

2022

# Small Business Bravery Report

Cautious optimism and confidence  
in a brighter future



# Along with much of the country, Australia's small businesses faced many challenges over the last few years.

But having courageously weathered the storm and shown the ability to adapt to continue to service customers, many owners have developed more confidence in their ability to continue to adapt and grow. This has caused them to take a cautiously optimistic view of the future.

With more than 2.4 million small businesses<sup>1</sup> employing around 5 million Australians,<sup>2</sup> it's clear that small businesses are a vital part of the country's economy. With fewer resources at their disposal, small businesses fought hard to weather the COVID-19 storms of the past few years. Decreased foot traffic, quick digital shifts, reduced cash flow, broken supply chains and difficulty accessing government support were just some of the challenges owners faced.

But they did not shy away from the challenge, instead persevering through immense disruption and uncertainty. Cautiously optimistic that the worst is behind us, it's time to take a look back at 2021 before turning our attention to the future. How do small business owners feel about the past year and their performance, and what do they think is ahead of them and their peers?

## About the 2022 Small Business Bravery Report

To better understand small businesses as drivers of the Australian economy, we conducted an online survey of small businesses (20 employees or less) in January 2022. We collected data from 1,327 respondents across 20 industries, with each Australian state and territory represented.

The 2022 Small Business Bravery Report highlights the tough road these businesses travelled in 2021, providing a snapshot of the Australian small business landscape. The report also touches on the risks Australian small businesses currently face, and how well they are protected.

<sup>1</sup> [Small business: backbone of the economy or a burden?](#), AFR, 29 December 2021.

<sup>2</sup> [Small business sector contribution to the Australian economy](#), Parliament of Australia, 07 January 2020.

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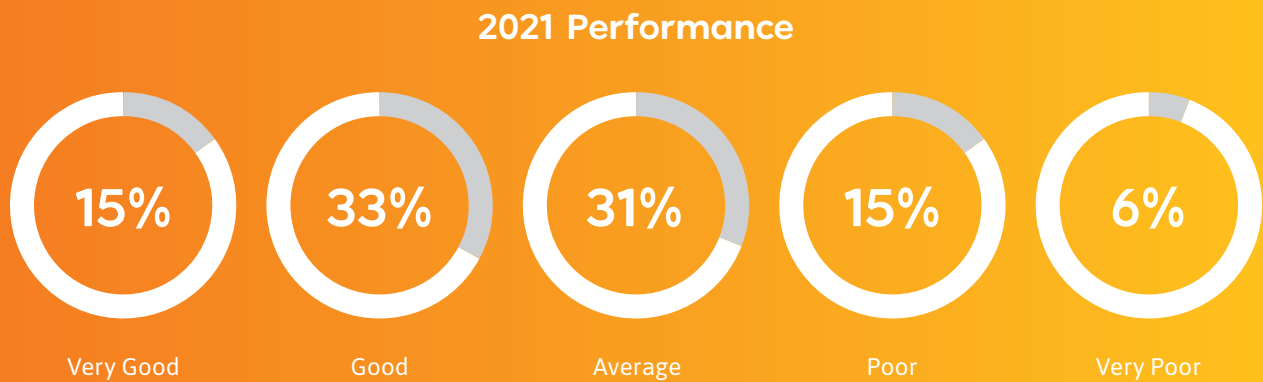
# 1. Stepping up to the challenges of 2021

Small business owners have repeatedly shown remarkable resilience over the past two years, and they are cautiously optimistic about the year ahead.

While restrictions and supply chain issues brought about by the COVID-19 pandemic linger, Australia's small businesses have emerged with a newfound confidence in their ability to adapt and grow.

And despite challenging conditions, Australian small businesses hold a relatively positive outlook on their 2021 business performance.

Nearly half of all businesses (48%) judged their performance as Good or Very Good, with a further 31% rating their performance as Average. Only 21% of small businesses rated their 2021 business performance as Poor or Very Poor.



Just 21% of businesses rated their 2021 performance as Poor or Very poor despite the incredible challenges posed by COVID-19.

Health Services businesses were five times more likely to have a positive outlook of their 2021 performance than negative. This industry had to adapt to new ways of servicing Australians, including a rise in telehealth and non-contact delivery, and was the most satisfied with its performance for the year across the small business landscape.

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**“I’ve managed to keep my fitness business afloat through the two years of the pandemic in an industry that has been massively impacted by restrictions.**

I’ve pivoted my business model as restrictions changed, and worked with other fitness professionals so we could help support each other and our clients in this time. I’m doing my best, and I think that’s bloody brave.”

*Fitness Trainer – South Australia*

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Two industries – Architecture, Engineering & Technical Services and Accounting, Bookkeeping & Taxation – shared the equal lowest negative rating of 11%.

