

Business Health and Digital Monitor

Business motivations, development goals
and barriers

Annual Report

July 2024



KEY INSIGHTS

Motivations

Only 28% of businesses are growth-focused.

Businesses with younger owners and more than five employees are much more growth focused. Over half of all businesses are owned or managed by those over 55, who are less likely to be growth focused.

Development Goals

Reducing operating costs is a priority for most.

82% of SMEs have experienced cost increases, prompting them to focus on cost reduction. Only 18% of businesses have “become more digital” as one of their priorities.

Barriers and Support

Businesses reported many barriers. The most requested support was tax breaks, in-person and online training.

The majority of businesses reported costs, stability and time as barriers. These barriers were also prevalent in 2023.

ABOUT

The research is about business motivations, development goals and barriers

This report is the third in a series of four Business Health and Digital Monitor reports published by Better for Business (B4B) in July 2024 in association with Research New Zealand.

Business Health and Digital Monitor Reports:

- Business health and wellbeing
- Digital capability trends
- **Business motivations, development goals and barriers**
- Environmental awareness and trends.

Better for Business

B4B makes it easier and more seamless for businesses to deal with government. We do this by understanding small businesses' diverse needs and using that information to improve the experience they have when dealing with government agencies.

Our long-term research seeks to capture changes across the business landscape. This helps government agencies identify areas where they can better support businesses to thrive and prosper.



2,356

businesses

Surveyed between:

Late November
2023



January 2024

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IN THIS REPORT

Business motivations, development goals and barriers

The report consists of three sections:

1. Motivations

Understanding business motivations can inform policy, operations, or communications. This section covers initial and current motivations and examines growth-focused businesses.

2. Development goals

Goals impact where businesses focus, thereby influencing the effectiveness of support. This section investigates business goals and focus, and how they vary by size.

3. Barriers and support needs

Providing businesses with assistance that addresses their specific barriers and aligns with their support preferences increases the likelihood of success. This section looks at the barriers businesses report and the support they seek.



Motivations



Understanding motivations to improve business support

Understanding business motivations can inform policy, operations, or communications which can help make government support more effective. For example, linking the adoption of digital technology to achieving a good lifestyle should assist digital uptake, as having a good lifestyle is a leading motivator for businesses.

So we asked businesses “which of the following help to explain why you first started/are now in business?” Respondents could choose as many of the options as they wished

A high proportion of businesses report the top three motivations. This implies that these three motivations could be effective in connecting with businesses, as its very likely a business will have one of these motivations at least.

Current motivation levels are lower than initial motivation levels, perhaps reflecting the high motivation required to start a business and the challenges of operating one.

Finally the current and starting motivations are stable year on year.

Current and starting motivations



Which of the following explain why you first started/ are now in business?

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Only 28% of businesses are focused on growth

Growth offers numerous benefits, such as increasing employment or wealth, and is a priority for government support. Because of this, we asked businesses if they are focused on growth.

We found that only a minority of businesses are focused on growth; a maintenance focus is more common. The low proportion of businesses focused on growth has implications for government support.

Understanding who is focused on growth helps government support those businesses as it can more easily target them.

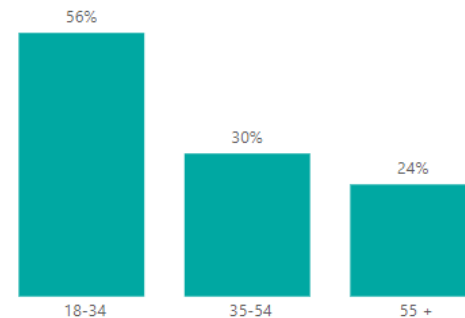
One theory¹ we explored is that older owners are less growth and technology-focused, as most NZ businesses have owners over 50.

Our data supports this theory, showing that older owner/managers are less growth-focused, with 57% of businesses having owners or managers over 55.

