

**REPORT TO ATTENDEES:**  
**4<sup>th</sup> New Zealand Small Business Summit**  
**Friday 24 June 2011**

**Event Summary**

**Venue:** Waipuna Hotel & Conference Centre, Auckland  
**Purpose of summit:** IBF is the independent voice and resource for small to medium enterprises in New Zealand. It assists in linking people and business through education and advocacy to facilitate economic growth and wealth creation in New Zealand

**The Programme**

“A woman with fire in her belly is worth 10 men!”

***Key Note Speaker: Sharon Killen - getapartybus***

Getapartybus’s point of difference is that their bus is fully licensed and run by fully licensed bar managers. Despite many challenges, including complying with many regulations, complying with rules that are interpreted inconsistently, being competitive in an industry that isn’t very reputable, and mechanical problems with the bus, the business has been successful and they are now looking at purchasing a second bus.

Sharon and Tommy were determined that their business would be based on integrity and honesty. Sharon says their success has come from sharing their dream and vision with their staff, and they found that if they looked after the staff, their staff would go the extra mile.

***Key Note Speaker: Naomi Ballantyne – PartnersLife***

Naomi is passionate about sharing the lessons she has learned in her three start up life insurance businesses. She started by asking the delegates to consider three questions:

1. Imagine you are a senior executive and company director earning in excess of \$400k. You’ve been part of the business since the start, have a high industry profile, but you have found the direction the company is starting to take is conflicting with your personal direction, would you be brave enough to leave?
2. If you had been unemployed for 3 months, are using up your savings, have a mortgage, a husband who’s just started his own business and is unable to help financially. You are thinking about starting up your own company but you don’t know where to get funding and you need a lot to get your business idea off the ground, would you be brave enough to follow your dream?
3. If you have been diagnosed with a chronic incurable disorder that may/may not lead to an organ transplant. No one knows, but they can tell you there is no cure. Your specialist washes his hands of you and tells you he’ll only see you if your organs start to fail, what would you do?

Naomi describes herself as “not special, just brave”. This incredible 47 year old told the delegates how she believes there is no such thing as a bad idea – you just have to be passionate and ready to do anything to make the idea work. Naomi advises that one of the most damaging things for a business is office politics, and Naomi has seen it all. She gave the group some pointers:

- Believe in yourself
- Don’t compromise your values. Keep your integrity intact
- Like yourself
- Treat people well
- When you have to make a hard decision/choice, think “What’s the worst thing that could happen?” You have to look past the problem, into the future. Think creatively to look for the next step to start the process to change.

Naomi finished by asking “Are you brave enough to make the choice?”

Note: Naomi found herself in all the situations outlined in the questions; the first two answers are “yes”. The reply to the third question is that Naomi took control of the side effects of her disease by having a gastric bypass and losing an incredible 57kg. She is now able to manage her health without medications, and is participating in sports. She may still require an organ transplant, but she’s in the best physical shape possible!

### ***Suzanne McKinnon – 2011 Rugby World Cup, Auckland Business Club Manager***

Suzanne talked about how businesses need to prepare themselves for the Rugby World Cup and suggested delegates check out the website [www.auckland2011.com/matchready](http://www.auckland2011.com/matchready) to access an online guide and information on preparing for the event.

The NZ 2011 Business Club has been created to connect local businesses with overseas visitors who may be in a similar business. Register at [www.nz2011.govt.nz/business](http://www.nz2011.govt.nz/business). Registered businesses will receive an e-newsletter every 6 weeks. Suzanne reminded delegates they have a responsibility as hosts to look after visitors, and follow MEMA (Major Events Management Act)

A delegate reinforced the need for businesses to comply with MEMA, and also stressed businesses near RWC venues need to find out about the clean zones that have been established.

## Policy Debate

### ***How does Government see SMEs contributing to digging New Zealand out of the slump?***

Here is a summary of the 3 minute presentations.

#### **Hon David Cunliffe (Labour Party)**

David apologised for the absence of Lianne Dalziel who was busy in her Christchurch electorate. Lianne Dalziel (as Labour's Minister of Small Business) had five top priorities:

- Improving business and management capability (something that businesses have to take responsibility for)
- Enterprise education
- Making transactions between small businesses and government easier
- Enhancing communication
- Ensuring regulations are high quality, but light handed.

David talked about the Glidepath success story and how the government provides incentives for overseas trade.

