

FINDEX

Standing still is not an option

Australasian business study:
Digital transformation driven by
COVID-19

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Executive Summary

In March 2020, the business landscape in Australia and New Zealand irrevocably changed forever.

In the space of a few days, many businesses were forced to adopt distributed working arrangements and embrace digital and online communication tools to keep their businesses operational as restrictions and lockdowns gripped the two countries.

As restrictions begin to ease in many areas and some business owners navigate a return to normalcy, we wanted to understand how the rapid digital transformation brought on by COVID-19 is impacting business operations, and what the long-term ramifications to businesses in Australia and New Zealand may be.

Will business owners use the disruption caused by COVID-19 as an opportunity to rethink their business models and reshape the future of their operations and workforce forever?

While the necessarily sudden and rapid implementation of distributed working and technology may have created some initial challenges, overwhelmingly, it appears businesses will look to adopt more flexible and digitally enabled business models post-COVID-19.

Large organisations embrace distributed working

In large organisations with 1,000 or more employees, distributed working is expected to be integrated into everyday life with all businesses in this cohort saying they anticipated their employees would work from home at least some of the time once COVID-19 restrictions are lifted.

As the size of the business increases, so too does the level of technology adoption. Large organisations with 1,000 or more employees have wholeheartedly embraced digital tools with 95% of these businesses saying they will use online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time” post-COVID-19.

Small business struggling to adapt

It seems smaller businesses with less than 100 employees have been most impacted by COVID-19 restrictions and shut-downs. Our findings show this cohort is struggling to adapt to distributed working models.

Where small businesses have implemented distributed working models, they are less likely to see any productivity benefits and more likely to see decreases in productivity.

Additionally, more than half of the businesses with 50 employees or less that were surveyed, said once COVID-19 restrictions were lifted, they only intended to use technology and online tools to communicate with their employees and clients “Never”, “Rarely” or “Occasionally”. This is a surprising finding given the long-term behavioural and consumer changes the pandemic is likely to have. If these businesses don’t adapt to a new normal, they may struggle to survive in the next 12 months.

Business continuity planning increases adaptability

It appears business continuity planning is another area we found could have a significant impact on a business’ ability to adapt and respond.

Our findings showed businesses that didn’t have a Business Continuity Plan (BCP) or hadn’t sought out independent consulting support,

were more reluctant to implement distributed working and more resistant to permanently adopt technology that would enable them to regularly communicate and engage with their employees and clients post-COVID-19.

We also found organisations that had received consulting support and had a BCP were more likely to see positive increases to productivity and minimise any negative impacts than those without may be experiencing.

Unfortunately, it seems the businesses that could most benefit from business continuity planning are also the ones that are least likely to seek it. More than half of small businesses with 50 or less employees did not have a BCP to help them navigate the disruption.

As second waves of infection hit areas of Australia, the road ahead isn’t going to get any easier for a lot of businesses. And with government support and funding still available to eligible business owners in Australia and New Zealand, there is simply no reason why business owners shouldn’t be reaching out to seek the support they need to navigate this period, before this funding is wound down.

There’s a popular Chinese proverb that says, “The best time to plant a tree was 20 years ago. The second-best time is now.” It’s not too late for your business to identify its key risk areas and work through the various financial scenarios and key strategic options you need to make to survive.

Swift and sharp decisions will need to be made over the next 12 months and your business needs to know how or where to pivot. Getting the right advice and support now can help you make the tough decisions and prepare your business to be in the best position to respond and accelerate when conditions improve.

Breakdown of survey participants

In May to June 2020, Findex surveyed 280 businesses across Australia and New Zealand.

To understand how sentiments around digital transformation varied, we asked survey respondents to identify the country their SME operated in, the number of employees in their business, and how long the business had been operating for.

Country of Business

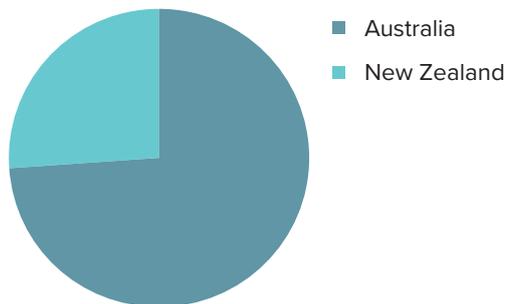


Figure 1: Country of business

Size of Business

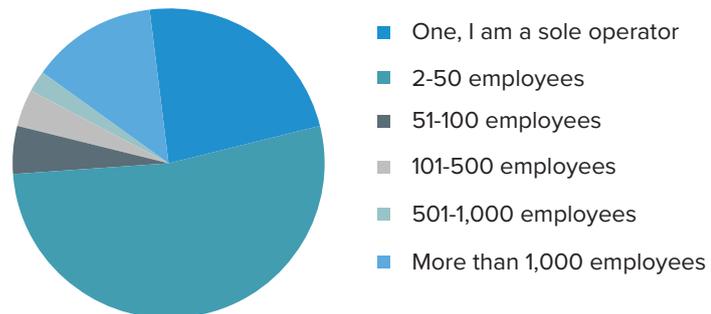


Figure 2: Size of business

Age of Business

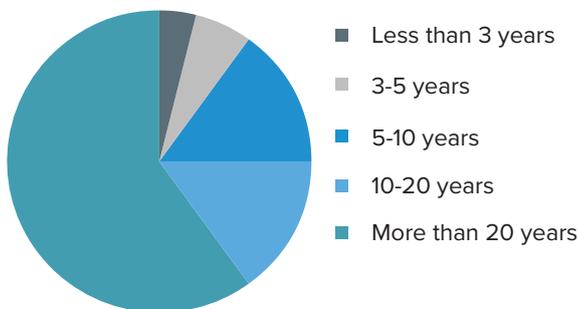


Figure 3: Age of business

The majority of survey responses (74%) came from Australian business owners but, despite the smaller sample size, New Zealand businesses displayed similar trends and responses across the board as their Australian counterparts.

Throughout Australia and New Zealand, 74% of businesses surveyed are small businesses with 50 employees or less, with sole operators making up 22% of this cohort, 13% of responses came from large businesses with 1,000 or more employees.

We found 60% of the businesses surveyed have been operating for more than 20 years so, it's safe to say, COVID-19 is not their 'first rodeo'. A further 30% of businesses surveyed had been operating between five and 20 years.

In total, 90% of the businesses surveyed have been operating for five years or longer, indicating they are well established. Consequently, this report will provide valuable insight into the changing behaviours of long-standing businesses with established processes and highlight any differences in their response and ability to adapt based on factors such as business size and use of business resilience advice.

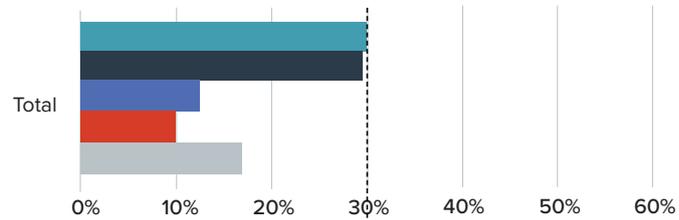
COVID-19's impact on distributed working

COVID-19 forced many businesses to change the way they work almost overnight. As restrictions hit and communities went into lockdown, many were forced to suddenly embrace distributed working models to keep their businesses operational.

