



3rd NEW ZEALAND SMALL BUSINESS SUMMIT



"Your chance
to tell the government
what you think!"

Small Business

The Key to Tomorrow

10 September 2010

Waipuna Conference Centre

Auckland



REPORT TO ATTENDEES

3rd New Zealand Small Business Summit Waipuna Hotel & Conference Centre Friday 10 September 2010

Event Summary

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| Date Held: | Friday 10 September 2010 |
| Venue: | Waipuna Hotel & Conference Centre, Auckland |
| Delegates: | 116 |
| Purpose of summit: | To provide a forum from which to build relationships and communication between small-to-medium enterprises (SMEs) and government. |

Observation and remarks

The 3rd New Zealand Small Business Summit 2010 was held at the Waipuna Hotel & Conference Centre, Auckland.

Independent Business Foundation Chairman Grant Hally welcomed delegates, introduced the Trustees of the IBF, and acknowledged the great support that had been received from the sponsors, before inviting Dr Mike Ashby to open the Summit.

The Programme

This year, in response to delegate feedback, the Summit was designed to include professional development. This meant that along with inspirational keynote speakers and the political debate, the programme included the opportunity for some business planning and development in concurrent breakout sessions, plenty of networking opportunities, the opportunity to pose questions to a group of business experts, and a trade display.

Prime Minister John Key was unable to open the conference, as a result of the earthquake on 4 September which caused a state of emergency in Christchurch and the Canterbury region. However, Dr Mike Ashby welcomed, informed and entertained us with his opening comments.

Dr Mike Ashby – NB Coach

Mike predicted the current flat economic climate would hang around for a while and that we would see a marked difference in business culture. He stated that the rules had changed and explained that up until the recession, businesses grew by making the market share 'pie' bigger. Now that the market is unlikely to expand, businesses will need to fight for the same slice of 'pie.' People, he explained, have a great capacity to ignore, adapt and adjust, and he pointed out that ignoring issues was a bad idea.

“If the dream is bigger than the team, drop the dream or change the team”. Every business owner should look at their business with fresh eyes, and identify, and face up to their biggest challenges. The current environment creates a good opportunity for delegates to unlearn the old stuff and learn what they have to do now that will make the difference to their business.

He contrasted the needs of small businesses with what the Government needs to achieve for New Zealand as a whole, and noted that there needed to be a better understanding between SMEs and Government.

***Key Note Speaker: Roanne Parker, founder of Hire a Hubby, Director of Jericho
“Where have the Pink Men Gone?”***

The theme of Roanne’s presentation was that we need to be cheeky and push the boundaries in order to succeed. We need a vision of what we are and what we are building, and we must tell everyone how we are going there. She urged us to use all the channels available to get our messages across.

Roanne entertained us with how she kick-started “Hire a Hubby” in New Zealand. Both TV channels were after interviews at the same time. The stories ran and the phones ran hot! Life was hectic for Roanne with 3 children and no Hubbys! Within 18 months Roanne had established 68 franchises. The fundamental idea of solving a person’s pain had clearly hit the right note.

Roanne said that everyone needed ‘a mouthful of words’ to describe their business. She also noted that if you pay for good advice, you should not ignore it. Opportunity always costs.

Her hot tips are:

- Don’t disappoint
- Use your best manners
- Spread the word and then back it up
- Customer service – a great customer experience
- When phone enquiries come in, ensure that you ring back NOW
- Do exactly what you say you will do
- At trade shows – call EVERYONE you come into contact with, or else it is a waste of time
- Once you have an argument you have already lost – avoid at all costs. No-one says thanks for being shouted at. Be open to feedback – you will get it anyway
- People don’t expect your company to be perfect. They expect you to provide solutions.
- Aim high!

Key Note Speaker: Peter Beck – Rocket Lab

Peter Beck, CEO and Technical Director of Rocket Lab, and his business partner, Mark Rocket, founded Rocket Lab in 2006 and led their team to a successful launch of the Atea-1 sub-orbital rocket in 2009.

