The Challenges of Growth White Paper

Understand why successful SMEs inevitably develop growing pains and how technology can help address them

The growing pains faced by SMEs

We are told 'growth is good' but anyone who has worked in or managed a growing business also knows it's not easy. 'Scaling up' is meant to make things cheaper and easier, but as an organisation grows and employs more people, significant problems emerge.

Although most of these challenges can be overcome, if they aren't dealt with effectively they will severely restrict further growth.

What happens when businesses grow

Business often seek growth because increasing production lowers some business costs which in turn makes an organisation more competitive and profitable.

- Materials can be bought cheaper
- People and machinery can be used better
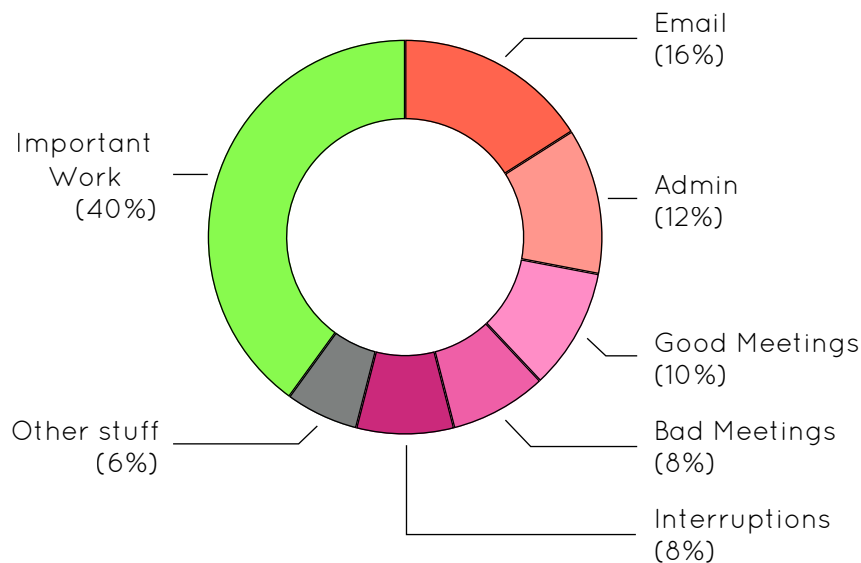- Overhead costs such as rent and utilities are spread across greater output

But to deliver this increased output, organisations generally need to employ more people. As the workforce grows

- it becomes harder to coordinate work between people

- it becomes harder to communicate and keep everyone informed
- work starts getting duplicated because of poor communication
- response times increase and customer service suffers

This leads to decreasing productivity, more mistakes, overworked employees, and growing frustration for business owners.

The reality is that the systems and processes organisations develop when they are small don't necessarily work when they grow bigger. If growing businesses don't consistently update their processes they eventually start to struggle.

Email
(16%)

Admin
(12%)

Important
Work
(40%)

Good Meetings
(10%)

Bad Meetings
(8%)

Other stuff
(6%)

Interruptions
(8%)

How people spend their time at work

If you want evidence that the things aren't quite right, just take a look at how people spend their time at work. Research shows that on average, only 40% of time is spent on doing the important work that clients are happy to pay for. Well over half the time at work is spent on inefficient communication, coordination, administration, management and reporting activities.[1]

These activities rarely create value but are considered the 'necessary evil' of running a business, but the truth is they aren't always necessarily. Some of these activities are just the by-product of an inefficient process that needs updating or replacing.

Fix the unnecessary evils

If organisations only had the capacity to improve one area of their business, removing the unnecessary evils would be a great place to start. Email, unproductive meetings and administration are not the type of work people enjoy and most would be happy to spend less time doing them. They also represent the biggest chunk of

people's time and provide the biggest opportunity for improvement.

Information shuffling and the digital advantage

Many of these activities involve information shuffling. Information shuffling is the act of creating and moving information around. Done well, it results in the right people getting the information they need when they need it, which in turn allows important work to get done. Information shuffling doesn't add value to a business in and of itself, but getting the right information to people certainly does.

By digitising these information shuffling activities we open up the ability to improve, streamline and automate them. This not only has the potential to reduce bottlenecks, increase productivity and improve quality, it also frees up the capacity which can enable future growth.

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[1] Workfront (2019) State of Work Report
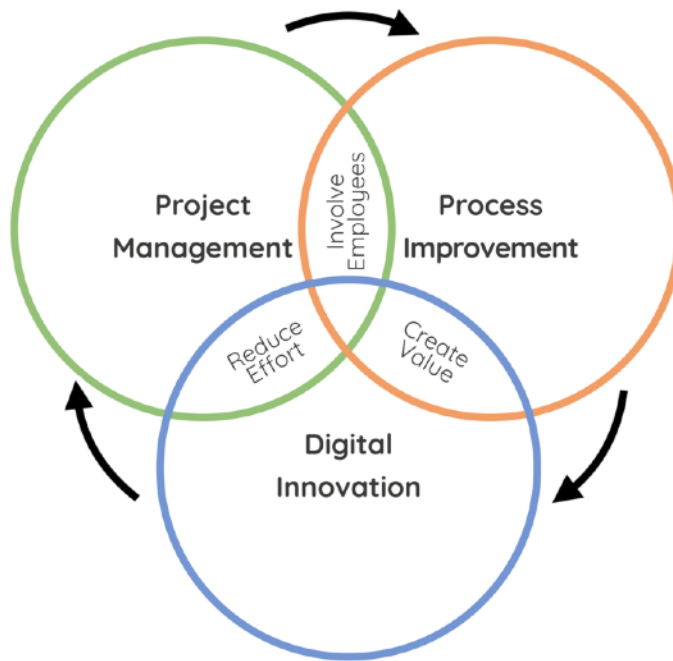
What gets in the way of better technology

Over the last decade there has been an explosion in the number of digital tools available to businesses, yet many SMEs seem to struggle when it comes to implementing these successfully.