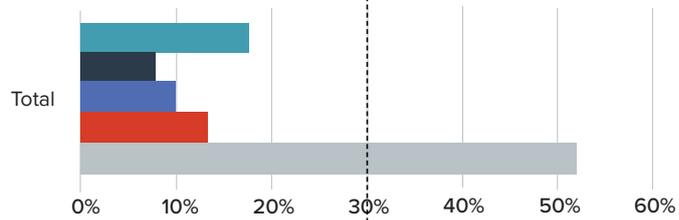
While the necessarily sudden and rapid implementation of distributed working created some initial challenges, we were interested to understand if businesses would use the disruption as an opportunity to rethink their business models and reshape the future of their operations and workforce forever.

To gain this insight, we asked survey respondents to tell us how often their employees worked from home before COVID-19, during COVID-19 and after COVID-19.

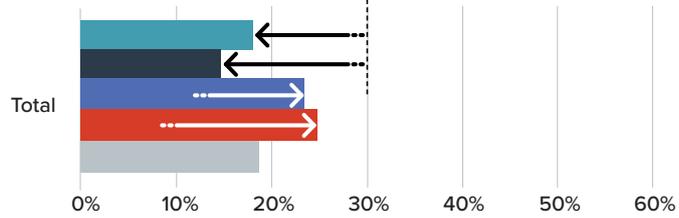
Before COVID-19



During COVID-19

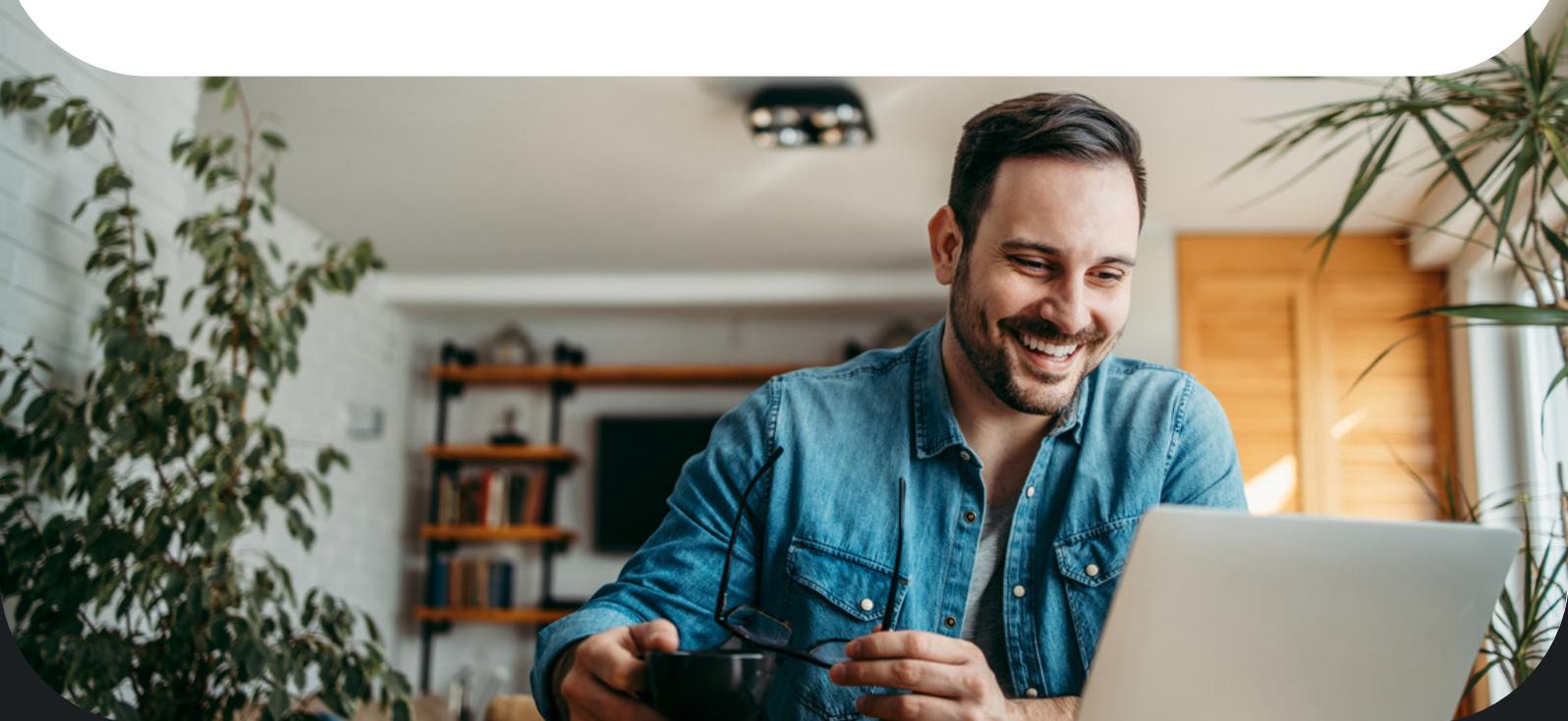


After COVID-19



■ Never
 ■ Rarely
 ■ Occasionally
 ■ Regularly
 ■ Most or all of the time

Figure 4: Overall frequency of distributed working



Overall, we found a shift in sentiment around working from home with distributed working and flexible working arrangements expected to become more prevalent post COVID-19.

Interestingly, there has been little movement in employees who work from home “Most of or all of the time” pre- and post-COVID-19. The most significant shift is for the almost 60% of employees who “Never” and “Rarely” worked from home prior to COVID-19. After COVID-19, this has shifted to almost 50% of employees working from home “Occasionally” or “Regularly” and a further 18% working from home “Most or all of the time”.

This suggests that, despite initial challenges, employers and employees alike have embraced the rewards of distributed working and COVID-19 has likely accelerated the advancement of flexible work by decades.

In large businesses with more than 1,000 employees, the shift to a distributed workforce model is even more significantly pronounced. Working from home has been enthusiastically embraced by these businesses and is expected to be integrated into everyday life post COVID-19. All businesses in this cohort said they anticipated their employees would work from home at least some of the time once COVID-19 restrictions are lifted.

This finding strongly aligns with Findex’s own experience and newly discovered distributed workforce model. Flexible working arrangements are quickly becoming a mainstream reality and will continue to exist in a post pandemic world. Over the coming weeks and months, we expect to see more companies follow our lead and look to adopt a hybrid model - blending remote teams with in-office ones.

COVID-19 has provided business owners the opportunity to reset and finally build a culture that allows long-overdue work flexibility. With the right infrastructure, a supporting culture, purposeful leadership and high levels of trust, the previous bias associated with remote working can be successfully reimaged.