It started off as a hobby for Peter, building rocket bikes and rocket packs. The rocket pack worked, but since he forgot to learn the fundamentals of roller-blading first, this experiment did not propel him far physically.

Peter's entertaining account of his first visit to the US, demonstrated his determination and his ingenuity as well as validating what he was already doing.

When he founded Rocket Lab, people wondered how he could ever compete with NASA. Peter's view was that there were many things in favour of setting up a space operation from New Zealand, including no competition in the Southern Hemisphere.

The Atea-1, 9 month project was remarkable. Rocket Lab gained international interest because, in that time, they had developed their own rocket fuel and their own (small) hybrid rocket.

International coverage of rocket launch was distributed through such international collaborators as BBC and CNN. This gave him sensational coverage in every major country. New Zealand is now recognised as having an indigenous space programme. As a result of proven ability, Rocket Lab now has a significant US government contract.

Peter's passion for the space industry shone through. While his talk was very interesting and entertaining, the underlying message highlighted that he and his team take their work very seriously and strive for excellence as well as innovation.

What worked for Peter:

- Do something special with your product
- Be a "do-er", not a "gunna" – (Get out there and do it, don't just talk about it. And while you're at it, make sure you do an exceptionally good job, so that people will take you seriously.)
- Get on a plane – the world markets are so big – you never know what might happen!

Political Debate: Digging our Way out of the Slump: How does the government see the SME sector contributing, and what support will they give the SME sector?

A summary of the 3 minute presentations.

Peseta Sam Lotu-liga (National)

Sam spoke about the Government's move to lower personal and company tax rates and to make the economy less consumption-focused and more inclined to saving by investing in business. Training is also a focus of the National Government. Sam spoke about the redesign of the www.biz.govt.nz

website. The NZTE business tool will allow business owners to compare their business performance with others within their industry.

Ross Robertson (Labour)

Ross spoke about the SME being the engine of the economy. More than 90% of businesses in New Zealand are small, but collectively they employ over one-third of the national workforce and create the largest number of jobs. The potential for growth makes the SME vital to any government planning. A common problem amongst SMEs is that the entrepreneurs are experts in their chosen field, but often lack business skills. Ross predicted that SME trading will increase substantially in coming years, fuelled by technological advances and a reduction in export costs, and that borderless business will become the norm.

David Clendon (Green)

David felt that there was a need to create dialogue between small business and Government. Big business can lobby Government and look after their own interests. David has worked with SMEs around the three key points of sustainability – bottom line, environmental and social. He wants a practical framework to make businesses thrive. He noted that one of the main issues currently for small business is the ability to access capital to get business ventures underway. He saw that business people were doing their best around compliance issues but were struggling with the time involved to do this. David felt there was a need to streamline the relationship between business and IRD, as well as educate SME businesses on what resources and help were available.

Prof. David Deakins (Massey University)

David felt that the research on SME business highlighting the issues they face is critical. This research is fed back to Government. He felt that the tax cuts will help to stimulate the economy. David thought that the concept of technology transfer would only benefit a small number of companies, as grants will be targeted at medium to large research-intensive firms. He felt there needed to be a much broader approach to innovation to include SME businesses. His research also showed that getting access to venture capital is an issue and more flexibility in finance is needed.

Julian Smith (MYOB)

Julian was concerned about the Government's understanding of how the SME business owner ticks and what keeps them awake at night. MYOB carries out research in conjunction with Colmar Brunton three times a year to find this out. Research showed the number one issue for SMEs is cash flow.

Julian said that the challenge for the Government is that the business demography is not always about companies but about sole traders as well. The vast majority of SME businesses are sole traders, so they are not employers. 32% of GDP comes from the SME business sector. It is clearly very important to understand the different parts that make up the SME sector. Legislative environment in New Zealand can be very complicated (e.g. 13 pieces of legislation related to payroll), and he encouraged the Government to consider changes. He felt that there needed to be better advocacy of the SME business sector.

