

# Xero Briefing to Incoming Business Ministers

## A focus on growing small business productivity

28 November 2023



28 November 2023

Hon Nicola Willis, Minister of Finance

Hon Judith Collins, Minister of Science, Innovation and Technology

Hon Melissa Lee, Minister of Economic Development

Hon Andrew Bayly, Minister of Commerce and Consumer Affairs & Minister for Small Business and Manufacturing

Hon David Seymour, Minister of Regulation

Parliament Buildings

Wellington 6160

NEW ZEALAND

Dear Ministers,

### **XERO BRIEFING TO INCOMING BUSINESS MINISTERS**

Congratulations on your respective successes in the recent general election. We realise that this is a pivotal time for your new roles. A new government provides the opportunity to reflect on current policy settings and to consider possible changes to leverage innovative ideas to generate greater productivity for the New Zealand economy.

At Xero we care about the outcomes achieved for New Zealanders. Our role at Xero, a global company that was founded in New Zealand, is to make life better for people in small business and their advisors. We act in the best interests of small business. Xero welcomes the opportunity to provide you with our perspectives and advice for growing the digital economy and business productivity.

As you will be aware, small business is the engine room of the New Zealand economy, making up approximately 97 percent of New Zealand's total businesses. Additionally, small business accounts for 29.3 percent of employment and contributes over a quarter of New Zealand's Gross Domestic Product.

Given the importance that small business plays in the New Zealand economy, Xero believes that the New Zealand Government needs to ensure there are the appropriate building blocks for small business success. In our view, the key components of small business success are:

- driving productivity growth by supporting the small business community with a comprehensive and holistic approach to digitalisation, including appropriate incentives to drive digital adoption and the effective use of digital technologies



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- increasing small business access to finance, in particular by prioritising Open Banking as a tool to create efficiencies as well as grow competition in financial services
- reducing the compliance burden on small businesses.

At Xero we believe that actions on these three important areas would help make businesses more resilient to crises, drive more informed decisions and increase business efficiency and effectiveness. And as a consequence, this will boost New Zealand's overall productivity. The return on investment for New Zealand would be immense. Xero research, undertaken by NZIER in April 2023, concluded that a **20% increase in the uptake of cloud technology, by increasing digitalisation, could add up to \$7.8 billion to New Zealand's annual GDP.**

Xero has looked across successfully digitalised economies to review what government policies work in practice and we have made recommendations based on this evidence. We have attached our recently commissioned research by the Astrolabe Group (2023) called *Next Moves: Helping small and medium businesses enhance productivity* (see attached PDF as Annex 1) and the NZIER (2023) *What works for digitalisation?* (see Annex 2). On the other two key important areas, access to finance and the compliance burden for small businesses, we have also made recommendations based on independent research.

While we recognise that this post election period will be extremely busy for you in your new Ministerial roles, we would welcome the opportunity to speak with you respectively about our proposals and how they could inform future government policy.

We acknowledge that this briefing can be shared publicly and released under the Official Information Act. Maureena van der Lem, Head of Government Experience for Xero, NZ ([maureena.vanderlem@xero.com](mailto:maureena.vanderlem@xero.com)) is the appropriate contact person to engage with at Xero to set up any Ministerial (or government official) related meetings.

Yours sincerely

A handwritten signature in black ink that reads "B Snelling".

**Bridget Snelling**

Xero Country Manager, New Zealand





## 1. Introduction

### About Xero

- 1.1. Xero is a global small business platform with 3.95 million subscribers which includes a core accounting solution, payroll, workforce management, expenses and projects. Xero also has an extensive ecosystem of connected apps and connections to banks and other financial institutions helping small businesses access a range of solutions from within Xero's open platform to help them run their business and manage finances. Xero currently operates an extensive high quality data sharing network in New Zealand which reaches most of the financial institutions in the country.

## 2. The problems faced by small businesses in New Zealand

### Low productivity

- 2.1. At Xero, we talk about digitally enhancing our economy to a point where people are doing the work that only humans can do - and digital tools should automate the rest. We believe that it is vital for our economy to set small businesses up for success and to enable them to be as efficient and effective as possible.
- 2.2. We know that Kiwi businesses work hard. However, New Zealand's economy has gone from being one of the most productive to one of the least productive in the OECD.<sup>1</sup>
- 2.3. In economic research Xero commissioned from the New Zealand Institute of Economic Research (NZIER) in 2022 it outlined that to match the output of Ireland, the most productive economy in the OECD, we would need to work an extra 10.7 hours every single working day.<sup>2</sup> These numbers show we can no longer simply work harder in New Zealand, as an economy we need to work a lot smarter.

### Declining rates of digitalisation competitiveness

- 2.4. **Digitalisation** (that is, the transformation of business processes and data through the use of software and digital technologies) of our economy is a key mechanism to grow our small business productivity.<sup>3</sup>
- 2.5. Where digitalisation gaps remain in a company, OECD research demonstrates these are strongly associated with not just lower productivity, but also lower innovation and growth<sup>4</sup>. For those businesses that have digitalised, however, Xero statistics show technology adopters enjoy on average 120% higher revenue and

<sup>1</sup> Productivity Commission (2023) [Productivity by the numbers 2023](#)

<sup>2</sup> NZIER (2022) [Productivity Memo: New Zealand is working harder not smarter](#)

<sup>3</sup> This briefing goes beyond digitisation, being the conversion or replication of information into a digital format such as email or pdfs, which many small businesses now incorporate into daily operations.

