DigitalOcean

CURRENTS

DigitalOcean's report on how startups and small-to-medium businesses are faring today

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In our May 2023 edition of DigitalOcean's research report, Currents, we examined a range of topics impacting small-to-medium businesses, founders, and developers today. Innovation often occurs during economic downturns, and with continuing turmoil in the technology industry, we were interested in looking at how individuals are turning to side jobs and starting new businesses during this time. Are those working in the technology industry increasingly likely to start a small business or have a side job, and how are they looking to grow that business? How do they feel about their current job security?

We also examined how new tools such as the rise of ChatGPT and generative AI are impacting businesses already, and looked at ongoing trends in cloud computing. Results for this report came from over 1,600 individual employees, developers, and small business or startup founders who were surveyed from March to April 2023. Below are some of the key findings:

Side jobs are becoming small businesses

With layoffs and market stagnation top of mind, many employees are becoming solopreneurs who are actively creating businesses outside of their primary employment in order to pursue a passion and professional independence. The goal for a majority of these businesses is to stay small, but scale to a point where it can become the owner's primary income. There is also evidence that those impacted directly by layoffs are more likely to be starting a new business or scaling their idea than those not

Small businesses are weathering the economy

While a third of businesses have made changes to their business due to the current economic conditions, a majority continue to feel positive about their growth and how their business will fare a year from now. Over a quarter plan to raise funds in the next 6 months.

AI and ChatGPT are in a widespread testing phase

AI and ChatGPT are catching on quickly, but many companies are still in the testing phase and do not have usage policies put into place. It's a decisive component that new emerging businesses must consider, and there's a distinct generational gap when it comes to feelings around AI or machine learning tools. Findings make it clear that AI/ChatGPT usage is growing quicker than its policy formation, and will be a critical aspect for newly forming SMBs to keep in mind.

Cost and security continue to be important in choosing cloud providers

Cost continues to be a major factor in the selection of a cloud infrastructure provider, especially for small businesses trying to control costs during an economic downturn. Security and time to maintain infrastructure is also a challenge that companies face when it comes to their cloud provider.

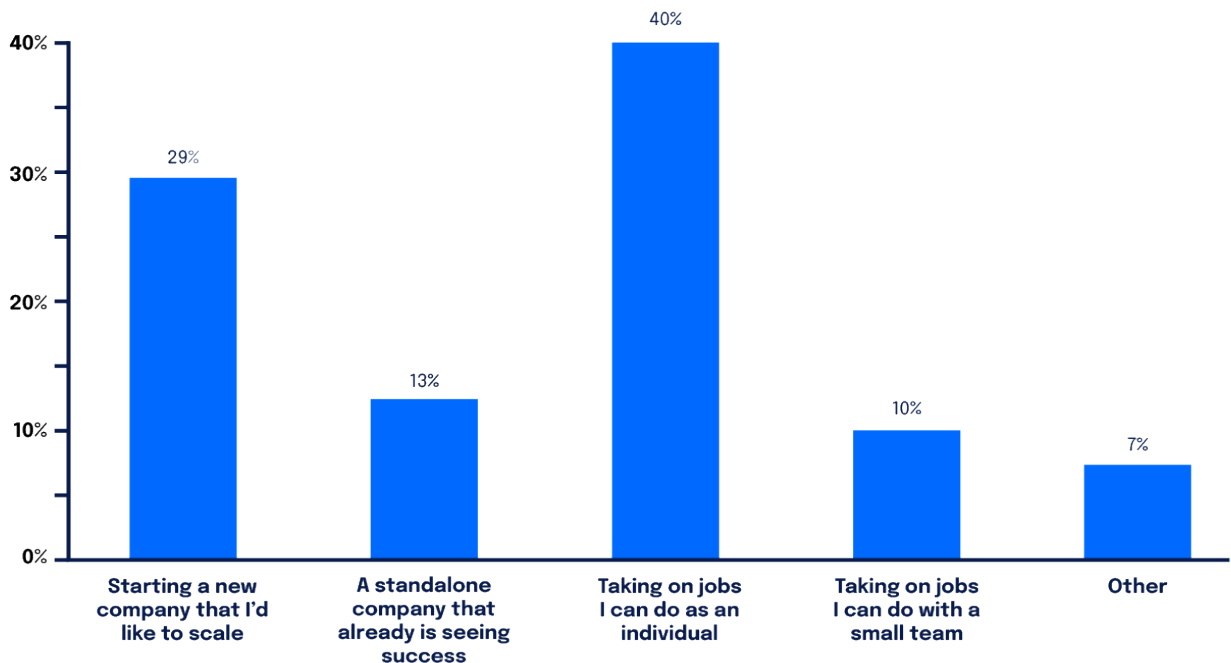# Side jobs and their growth into small businesses

In the first part of this Currents, we looked at employment types and the prevalence of side jobs or side businesses, and found that 55% say that full-time employment is their primary job compared to 22% who say they run their own business as their primary employment. However, in addition to their primary employment, over half (52%) say they do other work on the side.