Julian demonstrated an impressive knowledge of the small to medium enterprise market, gained through the targeted research carried out by MYOB. SMEs should note the importance of research and knowing your market.

Mike Ashby (NB Coach)

Mike agreed that “Small to Medium Enterprise” is a misnomer and the diversity of businesses within this sector makes it very difficult for the Government come up with customised policies for the SME. The real issue concerning venture capital is the lack of New Zealand businesses supporting New Zealand businesses. Institutional investors in New Zealand don't see this as worthwhile. New Zealand's competitiveness has slipped, from 20th in the world to 23rd in world, and the issues that have caused this seem to be access to funding (debt) and labour practices. Mike said that governments don't understand that most small business owners are not wealthy, and in fact could make more money working for a corporate. There is no concept at a governmental level as to how close to the wind most small businesses sail, and that the impact of “just” a little more time here or there can be really huge. He said New Zealand small businesses needed to “act great, then you will become great”. What is New Zealand's potential as a country, and how can we improve? Look to the All Blacks as an example – they are happy but not satisfied and are always looking to improve.

See Appendix 1, for the questions and answer session that followed this debate.

Feedback from the Breakout Sessions

After lunch delegates split into work groups to look at ways to improve their businesses.

Finance

The key issue was cash flow, and recommendations included better management of debtors and a review of debtor policies. Debtor policies needed to be enforced with prompt follow up as the older the debt, the harder it is to collect. A business could consider offering incentives for payment, e.g. discount for early payment, or coming up with an instalment plan for its customer. It is what works for both you and your customers. Another option was debtor factoring, but this is not necessarily right for every business. Another issue was funding and it was agreed that businesses needed to prepare properly when seeking funding – plan, do forecasts, take your business advisors with you to meetings. Be specific about what you require.

Technology, innovation and R&D

The main issues were time, money and return on investment. People seem to be more innovative when they first buy or start up a business, or attend a conference. Keeping track of competitor developments and trends was important. A suggestion was to “exploit” your customers, i.e. get to know them well and get feedback from them. Talk to your own staff, business partners, and mentors etc. to take advantage of their knowledge. Most SME do not have the time or money to put into technology, innovation or research and development. Most important - do not try to do it all yourself!

Communication/HR

Small businesses need to share their problems and ask other people for help when needed. Delegates were encouraged to make contact with the people that they meet. The group discussed the fear of technology. This can be caused by a lack of knowledge as well as the rapid changes in online business. The market is very flat at the moment. There is a real shortage of skilled, talented people.

Business Experts Q&A Session: What will you do differently?

A panel of business experts commented on how to improve performance.

Sustainability

Charles Miller from Wickliffe defined sustainability as personal and business behaviour that leaves the earth's resources no less or more than when you started whatever you do. The cost to do something must be built into the business plan. He said that the response to the Emissions Trading Scheme is either to put prices up or use the resource less, which at its heart is what the real objective is. Why should we be sustainable? This is being good for business, belief and risk management. Belief is about a commitment to the environment, which is very personal, and you either have it or not. Business benefits mean achieving the same outcome using fewer resources, e.g. driving less because you walk more. Sustainability is about cost reduction which has to be good for all of us. A perfect example of the risk management component is the BP oil failure in the Gulf. Businesses must manage environmental risk in the public arena. How? By working out exactly what we want to achieve - more profit or credibility, or both. Profit is about managing outgoing costs and activities. Credibility is about third party certification. Businesses need to understand their own industry-specific requirements. They need to make sure that whatever they do in sustainability, it has a return on investment – either profit or meeting a need. For more information on sustainability businesses should contact Landcare Research about their carbon zero programme, or Enviromite about environmental management.

Human Resources / Management

Ken Cunningham from Cunningham Associates said that when it came to staff recruitment, it was vital for small businesses to own the process. They must question, test and check. He pointed out a danger for small business in the “Nice Boss Trap” (legally defined as “custom in practice” e.g. you let me drive the company Jaguar right from the start, therefore I should be able to continue to do this). Ken emphasised the need for well written and tight employment contracts. A company should not employ anyone until the contract has been sorted out. Ken said that the five key points for management were structure (provide your business with structure; know it, tell your staff/customers, make sure it is defined); communication (walk the floor, make sure you see your people and they see you); leadership (lead, consult); get feedback; and have a common purpose.

