Microsoft

Your digital journey

How digital technology can help Australian small and medium-sized businesses address their biggest business challenges and unlock opportunity

Contents

Executive summary

This report looks at how your business can embrace digital technologies to adapt to rapid and unpredictable change and address these key business needs.

> We'll look at four ways you can accelerate your digital technology journey:
>
> - start small and invest in what your business needs most
> - focus on unlocking value
> - make simplification a core principle
> - commit to the journey.

Over the past few years, small and medium-sized businesses (SMBs) have realised they need to accelerate their digital journeys or risk falling behind their competitors.

SMBs, like all other businesses, have to think beyond the present. They need to consider how to stay resilient and adaptable in light of post-pandemic supply chain issues, rising fuel prices, cost of living increases, geopolitical challenges and more.

When we talk to our SMB customers, four core needs consistently come up: digital security, business growth and innovation, empowering talent and improving business efficiency.

Wherever you are on your digital journey, there is an opportunity to accelerate technology adoption, rethink business processes, reimagine talent and protect your company from bad actors. **We'll show you how.**

→

If you're a founder or have an idea, you can access Microsoft for Startups Founders Hub to run and grow your business with credits, mentoring and support.

Part 1:
Your biggest business challenges

Enhancing digital security

Data breaches are increasing. In 2021, 65 per cent of Australian SMBs suffered a cybersecurity incident. Cybersecurity is a mission of great importance and urgency. It requires a comprehensive approach that includes security, compliance, identity management and privacy.

Unlocking growth and innovation

According to Microsoft's 2022 SMB Voice and Attitudes to Technology study, almost 70 per cent of SMBs say business growth and profit margins are their top two business objectives. Digital technology can unlock access to new business models and outsized growth opportunities, with the ability to scale, reach global audiences, track customer journeys and ultimately expand market share.

Empowering talent

SMBs need to keep employees engaged and productive wherever they're working. They face evolving employee needs, a highly constrained talent environment and new expectations about the ways people work. This puts SMBs under pressure to rethink everything, including how they hire, upskill their talent, elevate their employee experience and build culture. Digital technologies can help by bringing new tools, unlocking capabilities and enabling new experiences.

Increasing business efficiency

Many SMBs are lagging in adopting the digital technologies that can help increase business resiliency, agility and efficiency. SMBs will invest in digital transformation initiatives that involve migrating on-premises workloads (such as servers, storage and networking) to the cloud and investing in software-as-a-service (SaaS) solutions.

Joval Wine Group's unique path

Joval Wine Group is a family-owned business, established in 1963, whose operations span grape growing, wine production, wholesale distribution, and warehousing and logistics. The business has offices, vineyards and warehouses throughout Australia and New Zealand, with alliances in Asia, Europe and North America.

Get the full story →
Joval Wine Group uncorks full benefit of cloud with lower costs, greater performance and enhanced agility.

Towards the end of the past decade, Joval decided to modernise its IT systems. The business previously relied on a large data centre running on-premises applications and some cloud-hosted e-commerce capabilities.

"Most of our technology spend and team effort was focused on maintaining our legacy data centre environment and troubleshooting associated performance issues when we really wanted to be working across our business on delivering new initiatives to enable the strategy," says Andrew Stoneham, Joval's Chief Technology Officer.

When its five-year data centre agreement came to an end, Joval migrated all its server workloads to Microsoft Azure. The timing proved particularly fortuitous as the COVID-19 pandemic struck soon after and demand fell off a cliff.

With 100 per cent of its applications in the cloud, Joval could rapidly scale back its cloud use, rein in costs and quickly pivot to a work-from-home model for all 300 employees. Then, as bars and restaurants gradually reopened and demand recovered, the business could meet rising demand without a hitch.

"Most of our technology team effort was focused on maintaining our legacy data centre environment when we really wanted to be delivering new initiatives to enable the strategy."

