

Research Insights by



ANALYZE
THE
FUTURE



2020 Small Business Digital Transformation A Snapshot of Eight of the World's Leading Markets

Brazil | Canada | Chile | France | Germany | Mexico | United Kingdom | United States

Executive Summary

Digitization is no longer an option, it's a necessity. Once considered a way for companies to gain competitive advantage, digitalization has now become a matter of survival. The COVID-19 pandemic has exacerbated the digital divide that was already present in the small business market, and it is forcing companies to accelerate their digitalization. For digitally progressive small businesses, it is about building resiliency, while for those lagging behind and that are indifferent to technologies, digitalization has become the answer to business continuity.

To better understand the opportunities and challenges that small businesses face during this crisis, Cisco commissioned IDC to assess the state of small businesses' digital transformation maturity across eight key markets across the globe: Brazil, Canada, Chile, France, Germany, Mexico, United Kingdom, and United States. A similar study was also run across 14 Asia Pacific markets.

The results are telling. This crisis has driven over 70% of the small businesses surveyed to accelerate their digitalization. And while the majority of small businesses have already started their digitalization journeys, only 24% are in the most advanced stages, with 4% in the digital native stage. Conversely, 26% of small businesses remain in status quo mode – they have remained largely reactive to market changes and have made little effort to digitally transform.

Out of the countries surveyed, small businesses in the United Kingdom, United States, and Germany have made the most progress in their digitalization journeys,

followed by France and Canada. Small businesses in Mexico, Brazil, and Chile trail behind despite having accelerated their digitalization amid the crisis.

In 2019, small businesses contributed 48%, or US\$17 trillion, to the GDP of these economies. Further digital transformation of small businesses could increase the GDP growth of these countries by an additional US\$2.3 trillion, or up to 5.6% of additional GDP, by 2024.

IDC's research shows that small businesses that are successfully transforming (Digital Challengers) generate multiple times more sales to aid their recovery, while the leading small businesses (Digital Natives) enjoy 8X higher growth. These small business leaders are more resilient than those in the early stages of digital maturity.

Achieving this goal requires small businesses to make significant changes, from setting the right strategy, to making the necessary technology investments. Cloud, a foundational pillar for digitalization, is the number 1 technology priority for small businesses, allowing them to quickly provision resources as the business grows.

While digital technologies are more widely available today and help level the playing field, small businesses, given their size, face constraints on many fronts. In the survey, small businesses cited digital skills shortages, cultural resistance to change, and lack of budget as their top challenges.

Today, small businesses are under increasing pressure to build resiliency and to stay competitive.

The right technology vendor, with the right technologies and expertise, will help overcome tightening resource constraints. Also, small businesses' entrepreneurial spirit and growing appetite for innovative technologies will help them ensure business continuity in 2020, accelerate their growth, and become resilient for the future.



US\$2.3 trillion

could be added to GDP growth by 2024 if more small businesses advance their digital transformation journeys.



8X

Leading small businesses (Digital Natives) enjoy multiple times more benefits (revenue) than those in the earliest maturity stage (Digital Indifferent).



72%

of small businesses across the eight markets surveyed are accelerating their digitalization rates to address COVID-19 challenges.



Lack of digital skills and cultural resistance

are the top 2 challenges for small businesses undergoing digital transformation.

About the 2020 Small Business Digital Maturity Study

IDC defines small business digital transformation (DX) as the digitalization of businesses – a customer-centric business strategy with the goal to transform internal operations using digital technologies, such as cloud, mobility, social, augmented/virtual reality, Internet of Things (IoT), and analytics or artificial intelligence (AI), for better engagement with customers, partners, and employees.

To understand the state of small businesses' digital transformation maturity, IDC developed a worldwide framework to help small businesses clearly assess their current capabilities and establish goals that work to synchronize business objectives with IT needs.

More than 2,000 small businesses across industries were surveyed in 2020, including financial services, manufacturing, telecommunications, media, transportation, construction, retail, and wholesale.

Objectives

- To determine **small businesses' readiness for digitalization** in eight of the world's leading markets
- To understand the impact of **DX** among small businesses on driving economic activity
- To understand the **challenges and opportunities** that small businesses face when it comes to DX



Respondents

2,030

in 8 markets:

Brazil
Canada
Chile
France
Germany
Mexico
United Kingdom
United States



Company Size

50–499

employees



Industries

Construction
Financial Services
Manufacturing
Media
Resources
Retail & Wholesale
Services
Telco
Utilities



IT Influence

Decision makers of their company's IT purchases

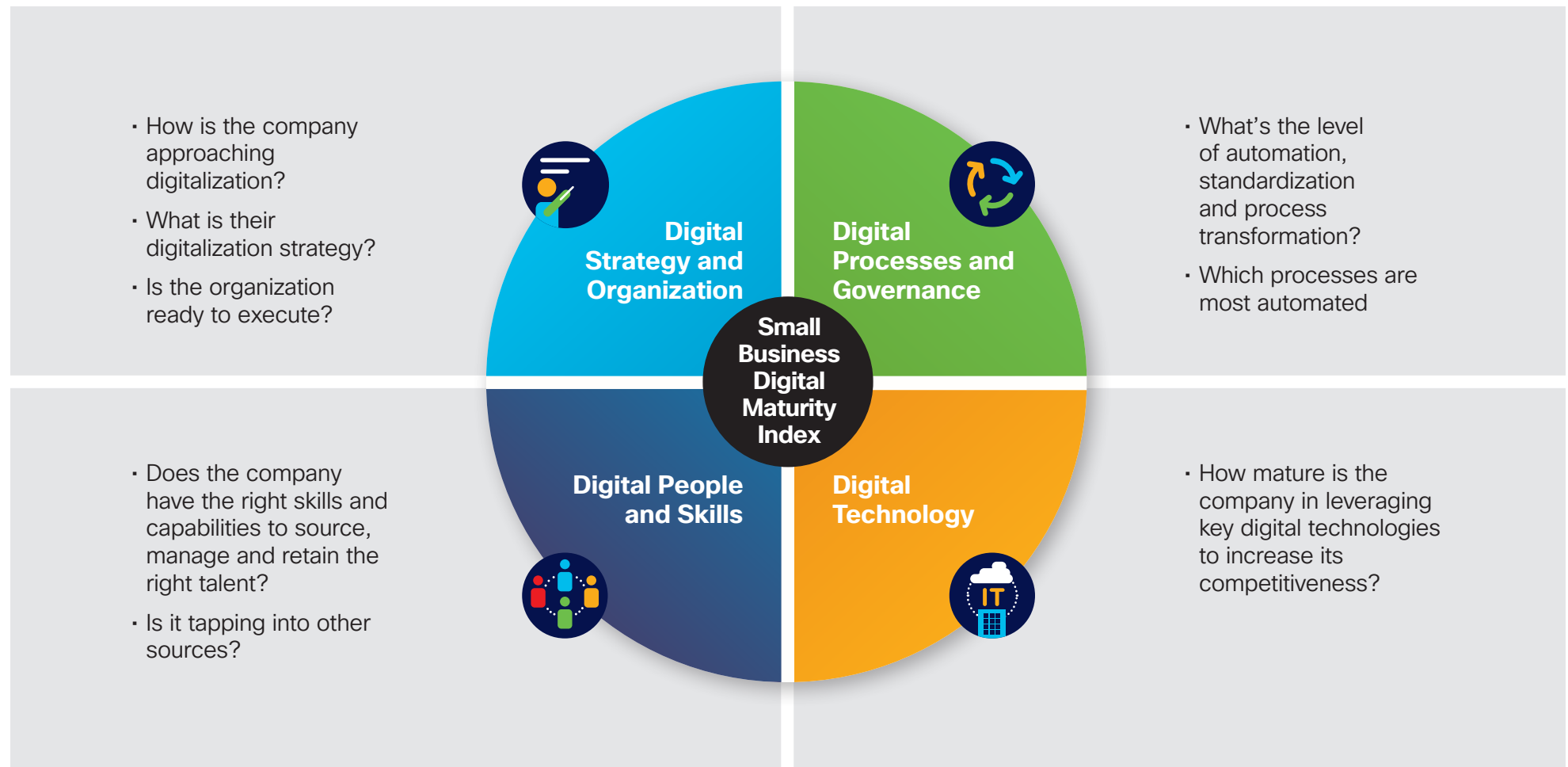


Role

Manager-level and above, such as business owners, CEOs, directors and heads of departments





Worldwide Small Business Digital Maturity Index: Four Masteries

The Small Business Digital Maturity Index is made up of four dimensions: Digital Strategy and Organization, Digital Processes and Governance, Digital Technology, and Digital People and Skills. Each dimension targets an essential aspect of digital mastery and can be assessed independently as a measure of the relative maturity of a specific aspect of business functionality and performance, providing goals for small businesses to target on their digital transformation journey.