Distributed working embraced by large businesses

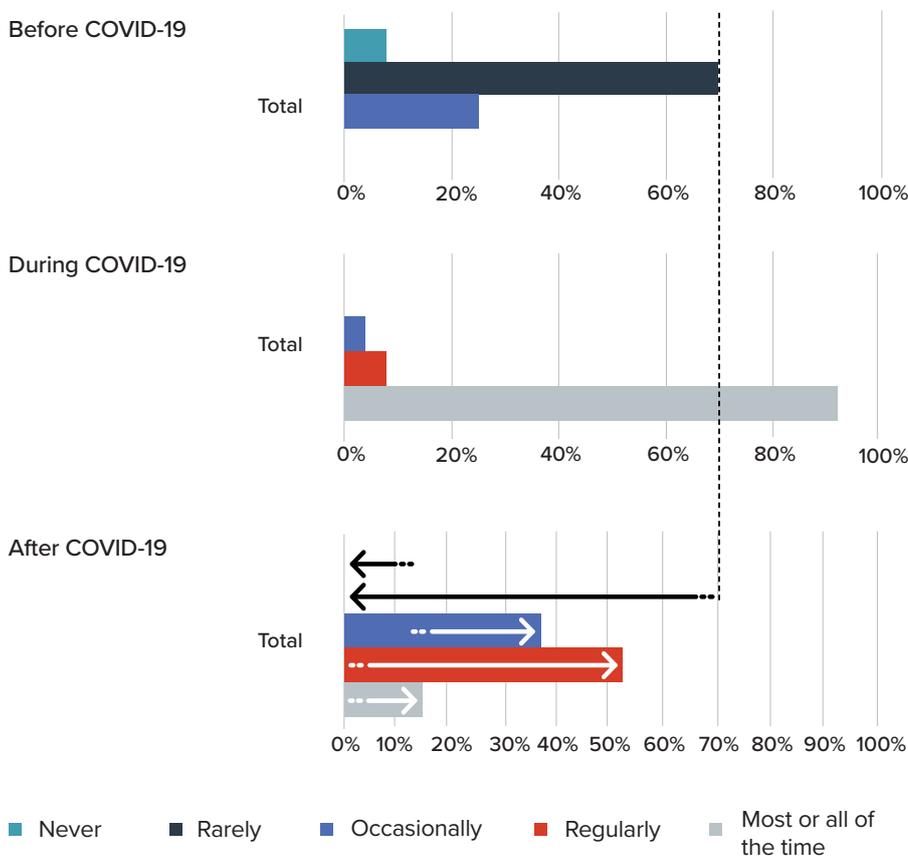


Figure 5: Frequency of distributed working in large businesses

Business continuity planning increases uptake of distributed working

We asked survey participants to tell us if they had developed a Business Continuity Plan (BCP) to help them navigate the impacts they experienced from COVID-19. Additionally, we asked if they had received any external support such as independent consulting or government support to help them through this period.

We found a reluctance to implement distributed working in businesses that did not have a BCP or hadn't sought out independent consulting support. Organisations that had a BCP and had received independent consulting support were far more likely to embrace distributed working after COVID-19 restrictions have lifted.

It's evident that business resilience has been a strategic driver for remote working as it helps best position organisations to effectively recover from interruptions and maintain productivity. It is no surprise that the positive sentiment around distributed working is more prominent in businesses with a BCP.

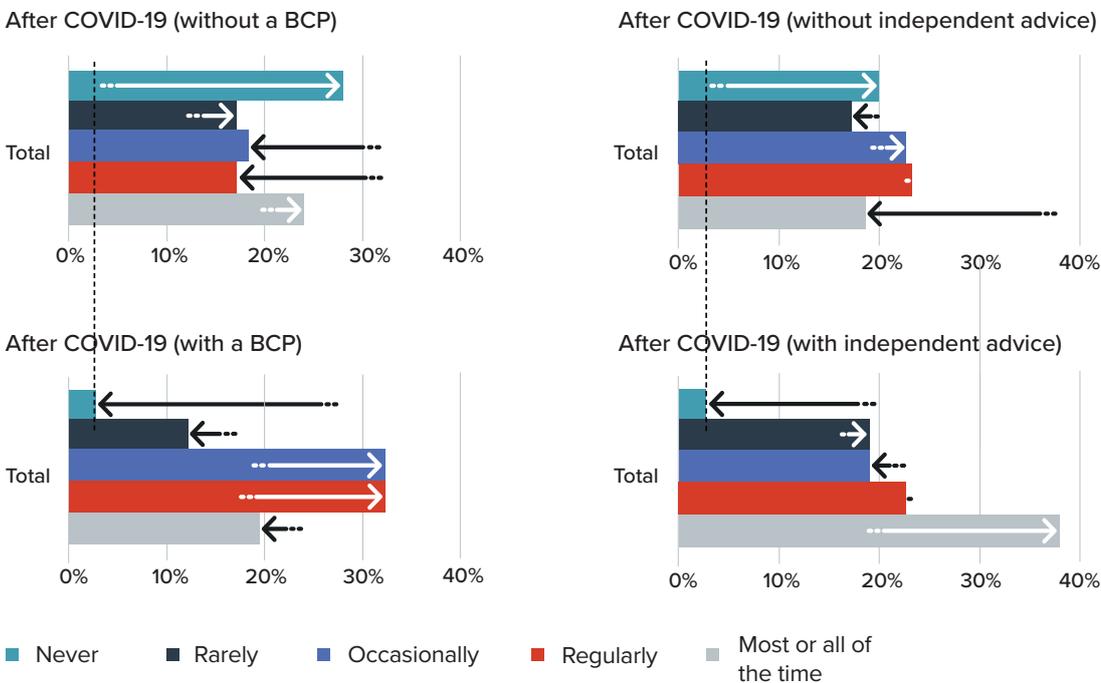


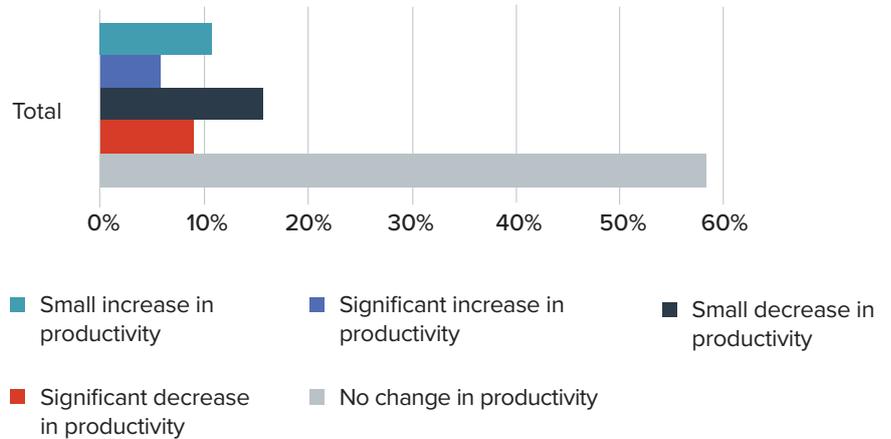
Figure 6: Impact of BCP and independent advice on frequency of distributed working

Productivity impacts of distributed working

For many businesses, distributed working is still uncharted waters. While it has been a feature of futurists' reports for decades now, many organisations have resisted implementing and, in some cases, even considering a truly flexible working model.