Andrew Stoneham
Joval Wine Group
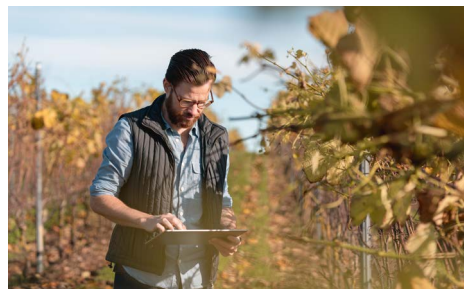
Taking the digital journey

Embarking on a digital journey means embracing the cloud, welcoming new ways of working and tapping into a global talent pool to spark innovative ideas and business models.

The majority of Australian SMBs are now using the cloud, for example, but everyone's digital journey is different. Where you go will depend on your business needs, your people and your long-term goals.

Whatever path your journey takes, and whatever stage you are at, moving quickly is key to success. Change is happening at an increasingly rapid pace – and lagging businesses will get left behind.

"SMBs are led by entrepreneurs that are passionate about their customers and employees," says Harish Vellat, Director for Small, Medium & Corporate Business at Microsoft ANZ. "They are the lifeline of any society and employ the highest volume of workforce."

Digitally transforming your business means driving better return on investment and magnifying the impact of your talent to deliver better customer experiences.

This paper explores the key trends and issues SMBs are dealing with today and how to make your journey your own.

"It is critical that SMBs continuously adapt and evolve – those that don't are at risk of losing relevance."

Harish Vellat
Microsoft ANZ
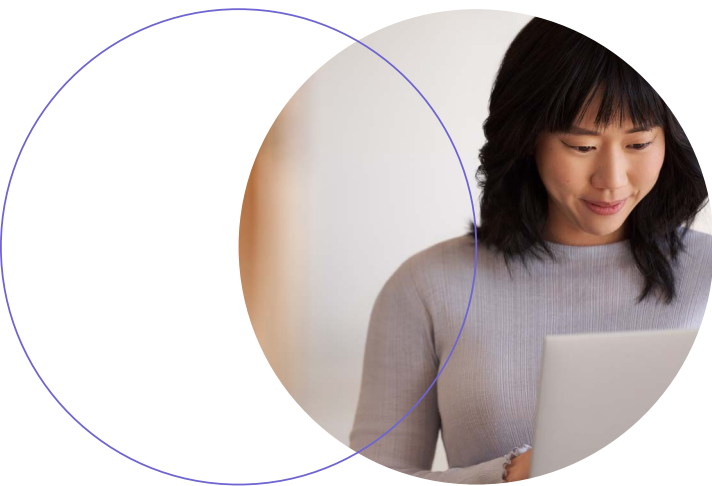
Part 2:
Transform your business with digital technology

Enhance digital security

Cybersecurity has become a core business issue. With people working from home, often using their own devices for both personal and professional activities, organisations are more vulnerable to attack.

65% of Australian SMBs suffered a cybersecurity incident in 2021

According to the 2022 Global Digital Trust Insights report from PwC, 78 per cent of executives believe their companies are unnecessarily complex, which is creating "concerning" cybersecurity and privacy risks. It also noted that the Australian Cyber Security Centre received more than 67,500 cybercrime reports in the year to mid-2021 – which is a record number.

One Australian business that has experienced cybersecurity challenges firsthand is Fix & Fasten, a distributor of specialist fasteners and associated products to customers in such industries as manufacturing, engineering and construction.

Get the full story →
Secure systems and sizeable savings: How Fix & Fasten fortified its cyber defences.

The company was the victim of multiple phishing and ransomware attacks that locked up its data and reduced its ability to access its technology systems. One attack in 2020 cost the business around $100,000 as it reclaimed its IT systems. After that, Fix & Fasten resolved to increase security and make its business more resilient by moving its systems to the cloud.

It started by migrating its data storage from on-premises servers to Microsoft Azure. Then, to make its day-to-day work systems more secure, it implemented Microsoft 365. "This gave us control over devices, environments and users, and everything became more connected and secure," says the company's IT Manager, Ricardo Posada.

Fix & Fasten also deployed the Microsoft 365 Defender security stack to protect email and collaboration applications from zero-day malware, phishing and business email compromise.