<sup>4</sup> OECD (2021) [SME digitalisation to Build Back Better](#)





106% higher productivity than their delayer counterparts.<sup>5</sup> Evidence from across the UK small business population supports technology adoption being seen as one of five key drivers of productive, high-performing business.<sup>6</sup>

- 2.6. Sadly, New Zealand faces declining rates of digitalisation competitiveness. In 2016 we were ranked the 10th most digitally competitive economy internationally. In 2022, NZ was ranked at 27th. That is a drop of 17 spots in six years. We are losing ground as a digital economy. In fact, more than 35% of Small and Medium Enterprises (SMEs) in New Zealand earned no revenue at all from online sales, and New Zealand continues to lag behind its peers in terms of volume of eCommerce by vendors<sup>7</sup>. That means, right now businesses across the country are spending a huge amount of time on tasks that can be automated or done more efficiently with the help of cloud based systems, apps or Artificial Intelligence.

### Lack of coherent small business digitalisation strategy

- 2.7. There is general consensus that policymakers have a key role in helping SMEs adapt their culture and processes to the digital world.<sup>8</sup> New Zealand has attempted initiatives to digitalise - two good examples are initiatives led by Ministry of Business, Innovation and Employment (MBIE):
- *eInvoicing* is the digital exchange of invoice information directly between buyers' and suppliers' financial systems
  - *Digital Boost* offers an education tool as well as a Checkable tool that runs diagnostics on website's usability and then links to self-help videos to respond to the problems/issues identified.
- 2.8. However, the digitalisation approach has been adhoc. New Zealand does not have a coherent and integrated small business digitalisation policy that would assist small businesses to overcome multiple forms of barriers (as discussed below) and include tangible key actions for growing a digital economy.

### Barriers to small businesses digitalising

- 2.9. The obstacles hindering small business adoption of digitalisation have been widely explored through international research. Whilst the underlying reasons can vary depending on company size, stage, sector or market, there are core factors which repeatedly reinforce the challenges many small companies face in this area.
- 2.10. OECD research<sup>9</sup> makes the distinction between long-standing barriers internal to a small business:
- lack of information and awareness
  - digital skills gaps
  - insufficient capital to finance transformation.

<sup>5</sup> Xero (2021) [One Step: Behavioural Barriers to Technology Adoption amongst Small Businesses](#)

<sup>6</sup> Be the Business (2023) [Productive Business Index: Edition 6 Q1 2023](#)

<sup>7</sup> Stride N (2022) [New Zealand small businesses lag Asia Pacific peers but 2022 looks brighter](#), CPA Australia

<sup>8</sup> OECD (2021) [The digital transformation of SMEs](#)

<sup>9</sup> OECD (2021) [SME digitalisation to Build Back Better](#)





- 2.11. And wider external business environment challenges such as:
- rapidly changing regulatory frameworks
  - navigating digital security and privacy issues.
- 2.12. Deloitte international surveys from the United States also emphasise the time requirements necessary to understand how digital solutions fit in a business and how to use them.<sup>10</sup>
- 2.13. Xero research has supplemented this with another perspective, that of behavioural barriers to digitalisation amongst small businesses driven by beliefs, motivations and perceptions that render them reluctant to adopt technology<sup>11</sup>. It breaks small business approaches down into three mindsets: *It's good enough how it is, it's too risky, and it's hard to choose*. Of the twelve specific behavioural hurdles identified, the research showed the top five barriers for sole traders specifically, as:
- resistance to change
  - relative judgement
  - uncertainty
  - choice paralysis and
  - information avoidance.
- 2.14. A NZIER report broadens the exploration of issues even further (and beyond the scope of this briefing) into wider societal questions around national education policies, immigration law and widespread availability of digital infrastructure including broadband, 5G networks and Digital Identity.<sup>12</sup> In summary, all evidence suggests that New Zealand needs a holistic approach to small business digitalisation to overcome barriers and unlock the potential productivity driver of small businesses.

### Muted small business access to finance

- 2.15. Cashflow management and access to finance continues to challenge small businesses. Cash flow continues to trend negatively over recent decades, and makes proactive investment in new systems, processes, and equipment an almost insurmountable barrier<sup>13</sup>. This issue is magnified by the ongoing challenge for small businesses to access finance (both debt and equity) in New Zealand.

### High compliance burden

- 2.16. At Xero, we are aware small businesses must deal with a wide range of compliance processes and requirements imposed by multiple local and central government agencies.
- 2.17. While new legislation is subject to the Government's Cabinet mandated regulatory impact assessment as part of the policy process (analysing the impact and costs of individual processes) it is also the cumulative impact of the multitude of compliance requirements that make up the compliance burden on small

<sup>10</sup> Deloitte (2018) [Connecting small businesses in the UK. A report for Google.](#)

<sup>11</sup> Xero (2021) [One Step: Behavioural Barriers to Technology Adoption amongst Small Businesses](#)

<sup>12</sup> NZIER (2023) [What works for digitalisation? A report for Xero](#)

<sup>13</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))





businesses.<sup>14</sup> Compliance processes are costly to small businesses and distract business owners from working on revenue generating aspects of their business. This reduces productivity and, when taken across the whole small business sector, undermines the ability of small business growth in our economy.