But COVID-19 changed all that. With a few days' notice, businesses across Australia and New Zealand sent home staff and closed their offices, redeploying their employees to work from home, wherever possible.

Seeking to understand how productivity might be impacted under a distributed working model, we asked survey respondents to tell us if they've noticed any change to employee productivity since COVID-19 restrictions were implemented.



Almost 60% of businesses we surveyed reported no change in employee productivity under a distributed working model, but we saw a slight skew towards decreases in productivity overall. This suggests, while distributed working has had a minimal impact on productivity overall, a quarter of the businesses we surveyed are struggling to adapt their workforces to remain productive.

Figure 7: Overall changes in productivity from distributed working

Large businesses more likely to increase productivity through distributed working

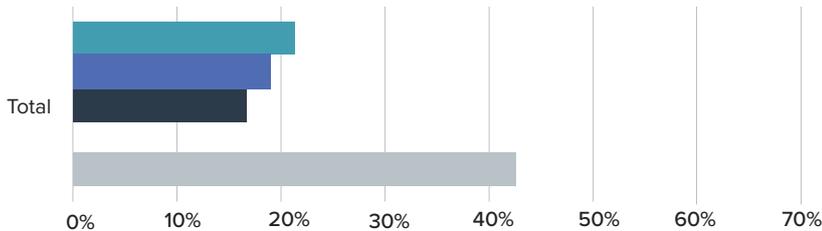


Figure 8: Changes in productivity for large businesses

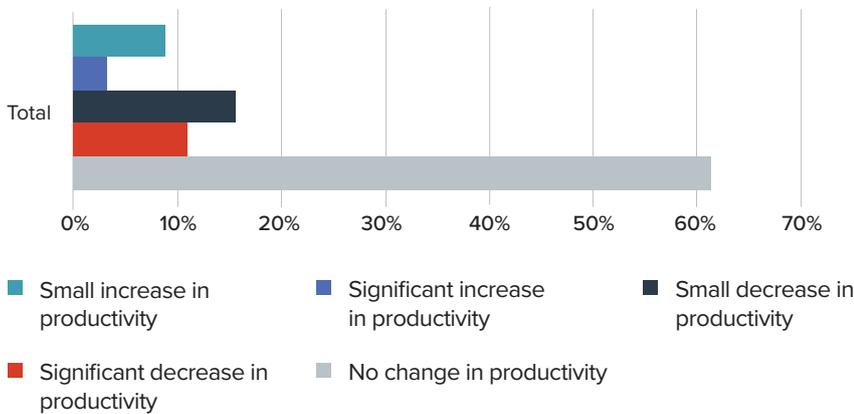


Figure 9: Changes in productivity for small businesses

Medium to large businesses with 500 or more employees are more likely to see increases in productivity from distributed working than smaller businesses with less than 500 employees.

While 43% of businesses with 500 more employees saw no change in productivity, 30% saw a “Small increase in productivity” or “Significant increase in productivity” from distributed working. Only 17% reported seeing a “Small decrease in productivity”.

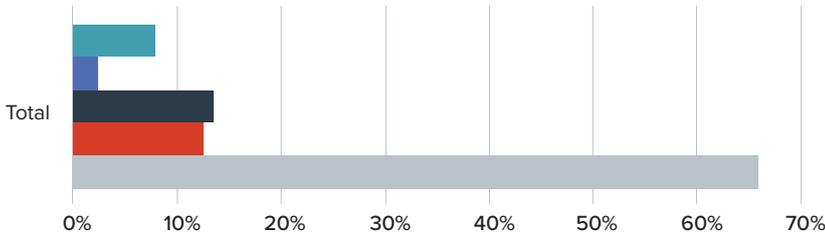
Small to medium businesses with less than 500 employees were less impacted overall with 61% reporting no change to productivity. However, where there was a change in productivity, it was more likely to decrease.

This is probably due, in part, to larger businesses being more likely to have already made the investment in hardware, systems and tools that would enable a rapid shift to a distributed working model when COVID-19 restrictions were implemented.

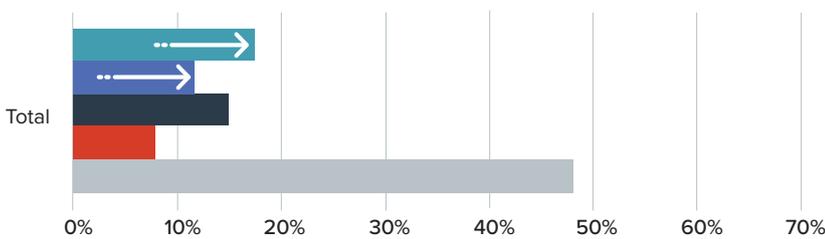
Many smaller businesses that have not made the investment or those that deliver services requiring physical shopfronts to be operational, have struggled to adapt and consequently, felt the full productivity impacts of the COVID-19 restrictions on their businesses.

Business continuity planning increases productivity

Productivity impacts for businesses without a BCP



Productivity impacts for businesses with a BCP



- Small increase in productivity
- Significant increase in productivity
- Small decrease in productivity
- Significant decrease in productivity
- No change in productivity

Figure 10: Impact on productivity from having a BCP

Overall, we found having and implementing a Business Continuity Plan can minimise negative impacts to productivity and even lead to positive increases.

While organisations without a BCP were more likely to report seeing no change in productivity, they were also far less likely to see any increases in productivity with only 9% reporting a “Small increase in productivity” or “Significant increase in productivity”.

Conversely, 31% of organisations with a BCP reported seeing a “Small increase in productivity” or “Significant increase in productivity”.



COVID-19's impact on technology adoption

When COVID-19 restrictions were implemented, businesses around the globe were forced to rapidly pivot to online channels and technology such as social media, video conferencing and web platforms to keep communicating with their employees and customers.

As the physical world shut down, the digital economy went into overdrive. Shopify, the internet's largest e-commerce platform, reported a 47% increase in sales compared to the same quarter a year ago as retailers moved from point of sale to online stores to keep their businesses operational.¹

Seeking to understand the long-term ramifications of the sudden technology adoption businesses were forced to undertake, we asked survey participants to tell us how much they used online channels and technology to keep communicating with their employees and customers before COVID-19, during COVID-19 and after COVID-19.

Prior to COVID-19, 73% of businesses said they used online channels and technology to communicate with their employees and customers "Never", "Rarely" or "Occasionally". In a post COVID-19 climate, this percentage dropped substantially to 43%, with 58% saying they will use online channels and technology to communicate with their employees and customers "Regularly" or "Most or all of the time".