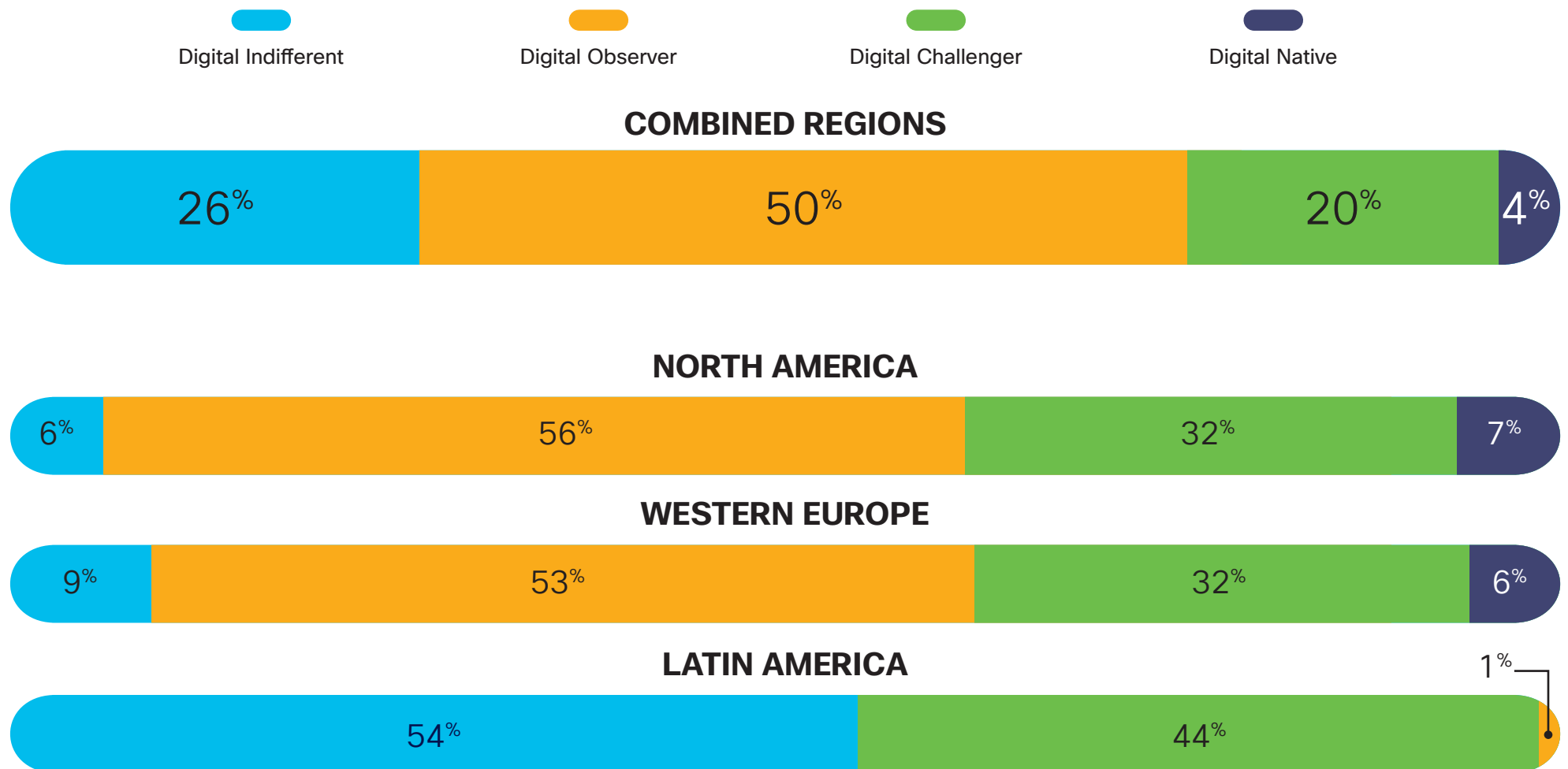
Worldwide Small Business Digital Maturity Index: The Four Stages

The Index classifies small businesses across four stages of digital maturity, starting with the earliest stage of Digital Indifferent to the most advanced group of Digital Natives.

Small Business Digital Maturity Index	STAGE 1 DIGITAL INDIFFERENT	STAGE 2 DIGITAL OBSERVER	STAGE 3 DIGITAL CHALLENGER	STAGE 4 DIGITAL NATIVE
 Strategy and Organization	<ul style="list-style-type: none"> Company is reactive and focused on efficiencies. No digital efforts exist or starting. 	<ul style="list-style-type: none"> Digital efforts in progress but tactical. Starting to create a digital plan. 	<ul style="list-style-type: none"> Company focused on becoming agile. A digital strategy exists, but focused on short-term. 	<ul style="list-style-type: none"> Holistic strategy to digitally innovate exists. Proactively seeking to transform the market, expand operations and drive CX.
 Processes and Governance	<ul style="list-style-type: none"> Majority of processes are manual. 	<ul style="list-style-type: none"> Many processes still not automated. Focused on addressing inefficiencies. 	<ul style="list-style-type: none"> All core processes are automated and productivity rates improving. 	<ul style="list-style-type: none"> Full process automation done; agile approach. Significant strides made in process transformation.
 Technology	<ul style="list-style-type: none"> Tactical investments. No cloud and spreadsheet centric. 	<ul style="list-style-type: none"> Some cloud resources being used. Very limited use of analytics. Focused on the use of reporting tools. 	<ul style="list-style-type: none"> There is a tech roadmap for digitalization. Company is using hybrid cloud approaches. 	<ul style="list-style-type: none"> Cloud-first and committed to using digital tech. Broad adoption of analytics.
 People and Skills	<ul style="list-style-type: none"> Lack of digital skills. 	<ul style="list-style-type: none"> Making tactical investments to acquire digital skills. Risk-averse leadership. 	<ul style="list-style-type: none"> Strategic Investments in talent are being made, particularly digital skills. 	<ul style="list-style-type: none"> The right digital skills exist. Talent is a top priority and a competitive differentiator. Agile and adaptable culture.

Only a Quarter of Small Businesses Have Reached the Advanced Stages of Transformation

Small businesses that have attained the highest level of transformation (Digital Native) form only a meagre 4% of these 8 markets. North America and Western Europe have an equal percentage (a third) in stage 3 (Digital Challenger) and stage 4 (Digital Native). Latin America lags behind, where more than half (54%) are only starting their digitalization journeys.





Source: Small Business Digitalization and COVID-19 Survey, June 2020


Digitalization Enables Small Businesses' Recovery Amid Global Uncertainty


Embracing digitalization proves to be the right investment bet for small businesses' recovery in 2020's great business disruption. A higher percentage of small businesses (46%) with the highest level of transformation (Digital Native) are thriving and transforming during the pandemic whereas 44% of Others are surviving or may have to shut down.

How would you describe the current state of your business under COVID-19?


We are thriving/
rebuilding/
transforming


We are growing
and scaling up


We are surviving/
sustaining our business

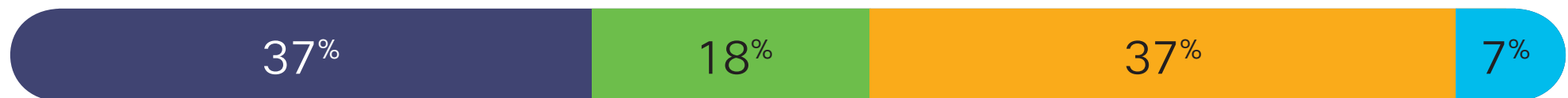

Our business is severely
impacted and may have
to shut down

DIGITAL NATIVES



↓
Digital Natives have the highest ratio of small businesses recovering and thriving through business agility and resiliency

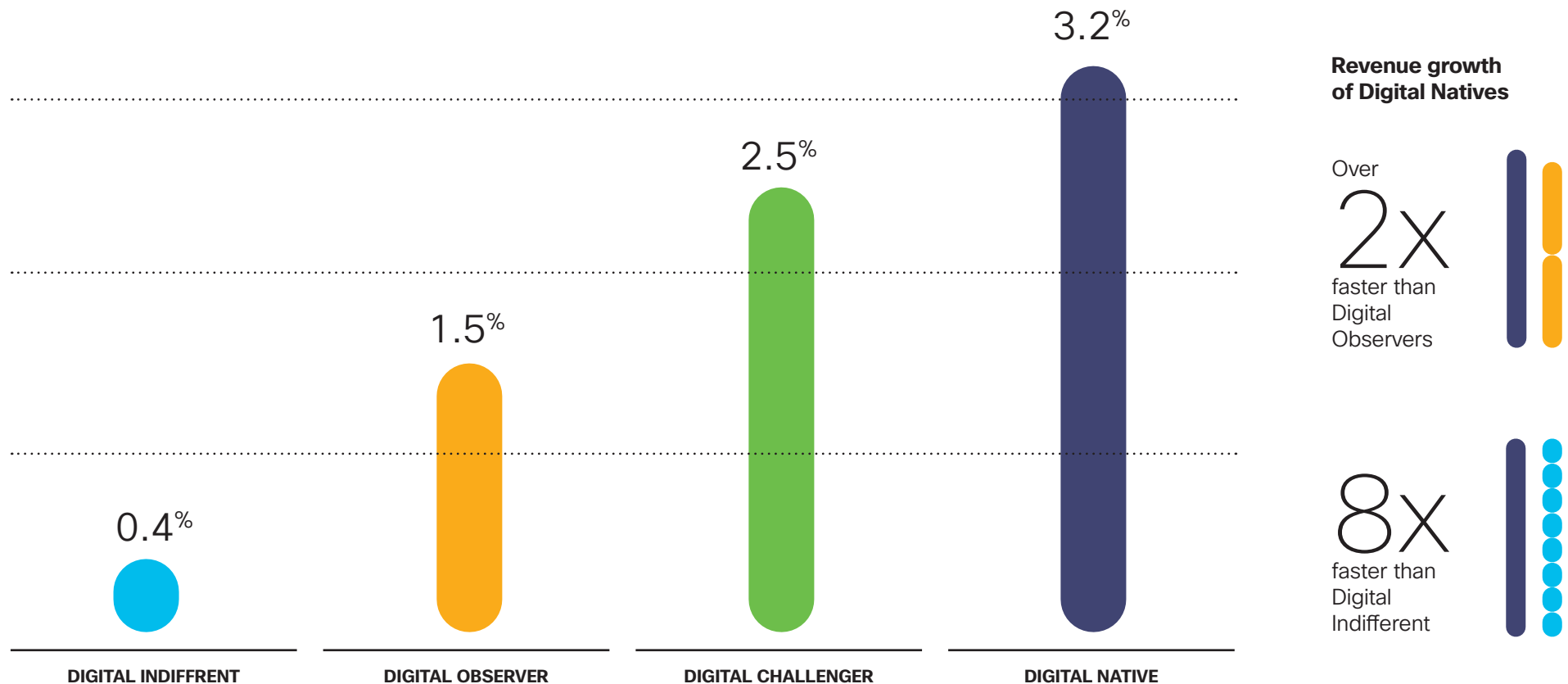
OTHERS



Digital Natives Enjoy Higher Revenue Growth Rate

Business agility, a key ingredient to staying competitive in today's volatile and disruptive environment, is a trademark of Digital Natives. Small businesses able to respond faster to changing market conditions are growing their revenue 8x faster than their Digital Indifferent counterparts and over 2x faster than Digital Observers.

