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The Digital Disconnection Challenge

MYOB Report | June 2022





Foreword

Digitisation is critical to success for businesses of all sizes, from sole operators to larger enterprises. Research has shown that small and medium sized enterprises (SMEs) with advanced levels of digitisation are 50% more likely to grow revenue, eight times more likely to create jobs and seven times more likely to scale.

Digitisation can also be a significant contributor to our economy. Modelling [forecasts a \\$10.5 billion gain for the Australian economy](#) and [creation of NZ\\$46.6 billion in annual economic value if SMEs embrace greater use of digital technologies](#). That is why MYOB has advocated for greater support for the one in five businesses with very low or no levels of digitisation, so we can close the digital gap and help more businesses start, survive and succeed.

The Small Business Technology Investment Boost announced in the Australian 2022 Federal Budget – where businesses can claim an extra 20% back in tax from every digital investment they make - is a big step forward in this regard. As is the New Zealand Government Digital Boost initiative, which helps SMEs acquire and improve digital skills, and understand how to maximise the use of digital tools to enhance business resilience and success.

However, in the race towards digitisation, we have identified a consequential problem.

Many businesses who have embraced digital tools are in fact experiencing 'bad digitisation'.

They invested in software to improve their operations, with the belief it would help them better run their businesses. But in many instances the reality has not lived up to the promise.

To better understand this reality, we spoke to more than 2,000 SMEs across Australia and New Zealand about the issues around bad digitisation and the challenges they face as a result.

What is 'bad digitisation'?

Simply put, it is a **lack of integration between digital business tools and systems which don't talk to each other or work in unison**. They are disconnected. We have identified that bad digitisation is costing businesses in three ways:

Productivity cost: Disconnection leads to productivity drain – with businesses wasting valuable time duplicating tasks or manually entering data or fixing errors after transferring information between systems.

Strategic cost: Disconnection is a strategic risk as it results in limited visibility across the business, meaning decisions are made without a clear picture of the business' current status. It also can make it difficult for businesses

to add capabilities to their team and services, or adapt the business as they need to – a challenge ultimately stifling growth and risking opportunities for success.

Monetary cost: Poor integration can blow out costs, be this paying invoices for jobs that didn't happen or paying employees the wrong amount based on inaccurate hourly data. Add to this the money wasted on multiple software subscriptions where you only really need to use a small portion of their features, not all the bells and whistles.

Why is 'bad digitisation' happening?

As technology providers offering Software-as-a-Service (SaaS) solutions, we all aim to 'easily connect and integrate' with other online tools, but in reality, the integration is not as effective as it should be.

As an industry we have put the onus on our business customers to make it all work, and they are simply not seeing the promised value. Businesses now accept that this is "just the way things are", a "normal part of doing business these days". Despite their ambition, they're being held back.

But it should not be a problem for SMEs to solve. It requires an industry-wide approach. At MYOB we recognise the need to do something about it – and we are.

As with any transformation journey, this is not an overnight fix. But we want all businesses to realise the benefits of good digitisation – both the digitally fluent businesses and those with little digital literacy who are yet to embark on a transformation journey.

Good digitisation is a deeply integrated and seamless experience that creates value for businesses through simplified and connected workflows. It's when the work just happens – there's no start and stop, do over, do again. The technology almost goes unnoticed – it just does its job and, crucially, adds value to the business.

Good digitisation helps businesses become more profitable, empowers informed, data-driven decision making, and adapts in line with the businesses to help them grow and scale.

It helps businesses succeed and achieve their ambition.

Daniel West
Chief Sales & Support Officer | MYOB

What we found...



