

## notebook

### Yeah, I'm doing fine thanks

Business is looking pretty rosy on the SME front, according to a recent survey. However, the sector is still dragging the chain on the "e" front and is not tapping into all the government assistance that is available. By Stuart Locke

Most small businesses are doing okay and think things are going to get better in the near future, according to the most recent Small to Medium Enterprise (SME) survey conducted for the Independent Business Foundation.

The survey, which canvassed 427 business people, found that BUSINESS activity is at a similar level to what it was during the same period 12 months ago. But the median expectation for the same time next year is a 20 percent gain in activity.

When this is combined with nearly 60 percent of businesses saying they are happy with their profitability and almost 71 percent expecting an increase in profits next year, it paints a pretty rosy picture for the small business sector.

While the average outlook is positive the picture is not uniform across the country nor across all industry groups. The national average responses on the questions below highlight this:

Business outlook for next year: Expected strength of business this time next year?  
Median is 120 percent, up 20 percent

#### Adequacy of Profit

Do you think that your business is making an adequate profit?

No	40.2 percent
Yes	59.8 percent

#### Profit Improvement Next Year

Do you think that profitability will improve over the next 12 months?

No	29.2 percent
Yes	70.8 percent

However the overall picture is bright. Further analysis of the data reveals that it is the smaller businesses that are most optimistic. Both homebased and non-homebased businesses are reasonably satisfied with current profitability although there is a small difference in outlook. The homebased sector is *bullish* anticipating improvements while the non-homebased businesses are just a little *bearish* in outlook.

#### ***Breakdown by Homebased or Non-Homebased of Profit Adequacy and Outlook***

Type	Profit Level Adequate	Profit Outlook Positive
Homebased	66.4	72.9
Non-Homebased	72.3	70.0

A look at the industry groupings shows that it is only in the manufacturing sector where the proportion anticipating earning growth is less than the current numbers who are satisfied with prevailing conditions. Both retail trade and the recreation/personal services sectors record the biggest potential shifts upwards.

***Breakdown by Industry of Profit Adequacy and Outlook***

<b>Industry</b>	<b>Profit Level Adequate</b>	<b>Profit Outlook Positive</b>
Manufacturing	72.3	66.7
Construction	55.3	63.2
Wholesale Trade	67.6	77.1
Retail Trade	53.0	77.3
Transport and Storage	59.4	74.2
Finance, Property & Business Services	58.1	78.3
Community Services	56.3	58.1
Recreation & Personal Services	53.2	66.0

When the figures are reorganised according to the size of the businesses it is apparent that the most favourable spread is only at the small business end of the spectrum. As the number of employees increases so the gap between current profit adequacy and future profit growth diminishes.

***Breakdown by Number of Staff of Profit Adequacy and Outlook***

<b>Number of Staff</b>	<b>Profit Level Adequate</b>	<b>Profit Outlook Positive</b>
Less than 5	52.1	71.6
5 – 9	68.0	68.8
10 – 14	83.3	61.1
15 – 19	66.7	69.6
20 – 50	68.2	50.0

Across the regions the picture also remains much the same and, with the exceptions of Waikato and Taranaki, the picture looks very positive.

***Breakdown by Region of Profit Adequacy and Outlook***

<b>Region</b>	<b>Profit Level Adequate</b>	<b>Profit Outlook Positive</b>
Auckland	60.8	69.5
Bay of Plenty	63.9	72.2
Canterbury	58.3	66.7
Gisborne	60.0	83.3
Hawke's Bay	53.3	73.3
Manawatu	50.0	72.7
Nelson Bay	69.2	71.4
Northland	50.0	70.0
Otago	55.6	72.4
Southland	40.0	80.0
Taranaki	80.0	77.8
Waikato	71.1	65.1
Wairapa	33.3	80.0
Wellington	60.0	68.2

### ***Knowledge Tapping***

Recent initiatives have stressed the need for New Zealand businesses to catch the knowledge wave. The catch phrase has moved from the e-commerce summits and work groups, which government sponsored in 2000 and 2001, to knowledge, entrepreneurship and venture capital.

Small businesses while looking for cost reduction opportunities and revenue growth do not seem to tap easily into information and new waves. The adoption rates of E-business were reported in the April issue of *New Zealand Business* and it remains clear that most businesses are really unaware of government initiatives in the area.

#### **E-business Impact on SMEs**

Have you heard of the Government's Electronic Commerce Action Team known as ECAT?

No: 83.5 percent

Yes: 16.5 percent

For those responding yes, has it had any impact upon your business' adoption of e-business or e-commerce practices?

Yes: 28.6 percent

No: 71.4 percent

The proportion of businesses seeking advice last quarter is just over 40 percent with accountants representing over half the sources of advice chosen. This pattern remained relatively constant across the regions. Surprisingly, publicly funded initiatives such as Enterprise Boards and BizInfo were well down the list.

### ***Sources of Advice***

Have you sought advice regarding your business over the last three months?

No: 58 percent

**If Yes, then was it from:**

Chartered Accountant: 22.5 percent

BizInfo: 4.4 percent

Trade Association: 2.3 percent

Enterprise Board: 1.2 percent

Chamber of Commerce: 1.6 percent

When the questions were focussed directly on awareness of various specific service providers it is apparent they are not well understood.

#### **Services Provided**

Are you aware of the services provided by:

Tradenz?

No 57.3 percent

Yes 43.7 percent

Industry New Zealand?

No 71.6 percent

Yes 28.4 percent (121 responses)

Foundation of Research, Science and Technology?

No 84percent

Yes 16percent

Do you know the entitlements of your business in terms of:

Enterprise Award Scheme

No 85.2 percent

Yes 14.8 percent

Investment Readiness Scheme

No 93.4 percent

Yes 6.6 percent

Technology for Business Growth

No 87.6 percent

Yes 12.4 percent

TechLink - R & D Grants?

No 93.7 percent

Yes 6.3 percent

***Respondents***

Ownership in the SME sector continues to be very much a male domain. Only in the business and community services sector is the combined total of “female” and “both” greater than the number of males.

Gender of Owner(s)

Is the ownership/running of the business done by:

Male 58.3 percent

Female 13.1 percent

Both 27.9 percent

We believe the public policy implications of these results are important.

1. Government agencies are not the information sources of first choice. This has important implications encouraging the use of existing advisory networks, especially through accountants. This appears, on the surface, as likely to be the most fruitful way of getting the message across to SMEs.
2. For the knowledge wave crusade government shouldn't make the same mistake as with the e-commerce advances. Events for self-selecting, informed people are likely to neither spread the message nor deepen understanding.
3. Equal opportunity for employees has progressed with new government policies from time-to-time. Paid parental leave is among the more recent ideas. When it comes to ownership and this must also incorporate start-up of businesses women are under represented on a per capita basis.

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