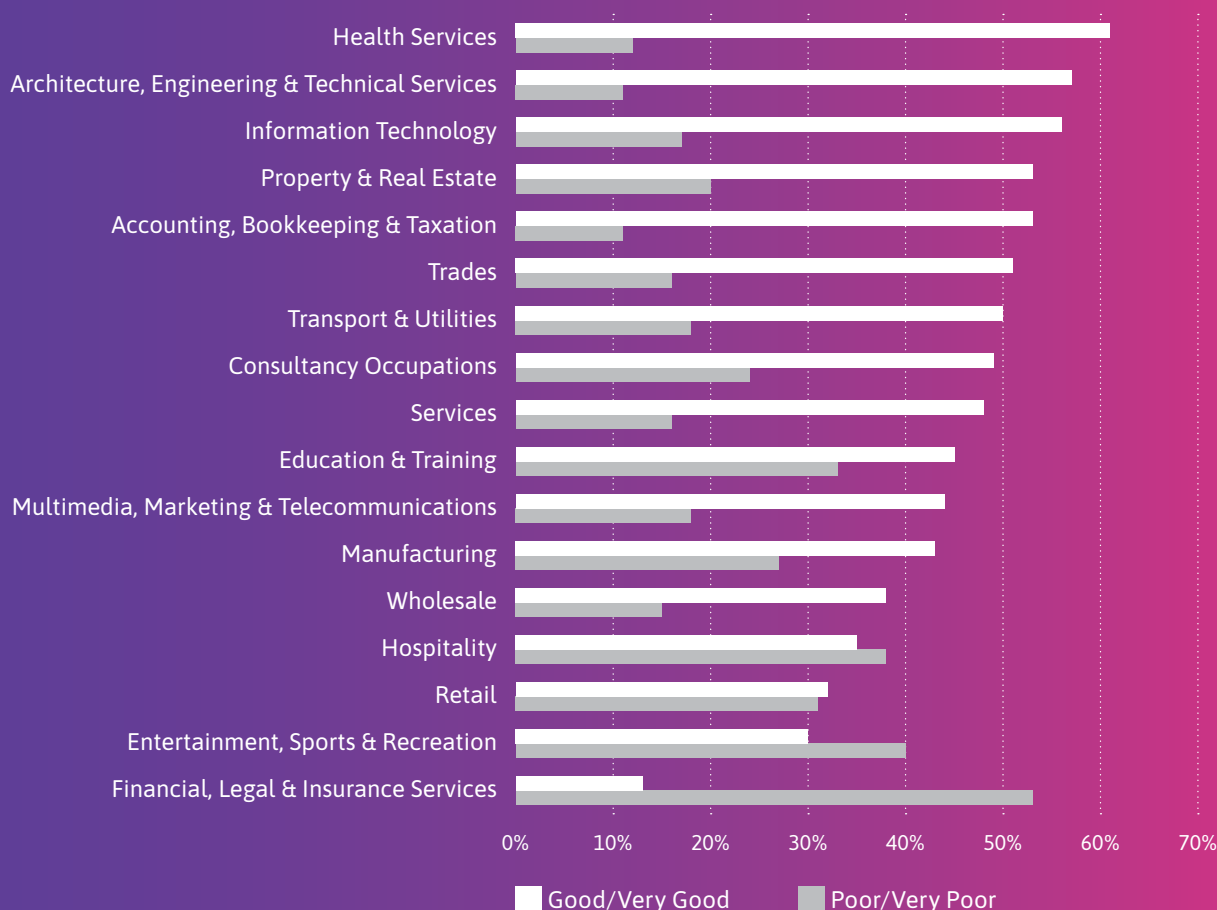
Information Technology, Trades, Property & Real Estate and Transport & Utilities also shared a similar outlook on their 2021 performance, with positive ratings above 50% and negative ratings below 20%.

Unfortunately, not everybody had such a rosy view of 2021.

The Financial, Legal & Insurance industry was the most negative, with 53% of its small businesses rating their performance Poor or Very Poor and only 13% rating it Good or Very Good.

Understandably, significant portions of small businesses in the Hospitality (38%) and Entertainment, Sports & Recreation (40%) sectors also held a negative opinion on their 2021 performance, as they were hit especially hard by social distancing restrictions..

## Business Performance - Industry Winners and Losers



The Health Services and Architecture, Engineering & Technical Services industries reported the most positive reviews of their 2021 performance, while Entertainment, Sports & Recreation and Financial, Legal & Insurance were the most negative.

## 2. The triumphs and tribulations of 2021

Unsurprisingly, small businesses said the COVID-19 pandemic and its impact were largely responsible for driving 2021 business performance levels – for better and worse. Survey responses show the owner’s ability to adapt in the face of these challenge was a key factor in determining performance levels.

### 2.1 Declaring victory: positive performance drivers

There were three clear performance drivers for businesses that achieved a **Good** or **Very Good** rating.

Of those with these ratings, 17.5% cited their ability to develop new products or services to meet new market opportunities, making it the top performance driver of 2021. A further 12.8% cited the ability to adopt online solutions or new technology as the top driver. It’s clear that these small businesses embraced the challenge of quick shifts to digital or finding other ways of servicing Australians.



**“Our business showed bravery by thinking outside of the square.**

We managed to adapt our business model to flexible working options, and changed the way we do business from face to face to online using technology such as Zoom and Teams. This allowed us to continue serving our clients remotely.”

*OH&S Consultant – Queensland*



Consultants and Architecture, Engineering & Technical Services were the sectors most likely to develop new products or services. Small businesses in Accounting, Bookkeeping & Taxation developed online solutions or new technology better than any other industry.