Digitised SMEs are frustrated by disconnection issues

3 in 5 SMEs are experiencing bad digitisation
2 in 3 want better connected digital tools



Disconnection is a waste of time, money and resources

SMEs are **wasting one day a week** (7 hours) on disconnection issues
1 in 2 businesses are wasting time on manual tasks and **2 in 5** are having to duplicate tasks
ANZ businesses are wasting **\$1.77bn** per year on unused digital tools



Disconnection is a strategic risk and holds businesses back

1 in 3 Australian and **2 in 5 New Zealand** businesses are making decisions without full visibility of the business or a clear picture of the business data
34% of Australian & 46% of New Zealand SMEs say disconnection makes it difficult to add capabilities or adapt

Digitised, but disconnected

SMEs across Australia and New Zealand are collectively investing around \$2.6bn each year on digital tools. At least one or two new software systems were added to businesses' suite of tools in the past year – a figure that is likely set to increase as the company grows.

Businesses expect the tools to help them, not hinder - however the latter has been the experience for 3 in 5 SMEs across Australia and New Zealand.

57% of the 2,000 SMEs we surveyed are currently experiencing **'bad digitisation'** - where **the digital apps and tools they rely on are not integrating with each other properly**, or simply don't talk to one another.

It's unsurprising, therefore, that 2 in 3 SMEs are crying out for digital systems to be better connected and united, frustrated by the reality of 'bad digitisation'.



\$2.6bn spent each year on digital tools across ANZ SMEs



Only 43% of ANZ businesses say 'most' or 'all' of their systems connect seamlessly



2 in 3 SMEs calling for digital tools to be better connected

"On a daily basis we use more than five digital tools across our business for functions like marketing, billing, invoicing, fulfillment and so on. Currently these tools don't talk to each other, so we have to manually pull all the sources from each of the platforms into one spreadsheet for consolidation and to do any data analysis. If there was a tool that could integrate or consolidate everything in one place that would be perfect, and it would save us a lot of the manual work we have to do right now."

Christie, general manager in Melbourne (enterprise business with 20+ employees)



Research into larger businesses by [Forrester](#) last year found employees are wasting **12.5 hours each week due to ineffective digital solutions, which equates to an annual cost of over **\$2.7m for each business employing 100+ people.****

The productivity cost of disconnection

This lack of integration – or disconnection – is causing a significant loss of productivity.

SMEs across Australia and New Zealand are currently wasting the equivalent of one day a week (7 hours on average) because of challenges brought about by disconnection. This includes: manually entering data from one system to another; checking for consistency of data between different systems; and dealing with errors following incorrect transferring of information between systems.

The number of different digital systems in use does vary by size and type of business, however we know over quarter of Australian SMEs and nearly two fifths in New Zealand rely on four or more different digital tools to manage their business.

Businesses are finding themselves having to duplicate tasks across different systems and wasting valuable time on manual tasks that shouldn't need to happen when investing in such software tools. Many noted resorting to creating their own reports in spreadsheet form, after manually pulling all the data from each system themselves.

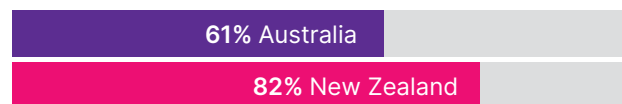
Furthermore, **nearly half of ANZ businesses** note disconnection issues has resulted in business errors to date.



One day a week is lost on disconnection issues



1 in 2 businesses are wasting valuable time on manual tasks



SMEs have to manually check data is correct or fix it after transferring between systems



Use four or more different digital tools to manage their business

“The tools don't really talk to each other. The software the team uses for their timecards doesn't see eye to eye with our payroll system, so we have to dump timecard information into spreadsheets and then manually enter them into the other system. We're almost doubling up some of the information and there's just so many mistakes... such as missing people's times, or some are entered and some are not... Because they don't marry up, payroll is a nightmare every week.”

Sandra, finance manager in Melbourne (enterprise business with 20+ employees)

Disconnection is a cash drain

Bad digitisation can also result in costs blowing out, according to over a quarter of Australian businesses and a third of New Zealand SMEs.

Due to such inefficiencies, **1 in 2 businesses have stopped using some of the digital tools they invested in – but admitted to still paying for them.** This means there is around \$1.77bn being wasted each year across ANZ businesses on unused digital tools.

If these tools were better integrated, better connected to each other – would businesses still be using them? Most likely.

