



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
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Briefing for the Incoming Minister for Small Business

October 2017

This document has been proactively released.
Redactions made to the document have been made
consistent with provisions of the Official Information
Act 1982.

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1. Portfolio overview

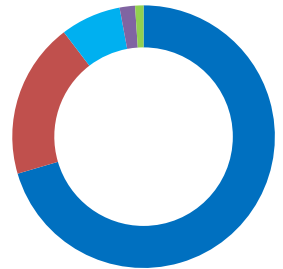
Successful small businesses are critical to New Zealand’s economic growth...

1. Small businesses are the lifeblood of any economy. From the sole-trading plumber in Cromwell to the next high-tech innovative start-up in Auckland, small businesses provide the jobs that keep New Zealand growing. The Ministry of Business, Innovation and Employment (MBIE) wants small businesses to succeed, whether that means doing business efficiently, growing quickly, or creating sustainable employment for their whānau or community.
2. The Small Business portfolio supports initiatives that help small businesses to grow and have the capability and opportunity to compete on the world stage.
3. MBIE defines small businesses as businesses with fewer than 20 employees. However, the definition of a small business varies between New Zealand organisations and internationally. A comparison of small business definitions is attached as Annex 1.
4. Small businesses make up 97 per cent of all businesses in New Zealand, account for 29 per cent of employment, and contribute over a quarter of New Zealand’s gross domestic product (GDP).
5. Small businesses are important for building and investing in a growing and resilient economy. They support the diversity that New Zealand needs to grow our economy in the long term. With the right capability and investment, some small businesses can grow into larger businesses.
6. Technology increasingly enables more small businesses to become exporters. Small businesses also play a critical role in the supply chains for our larger export businesses.
7. The contribution that small businesses provide to inclusive and sustainable growth for New Zealand must not be underestimated. Small businesses play a key role in sustaining communities, particularly in our regional and rural communities, and they provide opportunities for people to engage with the economy.

...and benefit from policies that suit all businesses...

8. Economic and regulatory policies which suit business generally also benefit small businesses. These include:
 - high-quality and efficient regulation
 - availability of skilled labour

Number of Enterprises by Employee Size



- Zero Employees: 362,856
- 1-5 Employees: 98,748
- 6-19 Employees: 38,340
- 20-49 Employees: 9,780
- 50+ Employees: 5,325

Source: Statistics New Zealand Business Demography, Feb 2015

28%



PERCENTAGE OF GDP NEW ZEALAND SMALL BUSINESSES GENERATE*

614,000



NUMBER OF PEOPLE NEW ZEALAND’S SMALL BUSINESSES CURRENTLY EMPLOY*

23%



PERCENTAGE OF NEW ZEALAND SMALL BUSINESSES THAT ARE EXPORTERS*

Source: *Business Operations Survey, Small businesses are defined as those with 6-19 employees

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- stable macroeconomic policies
- the ability to enforce property rights
- respect for the rule of law
- excellent and fairly-priced infrastructure
- access to investment and finance on reasonable terms.

...but they have their own distinctive characteristics and challenges...

9. Small businesses have considerably different characteristics and challenges from larger firms. Small businesses owners:

- vary widely in their aspirations, backgrounds, and sophistication
- are often time-poor and typically focus on keeping their business afloat from week to week; they tend to lack the time and resources to work on growing their business or improving their systems and processes
- are not all growth-oriented; for many owners, the goal is to have a successful small business, not to grow larger
- wear multiple 'hats' and tend not to have access to specialists who can ensure that the firm keeps up to date with relevant regulations
- can have difficulty getting the finance that they need because of a lack of assets or the ability to present a well-argued case

10. Small businesses:

- tend to have a higher worker turnover
- have higher rates of start-ups and closures. A third of small businesses are less than six years old and less than 20 per cent are over 20 years old
- have lower rates of research and development and exporting

...and are different from small businesses in other countries.

- New Zealand businesses, on average, are smaller and less diversified than businesses in other regions, such as the European Union.
- New Zealand has a higher percentage of small and medium-sized enterprises than other countries.
- New Zealand's small businesses seeking to grow and internationalise face the combined barriers of physical distance from markets and the small size of the domestic economy. The physical isolation restricts knowledge and technology transfer and reduces competition, while the small domestic market limits opportunities to develop economies of scale.