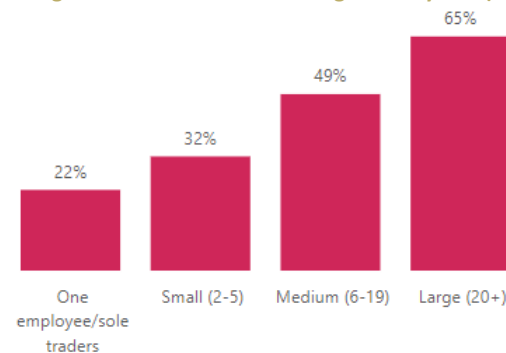
Size is another aspect related to a firm's growth focus, with firms employing over five full-time employees (FTE) being more growth-focused.

These insights on how many and who is focused on growth could guide how we target, design and communicate support for increased efficiency and impact.

Percentage of businesses focused on growth by age of owner



Percentage of businesses focused on growth by size (FTE)



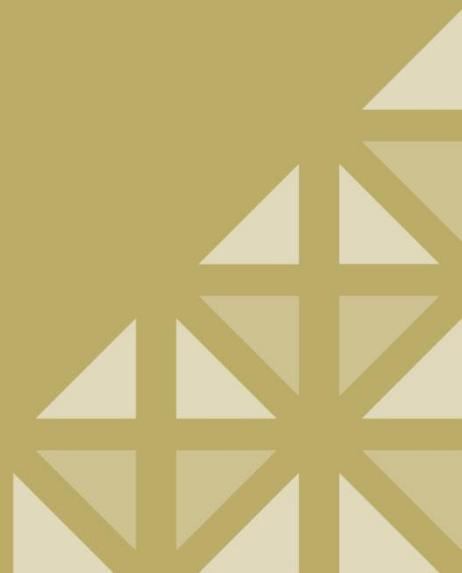
Is your current focus on ...growing/developing the business?

1.CPA via

<https://www.rnz.co.nz/news/business/513256/older-owners-limiting-potential-of-small-businesses-to-grow-exploit-technology-expert>

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Goals



Cost reduction is a focus, ahead of digitalisation

Having understood motivations (why) we now move to business goals (what).

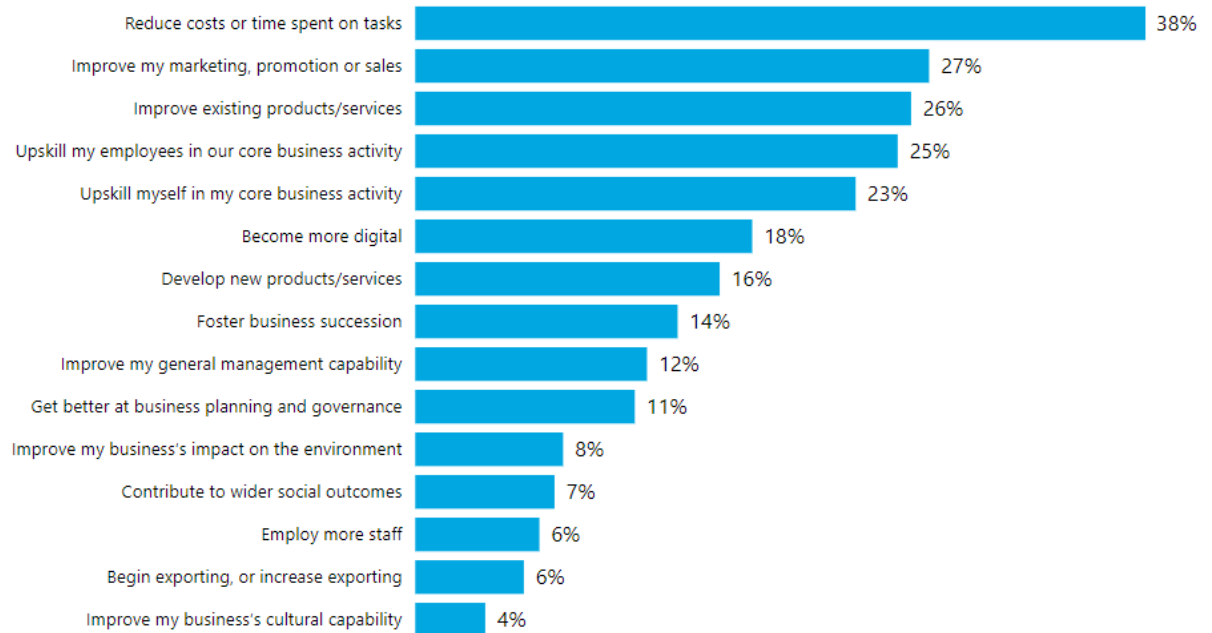
The focus on costs is not surprising, given that a vast majority of small businesses have experienced a significant increase in expenses.