Recently ANZ surveyed more than 1,000 Small and Medium Enterprises (SMEs) from around Australia to find out what gets in the way.[2] The top three issues they identified were

- Uncertain returns on digital projects (26% of businesses)
- Not knowing where to start or the best solutions available (20% of businesses)
- Facing challenges when implementing new software (12% of businesses)

The skills every business needs to own

To address these issues, there are three distinct skill sets every business needs access to.

The first is the process improvement skill set used to identify business constraints and improvement opportunities. The second is the digital innovation skill set involved in investigating and comparing digital solutions. The third is the project management skill set to provide a structured approach to implementing improvement projects successfully.

Some SMEs may have one of these skill sets on hand (perhaps a dedicated IT resource or a process improvement specialist), but very few have access to all three. This is because SMEs are in a unique situation, they have grown big enough to create some of the scaling problems faced by large corporates, but are not so big that they can afford to employ all the experts they need to solve them.

A consultant is not necessarily the answer

Consultants can be incredibly helpful in the right situation. If you need an independent opinion or access to unique knowledge or even if you just want access to specialised expertise on a short term basis, hiring a consultant can be both desirable and cost-effective.

On the other hand, if you want access to skills and knowledge over the long term or the work involves changes that will potentially make people feel fearful or uncertain, it's advisable to develop and maintain internal expertise. Over the long term internal experts will end up being more cost-effective, plus their existing relationships with people in the business will allow them to better support them through what might otherwise be difficult periods of change.

Change is a constant

Growing SMEs are always facing new challenges and this, coupled with the constant improvement in digital tools, represent an incredible opportunity for businesses with the right internal expertise.

To identify and manage these projects, every growing business needs someone who can

- Uncover the bottlenecks to growth
- Understand the potential of digital technology
- Push for internal change

In larger organisations, this might evolve into a full-time role or even the formation of a specialist team, but for most SMEs this is unrealistic. An easier way to start would be to use a couple of existing staff who can take on this responsibility on a part-time basis.

If they are successful and provide value beyond that of their 'day job', there is always the option to expand the role and have them cut back on other responsibilities. This approach allows them to grow as the organisation grows and develop their skills as new opportunities emerge.

How you can get started

To get started, ask yourself the following questions:

1. What are the three areas of your business where a 10% improvement in performance would have a meaningful impact on growth?

2. What technology solutions are out there that could improve performance in each of these three areas?

3. Who are (or who should be) the internal experts responsible for these projects?

4. What are the barriers that might get in their way and how could you help remove them?

If you can answer each of these four questions there is a good chance you're already on the right track. If on the other hand you struggled with a particular question, it may indicate where you need to focus your attention.

Talk it through with me

If you'd like to talk though these questions with me you can get in touch and we can make time for a call. I've spent the last four years working with SMEs to help them identify and overcome their growth challenges. Along the way, I have trained and developed more than 100 internal experts to identify, investigate and implement technology improvement projects.

Other resources

If you're not quite ready for a phone call you could get ourself a copy of my book 'The Digital Champion: Connecting the Dots Between People, Work and Technology'. I also publish a blog twice a month with much of the content focused on how SMEs can use technology more effectively. If you haven't already signed up I encourage you to do so at simonwaller.com.au/ding.

Finally, I run a program to support the development of digital champions within SMEs called the Digital Champions Club. It provides coaching, structured support and peer to peer learning for digital champions who work in small and medium sized businesses. You can find out more about it at digitalchampionsclub.com.au.

About the Author

Simon Waller is an international keynote speaker, published author and founder of the Digital Champions Club.

Simon's experience sits at the intersection of business management, process improvement and technology. He has a long history of working in, owning and managing small and medium sized businesses. In addition he has worked for multinational organisations driving operational efficiencies through methodologies such as LEAN and Six Sigma. He is also a trained futurist and speaks to international audiences about the impact of technology on business, people and society.

Along the way he has also written a couple of books: **Analogosaurus: How to avoid extinction in a world of digital business** is about how to engage people in the opportunities of technology and **The Digital Champion: Connecting the dots between people, work and technology** is a practical guide to identifying and implementing the technology opportunities that enable growth (it's also the handbook for members of The Digital Champions Club). You can find out more about Simon at simonwaller.com.au or contact him on simon@simonwaller.com.au

Simon's book The Digital Champion: Connecting the Dots Between People, Work and Technology is available from **simonwaller.com.au/ the-digital-champion/**