Available solutions

The latest security solutions can protect your devices, apps, data and people, wherever they work. Because they're based in the cloud, they're simpler to manage than traditional on-premises security solutions and offer streamlined provisioning for new devices. Automated updates ensure they're consistently working with the most up-to-date threat intelligence. They provide clear performance monitoring and reporting to ensure your tech is doing its job and help maintain regulatory compliance.

**Here's how an SMB might secure its operations against cyberattacks
by leveraging Microsoft cloud solutions.**

Simplify universal identification, safeguard user credentials and use real-time machine learning to reduce noise and find threats efficiently across your business.

Azure Active Directory
Centrally control access to your systems and enable single sign-on with conditional and multifactor authentication (included in Microsoft 365).

Microsoft 365
Allow employees to work remotely with confidence using familiar, trusted industry-leading products, with built-in security and authentication.

Enable employees to collaborate, manage meetings and chat over a securely connected cloud intranet with tools such as Microsoft Teams, SharePoint and Office Suite.

Apply cost-effective, easy-to-use enterprise-grade endpoint protection that is designed for businesses with up to 300 employees.

Microsoft Defender for Business
Microsoft Defender is built to scale with your business. Configure security, manage compliance and enable threat protection across Azure, AWS, Google Cloud and business premises.

Microsoft Sentinel
Microsoft Sentinel security analytics platform gives you visibility over your entire business to create a single source of truth for all your security analysis needs.

Take a bird's-eye view across your entire company to see and stop threats before they cause harm.

Access pre-built AI models for tasks such as recognising images, transcribing speech to text, translating text and automating decisions based on past examples – or create your own models.

Azure Backup
Protect against ransomware and data loss with a centralised cloud backup solution.

Azure Site Recovery
Inexpensively keep your business running with a cloud-native disaster recovery service, or leverage a partner solution.

Microsoft Azure Marketplace: Thousands of plug-and-play Azure apps.

Empower your talent

Acquiring and retaining talent may be the highest priority for businesses today, as companies grapple with major shifts in employee expectations, the talent market and their own capability needs.

70%

Hybrid working model
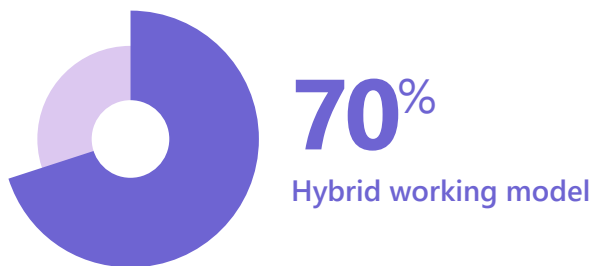
According to IDC, at least <u>70 per cent of digitally enabled SMBs will operate under a hybrid working model</u>, and remote work will become the norm.

The Microsoft <u>Work Trend Index survey from March 2022</u> found that employees want SMB leaders to focus on creating a positive workplace culture (52 per cent), give their employees a sense of purpose or meaning (40 per cent) and provide consistent positive feedback and recognition of quality work (39 per cent).

1.3 million

Australians changed their job in 2022

The survey also found many Australian SMB employees have itchy feet, with 48 per cent saying they were somewhat or extremely likely to consider changing employers in 2022, up from 41 per cent the year before. In 2022, some <u>1.3 million Australians changed jobs</u> – the highest rate of mobility in 10 years.

Addressing these talent challenges means rethinking how you hire, the kind of company culture you're building and the employee experience you want to provide. For many companies, the future depends on revitalising their talent strategy. Now more than ever, a digital-first approach is paramount to staying competitive in the talent landscape.

Here are three key talent-related challenges and opportunities you need to understand.

Talent challenge 1: Employee technology expectations

Digital technologies can help attract and retain talented employees who look for best-in-class tools for their work.

"These tools should be considered as a strategic asset for retaining the best talent and empowering them to do the best work of their careers," says Gretta Svendsen, SMB Segment Lead, Microsoft ANZ. "The right hybrid tech and set-up has become the baseline for employee experience."

