

POLICY BRIEF #6

Australian SMEs Going Digital



Digital technology plays a key role in our society and is transforming the way we do business as well. Today, we do more of our daily activities online than ever before. Since the COVID pandemic, in particular, the pace of digitalisation appears to have accelerated considerably. With consumers moving dramatically toward online channels, companies and industries had to quickly respond to this shift. Not only technology allowed many companies to switch to remote work, but it also enhanced business operations across every sector of the economy, helping with the management of internal processes, data analysis, as well as with marketing, advertising, and selling products.

In 2018, the Export Council of Australia estimated that digital trade accounted for up to \$43 billion

of economic value. As stated in the *Digital Economy Strategy 2030*, the potential benefits to the Australian economy through digitalisation had been estimated to be as much as \$315 billion over the next decade (1). The Government's commitment to the digital economy is proceeding in tandem with major announcements by industry and the business community, who are partnering with government and to invest in new skills and tech capabilities, which will lift jobs and investment.

The Digital Economy Strategy was announced during the 2021-22 Federal Budget, setting out how Australia will secure its future as a modern and leading digital economy and society by 2030. This initiative includes \$1.2 billion in strategic investments to unlock the value of data, drive

investment and uptake of emerging technologies, while building the skills required for a modern economy and enhance government service delivery (2). The previous year the Australian Government had invested \$800 million in a Digital Business Plan, over \$1.6 billion to support the 2020 Cyber Security Strategy, and \$4.5 billion in the National Broadband Network (3).

Digital technology and digital economy are particularly important for small and medium-sized enterprises (SMEs), which face significant hurdles in overcoming regulatory barriers and participating in global supply chains. Although it can create new opportunities for them, the growth of digital trade and use of digital technologies is not automatic, and the spread of its benefits is not guaranteed. For instance, there is a risk of a widening digital divide where large companies dominate smaller companies that lack the resources for digital transformation (4). For this reason, the Minister for Small Business Julie Collins announced the provision of additional support specifically targeting SMEs. According to the Minister, “\$18.6 million in funding will help support small businesses adapt and build resilience through digital technology” (5).

Although, SMEs contribute significantly to Australia’s economy, employment and sense of community, a digital gap prevents many of them to scale or stay relevant in an increasingly digital world (6). According to a study published in 2021 by CPA Australia, Australian small businesses continue to be much less likely to use technology

than their counterparts in Asia. 4,280 SMEs in 11 markets (510 respondents from Australia) in the Asia-Pacific region took part in this research project. One possible explanation for the low levels of investment in technology by Australian small businesses is the poor short-term returns they achieve. Among the other research findings, SMEs in Australia remain highly unlikely to innovate and to export. The results point to the need for governments at all levels to do more to support Australian SMEs’ digital transformation (7).

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