Reimagining the road to success for small and medium-sized businesses

Why it's critical that small and medium-sized businesses build digital skills to succeed

Through the past 18 months of global changes, smaller organizations have had to move quickly to stay in business. Many of these organizations embraced technology to adapt to new ways of working in a digitally enabled economy. By deepening their digital skills, small and medium-sized businesses can get more from their digital tools and tech to better navigate present challenges as they build toward a more successful future.

With a strong foundation in digital skills, small and medium-sized businesses can adapt to a digitally enabled economy, explore new ways to grow, and use tech to achieve their goals—now, and for years to come.

Adapt　　**Grow**　　**Repeat**

To learn more, visit
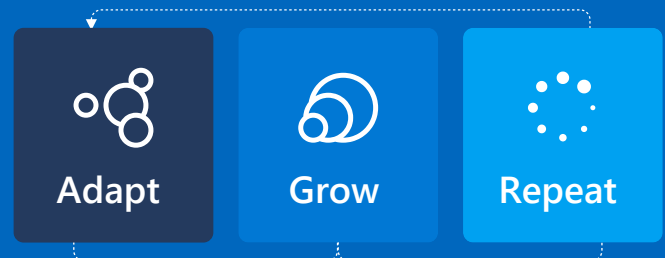## aka.ms/SkillsForSMBs/US

Vital to our economies
Whether they're made up of two people or two hundred, small and medium-sized businesses are essential to stimulating economic growth and sustaining a vibrant workforce. They represent 90% of businesses worldwide, account for up to 70% of global employment, and strengthen local economies, with two-thirds of every dollar spent at small businesses staying within the community.

Key to greater opportunity
Beyond dollars earned, smaller organizations are nimble and have the potential to lead where other companies follow. These businesses open the door to innovation and provide avenues of opportunity. Groups that have traditionally had less access to resources—such as women and minority groups—can step away from a limiting job market to find financial independence through entrepreneurship and small business ownership.

→ Women entrepreneurship increased during the pandemic: **39% of new businesses were women-owned.**

→ In the last decade, **minority-owned businesses accounted for over 50% of new businesses** started in the U.S., creating 4.7 million jobs.

Disproportionate challenges

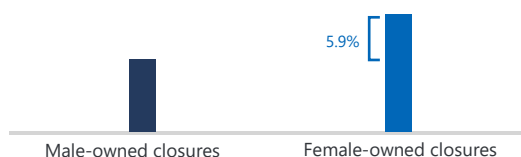While small and medium-sized businesses offer significant value, they also face significant challenges—particularly during economic downturns. The past year's closures, declines in sales, and reduced workforce hit smaller organizations hard. Minority and women-owned business enterprises—many of which face disparities in access to education, employment, and capital—have been disproportionately impacted by the pandemic.

In the U.S., the number of **Black-owned small businesses fell by 41 percent** during the pandemic, and **Latinx business ownership declined by 32 percent**—compared to **17 percent among white business owners**.[1]

White-owned	Latinx-owned	Black-owned
-17%	-32%	-41%
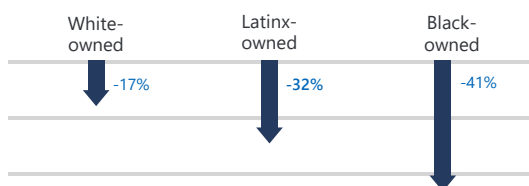
Globally, female-owned businesses were 5.9 percentage points more likely to have closed their businesses than male-owned businesses.

5.9%

Male-owned closures | Female-owned closures

Digital opportunities

Throughout the shifts in how we work and live, small and medium-sized businesses adopted new approaches for viability. By turning to technology, these organizations have been able to pivot, recover, and reimagine how to do business. With the wide availability of digital tools, smaller organizations have an opportunity to "leapfrog"[2]—which means bypassing more traditional methods to take up advanced, digital alternatives for their business.

92%
Ninety-two percent of small and medium-sized businesses changed their business models in response to COVID-19, and a majority of those businesses started new online delivery channels.

70%
For over 70% percent of small businesses across the globe, COVID-19 has been a key driver for fast-tracking their digitalization journey.

The skills gap

While tech has been essential to business growth, the growing skills gap—particularly in underrepresented groups and communities—makes it difficult for owners and employees to realize the full potential of digital tools and solutions. Businesses that began or accelerated their digital transformation during the pandemic are facing challenges when using technology to work toward their goals.