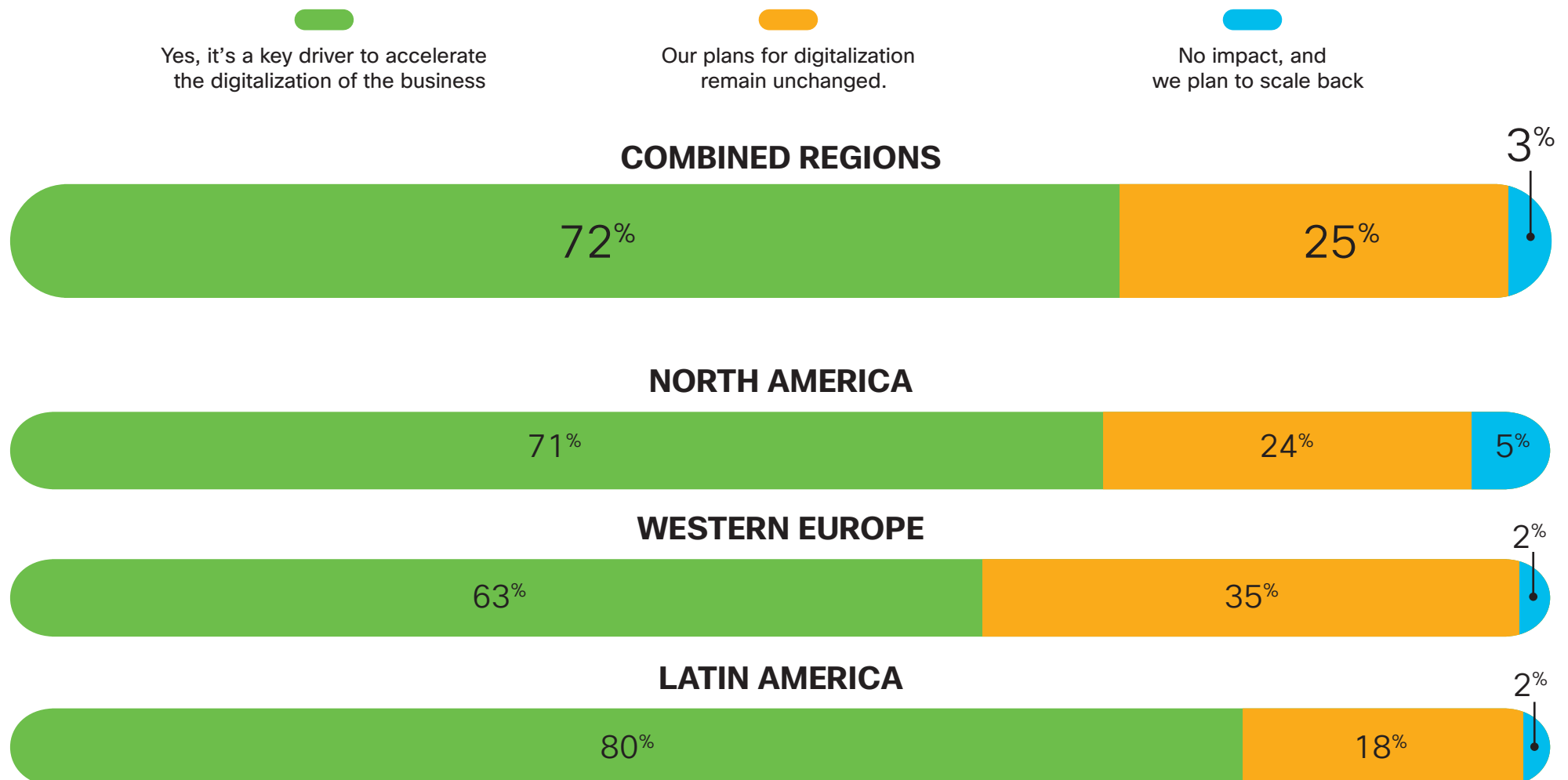
From the ICT (Information and Communication Technology) investments made, how much revenue growth did it add to your organization?



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Crisis a Key Driver Behind Small Businesses' Accelerated Digitalization

Digitalization is no longer a choice; it's a necessity. Over 70% of the small businesses globally surveyed said COVID-19 has been a key driver for fast-tracking their digitalization journey. Among the markets, small businesses in less digitally mature Latin America are accelerating their digitalization efforts even more as they prepare to inject greater momentum and dynamism to their business.

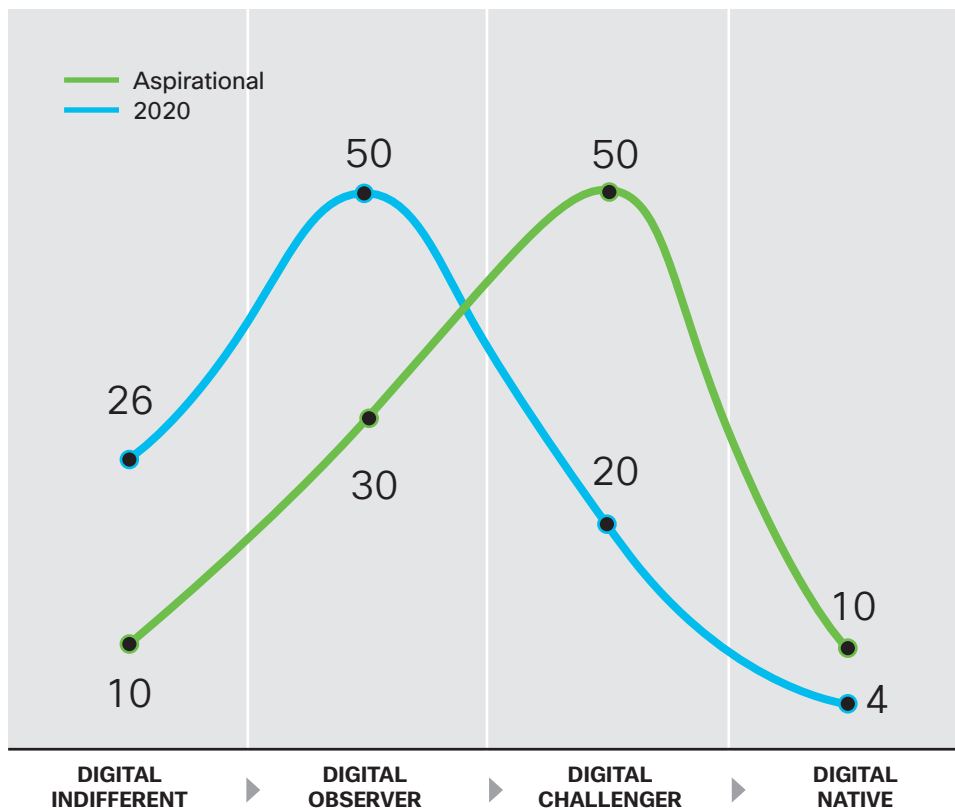


Source: Small Business Digitalization and COVID-19 Survey, June 2020

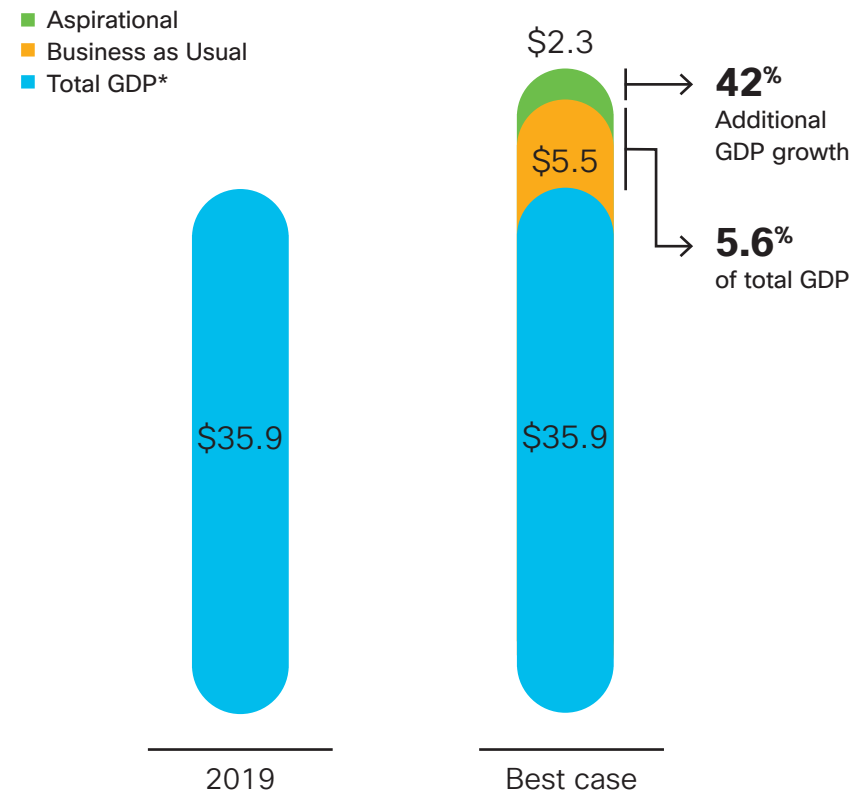
Accelerating Small Businesses' Digitalization Could Add US\$2.3 Trillion to GDP

Three quarters of small businesses are still in the early stages of digitalization (Digital Indifferent and Digital Observer). Accelerating the digital competencies or maturity of half of these small businesses to the Digital Challenger stage (or beyond) could be an economic booster: contributing an additional US\$2.3 trillion to the GDP, or 42% growth, of those markets, while their economies could increase by 5.6% by 2024.

