Growing New Zealand Businesses

GNZB

Summary of Survey Findings

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Acknowledgements

The GNZB Survey is a collaborative undertaking. The survey structure and design, and many of the questions, originate in surveys developed by the Centre for Business Research (CBR), University of Cambridge. We have benefited additionally from ongoing discussions with colleagues from the CBR, particularly Alan Hughes and Anna Bullock, as well as at the University of Queensland Business School, our partners for the comparative phase of this project. We acknowledge funding and related support from the ICEHOUSE-UABS Collaborative Fund, The University of Auckland Business School Faculty Research Development Fund, New Zealand Asia Institute and the Institute for Technology, Enterprise and Competitiveness (ITEC) at Doshisha University, Kyoto. Veda Advantage very generously provided the original sampling information from their database. More individuals than we can name here contributed to the survey development, administration and subsequent data entry, coding and analysis. We thank all these people, and above all, we wish to thank all the CEOs who generously gave their time, answers and insights to make this survey meaningful. This summary provides our initial feedback to them.

About the GNZB Survey

about GNZB

Growing New Zealand Businesses (GNZB) is a project being undertaken by staff and research students at The University of Auckland Business School (UABS). It seeks to understand growth and innovation activities and challenges of New Zealand small and medium-sized enterprises (SMEs). The project is creating a knowledge base which will inform teaching and related outreach activities, and ultimately to assist the growth and development of New Zealand SMEs. A key part of the project is a GNZB survey, developed in collaboration with researchers at the University of Cambridge, and the University of Queensland Business School.

The survey was carried out in late 2010 – early 2011, against a backdrop of continued sluggishness in the economy in the wake of the global financial crisis, and between the first and second major Canterbury earthquakes.

survey

The GNZB Survey was sent to the Chief Executive Officer of 11,188 manufacturing and business service SMEs (with fewer than 250 employees) in November 2010, with follow-up reminders in late November and mid December. Some (552) were returned unopened ('wrong address', 'business closed', etc.). Altogether 1911 were filled in and returned, marking an 18% response rate. Of these, 1762 fitted the size (less than 250 employees) and sector (manufacturing and business services) criteria, and are the focus of analysis here.

next steps

The survey had five sections: General Characteristics of Your Business, Innovation, Competitive Situation and Collaborative Activity, Finance, and You and Your Business. One striking feature of the returns was the care with which they were completed, both in terms of figures provided, and responses to an open question about success and its measurement.

This summary is based on descriptive statistics, prior to detailed analysis. The survey itself will be followed by interviews of roughly thirty CEOs, selected from over 50% of respondents who indicated a willingness to be interviewed. In addition, similar surveys carried out in the UK and Australia – and potentially other countries – will provide the basis for comparative analysis and benchmarking. This will further enrich our understanding of New Zealand SMEs, their innovative activities and growth challenges.

About the businesses surveyed

sector

Forty-nine percent were in manufacturing, and 51% were in business services. One third of manufacturers and just over half (56%) of business services were in high-tech industries (essentially R&D intensive industries, designated by ANZSIC codes).

age, size

Roughly a quarter of the businesses were started before 1980, almost a quarter in the 1980s, 31% in the 1990s and 21% since 2000. On the whole, manufacturers were somewhat older than business service (average age 28 years versus 24 years) businesses; 54% had nine or fewer employees (we call them micro businesses), 35% had 10-49 employees (small businesses), and 11% had 50-249 employees (medium-sized businesses).

type

Just over three quarters were companies, with the balance split between sole ownerships and partnerships. The majority of businesses were established as completely new startups. Others were established as spin-offs from existing businesses, through merger or acquisition, spin-offs from another organisation, or management buyouts.

About the CEOs and their business involvement

age

The average age of Chief Executives/Proprietors/Senior Partners was 55. They had been with their business for 18 years on average, 15 of those as CEO. Only 11% were women. Female CEOs were more common in newer businesses with 17% of these, starting since 2000.

founding

Three quarters were founders or acquirers of their business, and roughly half had been involved in founding or acquiring more than one business. A desire to run their own business was the predominant founding motivation – twice as commonly cited as a desire to implement a new idea or wealth ambitions. Actual or potential unemployment was a factor in about 15% of businesses.

education

Forty-four percent listed high school as their highest level of education; 37% listed university (first degree) and 18% postgraduate education. Forty percent had a professional qualification, a quarter had a technical qualification, 8% had both, and a quarter had neither.

Figure 1: Business objectives

Note: 1 = Insignificant; 2 = Slightly significant; 3 = Moderately significant; 4 = Very significant; 5 = Crucial. Figure shows means of responses.

objectives

CEOs were asked: 'From a personal point of view, how important have the following been to you in your involvement in the business?' Highest ranked was the classic reason people give for starting a business: 'Freedom to set and pursue my own objectives.' Financial objectives – maximising current and future returns, increasing wealth – were also very important. And so was having fun. At the other end of the spectrum, creating a lasting legacy and creating something new and distinctive were rated relatively low, as was increasing value for potential capital gains.

decision making

Asked about involvement in decision making, half chose 'personal control of strategic and operating decisions', a quarter 'personal control of strategic decisions but delegation of operating decisions', a fifth 'key member of group taking strategic decisions with indirect control of operating decisions' and the balance 'other'. Personal control of both strategic and operating decisions was, not surprisingly, much more common in micro businesses, while more devolved forms were common in medium-sized businesses.

ownership change

Two thirds of the CEOs envisaged a change of ownership in the business within the next ten years. In fact, half envisaged a change within five years. Over a third (37%) envisaged a sale to another company. Those envisaging ownership change were somewhat more prevalent in small businesses, businesses with stable or declining turnover growth, and businesses with novel, industry-level innovations; this hints of a bifurcation, with some envisaging exit in the face of duress, and others under favourable circumstances.