Though small businesses reported that they were accelerating digitalization to address COVID-19 challenges, they faced two major barriers to progress: lack of digital skills and cultural resistance.[3]

Additionally, one in five small businesses and nearly one in three medium businesses say a lack of employee skills has been their biggest challenge in responding to the global changes in how we live and work.

[1] NBER: "The Impact of Covid-19 on Small Business Owners," Robert Fairlie.

[2] OECD: "Bridging the Digital Gender Divide," 2018.

[3] Cisco: "2020 Small Business Digital Transformation."

Digital skills as the path forward

As digital channels have supplemented or replaced in-person experiences, organizations have become increasingly reliant on technology for every facet of business—from interacting with customers to helping their staff stay on-task. With limited time and resources to spend, small and medium-sized organizations need to know how to use the right technology—in the right way—so they can keep their business running smoothly while supporting long-term growth.

Building digital skills and raising knowledge capital

To better incorporate digital tools and tech in their operations, small and medium-sized businesses should build a strong foundation of **digital skills.** These skills can help them evaluate how technology has been working for their organization, identify what can be improved for greater profitability, and reimagine new paths for success and resiliency. As they build their digital skills, businesses raise their knowledge capital—or their full body of knowledge, including organizational processes and employee talent—which puts them at a greater competitive advantage in a digitally enabled economy.

What are digital skills?

Digital skills are the skills required to navigate a digital world.

The term **digital skills** refers to the set of abilities needed to effectively use technology.

As technology evolves, digital skills are fundamental to helping small and medium-sized businesses establish the knowledge they need for digital business areas, like e-commerce, customer data and insights, remote work, and cybersecurity.

By strengthening their digital skills, organizations build a deeper understanding of technology, helping them strategically evaluate and implement the right tools for their needs and reimagine new paths for success in a digital world.

Keeping pace with change through ongoing training

As businesses shifted their processes during the pandemic, employee responsibilities and daily tasks changed, too. By 2022, 54 percent of all employees will require significant reskilling and upskilling. This includes 'technical' skills, like programming and navigating software, as well as 'human' skills, such as analytical thinking and complex problem-solving. To help people perform better as part of a more digital business, organizations are focusing on skill-building: 59 percent of organizations rated upskilling and reskilling as their top learning and development priority—a 15 percent increase from June 2020.

With rising expectations for digital literacy—the ability to find, consume, create, and communicate digital content—training and knowledge-building can help people succeed in their roles, even as technology and digital tools evolve. As small and medium-sized businesses implement robust and ongoing training programs, they can stay on top of change and do their work more efficiently and effectively.

Digital skills in action

MAUSS Bau, a German construction firm, incorporated digital experiences and skill-building to transform from a traditional construction business into a data-driven, technology-oriented company for more efficient, connected, and insightful projects.

"Now, every construction site is staffed and equipped efficiently, and that has had a huge positive effect on our budgets and timelines," said Phillip Schneider, a MAUSS Bau Managing Director.

To ensure that every person in the company has the skills to effectively use the technology woven throughout the companies' processes, MAUSS Bau trains their entire workforce using an extensive internal knowledge base. Employees—some of whom have been with the company for more than 45 years—are building on their experience and expertise. Through digital skilling, MAUSS Bau brings their workforce new skills and increases their sense of commitment and belonging. With their upskilling mindset, the digital culture has extended to MAUSS Bau's subcontractors, who have abandoned long-held practices and adopted digital themselves.

"You don't get better by doing what you've always done...but by breaking through old structures and giving space to new approaches."
Phillip Schneider, Managing Director, MAUSS BAU

Five business outcomes supported by digital skills

By building digital skills, small and medium-sized businesses are better positioned to achieve five primary business objectives that are critical to their long-term success.

1 Connecting to customers and growing business.

2 Keeping staff engaged and productive.

3 Increasing security in a digital world.

4 Achieving greater efficiency to save time and resources.

5 Flexing to meet market opportunities.

# 1. Connecting to customers and growing business

Businesses of all sizes now use technology as their cornerstone for growth and function. According to the IDC, more digitally mature businesses saw greater revenue growth over a 12-month period.[4] While digitally mature companies can more easily add new technology and stay on top of trends, businesses that don't prioritize technology for their organization are likely to lag behind—and the gap is widening.