Percentage of Small Businesses in the Four Stages of Digital Maturity



Cumulative GDP from Shifting Small Businesses to Aspirational Curve (US\$T)

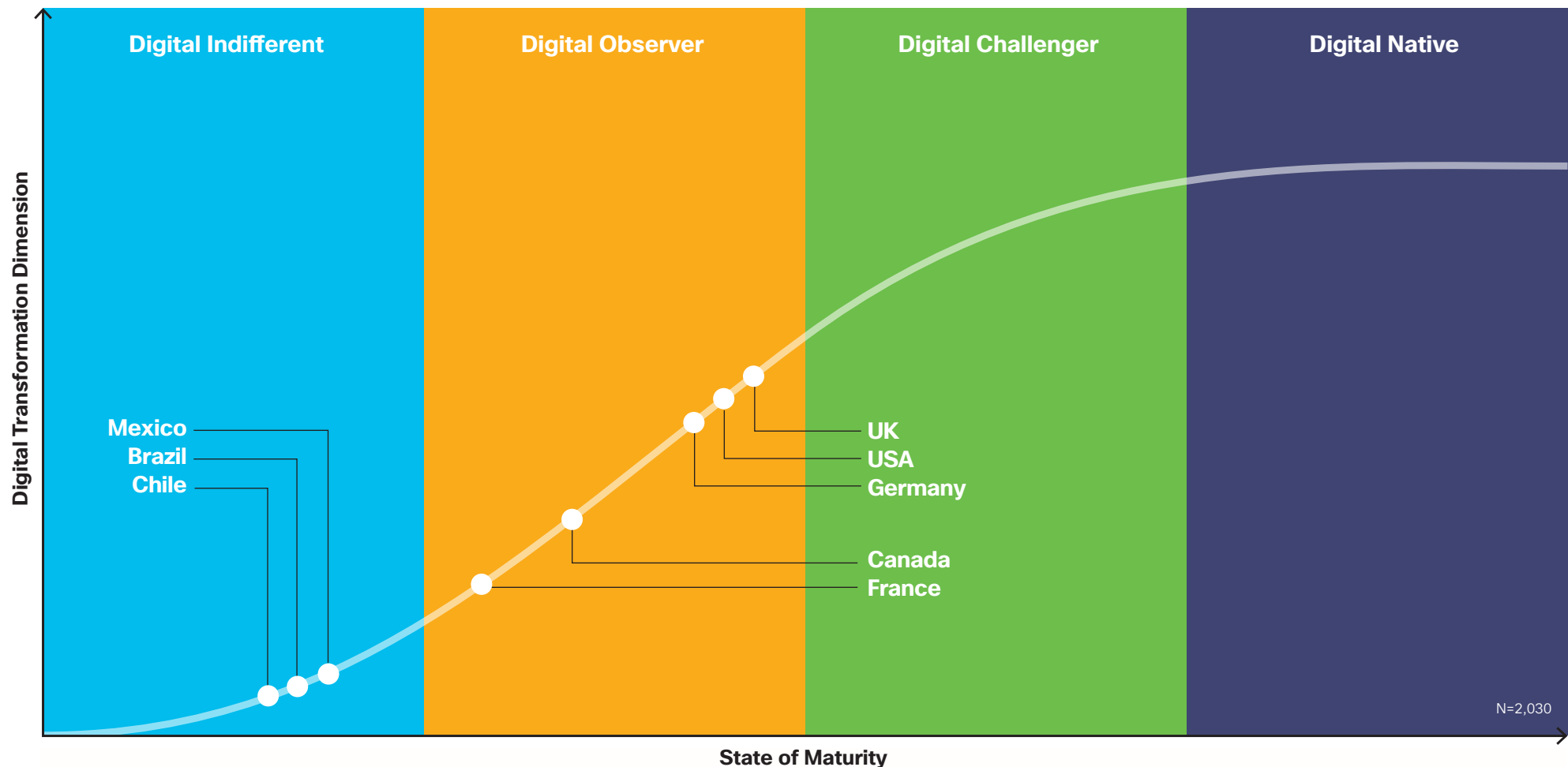


Source: Small Business Digitalization and COVID-19 Survey, June 2020

*Source: National statistics

Small Business Digital Maturity Snapshot of Eight of the World's Leading Markets

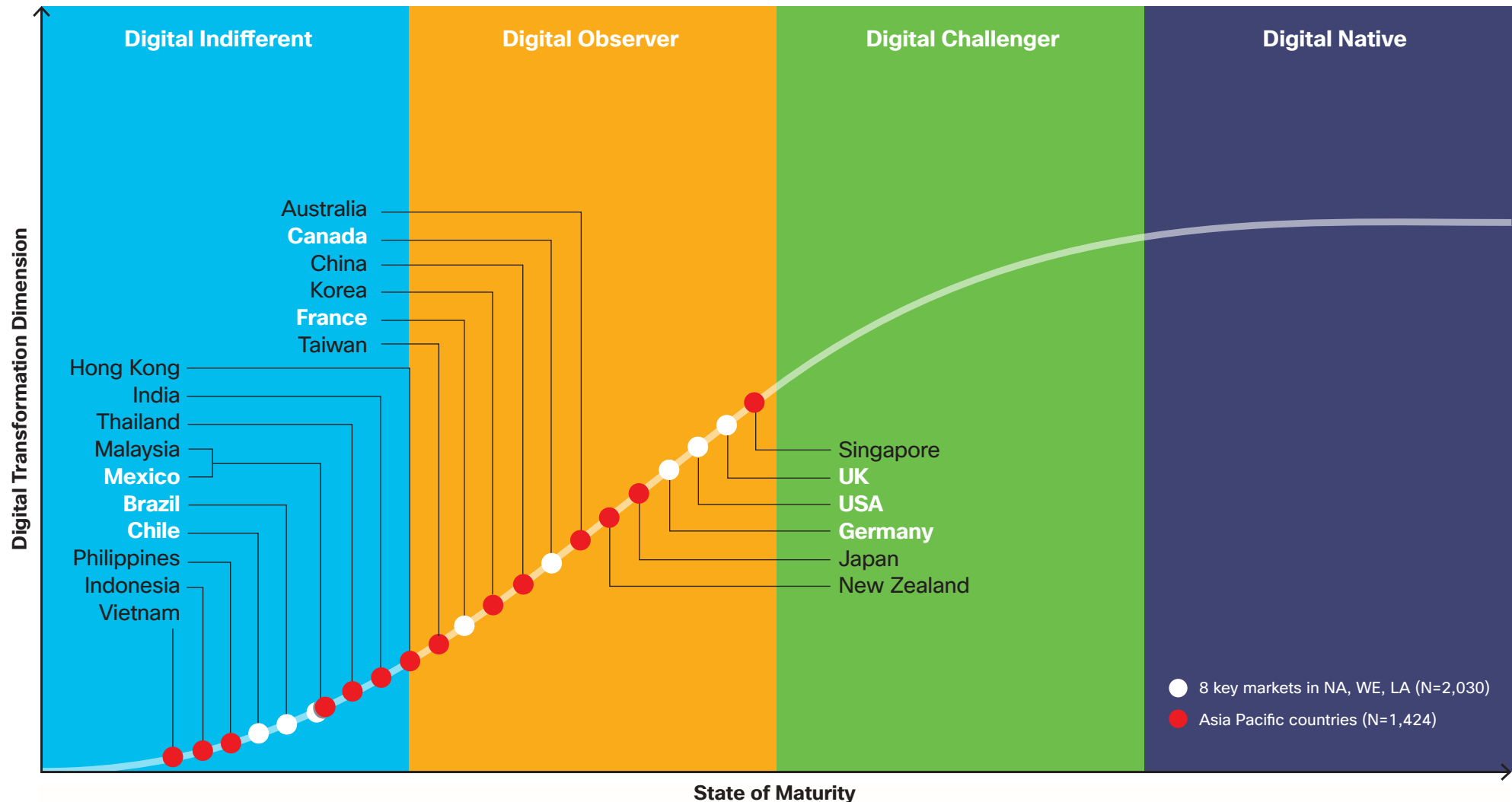
Small businesses in the United Kingdom, United States, and Germany have made the most progress in their digitalization journeys, followed by France and Canada, and Latin America trailing behind.



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Comparing the Eight Markets to Asia Pacific Countries

The majority of small businesses in North America and Western Europe are ahead of most of their peers in the Asia Pacific region in which a similar survey of more than 1,400 small businesses across 14 markets was conducted. Singapore stands out as the most digitally mature, followed by those in United Kingdom, United States, and Germany.