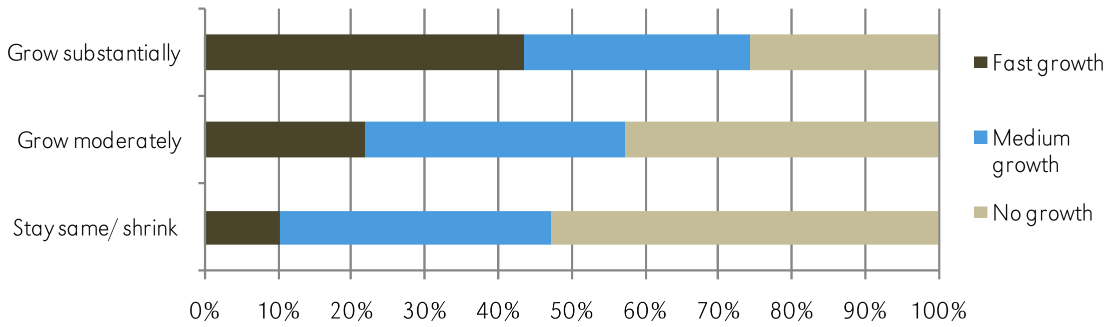
Growth aspirations

Anecdotal evidence attributes low SME growth performance in New Zealand to the '3B' (bach, boat, BMW) syndrome, or a lack of ambition. One way of exploring this is through growth aspirations. Overall, 4% wanted to become smaller over the next three years, 19% wanted to stay the same size, 57% wanted to grow moderately and 20% wanted to grow substantially. Many with fast turnover growth also wanted to grow substantially, and many with no growth wanted to stay the same size or shrink (see figure 2). High growth aspirants were prevalent in medium-sized businesses, fast-growers, exporters, industry-level innovators, high-tech manufacturers and newer businesses. aspirations

Those wanting to shrink or stay the same size, on the other hand, were prevalent in micro businesses, non-growers, non-exporters, non-innovators and (to some extent) business services. By size, 80% of those wishing to become smaller were micro businesses, 84% had no exports, and 30% had no competitors, compared with just 7% of those wishing to grow substantially. non-growth

Nonetheless, profitability of those wishing to become smaller or remain the same size was conspicuously higher, and profitability of those wishing to grow substantially was conspicuously lower than the other groups. profit

Figure 2: Level of turnover growth by growth aspiration



Business objectives differed substantially between the groups. Those wishing to grow substantially rated the following as significant or crucial (in descending order): maximising current and future returns, contributing to the wellbeing of stakeholders, freedom, increasing the value of the business, and creating something new and distinctive. Those wishing to downsize or stay the same size, on the other hand, rated 'other' and freedom, as well as having fun and increasing personal or family wealth as most important. objectives

Thus a group of CEOs – perhaps 20-25% of the total – have few aspirations to grow, innovate or export, and are in sheltered sectors of the economy, but their businesses are making substantial profits. The '3B' appellation may apply to them, but hardly to the businesses at the other extreme – also perhaps 20-25% of the total – who do aspire to grow substantially and are growing, innovating, exporting and investing, but at the expense of today's profits. The latter appear to have borne the brunt of the global financial crisis, but their profitability has been recovering; many experienced fast profit growth between 2007 and 2010, albeit from a low base. Those wishing to grow modestly fit in between these two polar extremes. ambition

Turnover growth and profit

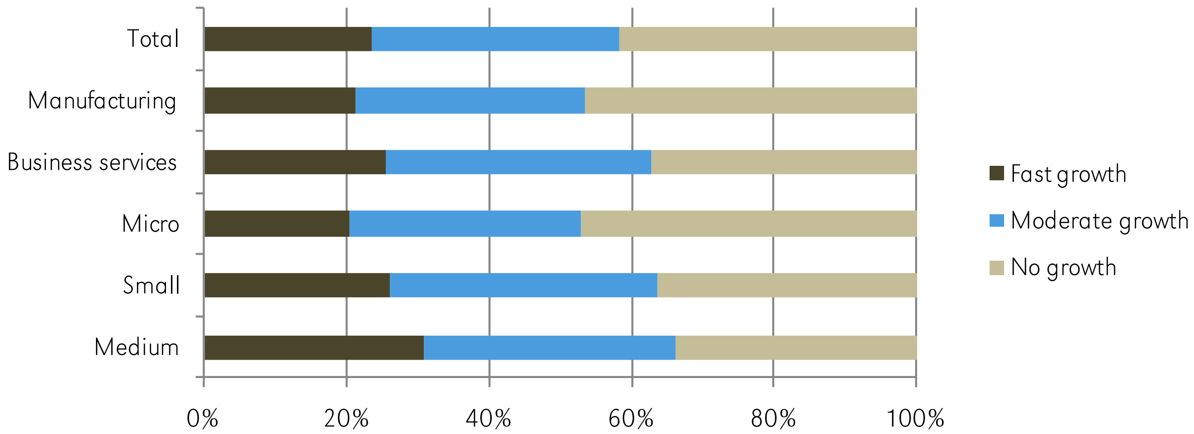
growing groups

Forty-two percent reported no, or declining, turnover growth (no growth) between 2007 and 2010 (figure 3). 35% had grown moderately (moderate growth – less than 10% annualised), and 24% had experienced fast turnover growth (fast growth – 10% or more annualised). Notably, almost a third of the medium-sized businesses were in the fast growth group. In contrast, only a fifth of the micro businesses were in this group and almost half were in the no-growth group.

sector

There were differences between manufacturers and non-manufacturers. More business service firms than manufacturers were fast growers (26% versus 21%) and fewer were non-growers. Within both sectors, more high-tech businesses were in the fast growth group.

Figure 3: Level of turnover growth by sector and size



profit

Many of the no growth businesses, however, were highly profitable (Profits here refer to pre-tax profits, including directors, partners or owners remuneration, but before deduction of interest and tax). About 39% had profits in the last year (to 2010) in excess of 15% of turnover, only 17% experienced a loss. The majority of fast growers grew profitably as well; 43% had profits of 15% or more, while only 4% reported a loss. Most profitable, however, were the moderately growing businesses; 53% had profits of 15% or more and 30% achieved profits of 30% or more. Fast-growing businesses may well have foregone profits for growth.