Asked why they still pay for the digital tools, many businesses noted because they haven't found better alternatives to swap to, or it is just too much hassle to change the system.



\$1.77bn is wasted on unused digital tools across ANZ businesses



27% Australian and 34% New Zealand businesses say disconnection leads to costs blowing out

"We've got this disconnection problem at the moment. We're implementing new software that is meant to integrate with our current system and we're trying to get them talking to each other properly, so our financials flow from one to another, budgets are working properly, and time sheets and timecards are coming through accurately. We're having to double check everything as the flows aren't quite there yet. We can't rely on the integration currently."

**Allison, business manager in Sydney
(SME with between 20-49 employees)**

A strategic risk

Without systems talking to each other, over a third of Australian businesses and 2 in 5 in New Zealand are **having to make operational decisions without full visibility of the business, or even a clear picture of the business.**

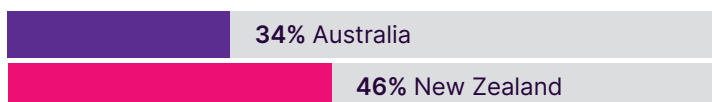
A lack of integration does not just affect businesses' day-to-day operations, but can impact their profitability, strategic outcomes and future plans.

We know that **businesses investing in digitisation can become more profitable** – 1 in 2 ANZ SMEs reported this to be the case. Similarly, research conducted last year showed 35% of businesses who had digitised during the pandemic had benefited from increased profit. However, if disconnection issues are draining money, resources and time, **businesses could be missing out on this profitability benefit.**

A third of Australian businesses and almost half of New Zealand SMEs report disconnection challenges make it difficult to add capabilities to their team and services, or adapt the business as they need to – and business adaptability can be the key to success.



1 in 3 Australian and 2 in 5 New Zealand businesses are making decisions without full visibility or clear picture of the business data



SMEs say disconnection issues makes it difficult to add capabilities or adapt as required

“Software systems are all currently designed to do their thing, but not pass information onto another system. There’s really no tool at the moment to get these to connect. People end up not doing their job because the system isn’t working properly, or it causes confusion and disruption – both internally and worst case scenario externally causing disruption to our clients.”

Andy, business owner in Melbourne (SME with between 1-19 employees)



What can be done?

Improve connectivity and empower good digitisation

The data shows two thirds of ANZ businesses believe themselves to be 'digitally fluent' - they know how to best apply digital applications for their businesses.

But the tools just aren't connecting to each other, holding them back.

But **nothing should hold back ambitious businesses.** Platforms need to offer seamless experiences for all businesses with deep integration on the workflows that matter most, so they can add value to businesses, not diminish it.

We need to work together to create 'good digitisation' that enables businesses to see accurate and consistent data across their business systems; to have full visibility across the business to make informed decisions; and can help the business adapt and realise its ambition.

James Windon, Co-founder and Managing Director, Flare HR

"Flare is currently embedded in over 30 workplace platforms, including payroll software, learning management tools, workforce management systems and compliance technology. As such, ensuring our software works together seamlessly with our partners is absolutely vital, so we can provide the best experience for our customers, and their employees. For example, Flare's API is directly embedded within MYOB's payroll and workforce management offering. This deep, direct integration lets a MYOB customer onboard an employee via Flare without the need to log into another app, and is included in the subscription cost for MYOB users, which automates the processes, saves them time, ensures they remain compliant and provides a smooth and secure employee experience.

A cohesive customer journey is paramount to ensuring whoever is using the integrated offering has the best experience possible. This is all about tackling the integration together, having clear alignment of interests and a strong understanding of the value we can jointly provide the end user. We're proud to say this cohesion rings true with our MYOB partnership, and we're looking forward to doing more together to bring even more benefits to MYOB's customers and their employees."

