

‘Deadset nightmare’: Why small business failures are soaring

MYOB CEO Paul Robson fears small businesses may not enjoy the soft landing tipped for the rest of the economy.

Paul Robson, CEO of accounting software company MYOB, is watching the struggles of the country’s small to medium-sized businesses in real time.

As *BOSS* talks to Robson over a light lunch, he pulls out several reams of spreadsheets to show how small businesses are tracking on a range of measures, including the number of invoices being generated, cash flow and accounts payable.

He warns that while economists are eyeing a “[soft landing](#)” for the economy, the outlook is much gloomier for SMEs, signalling what looks like a growing divergence between big corporates and smaller operators.



Chief executive Paul Robson says MYOB aims to help small businesses with cash flow and fiscal management. *Fiona Gallacher*

“There are five or so areas that small business are calling out as creating a major pressure, which are all around the cost of doing business, like utilities, with significant increases in input costs, so electricity, water and fuel prices,” Robson says. “There’s the cost of capital obviously – so interest rates – but the final one is just managing general cash flow.”

MYOB’s latest business monitor, which looks at more than 1000 businesses with between one and 200 employees, finds 52 per cent expect a decline in the economy this year, up from 27 per cent two years ago. It found 58 per cent say the cost of doing business is more of an issue than 12 months ago, and 34 per cent say their revenue is down compared with a year ago.

SMEs are also looking at ways to combat cost of living increases – 29 per cent have passed on costs to their customers, 28 per cent have reduced their own profits and 21 per cent have taken less or no income.

Spike in insolvency appointments

MYOB’s survey is backed up by the latest data from the Australian Securities and Investments Commission, which shows that small business failures have jumped 34 per cent this financial year. There have been 5088 insolvency appointments to January, compared with 3803 in the same period last year, meaning the country is on track to pass last year’s high of 7942. There were less than 5000 for the two previous years.

Small business are also failing in much greater numbers than their larger counterparts. The data for last financial year showed 83 per cent had assets of \$100,000 or less, 82 per cent had fewer than 20 employees and 68 per cent had liabilities of less than \$1 million.

CreditorWatch’s January Business Risk Index, out this week, also showed the average value of B2B invoices is at a record low. Trading activity traditionally dips from December to January, but the average value of invoices is down 19 per cent compared with January 2023, it said.

Preparing to shut the doors

Rob Marshall from the Institute of Certified Bookkeepers (ICB) is a certified consultant for MYOB but also runs businesses, including a barber shop in Australind in Western Australia, and says he hasn't seen it tougher.

When his lease is up in a few months, he is thinking of shutting up the shop.

"We've seen more businesses shut their doors in the last 12 months than in the previous 12 years," he says.

"It's a deadset nightmare at the moment."

"We are not an orphan. We are turning away 20 to 30 people a day at the barber shop simply because we can't get staff. Our lease is up in four months and I'm thinking of shutting up the shop."

Robson says while small business owners generally have a passion around what they do, "they are not necessarily great at being an accountant or a financial adviser", which is where MYOB's software can help.

"A large number of small businesses go out of business in their first six months not because their idea was a bad one but because the fiscal management was poor," he says.

"That can come from spending too much on the initial capital, they haven't remembered to corral the GST and are suddenly hit with a GST bill or they may have sent out a whole bunch of invoices but haven't put the right effort into collecting the payments."

"There are a whole range of factors but the single biggest issue why a business fails in the first six months is their cash flow."

Counting on software

Robson insists MYOB can help and is counting on it to lift his own business.

He took over as boss of the accounting software company in the middle of last year. His appointment followed a tumultuous period after the former ASX-listed company was bought by [US private equity giant KKR for \\$2.4 billion in 2019](#), before [ANZ pulled out on a possible \\$4 billion acquisition in 2022](#).

MYOB, a dominant accounting software provider in Australia since the 1990s, was supercharged by the introduction of the GST.

The business now faces increased competition, including from disruptor Xero, which has boomed since the introduction of the cloud and is [pushing to crack the US market, in addition to the UK](#).

MYOB held its ground under former Business Council of Australia president Tim Reed. He led MYOB for 12 years before being succeeded by former REA boss Greg Ellis, who preceded Robson.

While the likes of MYOB and Xero offer users a service costing anywhere between \$30 to \$200 a month, it now faces myriad smaller, low-cost players.

Industry veterans say the Australian market remains fairly evenly split between MYOB and Xero, although the latter is the bigger player globally with revenue of \$1.4 billion and almost 4 million subscribers.

Finding resilience to get ahead

In MYOB's last full year before being taken private by KKR in 2019, it recorded revenue of \$445.2 million, had reached 628,000 subscribers and expected to hit 1 million by 2020.

Robson has now been brought in to find a new level of growth. Born and bred on the northern beaches of Sydney, the 48-year-old started working in sales in multinationals and spent time in Asia and China.

"The big adventure was a year-and-a-half before COVID-19," he says. "My family and I took the plunge and moved to Europe – living in London to run Adobe's international business, so everything outside of the United States".

"It took us way out of our comfort zone. We landed in London on January 3, it was bitterly cold, the boys went to a very formal English school and were playing different sports. My wife was also running a small business selling fashion online. But it just drove huge resiliency," he says.

"I think that's really important in life – to progress. Sometimes taking the hard job is what gets you ahead," Robson says.