And while the business performance of some industries was adversely affected by the pandemic, others found it increased their performance, with 16.9% saying COVID-19 created more opportunities to provide goods and services for Australians. Health Services and Multimedia, Marketing & Telecommunications were the top industry performers across this metric.

### Top 10 Factors Driving Good/Very Good Performance



Business owners who rated their 2021 performance as positive pointed to their ability to adapt as a key reason why.

## 2.2 The pandemic pitfalls that prohibited positive performance

The impact of disruptions caused by COVID-19 was the overwhelming reason given by small businesses who rated their performance as *Poor* or *Very Poor*, with 39.2% of these respondents calling it the top negative driver. The survey also indicated a lack of working capital (9.2%) and lack of access to government support (9.1%) as reasons for poor performance.

Interestingly, the two top drivers of good performance – the ability to develop new products or services to meet new market opportunities and the ability to adopt online solutions or new technology – were among the lowest reasons blamed for poor performance.

This shows that these businesses couldn't modify how they operated, whether due to not putting enough of an emphasis on adaptability before the pandemic hit or simply not having the resources or ability to do so. As a result, performance suffered.

### Top 10 Factors Driving Poor/Very Poor Performance



COVID-19 disruption was an overwhelming reason why small business owners said their 2021 performance was *Poor* or *Very Poor*.

The Trades sector was least likely to adapt across both key metrics. Financial, Legal & Insurance Services and Health Services also showed an inability to adapt quick enough to shift the performance needle to positive. The industry least likely to benefit from COVID-19 was Retail, as lockdowns and pandemic-induced restrictions hampered performance.

## 2.3 Recruitment in Australia

While there are well-documented staffing challenges in Australia, these issues don't appear to have been key drivers of good and bad performance. Of the total sample, just 9% cited attracting and retaining staff as helping their performance. This increased to 12.1% of those who achieved Very Good performance.

Overall, only 5.4% of the total sample cited challenges to recruitment and retaining staff as an issue. For those that indicated Poor or Very Poor performance, this rated 10th in terms of performance drivers (2.9%). While recruitment might remain an issue, other factors appear to be more pressing to small business growth.

## 2.4 How COVID-19 impacted Australia's small businesses

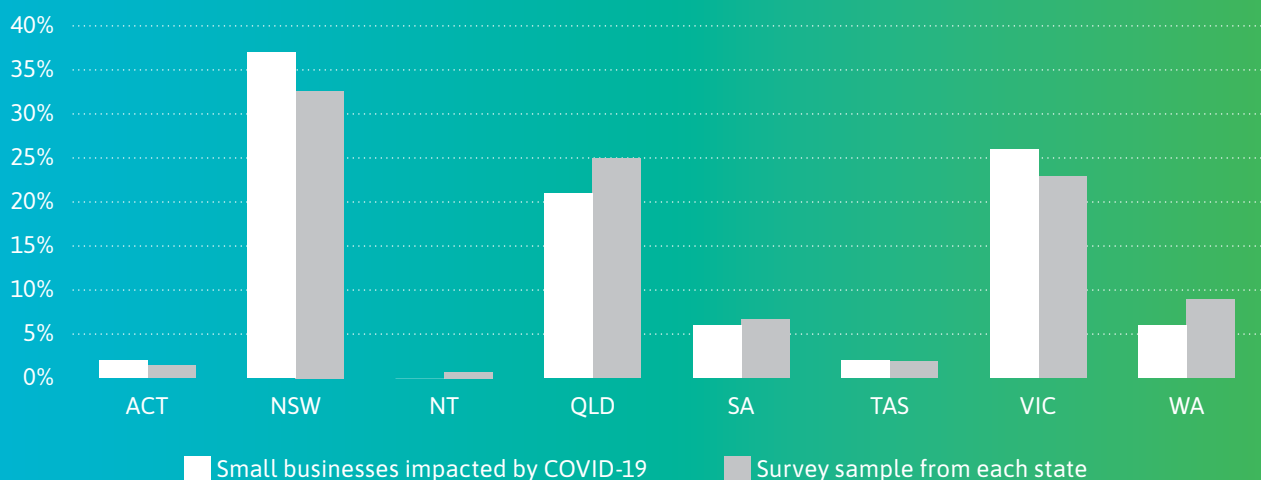
Although the COVID-19 pandemic impacted small businesses across Australia, its effects were felt differently across various states, regions and industries.

While more than a quarter (26.7%) of survey respondents said they were not impacted by COVID-19, nearly half (44.4%) of all businesses lost work or customers and experienced revenue loss due to the pandemic.

Education & Training and Entertainment, Sports & Recreation were impacted the most, with Hospitality, Retail, and Services rounding out the top five. The industries also featured heavily among the 29.8% of small businesses who had to temporarily stop trading but reopened. And regional small businesses felt the impact of the pandemic more severely than their city counterparts.

The impact across both metrics was felt the most in New South Wales and Victoria, while Queensland, South Australia and Western Australia experienced less disruption. This correlates with the difference in length and severity of lockdowns and trade restrictions experienced by each state.

### COVID-19 Causing Disruption to Small Businesses



NSW small businesses were most likely to develop online solutions or adopt new technology, while Victorian businesses were the least likely. However, Victorian businesses were most likely to trade through disruptions by offering a different service or product.