In addition to your primary employment, do you also do any side jobs, have a side business, or do consulting on the side?
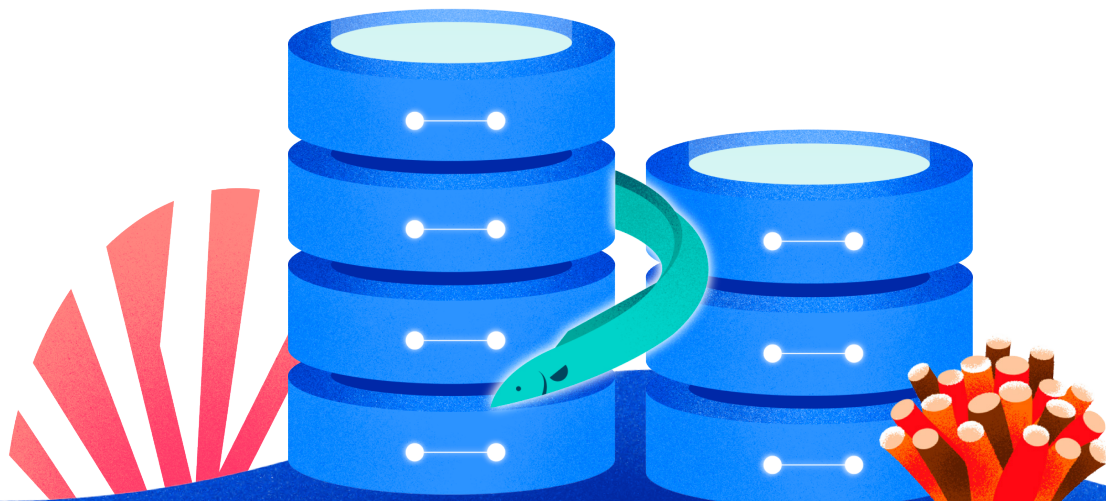
Yes — **52%**   **48%** — No
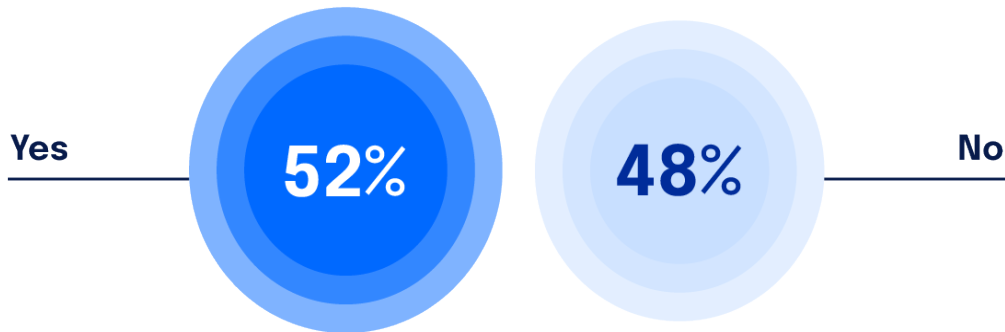
Looking at the type of side jobs that are most common, 40% say they are taking on jobs they can do as an individual, while 29% are starting a new company that they'd like to scale.

How would you describe your side jobs/business?

Category	Percentage
Starting a new company that I'd like to scale	29%
A standalone company that already is seeing success	13%
Taking on jobs I can do as an individual	40%
Taking on jobs I can do with a small team	10%
Other	7%

Over half (56%) categorize their business as a small business, demonstrating that even if their business is small or a job they do in addition to another position, they view themselves as part of the small business ecosystem. Most of these businesses are in the earlier stages of growth, 25% exploring an idea, 52% saying they are creating a product, service, presence, or brand, 24% expanding their revenue and customers, and 18% managing established processes.

How would you describe the stage at which your organization is currently running?