#### **David Clendon (Green Party)**

David believes governments must encourage sustainable growth and consolidation. He believes the main challenge is productivity and he talked about the Productivity Commission. He believes the main issues are that managers are not good at managing, businesses need to drive down costs and improve productivity, the New Zealand currency is too high, transport is a challenge, and infrastructure needs to be improved. The clean, green brand is fragile and vulnerable, and governments must make it easier for businesses to invest in research and development, while making compliance easier.

#### **John Boscawen (Act Party)**

John believes governments need good regulatory framework with regulations that work and no unnecessary costs, the right incentives to allow small to medium business owners to keep more of what they earn, and infrastructure that works.

#### **Dr Martina Battisti (Massey University)**

Dr Battisti has been involved in researching small businesses since 2007 as part of a study run by Massey University. They tracked businesses over time and measured their development and growth. They found that all businesses across all sectors and locations were affected by the recession. They did find that the size of the business mattered, so micro-businesses weren't affected as quickly, but once they felt the affect it took them longer to recover as they had less resources. Generally they found that companies need the following to grow: flexibility, adaptability, and human capability – it's all about the people. They found it hard to identify specific factors over a period of time.

#### **Julian Smith (MYOB)**

Julian asked “What was the spark that made you start your business?” He believes it’s important to maintain courage and confidence. He talked about a recent survey on business performance that showed the Christchurch business owners were more confident, ambitious and less interested in government support than other business owners. So what makes them more resilient, confident and stoic? They were more likely to ask for help, more likely to use the services of an accountant, were more financially literate, had a good understanding of cash flow, and they had strong local networks and supported each other.

Julian believes businesses need less red tape, more capability, and to celebrate and recognise guts and courage.

### **Dr Mike Ashby**

Mike believes the country needs:

- A vision – we’re a country where our brightest kids go off-shore
- To recognise that to compete with the global economy, we must be more competitive
- To end our addiction to property
- To let go of the ‘man alone’ attitude and realise that small businesses can’t expand into China on their own and make a difference – we need to form cluster groups (like Zespri).

Both local and central government need to be regulated. Mike warns that if we don’t do anything, New Zealand is at risk of becoming a lifestyle economy. To avoid that, we have to make some hard decisions.

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

After the Q+A session, Naomi was asked to make a comment. She feels it’s important to teach people the following:

- How to lead, that is how to inspire people and bring out their best, and how to trust them
- Resilience. SME’s have to accept they often have to compete with large companies who may play dirty.
- Responsibility. Businesses need to stop whinging and take responsibility.

Naomi feels it’s important that we start early by teaching our children ‘character’ (i.e. all the above).

### **Business Experts Q&A Session:**

*HR - Ken Cunningham (Cunningham Associates)*

*Accounting – Grant Hally (RSM Prince)*

*Legal – Michael Hemphill (Metro Law)*

*Marketing – Christine Fenby (Fenby & Associates)*

***Each expert talked about their top tips for businesses. These tips were included in the proceedings.***

**Q. Are digital signatures accepted in New Zealand yet?**

A. No.

**Q. Why are professionals (like the experts on stage) reluctant to refer business owners to business coaches / consultants?**

A. Grant advised that they need confidence in a business and know they offer a quality service before they refer clients. Once this has been established, they are very happy to refer clients.

**Q. To prevent fraud, have lawyers and accountants thought about verifying and checking parties exist?**

A. Michael and Grant advised that lawyers and accountants should have good processes in place to ensure they are confident in the identity of their clients. These include checking photo id, letters of engagement, searches of the company's office, and exercising caution if something looks too good.

**Q. Where can businesses go to find marketing expertise?**

A. Christine advised EMA may be able to help as they have a broad range of services available for limited resources, otherwise network.

An audience member suggested [www.99designs.com](http://www.99designs.com). This website allows you to enter your concept and international businesses will design the logo. You decide which is the best and only pay the winner. Christine exercised caution with this as she reminded delegates to think about what the logo is for. A business should want their logo to look different, last able to last the distance, show the aspirations of the company, be sustainable for the brand, and know what it looks like in the market.

**Q. Is there a benchmark percentage of revenue that should be spent on marketing?**

A. Christine advised this would vary depending on the size of the business, but around 2 – 6% of turnover, with about 3 – 4% being the ideal.