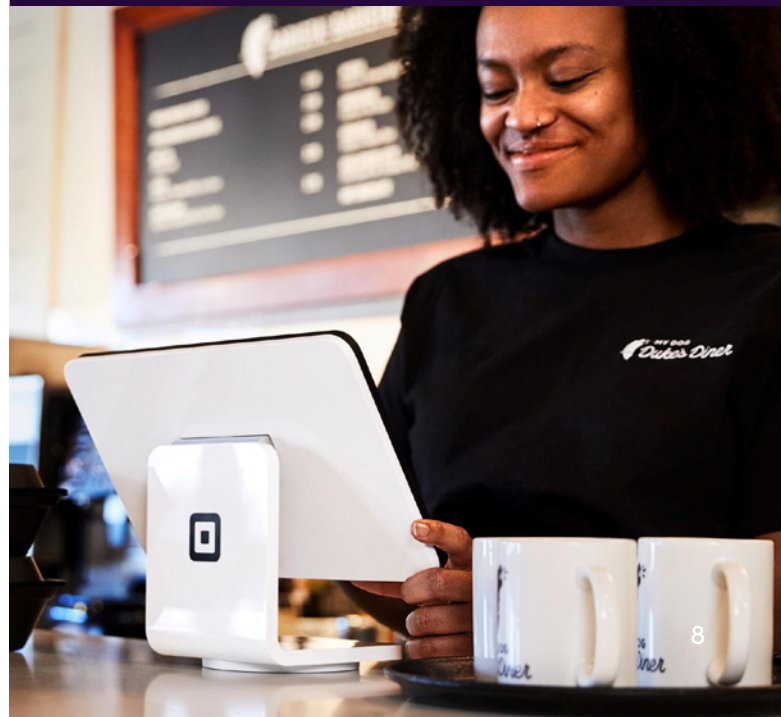
Rael Ross, Co-founder and Co-CEO of Butn

"Smooth cashflow is critical for businesses of any size, it's an issue that can cause a lot of stress for many business owners. Butn and MYOB saw the opportunity to solve this core issue and empower SMEs to focus on achieving their financial and growth goals. Key to this was ensuring businesses could access cash quickly, with no bureaucracy or confusing processes through separate systems.

Through the integration of MYOB and Butn's platforms, businesses can apply for funding of an unpaid invoice from within their accounting software, get paid in as little as three hours, and reconcile invoices all in the same place.

Butn has enabled MYOB's customers to access an in-platform solution directly from their MYOB workflow – they don't even need to leave the screen, they just click the button. This seamless integration allows users to share their verified data with Butn for real-time registration and applications, allowing for decisions often within 24-hours.

It's smart digitisation, and since the partnership launched last year, we've seen millions of dollars advanced by businesses taking advantage of this integrated offering. We're excited for this partnership to help us reach thousands more businesses and help them access the funding they need to survive and succeed."



Support businesses at all stages of the digitisation journey

While many businesses are feeling confident in their ability to implement digital solutions, there is a proportion who can benefit from continued digitisation support.

Of the surveyed SMEs, two fifths of Australian businesses and a third of those in New Zealand admit to having little or no understanding of digital business processes.

We also calculated from research conducted in 2021 that 466,062 SMEs – approximately 20% of Australian businesses – are not engaged with digital tools across critical areas of their business processes.

Continued support for initiatives such as the New Zealand Government's Digital Boost initiative, which is designed to help SMEs acquire digital skills and tools, is crucial. As is further cross collaboration between private and public sector – and within industry – to create targeted educational and skills uplift programs that benefit businesses across all sectors.



66% Australian and 71% New Zealand businesses believe themselves to be 'digitally fluent'



45% Australian and 33% New Zealand SMEs have little or no understanding of digital business processes

Alex Molloy, Founder and CEO of Valiant

"Integration is an essential part of Valiant's existence. As a marketplace for business loans, seamless connection with all 80+ lenders within our network and our partners is absolutely vital. If an integration doesn't work properly and causes more headaches than is helpful, it's not worthwhile for anyone involved.