Exploring or testing an idea	25%
Creating a product, service, presence, or brand	52%
Expanding revenue, customers or geographic presence	24%
Managing and optimizing established proceses, tools or workflows	18%
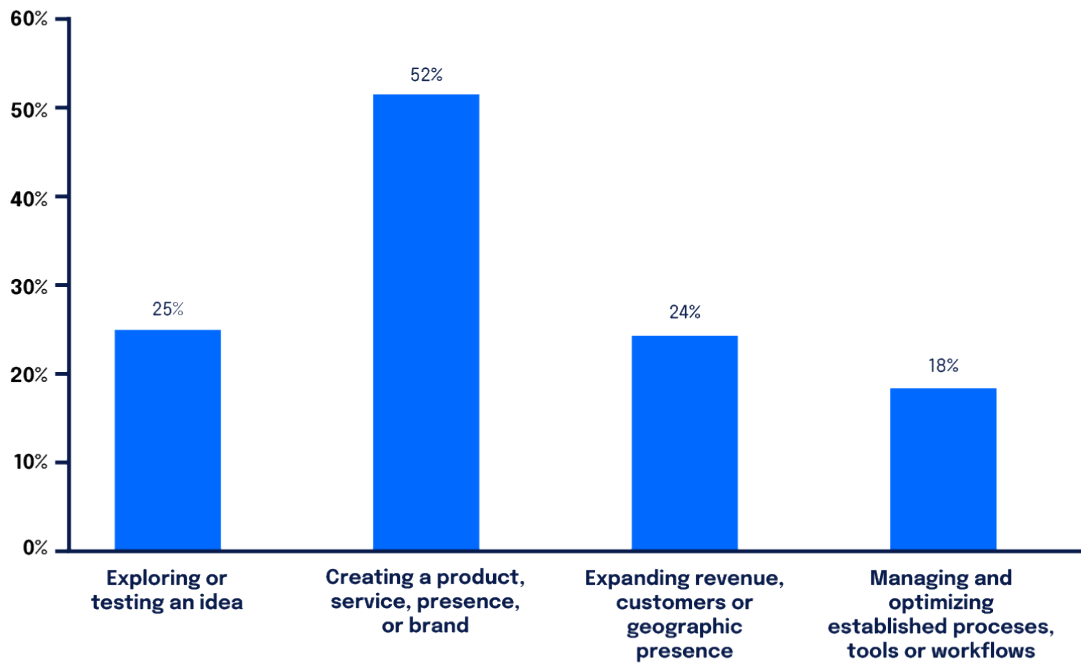
We also looked at the percentage of those who say their business is their primary source of income, and found that 54% say their business is their primary source of income, and 50% of those for who it is not their primary income say they anticipate their business their primary source of income, demonstrating that many are looking to grow their business to a stage where it can replace their primary employment.
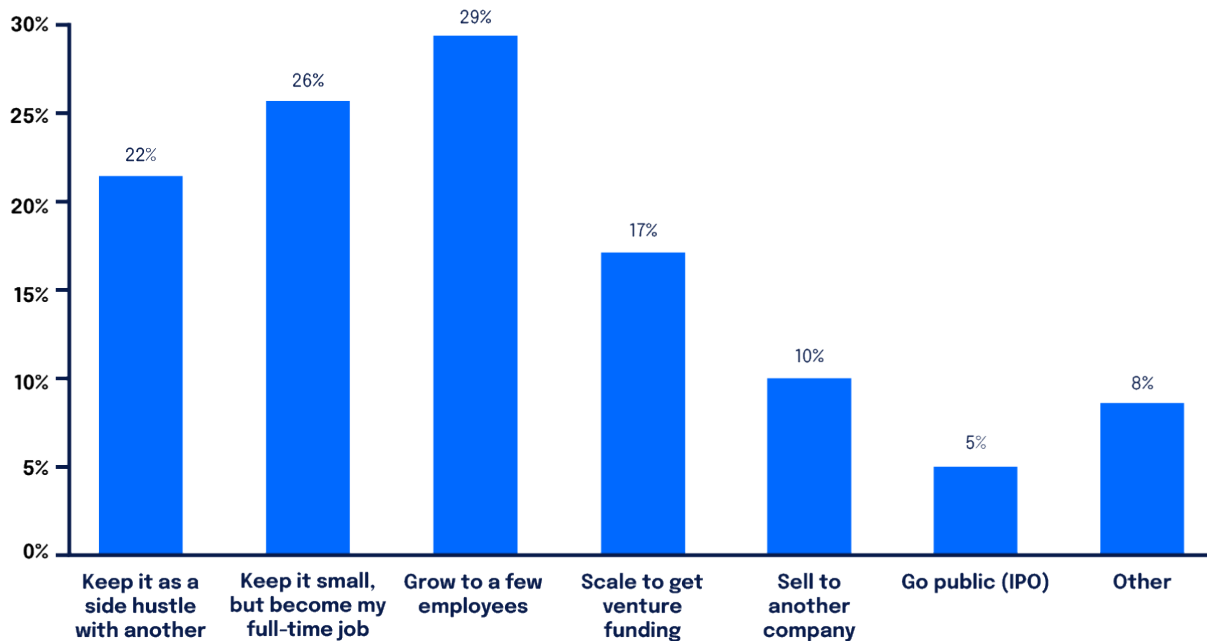
> $ **54%** say their business is their **primary source of income,** and **50%** of those for who it is not their primary income say they **anticipate their business becoming their primary source of income.**

