MEDIA RELEASE

‘Most turbulent time ever’ for a quarter of SMEs, as experts advise British businesses to prepare for even greater change

- 2.6 million small business owners have genuine concerns about the future, but experts predict AI advancements, hyper-connectivity and the end of late payments spell the end of routine for SMEs
- Report indicates owners are pumping almost £12,000 of their own money into their business as one in four worry their company will fold in the next five years
- Small business owners of the future will be more socially-conscious, rely less on email and computer screens, and fluent in hiring staff with multiple jobs

London, UK - Monday 2 December 2019 - As this tumultuous year draws to a close, 2.6 million SME business owners (46 per cent) admit to having genuine concerns about the future - so much so, that a quarter believe their company will fold in the next five years, according to new research.

Business Rewired, an in-depth report by global small business platform Xero examines SME owners’ greatest concerns for the future, up against the emerging trends they will need to prepare for. These mounting concerns include late payments (54 per cent), cyber-attacks (27 per cent) and tax rates (44 per cent).

Other things threatening their future existence include Brexit (44 per cent), employee recruitment costs (19 per cent) and maintaining or increasing levels of productivity (31 per cent). More than a third (37 per cent) say this is the most turbulent period they have ever experienced and on average they have pumped £11,846.45 of their own money into their business. Over a quarter (26 per cent) say their business is leaving them out of pocket.

The pressures of running a business in the current climate has impacted the mental health of more than a third according to the research, and small business owners work an extra nine hours a week on average in addition to their standard working hours.

It’s not all doom and gloom however, leading business futurologist Gerd Leonhard predicts a brighter picture of what the future holds for the 5.8 million SMEs across the UK.

Gerd Leonard, business futurist and contributor to the report, says: “Humanity will change more in the next 20 years than in the previous 300. We will see the biggest technological transformation in human history – impacting where, how and why we work.”
“Automation is reducing the need for humans to undertake routine tasks and the world of work is heading towards a dramatic reset. Everything we assume about work, jobs, training and education is being challenged by exponential scientific and technological progress. Whether you’re a small business owner, an accountant, bookkeeper or advisor, these emerging trends will affect you very soon.”

According to Gerd, over the next 20 years, AI will revolutionise routine as we know it and cut working hours by up to half; a ‘blended workforce’ will transform the number of employers workers have; and digital transactions and the death of the 30 day payment model will spell the end of late payments, as SMEs move towards a happier, healthier economy.

Gary Turner, Xero co-founder, says “The ways small businesses work now are dramatically different from the 1980s when the first personal computers arrived. But business needs to adapt to greater changes coming their way. New technologies will hasten a far greater consciousness towards the biggest killer of small businesses. Cash flow problems will decline as instant payment technologies take root as a cultural norm. I believe what we’ll see is 30-day payment terms going the way of the fax machine.”

Emma Gannon, author, podcast host and contributor to the report, adds: “We are in a time when young people are job-hopping more than ever, and the pressure is on for companies to retain their employees. This means adapting to the changes that are here right now and coming in the next few years.”

Xero’s Business Rewired report can be viewed in full at, https://www.xero.com/uk/business-rewired/

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**Notes to editors**

Additional statistics:

- Receiving payments late – 54 per cent
- Tax rates for small businesses – 44 per cent
- Uncertainty of Brexit – 44 per cent
- Value of the pound – 40 per cent
- Maintaining or increasing levels of productivity – 31 per cent
- Increasing cost of importing goods/materials – 30 per cent
Cyber-attacks/cost of protection against them – 27 per cent
Rising cost of rent – 25 per cent
Attracting high calibre employees – 24 per cent
Cost of running a green/sustainable business – 23 per cent
Failure to meet demand – 23 per cent
Retaining staff – 21 per cent
Increasing cost of exporting products – 19 per cent
Inflexible employee contracts – 19 per cent
Cost of staff recruitment – 19 per cent
Staff going on annual leave – 17 per cent

1. The Business Rewired report follows conversations with and input from Gerd Leonhard
2. The survey was conducted by One Poll with 500 Business Decision Makers in SMEs (1-249 employees) in October 2019.

Ten future trends for small business owners:

1. **End of Routine**: Over the next decade there will be an acceleration in the adoption of AI to automate process-driven tasks, forcing businesses to alter their hiring strategies and transforming work life balance.

2. **Finding Purpose**: Over the next decade small businesses will increasingly become focused on purpose-driven work as they seek to find meaning and truly make a difference. Profit will still have a role to play but success will also be benchmarked against non-monetary drivers like employee wellbeing and fulfilment, the environment and prosperity.

3. **Connected Everything**: Investment in 5G and the rollout of ubiquitous high speed internet access will enable a global internet population to seamlessly communicate and interact with one another.

4. **Blended Workforce**: The gig economy will continue to challenge the concept of a ‘job for life’, or simply having just one job at a time. Small businesses will be able to take advantage of this fast-growing flexible workforce and scale their workforce to meet the needs of larger projects, whilst being nimble enough to not take on any unnecessary costs.

5. **The End of Late Payments**: Pressures from the growth of the blended workforce and the increased use of digital money may finally solve the late payments epidemic. End-to-end digital transactions, and a change in the number of companies individuals work for, will require the setup of a new type of payroll with the need for people to be paid faster than the usual 30-day invoice terms.

6. **Human Interaction**: Over the next five years, reliance on email will decrease. How we interact with colleagues will become more fluid and tools will be better integrated so we can interact more seamlessly. The deployment of AI features within communication technology will increase productivity, with communications being optimised by the
introduction of smart replies, automated meeting scheduling and contextual content creation.

7. **Life-Work Balance:** The concept of a four-day working week is not a million miles away. But there could be a future in which we work even less – possibly cutting working hours by half. In the next 5-7 years, technology will finally become smart enough to significantly augment human work, performing routine tasks that do not require human only skills.

8. **Digital Assistants:** Digital assistants will become more pervasive in business. They will shift from being entertainment-providers – playing music or reading weather forecasts – to being genuinely intrinsic management tools that have a deeper impact on our working lives. In the future, small businesses will use digital assistants to provide research materials for presentations, share summaries of meetings, and forward and respond to routine emails.

9. **Nature and Nurture:** Future technology will augment a lot of our current workload – allowing us to step away from the screen. Businesses will need to adapt to this change in work environments by creating peaceful places that connect employees with nature for example.

10. **From Ego to Eco:** In the future, running a sustainable business will be an absolute necessity. Whilst it has historically been a concern for larger businesses, smaller businesses will follow this lead. With climate change being a very real issue today, sustainability will need to be at the forefront in order to build a business, sell a product or service, or attract talent.

**About Xero**
Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors around the world. Xero provides its 2+ million subscribers with connections to a thriving ecosystem of 800+ third-party apps and 200+ connections to banks and financial service providers. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the $200 million+ segment. Xero won ‘Accountancy Software Provider of the Year’ at the British Business Awards in 2019, and was rated by Canstar Blue as the best accounting software in Australia from 2015-2018 and in New Zealand in 2019.