As with any other partnership we conduct, we were passionate about creating an example of good digitisation with MYOB. Together, we've created a seamless offering for SMEs where they can access working capital easily and quickly, at the precise moment it's needed. The integration ensures together with MYOB we do the heavy lifting for businesses, so they can spend more time achieving their goals and fulfilling their ambition."



Example of cross-collaboration: Business Resilience program from MYOB & Master Builders Australia

MYOB recently partnered with Master Builders Australia to launch an educational program as part of its Women Building Australia joint initiative with the Australian Government. The seven-week online Business Resilience program aims to bridge the digital skills divide facing women in construction and boost the business success of women in the building industry.

Good Digitisation



Focuses on the workflows that matter most and provides deeply integrated and seamless experiences

We believe there are six main business processes that when digitised, make a phenomenal difference to a SME's chance of survival and success. They are:

- **Managing jobs** - quoting, scheduling, tracking, document management
- **Managing staff** - payroll, workforce management
- **Managing suppliers** - inventory management
- **Managing banking and cashflow** - invoicing, payments
- **Managing finances and compliance** - tax, core accounting
- **Generating revenue** - CRM, point of sale (POS) integrations

At MYOB, we are continually transforming our business management platform to offer smart, deeply integrated services across these six business processes to deliver valuable, seamless experiences for businesses across Australia and New Zealand.



Results in more profitable businesses

From our research, we know good digitisation can make businesses more profitable. Importantly, smart digitisation does not drain money or resources, and ensures businesses only pay for the services they need and don't waste money on features they don't currently require.



Empowers businesses to be connected, decisive and adaptable

Connected means businesses:

Save time: seamless automation of manual tasks and data reconciliation

Reduce cost: do more with less subscriptions

Create stronger relationships: better service customers and manager supplier relations

Decisive means businesses:

Have a holistic view: see and manage all business operations and data from one system

Have data integrity: confidence that business data is accurate and secure

Make more informed decisions: using accurate insights, not assumptions

Adaptable means businesses:

Tailor digital tools to their needs: choose and add services as and when they need it

Choose industry-specific solutions: use tech that's the right fit for their industry

Scale: use tech that won't limit their growth but help them scale and achieve their ambitions



About MYOB

MYOB has been a trusted provider of business management solutions for over 30 years, providing local solutions to 1.3 million Australian and New Zealand small and medium-sized businesses. With a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed, MYOB provides richly connected and adaptable cloud-based business management solutions which fit the ambitions of businesses with 0-1000 FTEs.

We deeply understand and recognise the unique needs of Australian and New Zealand SMEs and are seeking to deliver a single Software as a Service (SaaS) platform to help them make confident business decisions underpinned by data-driven and digital operations. Our curated solutions allow businesses to spend less time manually taking care of their finances and business processes, and more time operating and innovating.

Through acquisitions of local technology companies, we've been able to extend and enhance our offering around these key business processes, thanks to the capabilities of the likes of GreatSoft (renowned for practice management), Nimbus (document management), Tall Emu (customer relationship management) and others.

MYOB's recent strategic partnerships provides deep integrations with the likes of Flare to help businesses better manage their employees, and with Butn and Valiant to enable the flow of money (such as business lending and invoice financing) all within the one platform.



About the data

The MYOB Disconnection research was conducted by SoWhat Market Research from 24th March and 17th April 2022. A nationally representative sample of 2,056 sole traders, small and medium sized businesses across Australia and New Zealand took part in the survey (1,531 in Australia; 525 in New Zealand).

Figures in this report were calculated based on 2,397,886 Australian businesses with 0-200 employees (ABS data, as of July 2021) and 556,680 New Zealand businesses with 0-49 employees (Stats NZ, as of February 2021).

The research showed businesses are investing \$900 each year on digital tools.
For Australian businesses = \$2,158,097,400 (\$2.2bn)
For New Zealand businesses = \$501,012,000 (\$501m)

The research showed businesses spend \$600 per year on unused digital tools.
For Australian businesses = \$1,438,731,600 (\$1.4bn)
For New Zealand businesses = \$334,008,000 (\$334m)

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