Legal/Governance

Michael Hemphill from Metro Law said that the common issue for small businesses was the expense and difficulty in getting access to expert advice from people. He suggested that business owners network with people they have met. The idea of being able to get brief advice as to whether you need to get further advice is critical for people. He said there was a need to have clear legal agreements outlining what a business owner wanted to do when they go into business with people. He also emphasised the need to read all legal contracts carefully. Michael said that debt control needed to be managed before it gets past 90 days or it will cost you a lot to recover, and sometimes you may end up having to write the debt off. You could offer your customers credit card payment facilities. Michael also advised businesses that the Amalpha clauses on terms and conditions were outdated. Security is needed, or else you will become an unsecured creditor if the customer goes broke.

World Wide Web

Phil Prior from Datum Connect said that there is confusion out there about the various types of technology and how it can be made to work for you. This comes down to education and service. Websites are all about people and getting down to the basic understanding of the business. It is not about you, it is about your clients. Create the website with the 'What's In It For Me' approach in mind (from your client's perspective), and be conscious of time. You have only a few seconds to grab the attention of the person browsing. When writing the content, make it relevant and write it to solve your clients' problem. The internet is now moving in cloud computing, where people don't have to physically download software, but can rent it on a monthly basis.

Social media

Sarah Perry from Snap Communications said that the key issue was guerrilla marketing, and winning market share in a recession. She said that social media could be a very cost-effective way to achieve both and it can be done without spending huge amounts of time. Sarah said that the same rules apply in marketing, whether online or offline, and that businesses have to know their market. Sarah monitors twitter and uses key words. She finds this a great way to learn what a market is doing. LinkedIn is also very good. Sarah said that it was important to build relationships and that the "elevator pitch" was critical for every business.

Finances

Grant Hally from RSM Prince said that the current issues were around a flat market which was not growing and competitors were cutting into each other's margins. He said it was important to come up with some market niche so that you can retain some profitability in your business.

Grant felt that support for a small business fund was a good idea and an approach was needed to the Government to see if they can assist in funding some micro businesses

Kiwi Computer Challenge – Pam Martin

Pam Martin has a passion for helping businesses to get better use out of their computers. Her book "Beneath the Knowledge Wave" is testament to how a lack of computer knowledge adversely affects business.

Pam questioned how many people had taught themselves to use a computer. This was most of us. The problem with that is that "you don't know what you don't know," and this has an impact on business.

Pam's Big Hairy Audacious Goal is to get one million people qualified with an IC3 (Internet & Computer Core Certificate). This certificate is recognised in 143 countries and covers computer fundamentals, Word, Excel, PowerPoint, internet and email. She asked us to imagine the leap in productivity if people did this? Pam stressed that people who have no knowledge of computers will inevitably get left behind, and she said that this certificate was a way that New Zealand could put itself on the map.

Key Priorities and Recommendations Arising from the Summit

1. **Better understanding between SMEs and Government.** We need initiatives that benefit both SMEs and Government.
2. **Recognition that SMEs are not all the same;** some are sole traders with no intention of growing, whereas others aim to grow substantially. Does the government need to encourage growth in the SME sector?
3. **Recognition that SMEs find it hard to access capital.** Is this because, in New Zealand, small businesses are not necessarily seen as being sustainable and therefore they do not attract investment – are small to medium enterprises just too risky?
4. **Cash is king - manage cash flow.** Probably not a bad time to emphasise to SME owners that someone needs to take control of cash flow, and sales and marketing. This is often the owner.
5. **Communicate** – this includes networking as well as using technology – (Note that communication involves clients, staff, networks and colleagues, government, suppliers)
6. **Own your processes,** (e.g. recruitment). This is an alert to take proper note of all activities in the business, not just the ones that you are personally good at. Business owners need to know what is going on and to oversee activities that are delegated or outsourced.
7. **Seek expert advice – and take it.** If you pay for expert advice don't waste your money by ignoring it.
8. **Do it, don't just talk about it** or rather do it (and do it really well) and don't just talk about it – the message is that if you can actually demonstrate how good you are, people will take you seriously and back you.