### 3. Potential solutions to grow small business productivity

#### Crucial role for the New Zealand Government

- 3.1. There is a crucial role for the government to provide the systems, tools and support for small businesses experiencing challenges across digital technology and skills – allowing them to embrace technology faster to provide greater efficiency and effectiveness benefits, to more New Zealanders sooner. Innovation and technological change, which require appropriate investment efforts, are critical to productivity growth.
- 3.2. Reinforcing this importance, in a Xero commissioned NZIER report we released in May 2023, called *'What works for digitalisation?'*, economic modelling demonstrates that a 20% increase in the number of businesses adopting cloud-based tools could add up to an extra \$7.8 billion to New Zealand's annual GDP. This demonstrates the quantum of benefits that digitalisation offers to our economy.

#### Drive digitalisation of the economy with comprehensive approach to digitalisation

- 3.3. Xero recommends that any government digitalisation initiatives address both business operational constraints (e.g. knowledge, time, cost, skills) and business behavioural constraints (e.g. uncertainty, confidence, choice paralysis) in order to realise the desired outcome of business digitalisation, complemented with improvements to the external business environment.
- 3.4. In general, policy interventions to grow small business digitalisation and productivity can be grouped across four broad categories:
  - advice
  - funding
  - skills
  - innovative infrastructure.
- 3.5. In relation to these four policy intervention categories, Xero has looked across successfully digitalised economies<sup>15</sup>, and what policies work in practice. While no single approach would be the appropriate option for every jurisdiction, there are key elements which the most successful economies, such as Singapore and Denmark, have followed: access to advice, public funding, skills enhancement and underpinning infrastructure. This framework, built on lessons from other economies, has led to what Xero calls the *Top 10 considerations for digitalisation initiatives* outlined in Annex 3.

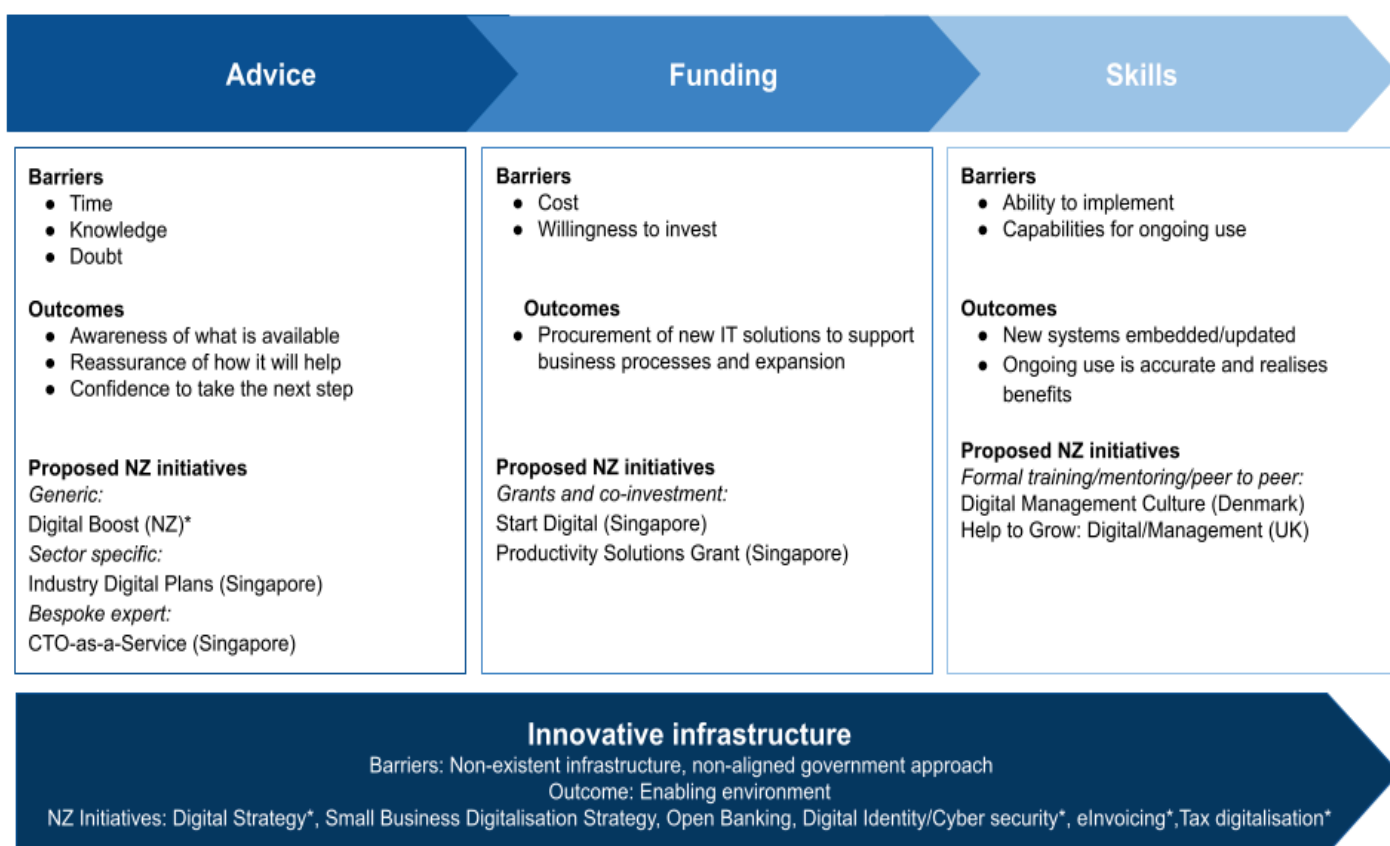
<sup>14</sup> MBIE (2019) [The New Zealand Small Business Strategy](#)

<sup>15</sup> NZIER (2023) [What works for digitalisation? A report for Xero](#)





3.6. Using our prior NZIER research, Xero’s recently commissioned Astrolabe research<sup>16</sup> combined with our above digitalisation framework/considerations, Xero proposes the following approach to New Zealand’s small business digitalisation strategy as outlined below in Table 1 (see Annex 4 for an overview of the initiatives proposed).



