* which has recently been completed. The changes are now being considered by the Attorney-General and are likely to include stronger mandates around data governance – requiring organisations to better demonstrate that they:

- collect only the data they need
- retain data only for as long as they need it
- store, process and transmit any personal information securely

Currently, the Act only applies to businesses with an annual turnover of \$3M or more (with [some exceptions](#)).



### Strategy tip >>

Now is the time to review and understand how your business collects, manages, and stores customer data. Even if you use third-party providers, keep in mind that you are ultimately responsible if a breach occurs.

As part of the review, you need to know:

- What data are we collecting and why?
- How are we storing it, and is it safe?
- How long are we keeping it and why?

Depending on the size and nature of your business, this review could take substantial effort. To save time and money, it can help to engage a data privacy specialist to accelerate the process and ensure it's as comprehensive as it needs to be.

During the review, it may become clear that certain data needs to be deleted. In this case, remember to consider the impact on any data analytics you have in place and adjust the data models so you're always working with accurate information.

Although it may seem painful, completing a data review will give you and other stakeholders in your business greater assurance moving forward. It will also prove to customers and regulators that you take data privacy and protection seriously – especially if the *Privacy Act* changes or your business falls prey to a cyberattack in the future.



## ● ● ● *Trend #3:* **Make digital transformation work for you**

Few businesses were equipped to manage the shift to remote working when pandemic lockdowns began in 2020. But by the end of 2022, almost all had some sort of remote working model in place.

Having had time to recover from the mental and financial pressures of this rapid change, business owners have begun taking stock of their new systems and are asking: *What can we do now to maximise our return on investment?*

For many, this includes a willingness to re-design internal practices and processes to make the most of these new systems. It also includes leveraging technology to cut costs where possible, be it through:

- reducing office space
- increasing automation
- replacing outdated or siloed applications
- using flexible work to drive retention

This trend is likely to gain momentum in 2023 as business owners look for more ways to use technology to enhance their businesses.



### Strategy tip >>

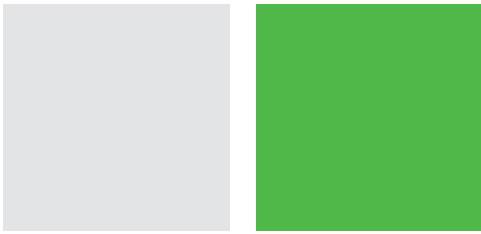
Maximising your return on investment from technology should be a high priority this year. One of the best ways to do this is to work towards a fully integrated technology ecosystem – one where you can exploit every useful feature while eliminating unnecessary costs and boosting efficiency across your business.

For example, you may currently be paying subscription fees for siloed applications you no longer want or need. Or, you may be hitting the upper thresholds of core software subscriptions and could save money and improve utility simply by moving to a higher licensing tier.

If technology is not your strong suit, consider working with a digital adviser who can:

- evaluate your business systems and processes
- assess subscriptions and identify cost savings
- recommend useful applications to support the business
- develop a roadmap towards a fully integrated ecosystem to maximise efficiency

As you continue on your journey towards digital maturity, don't forget to take others in the business along with you. Change management is often half the battle with a successful digital transformation, and winning it early on will give you the greatest chance of long-term success.



## ● ● ● *Trend #4: Use data to get clarity*

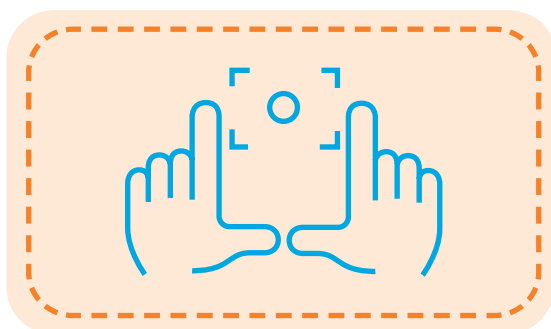
Data-driven decision making is the cornerstone of a modern business and vital to maintaining an edge over your competitors.