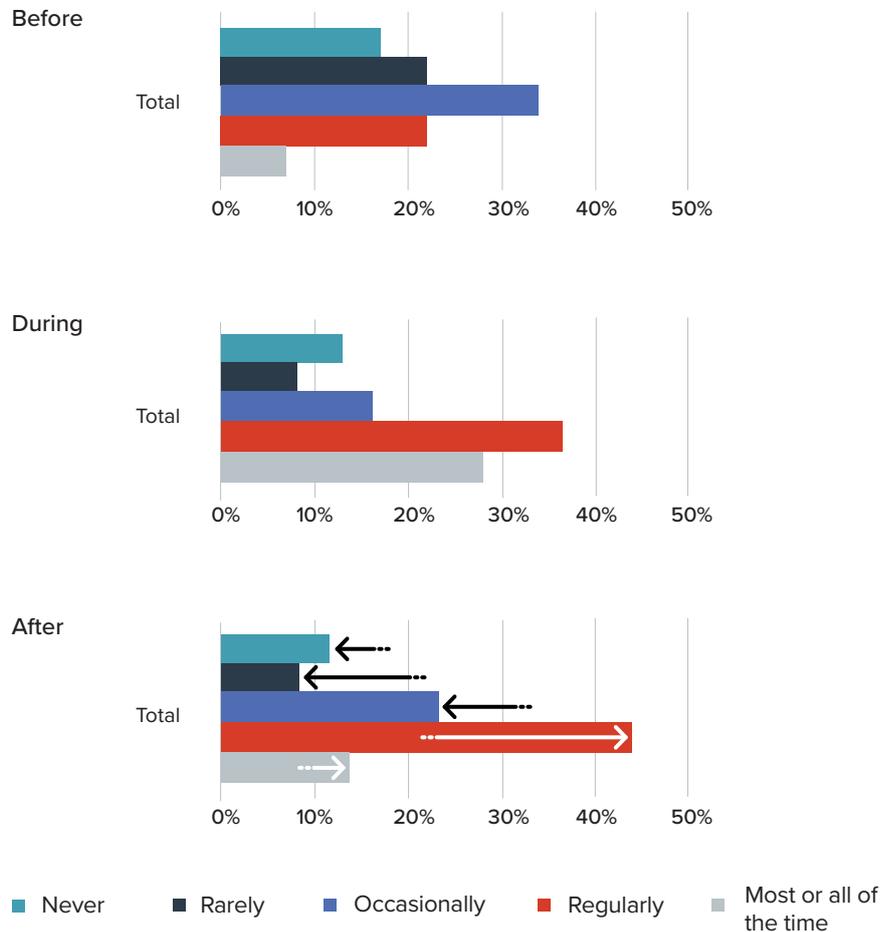


Figure 11: Changes in use of online channels and technology

¹ <https://www.digitalcommerce360.com/2020/05/07/shopifys-sales-surge-shows-merchants-are-adapting-operations-to-survive-coronavirus/>

Technology adoption increases with business size

As the size of the business increases, so too does the level of technology adoption. In medium to large organisations, this finding was further pronounced with a significant shift towards wider use of technology among this cohort.

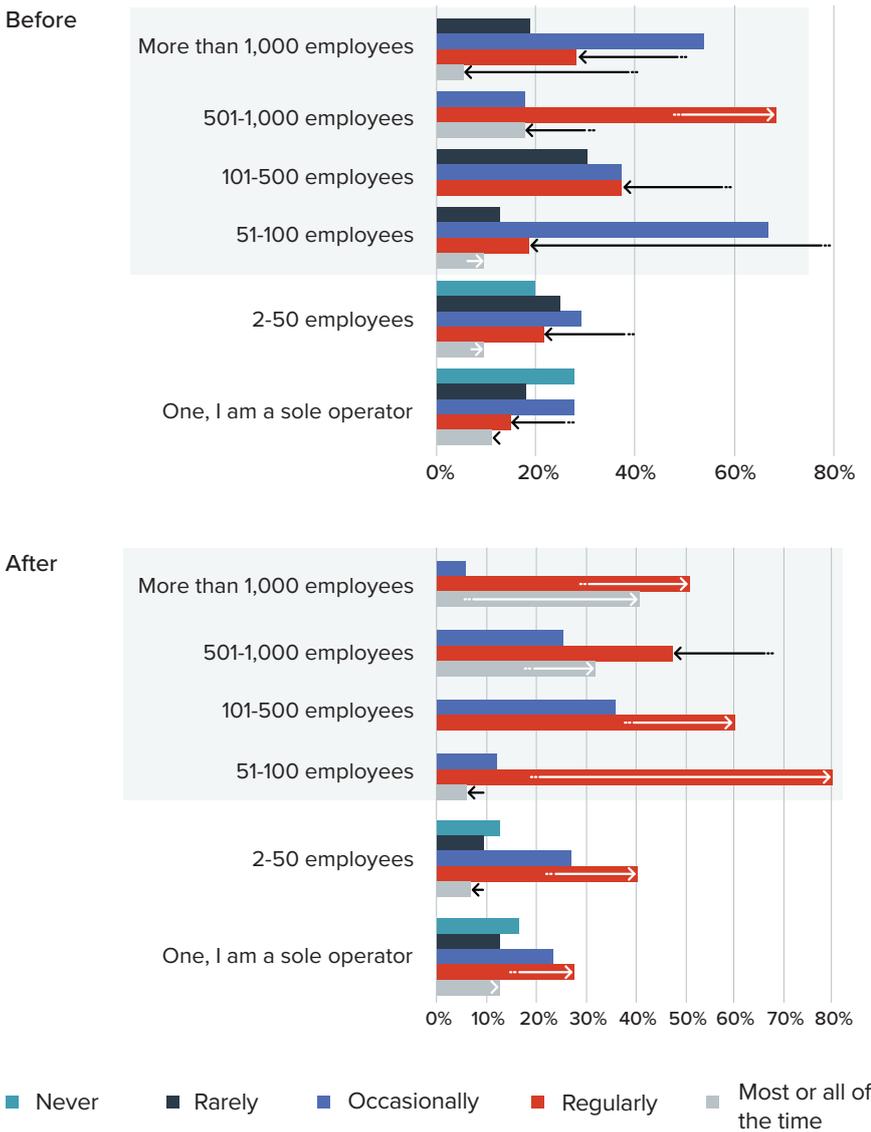


Figure 12: Impact of business size to changes in use of online channels and technology

Prior to COVID-19, only 25% of businesses with 51-100 staff used online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time”. After COVID-19, almost 90% now anticipate they will use online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time”, an increase of over 60%.

Large organisations with 1,000 or more employees have embraced digital tools even more with 95% of the businesses we surveyed saying they will use online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time”.

Again, this finding matches the experiences of Findex itself as a business. Since COVID-19 restrictions were implemented, Findex has deployed several digital tools that have helped us continue operating and delivering services to our clients. While the necessarily sudden and rapid implementation of these tools created some initial challenges, these have been increasingly outweighed by some notable operational improvements, including:

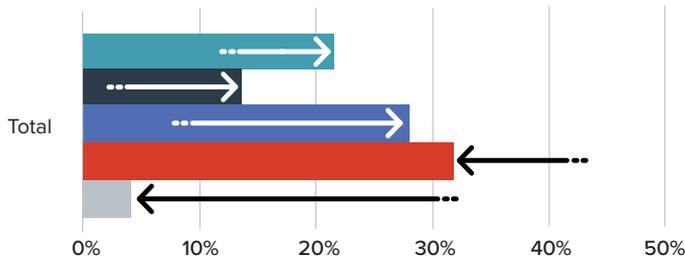
 A positive environmental impact – in 30 days alone, our staff and clients helped us save 189 trees worth of paper!