**Table 1: Core components underpinning small business digitalisation strategy** (\* denotes in existence)

3.7. Xero’s view is that eInvoicing enhances productivity. Xero along with other private sector entities continue to partner and support this initiative which will drive productivity gains across the economy.

3.8. However, from an overarching perspective, New Zealand needs a robust small business digitalisation strategy to enable small business to be as efficient and effective as possible. While New Zealand produced a Digital Strategy in 2022, its only reference to small business growth was in the form of the generic Digital Boost programme. While Digital Boost has reduced some barriers to uptake of digital technologies this could be more likely to be used by those who are comfortable with technology, those that have the time to invest

<sup>16</sup>Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))



in the program and those that see value in digital upskilling.<sup>17</sup> So while Xero sees Digital Boost as a valuable tool (just as the eInvoicing initiative), it is not a holistic all encompassing approach - New Zealand needs a small business digitalisation strategy with 'meat on its bones'.

3.9. Xero proposes that in addition to the Digital Boost initiative, the New Zealand Government looks to lessons from our Asia Pacific neighbour of Singapore. Providing a multi-faceted program modelled on Singapore's Go Digital program would work well in the New Zealand context based on the population size and proximity of small business owners.<sup>18</sup> A program like this removes the barriers of time, knowledge, doubt, cost and willingness to invest as well as cost and promotes action. The key to success would be ensuring the CTO-as-a-Service, the sector specific Industry Digital Plans (IDPs), a Start Digital programme and Productivity Solutions Grants were implemented as a cohesive suite of measures to build the digitalisation of the SME sector.<sup>19</sup>

3.10. To complement and complete a holistic small business strategy, Xero proposes that an effective small business digital transformation mentorship programme be established. Coaching and mentoring can be an effective way of upskilling SME owners in the myriad of business-related tasks in growing a successful business.<sup>20</sup> Denmark and the UK have both implemented similar programs to assist SMEs in enhancing productivity and scaling their businesses. Such a programme could be undertaken in partnership with the private sector as has been undertaken in other economies.

3.11. The above suggestions would provide a comprehensive roadmap for small business digitalisation. They should be underpinned by appropriate enablers:

- a revised Digital Strategy driving digital adoption in both public and private sectors
- regulatory innovations to enable Open Banking (as discussed below in the 'Grow access to capital' section)
- Digital Identity/Cyber security initiatives
- continued eInvoicing adoption
- tax digitalisation.

### Grow access to capital for small businesses

3.12. Small businesses often struggle to get hold of the money they are owed. Adequate cash flow and reserves are crucial for having a viable and sustainable business. Inability to demonstrate a sustained positive cashflow has longer-term implications from SME seeking to scale, by impairing their ability to demonstrate a lower-risk investment to institutional lenders and investors.

<sup>17</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))

<sup>18</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))

<sup>19</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))

<sup>20</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))







- 3.13. Our most recent Xero Small Business Insights (XSBI) data<sup>21</sup>, shows the average length of time small businesses wait to be paid was 24.0 days as of the month of September 2023.<sup>22</sup> Other research from Xero, released in 2022, highlighted that late payments are one of the main contributors to cash flow challenges for small businesses. Xero estimates that the current delay costs the small business economy is excess of \$450 million annually.<sup>23</sup>
- 3.14. Elongated payment timeframes and late payments, as a business practice, have largely remained unregulated in New Zealand until the recently enacted Business Payments Practices Act (2023). This policy initiative, aimed at using transparency reporting as a driver of good corporate behaviour is now enacted. The Act should encourage big businesses to pay small businesses in a timely manner. This initiative has been supported by other key initiatives such as the Government leading by example and paying promptly. Xero is supportive of these actions by the Government, both with regard to a reporting framework as well as directives to Crown agencies and departments, to assist small business cash flow management.
- 3.15. However, there is still the ongoing challenge for small business in New Zealand regarding small business access to finance. Research conducted by MBIE in collaboration with Duke University found a third of small business respondents reported access to finance was limiting their growth.<sup>24</sup> Unfortunately, options for finance are limited in New Zealand and the major banks are the main avenue. This is a consequence of the nature of our capital markets, as these markets do not serve the full range of New Zealand investors, nor the full range of investment stages.<sup>25</sup>
- 3.16. Xero is hopeful that industry (led by players from PaymentsNZ and the fintech industry) as well as government-led regulatory inventions will fully enable Open Banking/Finance (yet to be fully enabled by legislation in New Zealand with MBIE releasing an exposure draft of the Customer and Product Data Bill in mid 2023) will assist small business to get better access to finance, more cost effective and accessible payment services and data led insights.
- 3.17. Xero is very supportive of the government initiative for a Customer and Product Data Right that is based on existing privacy laws that will enable innovation and create better finance outcomes for small businesses in the future. We note that the opportunities Open Banking offers to New Zealand are significant. Open Banking will likely transform the New Zealand financial landscape by promoting greater competition and innovation. We note that the Open Banking regime in the United Kingdom (UK) now has over 7 million regular users including over 750,000 small businesses.<sup>26</sup> In comparison, New Zealand's progress on implementing Open Banking is too slow. Open Banking needs to be prioritised and put on a 'fast track'.