In terms of time spent on their business, we found this varies widely—likely due to some individuals also having a different primary source of income. While 23% spend over 40 hours a week on their business, 38% spend under 11 hours a week on their business.

The long-term goals for business owners also vary, but it's clear that the majority of business owners are looking to stay small rather than grow to a business that may be bought by another company or go public.

What are your long term goals for your business?

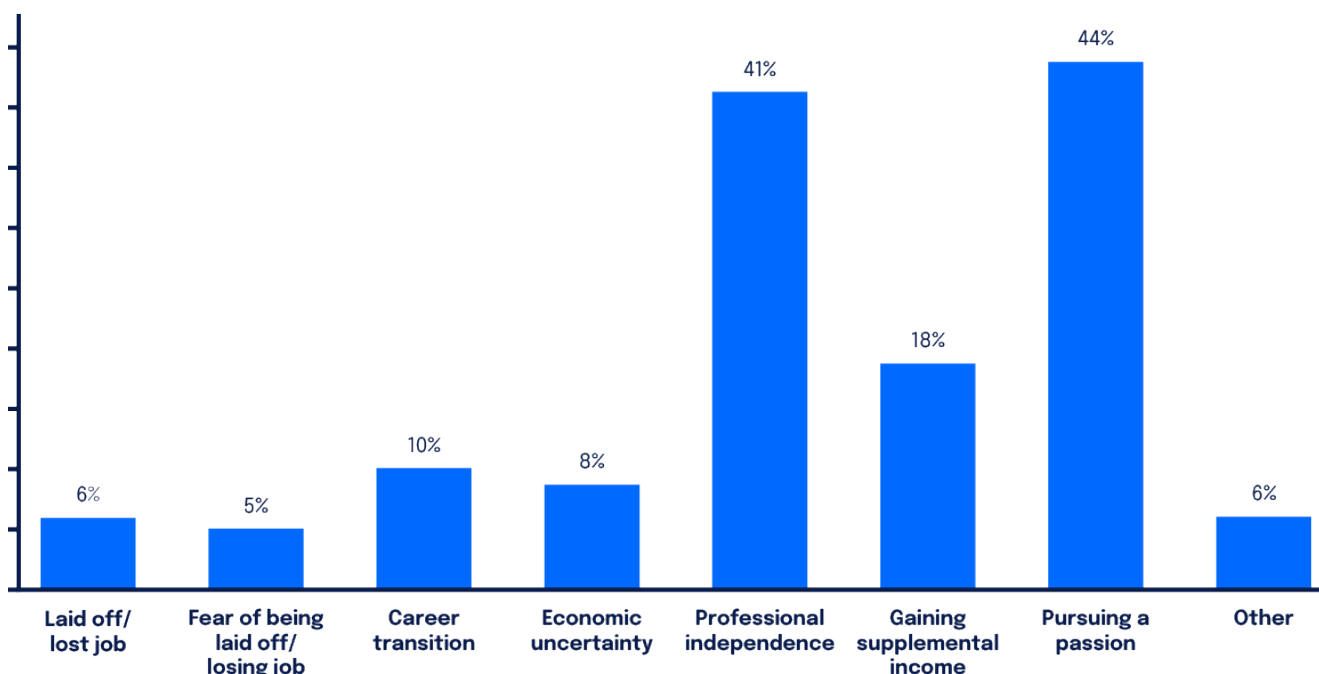| Goal	Percentage
Keep it as a side hustle with another	22%
Keep it small, but become my full-time job	26%
Grow to a few employees	29%
Scale to get venture funding	17%
Sell to another company	10%
Go public (IPO)	5%
Other	8%

We were also curious to know if those who had primary jobs in addition to side jobs had told their primary jobs about their additional employment, and found that a majority (65%) say that their primary job is aware they have a business or do work on the side.

