

Introduction

In early 1999 the Waikato Management School commenced a project to monitor both the performance and issues relating to small to medium size enterprises (SMEs). A quarterly survey has been undertaken on a nationwide basis collecting a range of data which are compiled to provide a SME Performance Index. The model is based on an Australian index known as the small business health index. Professor Neville Norman of the University of Melbourne's Economics Department originally designed weightings for the index. It has been compiled and published by the Australian Society of Certified Practicing Accountants for over ten years.

In New Zealand the survey is conducted nationwide and in addition a sample has been drawn for the Waikato and Bay of Plenty regions over the last three quarters. The Benchmark Index consists of a direct survey of SMEs and five statistical aggregates compiled by government agencies:

- | | |
|-----------------------------------|-----|
| a. SME Survey | 40% |
| b. Retail Sales | 20% |
| c. Motor vehicle registrations | 10% |
| d. Housing Commencements | 10% |
| e. Hourly earnings | 10% |
| f. Interest rate on smaller loans | 10% |

In addition to the benchmarking questions a number of specific topic issues are addressed for both the national and regional samples. Specifically, these focus on topics which are of current interest. The results reported can distinguish the regions from the national position thus highlighting local political economy issues.

Previous Surveys

December 1999

Three specific questions were asked concerning aspects of government in the developing the SME sector. The responses in Figure 1 indicated that there was little awareness of the Crown's policy and an absent of endorsement of roles for local government in the SME development area.

Figure 1

1. How do you believe local government in your area impacts upon small business in your area?			
Positive impact	26.18% (nationally)	30% (BOP)	15.2% (Waikato)
2. Do you think that local government should have an expanded role in developing small businesses?			
No	19.70 (nationally)	32.0% (BOP)	37.0% (Waikato)
3. Do businesses understand the Labour Government's SME policies? The answer was a resounding NO with 92% of regional and nationwide businesses saying they didn't have an understanding of what the policy was if there was one.			

March 2000

Attention turned to the areas of E-commerce and compliance costs. As is apparent from the responses shown in Figure 2 there is a significant divergence between the computer usage and access to the internet. Subsequent research indicated that there was a nationally low usage of the internet for purchasing or selling by SMEs and in the Waikato this was below 15% of those that had internet connections.

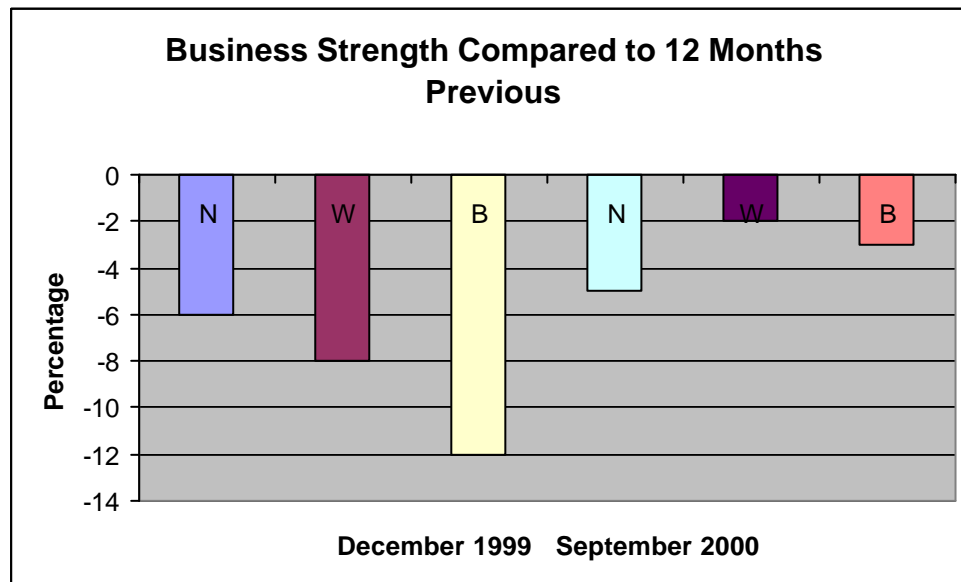
Figure 2

Nationwide		Waikato	
1. Does business have a computer?		1. Does business have a computer?	
Yes	75.7%	Yes	61.1%
2. Is business connected to internet?		2. Is business connected to internet?	
Yes	73.1%	Yes	47.7%
3. For businesses that are not presently connected would internet be useful?		3. For businesses that are not presently connected would internet be useful?	
Yes	50.5%	Yes	33.3%