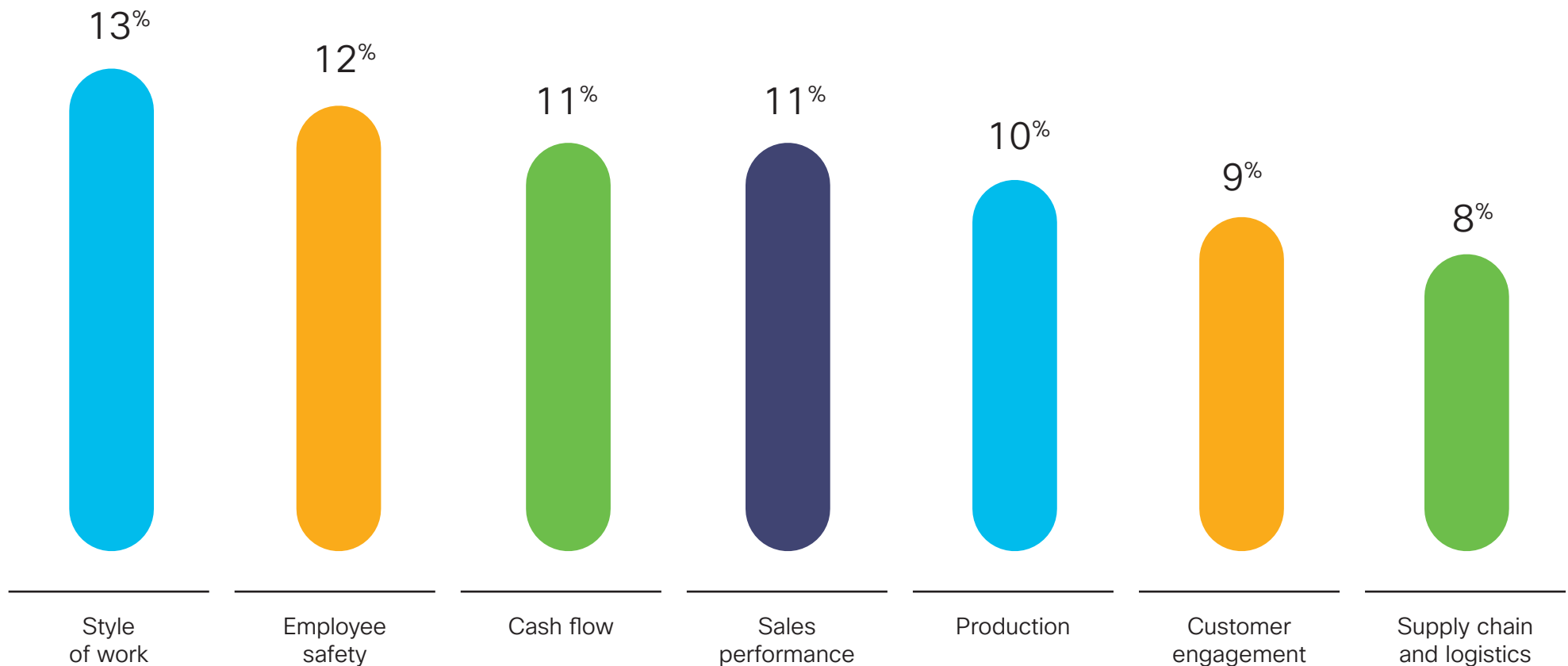


Source: Small Business Digitalization and COVID-19 Survey, June 2020

Small Businesses Grapple with COVID-19's Far-reaching Impact

The coronavirus crisis has impacted businesses on various fronts. Overall, a change to work styles head the list of greatest impact, followed by employee safety, cash flow, and sales.

Which of the following have been most impacted by COVID19? (Showing top 7)



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Small Businesses' Top Digitalization Priorities for the Months Ahead

As their overall top priority, small businesses across the regions are focused on digitalizing their business to improve their overall operations and service delivery, to achieve market growth and expansion, and to deliver better customer experiences. As their business stabilizes, small businesses are looking to introduce new products and services and develop better financial viability and predictability.

What are priorities for your company thinking about digitalization?

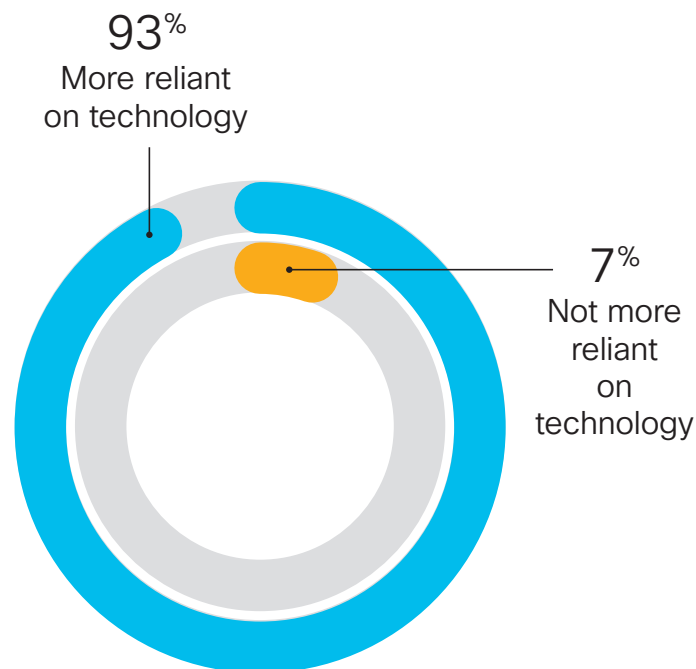


Source: Small Business Digitalization and COVID-19 Survey, June 2020

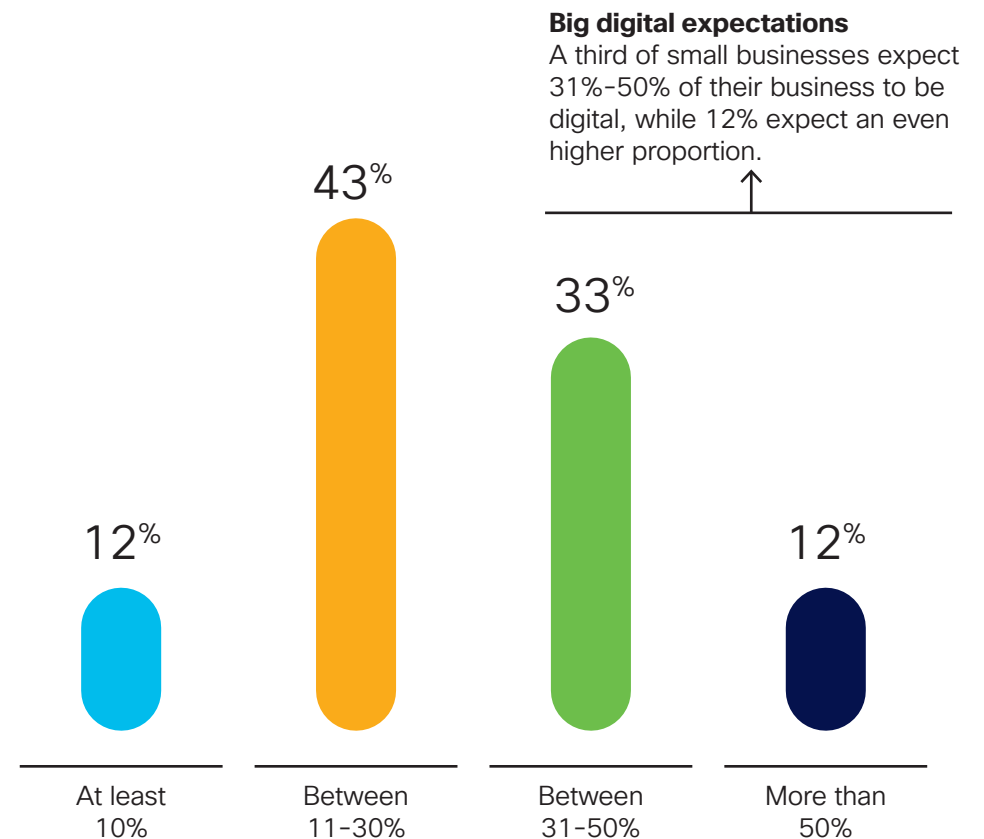
Technology Is Front and Center for the Future of Small Businesses

Almost all small businesses have become more reliant on technology as a result of this crisis. More than a third (43%) expect 11%–30% of their business to be digital by 2021, while an almost equal number (45%) have bigger ambitions.

Has COVID-19 made your company more reliant on technology?