There were striking differences in profits between manufacturers and business services. Only 29% of manufacturers had profits of 15% or more compared with 59% of business services; 10% had profits of 30% or more compared with 35%! Interestingly, conventional business services – which were much more likely to be modest growers and not fast growers – had higher profits than high-tech business services.

Box 1: Business success – one end of the spectrum

An open question in the survey asked: 'How do you see success in your business, and how do you measure it?' Using the software Leximancer, we analysed the responses of CEOs whose businesses had grown in the past three years, had innovated, and were exporting (about 13% of the total). These CEOs had an orientation to growth, were externally focused, but at the same time looked to their business, and especially their employees to serve their customers and markets. There were nuances within this group, however; the moderate growers were more focused on 'markets', and were concerned both with their staffs' moral and wellbeing, while those growing really quickly focused on 'customers' and 'sales', but mentioned staff less often – perhaps because they were so busy growing.

Competition and competitive advantage

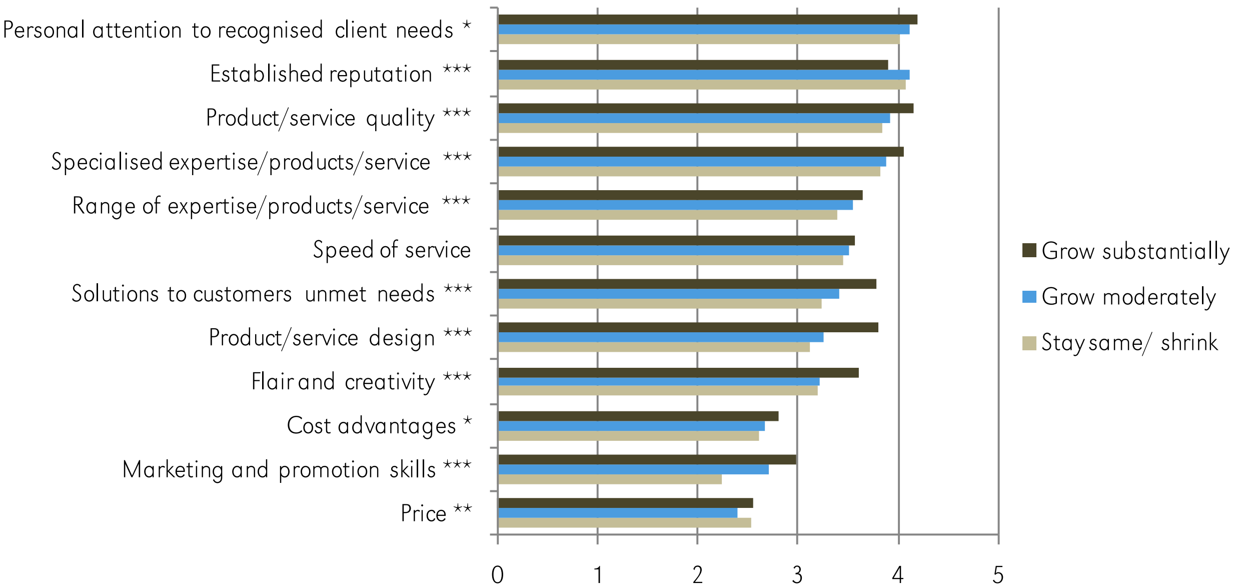
competitors

A majority of CEOs believed they had less than 5 competitors, and 11% believed they had none! These were more likely to be micro businesses, while small or medium-sized businesses reported more competitors. Almost half (46%) thought they had no international competitor. Not surprisingly, the higher the percentage of exports, the greater the number of international competitors. Apart from a small group (47 CEOs) who reported no competitors but profits of at least 30% of turnover, the number of competitors did not have a strong bearing on profits.

sector

Business service firms appear to have more competitors than manufacturers. They were also less reliant on a single or small number of customers. Conventional business service firms appeared to be engaged in more textbook-like competition.

Figure 4: Competitive advantages by growth aspiration



Note: 1 = Insignificant; 2 = Slightly significant; 3 = Moderately significant; 4 = Very significant; 5 = Crucial. Differences between means: *** differences significant at .001; ** differences significant at .01; * differences significant at .05.

competitive advantages

We asked CEOs about their competitive advantages. Combining 'very significant' and 'crucial', the top three were: 'personal attention', 'established reputation' and 'responsiveness to recognised client needs' and 'product or service quality' (see figure 4). There were differences between manufacturers and business services. Business service CEOs scored higher only on specialised service/product service and personal attention to client needs, perhaps because of stronger competition from more competitors. High-tech manufacturers accentuated the differences, and in both sectors, high-tech businesses scored significantly higher than conventional businesses on design, personal attention to customer needs and solutions to unmet customer needs. Surprisingly, there were relatively few differences by size.

There were some subtle differences by performance outcome. Fast growers rated established reputation somewhat lower than non-growers or moderate growers. Conversely, they rated personal attention to recognised customer needs higher. And they also rated solutions to unmet customer needs higher.

strategy

Industry-level innovators (see below), moreover, placed significantly more stress than firm-level innovators or non-innovators on 'product or service quality' and 'specialised expertise/product/service.' They were also more likely to rate 'cost advantages' (and, to a lesser extent, 'price advantages') as significant or crucial.