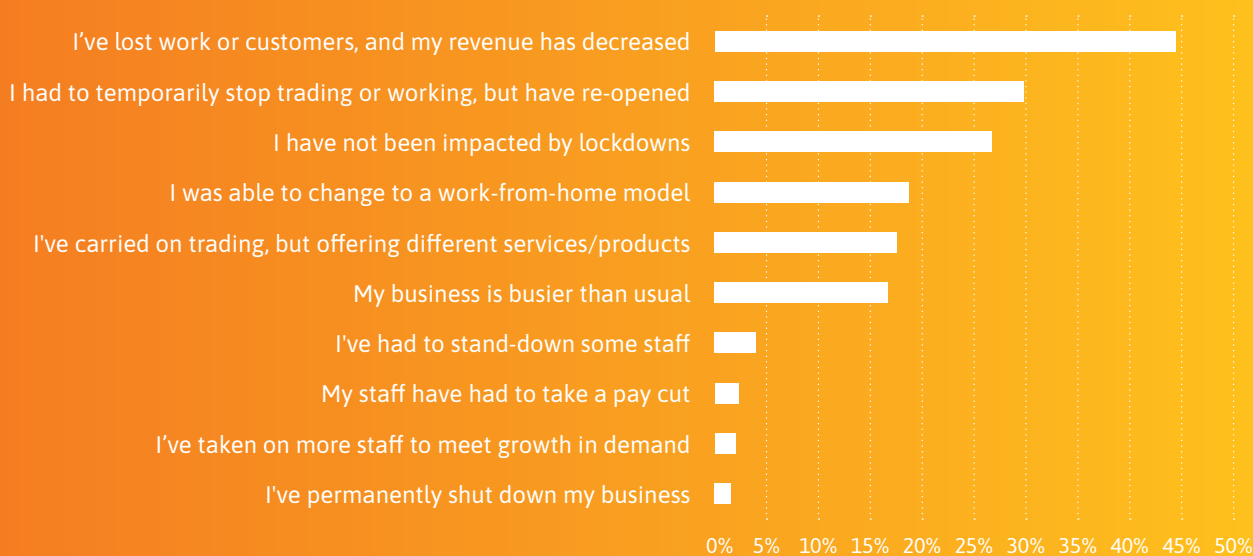


Both states were the most likely to change to a work-from-home model. Across the country, city workers in Consultancy and IT were most likely to operate from a home office.

NSW was also the state most likely to benefit from COVID-19 creating more opportunities, while cities across Australia generally saw more such benefit compared to regional areas. Tasmanian and Western Australian businesses also showed an ability to grasp new opportunities, particularly in the Health Services and Manufacturing sectors.

The lack of restrictions and COVID-19 case surges also contributed to Western Australian and South Australian small businesses being busier than usual compared to other states. Accounting, Bookkeeping & Taxation and Agriculture, Mining & Farming were the busiest industries according to this metric.

## How COVID-19 Hit Business



Unsurprisingly, nearly 50% of small businesses lost work or customers due to COVID-19, the number-one driver of performance last year.

## 2.5 The state of the states

**When it came to state economic performance, some small business owners had clear opinions of how theirs were doing in such challenging times compared to the rest of the country.**

Western Australia was the most satisfied with its performance by far, with 63% of WA small businesses saying their state performed *Much Better* than the rest, while a further 21% answered *Better*. The findings coincide with the state's internally popular closed border policy, which kept business ticking along and COVID-19 outbreaks at bay.

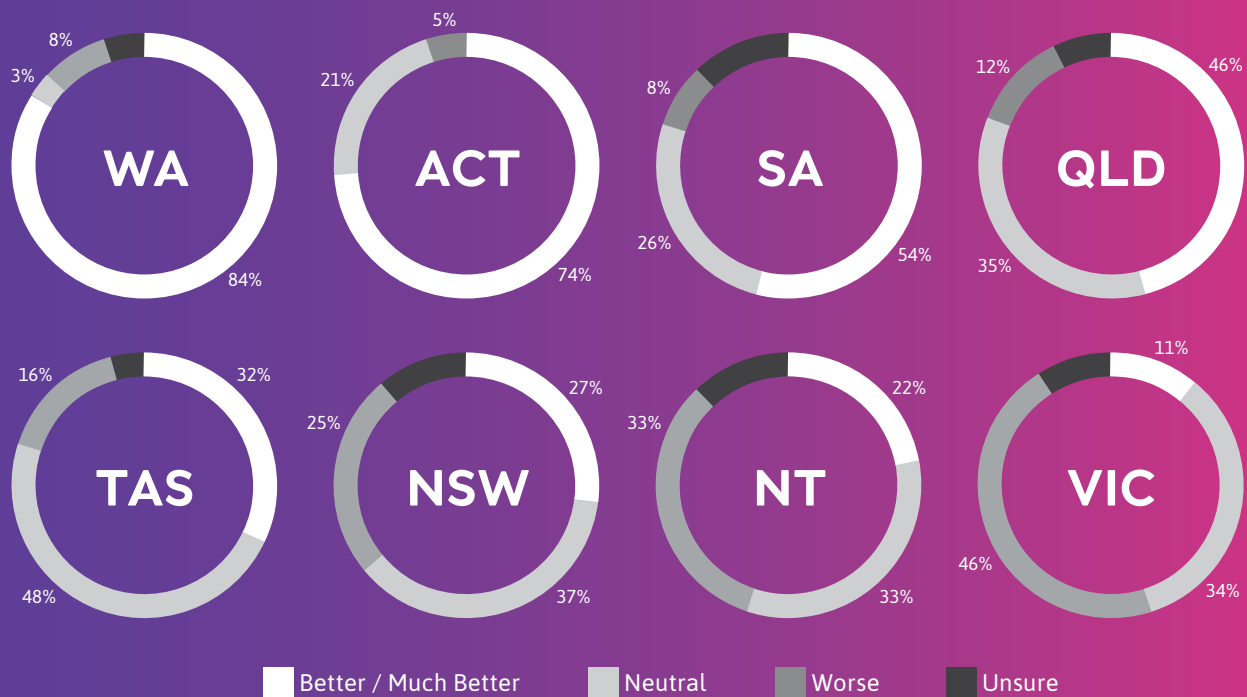
Small business owners in the Australian Capital Territory were also happy with their leaders, with 74% saying they performed *Better* or *Much Better* than the rest of Australia. The ACT, which implemented a successful vaccination policy, achieved the lowest number of negative answers (5%).