Percentage of business to be digital by 2021

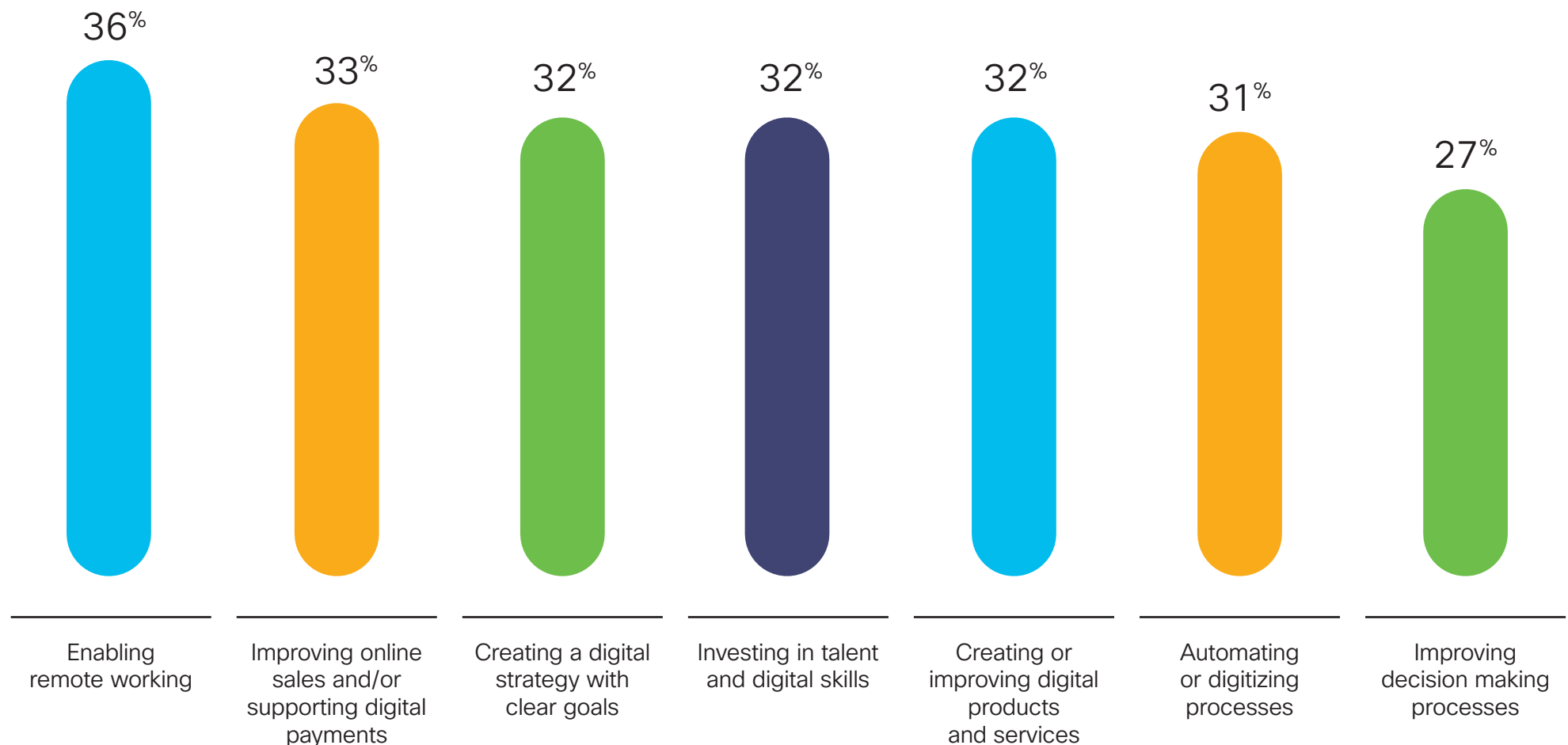


Source: Small Business Digitalization and COVID-19 Survey, June 2020

Small Businesses Focus on Building Business Resiliency

Investing in technologies that help employees work remotely is firmly at the top of small businesses' strategies to ensure organizational resilience, followed by adopting technologies to support digital payments and improve online sales. Other focus areas include creating a digital strategy and investing in talent and skills to create products and services to realize their digital ambitions.


























Top investment focus areas for the next 18 months to ensure organizational resilience



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Small Businesses Are Investing in Cloud, IT Infrastructure and Security to Enable Their Digitalization

In terms of technology priorities, small businesses plan to invest in cloud solutions as well as on-premises software and hardware infrastructure over the next 18 months. Recognizing the importance of protecting their businesses against growing cyberattacks, small businesses have security among their top 3 priorities. Customer experience and collaboration solutions rank among small businesses' top 5 investment areas, with the most mature small businesses prioritizing AI/Analytics to drive business competitiveness.

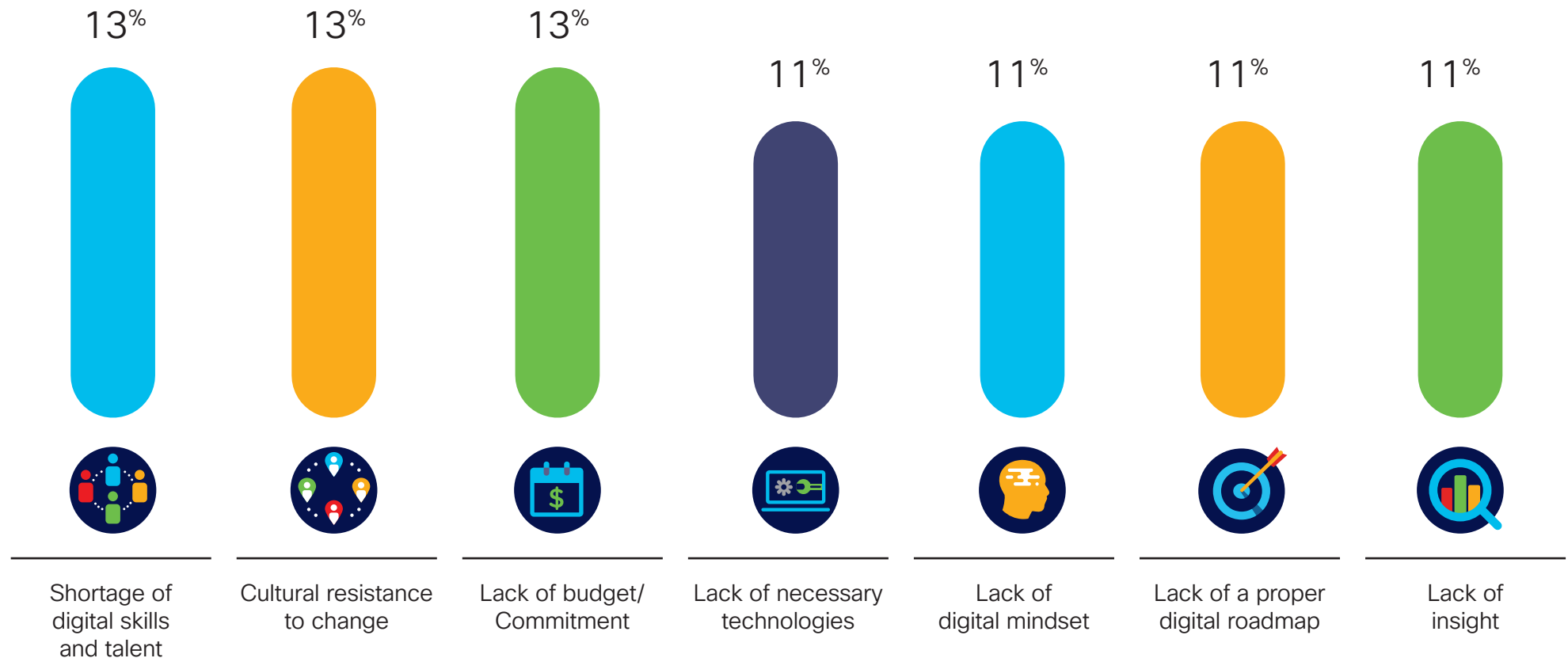
Rank	Overall	Digital Indifferent STAGE 1	Digital Observer STAGE 2	Digital Challenger STAGE 3	Digital Native STAGE 4
1	 Cloud solutions	 Cloud solutions	 Cloud solutions	 Cloud solutions	 Cloud solutions
2	 Purchase/Upgrade IT infrastructure hardware and software	 Purchase/Upgrade IT infrastructure hardware and software	 Purchase/Upgrade IT infrastructure hardware and software	 Security	 Security
3	 Security	 Security	 Security	 Purchase/Upgrade IT infrastructure hardware and software	 AI/Analytics
4	 Customer experience solutions	 Customer experience solutions	 Customer experience solutions	 AI/Analytics	 Purchase/Upgrade IT infrastructure hardware and software
5	 Collaboration solutions	 Collaboration solutions	 Collaboration solutions	 Customer experience solutions	 Collaboration solutions

Source: Small Business Digitalization and COVID-19 Survey, June 2020

Top Challenges in Small Businesses' Digital Transformation Journey

Lack of talent and digital skills is the top challenge for small businesses, followed by cultural resistance to change. Lack of budget and management commitment, and lack of necessary digital technologies and mindset are among the top 5 challenges faced by small businesses.

What are the biggest challenges in digital transformation? (Showing top 7)



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Small Businesses Seek the Right Partners to Overcome Their Digitalization Challenges

System integrators, ISVs and service providers/telcos are small businesses' preferred partners.

Top Partner Preferences

45%

of Latin American and

36%

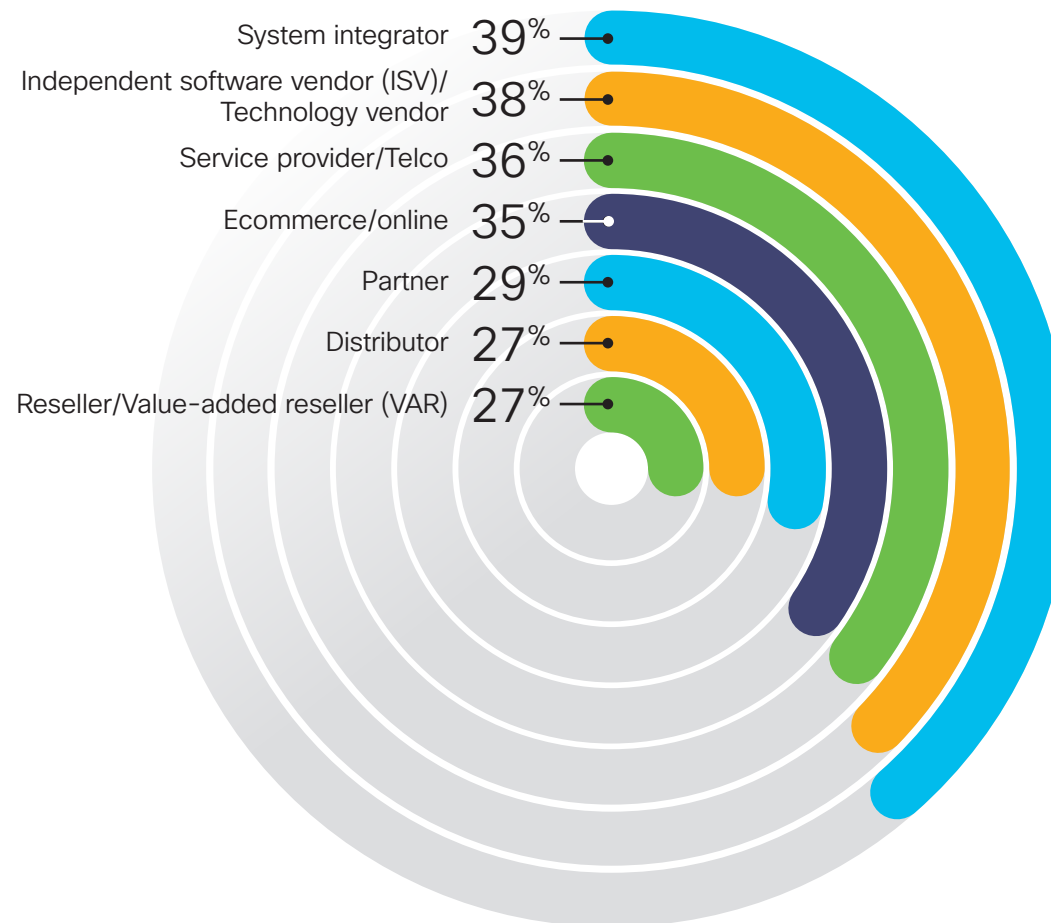
of Western European small businesses prefer to engage with system integrators.

