Technology adoption lifts sales, jobs and productivity

A new report from Xero Small Business Insights, in partnership with Accenture, highlights the benefits of technology adoption for small businesses.

This research used the aggregated and anonymised data of hundreds of thousands of Xero subscribers across Australia, New Zealand and the United Kingdom. Using the proportion of spending on information, communications and technology (ICT) as a proxy for technology adoption, we compared the performance of the top 25% of ICT spending small businesses and the bottom 25%. Across all three countries we found that sales and jobs were higher and time to be paid was shorter for the highest ICT spending group (Fig 1).

The research also looked at technology adoption through app usage, specifically the average number of interactions a small business has each month with the apps connected to their Xero account. The sample was divided into user groups, this time comparing the top 25% of app users with a group of non-app users. Similar to the ICT results, there were better sales and jobs outcomes for the higher app users in all three countries (Fig 2).
Finally the report looks at the links between app use and productivity (measured by sales/hours worked). The group that used apps most intensely (blue line) had the best productivity growth (Fig 3).

**Fig 3. Small business productivity by 2019 app usage intensity**

Sales per calendar month per employee, indexed, non-app user 2019 annual average = 1.0

**Why then are so many small businesses not embracing technology?**

Despite the clearly demonstrated benefits of technology adoption, many small businesses are falling behind. Xero wanted to find out why and partnered with behavioural science specialists, Decision Design, in a unique study of over 4,000 small businesses across six countries. The study, *One step: behavioural barriers to technology adoption amongst small businesses - and how to overcome them*, found one in three small businesses said they were ‘technology delayers’ and not keeping up with their peers technology use. This project looked beyond the usual reasons for this - such as high costs or little time - and focused on identifying which behaviours were holding them back.

The study identified the 12 small business behaviours that are holding technology adoption back. The most prominent behavioural barriers to technology adoption can be grouped into three categories:

- **It’s good enough** - You’re comfortable with the way things are, so why change?
- **It’s too risky** - The risks always seem to outweigh the rewards, but do they really?
- **It’s hard to choose** - So many options, so many details – what’s a small business owner to do?

Recommendations for those wanting to help small businesses increase technology use include:

1. **Encourage small steps, not giant leaps.** Framing technology adoption in terms of small, incremental changes, rather than all-in bets with high costs and risks, can help to dispel uncertainty and correct misperceptions about what it means to go digital.

2. **Celebrate small business peers.** Highlighting examples of small businesses who have adopted digital technology – and sharing both their successes and struggles – helps to normalise a process that appears more daunting than the status quo.

3. **Challenge small business owners: don’t get left behind.** Quantifying and illustrating the gap between traditional operations and digital technology’s tangible benefits isn’t a new idea – but there’s certainly room to do so more impactfully.

4. **Measure benefits in a relatable way.** We’re much more likely to take action if the benefits of doing so resonate with our values and identity. In terms of technology adoption, that means communicating opportunities in a way that’s relevant and tangible to small business owners, based on their real, lived experience of doing business.

5. **Narrow and simplify choices.** More information isn’t always better. Often it causes small business owners to freeze.