Victorian small business owners sang a different tune, with close to half (46%) of survey participants saying their state performed Worse than other jurisdictions. Only 11% said the state performed Better or Much Better. This could be attributed to lockdown measures that were at times some of the tightest in the world.

One-third of small businesses in the Northern Territory also rated their territory poorly, while a quarter of New South Wales felt their state performed worse than the others.

Queensland and South Australia achieved relatively positive results. This could have been due to the short, sharp lockdowns implemented across the two states. However, there were still some small business owners in these two states who rated their state poorly, potentially because of such measures and border closures denting tourism numbers.

### Small Business Economic Performance by State



Western Australian small business owners were happiest with how their state performed economically when compared to the rest of the country.

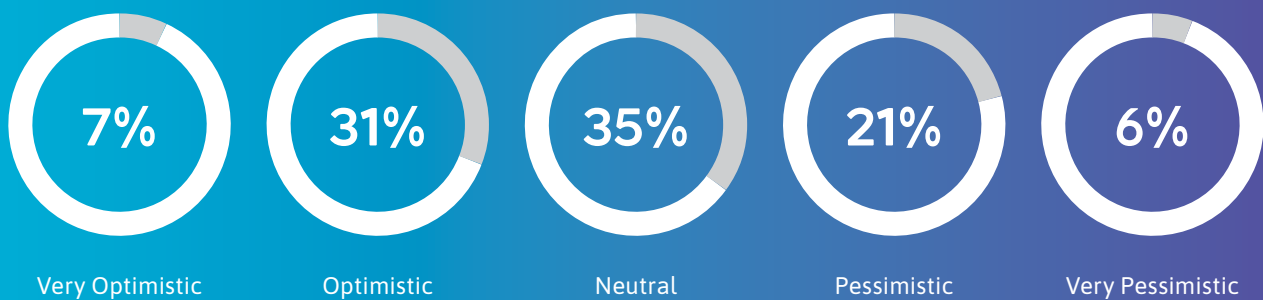
### 3. Cautious optimism on the quest to recovery

**Businesses were divided about how Australia’s economic recovery will pan out in 2022. Only 38% answered *Optimistic* or *Very Optimistic*, while 35% remained *Neutral*.**

The ACT (58%) and the Northern Territory (56%) were the most optimistic parts of the country, while WA (46%) and South Australia (40%) were largely negative.

Property & Real Estate (53%), Manufacturing (57%) and Agriculture, Mining & Farming (54%) were the most positive industries, while Retail (45%) and Hospitality (47%) were worried about what 2022 has in store.

#### How optimistic are you in Australia’s economic recovery in 2022?

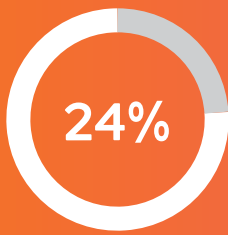


*Small business owners are still unsure about how well the Australian economy will recover from the impacts of COVID-19.*

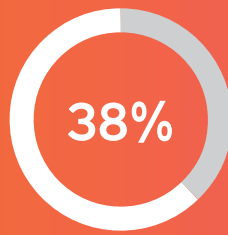
While owners are uncertain about the nation’s recovery, they have confidence in their own ability to drive their business forward. Close to two-thirds (62%) of small businesses said they are either *Cautiously Optimistic* or *Very Optimistic* their business will grow in 2022. Only 8% were *Pessimistic*, although a large portion (22%) remained unsure about what lies ahead, indicating plenty of uncertainty remains for small business to grapple with.

The most uncertain industry was Wholesale, which could indicate a fear of continued supply chain issues we saw throughout 2021. Generally, the industries that had a good business performance in 2021 expect to continue this trend, while sectors that fared worse said they are uncertain about the near future.

