

# Looking Ahead: 2023 Small Business Trends

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8 min read



It's no secret that 2022 was a challenging year for businesses.

## Key Takeaways

- **The Great Resignation and Silent Quitting:** Over the past year, businesses experienced incredibly high employee turnover rates that were compounded by lagging productivity as a result of...
- **Tax Rate Changes:** The corporate income tax rate will increase from 21% to 28% and partnerships will be subject to some changes as well...
- **Getting Your Back Office in Order for the New Year:** With automated back-office processes and procedures, your business will be better protected from fraud risks, and you'll be better informed about its financial health...

In addition to challenges presented by ongoing supply chain issues, businesses faced high inflation rates which lead to indefinitely increasing costs and the increasingly limited purchasing power of the consumer's money. In 2022, businesses also experienced high employee turnover rates fueled by the Great Resignation in addition to lagging productivity as a result of the "quiet quitting" trend.

Economic uncertainty has been rampant with many economists only able to point to positive jobs reports (jobs numbers largely bolstered by the emergence of those lost during pandemic-related closures) as a sign that the U.S. is not headed for recession.

All in all, 2022 was not an easy year for businesses to survive, and now it's time to put this year behind us and begin looking forward to 2023, the business trends it could bring, and what these changes might mean for the future of your small or medium-sized business.

## 10 Small Business Trends in 2023

### 1. The Great Resignation and Silent Quitting

Over the past year, businesses experienced incredibly high employee turnover rates that were compounded by lagging productivity as a result of employees simultaneously [silently quitting](#) (i.e. deciding only to do the bare minimum at their jobs). In 2023, these trends aren't likely to slow or change unless businesses also start making some changes designed to attract and hire the right employees while also actively working toward increasing the satisfaction of existing employees.

Primary adjustments designed to stymie turnover will include improvements to company culture, employee compensation and benefits, and the work environment.

## 2. Focus on Company Culture

Focusing on creating a strong company culture is the best strategy for retaining employees [1] because workplace culture touches just about every aspect of an employee's life at work. A strong company culture should be based on a set of positive core values from which every facet of a business is built. For example, each policy, procedure, and benefit should be based on upholding your company's values and creating a positive culture.

Attractive workplace cultures that help to retain employees offer a strong sense of community and support, they help employees feel as if they belong and are a vital part of something bigger, they foster open and clear communication, they do not punish failure but celebrate it as a learning experience, they properly recognize and reward successes, and they offer opportunities for professional and personal development.

**Read More:** [How to Build a Successful Company Culture Committee](#)

In 2023, we will likely see businesses of all sizes focusing on improvements to workplace culture in response to the Great Resignation. Businesses will also likely focus on discouraging quiet quitting with improved incentive policies that increase employee engagement and satisfaction.

## 3. Increasingly Flexible Work Environment

Employees saw that remote work is possible and functional during the pandemic when companies were forced to transition to remote office models. Employees also saw that remote work offers several benefits over traditional in-office work environment models such as increased flexibility, higher productivity (in many cases), better work-life balance, transportation savings, time savings, improved quality of life, and more time spent with family, friends, and pets.

Employees know remote work is possible, and many view it as superior to working in the office. So, employees are now looking for jobs that offer increased flexibility in terms of remote work and hybrid office models, and they're leaving and passing over opportunities that require 100% on-site work.

Employees desire remote work, and it can actually offer many benefits to businesses as well. When possible, remote work can result in big savings on the cost of office space. It can also result in increased productivity.

While there are many benefits to remote work, lots of businesses are turning to hybrid office models that offer the best of both worlds. A physical office helps businesses maintain workplace culture, a sense of community, collaboration, and human contact for those who prefer to work in a more social environment. The hybrid model, however, also provides flexibility for those who prefer to work remotely. As a result, businesses with hybrid models reap the benefits of both office types and increase their desirability for employees who prefer a flexible work environment.

**Read More:** [Is a Four-Day Workweek Good for my Business?](#)

#### **4. Budget Accommodations for Increased Operating Expenses**

Although increasing inflation rates have slowed, we're still experiencing higher costs than we were at this time one year ago. As a result, it will be necessary for business owners to adjust their budgets to accommodate costs that are already high and to shelter the company from expenses that could continue to increase as a result of ongoing inflation, increasing energy costs, and supply chain shortages.

