

Whitepaper

Adapting to the changing business landscape

Key insights from the
2022 Business Barometer survey

Normalised disruption

In uncertain times, the Family Business Association and Pronto Software 2022 Business Barometer Survey finds that Australian businesses continue to adapt

Back in 2020–21, there was a lot of talk about what the business world would look like post-pandemic. It turns out that “the new normal” is a state of ongoing turbulence for Australian and New Zealand businesses.

After all the upheaval of the lockdown years, a spike in household spending in 2022¹ was offset by the inflationary pressures, supply chain disruptions and skills shortages that have been squeezing businesses from all sides. Now, in mid-2023, speculation of a possible recession continues² as cost-of-living increases and a string of interest-rate rises take a toll on consumer confidence.

On the other hand, according to the latest FBA Business Barometer survey, prepared by Pronto Software, concerns over business continuity have dropped significantly since the height of the pandemic, which suggests things are stabilising. Indeed, businesses are more resilient and adaptable than ever, thanks to the digital revolution sparked by COVID-19 and the fact that, at this point, a disrupted and dynamic operating environment is the normal state of play.

This report explores how Australian family businesses have been affected by the changing landscape, and how they are responding to the challenges and opportunities that have emerged from it.

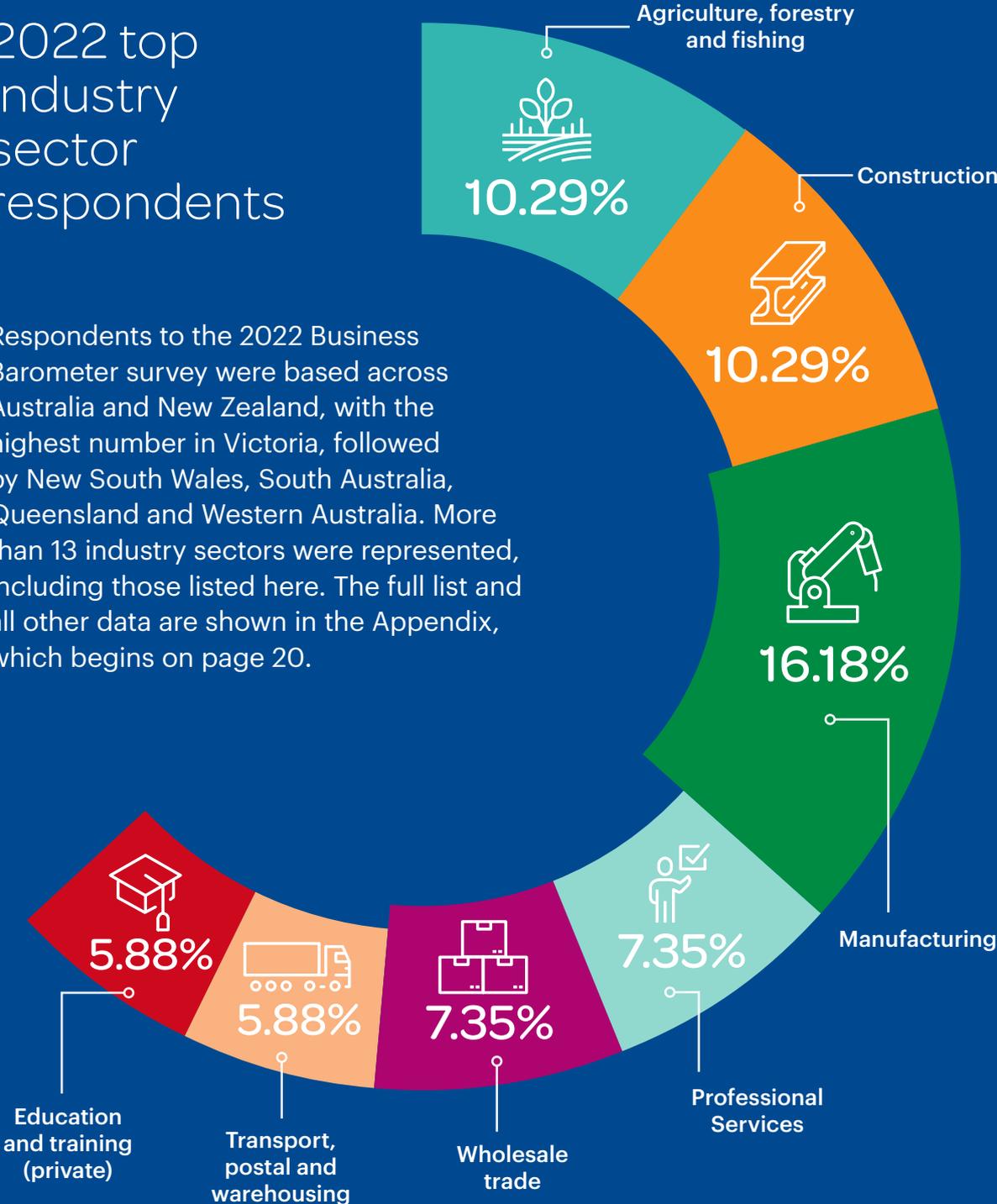
While every industry has its challenges, the FBA Business Barometer is designed to provide business leaders and key decision-makers with a set of talking points and thought starters that will, hopefully, better equip them to navigate the road ahead.