Business Activity

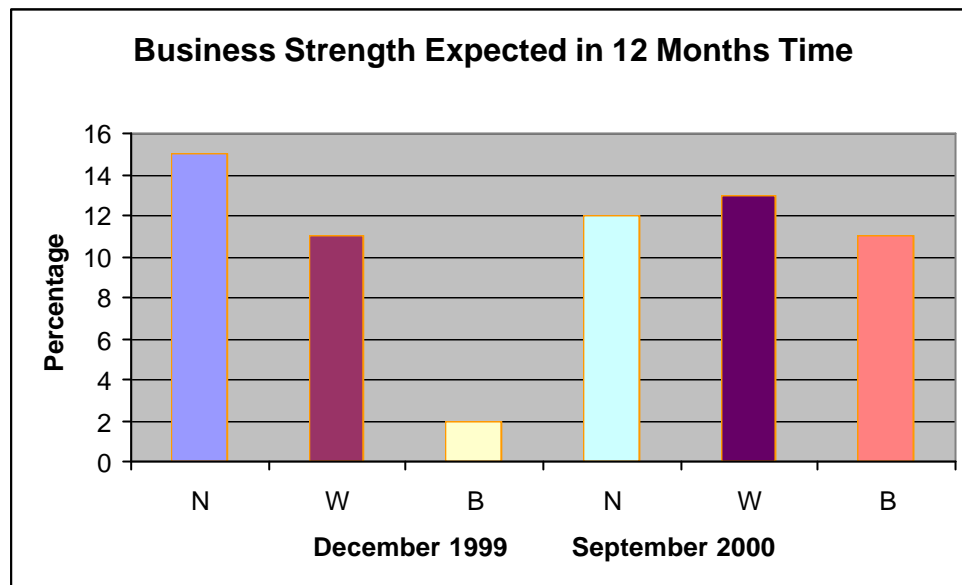
Each quarterly survey addresses the two questions gauging the assessment of the SMEs for how the level of activity compares with 12 months previously and their expectations for the outlook in 12 months time. The responses for nation as a whole and the two regions of Waikato and Bay of Plenty often differ. The results of the survey for December 1999 and September 2000 are shown in Figures 1 and 2.

Figure 3



The designations N, W and B indicate Nationwide, Waikato and Bay of Plenty respectively.

Figure 4



The indicators point to a lower level of activity at present vis à vis 12 months previous, but the outlook for 12 months time is positive. The Waikato is more bullish than the national average but Bay of Plenty is slightly down on these two. Nevertheless, the outlook for the Bay of Plenty is far more positive than that being shown in December.

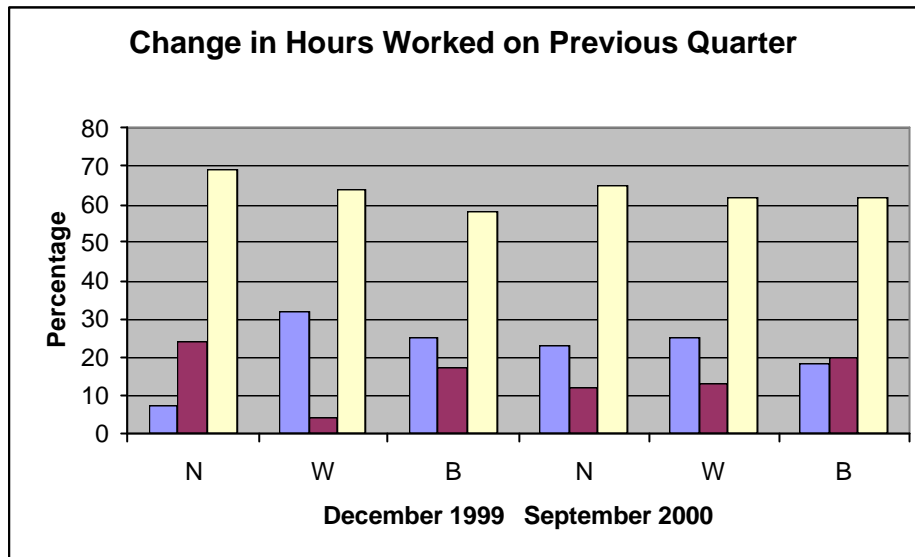
The hours of work anticipated is also surveyed and the most recent figures shown in Figure 5.