One government priority for support is increasing business digital capability; however, only 18% of businesses have digital as a priority - it's the sixth most popular priority in 2024.

It may be challenging to convince businesses of the benefits of becoming more digital before they are ready to prioritise it. Linking the benefits of digitalisation to motivations or goals will increase adoption.

Business priorities could shift from reducing costs to being more development-focused as New Zealand moves out of recession. However, lack of time will likely remain a challenge for small and micro businesses, as few or no employees mean long hours.

Percentage of businesses choosing this goal for development or change in 2024



*How would you most like your business to develop or change in the next two years?
(Choose three)*

2. "Overall, 82% of SMEs have seen their overhead costs increase in the past year, and on average, these costs are up \$1490 per month" April 2024 <https://www.myob.com/nz/blog/business-monitor-sme-confidence-muted-by-cost-concerns/>

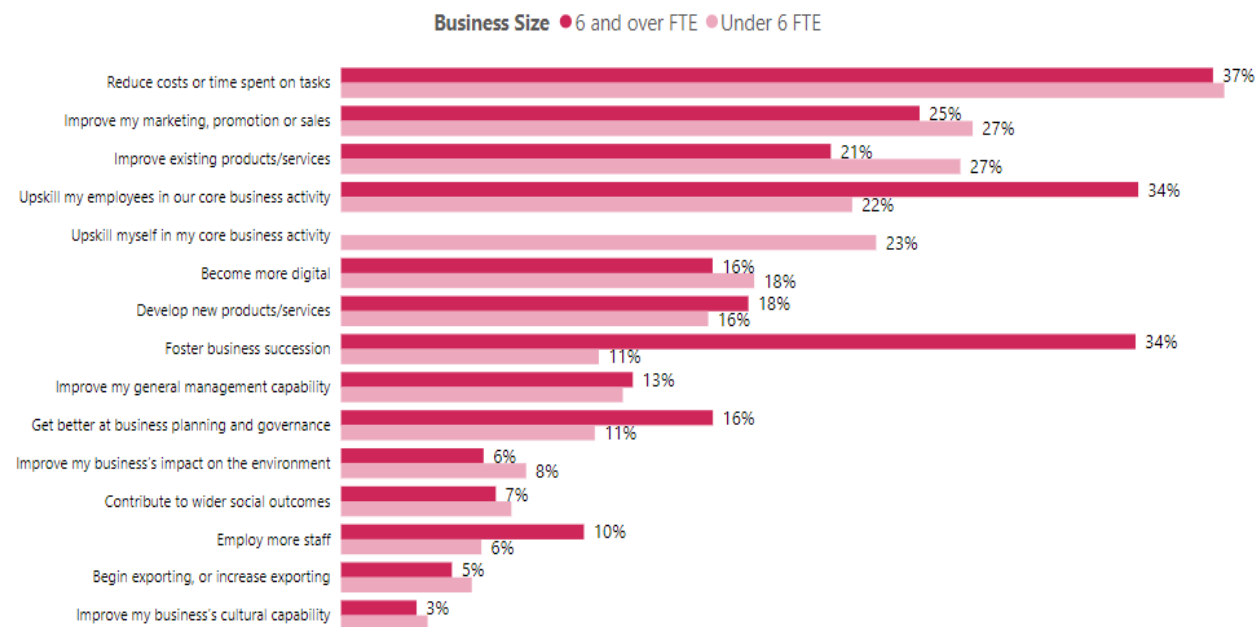
Different sized business have different priorities

Growth ambition goals vary somewhat by firm size. Businesses with more than five employees also focus on reducing costs but place a stronger emphasis on upskilling employees (34%) and fostering business succession (34%).

Businesses with more than five employees are strongly growth-oriented.