Innovation

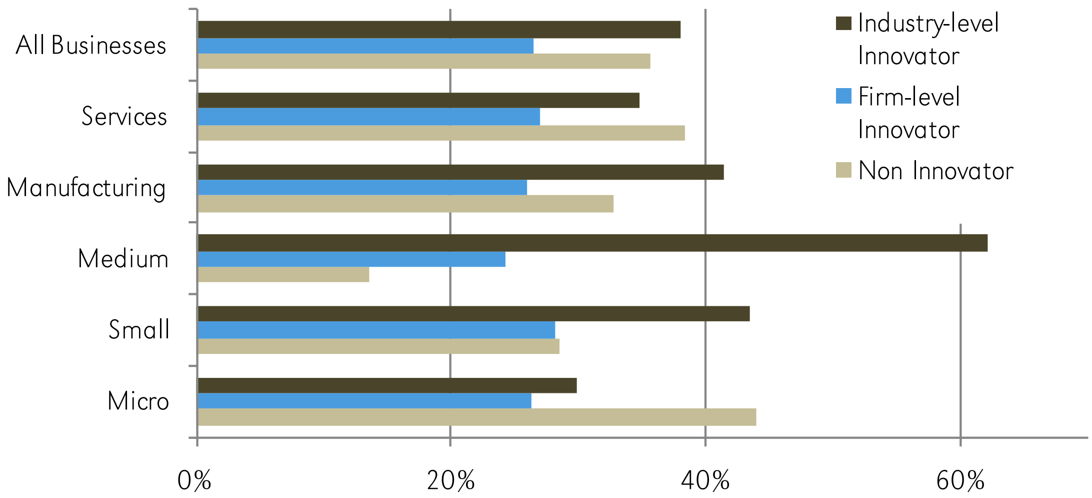
The ability to innovate is essential in rapidly changing and competitive markets. It requires individual creativity, as well as organisational capabilities. Overall, almost two thirds (63%) of the respondents reported some kind of innovation in the past three years, with a higher proportion in manufacturing than business services (66% versus 60%) (see figure 5).

levels

We distinguish between two *levels of innovation* – that which is new to a firm but not the industry (**firm-level innovation**) and that which is new to both a firm and its industry (**industry-level innovation**). While the proportion of firm-level innovators was almost the same in both manufacturing and business services, industry-level innovators were more common in manufacturing (41% versus 34%), even higher in high-tech manufacturing (50%), but lower in conventional services (30%).

By size, a higher proportion of micro businesses (45%) were non-innovators than were small (29%) and medium (15%)-sized businesses. Again, the proportion of firm-level innovators was similar, but there was a marked contrast in industry innovation – 29%, 43% and 61% respectively.

Figure 5: Type of innovator



Fast growing businesses were more likely to be industry-level innovators. 41% of the non-growing businesses were also non-innovators, compared with 37% of medium growth and 27% of fast growth businesses - demonstrating a strong link between growth and innovation.

types

We asked about five types of innovation: product, process, logistics, service product, and production and delivery of service product. Interestingly, innovation at the firm level was quite evenly distributed between the different kinds of innovation (29-32%), with the exception of logistics (16%), but at the industry level product innovation was significantly more prevalent than the others.

product improvement

A different measure of innovation is the proportion of sales (in the last year) from products or services which are; 1) only marginally changed, 2) significantly improved, or 3) new. The averages were 80%, 11% and 9% respectively. Again, there were lower levels of changed products among business services (especially conventional) and micro businesses, and higher levels among manufacturing (especially high-tech) and medium-sized businesses.

source

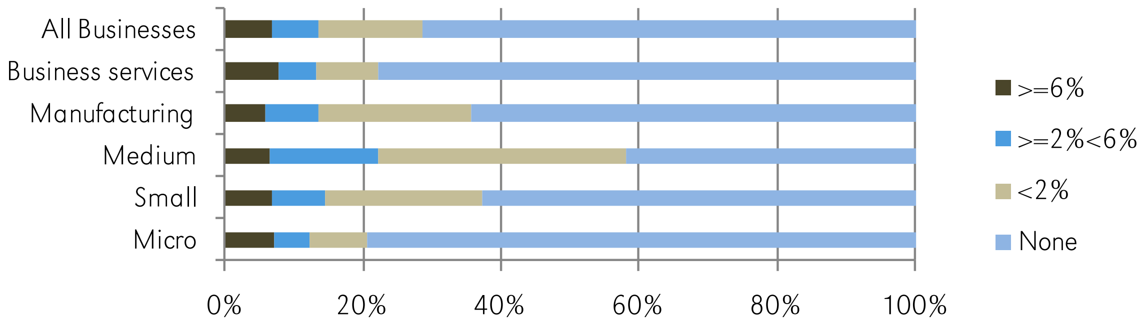
As for where the innovations were developed, over two thirds (69%) were developed within the firm or group, 15% were developed collaboratively, and 17% were adopted after development by other firms or institutions. Internally developed products and services were more common in manufacturing and medium-sized businesses, and those adopted after external development were conversely lower in these. The proportion developed collaboratively was highest in small businesses, suggesting a transition to internal innovation capabilities with growing size.

This picture is upheld by sources of information for innovation; more medium-sized businesses reported internal sources as very significant or crucial than did small or micro businesses (87%, 77%, 66% respectively). The same applies to fast growers relative to businesses with medium or no growth, and to high-tech relative to non-high-tech. Significantly, however, these categories – medium-sized, fast growers and high-tech – also rated information from customers more highly than the other groups, suggesting a balance between internal capabilities and customer-informed (if not customer-driven) innovation. These trends were also noticeable in industry-level innovators compared with business-level innovators. External collaboration will be taken up again below. information

R&D

One third of the businesses had engaged in R&D in the last financial year (see figure 6). Manufacturers were more likely to engage in R&D than business services (37% versus 22%) and high-tech businesses more than conventional businesses. This was also the case for larger businesses (63% medium-sized, 38% small and 21% micro) and fast growers (45% fast, 32% moderate, 29% non-growers).

