

Ambitious SME sector has work ahead, research shows

By ROB O'NEILL

SMALL COMPANIES in the tourism, finance and manufacturing sectors are the most bullish about achieving growth in the next 12 months, but there are still big challenges ahead – and a continuing reluctance to push into export markets.

The GrowthGuide report, the result of a survey of 969 small-medium enterprises across the land, found 76% of tourism operators, 72% of small finance and insurance businesses and 69% of manufacturers were bullish about achieving sales growth, but only 4% of the firms surveyed intended to export over the next year.

"This is a major challenge for the broader New Zealand economy," the report said. And it was only one of the disconnects between ambition and ability the report appears to reveal.

For instance, 91% of those surveyed recognise that understanding customers' needs is very important to business

success, but only 22% rate themselves as excellent at this.

"Worryingly, the older a company gets, the less likely it is to make this a priority, effectively opening the door to hungry startups looking to grab market share," the report notes.

Similarly, 80% of firms recognise that differentiation drives performance, but only 14% said they do an excellent job of differentiating themselves.

Mervyn Gyde, the chairman of NZ CA, a group of 31 independent chartered accounting firms which commissioned the research, said local firms know what's wrong, but not how to fix it.

"We knew firms were ready to grow. They had struggled a lot, but we knew the recession was over 18 months ago, technically," he said.

Gyde said after fixing their debt problems, companies now need to both retain existing customers and win new ones.

Other aspects of the findings sounded warning bells. Although 77% rated acquiring new

customers as their top priority, the report points out that winning new customers costs much more than retaining existing ones. Also, logically, they can't all succeed, especially given their low level of export intentions.

"Where are all these new customers going to come from?" it asks. "If you're not vigilant, the answer could be that they'll come from your business."

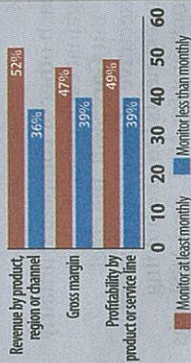
Seventy percent said increasing sales to existing customers is a priority, and 52% planned to reduce costs.

The report reveals some correlations between business management and business success. For instance, companies with written business plans are more likely to experience revenue and earnings growth – 51% of those with a plan increased turnover in the past year but only 39% of businesses without a plan did so. Businesses with a plan also have much stronger hiring and growth intentions.

Actively monitoring key performance also pays off.

COMPANIES ACHIEVING INCREASED REVENUE IN THE PAST 12 MONTHS

by frequency of monitoring



Mervyn Gyde says competition among SMEs appears to be intensifying.

Monitoring by product, region or channel at least monthly helped 52% of businesses increase revenue over the past year while companies that did not do so were much less likely to grow.

But again there are warnings in the findings – 28% monitor staff performance annually or less frequently, 34% similarly monitor customer satisfaction.

Fiscal caution comes through in the GrowthGuide research. Although 59% of SMEs expect

their fortunes to improve in the coming year, only 14% of businesses expect to increase bank borrowings as businesses continue to rebuild their balance sheets.

Gyde said most SMEs had gone back to basics and emerged from the recession well-positioned to take advantage of the recovery. He said NZ CA is itself planning to grow by recruiting firms to plug geographic gaps in its network.



+ Sunday Star Times 7th August 2011.