> 💡 **65% say their primary job is aware they have a side business or do work on the side.**

Looking at the motivations behind turning their idea into a business, most are motivated by pursuing a passion (44%), professional independence (41%), or supplemental income (18%).

What made you decide to turn your idea into a business?

Laid off/ lost job	Fear of being laid off/ losing job	Career transition	Economic uncertainty	Professional independence	Gaining supplemental income	Pursuing a passion	Other
6%	5%	10%	8%	41%	18%	44%	6%

The economic climate has also impacted how respondents are thinking about scaling their business—of those who were laid off recently, 51% say that fears of a recession/layoffs impacted their feelings about scaling their idea, compared to just 16% of those who were not laid off. Those who were laid off were also more likely to say they are starting a company they want to scale, rather than taking on jobs to do as an individual. These findings show there may be a trend amongst those impacted by layoffs in starting and scaling something on their own.

> ❗ **51%** of those who were **laid off in 2022/2023** say the recent tech layoffs/recession impacted their thinking about **scaling their idea**, compared to **16%** of those not laid off recently.

Business and funding outlook

We also asked small business owners how they are handling the current economic climate and their feelings for the future, finding that 31% say they have made changes to their business to deal with the current economic situation, but that 61% feel positive about the outlook for their business in the next year.

Looking at how these businesses are funded, 68% say they are bootstrapping their funding, while just 7% are using venture capital funding and 4% using angel funding, showing that there are many technology small businesses being created outside of the venture-backed startup model. Just 15% have raised funds for their business in the last six months, but 27% plan to raise money in the next six months. Twenty percent say they have delayed fundraising due to the uncertain economic situation.

> **$** **15% have raised funds in the last 6 months, and 27% plan to raise funds in the next 6 months.**

In terms of growth plans, 30% say they plan to hire for their business in 2023, with software development being the most common hire at 51%, followed by operations and marketing roles.

What role(s) do you plan to hire for?

| Role	Percentage
Software development	51%
Product design	3%
Operations	18%
Marketing	18%
Finance	3%
Other	7%
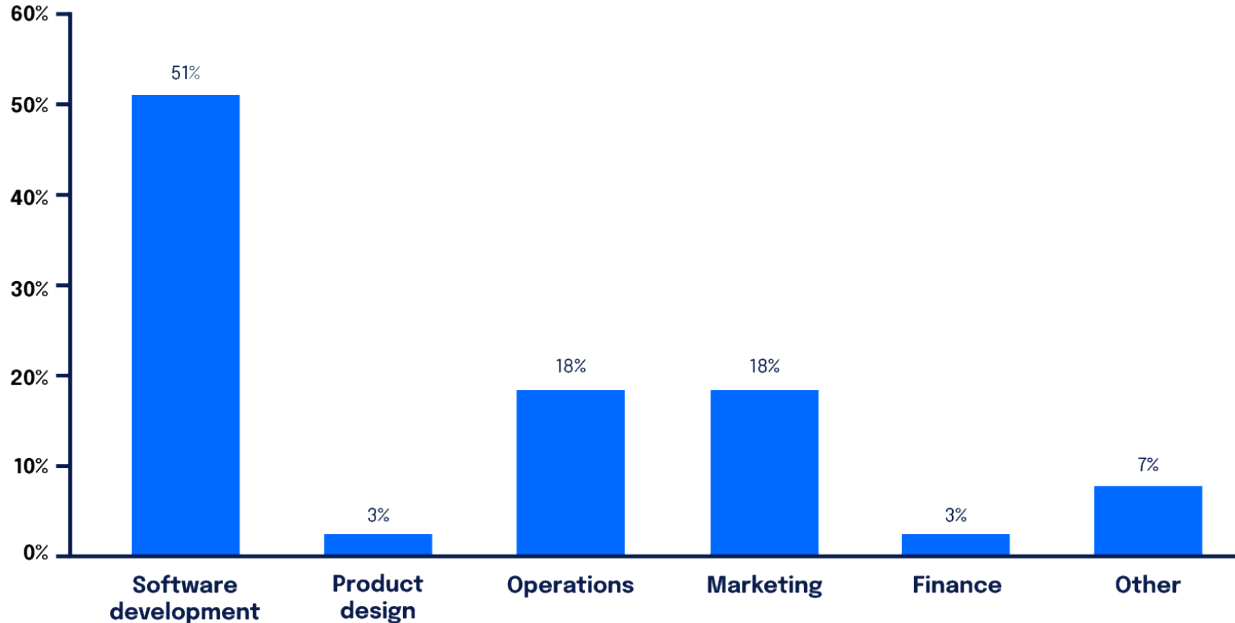
Job security and satisfaction