Number of New Zealand employees in enterprises that employ 1-19 staff, by industry

-  Construction: 75,380
-  Agriculture, Forestry & Fishing: 69,660
-  Retail trade: 61,250
-  Manufacturing: 51,260
-  Healthcare: 34,350
-  Education: 27,000
-  Arts & Recreation Services: 12,000

New Zealand Ranks:

1 FIRST IN THE WORLD FOR EASE OF DOING BUSINESS

Source: World Bank *Doing Business* 2017

1 FIRST EQUAL IN THE WORLD FOR LEAST CORRUPT COUNTRY

Source: Transparency International *Corruption Perceptions Index* 2016

4 FOURTH IN THE WORLD FOR TRANSPARENCY

Source: Transparency International *Corruption Perceptions Index* 2016

13 THIRTEENTH IN THE WORLD FOR COMPETITIVENESS

Source: World Economic Forum *Global Competitiveness Report* 2017-2018

The Small Business portfolio seeks to understand these characteristics and challenges...

11. Work under this portfolio aims to understand these characteristics and their implications, and advise on policies to improve the capability and performance of small businesses. Very few small businesses become large businesses. But small gains in productivity across the nearly 500,000 small businesses in New Zealand will contribute significantly to our economic performance. Government can enable this by, for example, reducing the regulatory burden on businesses and encouraging better management practices.
12. Developing policy advice under the Small Business portfolio involves engaging with other business-facing portfolio ministers. This ensures that the regulations and services that they are responsible for address the challenges faced by small businesses.
13. Opportunities for the Small Business portfolio include improving:
 - a. public services for small business
 - b. the regulatory environment for small business
 - c. small business awareness of the support available to them from government
 - d. the capability of small businesses to contribute to economic growth.

...and brings the small business perspective into policy and regulation making processes.

14. To bring a small business perspective into decision making, MBIE supports you to understand the world of small business.
15. *The interventions in the Small Business portfolio include:*
 - The Small Business Development Group (the Group): an advisory group of small business owners. The Group provides feedback on policy as it is developed and implemented by government agencies. The Group is being reviewed to ensure that it is fit for purpose.
 - The Small Business Roadshow: a model for engaging with small businesses that involves government officials showcasing what government does to support small businesses.
 - The Small Business Brochure: summarises the support available to small businesses in a convenient brochure format. The 2017 Small Business Brochure is attached as Annex 2.
 - The Small Business Factsheet: a summary of results from comprehensive Statistics New Zealand surveys relating to small and medium-sized enterprises. The 2017 Small Business Factsheet is attached as Annex 3.
 - Advice on how to 'think small first' to other agencies.
16. *Other government interventions that small businesses benefit from include:*
 - Business.govt.nz: the primary website for small businesses. Business.govt.nz gathers a range of data about small businesses and their pain points. These insights are shared within government.