<sup>21</sup> The aim of Xero Small Business Insights (XSBI) is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights is anonymised Xero customer data.

<sup>22</sup> Xero (2023) [New Zealand XSBI Data](#)

<sup>23</sup> Xero (2022) [Cash flow challenges facing small businesses](#)

<sup>24</sup> MBIE (2019) [The New Zealand Small Business Strategy](#)

<sup>25</sup> FMA (2019) [Growing New Zealand's Capital Markets 2029](#)

<sup>26</sup> Forbes (2023) [Open Banking hits 7 million active users in the UK](#)





- 3.18. With regards to other capital sources, Xero was disappointed that a Budget 2022 initiative (\$100 million was set aside) to create a private sector led Small Business Growth Fund (SBGF) never gained traction nor was it implemented. This SBGF was to be modelled on funds already up and running in the United Kingdom, Canada and Australia. The implementation of such a fund would greatly assist the growth of small businesses, across multiple sectors in the economy, in New Zealand. Xero would recommend definitive traction and implementation on this initiative (or a similarly focused policy initiative such as a credit guarantee scheme such as those overseen by the Small Business Administration in the United States<sup>27</sup>) to partially mitigate small businesses' struggle with access to capital. Ensuring businesses start-up, grow and thrive through appropriate access to finance is another enabler of productivity growth for New Zealand.

### Minimise compliance burden of small business

- 3.19. At Xero, we are concerned with the wide range of existing compliance processes and requirements imposed on small businesses by local and central government agencies.
- 3.20. Small business carries a substantial compliance burden. Businesses with less than 20 employees still need to maintain extensive corporate processes (such as safety) and compliance activities (such as payroll) as their larger competitors – and yet they don't necessarily have the revenue to support a dedicated back-office capability.<sup>28</sup> For new participants, the initial compliance and corporate administration hurdles can be significant, and accessing appropriate resources is an increasing challenge.
- 3.21. We note that an effective mentoring programme is likely to assist small businesses to navigate the complex compliance environment (as outlined above in the skills section of Table 1).
- 3.22. However, Xero also supports proven policy initiatives that might examine or mitigate some of this current compliance burden, in an attempt to ensure that small businesses are taken into account in the policy and decision processes of the government. Xero was disappointed that the New Zealand Small Business Strategy of 2019 recommendation to establish a *Burden Hunter* unit similar to the Danish approach to identify and mitigate administrative burdens, costs and other compliance impacts for small businesses was never implemented.<sup>29</sup> Xero welcomes the recently announced Ministry of Regulation and hopes that the new entity will have a strong voice focused on minimising small business compliance.
- 3.23. A Ministry of Regulation would have been a useful entity tasked with assessing a number of the recent employer/employee proposals that the New Zealand Government has been considering. In particular, Xero corresponded with Ministers in late 2022 regarding our concerns with the complexities with the proposed amendments to the New Zealand Holidays Act. It is our view that the proposed amendments (as per the Holidays Act Taskforce) will create an even more complex Holidays Act. We believe that the proposed amendments have been a lost opportunity to simplify leave entitlements and payments - instead the focus has been on tweaking existing regulation. From our perspective the Holidays Act recommendations should

<sup>27</sup> [Loans | U.S. Small Business Administration](#)

<sup>28</sup> Astrolabe Group (2023) Next Moves: Helping small and medium businesses enhance productivity ([PDF attached](#))

<sup>29</sup> MBIE (2019) [The New Zealand Small Business Strategy](#)





be revisited with a view to simplifying the current legislation to ensure payroll software developers, payroll practitioners, employers and employees can easily understand their obligations/rights. A revisit of the recommendations which is focused on simplification of the current Holidays Act will drive higher compliance and reduce the current (and potential new) payroll related burdens. In this public policy instance, Xero was frustrated that the compliance burden for small businesses was not taken into account and we have continued to have ongoing dialogue with officials to help guide a more efficient proposal for both employers and employees.

#### 4. In summary: a pathway to small business productivity

- 4.1. At Xero we care about the outcomes achieved for New Zealanders and small businesses. We believe now is an opportune time to look at the progress small businesses are making and to ensure that there are the appropriate building blocks for future small business success.
- 4.2. This briefing has highlighted key issues for consideration on the small business policy settings in New Zealand:
  - driving productivity growth by supporting the small business community with a comprehensive and holistic approach to digitalisation, including appropriate incentives to drive digital adoption and the effective use of digital technologies
  - increasing small business access to finance, in particular by prioritising Open Banking as a tool to create efficiencies as well as grow competition in financial services
  - reducing the compliance burden on small businesses.
- 4.3. At Xero we believe that actions on these three important areas would help make businesses more resilient to crises and drive more informed decisions.
- 4.4. We have made recommendations throughout this briefing for your consideration. We are of the view that these recommendations, based on independent research and sources, would assist small business efficiency and effectiveness. It is Xero's opinion that these proposals would help build a pathway to greater small business productivity in New Zealand. We would welcome the opportunity to speak with you about our proposals and how they could inform future government policy.