In addition to questions about side jobs and businesses, we also asked respondents if they had been laid off recently and how they feel about job security for their primary role. We compared these factors with those who have started businesses or side jobs, to see if being impacted by layoffs has changed how people view pursuing a business idea of their own.

While just 10% reported that they were laid off in 2022 or early 2023, 22% say they started a new job in 2022 or 2023. Higher compensation (42%), a remote/flexible work environment (34%), and better benefits (23%) were the top motivators for taking a new job, while 12% say they left to start their own company.

Did you start a new job in 2022 or early 2023?

Yes — 22%

No — 78%
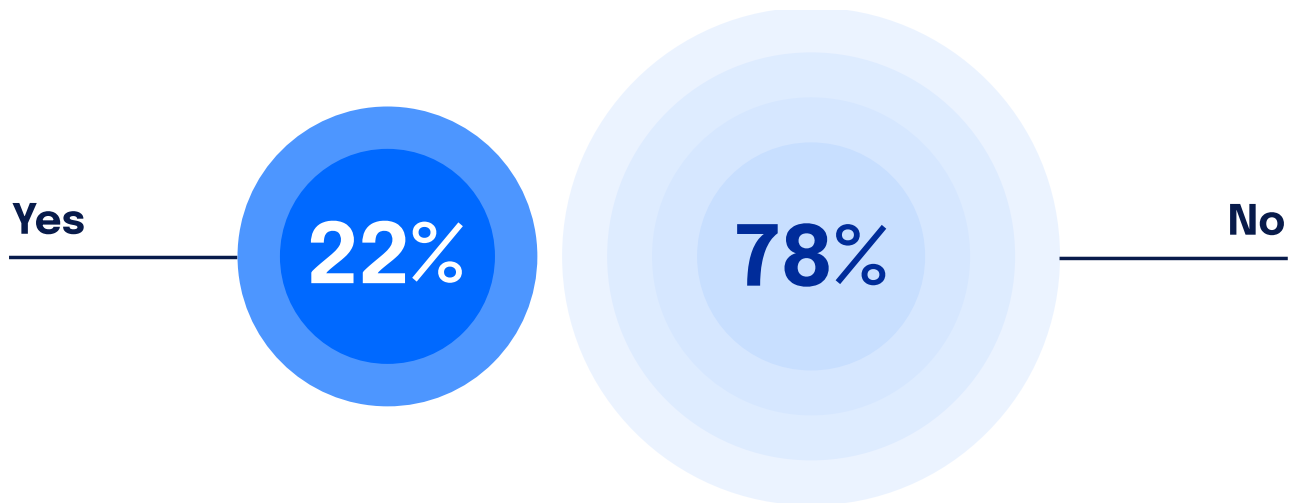
In terms of current job security, 13% say they are very concerned while 31% say they are somewhat concerned about their job security.

How concerned are you currently about your job security?

Very concerned
13%

Somewhat concerned
31%

Not concerned
56%
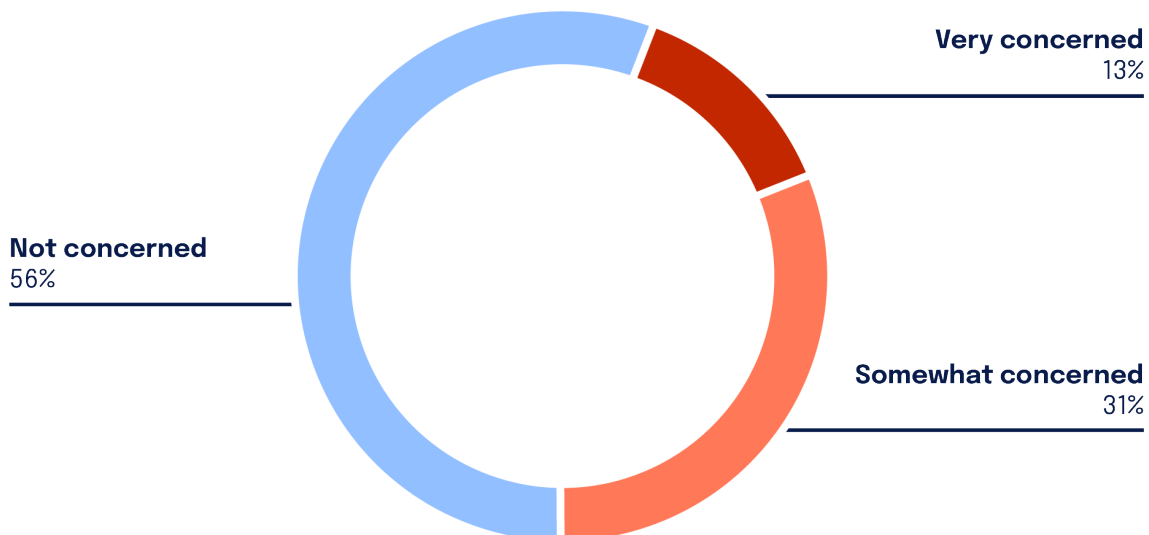
Cloud infrastructure challenges and trends