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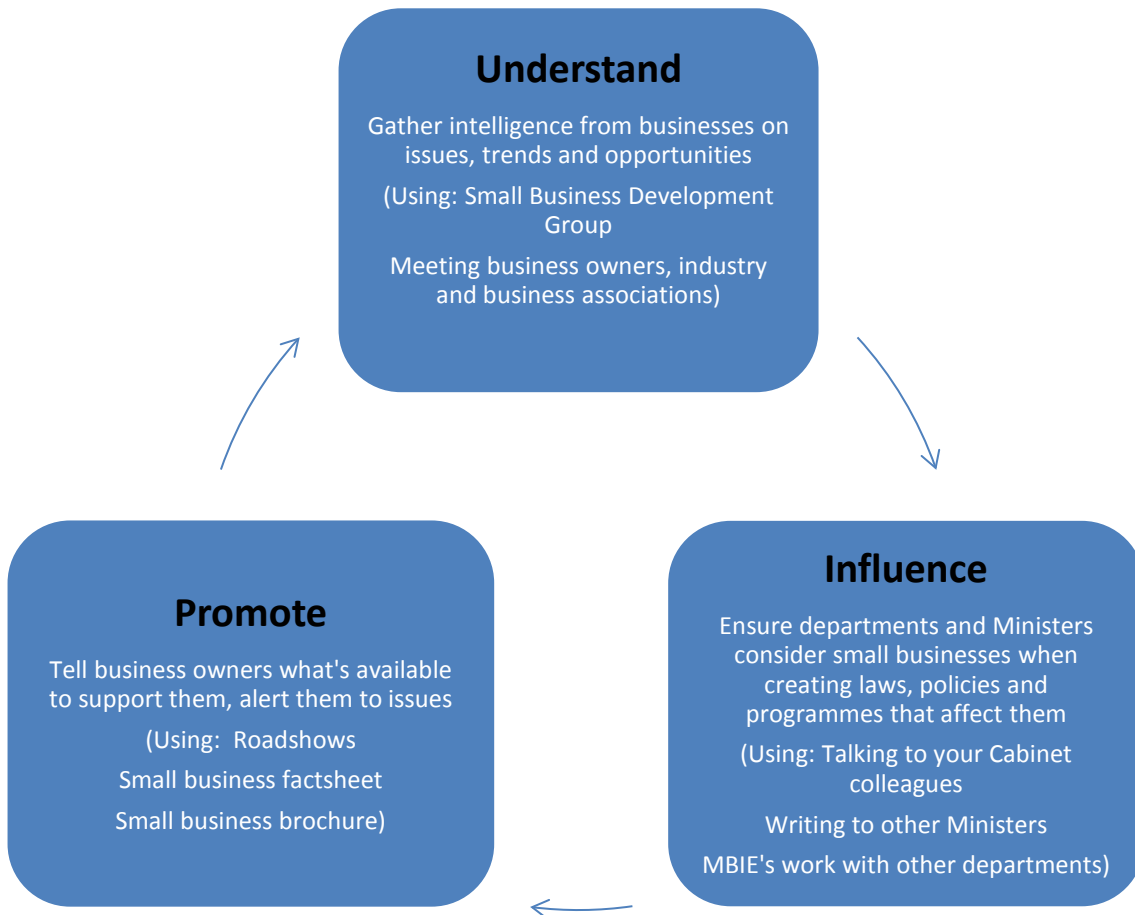
- continued development of entrepreneurial systems (for example, through initiatives such as the Accelerators programme, business incubators, R&D grants, the New Zealand Venture Investment Fund programmes and New Zealand Trade and Enterprise's internationalisation services) that make it easier and more attractive to establish new, innovative businesses
- New Zealand Trade and Enterprise's and Callaghan Innovation's grants and services, including the Regional Business Partner programme, that lift firm capability and encourage firms to step beyond their comfort zone
- targeted education and resources about intellectual property (IP) to small businesses who often lack sufficient understanding of IP issues, processes and measures to protect their innovative ideas
- programmes to improve management skills and capitalise on Information and Communications Technology (ICT). For example, MBIE is running pilot programmes with three business sectors (tourism, arable farming, and the construction sector) to promote business uptake of ICT
- reducing the time and effort taken to comply with regulations.

17. Most of these issues are addressed in the Economic Development portfolio. As the Minister for Small Business, you have an interest in encouraging small businesses to participate in measures which can increase their competitiveness, and support their growth.

2. Portfolio Responsibilities

Your responsibilities

18. As Minister for Small Business, your key areas of responsibility and suite of tools to meet them are summarised in the figure below.



19. Your role is to make sure that all of government understands the issues faced by New Zealand's small businesses and that small businesses know what support is available to them. The Minister for Small Business acts as a conduit between small business and government, ensuring that policymakers consider the views of small business owners. This requires coordinating and influencing the work of other agencies. Creating the conditions for small businesses to succeed will significantly contribute to New Zealand's economy and society.

20. Most issues affecting small businesses are addressed in other portfolios. This requires you to engage across a number of different portfolios. For example, challenges affecting the productivity of all businesses include internationalisation, innovation, management performance, and access to finance. These are addressed in the Economic Development, Research, Science and Innovation, Trade, and Commerce and Consumer Affairs portfolios. Small businesses play a role in sustaining regional and rural communities, which means your work affects the Regional Economic Development portfolio. And small businesses are highly focussed on cash flow which can be affected by ACC levies, which relate to the ACC portfolio and tax returns, which relate to your Revenue portfolio.

Portfolio functions and responsibilities

21. As Minister for Small Business, your key areas of responsibility are to:

- a. Understand – build relationships with small businesses and their representative organisations to understand their issues in order to be the voice of small business at the Cabinet table
- b. Influence – ensure government agencies consider the characteristics of small businesses in the design and implementation of policies and champion initiatives across government that benefit small businesses
- c. Promote – tell small businesses about the services that government provides that makes it easier for them to do business

Legislative responsibilities

22. As Minister for Small Business, you are not responsible for any legislation. Your role enables you to take an interest in any legislation or regulations that may affect small business and bring these to the attention of the appropriate minister.