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Appendix 1 - Political Debate Questions and Answers

Q. Would the Government consider putting in a guarantee scheme to incentivise angel investors to invest in small business?

Julian Smith said that it was more often a cash flow issue than a funding one. There is lots of investment money out there waiting to be used. There is a need for SME business owners to be educated on what is required when they are out there looking for investors.

David Clendon said that the issue was a need to break the cultural mould in New Zealand that property is the only place to invest money. He said that in New Zealand there is a cultural unwillingness to back our business people and take a punt.

David Deakens said that New Zealanders were risk-averse, but had a tendency to use property as security. Where a guarantee scheme could be useful is to encourage people to take more risks.

Ross Robertson said that really banks are the lending resource of last resort to small business. There was a need to reconsider a set up such as a Development Finance Corporation.

Q. The Government talks about trying to catch up with Australia. When will the political parties stop playing football with the decision of compulsory superannuation? If it was made compulsory in New Zealand, could it be left alone by the Government and set aside to provide angel funding, funding for various opportunities for business venture?

Ross Robertson said that it was a complex issue which required a bi-partisan approach and both parties were looking at the issue.

Sam Lotu-liga said that the Government has a working party looking at it at the moment. He personally thought that it would work, having seen it in place in Australia, but it could have some serious ramifications for the economy. Also some people would not like it as it would take money out of their pockets.

Julian Smith said that the one thing outside of the mining industry that helped Australia to be buoyant was the superannuation.

David Deakens said that there was a need to protect individual futures and contribute to a pool, but given the current economic environment, a lot of people were just not able to save. This could have an impact on business as well.

Q. If NZ model excellence, what country would be best in terms of making it easier for SME to be successful?

Ross Robertson recommended the Scandinavian model.

David Deakins advised caution when looking at overseas countries. The right approach was to look at various examples of success and take the best ideas from all of them. There was one perfect model.

David Clendon said that many businesses stay small through choice. Icehouse and such organisations are looking to support companies that could export. The regional partnerships being set up by NZTE to channel support to companies, particularly those with export potential.

Sam Lotu-liga said that the comparison between New Zealand and Australia often became tiresome and that the economy in New Zealand is the way it is because we don't pay for ourselves. Export growth is essential, but there are issues around compliance and red tape. One idea is to get some consolidation around GST, PAYE compliance – a more streamlined approach to tax compliance. New Zealand's economy needed to grow and that this should be export-led.

Julian Smith agreed that keeping things simple for business was key.

Mike Ashby said that NZTE was good at helping New Zealand companies get offshore. He agreed that exports are a critical factor in New Zealand's growth. Our biggest problem is scale.

David Clendon suggested that New Zealand needed to export more high value, low volume products, e.g. green tech, as there is a massive demand. Mike Ashby agreed, but said this needed to be in addition to exports from the agricultural sector.

Q. Most small businesses fail within 2-3 years of start up. What are your thoughts on having scaled tax rates? For example, a business would pay zero tax for the first couple of years until they make profit, then the tax rate would go up, depending on revenue? After which people would get into a position where they can pay the 28% tax.

Sam Lotu-liga said that if the delegate had a model developed he would be keen to listen, and would be open to hearing more about it afterwards.

David Deakins agreed. There is definitely an issue with the vulnerability in the early years of start up. There was certainly a case of having a zero rate tax for the very beginning and that start up businesses needed a more nurturing.

Julian Smith agreed, and said that this might actually deliver a faster return for the business.