 Improved servicing speed and faster turnaround on completion of client work – in the month of June, we sent 58,564 documents digitally to 3,266 clients with 92% signed within seven days!

 Significant savings for clients in relation to cost and effort required for printing and mailing.

Reluctance to adopt technology without a Business Continuity Plan

Use of online channels and technology after COVID-19 (without a BCP)



Use of online channels and technology after COVID-19 (with a BCP)

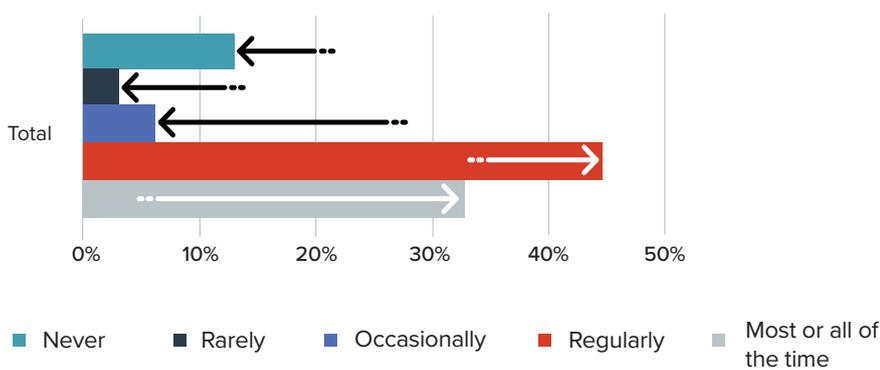


Figure 13: Impact of BCP on how frequently businesses use online channels and technology

Across the board, we found a reluctance to adopt technology in businesses that do not have a BCP.

Only 36% of businesses without a BCP indicated they will continue to use online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time” after COVID-19. Alarming, 36% of this cohort also indicated they will “Never” or “Rarely” use online channels and technology to communicate with their employees and customers after COVID-19.

This contrasts significantly against businesses with a BCP. More than three quarters of this cohort indicated they will continue to use online channels and technology to communicate with their employees and customers “Regularly” or “Most or all of the time” after COVID-19.

The stark contrast in these findings is somewhat unsurprising. A BCP is a tool that will help your business know how or where to pivot. By identifying the key risk areas in your business and working through the various financial scenarios and key strategic options available to you, a BCP helps to prepare your business to make the decisions it needs to at speed, so you can survive a crisis.

Business confidence and outlook

The COVID-19 pandemic has come at a high economic cost for Australia and New Zealand with both countries now in recession – the first for New Zealand in ten years and the first for Australia in 30 years.

The economic blow to business and consumer confidence has been substantial. Yet, economists remain cautiously optimistic with the Reserve Bank of Australia noting, “leading economic indicators suggest the worst of the storm might have passed for the global economy.”

To better understand how Australasian business owners perceived the economic outlook, we asked survey participants to tell us the impact COVID-19 restrictions and shut-downs have had on their business and what the impact to their confidence has been.

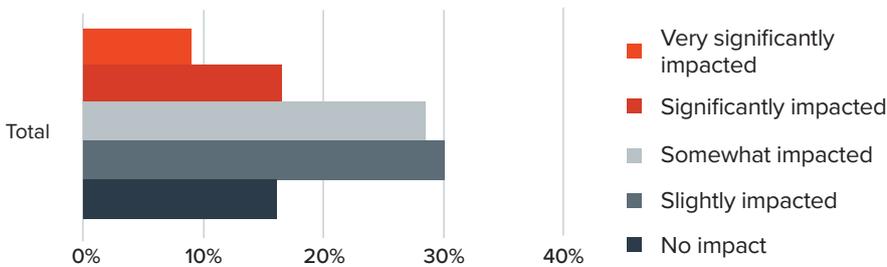


Figure 14: Impact to business' ability to carry on business as usual

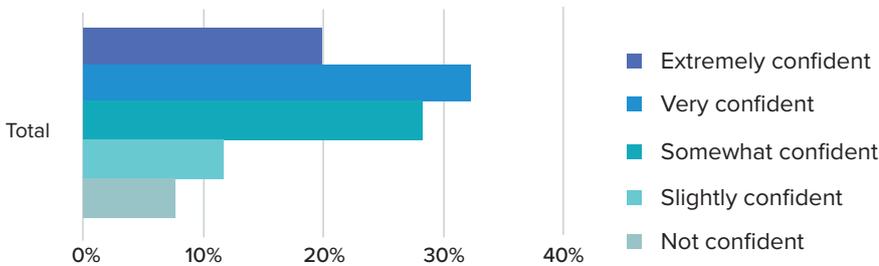


Figure 15: Confidence in ability to return to business as usual

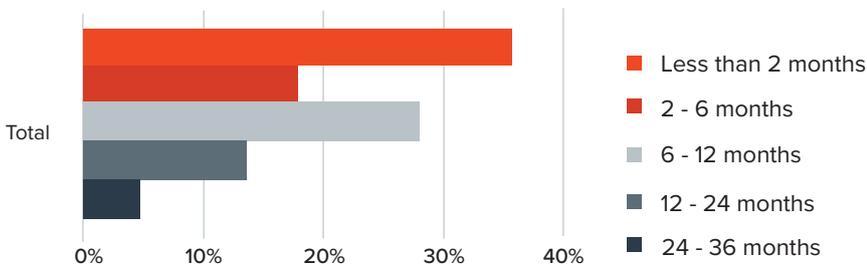


Figure 16: Estimated time for business to return to business as usual

Overall, we found business owners across Australia and New Zealand have a generally positive outlook on their business' future and ability to recover.

Almost half of the business we surveyed said the COVID-19 restrictions and shut-downs had “No impact” or only “Slightly impacted” their ability to carry on business as usual. Another 30% felt they had been “Somewhat impacted” with a quarter of businesses saying their business' ability to carry on business as usual had been “Significantly impacted” or “Very significantly impacted”.

Across the board, business owners are feeling healthy levels of confidence their business will be able to carry on business as usual once restrictions and shut-downs have lifted. 80% of survey participants said they were “Extremely confident”, “Very confident” or “Somewhat confident” about their business being able to return to business as usual, with 36% saying their business would take less than two months to do so. More than 80% of survey participants estimated their business would return to business as usual within 12 months.