Crown entities

23. As Minister for Small Business, you are not responsible for any Crown entities. You do have an interest in the business support programmes provided by New Zealand Trade and Enterprise and Callaghan Innovation and ensuring that these meet the needs of small businesses.

Other State agencies

24. As Minister for Small Business, you are not responsible for any State agencies. As many agencies interact with small businesses, your role allows you to identify ways to improve the interactions between government and business and maximise the benefits of support programmes and services for small businesses.

Statutory or advisory bodies

25. The Minister for Small Business is responsible for the Small Business Development Group (the Group). The Group provides a small business perspective into policy-making; advises government officials on small business issues; and helps government communicate more effectively with small businesses. The role and function of this Group is being reviewed to ensure that it is fit for purpose.

Funds and appropriations

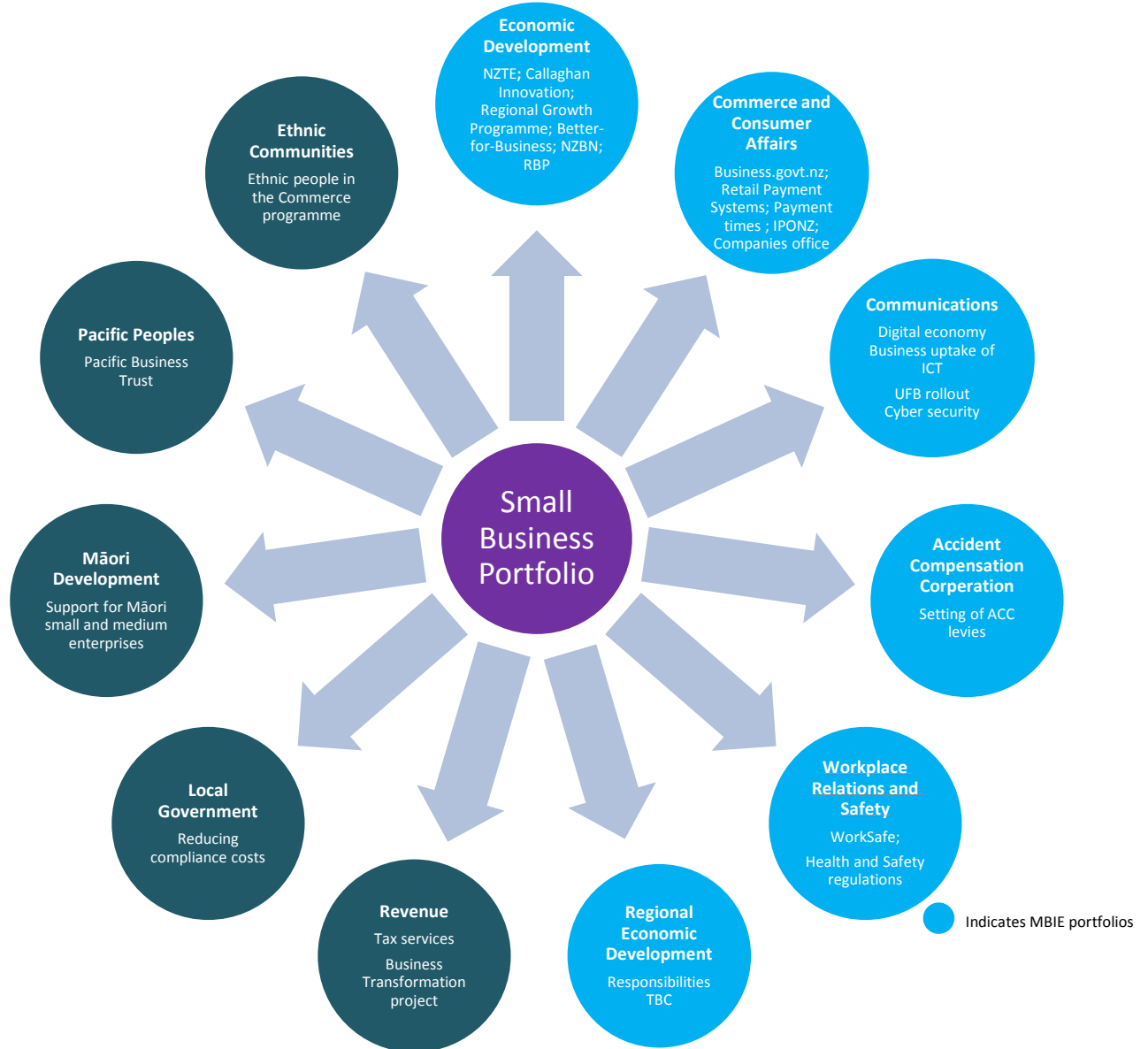
26. The Small Business portfolio forms part of Vote Business, Science and Innovation. The Minister for Small Business needs the Minister for Economic Development to agree to any changes to the Small Business portfolio outputs. The funds available to support the Small Business portfolio are a small portion (approximately \$1.4 million) of total government expenditure on services and programmes for businesses through Vote Business, Science and Innovation.