Q. I agree that we are a lifestyle block in New Zealand. A lot of us have chosen to start business which is what makes New Zealand unique. We find the hardest thing about business is compliance. There is not a level playing field and the whole compliance issue needs to be simplified. As a small business owner, we are trying to compete, and want a more simplified system.

Ross Roberson said that compliance will always be an issue for business, along with cash flow and access to capital. Business must question and must lobby to make change, and most of all don't give up!

David Clendon said that the obligation on Government is to communicate so that people can comply. He said that in other countries it was common that any major changes would all happen on a certain day of the year, so that everyone knew they would have to talk to their accountant on that day.

Sam Lotu-liga said that although he understood the frustration about the uneven playing field, when a Government makes changes to legislation there will always be other consequences/flow on effects. Persist! The Government is working with IRD to make things simpler, such as the IRD moving online to make things easier for payments.

Julian Smith suggested that people call IRD and talk to someone and get them to explain it to you. He advises MYOB clients to ask if they are not sure.

Q. A suggested model to cut compliance is a nil income tax. This would save a huge amount of compliance costs. Need to come up with other ideas on how to earn income at minimum administration costs.

Sam Lotu-liga said that he had read Paul Goldsmith's book, "The History of Tax". Originally there was no tax on income.

Ross Robertson said that maybe 20-50 years down the track New Zealand may, if not the world, move towards indirect taxation, but he said it was not being considered at the moment.

Q. Only 30% of businesses actually export, and we are not looking at them as micro businesses on an international basis. Every one of these businesses has 2-3 support businesses which are vital to them in their supply chain. If we want to really support export, we have to look at the 1-2 levels of supply chains and get their capability up to speed and provide the support.

Julian Smith said that there were massive shortages of people in Christchurch e.g. plumbers, electricians etc. He agreed that small businesses were vital to the performance of big businesses, and that there was a real opportunity here to understand how to better support the SME sector.

David Clendon also agreed that all of our export companies are reliant on New Zealand-based service companies, manufacturers etc. He said that consumers internationally are becoming more aware of environmental and social products, and that as New Zealand cannot compete on cost, we must push our point of difference - socially benign and environmentally friendly products.

Mike Ashby said that if we are interested in lifting the capability of New Zealand we need to promote the idea that capability is not only beneficial, but necessary.

Session 4: Building your business

Comments: There was a mixed reaction to this session and for some it was very valuable and others not so valuable. For those who got to discuss their challenge it proved most valuable. Some felt we were trying to achieve too much in the session thus it was rushed and not enough time for feedback.

Actions 2011 – Delegates have indicated the value of an afternoon workshop. Therefore the workshop will remain. The format of the workshop will change so as the challenges that are being experienced in the group will be discussed. Different sub groups will be formed on this basis.
 Feedback from participants in the plenary session – this will be dropped as delegates felt there was enough feedback in the individual sessions.

Session 5: What will you do differently? Panel of Experts

Comment The majority of delegates found this session valuable but would like more time. Some felt the experts took too much time to introduce themselves and expertise.

Action 2011 - Delegates indicated they found this valuable and would like to see more time for this. This is taken on board and 1 hour will be allowed for Q & A session with the business experts after the workshop.

Session 6: Kiwi Computer Challenge, Pam Martin

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|---|-----------|---|---|---------------|---|
| Comment | 1 | ② | 3 | 4 | 5 |
| | Excellent | | | Disappointing | |
| Most delegates found Pam’s address enthusiastic and she was well received. 2009 participants were interested to see how far Pam had got with her challenge. | | | | | |

Venue:

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|---|-----------|---|---|---------------|---|
| Facilities and service | 1 | ② | 3 | 4 | 5 |
| | Excellent | | | Disappointing | |
| Catering | 1 | ② | ③ | 4 | 5 |
| | Excellent | | | Disappointing | |
| Comments: would be good to have tables and chairs. Will ask for more seating in the dining room. | | | | | |

Actions 2011 – The Summit will be held at Waipuna again in 2011 on 24 June (earlier because of Rugby World Cup). The theatre will be used for the plenary sessions, breakout rooms for the afternoon sessions.