Every system in your business houses valuable data. However, on its own this data is mildly useful at best. When all data across all systems converge to create a “single source of truth”, you suddenly have access to insights that could completely change how you see your business and its future.

When this data is coupled with automation and artificial intelligence (AI), the possibilities are endless. Imagine having financial, sales and operational data blended so you could:

- see the impact of decisions on profit and loss in real time
- be alerted when certain conditions (or red flags) are met
- automate ordering, invoicing, customer communications, and more

Depending on your sector, you may also wish to incorporate external data – such as publicly available medical data (to aid diagnosis and disease management), weather data (temperatures, rainfall) or Census data (demographics and geographies) to your analytics. This provides valuable context which can significantly support decision making at all levels of your business.



### Strategy tip >>

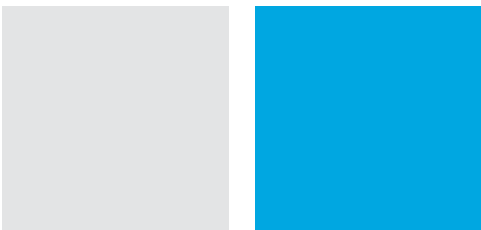
What steps can you take this year to enhance your business's data maturity? Perhaps you already have analytics in place and simply need to get comfortable using it for strategic planning. Or perhaps you are still at the starting gates, unsure of what data you have and how you could possibly benefit from it.

Data science is a highly technical field, but you don't need to hire a full-time data scientist to get started. There are skilled data consultants you can engage temporarily to:

- review all available data across your business
- identify opportunities to integrate data
- cleanse duplicate or incomplete data
- build out data models
- develop user-friendly analytics dashboards

Keep in mind that data and analytics may not be the domain of your IT team, who should stay focussed on maintaining critical systems.

Instead, you will want to empower people within different areas of your business to become “data champions”. These are people who will not only use the data – they will help to inform future data strategies and train staff as you move closer to becoming a data-driven business.







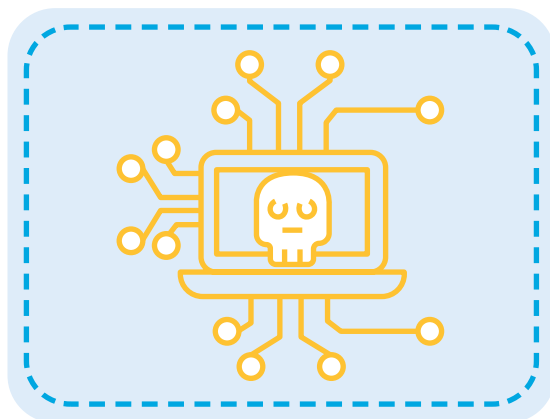
## ● ● ● Trend #5: The dark web is only getting darker

According to the latest report from the [Australian Cyber Security Centre](#), a cybercrime was reported every seven minutes in the 2021–2022 financial year.

Another humbling statistic is that [over 60%](#) of small to medium enterprises don't survive a cyberattack or data breach. On average, a basic breach will [cost a small business \\$39,000](#) while serious breaches have been shown to cost Australian businesses [approximately \\$3.35M](#).

The *dark web* (where stolen data is traded) is now said to be the [third largest economy in the world](#). Consider that: after China and the United States, the dark web is the place where the most money in the world is traded.

Cyber security is no longer a "nice to have" for business owners... it's a serious priority. From basic security hygiene such as password protection and spam filters, to robust backups and dark web monitoring, every step you take could be the difference between a failed attack and a successful one.



### Strategy tip >>

Cyber security is an imperative, but it doesn't need to be overly complex. In fact, we can look to real life to show us how we should behave online. If we own expensive jewellery, we don't think twice about buying a safe and locking it up. When we go out, we make sure all windows and doors are locked before we leave.

Protecting your data online is no different. Once you know what data you have that's worth protecting, you need effective strategies to lock it up.

If you're unsure where to start, a cyber security expert can assist you by conducting a full review of your current cyber security measures. They will be able to identify any gaps in your approach, and create a prioritised action list that you can work through as your budget allows.