**Q. When would a company need to employ someone a marketing person full-time.**

A. Christine suggested a full-time person with sole responsibility for marketing would only be needed once a company's turnover was around \$4-5m. However, it may depend on the type of marketing being used – if the role included relationship marketing (developing

relationships with potential and existing customers), a full-time person may be required at a lower benchmark.

**Q. As litigation can be expensive, what other options are available to SMEs to resolve employment issues?**

A. Ken advised it's important to set the scene from the start, introduce meetings and improve internal communications. If issues arise, in-house mediation can be used with a counsellor being brought in as a facilitator.

**Q. What are the important financial ratios you look for when you receive your Balance Sheet?**

These include:

- Equity Ratio – what sort of return are you getting on your equity in your business. You should be getting a minimum return of 20%.
- Trend in gross profit.

The experts were asked to recommend one book each to help them be more successful in their business:

- Christine – anything by the author Akker.
- Ken – Quiet Leadership: Six Steps to Transforming Performance at Work by David Rock
- Grant – The Goal by Dr. Eliyahu M. Goldratt. The E-Myth by Michael Gerber
- Michael – The Art of War by Sun Tzu, and Managing the Professional Service Firm by David Maister.

## Recommendations

The overwhelming message from this year's summit was that it is individuals who make the difference. Having a positive attitude and a considered approach combined with expert advice when needed, is part of the recipe for success.

Other recommendations included:

- Take responsibility for your actions
- Form strategic relationships. You do not need to 'go it alone'
- Stick to your values
- Treat people well
- Be resilient, adaptable and flexible
- Think creatively
- Read the advice from our panel of experts, and the books they recommended.

And how could the Government help? Recommendations included:

- Targeted education at all levels. E.g. to small business owners who are good at what they do, but not skilled at running a business and upskilling our workforce. Businesses need skilled workers.
- More investment in research and development and tax incentives.
- Making transactions between small businesses and government easier
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- Improving infrastructure. For example, improved transport systems save commuting and delivery times.
- Enhancing communications. Many small businesses do not have access to computers or do not leverage the power of modern communications systems.
- Ensuring regulations are high quality but easy to comply with.
- Improving conditions for overseas trade. This includes managing the high New Zealand dollar and assisting organisations to take products to overseas markets.

## Sponsors

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## Appendix 1, Political Debate Questions and Answers

**Q. What sort of assistance has the government provided to help small businesses employ consultants to help them grow their business to the next level?**

A. A new system has recently replaced the Enterprise Development Grant. Now businesses apply to a regional partner for a Service Vouchers. These are valued at up to \$5000 and allow the business to go to a registered provider. The benefit is that there is no paperwork. Businesses in the Auckland area should look up ATEED (Auckland Tourism, Events and Economic Development) – this is a council controlled organisation that has a large sum of money available to small –medium sized businesses.

**Q. Many businesses do not have their own websites, or even access to computers. How can the government encourage small businesses to become more productive and get the most out of ultra fast broadband?**

A. Julian replied that businesses with a website had 7 – 12% better revenue streams through the recession. However before business owners set up a website they need to know their value proposition, i.e. be able to describe what they sell, and know who they want to sell to (their market). Comment was made that it is business owners' responsibility to get online and get a computer.

**Q. What is the government doing to encourage people to work from home?**

A. This is a growing trend and it's important that employees work with their employer. Julian advised that his company has had enormous productivity gains from having people work from home. Tools from Google and Microsoft allow you to run a virtual business. Mike confirmed that working mothers have been identified as the most efficient demographic and there are opportunities for using the cloud to increase productivity and efficiency but it's up to business owners to adapt.

**Q. Has the government looked at setting different levels of tax rates to allow SMEs to reinvest more profit and/or pay staff more?**

A. Julian advised that the current tax levels are straight forward, but provisional tax is hard to understand, and he believes simplifying this regime would create more benefits to cashflow.

**Q. While a high dollar is good for businesses, it's not good for the country. What is the government doing about it?**

A. The IMF have done a survey recently that advised countries like New Zealand need to manage their economy better but there are other factors other than just the exchange rate. The exchange rate has to be managed to get it to a fair value. Hon David Cunliffe said Labour has announced a package that includes requiring the Reserve Bank to be more active about knocking the top off the currency peaks. It was pointed out that the Reserve Bank doesn't have the financial capability based on the size of the New Zealand economy, but it can do tactical strikes if the currency is high.