Figure 6: R&D spending



Reported expenditure on R&D as a percentage of turnover was relatively low: just 13% invested 2% or more of turnover, 8% invested 5% or more and 4% invested 10% or more. The figures were higher for medium-sized businesses (22% spent 2% or more of their turnover on R&D), industry level innovators (26%), high-tech manufacturers (25%) and fast growers (22%). Indeed, there was a small group at the intersection of these categories which spent a very high proportion of their turnover on R&D. level

This may have suppressed their profits. Those without R&D expenditure were much more likely than those with R&D expenditure to make profits of 30%+, and those making a loss were proportionately much more likely to be spending 6%+ of their turnover on R&D. That said, roughly 40% of those with 2%+ R&D expenditure also made profits of 15% or more. profit

Investment in training

training

Between half and two thirds of the businesses provided formal training for at least some employees. Business service firms provided somewhat more training than manufacturers for managerial employees and technologists, scientists and higher professionals, but less for 'all other employees'. Conventional business services provided less training than their high-tech counterparts, whilst conventional manufacturers provided more training than their high-tech counterparts. Conventional manufacturers and high-tech business services provided similar levels of training.

groups

The biggest difference in training provided was by business size. Medium-sized businesses were much more likely to provide formal training than micro businesses, with small businesses in between. Industry level innovators were also more likely to provide formal training than non-innovators, with firm-level innovators in between (except for technologists, for whom business-level innovators provided most formal training).

Those with moderate turnover growth and medium levels of profits provided more training for managerial and technologist employees, perhaps reflecting their managed growth.

Management practices for high performance

formalisation

There was a wide variation in the use of written business plans (47%), written human resource plans (18%), monthly management accounts (84%), boards of directors which met regularly (46%), website for information (77%) and website for trading (29%).

high commitment

Similarly, there was considerable variation in the use of total quality management (37%), quality circles (18%), job rotation/multiskilling (46%) and performance-related pay (49%). About a quarter of the respondents reported increased use of these practices, which are often linked to 'high commitment' (if not high performance), since 2007.

Looking at different groups, by and large manufacturers and business services reported similar levels of uptake on the first set of practices, but manufacturers reported higher uptake on the second set. High-tech manufacturers reported higher uptake on most of them.

Uptake increased conspicuously with the size of business. The practices were more widespread with innovators, especially industry-level innovators; it seems that innovative activities of these businesses were generalised across a whole range of activities, assuming that self-reporting actually reflected uptake. Differences by turnover growth group weren't pronounced, but like industry-level innovators, fast growers reported higher uptake in the previous three years.

b.p. boards

Looking at individual practices, written business plans were significantly more common in medium-sized businesses, fast growers, industry-level innovators, high-tech manufacturers and new (post 2000) businesses. But they were associated with lower levels of profit. Similar patterns applied to the use of boards of directors.

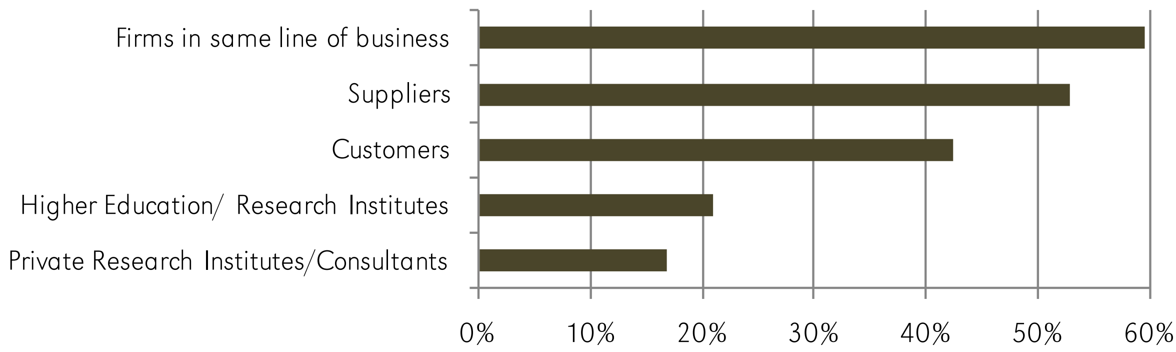
Collaboration

Increased business focus, complemented by a willingness to collaborate, especially in innovation, has become a conspicuous business trend and research focus in recent years. The survey asked about formal and informal collaboration or partnership arrangements, who partners were, and where they were located.

partners

Almost half (44%) of businesses reported some form of collaboration or partnership (see figure 7). Of those who collaborated, the most common partners were firms in the same line of business (60%), suppliers (53%) and customers (43%). Higher education/research institutes and private research institutes/consultants trailed at 21% and 17% respectively.

Figure 7: Collaboration



reasons

The main reasons for collaboration were to expand the range of expertise or products offered to customers, assisting in the development of specialist services/products required by customers, helping to keep current customers, sharing R&D activity and improving financial and market credibility respectively. There were some variations according to the partner, of course; collaborations with suppliers, for instance, were aimed at outsourcing output, and gaining access to or spreading the costs of new equipment or information sources. By far the highest reason given for collaborating with higher education/research institutes was to access grants requiring collaboration.

location

Most of the partners were national, closely followed by local (within 20km), followed by a considerable margin by overseas.

Collaborative arrangements were more common among medium-sized businesses, services – especially high-tech services – fast growers (to a limited extent), industry-level innovators, and exporters, but they had lower profits.

Box 2: Business success – the other end of the spectrum

Looking at the comments about 'success' by CEOs whose businesses had not grown, innovated or exported (about 9% of the total), obviously the orientation to growth was missing, but they were also very mindful of their customers, especially those making high profits. This applied to expressed or existing customer needs, however, and not unmet needs. Those making little or no profit, moreover, were much vaguer in their comments, or appeared to be running their business primarily as a form of employment or a means to other ends.

Internationalisation

exports

Just over one third (36%) were engaged in exporting, up from 31% three years earlier. Among exporters, however, one third had experienced a decline in exports, and two thirds had experienced growth, evenly split between under 15% and 15%+ on an annualised basis.