Most importantly, they can help you implement a solid recovery plan to reduce the risk of backup data becoming compromised. This applies even if you use cloud services with "automatic backups". While these are helpful for short term data loss (such as accidental deletion), they can be all but useless in the event of an attack.

As Microsoft's Trust Centre puts it: *"It's your data – you own it, you control it."* Having a backup in a separate location to where normal data is stored is the only way to gain peace of mind that your critical files are protected.



## ● ● ● Trend #6: Help! I need staff.

In 2022, we saw Australia's unemployment rate drop to its lowest level in almost 50 years. This has been especially difficult for small businesses, which have struggled to compete with attractive employee packages on offer from the big end of town.

Although we're expecting an increase in immigration this year, it's unlikely to have an immediate impact on the current skills shortage. This means small businesses must find innovative ways to attract and retain employees...or get by with less of them.

This isn't as difficult as it once was given recent advancements in technology. Automation and artificial intelligence have proven they can manage a lot of the hack work for us – freeing staff to focus on higher value tasks at a time when consumers are increasingly embracing opportunities for self-service.

With inflation already raising the bar on profit margins, this represents an exciting chance to further boost revenue and empower existing staff with more meaningful work. [According to a Xero study](#), embracing automation could also give you more time and energy to pursue growth which is a familiar challenge for many small business owners.



### Strategy tip >>

The consumer landscape is changing and, to be successful, you must be prepared to change with it.

A successful business owner knows they cannot be everything to everyone, so it's worth asking: *Why is it that customers choose us?* Is it our price, our products and services, or the level of service we provide? Knowing this will make it easier to determine where to double down and dedicate precious resources – your limited number of employees. Get your team working on what customers really value, and don't waste the resource on low value tasks or those that can be automated.

Once you understand your point of difference, you can actively look for ways to increase efficiencies. This could be through:

- growing your employer brand to reduce the cost of attracting and retaining quality staff
- streamlining operations to remove anything that wastes time and money
- increasing prices to align with actual time, cost and effort to deliver
- diversifying your supply chains to reduce cost and risk, especially when your suppliers may also be experiencing staff shortages

If you need ideas or a trusted sounding board, consider working with a business adviser. Although it may seem like an expense in the short term, skilled advisers regularly provide a significant return on investment as they guide your business towards greater profitability and scalability.



## ● ● ● Trend #7: Boost cash without borrowing

Alongside staff and time management, cash flow is one of the biggest stressors of running a small business. A [recent study](#) found over a third of small business owners lost sleep due to cash flow worries, saying it affected their physical wellbeing and put a strain on their personal relationships.

When cash flow is tight, it's natural to think immediately about investment or loans as a fast source of income. However, there are other ways to boost cash flow... some of which can be quite lucrative and don't always require the funds to be paid back.

Depending on the nature of your business, there are various types of government incentives which provide valuable cash injections. For instance, the Research and Development (R&D) Tax Incentive is available to any business that invests \$20,000 or more in eligible R&D activities. Business owners can make a claim at the end of a financial year and receive a cash return, or use it to offset a tax debt if the business is in profit. In some circumstances, companies can also borrow in advance against the refundable offset (called R&D factoring).

Another incentive available to small businesses are the "temporary full expensing" measures. These allow business owners to claim a deduction for the full cost of eligible assets in the year they are purchased. While this incentive is set to end on 30 June 2023, it could prove very useful if you had to buy capital items for your business this past financial year or will do so before 30 June.

In addition to tax incentives, there are also a host of government grants which are designed to boost innovation in certain sectors. From regional tourism to clean energy solutions, job creation, or building Australia's sovereign Defence capability, a government grant could be your ticket to loan-free funding.

### Strategy tip >>

Tax incentives and government grants don't apply to all businesses, but if you believe they apply to yours then it's well worth investigating. This is especially true of the R&D tax program after incentives were increased in 2021 to provide bigger and better benefits than ever before.