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Annex 1: Next Moves: Helping small and medium businesses enhance productivity: The Astrolabe Group (October 2023)

Attached as PDF





Annex 2: What works for digitalisation? A review of international success: NZIER (March 2023)

[What works for digitalisation? A report for Xero](#)





### Annex 3: Xero's top 10 considerations for digitalisation initiatives

- 1** **Be crystal clear on what the scheme will do, for who and why**
  - Deep understanding of issues and desired outcome
  - Design incentives with intended recipient in mind
  - Weigh up right balance of universal vs targeted
- 2** **Don't make it so difficult no-one applies**
- 3** **Make the money worth it**
- 4** **Precisely define digitalisation**
- 5** **Drive behaviour change**
- 6** **Advice as integral, not an add on**
  - Move companies from avoidance to adoption
  - Enhance advisor digital know how
- 7** **Skills as a subset of success**
- 8** **Promote and publicise for target audience**
- 9** **Aim for longevity, with built in flexibility**
  - Establish consistent concept and brand
  - Flex scope as necessary in the future
- 10** **Be clear on additionality**





### Annex 4: Overview of small business policy interventions

NEW ZEALAND - DIGITAL BOOST	
<b>Policy objectives</b>	
Scheme ambition	To support more small business owners to digitally transform their operating models, not only through the adoption of digital hardware and software, but through process changes, new skills and capabilities, and having deeper insight into their business through data.
Targeting	All small businesses regardless of lifestage.
<b>Business support details</b>	
Duration	Grown out of evolving covid support packages - in current form since 2021.
Details	Digital Boost is a free self-directed online learning platform, to help you grow your business and thrive in the digital world. It includes a number of components: <ul style="list-style-type: none"> <li>• Digital Boost website<sup>30</sup> with short videos (2-5 mins), live events and expert advice across digital topics including marketing, cloud accounting, remote work and specific industries.</li> <li>• Checkable diagnostic tool<sup>31</sup> (developed with Google) providing feedback to improve the company social media and website.</li> </ul>
Delivery	Online for free. No direct government grants to business.
Eligibility	NZ registered businesses.
<b>Evaluation</b>	
Uptake and impact	From 2021 to June 2022, there were more than 48,000 registered trainees in the Digital Boost programme, which includes over 30,000 small businesses <sup>32</sup> . Evaluation as at August 2022 <sup>33</sup> discovered: <ul style="list-style-type: none"> <li>• 79% of users would recommend the platform to a business acquaintance.</li> <li>• 89% of Digital Boost users intend to continue using the platform.</li> <li>• 23% of all businesses report improved revenue after using Digital Boost, for those who engage weekly with the platform, this lifts to 39% of businesses.</li> <li>• 80% of Digital Boost businesses now have a website.</li> </ul>

<sup>30</sup> Ministry of Business, Innovation and Employment (2023) [Digital Boost website](#)

<sup>31</sup> Digital Boost Alliance (2023) [Digital Boost launches new features for Checkable](#)

<sup>32</sup> New Zealand Government (2022) [Government boosts digital skills for over 30,000 small businesses](#)

<sup>33</sup> Better for Business (2022) [Digital Boost Evaluation Research](#)



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SINGAPORE - CTO-as-a-SERVICE	
Policy objectives	
Scheme ambition	To enable small and medium-sized enterprises to self-assess their digital readiness and needs, access market-proven and cost-effective digital solutions, and engage digital consultants for in-depth digital transformation strategy advisory and project management services.
Targeting	Any business entity that wants to know how to get started in going digital, understand what type of solutions to adopt for its specific business challenge <sup>34</sup> .
Business support details	
Duration	Launched March 2022 <sup>35</sup> .
Details	<b>Digital Advisory</b> starts with a consultation session to ascertain business digital needs and identify the right digital solution. Once procured through grants/company expenditure, if required support can be continued as <b>Project Management services</b> to implement the digital solution. <sup>36</sup>
Delivery	Digital consultancy services are provided at no cost to eligible SMEs by Accenture <sup>37</sup> or Stone Forest <sup>38</sup> . The scheme is government-funded.
Eligibility	<ul style="list-style-type: none"><li>• Min 30% local shareholding</li><li>• Fewer than 200 employees</li><li>• Annual sales turnover less than S\$100m</li><li>• Not used CTO as a service previously</li></ul>
Evaluation	
Uptake and impact	In feedback published by the Singapore Government responses have been positive <sup>39</sup> . Early users highlighted they were able to better decide on which digital solutions they should implement that best meet their business needs, that the digital consultants were well-versed in helping them develop digital solutions and training roadmaps, and that project management services were useful in helping them implement their digitalisation projects.

<sup>34</sup> Infocom Media Development Authority (2023) [CTO as a service](#)

<sup>35</sup> Infocomm Media Development Authority (2022) [Helping businesses harness the expertise of experienced CTOs](#)

<sup>36</sup> GoBusiness (2023) [Digital Consultancy Services](#)

<sup>37</sup> Accenture (2023) [CTO as a Service](#)

<sup>38</sup> Stone Forest (2023) [CTO as a Service](#)

<sup>39</sup> Infocomm Media Development Authority (2022) [Early SMEs users leveraged CTO-as-a-Service for their digital transformation](#)