Almost

half

of North American small businesses prefer independent software vendors (ISVs).

Sources of Information for Technology Investments



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Conclusion and Recommendations

The digital transformation journey for small businesses is an important one, and the stakes are high. Small businesses contribute to half of global GDP and two-thirds of the global workforce.

However, small businesses' ability to compete is under rising pressure from rapidly changing market conditions and evolving technologies, with 86% of small businesses strongly agreeing that “technology is changing the industry”. COVID-19 has accentuated the importance of technology, forcing small businesses to recognize that digitalizing is no longer an option but a necessity, and that accelerating their digitalization is key to becoming resilient and ensuring their future growth.

You don't have to be an expert in technology to transform your business. Here are seven steps to guide you in your journey towards becoming a digitally resilient small business.

Seven Steps to Become a Small Business Digital Challenger

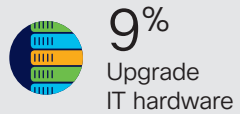


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Brazil

Aspirational GDP Additional Growth: **US\$9 Billion**

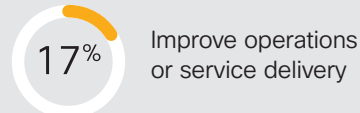
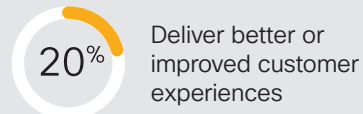
Technology Investments



Digitalization Challenges



Digitalization Priorities



Average of Eight Markets

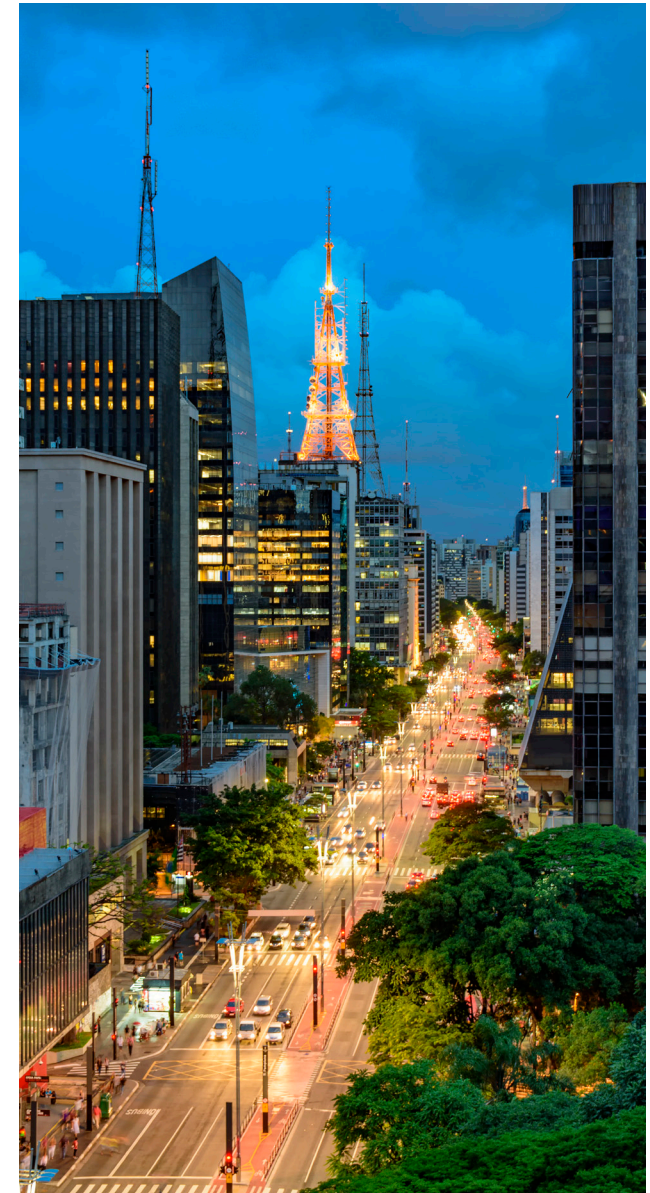
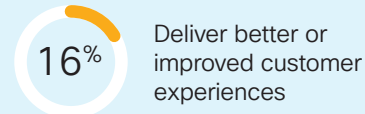
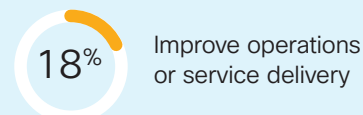
Technology Investments



Digitalization Challenges



Digitalization Priorities

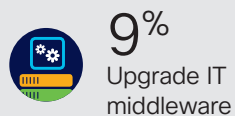


Source: Small Business Digitalization and COVID-19 Survey, June 2020

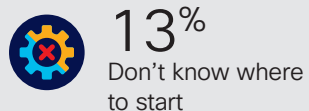
Canada

Aspirational GDP Additional Growth: **US\$53 Billion**

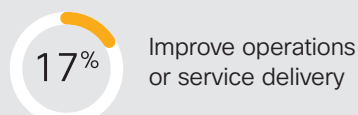
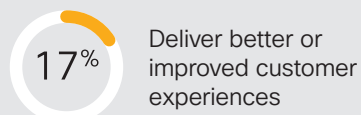
Technology Investments



Digitalization Challenges



Digitalization Priorities

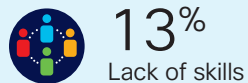


Average of Eight Markets

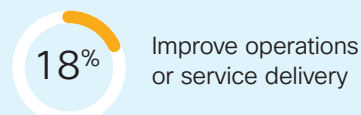
Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Aspirational GDP Additional Growth: **US\$3 Billion**

Technology Investments



15%
Cloud



11%
Upgrade
IT software



10%
Remote learning/
training

Digitalization Challenges



15%
Lack of commitment



14%
Lack of
digital mindset



13%
Lack of skills

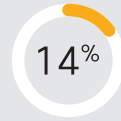
Digitalization Priorities



Market growth
and expansion



Improve operations
or service delivery



Improve finance
viability &
predictability

Average of Eight Markets

Technology Investments



12%
Cloud



10%
Upgrade
IT software



10%
Security

Digitalization Challenges



13%
Lack of skills



13%
Cultural resistance
to change

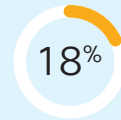


13%
Lack of commitment

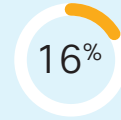
Digitalization Priorities



Improve operations
or service delivery



Market growth
and expansion



Deliver better or
improved customer
experiences

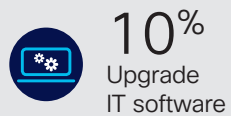


Source: Small Business Digitalization and COVID-19 Survey, June 2020

France

Aspirational GDP Additional Growth: **US\$208 Billion**

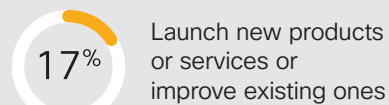
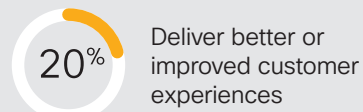
Technology Investments



Digitalization Challenges



Digitalization Priorities

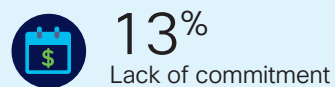


Average of Eight Markets

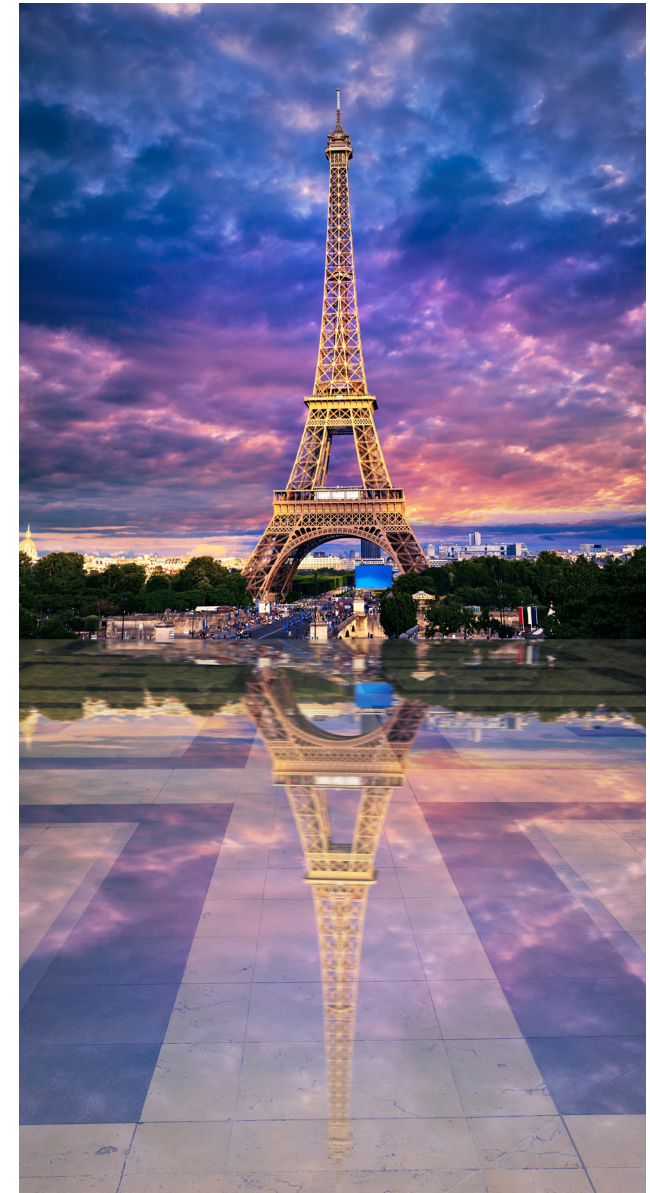
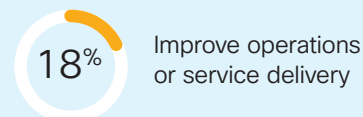
Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: Small Business Digitalization and COVID-19 Survey, June 2020