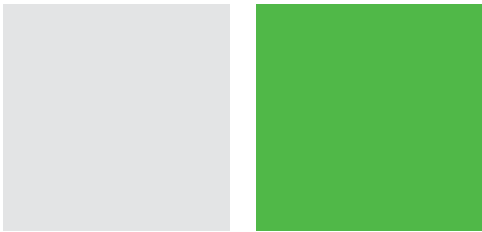
To find out if you are eligible, simply have a chat with an R&D specialist. They can advise what you are able to claim and how to keep appropriate records to support your R&D application. If you need the money now, they may also be able to recommend a financier who can provide finance against a refundable R&D tax credit in advance and be paid back once your tax return is complete.

When it comes to government grants, a grants specialist will be able to confirm if your business activities align with current government mandates. If they do, the specialist can then:

- discuss available grants
- conduct a deep dive to confirm if you are eligible
- assess your competitiveness against other potential applicants
- help you put together an application and supporting documentation
- assist with milestone reporting (if you are successful)

Government grants are not quick or easy, but the outcome can be well worth the effort. Grant amounts generally range from a few thousand dollars to \$20m or more depending on the project, and can provide the necessary capital to realise your business' growth ambitions.

At a time when Australia is grappling with supply chain issues, skills shortages, and a manufacturing deficit, there has never been a better opportunity to indulge your inner innovator with funding support from the government.



## ● ● ● *Trend #8: Virtual CFO services on the rise*

It's no secret that many small businesses suffered enormously during the COVID lockdowns. A [report from the Reserve Bank of Australia](#) showed they were twice as likely to record a large decline in revenue compared to large businesses.

While the recovery continues, the importance of paying attention to finances cannot be overstated. Cash flow monitoring and forecasting is notoriously undervalued by small business owners, yet is one of the most essential activities for a profitable business.

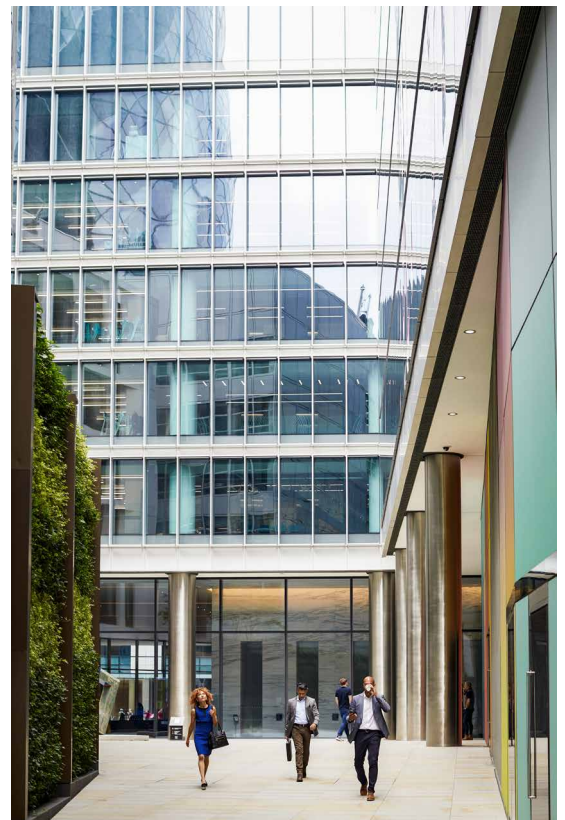
Particularly as the economic landscape becomes more uncertain, knowing where you stand financially could make all the difference between surviving and thriving over the next 12 months.

There are numerous ways to forecast cash flow, but the 3-way model is usually the best. It includes a comprehensive analysis of your business's profit and loss, balance sheet, and cash flow to provide a rich picture of immediate and future cash flow needs.

Most importantly, this model allows you to stress test any assumptions you have about your business and how it will perform over the next 1 to 3 years.

For example:

- I plan to raise prices; will this make me more profitable?
- My customers are taking 45 days to pay; when should I pay suppliers?
- I believe we'll grow by 10%; how much more inventory do we need?
- Stock is hard to get; should we buy more and hold it?
- If we hold stock, how does this impact cash flow?