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SINGAPORE - START DIGITAL	
Policy drivers and objectives	
Scheme ambition	To support more SMEs to go digital in building their foundational digital capabilities with easy-to-deploy solutions. Arming small businesses with digital tools right at “birth” – at the point when they are just starting to shape their organisational DNA, develop operational processes, undertake staff training and make other business decisions.
Targeting	An SME that has just incorporated, or is new to digital solutions.
Business support details	
Duration	Launched Jan 2019.
Details	<p>These digital solutions, or Start Digital Packs, are offered by five partners – DBS, Maybank, OCBC, UOB, and Singtel. Initially they covered Accounting, Human Resource Management System &amp; Payroll, and Cybersecurity solutions, but in 2021 was expanded to also include Digital collaboration, Digital Marketing, and Digital Transactions.</p> <p>Initially it seems to have been six months free to register for an 18 month contract. Now SMEs can select up to two foundational digital solutions (from accounting, ecommerce and sales generation, business efficiency, cyber security) and discounts vary across institutions e.g. 50% off for six months, 20% for eighteen months. Reimbursement limits also seem to differ up to SGD \$500.</p>
Delivery	SMEs sign up to their chosen solutions and pay with their business account cards. They can then apply for refunds in line with the advertised discounts. Claims are made through their bank (example <a href="#">here</a> ). The scheme is funded by the Government of Singapore.
Eligibility	<ul style="list-style-type: none"> <li>• Min 30% local shareholding</li> <li>• Fewer than 200 employees</li> <li>• Annual sales turnover less than SGD 100m</li> <li>• Must be a new subscription</li> <li>• No criteria based on company age</li> <li>• Mustn't exceed annual grant cap of SGD 30,000</li> </ul>
Evaluation	
Uptake and impact	<p>From 2019 to 2020, government reported more than 30,000 SMEs had adopted these Start Digital Packs<sup>40</sup>.</p> <p>Media reports between Jan 2019 and July 2022 more than 37,000 companies had benefited, if correct would indicate slow down in take up.<sup>41</sup> Been extended to 2025.</p>

<sup>40</sup> Infocom Media Development Authority (2021) [Start Digital refreshed new digital solutions](#)

<sup>41</sup> The Straits Times (2022) [Initiative that has helped over 37,000 SMEs digitalise is extended to 2025](#)



# Xero Briefing to Incoming Business Ministers

## A focus on growing small business productivity

28 November 2023



SINGAPORE - PRODUCTIVITY SOLUTIONS GRANT	
<b>Policy objectives</b>	
Scheme ambition	"To help businesses enhance their processes with technology ... to adopt pre-scoped IT solutions, equipment and consultancy services to improve productivity." <sup>42</sup>
Targeting	All Singapore SMEs.
<b>Business support details</b>	
Duration	Launched April 2018.
Details	Businesses can claim a grant for 70% discount for one year of a pre-scoped (off the shelf) software solution covering generic solutions such as accounting software, Enterprise Resource Planning, PIOS systems or payroll systems. Sector-specific solutions are also available and permitted e.g. for retail, food, construction. Companies can apply for more than one grant if software covers different solution categories. The discount has subsequently been reduced to 50% from April 2023. An additional element also now included is the PSG-Job Redesign scheme <sup>43</sup> , with 70% towards the consultancy cost to re-design work processes, tasks and responsibilities to make them more productive, incorporate digital solutions, and retain workers.
Delivery	Grants are applied for online by uploading quotes from suppliers, which are pre-approved before purchase. Approval is expected to take about 6 weeks. After purchase, expenses are claimed back with receipts. There is a clear step by step guide <sup>44</sup> on applying, accepting, and claiming the PDG through the government's Business Grant online portal. Pre-approved software vendors have to be assessed by IMDA to be effective, market-tested and cost-effective. For annual renewals the full process has to be repeated again.
Eligibility	<ul style="list-style-type: none"><li>• Min 30% local shareholding</li><li>• Fewer than 200 employees</li><li>• Annual sales turnover less than S\$100m</li><li>• Must be a new subscription</li><li>• No criteria based on company age</li><li>• Must not exceed annual grant cap of S\$30,000</li></ul>
<b>Evaluation</b>	
Uptake and impact	In the first three and a half years of the scheme (April 2018 to Sept 2021), 77,000 grants had been taken up. <sup>45</sup> Some small businesses have faced difficulty accessing the grants as it requires firms to first provide upfront funds then claim back expenses. <sup>46</sup>

<sup>42</sup> GoBusiness (2023) [Productivity Solutions Grant](#)

<sup>43</sup> Workforce Singapore (2023) [Support for Job Redesign](#)

<sup>44</sup> Enterprise Singapore (2023) [Step-by-step guide for Productivity Solutions Grant \(PSG\)](#)

<sup>45</sup> Ministry of Trade and Industry (2021) [Written reply to PQ on Productivity Solutions Grant](#)

<sup>46</sup> RSM Singapore, Singapore Institute of Technology and the Institute of Singapore Chartered Accountants (2020) [Data Analytics Adoption in Singapore SMEs](#)



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DENMARK - Digital Management Culture	
<b>Policy objectives</b>	
Scheme ambition	Increasing managerial competences in relation to digitization and automation to achieve stronger digital business development, digital commerce, digital services, increased efficiency via digitisation and increased productivity <sup>47</sup> .
Targeting	All small and medium size businesses in Denmark, all sectors, more than 2 employees.
<b>Business support details</b>	
Duration	2018 - 2022
Details	10 month programme includes <sup>48</sup> : <ul style="list-style-type: none"><li>• Business seminars</li><li>• Network meetings with other participating companies to exchange experiences</li><li>• 1:1 guidance on digital focus areas for your business and management opportunities</li></ul> All based on the company's challenges and needs, which are clarified from the start and during the process.
Delivery	The project is nationwide and organised regionally at the country's business academies. Application is followed by screening to confirm company aims for the programme. DKK 6,000 per company to participate (one owner + two employees) to cover catering costs.
Eligibility	The project is for SMEs throughout the country; in all industries and with 2-249 employees.
<b>Evaluation</b>	
Uptake and impact	In 2021, 535 companies attended courses in digital management culture. <sup>49</sup>