Joval Wine Group has certainly benefited from its move to the cloud. Adopting Microsoft Planner has provided greater transparency about who is working on what, and Microsoft Teams has made it much easier for people to communicate and collaborate. The company has also revolutionised its business reporting and data analysis using Microsoft's Power BI platform.

"[With Power BI, we're] really shifting more to actionable insights using near-real-time data to drive action today," says Chief Technology Officer Andrew Stoneham. "Our reporting was typically distributed via email in Excel or PDF format and viewed on a smartphone, which is a pretty dreadful experience. Through [Power BI], the new reports are live and optimised for mobile."

Talent challenge 2:
The war for talent

Changing employee expectations are just the starting point for the pain employers are feeling today when it comes to talent. A historically tight labour market is driving a war for talent. SMBs are being forced to step up their efforts to attract new hires and reduce attrition from their existing employee base.

We are also seeing new startups emerge to meet new business needs. For example, Workreel is a startup powered by Microsoft that describes itself as a 'TikTok meets Tinder meets LinkedIn' platform for hospitality recruitment. The company allows job seekers to post short videos in lieu of CVs and connect with job opportunities at hospitality venues.

From large banks to early-stage startups and everything in between, companies are responding by rapidly raising wages to attract talent. SMBs have been hit especially hard by these trends, with less ability than larger organisations to absorb rising costs and cope with staff shortages.

In this job market, upskilling existing staff members can improve their job satisfaction and help address talent shortages at the same time.

Additionally, cloud technologies and no-code and low-code tools can help fill the gap for many SMBs struggling to hire people with the right capabilities. These no-code and low-code technologies are designed to enable programming-like capabilities without requiring people to know a programming language – bringing powerful capabilities to more employees.

"Power Platform is like using building blocks. You don't need any experience in coding to develop an app – you just need to be able to drag and drop. Anyone could get a lesson and in three hours be building new business process flows and improving business efficiency. Every single SMB now has these capabilities at its fingertips."

Gretta Svendsen
Microsoft ANZ
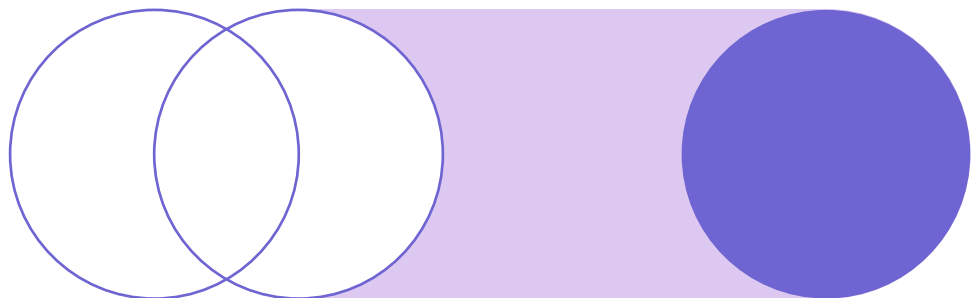
Here's how an SMB might unlock its talent by leveraging Microsoft cloud solutions.

Allow employees to work remotely with confidence using familiar, trusted industry-leading products, with built-in security and authentication.

Microsoft 365
Enable employees to collaborate, manage meetings and chat over a securely connected cloud intranet with tools such as Microsoft Teams, SharePoint and Office Suite.

Microsoft Teams Essentials
Help your business meet, chat and collaborate from anywhere.

Schedule online meetings with high-quality audio and video ahead of time or start them instantly. Enable people inside and outside your company to join from anywhere. Ensure meeting chats and files are always available, so people can refer to them before, during and after.

As your company grows, no-code and low-code solutions will help technical and non-technical employees build custom apps and workflows enable them to connect and visualise data, and automate and accelerate processes.

Microsoft Power Platform
Simplify your business processes with no-code and low-code solutions including Power Apps, Power Automate, Power Virtual Agent and Power Bl.

Microsoft Dataverse
Link the Azure and Power Platform solutions in your business tech stack with this smart, secure and scalable low-code data platform.

Fundamentally shift your app development and data management to a no-code and low-code model, unlock new data management capabilities, join up disconnected data silos, and make your data work smarter.