We asked a series of questions follow up on cloud infrastructure challenges that we have found in previous editions of Currents to see how trends have changed or stayed the same.

Top factors that influence decision-making on cloud infrastructure include cost, which is mentioned by 72%, the functionality and features of the solution (59%), the uptime of the solution (57%) and the security of the solution (53%).

> **72% of respondents say cost is a top factor when choosing a cloud infrastructure solution.**

Challenges companies face regarding their cloud infrastructure include ensuring their data is secure (42%), the time needed to maintain cloud infrastructure (35%), and high pricing (32%).
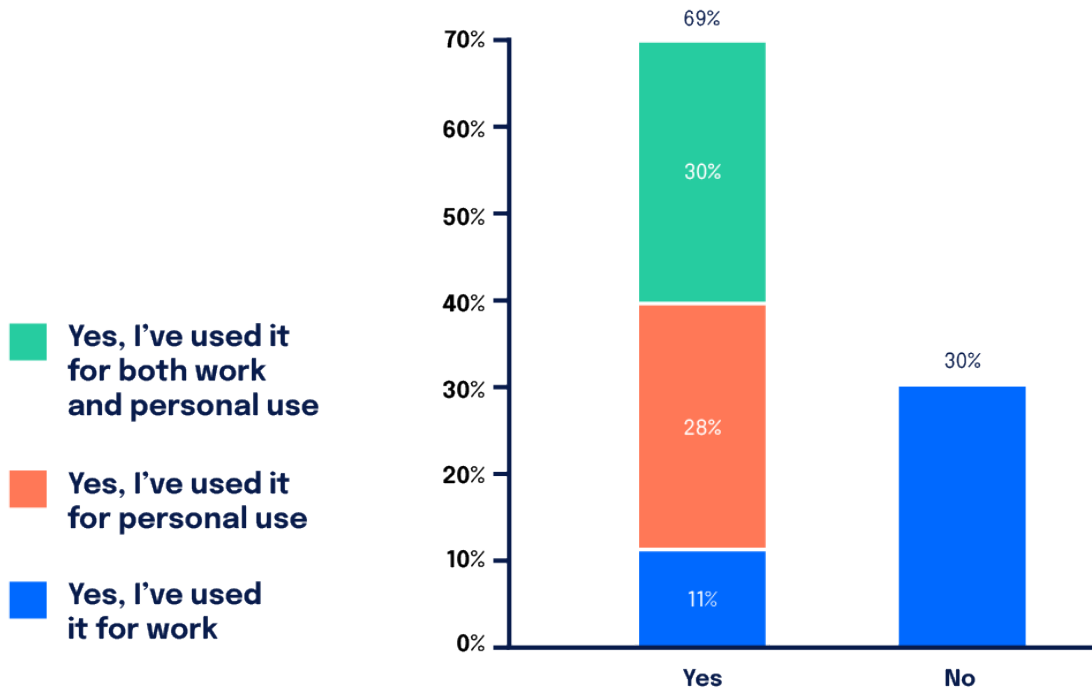
Generative AI usage and trends

Generative AI solutions such as ChatGPT have seemingly exploded in popularity in the past few months, so we wanted to see how individuals and businesses are incorporating these solutions into their work. We found that overall, 61% expect their usage of AI/ML to increase this year compared to 41% last year who expected their usage to increase. Feelings on the rise of AI/machine learning tools are mixed, with 39% overall saying that AI makes their job easier, while 30% say these tools are over-hyped.