Germany

Aspirational GDP Additional Growth: **US\$387 Billion**

Technology Investments



Digitalization Challenges

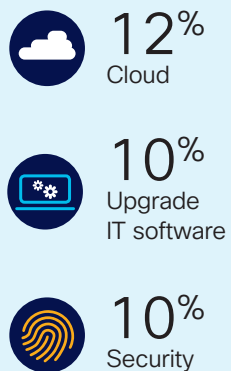


Digitalization Priorities



Average of Eight Markets

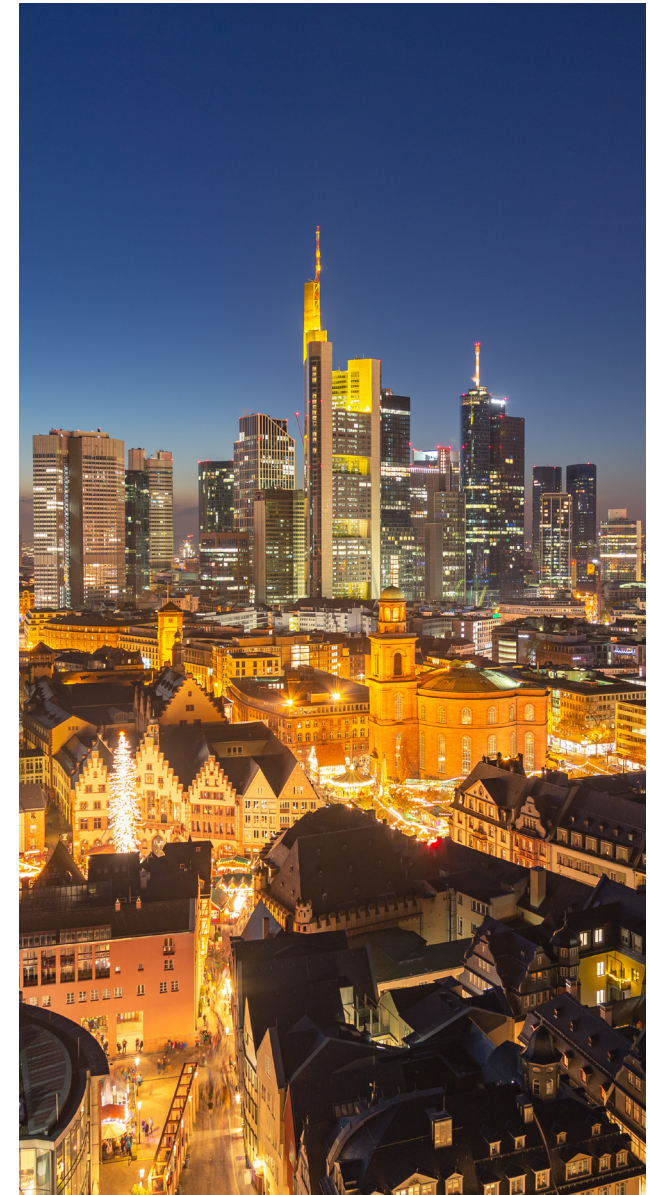
Technology Investments



Digitalization Challenges



Digitalization Priorities

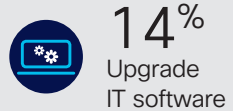


Source: Small Business Digitalization and COVID-19 Survey, June 2020

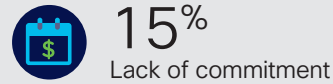
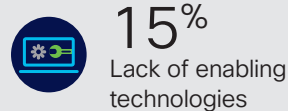
Mexico

Aspirational GDP Additional Growth: **US\$65 Billion**

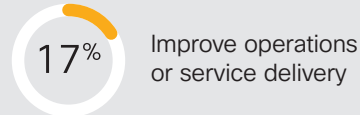
Technology Investments



Digitalization Challenges



Digitalization Priorities



Average of Eight Markets

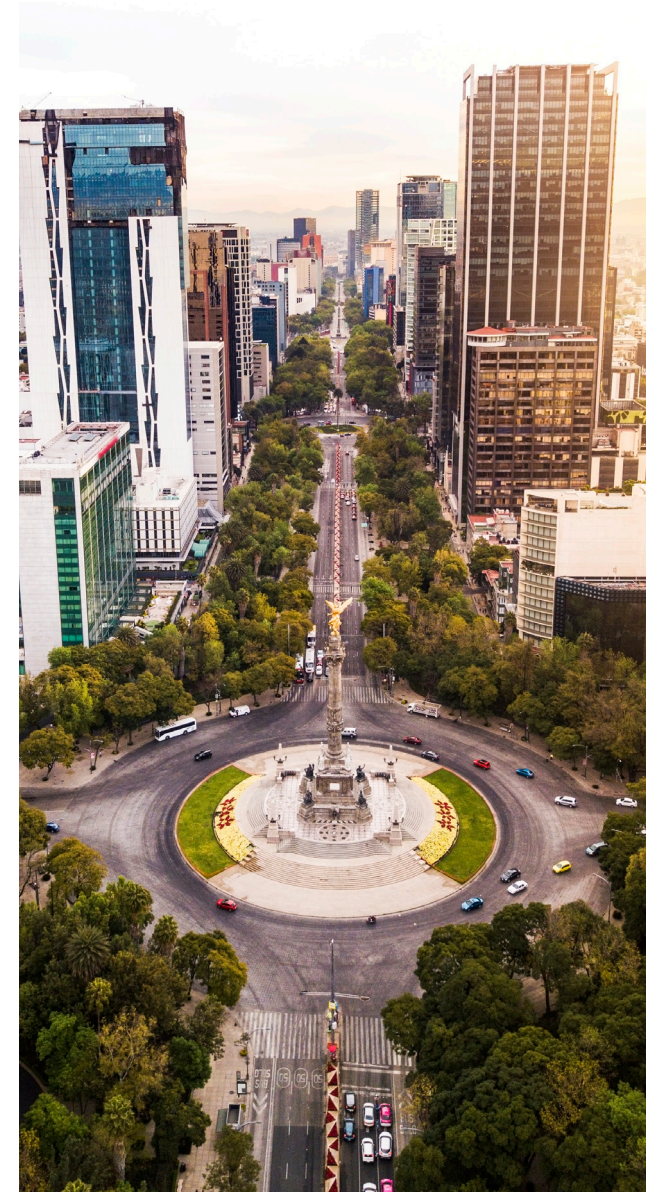
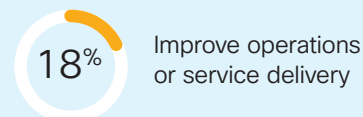
Technology Investments



Digitalization Challenges



Digitalization Priorities

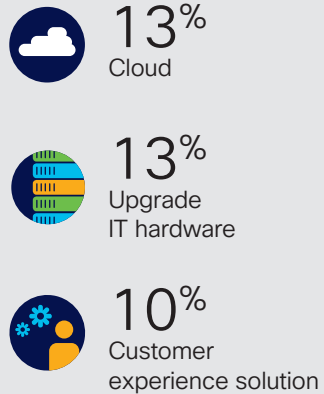


Source: Small Business Digitalization and COVID-19 Survey, June 2020

United Kingdom

Aspirational GDP Additional Growth: **US\$202 Billion**

Technology Investments



Digitalization Challenges

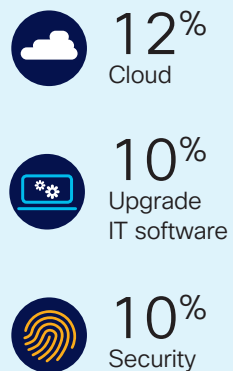


Digitalization Priorities



Average of Eight Markets

Technology Investments



Digitalization Challenges



Digitalization Priorities



Source: Small Business Digitalization and COVID-19 Survey, June 2020

United States

Aspirational GDP Additional Growth: **US\$1.37 Trillion**

Technology Investments



13%
Security



11%
Cloud



10%
Upgrade
IT hardware

Digitalization Challenges



13%
Lack of skills



13%
Lack of enabling
technologies

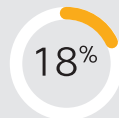


12%
Lack of insights

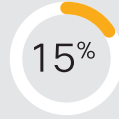
Digitalization Priorities



Improve operations
or service delivery



Market growth
and expansion



Deliver better or
improved customer
experiences

Average of Eight Markets

Technology Investments



12%
Cloud



10%
Upgrade
IT software



10%
Security

Digitalization Challenges



13%
Lack of skills

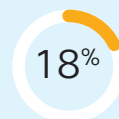


13%
Cultural resistance
to change



13%
Lack of commitment

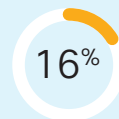
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