Through modelling and forecasting, you empower yourself to answer all these questions while having the data to back up your assumptions. You can also share this data with other stakeholders (such as investors or lenders) when making a business case for certain decisions or requests for funding.

### Strategy tip >>

3-way model forecasting is certainly not every business owner's cup of tea, unless they were once a Chief Financial Officer (CFO)! This type of forecasting isn't usually done by everyday accountants either, as it goes much deeper than numbers and calculations.

While hiring a CFO may be a bit of a stretch, there are ways to benefit from the business and finance skills of a CFO without bringing one on permanently.

Virtual CFO services have become an increasingly popular choice for small to medium enterprises in recent years, and are a great way to get 3-way model forecasting done by an expert without the ongoing investment.

In addition to models and forecasts, an outsourced CFO can help you to:

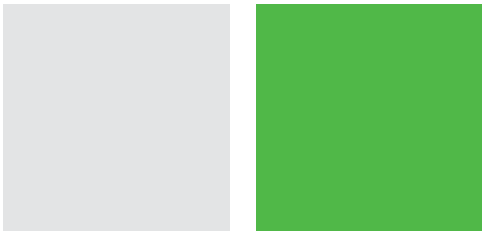
- identify risks and opportunities within your business
- develop or refresh a business plan
- negotiate with stakeholders and lenders
- give you confidence to make key business decisions on a timely basis

As you grow, you may find yourself needing your virtual CFO more frequently – until eventually it could make sense to hire one permanently. Or you may find that you only need your virtual CFO every quarter, but the insights you gain from forecasting and other activities are enough to set you up for success.

Ultimately, surrounding yourself with experts who add genuine value to your business is the mark of an astute business owner. Especially when it comes to finances and strategic planning, knowing where you stand gives you the confidence to make informed decisions at every step of the way.

A man with short dark hair and a light beard, wearing a blue suit jacket over a light blue shirt, is sitting and smiling. He is positioned on the left side of the frame. To his right, there is a large, light blue rounded rectangular box containing text. Above this box, there are two smaller, overlapping rounded rectangular boxes, one green and one grey, which appear to be part of a diagram or flowchart. The background is a plain, light grey wall.

For small  
businesses,  
doing right  
by staff and  
customers  
remains  
essential for  
long-term  
success



## ● ● ● Here's to your success in 2023...

While change isn't always easy, it can be enjoyable for anyone willing to step out of their comfort zone and explore new horizons.

For small businesses, doing right by staff and customers remains essential for long-term success. However, we must acknowledge that what once seemed right no longer marries with modern expectations. Today's consumers increasingly demand self-service appointment bookings, online ordering, and QR codes to get what they need quickly and efficiently. And a growing number of employees now want meaningful and flexible work, even if it means making less money.

By putting aside assumptions and doing a deep dive into your business, you could uncover countless ways to make your business more efficient while enhancing your employee and customer experiences.

Remember that you don't need to go through your business journey alone. Try to surround yourself with support from as many internal and external sources as possible, to reduce the burden and benefit a diverse array skills and experience.

If you would like more information on how RSM can help, we are only ever a phone call away. With 32 offices and over 1600 staff across Australia, we are well-placed to support you as a trusted adviser – especially as you go about planning for the next 12 months and beyond.

FROM ALL OF US HERE AT RSM,  
WE WISH YOU A JOYFUL AND  
PROSPEROUS 2023!

“  
The pace of change has never been this fast, yet it will never be this slow again.  
Justin Trudeau, Canadian Prime Minister  
”

A sample of our services includes:

- Business advisory
- Virtual CFO services
- Tax planning and compliance
- Digital advisory
- Cyber security
- Data and analytics
- Sustainability consulting
- Audit and assurance

We also have a national network of specialists in legal, financing and more to ensure your business always has access to all the help it needs.

For a friendly chat, simply [contact your local RSM office](#).

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