1. [‘Monthly Household Spending Indicator’](#), Australian Bureau of Statistics, January 2023

2. [‘Australians feeling the sting of inflation and rising interest rates could soon face a recession — and more pain’](#), ABC News, March 2023

2022 top industry sector respondents

Respondents to the 2022 Business Barometer survey were based across Australia and New Zealand, with the highest number in Victoria, followed by New South Wales, South Australia, Queensland and Western Australia. More than 13 industry sectors were represented, including those listed here. The full list and all other data are shown in the Appendix, which begins on page 20.



Key findings from the Business Barometer survey

“What you used to do in six months, you’ve now got to do in two – so we all feel like we’ve got to run faster to do what we used to do at a normal pace”

Chad Gates
Managing Director,
Pronto Software

From skills shortages to demand challenges and the difficult operating environment, here’s what’s impacting businesses in 2023

Since 2020, the FBA Business Barometer has been tracking the unfolding challenges, changes and opportunities that entrepreneurs and professionals are experiencing as they run businesses in an ever-changing landscape.

The survey found that, by far, the number-one issue facing Australian businesses is the skills shortage – an overwhelming 82% of respondents cited “finding and retaining talent” as a key challenge for 2023. The second-most-selected challenge, at 56%, was “improving business process efficiency”, followed by “disruption of supply chains” at 46%.

In fact, there has been a sharp increase in apprehension over supply chain management in this survey, from 51% of businesses having at least some level of concern in 2020 to 70% in 2023. Rising operational costs were another common issue, while 64% of survey respondents harboured concerns over cashflow and financial forecasting, up from 59% in 2020.

On a more positive note, as well as the drop in concern over business continuity from 53% to 33%, concerns over commercial/retail tenancy are also down from 36% to 23% as employees embrace a return to physical workspaces at least some of the time.

“I don’t think we’ll ever see a 100% return to what we used to do. But we are seeing the pendulum swing a little bit back towards more hybrid working arrangements as people start to crave more human interaction with their co-workers,” says Chad Gates, Managing Director of Pronto Software.

The accelerated pace of business

In terms of business sentiment, nearly two-thirds (64%) of survey respondents said they were expecting strong demand in 2023, or at least business as usual, which is a slight increase from 58% in 2020. Only 16% of respondents were expecting weaker demand, while 20% weren't sure what to expect.

However, reliably meeting demand could be difficult, given the challenging operating environment. This struggle to maximise productivity and efficiency under pressure might help explain the increase in concern over changing business operations, which was felt by 62% of businesses in the 2022 survey, up from 56% in 2020.

"The pandemic obviously caused a lot of people to re-evaluate their lives," Mr Gates says, "and people near retirement age might have retired early or wound back their hours. That means you have a lot of knowledge walking out the door and potentially accelerated generational change for family businesses as well, if they were part of the leadership team.

"All this turnover means many businesses are onboarding a lot of new people, and with high demand you've got to speed up the process of making employees productive. What you used to do in six months, you've now got to do in two – so we all feel like we've got to run faster to do what we used to do at a normal pace."

Rising to the challenge

The Business Barometer results reveal five key areas of focus for family business leaders to help see them through the challenges of 2023:

- Controlling operational costs (64%)
- Strengthening company culture and values (48%)
- Handling growth (46%)
- Adapting to change (42%)
- Implementing digital transformation (42%)

Business sentiment for FY23



45.95% Strong customer demand

16.22% Weaker customer demand

17.57% Business as usual

20.26% Uncertainty

What you told us

"It's business as usual from a demand perspective with some growth, but a whole lot of uncertainty"

Handling business growth

Rapid growth can put immense pressure on business systems that are not built to scale

“Flying blind is very stressful for business owners, so they’re craving information and they’re craving data”

Chad Gates
Managing Director,
Pronto Software

After all the devastation and disruption of the pandemic years, the long-awaited economic bounce-back got underway in earnest in 2022, with Australian households spending more on goods and services across all categories³.

The only exception was alcoholic beverages and tobacco, where spending fell by 5.4%. This could reflect the increased commitment to health and wellness noted in the 2020 report, or people pulling back after overindulging during the lockdowns. By category, the biggest spending increases were in:



Transport:
up 41.5%



Hotels, cafes
and restaurants:
up 38.5%



Clothing and
footwear:
up 20.9%

The Business Barometer survey results show nearly half (46%) of respondents were anticipating the strong demand to continue this year, so it’s unsurprising that “handling growth” (46%) and “implementing digital change” (42%) were key areas of focus for business leaders in 2023, alongside “controlling operational costs” (64%).