In this more remote world, organizations have a greater opportunity to expand their customer base. Developing the skills needed for digital marketing, branding, and advertising can help small and medium-sized businesses reach more customers and create stronger relationships—even with those they never meet in person.

[4] IDC: "2021 U.S. SMB Market Profile Update," Shari Lava, February 2021.

Risk of not skilling:

Businesses without meaningful digital experiences may lose opportunities to reach new customers and stay connected to their current customers. Because digital technology expands the customer pool outside of the local area, the competitive landscape has changed. Small businesses compete with global companies in addition to other small businesses in their town. And—because of their interactions with many digitally mature companies—customers expect businesses to have a strong digital presence.
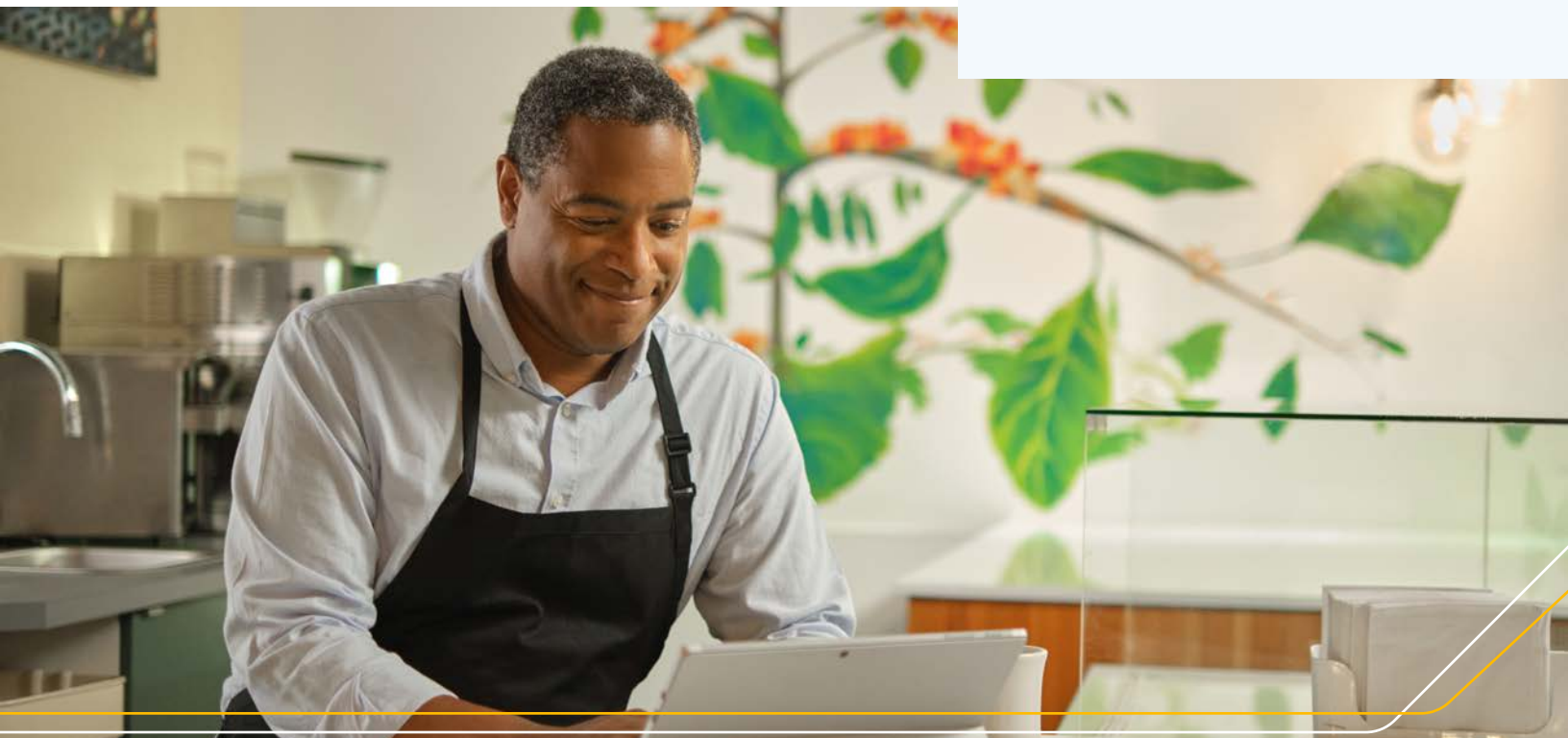
2. Keeping staff engaged and productive

Employees can do their best work when they're equipped with the tools and capabilities to stay connected and efficient. As technology brings people together, automates manual processes, and optimizes business processes, it's crucial that everyone in the organization builds the digital skills they need to spend their work hours on meaningful, interactive, and productive projects.