> ➕ **61% expect their usage of AI/ML to increase this year compared to last year.**

Regarding ChatGPT specifically, 69% percent have used ChatGPT specifically for either personal or business use, or both, with 62% saying they are just testing the solution out, while 23% are starting to integrate it into regular tasks and just 13% say it is already integrated into their regular tasks.

Have you used ChatGPT for work or personal use?

Legend:
- 🟩 Yes, I've used it for both work and personal use
- 🟧 Yes, I've used it for personal use
- 🟦 Yes, I've used it for work

Yes: 69% (both work and personal 30%, personal 28%, work 11%)
No: 30%

We find that usage of ChatGPT varies by age group, with younger respondents more likely to say they have started to integrate ChatGPT into their regular work, compared to older age groups who are more likely to say they are just testing out the tool.

## How would you describe your usage of ChatGPT? [By age]

	Total	18-24 years old	25-34 years old	35-44 years old	45-54 years old	55-64 years old	65+
Just testing it out	62%	51%	58%	66%	66%	71%	61%
Starting to integrate it into regular tasks	23%	28%	25%	22%	22%	20%	22%
Already integrated into regular tasks	13%	20%	16%	10%	10%	7%	13%
Other	2%	0%	2%	2%	3%	3%	4%

Methodology

Results in this report were gathered from a survey conducted from March 8th, 2023 to April 22nd, 2023 which garnered a total of 1670 responses. Respondents were screened into certain sections of the survey based on eligibility. The age breakdown of respondents was 9% 18-24, 23% 25-34, 33% 35-44, 22% 45-54, 8% 55-64, and 4% 65+. Eighty-nine percent of respondents identified as male, 5% female, 1% non-binary, 1% self-describe, and 3% did not report their gender.

Respondents represent 92 countries, with 26% of respondents from the United States, 8% Canada, 7% the UK, 5% Germany, and 5% India. The most common job titles (at their primary employment) for respondents were full-stack developer (22%), CEO, founder, or owner (16%), back-end developer (10%), and CTO (7%).
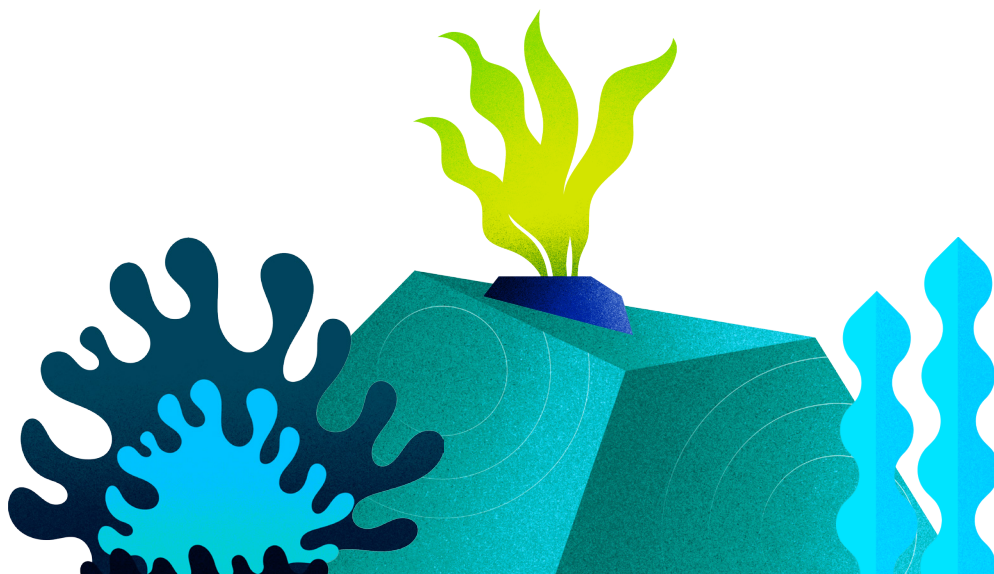
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About DigitalOcean

DigitalOcean simplifies cloud computing so developers and businesses can spend more time building software that changes the world. With its mission-critical infrastructure and fully managed offering, DigitalOcean helps developers, startups, and small- and medium-sized businesses (SMBs) rapidly build, deploy, and scale applications to accelerate innovation and increase productivity and agility. DigitalOcean combines the power of simplicity, community, open source, and customer support so customers can spend less time managing their infrastructure and more time building innovative applications that drive business growth.

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