After all, large spikes in orders or the acquisition of new businesses, employees or customers can quickly clog up outdated processes, revealing operational inefficiencies and increasing the potential for staff error and burnout.

3. [‘Monthly Household Spending Indicator’](#), Australian Bureau of Statistics, January 2023



Looking for data-driven direction

The right analytics tools can help business leaders anticipate fluctuations in demand and arm them with the confidence they need to pounce on new markets, or new business acquisitions, as they emerge.

“Flying blind is very stressful for business owners, so they’re craving information and they’re craving data,” Mr Gates says. “You’ve got to be able to trust the numbers, and you want those numbers to be in real time so you can make the decisions you need to make in real time.”

Accurate forecasting and timely data have certainly made all the difference at Carbatec, a woodworking company that experienced sharp growing pains when, during lockdown, an unexpected surge in demand coincided with plummeting stock availability.

After moving to the cloud and upgrading software systems, Carbatec benefited from improved staff mobility, customer service, inventory management and warehouse efficiency, as well as distribution requirements planning (DRP), enhanced forecasting capabilities and automated reporting.

“Until recently, we were using guesswork and spreadsheets – it was never really that accurate,” recalls Brendan Mulheran, Chief Operations Officer at Carbatec. “But now, the DRP refreshes every evening, puts planned purchase orders in, and we are able to look ahead and see what our stock will look like at any point in the future to understand its impact on cashflow. That has been a big benefit.”

46%
of respondents
told us that
both “strong
customer
demand” and
“handling
growth”
were two of
their biggest
challenges

The fight for talent

A tight labour market has given employees more bargaining power

With the unemployment rate hovering around 3.5%⁴, Australia's labour market is the tightest it's been in decades. It's no wonder, then, that 82% of Business Barometer survey respondents agreed that "finding and retaining talent" was their top challenge for 2023.

Such a highly competitive hiring environment is pushing up wages, but it's not all about money. Businesses wanting to attract and retain top talent must accommodate and prioritise newly emerging employee preferences, which have been ranked as⁵:

1. Rewards (pay, benefits and recognition)
2. Flexibility
3. Relationships with co-workers
4. Workload
5. Relationship with manager
6. Autonomy of work
7. Alignment of job with values
8. Career advancement opportunities
9. Development opportunities
10. Company trajectory

"My advice to any family business would be to focus on being a good place to work, because your staff have got to want to get out of bed in the morning and come to work for you," Mr Gates said.

"Everyone's looking at their jobs holistically now – they're not just looking at them in terms of salary, or location; they're looking at them as a whole. Everyone's realising that life is finite, so if they don't like their employer, or they don't like the culture, then they're going to change jobs, because they can definitely go somewhere else."

It appears that many Business Barometer survey respondents are on the same page, with 48% citing "strengthening company culture and values" as a key focus for 2023.

4. ['Employment and unemployment'](#), Australian Bureau of Statistics, March 2023

5. ['Winning the war for talent in the post-pandemic world'](#), Future Forum, June 2021



In favour of flexibility

Given how important flexible working arrangements are to candidates, it's interesting to note how this has impacted businesses. Just over 16% of the Business Barometer respondents who have more employees working remotely said that productivity has declined, while a further 34% reported no change in productivity.

However, research suggests that executives and employees could have wildly different perspectives on this. In one global study⁶, executives cited declining productivity as their second-most-serious concern regarding flexible work, while employees with full schedule flexibility reported 39% higher productivity and 64% greater focus than those with no ability to adjust their hours.

More alarmingly, employees with rigid work schedules were 2.5 times more likely to say they were "definitely" planning to look for a new job in the next year, compared to workers with some control over their schedule. They were also 43% more likely to suffer from burnout and reported 4.6 times more work-related stress and anxiety.

6. [Future Forum Pulse Winter Snapshot](#), Future Forum, February 2023

What you told us

“[Working from home has had] a very minor impact on manufacturing – you can’t take the machines home”

82%

of respondents stated that “finding and retaining talent” was their top challenge for 2023

Communication between co-workers is key

In the same study, knowledge workers who used digital infrastructure to communicate with teammates multiple times a day had significantly higher employee satisfaction levels than those who rarely communicated. Among other self-reported benefits, these employees said they felt a greater sense of belonging and had nearly twice the ability to manage stress and anxiety.

“Certainly during COVID one of the things we found was that high-bandwidth communication was really key to everybody, because uncertainty creates stress,” Mr Gates says.

“So having everything in line in terms of your systems or processes, and having good data, not only helps you to have more educated conversations with your staff. It also makes their jobs a lot easier, so they’re not flying blind in their role. They feel like they’ve got their hands on the steering wheel, which is really important.”

Better tools make for happier employees

People who work at companies they describe as being “technology innovators” have higher employee-experience scores across all dimensions⁷ compared to those who consider their companies to be lagging behind on the technology front. They are also less likely to report feeling burned out.