<sup>47</sup> UCL Business Academy Denmark (2022) [Digital Management Culture](#)

<sup>48</sup> SMVDanmark (2019) [Digital Management Culture](#)

<sup>49</sup> SMV:Digital (2022) [Annual report 2022](#)



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UNITED KINGDOM - HELP TO GROW: DIGITAL													
Policy objectives													
Scheme ambition	To help small businesses effectively manage their finances and build customer relationships, level up the way businesses are run and help them to scale up.												
Targeting	UK businesses over one year old employing 5-249 people (Later expanded to businesses employing 1-249 people).												
Business support details													
Duration	Announced in Budget 2021. Launched Jan 2022 - Feb 2023.												
Details	Discount of up to £5,000 <sup>50</sup> off the retail price of pre-approved Digital Accounting and CRM software core costs for 12 months <sup>51</sup> (expanded to include eCommerce software in July 2022).												
Delivery	Voucher - businesses apply for voucher to use with pre-approved software suppliers (Sage, Intuit, Crunch).												
Eligibility	<ul style="list-style-type: none"> <li>Any business sector</li> <li>Employ 5 - 249 people (expanded to 1-249 in July 2022)</li> <li>More than year old, actively trading</li> <li>Purchasing the software for first time</li> </ul>												
Evaluation													
Uptake and impact	<p>Closed Feb 2023 with take up lower than expected                      "The government cannot justify the continued cost of the scheme to the taxpayer"                      "Despite a marketing campaign, expanded eligibility of the scheme and positive feedback from users of the scheme, it did not have the take up expected, with less than 1,000 vouchers redeemed by SMEs<sup>52</sup>."</p> <table border="1"> <thead> <tr> <th colspan="2">Applications, voucher redemptions and value of vouchers redeemed<sup>53</sup></th> </tr> <tr> <th colspan="2">12 December 2021 - 4 March 2023</th> </tr> </thead> <tbody> <tr> <td>Applications</td> <td>1,507</td> </tr> <tr> <td>Successful applications</td> <td>1,377</td> </tr> <tr> <td>Voucher redemptions</td> <td>830</td> </tr> <tr> <td>Value of vouchers redeemed</td> <td>£823,500</td> </tr> </tbody> </table>	Applications, voucher redemptions and value of vouchers redeemed <sup>53</sup>		12 December 2021 - 4 March 2023		Applications	1,507	Successful applications	1,377	Voucher redemptions	830	Value of vouchers redeemed	£823,500
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<sup>50</sup> Currency conversion: GBP 5000 = AUD 9,960 / NZD 10,700 / CAD 8,600 / SGP 8,600

<sup>51</sup> Department for Business (2022) [Government backs UK entrepreneurs with tech support and software to help them grow](#)

<sup>52</sup> Department for Business (2022) [Government announces closure of Help to Grow Digital scheme](#)

<sup>53</sup> Department for Business (2023) [Help to Grow: Digital applications and voucher redemptions](#)

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Uptake was predominantly from smaller businesses. 96% were companies with fewer than 50 employees, 75% were companies with fewer than 10 employees.

<b>SME voucher redemptions by business size</b>		
<b>12 December 2021 - 4 March 2023</b>		
<b>Business size (employees)</b>	<b>Voucher redemptions (count)</b>	<b>Voucher redemptions (%)</b>
1-4	382	46%
5-9	238	29%
10-49	173	21%
50-99	28	3%
100-249	9	1%
<b>Total</b>	<b>830</b>	<b>100%</b>



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UNITED KINGDOM - HELP TO GROW: MANAGEMENT	
Policy objectives	
Scheme ambition	Training to help SME business leaders to increase productivity, seize investment opportunities and grow their business
Targeting	Start-ups (1-2 years trading) and established businesses
Business support details	
Duration	Announced in Budget March 2021. Launched June 2021 (ongoing).
Details	<p>50 hours of training across 12 weeks, mix of online and in person.<sup>54</sup>                      Designed to be manageable with full-time work.                      Offers business leaders management and leadership training including:</p> <ul style="list-style-type: none"> <li>• 1-1 support from a business mentor (10 hours)</li> <li>• peer-learning sessions</li> <li>• access to an alumni network</li> <li>• help to develop a business growth plan</li> </ul> <p>Training topics include:</p> <ul style="list-style-type: none"> <li>• leadership</li> <li>• marketing</li> <li>• employee engagement</li> <li>• financial management</li> </ul>
Delivery	£750 joining fee. The course is 90% funded by the government and delivered by Chartered Association of Business Schools across the UK, with the support of experienced entrepreneurs and leading figures from industry (total course cost £7500).
Eligibility <sup>55</sup>	<ul style="list-style-type: none"> <li>• Decision maker in the business</li> <li>• More than one management link in the business</li> <li>• Operating more than a year</li> <li>• Employ 5-249 people</li> </ul>
Evaluation	
Uptake and impact	<p>Lower than anticipated uptake (c.3300 business leaders in first ten months), but positive feedback from those attending.</p> <ul style="list-style-type: none"> <li>• 91% of participants would recommend the programme to other business leaders.</li> <li>• 89% had shared knowledge gained on the programme to others in their own business within six weeks of completion.<sup>56</sup></li> </ul>

<sup>54</sup> Small Business Charter (2023) [Help to Grow Management: FAQs](#)

<sup>55</sup> UK government (2023) [Help to Grow: Management - UK](#)

<sup>56</sup> Department for Business, Energy and Industrial Strategy (2023) [Evaluation of Help to Grow: Management](#)

