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Media Release

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Dynamo6 Report: Without investment, NZ SMEs risk further innovation decline and productivity stagnation

- One in three (30%) SMEs don't have or plan to have a digital and IT strategy
- A quarter of SMEs (26%) are struggling with or have given up on digital transformation
- Despite the rise of global security incidents, cybersecurity and risk management investment was only the 12th priority for small business, compared to 1st for medium enterprises

Research into the IT priorities and opportunities for New Zealand small and medium businesses has highlighted the pitfalls and productivity gains that should be considered by owners and IT decision-makers.

IT and digital technology services provider Dynamo6 canvassed more than 300 Kiwi SMEs a year after the onset of COVID-19 and found that while SMEs display a large appetite for investing in technology, and most budgets are increasing, many may be at risk of overstretching or delivering on poor implementation strategies.

"What struck us were the stark differences when comparing the IT challenges and plans of small businesses against those of their medium counterparts," says Dynamo6 Founder and Executive Director, Igor Matich.

Matich notes that the majority of SMEs in New Zealand plan to increase their IT budgets this year (56%), with medium-sized businesses reflecting seven out of ten increases. Meanwhile, 42% of SMEs are maintaining their budgets, and only 2% are decreasing them.

The median number of planned IT investments was three per business, though some risked overstretching themselves, with several wanting to tackle up to 16 projects.

The focus of technology investments this year and beyond aims to address the three core business challenges that SMEs faced last year: driving revenue, retaining and delighting customers, and improving operational efficiency.

The planned technology investments will focus on security and risk management and building out data and analytics capabilities. Projects to engage with employees and keep them productive and connected are also being prioritised. High on the list, too, is the use of more cloud applications and completing cloud migration projects.

The report found there was a wave of post-lockdown remediation work and difficulty getting employees to adapt to new tools, and this often came down to a lack of proper integration plans, which impacted successful adoption rates.

“As an IT provider to primarily mid-market businesses, we understand the critical need to partner with an IT provider to ensure any investment in digital transformation is done effectively.”

Part of this planning, says Matich, is effective and appropriate investment in cybersecurity - an increasingly critical element of IT, with CERT NZ reporting 1,431 cyberattack incidents causing a direct financial loss of $3 million to businesses in Q1 2021, reflecting a 7% increase from the previous quarter[1]

“Despite New Zealand being exposed to some high-profile cybersecurity incidents, investing in cybersecurity and risk management ranked only 12th priority for small businesses, compared to number one for medium enterprises.

“While we understand many small businesses are quick to focus on technologies that boost business processes and enhance customer experience, we often see security deprioritised with an ‘ambulance at the bottom of the cliff’ approach employed only when major issues arise.

“I’m surprised at the huge rate of this pitfall for small businesses in particular, and would urge smaller operators across the country to reconsider their proactive management and funding in cybersecurity. Some SMEs have hit a wall with the pressures of digital transformation fatigue in this regard, and putting the foot back on the accelerator is vital for protecting both individual businesses and our national economy.”

Matich hopes that the recent surge in digital technology across the board among SMEs will result in a much-needed boost to New Zealand’s productivity levels, which, according to Stats NZ, have remained stagnant at around 1% growth for almost a decade.

To improve this, he points to the potential of cloud software, such as Microsoft Office and Google Suite, two tools that hold an approximate 50:50 share among medium-sized enterprises, according to the report.

“From my experience, many organisations are only scratching the surface in embedding cloud platforms into their businesses. There are numerous opportunities to streamline or automate menial daily tasks, automate business processes, and enhance overall work collaboration.

“This could be as simple as updating your website, selling your products on Shopify, moving your ordering or booking process into a better online system, which are simple ways to digitally innovate and boost productivity and bottom lines.”

[1] CertNZ Quarterly Report: Highlights Q1 2021
https://www.cert.govt.nz/assets/Uploads/Quarterly-report/2021-q1/quarterly-report-highlights-q1-2021.pdf

For example, one of Dynamo6's retail and property sector clients, Kiwi Property, implemented Shopify and e-gift card solutions to provide their shopping centres, like Sylvia Park, with a new digital channel to engage with customers.

"What this report has shown us is that while some claim digital transformation has been pushed forward 10 years, there is a smart way for Kiwi SMEs to invest and implement new tools, and it's best done with the bespoke guidance of IT experts," concludes Matich.

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About Us

Dynamo6 is a fresh-thinking technology company. With our blend of IT services – cloud, cybersecurity, modern workplace, digital experience and software development – we empower organisations to innovate in the digital world.

About the report

This report, produced by Dynamo6, is based on the results of a commissioned research survey conducted by independent research company Dynata. The total survey sample was 319 respondents. The research was conducted between March 19 and 31, 2021. This report presents the findings of that research alongside thematic commentary. This report also draws comparisons with other research studies identified in the footnotes or bibliography. The survey respondents were exclusively business owners and IT decision-makers from small to medium-sized businesses based in New Zealand. Sole traders, freelancers, and single-employee businesses were excluded, as were large-sized organisations. We defined large-sized enterprises as organisations with 500 or more employees.

Read the report: https://www.dynamo6.com/insights/the-state-of-it-sme-edition/

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