Access pre-built AI models for tasks such as recognising images, transcribing speech to text, translating text, and automating decisions based on past examples – or create your own models.

Azure AI
Take advantage of decades of breakthrough research, responsible AI practices and flexibility to build and deploy your own AI solutions.

Microsoft Azure Marketplace: Thousands of plug-and-play Azure apps.

Talent challenge 3:
New ways of working

Even before the pandemic, employees were asking for better digital experiences and ways of working. Lockdowns forced people to do nearly everything remotely.

According to the Microsoft Work Trend Index survey published in September 2022, most leaders in Australia and New Zealand (86 per cent) say they're keen to get employees back to the office in person to maintain team cohesion. But three-quarters of employees say company expectations or policies aren't a good enough reason to go back to the office.

With remote and hybrid work here to stay, providing an optimal technology experience is essential to attracting and retaining talent. Empowering a remote workforce, investing in flexibility and enabling hybrid work environments that include in-office and remote team members requires technology that can create those connections.

Tools like Microsoft 365 and Teams can allow employees to collaborate from anywhere and unlock a global talent pool for companies to tap.

Speaking about Joval Wine Group's experience as the pandemic started, Andrew Stoneham says, "We were able to use the crisis to smash through all those traditional change management barriers and get the entire group using Teams for productive collaboration within a few days. This has made the working-from-home model far more effective than we could have imagined."

38%

of hybrid workers say the greatest challenge of hybrid is knowing when and why they should to come to the office, yet only ...

28%

of companies have created team agreements that establish team norms around hybrid work.

43%

of remote workers say they do not feel included in meetings, yet only ...

27%

of companies have updated their meeting etiquette to ensure both hybrid and office-based employees feel included and engaged.

Source: Microsoft Work Trend Index, September 2022

Unlock growth and innovation

Digital transformation can unlock significant growth.

The Australian fintech player Shift has digitally transformed its business systems to enable it to deliver finance on demand to customers and rapidly scale its operations.

> **Get the full story** →
> Shift achieves rapid business growth and delivers finance on demand in the cloud.

"The Shift difference is that our customers use the Shift platform to trade, pay and access funds when and how it suits them," says Eldar Averdi, Chief Technology Officer at Shift.

100% **The business now runs entirely in cloud using Microsoft Azure**

"We needed to make sure our platforms were fast and reliable," says Averdi. "We needed to apply new ways to analyse data, and incorporate technology needed to allow us to make decisions within minutes, if not seconds."

Shift has enjoyed phenomenal growth by evolving its product offering and technology capabilities. The company has doubled its revenue almost every year since it started in 2014.

You may be eager to expand your business the way Shift has. But attracting new customers and retaining existing ones isn't easy. It requires quickly scaling up with demand, creating stellar user experiences and rapidly adapting to evolving consumer trends.

Attracting and retaining customers also means embracing new business models. Retailers know this best. During the pandemic, many retailers set up e-commerce stores, or offered new pickup options or subscription-based, direct-mail deliveries – sales channels they didn't offer before 2020.

Plenty of other industries have had to adjust their business models, such as utilities allowing clients to manage their energy usage via mobile apps or banks selling financial products through mobile devices instead of at branches.

Whatever you decide to do next, digital technology can be a key lever to help you accelerate. Cloud tools can help you identify, track, convert and measure customers along their entire journey, while virtual servers make it easy to increase bandwidth and computing capacity as you onboard more clients or see an influx of visitors to your e-commerce site.

The cloud also allows SMBs to access capabilities that were previously only available to the largest enterprises.

> "You can test product or service ideas without needing big investments, make existing processes more efficient and do more with the same number of people."
>
> **Harish Vellat**
> **Microsoft ANZ**

Here are some ways an SMB might unlock new business models by leveraging Microsoft cloud solutions to drive growth.

Empower your technical and non-technical employees to innovate and build professional-grade solutions as if they were experienced developers.

Power Platform and Dataverse
Extend the capabilities of Dynamics 365, Microsoft 365 or third-party apps, and increase your business's flexibility, using Power Platform and Microsoft Dataverse no-code and low-code tools.