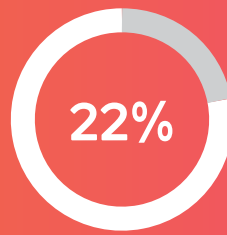
## How optimistic are you about your business in 2022?



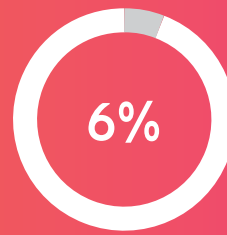
I am very optimistic my business will grow.



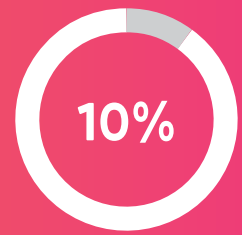
I am cautiously optimistic my business will grow or recover.



I am uncertain whether we will grow or contract.



I feel pessimistic about my business' future.



I expect my business could struggle and may contract.

*Despite uncertainty about the overall Australian economy, nearly two-thirds have a positive outlook on their small business' future.*

As Australia opens up and learns to live with the COVID-19 pandemic (at the time of writing), the majority of small businesses (36.9%) said they will not change how their business will operate. This was particularly true in regional areas and Queensland and Victoria. A further 28% said they would keep developing new products or services in response to the pandemic – continuing the habits they built over the past two years as they adapted to changing market conditions and customer needs.

“

**I am optimistic for further growth and abundance for my business in 2022.**

*It makes me feel brave to stay focused on all the positivity creative industries are bringing to the community, both locally and internationally, with new business platforms and technology.”*

*Jewellery Design and Manufacture - Victoria*

”

Trades businesses were the most likely to ensure they have a cash buffer for emergencies – forward thinking that could help lessen the impacts of unforeseen events like a pandemic.

Consultants and city-based small businesses also indicated they plan to travel less for business purposes in 2022. States cutting down on their business air travel were NSW, Tasmania and Victoria.

### 3.1 Key drivers of confidence levels

After a tough couple of years, Australian small businesses have renewed confidence in what they can control about their business, with internal factors a key driver of confidence in the year ahead.

Some 41% of small businesses said having a strong customer base was the top factor making them feel most confident about the year ahead, while having competitive products or services was a close second with 40%.

Having a great team of people (20%) and sustainable products or services (20%) were also high confidence drivers. The ability to quickly adapt to changing situations – an indicator of good business performance in 2021 – was also a positive factor (31%).

“

**“Having key people in our business is what makes us feel ‘brave’ as a company.**

You are only as strong as your team, and nothing in 2022 can compare to the passion and resilience of a team that won’t give up.”

*Engineering Consultants – Queensland*

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External factors such as low borrowing costs and having a strong supply chain were not among the top reasons for confidence. It appears Australian small businesses are also not reliant on government assistance to achieve positive results.

### What makes you feel most confident about your business in 2022?



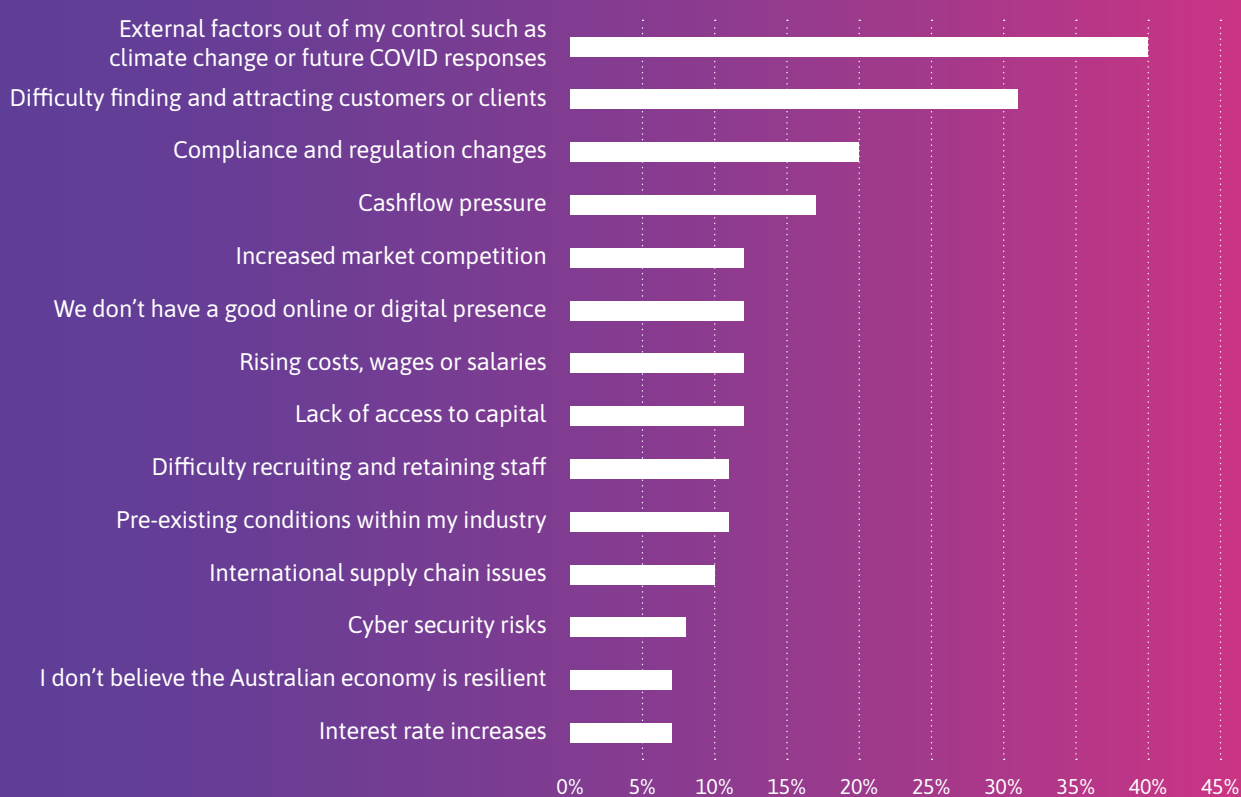
Small business owners around Australia point to internal factors they can control as reasons to be confident about the direction of their business.