Savvy small business owners will recognize how delicate their financial health is in this type of volatile economic climate and make contingency plans now. In 2023, business owners will likely focus on improving their cash flow, growing profit margins, and increasing cash reserves to use as safety nets.

#### **5. Outsourcing Non-Core Small Business Functions**

With increasing costs due to inflation and workforce demands for better benefits and more flexible opportunities, cost-savings in every area, but especially labor will be essential to the ongoing financial health of your business. One of the best strategies for saving on labor costs while improving your company's output in key areas is to outsource non-core business functions to high-quality, third-party providers who are experts in these industries outside of your own.

Instead of hiring full-time, in-house employees, [outsource](#) business functions such as bookkeeping and accounting, marketing, and legal to professional service providers in these sectors. You'll save money and have the opportunity to work with some of the best brains in these industries.

**From Breakeven To \$1 Million In Profits In Just One Year!**

[Make 2023 your best year yet- read more on how this company went from break-even to 7 figures in just one year.](#)

#### **6. Focus on Improved Client Experiences**

Set aside time to use unit economics to identify the clients and job types that generate the strongest profit margins for your business. Then focus on those revenue streams while potentially eliminating revenue streams that aren't generating profits.

With this type of focus, your business can become increasingly specialized, offering more unique value in a specific niche, and increasingly personalizing your customer experience for overall improved client relationships, loyalty, and customer lifetime value.

#### **7. Tax Rate Changes**

In addition to continuing to recover from the challenging inflation rates of 2022 and working to bolster your financial health to shelter against a potential economic recession, you'll also need to remember that there have been changes made to the tax code for 2023.

For example, the corporate income tax rate will increase from 21% to 28% and partnerships will be subject to some changes as well [2]. Be sure to sit down with your company's tax expert to discuss these changes and recommended budget adjustments to plan adequately.

## 8. More Reliance on Automation

Automation saves time and money while also increasing efficiency, so it makes sense that leaders of SMBs would continue looking for new and improved ways to automate business processes that are currently manual.

Read More: [4 Ways to Fight Employee Burnout With Automation](#)

With increased AI functionality available, you'll be seeing automated processes popping up in almost every aspect of businesses from internal operations to customer relations with chatbots.

## 9. Supply Chain Security

If your company relies on materials of any sort, then you're likely already an expert in navigating the supply chain issues that have plagued several industries over the last few years. That being said, in 2023, it's likely that [SMB leaders](#) will continue to work toward creating supply chain security for their businesses by increasing their network, continuing to strengthen existing vendor relationships, developing new vendor relationships, and continuously shopping the market for additional suppliers.

## 10. Sustainability

Whether it's one of your business's core values or not, sustainability cannot be ignored in the current global climate. Energy costs are soaring, efficiency is key, and sustainability is on the mind of just about every consumer. In 2023, you'll see more SMBs seriously considering the footprint of their businesses and focusing on their [triple bottom lines](#) to determine what actions they can take to increase the sustainability of their companies and the profits they offer to, not just their businesses, but also to their people, communities, and the world.

## Getting Your Back Office in Order for the New Year

No matter what kinds of challenges and opportunities the coming year will bring to your business, having your back office in good order will help ensure you're ready to face and overcome difficulties and make the most of new opportunities as soon as they arise.

With automated back-office processes and procedures, your business will be better protected from fraud risks, and you'll be better informed about its financial health. With up-to-date, accurate financial data at your fingertips, you can make data-driven decisions to grow your profits, increase the happiness and productivity of your people, and lead your business to a successful future in 2023 and beyond.

[1]

<https://www.forbes.com/sites/forbesbooksauthors/2022/03/24/a-strong-company-culture-is-the-best-retention-strategy-amid-high-turnover/>

[2] [https://www.whitehouse.gov/wp-content/uploads/2022/03/budget\\_fy2023.pdf](https://www.whitehouse.gov/wp-content/uploads/2022/03/budget_fy2023.pdf)