Dynamics 365 Sales
Streamline your sales cycles and close more deals by empowering your sellers with the right information where and when they need it.

Connect your enterprise resource planning (ERP) and customer relationship management (CRM) solutions to enable your sales teams to improve customer engagement and achieve the right business outcomes.

Migrate your legacy on-premises ERP or accounting system to the cloud to automate business processes and secure data.

Dynamics 365 Business Central
Centralise your business management in the cloud.

Azure Integration Services
Optimise Dynamics 365 ERP and CRM using Azure Logic apps to build integrations and automation across your business.

Deploy and run automated workflows that let cloud-native and on-premises solutions talk to each other.

Access pre-built AI models for tasks such as recognising images, transcribing speech to text, translating text, and automating decisions based on past examples – or create your own models.

Azure AI
Take advantage of decades of breakthrough research, responsible AI practices and flexibility to build and deploy your own AI solutions.

Microsoft Azure Marketplace: Thousands of plug-and-play Azure apps.

Increase business efficiency

Digital technology can save your business significant time and effort every day.

It can enable you to connect business processes, making it easier for teams to communicate. It can also reduce duplicated effort, such as needing to enter customer details twice or manually enter bank transactions. Reducing complexity and double-handling in business processes can also reduce the potential for mistakes.

One company helping others become more productive is loadin.com – an Australian technology startup that's transforming how music festivals are put together.

Co-founder Haydn Johnston had become frustrated with the way festival organisers and musicians communicated with one another. He says festival organisers have traditionally shared and stored information in various ways, including through spreadsheets, PDFs and online document platforms.

"At one point, I was advancing over 4,500 bands a year that wanted to know what the stage and lighting set-up looked like, what type of PA was being used and all that sort of stuff," says Johnston.

"It used to be that you'd save the information as a PDF and email it to them, but that PDF document is known as 'the book of lies' because the moment that you click 'save', it's out of date and something in it will be wrong."

To solve these issues, Johnston teamed up with long-time friend and software developer Alan James to create loadin.com. The innovative platform enables festival organisers to manage all tour-related information in one place – before, during and after an event.

Loadin.com can identify any missing documents and automate email reminders to minimise the legwork for organisers. In addition, the platform's live updating feature keeps all parties informed about any last-minute changes on event day.

"It's basically the whole of the event talking to all of the artists' people. There could be six on one side and seven on the other, but they're all brought along for the conversation and nothing gets lost between the cracks," he explains. "And that's where most of the communication problems were."

The loadin.com platform was built on Microsoft Azure. It's just one of many examples of how digital innovation can streamline business and let everyone get back to what they do best – in this case, making and delivering great music.

Here are some ways SMBs can create business efficiencies.

Enable cost-savings from cloud, innovate faster and keep your business safe through the cloud.

Azure Cloud Services
Migrate on-premises workloads such as servers, storage and networking.

Microsoft 365
Do more with less by having one Microsoft platform to solve business needs: security and compliance, collaboration, productivity, Microsoft Teams, SharePoint and Office Suite.

Allow employees to work remotely with confidence using familiar and trusted industry-leading products with built-in security and authentication.

Migrate your legacy on-premises ERP or accounting system to the cloud to automate business processes and secure data.

Dynamics 365 Business Central
Centralise your business management in the cloud.

Power Platform
Simplify your business processes with no-code and low-code solutions including Power Apps, Power Automate, Power Virtual Agent and Power BI.

As your company grows, no-code and low-code tools will help your employees build custom applications and workflows that enable them to connect and visualise data, and automate and accelerate processes – regardless of their technical ability.

Microsoft Azure Marketplace: Thousands of plug-and-play Azure apps.

Part 3:
Accelerate your digital journey

Accelerating your digital journey takes careful planning, a deep understanding of your business and a willingness to continually try new things. Regardless of where you are on your digital journey, these ideas will help maximise your results.

1. Start small and invest in what your business needs most

One of the biggest mistakes a company can make is to implement a new technology without tying it to their business strategy. If employees don't understand the solutions they're using, they'll get frustrated and revert to doing things the old way. To start, you'll need to develop a cloud technology strategy and roadmap that considers your current and future goals.