“My advice to any family business would be to focus on being a good place to work, because your staff have got to want to get out of bed in the morning and come to work for you”

Chad Gates

Managing Director, Pronto Software

7. [‘Future Forum Pulse Winter Snapshot’](#), Future Forum, February 2023



Productivity when working flexibly

Are your employees working from home? Here's what employers found.



5.88% found productivity increased

16.18% found productivity decreased

33.82% found there was no impact on productivity

44.12% did not have staff working from home

┌ The impact of rising costs

Inflationary pressures are turning up the heat on businesses, driven by wage increases and soaring operational expenses

“The cost of pursuing the wrong option is a lot higher now, so you have to be really scientific about your decision-making”

Chad Gates
Managing Director,
Pronto Software

Ever since the pandemic, businesses in every industry have been grappling with cost creep. Raw materials, transport and labour⁸ are all more expensive than they were in 2019, not to mention the impact of interest rates on the cost of servicing debt. It's hardly surprising, then, that 64% of businesses surveyed for the Business Barometer have at least some concerns about cashflow and financial forecasting this year, up from 59% in 2020.

Survey respondents directly called out the “escalating costs of insurance and energy” and noted that “soaring costs and a weaker Aussie dollar [are] not helping”. They also spoke about the “cost of stock and [the] uncertainty of this cost”, of rising “transport costs, in particular for overseas goods” and lamented the difficulty they were having “managing [the] rising costs of manufacture and delivery costs”.

While some of these price increases are being passed on to customers, businesses wanting to maximise profitability in 2023 and beyond will need to look for efficiency savings wherever possible.

“This year it's about making sure you're spending wisely – that you're not overinvesting, for example, in certain types of inventory,” Mr Gates says. “You're wasting valuable resources if you've got money tied up in stuff people aren't buying because you're winging it.”

Avoiding costly mistakes

Nearly two-thirds (64%) of survey respondents said controlling operational costs was a key focus for them in 2023 – and since rising costs have suddenly made business missteps so much more expensive, this once again underscores the need for timely, accurate data to back up strategic decision-making.

“The cost of pursuing the wrong option is a lot higher now, so you have to be really scientific about your decision-making,” Mr Gates says. “This is one of the things that’s driving data in businesses – you have to do things on the basis of a lot better evidence than just ‘gut feel.’”

Mr Gates believes we’ll see businesses adopt a more evidence-based approach in the future. “I think businesses are realising that maybe they don’t have everything they need to make the decisions they want to make, and that capturing growth opportunities in their own backyard means they need to ‘science it’ a bit more.”

Saving on labour

Another major benefit of upgrading business systems is that it can help reduce the burden of the talent shortage and the cost of labour through automation.

“Having better tech means that maybe you don’t have to put on 20 people to do 20 jobs – maybe you can put on 10 people to do 20 jobs,” Mr Gates says. “Because not everything is a full-time job anymore if you’ve got good tech.”

Cashflow and financial concerns



- 11.59% Not concerned
- 24.64% Slightly concerned
- 24.64% Somewhat concerned
- 27.54% Moderately concerned
- 11.59% Extremely concerned

What you told us

“[It’s] very hard to forecast where our business will be in the next 12 months. Geopolitical conflict has had a huge impact on our business and supply chains. Inflation and risk of recession are also serious concerns”

64% of respondents are concerned about cashflow and the state of their finances

Supply chain woes – and opportunities



46%

of respondents say supply chain disruption is a key issue for their business

Widespread and ongoing supply chain disruptions have changed how businesses source products, creating opportunities for manufacturers

One of the most significant changes since the 2020 Business Barometer results were published has been the growing impact of supply chain issues. Nearly half (48%) of businesses were moderately or extremely concerned about supply chain management in 2022, up from just 28% in 2020.

In fact, 70% of 2022 Business Barometer survey respondents had at least some level of concern about supply chain management for 2023, and 46% cited supply chain disruptions as a key challenge.

A silver lining for manufacturers

The pandemic has certainly wreaked ongoing havoc in this area, with more than two in five businesses (41%)⁹ still experiencing supply chain disruptions in 2022. However, it's been a silver lining for Australian manufacturers.

9. ['Business conditions and sentiments'](#) Australian Bureau of Statistics, June 2022

“If you’re a local Australian manufacturer, you were suddenly the golden child of Australian industry during the pandemic,” Mr Gates says, “which is good because I’ve always argued about the strength of the manufacturing sector here in Australia. We’re a very innovative country with an excellent manufacturing base – that became really important over COVID, and it will remain important.”

The reason it will remain important, he explains, is because sourcing products from local manufacturers often comes with an increase in both quality and certainty of supply.

“Before COVID, we were happy to send everything offshore and it didn’t matter where we got it from as long as it was cheap,” Mr Gates says. “That’s not the case anymore. Certainty of supply is now as important, if not more important, than cost. And quality too. People want things to last longer because trying to fix them and get parts for stuff has become harder.”