1. On average, how many working hours per week do you work?		
	Waikato	Bay of Plenty
Less than 24 hours per week	8.14	3.70
Between 25 – 40 hours per week	25.58	16.05
Between 41 – 60 hours per week	50.00	58.02
Between 61 – 70 hours per week	9.30	20.00
More than 70 hours per week	6.98	1.23
2. Over the past 12 months, have your working hours		
Increased.....	22.58	18.52
Decreased.....	12.79	19.75
Stayed the same	61.63	61.73

The working hour figures do reveal a difference between Waikato and Bay of Plenty. It will be useful to monitor these on an ongoing basis to determine whether there is a different work ethic associated with a more strongly developing demographic region.

The increase in work hours in the most recent surveys is nationwide as shown in Figure 6.

Figure 6



The specialist questions, in the most recent survey, enquired about business awards, the upcoming E-commerce summit and the regional economic policy of the Crown. Responses are shown in Figure 7.

Figure 7

	<i>Waikato</i> %	<i>Bay of Plenty</i> %
1. Have you entered the local business awards this year?		
yes	4.65	3.70
no	93.02	96.3
Don't Know.....	2.33	0.0
2. Do you think there are advantages for the business in participating in the local business awards scheme in the future?		
yes	43.02	34.57
no	38.37	44.44
Don't Know.....	18.60	20.99
3. Were you aware that Government is planning to release its policy on E-commerce at a summit in November.		
yes	27.91	19.75
no	62.79	80.25
Don't Know.....	9.30	0.0
4. Do you think that government in big matters such as E-commerce policy is listening to business?		
yes	13.95	2.47
no	59.30	80.25
Don't Know.....	26.74	17.28
5. How feel about the progress being made with the establishment of regional development committees under Mr Anderton's business development policies?		
Positive impact.....	9.30	2.47
Negative impact.....	8.14	6.17
No impact.....	7.58	91.36
Don't Know.....	6.98	0.0

Findings

The Waikato, Bay of Plenty and Nationwide results are seldom the same. This observation is not surprising as the subeconomies and communities in these two regions are distinct. The nationwide aggregates reflect urban and rural centres from Invercargil to Whangarei. Key findings from the nationwide surveys¹, which were supported by the regional surveys over the last 18 months are:

1. Low level of satisfaction with government policies in respect of
 - Reducing compliance costs for SMEs
 - Employment Relations Act
 - Government listening to business
 - Regional development matters
 - Proposed People's Bank
 - Reserve Bank monetary policy
2. Lack of communication capacity by government in relation to
 - SME policy
 - E-commerce summit
3. Low level of uptake of
 - Ecommerce technology
4. Support for a common currency with Australia

Specific issues for the Waikato and Bay of Plenty regions were the low level of computer/e-commerce strength and in the Waikato particularly dissatisfaction with the role and potential role of local government in SME policy.

Implications

The policy implications of the regional results point to three important issues:

1. Government does not appear competent in determining regional economic impacts of significant policy matters. The lack of developed regional economic modeling will potentially prove costly to the economy overall. This is likely to be most pronounced in the current information, communication technology areas of research which need to address regional infrastructure and education if e-commerce potentials are to be gained.
2. Regional level consultation is not occurring. The Chambers of Commerce and other established business networks are not being integrated into consultative policy formulation and analysis. Unless SMEs see themselves as appreciated and essential stakeholders the expectation gap will continue, resulting in lost opportunity and negativity engendered dead weight losses for the economy.
3. Regional government is not in touch with their SME sectors for the Waikato and the Bay of Plenty. A real investment in open consultation and research is needed to unleash the growth potentials latent in the SMEs.

¹ These are available at www.mngt.waikato.ac.nz/mrc and have been published in New Zealand Business magazine.