However, don't forget that the cloud is a giant technology stack that will evolve along with your company. That's why it's often a good idea to start small, with one or two projects, and build from there.

It could be as simple as transitioning your company to Microsoft Teams for collaboration tools and secure video chatting. Or you might adopt Microsoft Dynamics Business Central to centralise your business management across sales, finance and operations teams to help them adapt faster and deliver results. Whatever you choose, cloud solutions make it easy for your business to evolve, test and adapt to opportunities and challenges.

2. Focus on unlocking value, not just savings

Many people come to the cloud to save money. Indeed, it can reduce operating costs – for example, by allowing businesses to scale their storage, bandwidth and users in line with their needs.

However, over the long term, the cloud's core differentiator from legacy on-premises solutions is its ability to unlock efficiency and productivity across a business. Cloud will enable you to boost revenues and profits, which means the total benefit goes well beyond savings.

According to an IDC Business Value White Paper sponsored by Microsoft, organisations that implemented Azure tools, resources and programs saw their IT teams become 55 per cent more efficient and developers 26 per cent more productive.

To get more value from the cloud, you must pay attention three things: people, processes and culture.

"We need to think about people and technology together, because when you implement a new tool or platform, you also need to empower your team with skills and a 'growth mindset'," says SMB Leader at Microsoft ANZ, Gretta Svendsen. "People are the driving force behind business progress, so we need to continue to upskill our teams and enable them with technology."

3. Make simplification a core principle

If you're using legacy software systems, you're likely to be dealing with a complicated technology stack. You've probably added more and more tools over time, many of which don't speak to each other and only satisfy one need. These kinds of stacks are hard to manage, challenging to secure and costly to maintain.

Fortunately, the cloud can dramatically simplify things. Cloud-native solutions are optimised for a cloud environment. With the right connectors in place, they can communicate with one another, share data and enhance each other's capabilities.

53%

of companies are yet to realise the true value of the cloud.

4. Commit to the journey

It's important to remember that digital transformations don't happen overnight. In fact, 53 per cent of companies are yet to realise the true value of the cloud , as shown by the PwC Cloud Business Survey.

No one arrives at the cloud and moves on – it's an ongoing evolution. As your company grows and the world changes, you may want other solutions to stay relevant.

But you don't need to go it alone. Consider working with an implementation partner – a company that knows how cloud works and can help you figure out which systems will work best with your objectives. Many of these companies are SMBs themselves and have made their own digital transitions. They can also help you choose which cloud provider to align your business with.

"Microsoft has the largest partner network in the world, which makes it easy for SMBs to find the right partner to help them on their digital journey."

Vanessa Sorenson
**Chief Partner Officer ANZ and
Managing Director Microsoft New Zealand**

# Part 4:
What does the future look like?

Over the next few years, companies like yours will not only be in the cloud, they'll be pushing the envelope with what's possible. They'll use AI to generate more and better business insights, and machine learning to make their systems smarter and more effective. They'll automate more processes and adopt such advanced cloud technologies. All of this will allow them to reach new customers, hire and retain the best talent, cut costs, boost revenues and optimise their operations.

In more good news, digital technologies are making it much easier for SMBs to compete with larger businesses. They're helping create a new world order, where smaller operations will drive the next decade of economic growth.

The question to ask yourself isn't whether you should go digital, it's how far along the journey are you already and how fast can you accelerate?

Businesses that can invest earlier will realise the benefits sooner. If you don't move, your peers will. It could be them reaching untapped markets and acquiring new customers instead of you.
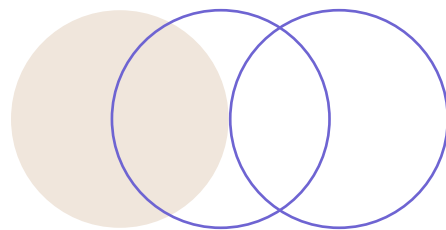
If you're a founder or have an idea, you can access Microsoft for Startups Founders Hub to run and grow your business with credits, mentoring and support. →

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