An evidence-backed balancing act

The right technology systems can help improve and streamline supply chain management through better, more accurate forecasting, basing future predictions on the patterns of the past. Things like seasonality are taken into account, as well as information from the supply chain.

Other helpful features include potential integration with supplier systems, leading to real-time visibility of inventory in transit. Meanwhile, seamless integration between a business’s internal systems facilitates split-second decision-making regarding the rerouting of stock, potentially allowing businesses to pounce on burgeoning markets and generally increasing their agility in changing market conditions.

“Even if you’re having to wait a month or two to get the information, that’s not quick enough,” Mr Gates says. “So good tech can really help you avoid a time lag when a time lag is costly.”

“We’re a very innovative country with an excellent manufacturing base – that became really important over COVID, and it will remain important”

Chad Gates
Managing Director,
Pronto Software

Supply chain management concerns



- 11.59% Not concerned
- 18.84% Slightly concerned
- 21.74% Somewhat concerned
- 33.33% Moderately concerned
- 14.50% Extremely concerned



The inherent value of technology

There's no doubt that technology plays a critical role in helping businesses navigate business challenges

When asked "What technologies are you considering to support your business objectives?", respondents to the 2022 Business Barometer most commonly selected the following:

1. Cyber security and data privacy: 48%
2. Cloud computing: 46%
3. ERP and business management software: 39%
4. Data analytics: 36%

It's reassuring to see that cyber security and data privacy are the top priority, given the spate of high-profile data breaches involving companies such as Optus and Medibank, which were far from isolated incidents.

In fact, during the 2021–22 financial year, the Australian Cyber Security Centre (ACSC) received over 76,000 cybercrime reports¹⁰ – an increase of 13% from the previous financial year, and the equivalent of one report made every seven minutes.

Recently, the Australian government has made it abundantly clear that businesses have a responsibility to safeguard the data they request and store by dramatically raising the stakes of complacency. *The Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022*¹¹, which was passed in November 2022, increased the penalty for businesses that suffer repeated or major data breaches from \$2.2 million.

Civil penalties aside, cyberattacks can do enough damage on their own. For example, in the 2021–22 fiscal year, the average reported loss due to "business email compromise" was \$64,000¹². There was also a 14% increase in the average cost per cybercrime report to over \$39,000 for small businesses, \$88,000 for medium businesses and over \$62,000 for large businesses.

Then there are the other, more indirect financial repercussions associated with data security breaches, including the potential cost of a system rebuild, reputational damage, and loss of customers and productivity.

"Data analytics can save your bacon from a security perspective"

Chad Gates
Managing Director,
Pronto Software

10. 'ACSC Annual Cyber Threat Report, July 2021 to June 2022', Australian Cyber Security Centre, November 2022

11. 'Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022', Federal Register of Legislation, 2022

12. 'Government passes bill increasing data breach penalties to \$50m', Cyber Security Connect, November 2022



46%

of respondents selected cloud computing as a key technology to support business objectives

Ignorance is no excuse

Given the high stakes and increased threat environment, Mr Gates says, "it's imperative that businesses do an internal review of their data collection and storage". That means evaluating:

- What data is being collected, and whether it is all necessary
- How and where is the data being stored
- Who has access to the data

Other things to consider include whether the same administrator passwords are being used repeatedly throughout the business, and if there are any mysterious generic users with access to company systems and accounts.

"No one is going to forgive a business for not thinking about these things," Mr Gates warns. "Ignorance is no excuse, so businesses have a requirement to understand what their profile is and how to protect themselves."

The future of business

It's clear that cyber security is of the utmost importance, but so are each of the other technologies singled out in the survey, Mr Gates says. Cloud computing increases agility and facilitates hybrid and remote work, for example, while ERP and business management systems streamline and automate time-consuming tasks to optimise employee experience and performance.

As well as providing real-time insights to inform strategic decision-making, data analytics "can also save your bacon from a security perspective," Mr Gates says. "Because if something looks weird, it probably is."

The automation potential of this technology means that "as soon as something wacky happens, there are alarm bells going off all over the place," he explains. "Whereas, if you're blind to that data, that sort of thing could sail through, and you might not find out until months later when it's way too late."

This is where technology can play a really important role in the future of work – by informing, predicting, securing, protecting and enabling businesses to make better decisions.

The final word? For businesses that want to survive and thrive in 2023 and beyond, Mr Gates says, "All of these technologies are important and none of them are really optional."