In terms of key challenges to overcome in 2022, external factors are worrying small business owners. These include climate change and future COVID-19 responses, with 40% saying external factors will be their biggest challenge in 2022.

Compliance and regulation changes are another external factor impacting confidence levels for 20% of owners. Compliance was a burning issue for those in Health Services, and for small businesses in Queensland and WA.

While cashflow pressure (17%) and difficulty finding and attracting customers or clients (31%) are internal factors, external issues such as restrictions, compliance changes or climate change could exacerbate these problems.

## What do you think will be your biggest business challenge(s) in 2022?



*Just as internal factors within their control were reasons for optimism, business owners see external factors they can't control as the biggest business challenges in 2022.*

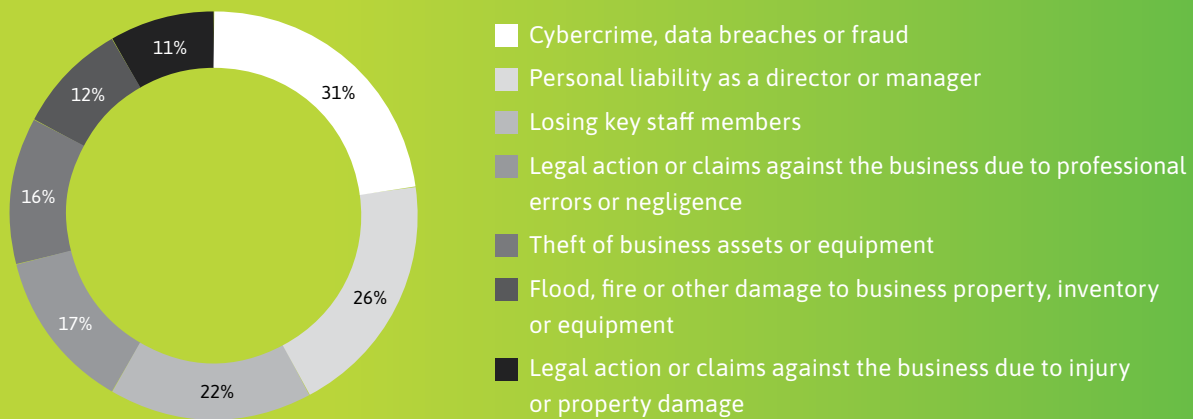
## 4. Shielding yourself from risk

**So, do small business owners feel protected against risks they face? It appears not, as survey results clearly indicate a disconnect between the most concerning risks and insurance coverage.**

For example, cybercrime, data breaches or fraud is the most concerning risk small businesses currently face, with 31% flagging it in the survey. This was mainly driven by city-based small businesses in Accounting, Bookkeeping & Taxation, Consultants and Information Technology.

Yet only 7% of businesses have Cyber Insurance.

### Most concerning risk areas

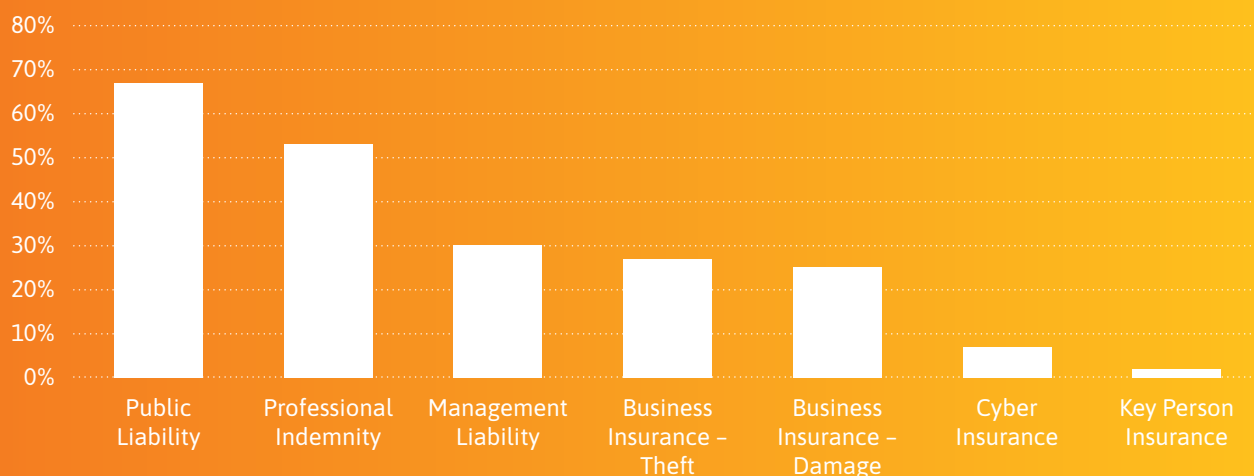


*Cybercrime, data breaches or fraud and personal liability as a director or manager are the top two areas of risk for a combined 57% of business owners.*