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VOTE: BUSINESS, SCIENCE AND INNOVATION as at 2017 Supplements (\$M)	Jun 2017	Jun 2018	Jun 2019	Jun 2020	Jun 2021
Policy Advice and Related Outputs MCA					
Departmental Output Expenses					
- <i>Policy Advice – Small Business</i>	\$1.234	\$1.234	\$1.234	\$1.234	\$1.234
- <i>Related Services to Ministers – Small Business</i>	\$0.217	\$0.217	\$0.217	\$0.217	\$0.217
Total Multi-Category Expenses and Capital Expenditure	\$1.451	\$1.451	\$1.451	\$1.451	\$1.451

3. Major Links with Other Portfolios

27. The Minister for Small Business takes an interest in a range of portfolios, many of which are outside the work programmes of MBIE. Part of your role is to advise other Ministers of the implications that changes to their portfolio might have for small businesses. **The key portfolio relationships are outlined in the diagram below.**



28. These portfolios mirror the interests and compliance responsibilities for small businesses. Some portfolios are common to most small businesses and have a direct impact, such as those dealing with:

- tax
- health and safety
- employment
- local government
- ACC.





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29. Other portfolios are common to all businesses but have an indirect impact such as statistics and tertiary education. Others portfolios are of interest to specific business sectors such as Customs; Food Safety; or to specific groups of business owners, such as the Māori Development, Pacific Peoples, and Ethnic Communities portfolios.
30. There are a number of key programmes in other portfolios which support the aims of the Small Business portfolio. Four key programmes for you to engage with include:
1. Business.govt.nz (Commerce and Consumer Affairs portfolio);
 2. The Better for Business programme (Economic Development portfolio);
 3. New Zealand Business Number (NZBN) (Economic Development portfolio); and
 4. Regional Business Partner programme (RBP) (Economic Development portfolio).

4. How MBIE Assists You

Key MBIE officials

31. Responsibility for advice on the Small Business portfolio sits within the Ministry's Enterprise Policy team in the Science, Innovation and International branch. Key MBIE contacts are set out in the table below and key stakeholder contacts are set out in Annex 4.

Contact	Role	Priority Area	Contact details
Carolyn Tremain 	Acting Chief Executive, Ministry of Business, Innovation and Employment	All	E Carolyn.Tremain@mbie.govt.nz <small>Information withheld consistent with s9(2)(a) of the Official Information Act 1982</small>
Paul Stocks 	Deputy Chief Executive	Labour, Science and Enterprise Group	E Paul.Stocks@mbie.govt.nz <small>Information withheld consistent with s9(2)(a) of the Official Information Act 1982</small>
Peter Crabtree 	General Manager	Science, Innovation and International Branch	E Peter.Crabtree@mbie.govt.nz <small>Information withheld consistent with s9(2)(a) of the Official Information Act 1982</small>
Karl Woodhead 	Manager	Enterprise Policy team	E Karl.Woodhead@mbie.govt.nz <small>Information withheld consistent with s9(2)(a) of the Official Information Act 1982</small>

32. The Enterprise Policy team supports the Minister for Small Business, and the Minister for Economic Development by providing advice to increase the competitiveness of New Zealand businesses, focused on business capability, internationalisation, access to capital, and small businesses.