A small group of businesses (10%) exported at least 50% of their turnover; indeed some exported all of their output. An interesting feature of this group was that a high proportion were newer – 62% had been founded since 1990 – there were more manufacturers than business services, a high proportion of fast growers and medium-sized businesses, and a relatively high proportion of businesses with moderate profit growth, but a modest difference in terms of innovation group.

region

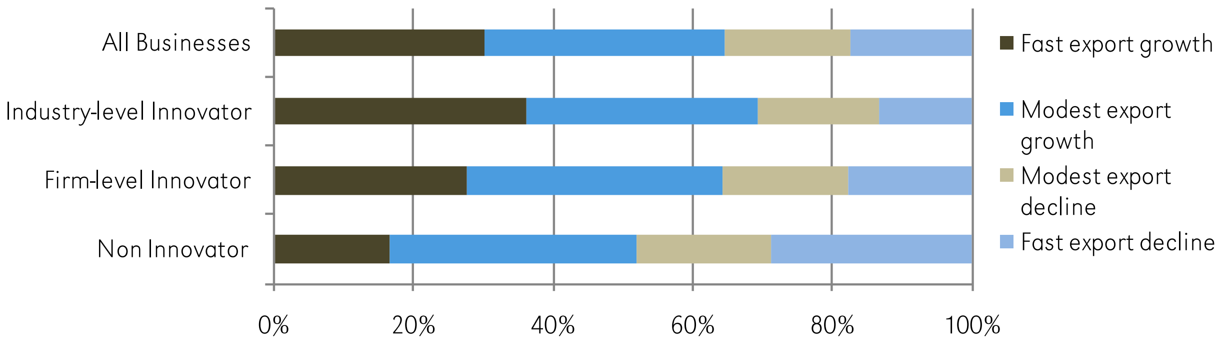
The highest proportion of those exporting did so to Australia, followed at some distance by 'Other', Asia, North America (including Mexico) and the EU. Those businesses with 10% or more of turnover accounted for by exports to Asia were more common among manufacturers, new, fast growth, industry innovators and medium-sized businesses, with little difference by profit growth group.

groups

There were some notable features of businesses experiencing annualised export growth over the past three years of 15% or more. Surprisingly perhaps, differences were not marked across size groups, with 27% of micro businesses, 34% of small and 29% of medium-sized businesses experiencing such growth in exports. Of those exporting, however, 35% of business service firms came into this category, compared with 28% of manufacturers. More remarkably, among exporters, 42% of conventional business service firms fall into this category, compared with 32% for high-tech business services (29% for high-tech manufacturing and 28% for conventional manufacturing).

These rapidly growing exporters, moreover, were conspicuous among industry innovators (36%), compared to 28% and 18% of business innovators and non-innovators respectively (see figure 8). And even more notably, 61% of fast growers were also growing their exports at this rapid rate, compared with 28% of medium and 11% of non-growth businesses.

Figure 8: Export growth by type of innovator



Note: Fast export decline <=-15%; Modest decline >-15%; Modest growth <15%; Fast growth >=15%.

Finance

Thirty-six percent of CEOs had sought additional (to internal cash flow) finance in the past two years. The figure was slightly higher for manufacturers than business services (38% versus 32%), and for small and medium-sized businesses than micro businesses (42% and 41% versus 31%). Of those who had sought additional finance, 73% had obtained all the finance they sought, but one in eight had gained none.

external finance

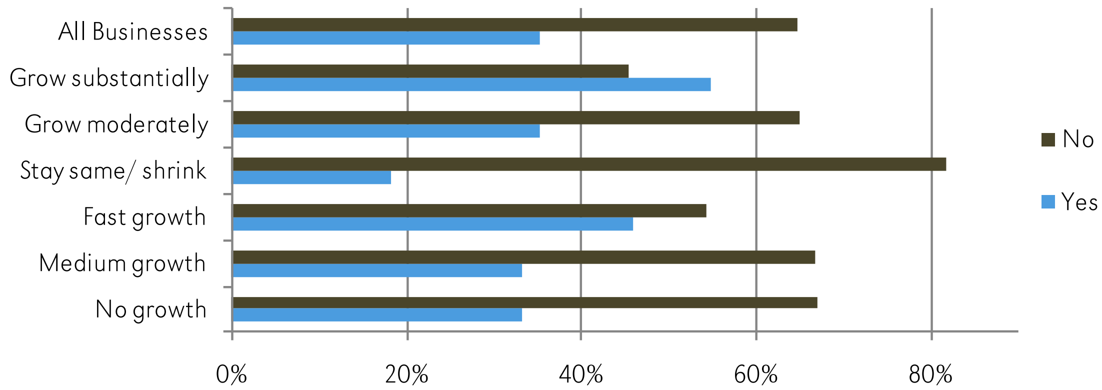
The overwhelming source of additional funds was from banks. Fourteen percent of those seeking funds had not approached banks, and half had obtained all their additional funds from them. Other sources of note were, in order, hire purchase or leasing firms – 19% approached – partners or working shareholders – 15% approached for loans and 14% for equity, and family – 11% approached for loans.

source

Of the two thirds who had not sought additional finance, the overwhelming reason given was that internal cash flows were sufficient (87%), followed by 'unwilling to increase borrowing risk' (39%), 'unwilling to dilute equity shareholding' (19%) and 'cost of external finance too high' (17%).

non-seekers

Figure 9: Finance



Almost half (46%) of the fast growth group had sought additional finance, compared with only one third of the moderate and non-growth businesses (see figure 9). Industry innovators, too, were more likely to have sought additional finance – 43%, compared with 37% of firm-level innovators and 26% of non-innovators. Over half (55%) of those wishing to grow substantially had sought additional finance, declining to just 11% of those wishing to become smaller.

groups

Box 3: What business success means to CEOs?

High fliers Growing, innovating and exporting businesses appear to forego today's profit to grow or to meet their other business objectives. The very rapid growers effectively have a single-minded focus on serving customer needs. Employee training and formalisation of processes take second place, whereas those not growing so rapidly appear to have greater balance. There appears to be a difference in perceptions of success, between those actually growing rapidly and those wishing to grow substantially: the former place more emphasis on the means to satisfy customers' expressed and unexpressed needs, and growth, to some extent, is a result of this.

Low fliers This same difference can be observed in businesses at the other end of the spectrum, where there is no growth, innovation or exports. Here the most profitable businesses also appear to focus on both customers and the needs to satisfy their expressed (not unexpressed) needs, while those who make less or no profit, do not focus on means.