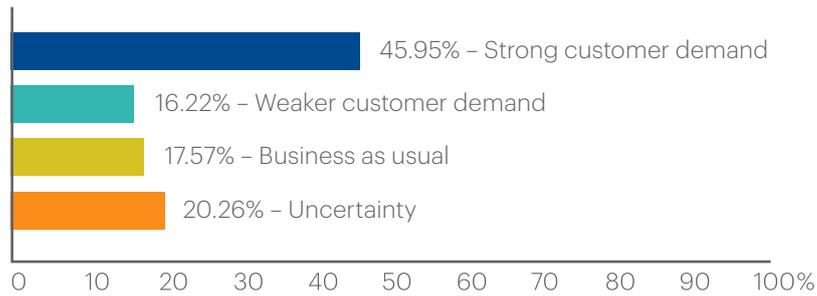


of respondents selected ERP and business management software as key technologies to support business objectives

Survey questions and responses

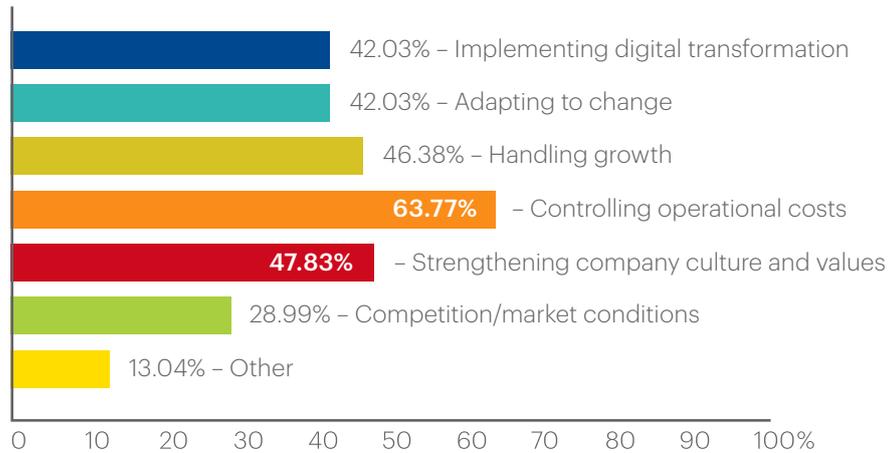
Q1

What is your business sentiment for FY23?



Q2

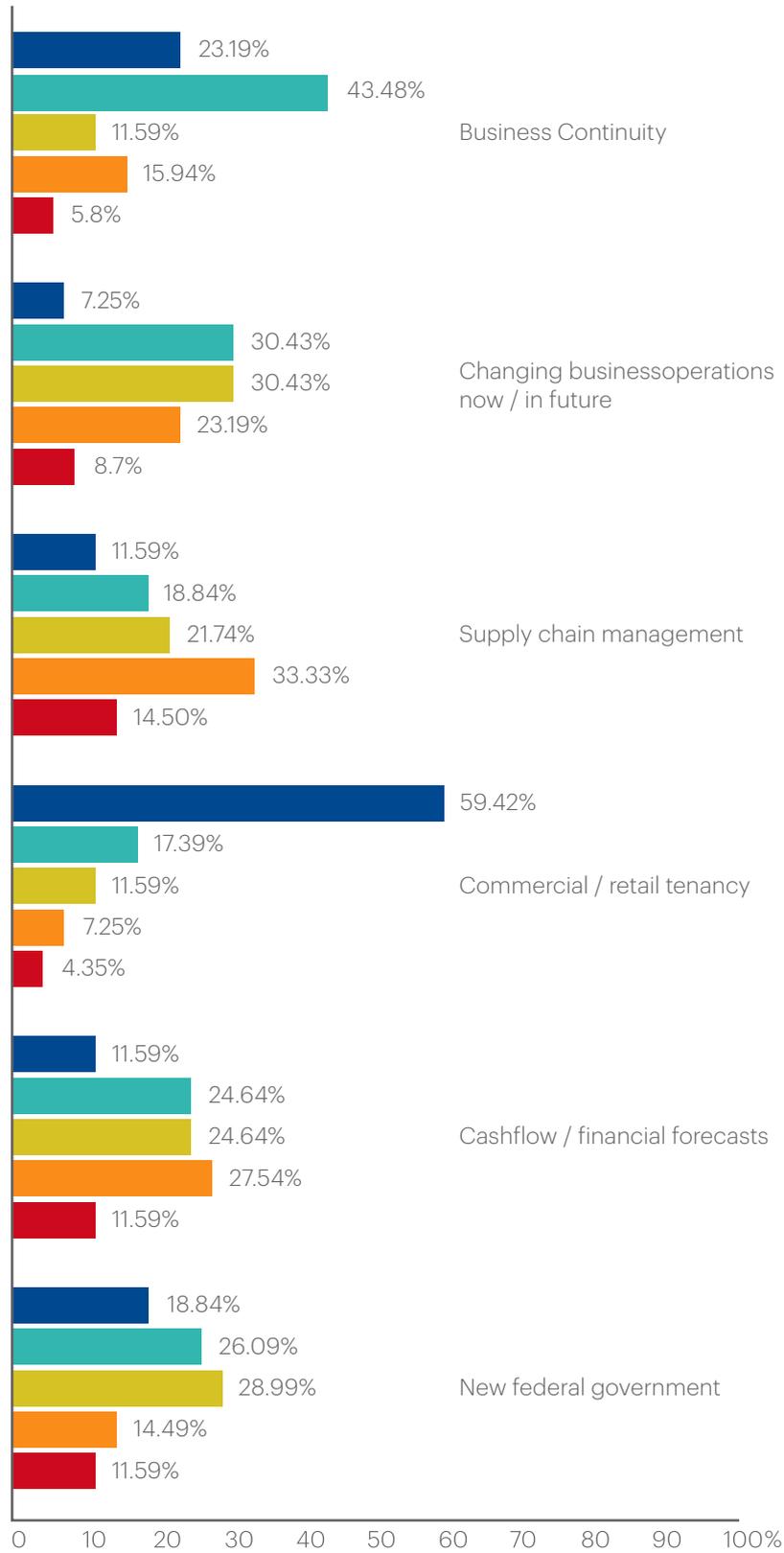
What are areas of focus for this current financial year?