The same pattern can be seen in the risks associated with losing key staff members, which was a prime focus area of Consultants. Despite a massive skill shortage across multiple industries in Australia and 22% of small businesses saying it was a concern, only 2% have Key Person Insurance.

Even among statistics that relatively correlate, problems still arise. Over a quarter (26%) of small business owners said they are concerned about risks associated with *personal liability as a director or manager*, and 30% said they have Management Liability cover. This may seem like a positive at first glance. But consider that 70% of small business managers and directors are not covered for claims of wrongful acts in the management of their business – and 74% are not even concerned by it.

## Which of the following business risks do you have insurance coverage for?



*When compared with the key risks we're seeing, there's a disconnect between the coverage small businesses have and their key concerns.*

Overall, there was low coverage across most areas of key concern. One reason why there is underinsurance among these specific types of coverage may be because they are covers not required by contracts or industry associations. Yet even the most common coverage for small businesses was under represented.

Public Liability insurance is designed to provide protection\* for businesses if a customer, supplier or a member of the public is injured or sustains property damage due to negligent business activities. Essentially, any small business with physical interactions with a third party should consider Public Liability cover. Yet 33% of respondents said they did not have Public Liability cover, and only 11% were concerned about the risk.

Admittedly, industries with high third-party interaction levels – such as Hospitality, Manufacturing and Trades – were more likely to take out Public Liability.

Industries such as Financial, Legal & Insurance Services and Accounting, Bookkeeping & Taxation were the least likely to take out a Public Liability policy. This makes sense for businesses that work remotely, as the risk is greatly reduced. But for those returning to the office or dealing with clients, customers or suppliers face-to-face, not getting this form of cover could be a risk in itself.

Perhaps more concerning was the results for Professional Indemnity Insurance – a cover that provides protection for businesses that provide specialist services or professional advice.

While 53% of small businesses took out a Professional Indemnity policy, the least likely industries to have this cover were Architecture, Engineering & Technical Services and Health Services. Small businesses in these industries often give their service or advice for a fee. Therefore, the business could be held liable if a claim were made against them for losses because of actual or alleged negligent acts or omissions in the provision of the business' professional service or advice.

While other factors could've reduced the concern for risks among businesses – such as putting strategies in place to mitigate specific risks – it's clear that there is plenty of room for small businesses to protect themselves from the risks that concern them.



## 5. The journey ahead

**The bravery of those who persevered through the past year's challenges has brought about a change in priority when making future decisions.**

While 2021 was tough for small business owners personally and professionally, it also allowed many to assess what's most important and reflect on what made them start their business to begin with.

For nearly half of all small business owners surveyed (46%), making more time for family and personal well-being was the top business goal for 2022.

Many more (35%) wanted to dedicate the year to their professional development by pledging to learn and develop their own skills and abilities, while others want to follow their passion and spend more time doing what they love in their business (33%).

“

**“When I started being brave and looking at what made me feel energised, I realised I needed to say no to work that didn't align with my business.**

I also decided to be brave and say yes to work that I didn't feel I was ready for yet. This bravery led to some of the most dynamic and interesting groups I would never have otherwise been able to work with. It wasn't my most profitable year, but it was a huge year of learning and growth.”

*Training Service - Victoria*

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The goal of some small business owners was to reward themselves and their team after making it through such turbulent times (21%). And for a few, 2022 is the time to develop an exit strategy or succession plan (12%) and protect their legacy (5%).

Other priorities are perhaps unique to the time we live in. One-third of small business owners just want to feel more certain about the future, while a quarter more want to feel more in control of their decisions. In other years, many might have taken these considerations for granted.

2022 brings a sense of resilience, well-being and hope across the small business landscape. Australian small business owners were plunged into unfamiliar waters when the pandemic began, given a choice to sink or swim. Through lockdowns, supply chain issues and everything else, many had the courage to lose sight of the shore in search for new horizons.

And many stepped up to the challenge. Whether by adapting their product or service, developing online capabilities, or pivoting to a work-from-home model, Australian businesses thrived in this new environment and changed for the better.

Now, with a more solid foundation, small business owners can stand up proudly, ready for a new challenge – equipped with a new sense of fortitude, grit and bravery.

# About BizCover

**BizCover is Australia's largest online business insurance service for Australian SMEs, with over Aussie 170,000 SMEs currently protecting their business through BizCover's proprietary platform.**

To date BizCover has sold over 600,000 business insurance policies – including Public Liability, Professional Indemnity, Business Packs, Management Liability and Cyber Liability policies – from a panel of leading Australian insurers (including QBE, AIG, Hollard, Vero, Berkley & Certain Underwriters at Lloyds of London).

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