Limitations on meeting business objectives

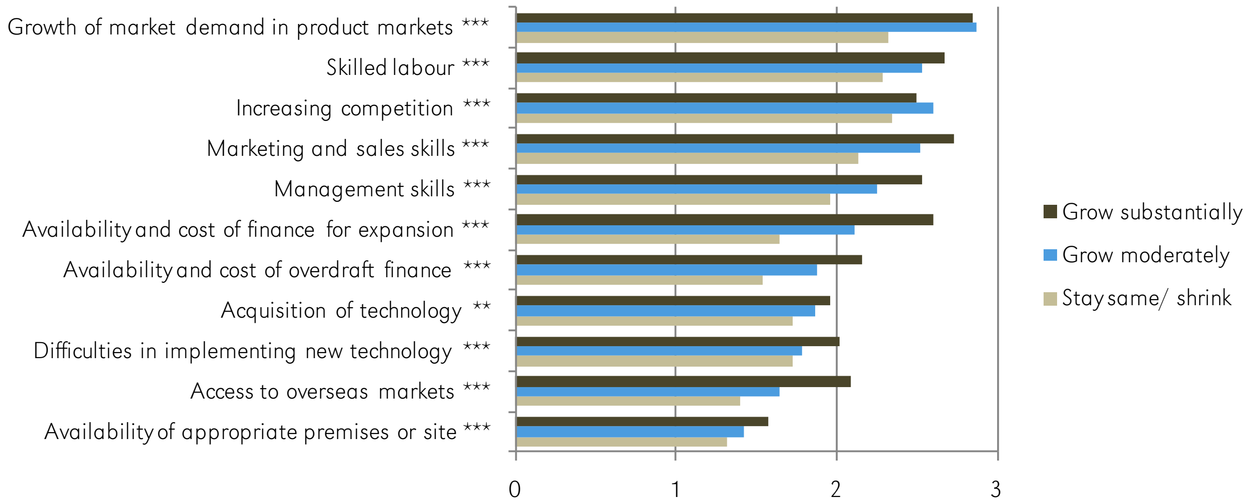
limitations

Just how much availability of finance acts as a constraint on growth has been the subject of debate in many countries. Respondents to the GNZB Survey rated it only a moderate limitation on their ability to meet their business objectives over the past three years, behind market factors such as overall growth of market demand in principal product markets and increasing competition, as well as input constraints such as availability of skilled labour, marketing and sales skills.

groups

However, more fast growers rated availability of finance for expansion a significant or crucial limitation than moderate or non-growers (26%, 14%, 19%). Thirty-two percent of those wishing to grow substantially rated finance a very significant or crucial limitation, second only to demand levels in principal markets, and significantly higher than the other growth aspiration groups (see figure 10). Those wishing to grow substantially also rated the availability of overdraft finance a much greater limitation than the other groups. Finance availability thus appears to be a real constraint on growth for those wishing to grow substantially.

Figure 10: Limitations by growth aspirations



Note: 1 = Insignificant; 2 = Slightly significant; 3 = Moderately significant; 4 = Very significant; 5 = Crucial. Differences between means: *** differences significant at .001; ** differences significant at .01; * differences significant at .05.

fast growers

Fast growers were also more likely than other growth groups to rate availability of skilled labour, marketing and sales skills a significant or crucial constraint. And for substantial growth aspirants, marketing/sales skills, skilled labour, and managerial skill availability constituted the third significant set of limitations, after demand in principal markets and finance. Overall, would-be and actual fast growers saw availability of skilled personnel and finance, as well as demand in principal markets, as serious limitations on meeting their business objectives.

non-growers

Non-growers and those desiring no growth, on the other hand, rated availability of skilled personnel and finance somewhat less highly (except for availability of manual labour), and lack of demand and increased competition more highly, as well as 'other' factors, for which there were frequent references to recession or economic downturn, and exchange rates, changing government policies, compliance costs, and size of the market.

exporters

Exporters were more likely to seek additional finance than non-exporters. The higher the percentage of exports, the more cost and availability of finance was felt to be a significant or crucial limitation.

Family business and ownership

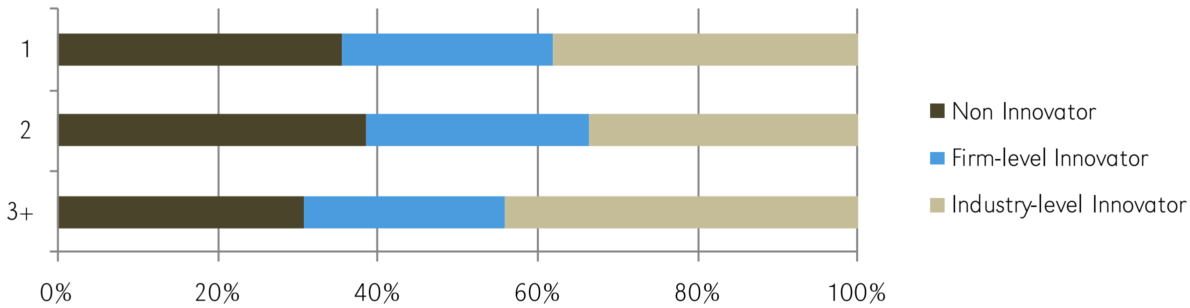
In terms of ownership, in 70% of the businesses at least half of all shares were held by the CEO or family members or relatives; indeed in just over half, all shares were family owned. Two other indicators of family businesses were:

1. the number of family members working in the business on a daily basis: 22% had two (including the respondent) and 11% had three or more. Of the latter, 80% were 100% family owned.
2. the number of generations of family ownership: 12% were multi-generational (2+ generations), and 28% of these had 3+ generations of family ownership. Some 60% of multi-generational businesses were 100% family owned.