Smaller businesses most impacted and more pessimistic

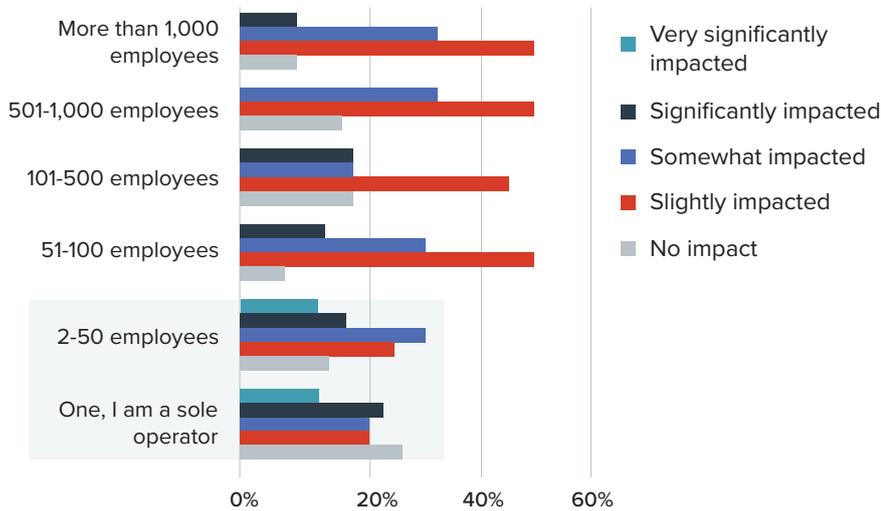


Figure 17: Impact to business' ability to carry on business as usual by business size

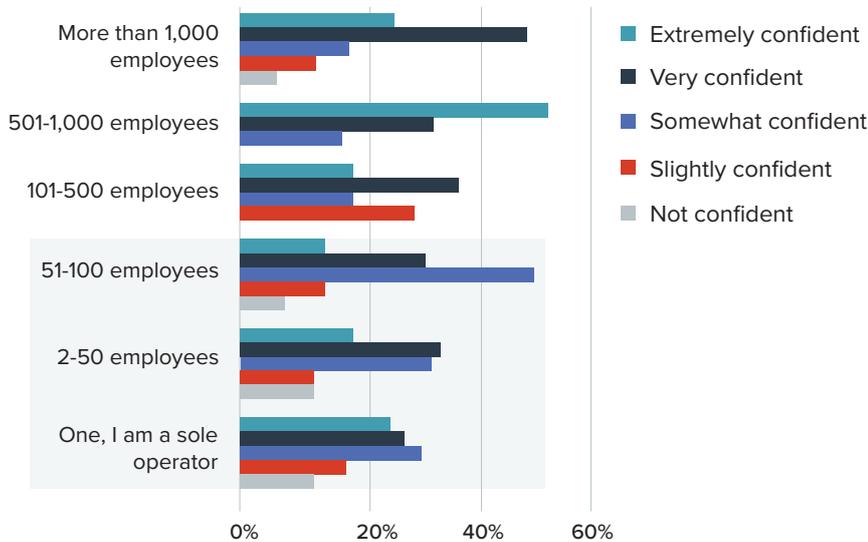


Figure 18: Confidence in ability to return to business as usual by business size

When we delve a bit further into the data, our survey shows smaller businesses with less than 50 employees are feeling the most pain and have been most impacted by the COVID-19 restrictions and shut-downs.

More than 60% of this cohort said their business' ability to carry on business as usual had been "Very significantly impacted", "Significantly impacted" or "Somewhat impacted" by COVID-19 restrictions. In contrast, almost 60% of organisations with more than 1,000 employees said their business' ability to carry on business as usual had only been "Slightly impacted" or there had been no impact.

It's therefore unsurprising that smaller businesses have a more pessimistic outlook on their ability to return to business as usual than larger organisations. Over half of the organisations with less than 100 employees that we surveyed said they were "Somewhat confident", "Slightly confident" or "Not confident" their business would return to business as usual after COVID-19 restrictions had lifted.

Conclusion

John F. Kennedy is famous for being quoted as saying, “When written in Chinese, the word ‘crisis’ is composed of two characters - one represents danger and one represents opportunity”. The COVID-19 pandemic is precisely this crisis for many Australian and New Zealand businesses.

While COVID-19 may have forced us to change the way we work and deliver our services almost overnight, it has also provided us with the opportunity to transform our thinking about how we can build a service environment and operating structure that keeps clients and employees safe, meets the needs and expectations of our workforce, and is fit for the future.

For Findex, our own example of this comes in the form of a newly discovered distributed workforce model.

We recently made the decision to transition our 3,000 employees across Australia and New Zealand to a ‘remote first’ operating model - blending remote teams with in-office ones – to provide employees and clients ‘the best of both worlds’.

Our new flexible working model will see small teams rotating in and out of Findex locations to service clients while the majority of employees will continue to work remotely.

It supports an internal Findex survey, which showed 88% of employees wanted more flexible working arrangements when COVID-19 restrictions were lifted.

We’ve also deployed several digital tools that have replaced paper-based processes and by going paperless, we have seen improvements in our ways of working including faster turnaround times and a significantly lower environmental footprint.

While it has brought many challenges, COVID-19 has also brought with it the opportunity for businesses to reset and finally build a culture and business model that will sustain them for the future. We’ve invested in the tools and proven it’s possible with COVID-19. Where you go from here is up to you.



Business support

Over the coming months, it's an unfortunate reality that many businesses will experience significant upheaval and financial stress, and some will fail.

A structured response is imperative for businesses to safeguard their employees, enable the continuity of operations and protect the cash flow that is critical to their continuity and positioning once the disruption subsides.

Expertise to help build business resilience

As you navigate these uncertain times, each business will have its own challenges and needs. Findex's Resilience Team can support you with the tools and capability to enable your business to adopt a structured response to COVID-19.

