The State and Fate of Small and Medium Businesses

SMBs and the Role of Innovation in Weathering the Pandemic

xerox™

Grappling with the unprecedented

It's no surprise that the Covid-19 pandemic has had an outsized impact on the small and medium business (SMB) community. With fewer financial resources available to weather lean periods and temporary declines in customer demand, many SMBs have struggled to survive and others have shuttered their doors forever.

SMBS CONTINUE TO PIVOT AND PUSH FORWARD

This presents a substantial challenge for a global economy that relies, in no small measure, on all parts of the economic engine working continuously. SMBs are fundamental to this rhythm – in the U.S. alone, small businesses deliver two-thirds of net-new jobs and are responsible for 44 percent of the country's economic activity. In Canada, small businesses generate more than 40 percent of GDP and, prior to the pandemic, were creating nearly 60 percent of new jobs. In the UK, SMBs created three times the jobs of their larger counterparts in a five-year period.

New global research commissioned by Xerox – The State and Fate of Small and Medium Business survey – explores how these critical economic factors are squaring up to pandemic-produced challenges and preparing for transformed future operations. 1,200 SMB leaders were surveyed in January 2021. They represented companies in Canada, the US and the UK with 25 to 1,000 employees and less than $500M in annual revenue.

In the pages that follow, we share the insights from these SMBs: their continued optimism and empathy, the technology that has kept their operations going, and how they will deploy innovation to stay relevant in a post-pandemic world.

There will be a post-pandemic second act for SMBs

Across industries and institutions large and small, there is consensus that the world as it once was isn't returning – at least, not any time soon. The SMB leaders surveyed broadly agreed, with 71 percent acknowledging their businesses have fundamentally changed as a result of the pandemic. That said, a sizable number were optimistic about the return to typical pre-pandemic business operations.

And although 68 percent credited their technology and equipment for helping them weather the pandemic, nearly three-quarters of respondents indicated they expedited digital transformation plans in response to COVID-19. The pandemic accelerated the adoption of these technologies to power up a more flexible, 'work from anywhere' workforce: cloud-based servers, collaboration tools, communication solutions, and IT services.

The State and Fate of Small and Medium Businesses

Without question, SMBs understand technology is crucial to keeping their businesses going in an incredibly dynamic landscape. 81 percent say they're more reliant on innovation than ever before. A powerful majority – 85 percent – found communications and collaboration technologies, remote IT support, and security software and hardware were more indispensable than before.

Automation is the antidote to pandemic-imposed operational pain

As the timeline for digital transformation quickly collapsed from years to weeks, SMBs were left searching for solutions to support remote and hybrid setups – and keep their business operations running as seamlessly as possible. They found it in automation and workflow technologies that digitize and accelerate slow manual processes, effortlessly pushing information to the right applications and people for action.

The research bore this out.

80 percent of SMB leaders saw automating tasks and processes as important to their survival, with 82 percent emphasizing the same when it came to digitizing paperwork. Two-thirds plan on upgrading their automation tools. Three out of four observed an increased reliance on workflow solutions over their pre-pandemic setups, with 65 percent having already upgraded their workflow solutions.

Security remains top of mind for vulnerable SMBs

The rise in cybersecurity issues throughout the pandemic has been well documented. Unscrupulous actors have seized the opportunity in the volatility and taken advantage of it. According to Deloitte, video conference breaches impacted 500K people with the theft of personal data from February to May 2020. In August of last year, the FBI reported a 400 percent increase in cyberattacks since the onset of the pandemic.

SMBs are keenly aware of their greater vulnerability to cybersecurity threats. An overwhelming majority of survey respondents – 90 percent – said the security of their information was a business imperative. Roughly the same percentage (88 percent) said the software and hardware that protects this information also was important to the longevity of their

operations. Consequently, 75 percent of survey respondents reported they were likely to upgrade their current security and software in 2021.

Underpinning those vulnerabilities was a notable lack of remote IT support; 65 percent flagged this as a substantial pain point and 74 percent intend to upgrade these solutions as well.

Without this robust remote support, employees are both less productive and more exposed to threats. Equipment setup or issues, for instance, that were simple to address in the office are made much more complex by a distributed workforce. Similarly, a distributed workforce means ensuring security – across computers, networks, printers and other devices – is also a more complicated prospect that requires new thinking and tools to be effective.

80%

Of these companies consider the ability to **automate tasks** and **processes** key to surviving the **COVID-19 pandemic.**

xerox™

IN SUMMARY

The State and Fate of Small and Medium Business survey results underscored what is broadly understood about SMBs: they're optimistic, agile and realistic. Faced with difficult circumstances and dynamic unknowns, they swiftly pivoted to embrace digital transformation technologies to serve distributed workforces and address emerging customer needs.

xerox™

xerox™