Risk of not skilling:

People want to feel confident in their job and tasks. When employees don't know how to perform a role at the highest level it can leave them feeling frustrated. A Harris survey found that 70 percent of U.S. workers are likely or somewhat likely to leave their current employer for another company who invests in employee learning and development.[5] By having the skills and knowledge required for their roles, employees can keep progressing toward their professional goals.

[5] Cision PR Newswire, "How to get today's employees to stay and engage? Develop their careers," June, 2019.

3. Increasing security in a digital world

Businesses need to protect personal and financial data—both their own and their customers'. By 2024, 60 percent of small and medium-sized businesses will take proactive measures to ensure cyber resiliency. Because cybersecurity is continually evolving, it's a key area for consistent training and skilling. Business owners and employees need to stay up-to-date with the latest best practices and offers.

In addition to proactively monitoring current threats and new cybersecurity strategies, in-depth skills help businesses determine the right security solution for their people, processes, and technology. With cyberattacks becoming more sophisticated every day, small and medium-sized businesses that don't have specialized experts should turn to cybersecurity tools that integrate AI to help protect their data and infrastructure.

Risk of not skilling:

Without the knowledge to select the right tools and implement the appropriate security measures, small and medium-sized businesses can experience significant financial damage from a single cybersecurity incident. Being the victim of a cyberattack or breach can damage a business' reputation and negatively impact their revenue stream for years.

4. Achieving greater efficiency to save time and resources

There's a wide availability of tools and products that can improve business efficiency—and digital skills help businesses unlock the full potential of this technology for their organization. With the knowledge and capabilities to connect departments, streamline processes, and automate manual tasks, small and medium-sized businesses can save valuable time—allowing them to focus on bigger business priorities.

Risk of not skilling:

Without the digital skills to be able to integrate digital tools and make sure solutions are working together, businesses risk disconnected data and costly inefficiencies. Time-consuming manual processes make it more difficult for businesses to meet the high demand for fast delivery and service—and almost two-thirds of customers will stop doing business with a company that doesn't meet their customer service expectations.[6] Small and medium-sized businesses should build their technical knowledge so they can make more informed technology decisions for a streamlined organization.

[6] Microsoft Dynamics 365 Blog, "The global state of customer service," November, 2019.

5. Flexing to meet market opportunities

Data is a powerful asset. Small and medium-sized businesses can and should use digital tools and technology to efficiently analyze information, develop insights, and identify new needs in the market. While smaller organizations may not have a dedicated person to analyze their data and trends, it's important to develop a deeper understanding of the available tools that can help businesses bring new products to market faster to mitigate risks and capture opportunity.

Risk of not skilling:

Businesses that don't leverage available data are at a disadvantage when trying to meet changing needs, especially as consumers expect a more connected digital experience. They may lose customers to competitors that offer more up-to-date products, delivery models, and service—or fail to identify important changes in their business. Learning how to leverage this data and understanding the tools to analyze it can help organizations plan better for the future.
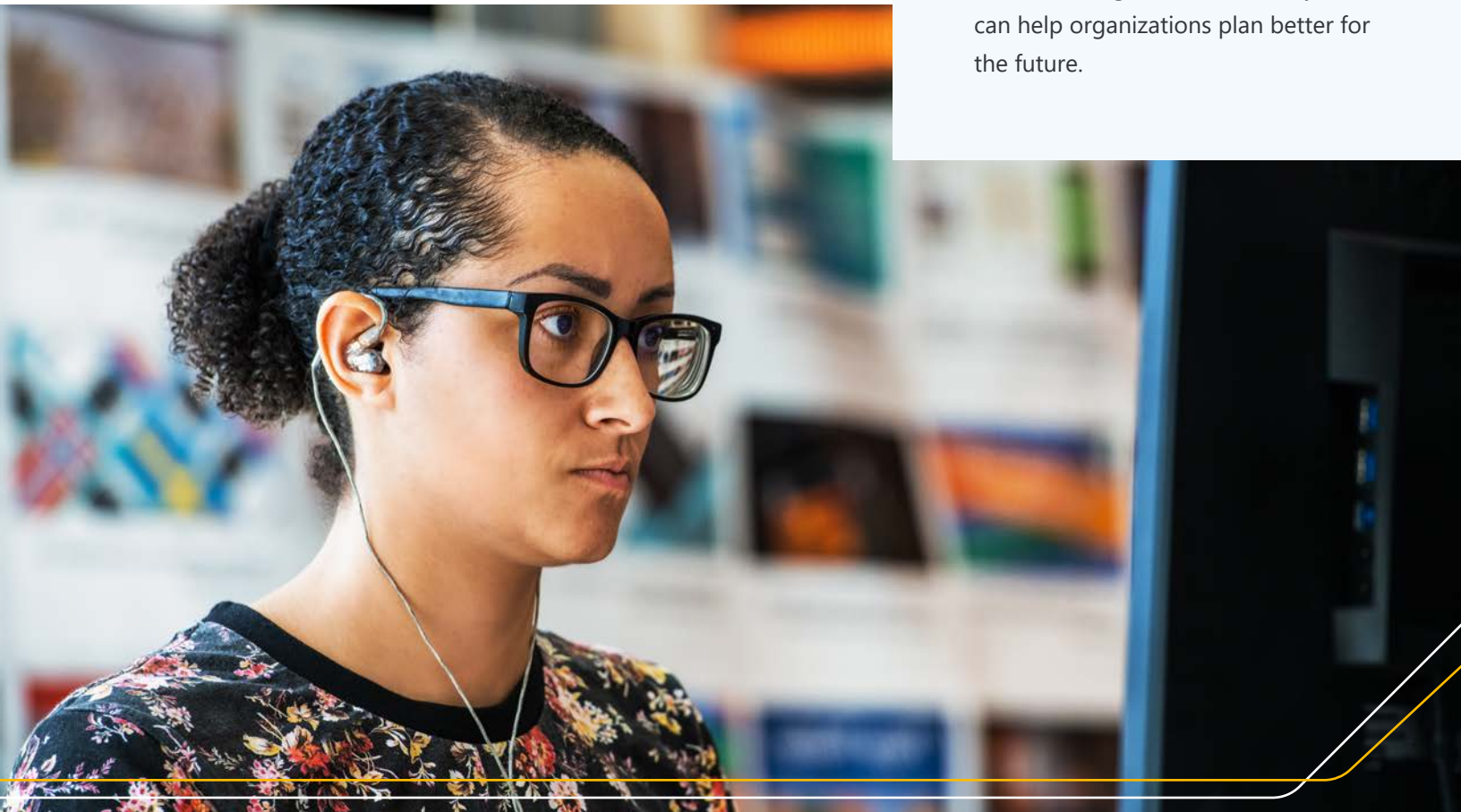
Building skills today to succeed tomorrow

As small and medium-sized businesses build their digital skills, Microsoft is well-positioned to support their efforts. Because we're committed to inclusive economic recovery and growth, we're making it easier and more accessible for small and medium-sized organizations to gain the technology training and digital skilling resources they're looking for to recover, streamline, strategize, and grow.

We've collated impactful and goal-oriented resources—like tools, best practices, online courses, and virtual workshops—to help smaller businesses find what they need, when they need it. By partnering with local organizations, we aim to provide more tailored support—particularly to businesses in underrepresented communities—so that small and medium-sized businesses have the tools to successfully navigate challenges.

By learning how to get more from their technology, businesses can stay agile for years to come. We want to empower small and medium-sized organizations to move forward by exploring new ways to strengthen their business—then, keep building as they grow.

Adapt

By strengthening their skills, businesses can solve present and future challenges.

Grow

With new skills, businesses can better implement technology, expand their organization, and increase efficiency with time and resources.

Repeat

By keeping skills current, businesses can discover new ways to support their growth.

With a strong foundation in digital knowledge and technical capabilities, small and medium-sized businesses are better able to overcome roadblocks, stay ahead of the curve, and push our economy and workforce towards greater vitality.

Explore how Microsoft is helping small and medium-sized organizations build their digital skills:

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