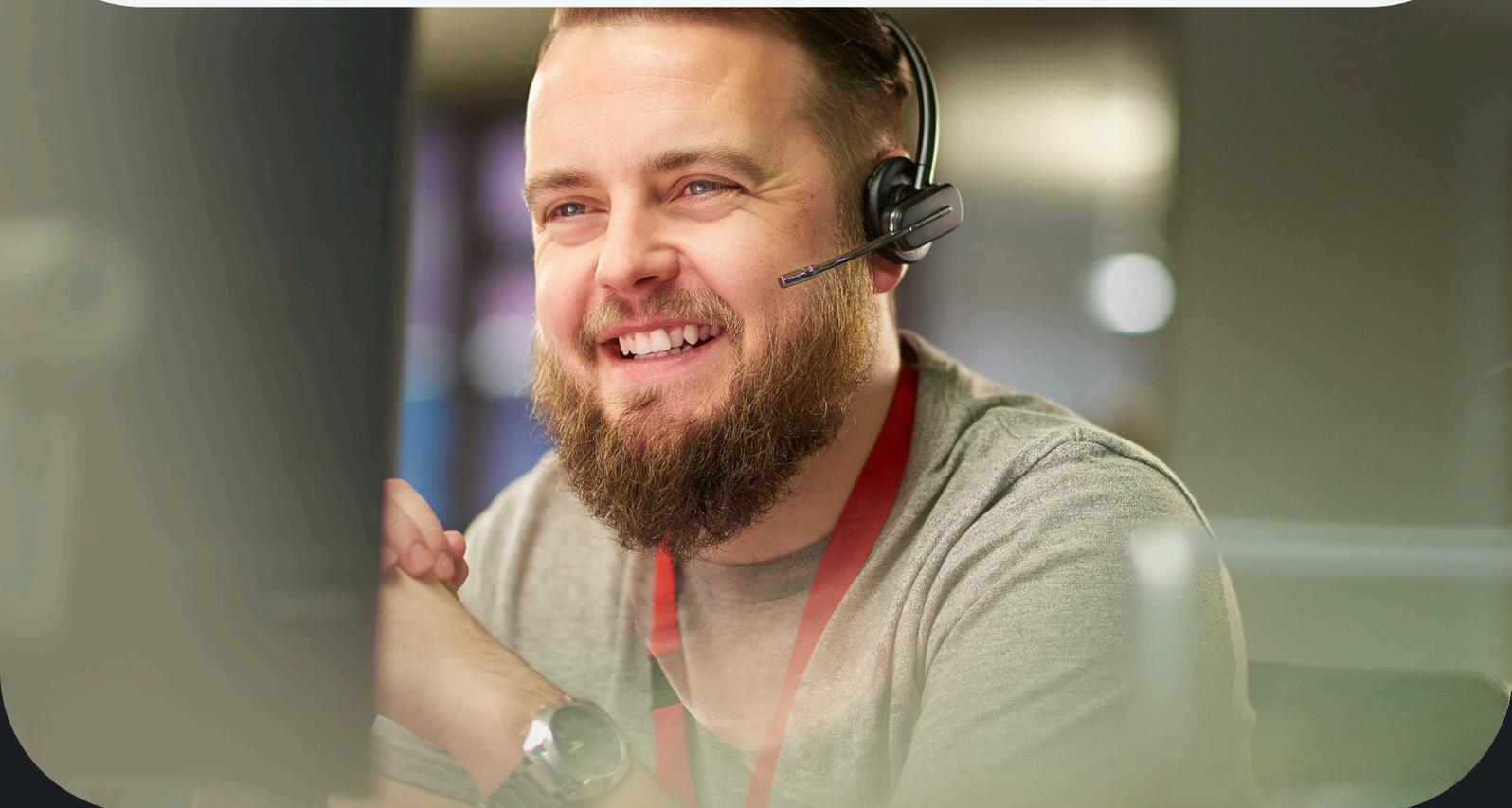
Depending on your business requirements, we can provide support with one element or the whole process. We will tailor our service to your circumstances and work with you each step of the way.

Complete your free Business Resilience Self-Assessment today

Findex has designed a 12-point checklist to assist you in considering your existing business continuity procedures and identify possible risks. Download your assessment by clicking one of the buttons below.

[New Zealand business](#)

[Australian business](#)

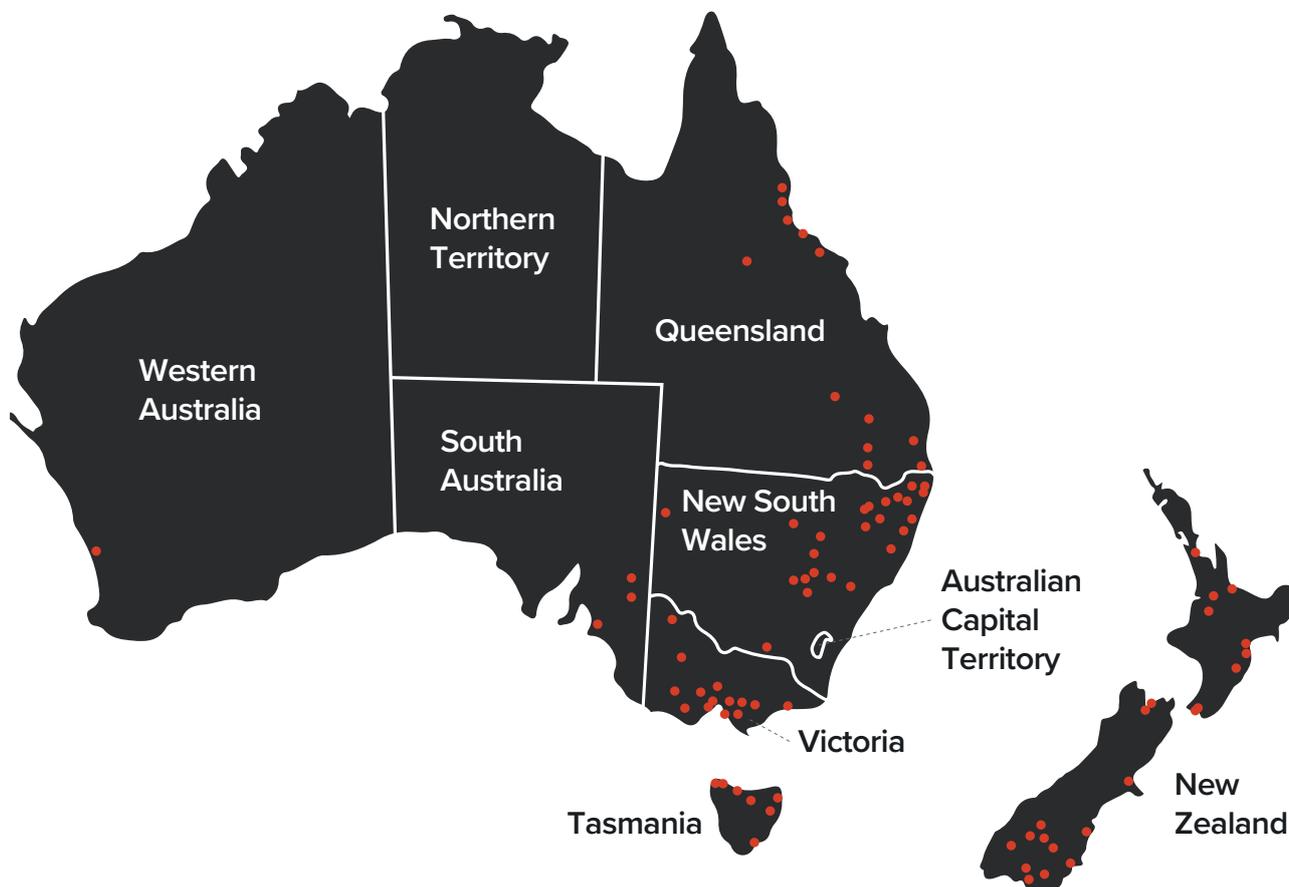


About Findex

Behind every person is a story. At Findex – we start with understanding your reason to get up in the morning. When we understand your story, we can help you through every step of your journey today, whilst helping you prepare for the challenges of tomorrow.

As one of Australasia's leading integrated advisory firms, we provide uniquely tailored, integrated solutions for people, businesses, government organisations and institutions that transform and grow as their needs do. We pride ourselves on a high touch, personalised approach to help our clients achieve their financial, professional and life goals.

With over 110 offices throughout Australia and New Zealand, our vast geographical footprint provides you direct access to our expert advisers who understand local and national issues and provide access to competitive solutions in your location.



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