Q3

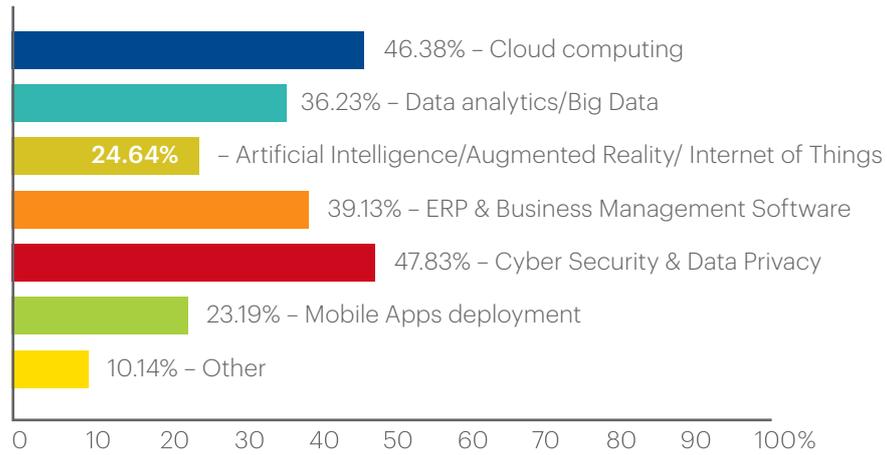
How concerned are you today about the following business issues?

- Not at all
- Slightly
- Somewhat
- Moderately
- Extremely



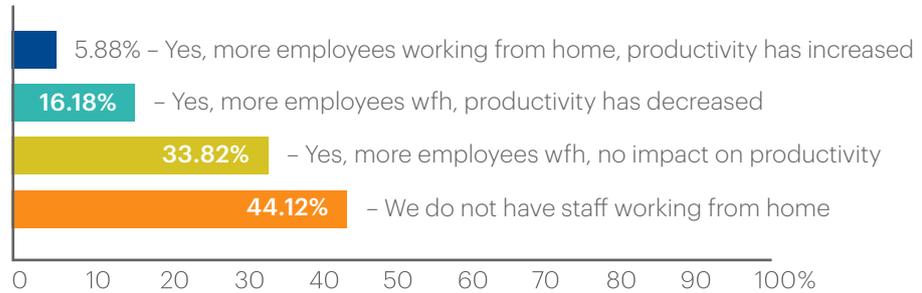
Q4

What technologies are you considering to support your business objectives?



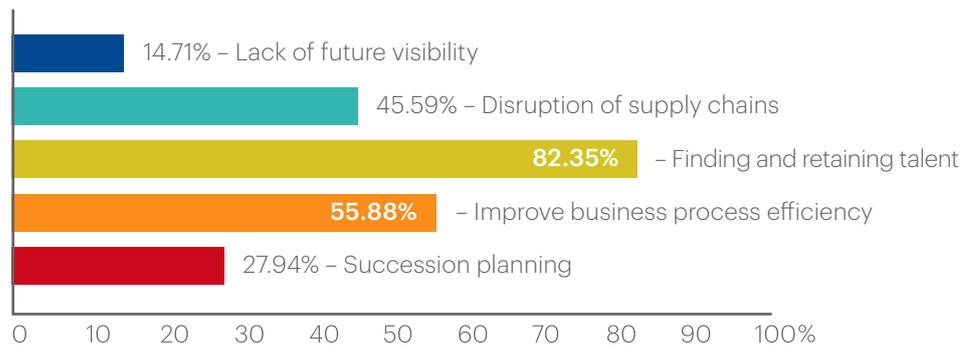
Q5

Are more of your employees continuing working from home during the on-going pandemic? Has this impacted productivity?