5. Small Business Work Programme

First 100 days - Key decisions and appointments

Topic	Description	Timing	Area
<p>Agree: portfolio priorities for 2018</p> <p><i>Action: MBIE will provide you with advice for a discussion on the 2018 priorities.</i></p>	<p>Each year the Minister for Small Business develops a set of priorities for the Small Business portfolio. You will need to decide the portfolio priorities for 2018.</p> <p>The Minister for Small Business has an important co-ordination and influencing role, ensuring that Ministers understand how their decisions affect this important sector of the economy. You may want to write to your new Ministerial colleagues to bring the focus of the Small Business portfolio to their attention.</p>	October 2017	Enterprise Policy
<p>Refresh: Small Business Development Group</p> <p><i>Action point: MBIE will provide you with advice on the possible role and function of the group and how it might work in practice.</i></p>	<p>The Small Business Development Group has provided a small business perspective into policy-making; advised government on small business issues; and helped government communicate more effectively with small businesses.</p> <p>The Group is being reviewed to ensure that it is fit for purpose. We will brief you with recommendations for the group.</p>	November 2017	Enterprise Policy
<p>Consider: Small Business Roadshows</p> <p><i>Action: MBIE will brief you on the Roadshows MBIE ran in 2016/2017 and seek your interest in continuing the Small Business Roadshow.</i></p>	<p>In 2016/2017, MBIE, Business.govt.nz, and the Regional Business Partners, hosted 32 small business roadshows throughout the country. The roadshows showcased what government does to support small businesses. Following the strong positive response to these events from small businesses, you may wish to continue with this, or a similar type of engagement in 2018.</p> <p>Some of the events targeted ethnic business communities in</p>	November 2017	Enterprise Policy

International Events

33. The Minister for Small Business has opportunities to attend international events to engage with other countries about their policies relating to small business. These can both showcase what New Zealand does to support small business and to understand how other countries support such a diverse sector. Possible engagements include:

- The Organisation for Economic Co-operation and Development (OECD) Conference on Small to Medium enterprises in Mexico on 22/23 February 2018.
- The International Council for Small Business Conference from 24-29 June in Taiwan.
- The Small Enterprise Association of Australia and New Zealand (SEAANZ) Conference in July 2018 in Parramatta, Australia.
- The Asia-Pacific Economic Co-operation (APEC) Small and Medium-sized Enterprise Ministerial Meeting in September 2018 in Port Moresby, Papua New Guinea.

Annex 1: Definitions of Small Business

34. Although New Zealand has a similar proportion of small businesses to other Organisation for Economic Co-operation and Development (OECD) countries, New Zealand has few very large firms. New Zealand's small size means that we also think about small businesses differently from other countries. For example, many small businesses in the United States would be considered a large business in New Zealand. The table below shows the different employment categories for the United States, Australia, the United Kingdom, and New Zealand.

Category	US	Australia	UK	NZ
Micro	0 – 9	0 – 4	0 – 9	0 – 4
Small	10 – 99	5 – 19	0 – 49	5 – 19
Medium	100 – 499	20 – 199	50 – 249	20 – 49
Large	500+	200+	250+	50+

35. The European Union model (outlined in the table below) is different again and uses a combination of employment, turnover and assets.

	Micro businesses	Small businesses	Medium-sized businesses	Large businesses
Employment	<10 staff	10-49 staff	50-249 staff	250+
Annual Turnover	< €2 million	< €10 million	< €50 million	>€50 million
Total Assets			< €43 million	>€43 million

36. Even in New Zealand, there is no one definition of a small business. Across New Zealand agencies the definition of a small business varies based on purpose. For example, the Inland Revenue Department defines a small business based on annual turnover. MBIE uses the employee measure because it aligns to the greatest degree with international measures for small business.

Annex 2: Small Business Brochure 2017

From previous Government – wish to discuss approach to updating for 2018 with you at your earliest convenience.

Annex 3: Small Business Factsheet 2017

Annex 4: Key Stakeholders

37. The key relationships for the Small Business portfolio are:

- Minister for Economic Development
- Small Business Development Group
- Business representative groups, including Business New Zealand, Chambers of Commerce and Economic Development Agencies
- Small business owners.

38. The following people may write or seek an early appointment with the Minister:

Key Stakeholders	Contact
Business Mentors New Zealand	Lisa Ford, General Manager
Business New Zealand	Kirk Hope, Chief Executive
Economic Development New Zealand (EDNZ)	David Wilson, Executive Director
Employers and Manufacturers Association	Kim Campbell, Chief Executive
Franchise Association of New Zealand	Robyn Pickerill, Chief Executive Officer
MYOB New Zealand	Conor Roberts, New Zealand Communications and Public Affairs Manager
New Zealand Chambers of Commerce	Regional Chief Executives
New Zealand Hospitality Association	Vicki Lee, Chief Executive
New Zealand Institute of Management	Ash Dixon, Chairman
New Zealand Manufacturers and Exporters Association	Dieter Adam, Chief Executive
New Zealand Retailers Association	Scott Fisher, Chief Executive Officer
Xero	Rod Drury, Chief Executive