The number of family members is particularly noteworthy if we distinguish between two members – often a husband and wife team – and three or more. There was a marked predominance in the last group (3+ members) of manufacturers (80% versus 55% for two members and 42% for one). 3+ family member businesses were somewhat older and more likely to be small rather than micro or medium-sized, suggesting gradual growth. members in business

In terms of personal business objectives, more 3+ family member CEOs mentioned 'other' objectives – reference to family business objectives were common – while in terms of competitive advantage they scored notably higher on solutions to customers' unmet needs, marketing and promotion, and to some extent design. 3+

Figure 11: Type of innovation by family members



A higher proportion of 3+ family member businesses, moreover, were fast growers, with high profit growth, and industry-level innovation (see figure 11). More were exporters. More had 100% family ownership. A somewhat higher proportion wanted to grow substantially, and fewer wished to become smaller or remain the same size.

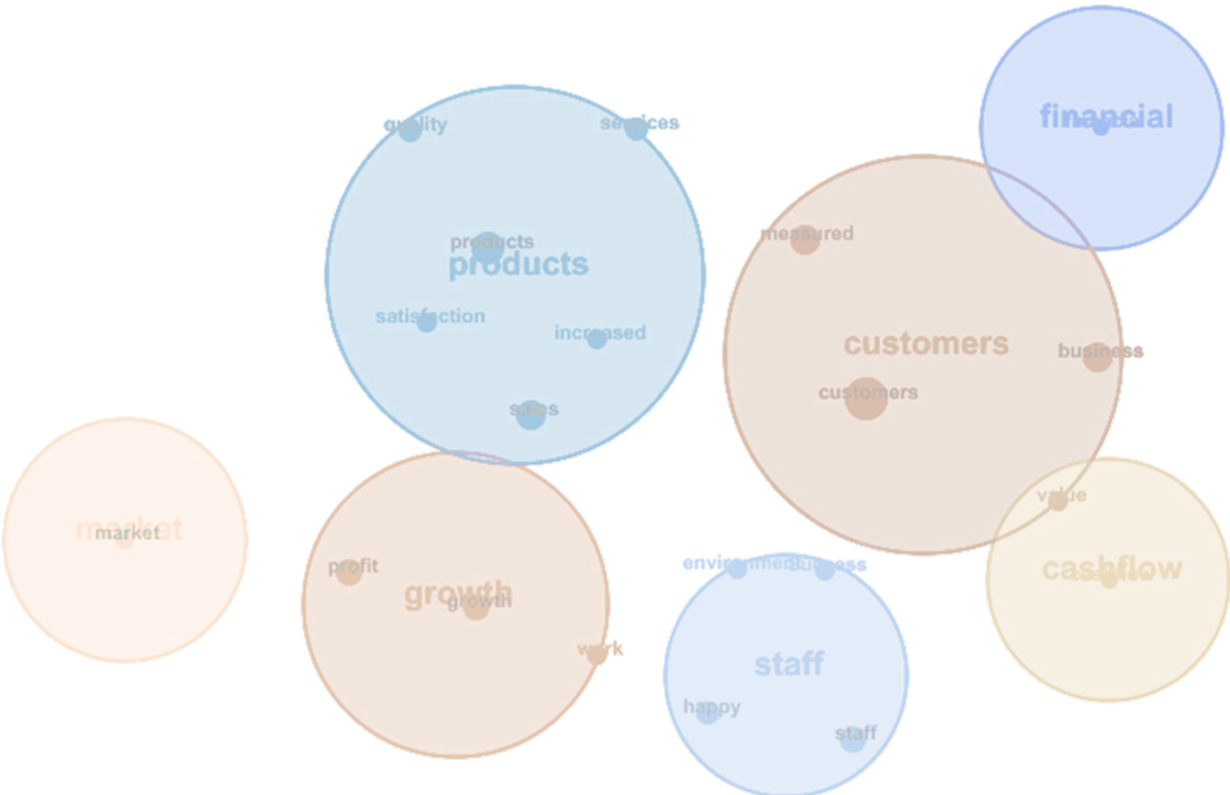
Two-family-member businesses, on the other hand, compared less favourably than the other two groups. It is possible that these bear the brunt of work-life balance dilemmas and other competing objectives, and that some are lifestyle businesses. 2

Multi-generation family businesses were also much more common than single generation businesses in manufacturing (75% versus 45%), and in small and medium-sized businesses, partly because they were older (65% were founded before 1980 versus 19%). More multi-generation businesses had moderate turnover growth, but fewer were fast growers. Profit growth levels were not very different, but more exported (44% versus 35%) and more were industry-level innovators (43% versus 36%). generations

Overall, family businesses appear to perform well in the New Zealand economy.

Some key points for CEOs

- High flying businesses focus on the needs of their customers, including unstated needs, and the means to meet these needs – profit follows.
- Low flying businesses focus on profit, and see customers as a means to achieve this.
- Fast turnover growth and fast export growth frequently go hand in hand. Those achieving fast growth are likely to do so internationally.
- Higher profits can be achieved by focusing on today's products (exploitation); creating tomorrow's business (exploration) requires a willingness to forgo today's profit.
- Growth and innovation go hand in hand. Businesses which grow larger build up in-house innovation capabilities. They grow these internal capabilities with customer-informed innovation (are customer-driven) and a willingness to engage in external collaboration.
- Innovation, training and high commitment practices also often go hand in hand, in a holistic approach to business development.
- Businesses aspiring for substantial growth are more likely to face limitations in the availability of skilled personnel, as well as finance or the acquisition of capabilities.
- Many CEOs are baby boomers and many foresee a change of ownership; this is likely to produce investment or acquisition opportunities in the coming years.



Next steps

In this summary we have presented the first 'take' of the GNZB survey, to provide timely feedback to the CEOs who kindly took part in the survey. Our aspiration is to be able to provide an on-line benchmarking service to participants in the future, as well as the results of more detailed analysis of the data, and our interviews. In addition, through our collaboration with The University of Queensland Business School and the Centre for Business Research, University of Cambridge, we intend to provide international comparisons which will facilitate benchmarking, policy recommendations, and support for growing New Zealand businesses.

GNZB