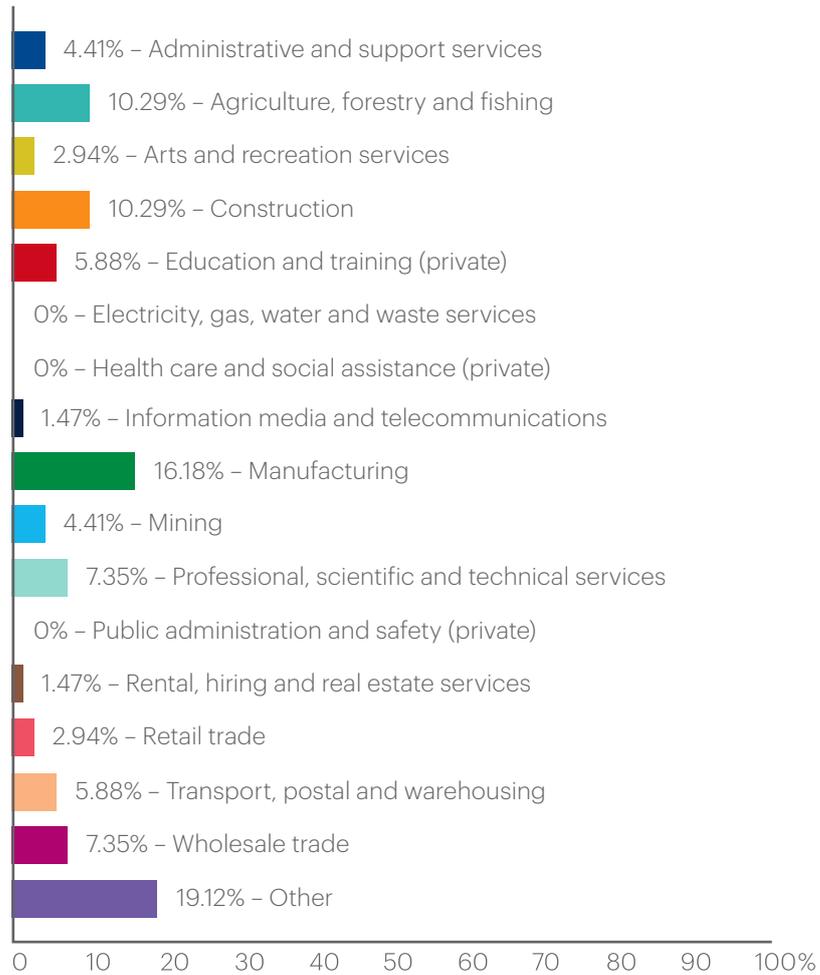
Q6

What are the key issues your business is facing?



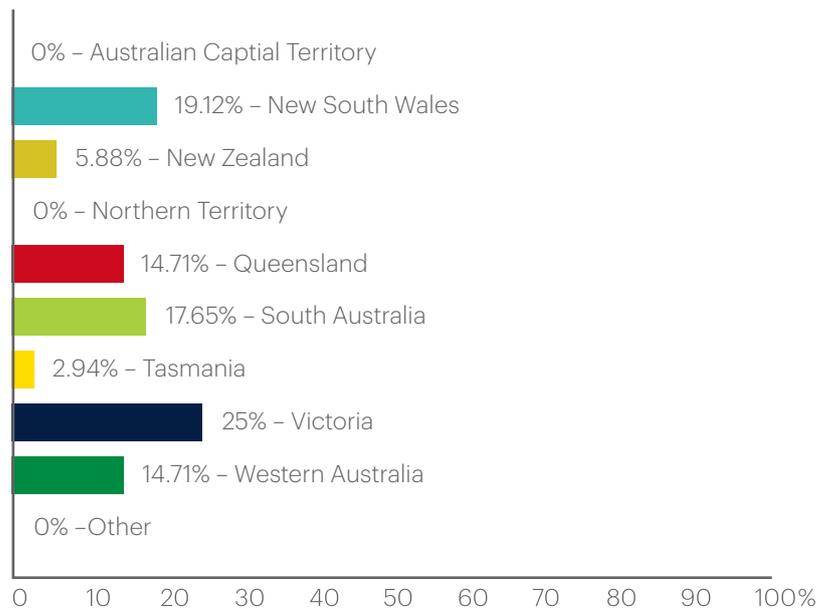
Q7

Which industry are you in?



Q8

In which region is your business / operations primarily based?





About this whitepaper



The Family Business Association and Pronto Software Business Barometer Survey was first conducted in 2020. This Business Barometer survey was undertaken in October and November 2022 to continue to provide insights about the unfolding challenges, changes and opportunities that business professionals are experiencing as they try to remain in the game – without a playbook. The survey results and analysis are presented in this report as useful reference points to fuel important business discussions in 2023 and beyond, as the new normal is defined.



About Family Business Association

FBA is the peak membership body for family businesses in the nation, serving over 3,000 members and advisors. We aim to empower businesses, who are more important than ever, in keeping Australians employed – and the economy productive.

Learn more:

www.familybusiness.org.au



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