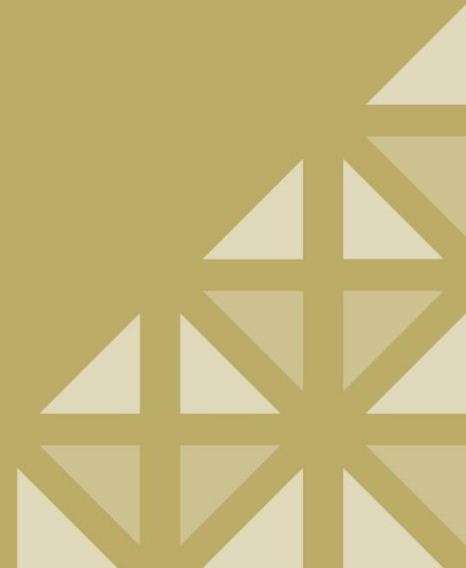
Support for these businesses could consider business priorities by selecting upskilling and succession planning over improving existing products and marketing or sales promotion.

Percentage of businesses choosing this goal for development or change 2024



*How would you most like your business to develop or change in the next two years?
(Choose three)*

Barriers

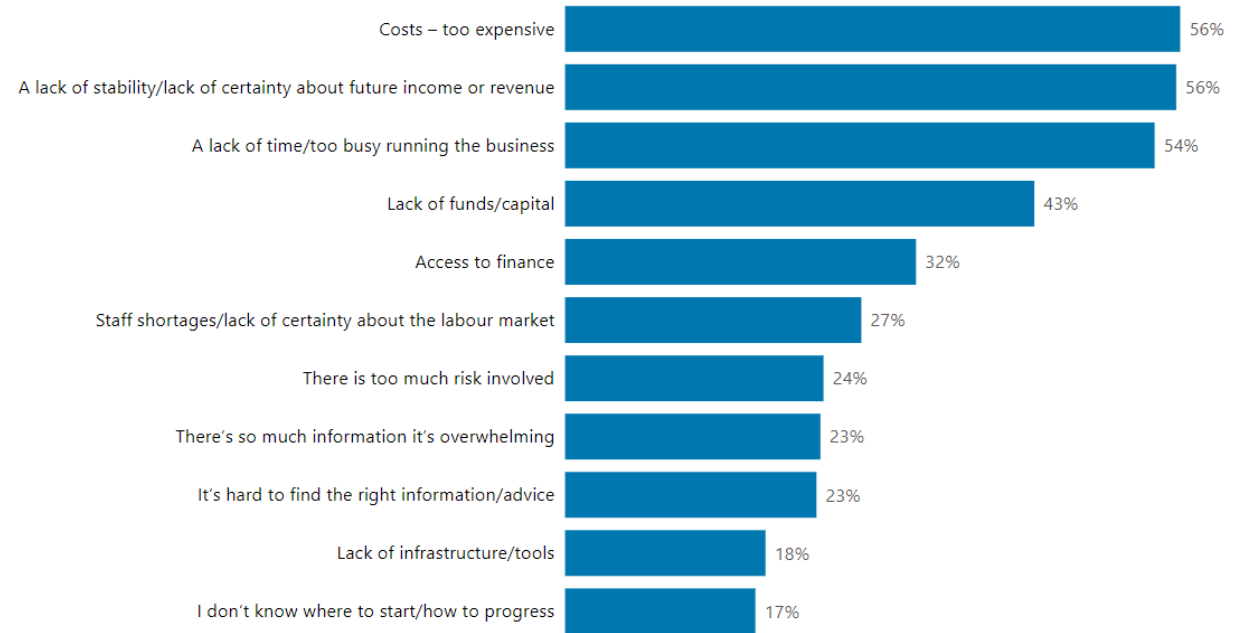


Most businesses report numerous development barriers

After inquiring about their goals, we asked businesses “Which, if any, of the following are likely to make it difficult to achieve this goal”.

The three most common reported barriers – costs, lack of certainty around future income/revenue and being time poor have not changed since 2023, so are persistent challenges for businesses.

Percentage of businesses choosing this as a barrier for development 2024



Which, if any, of the following are likely to make it difficult to achieve this goal”

Incentives, mentoring and online support are most requested

We asked businesses about the support they need to achieve their previously discussed goals.

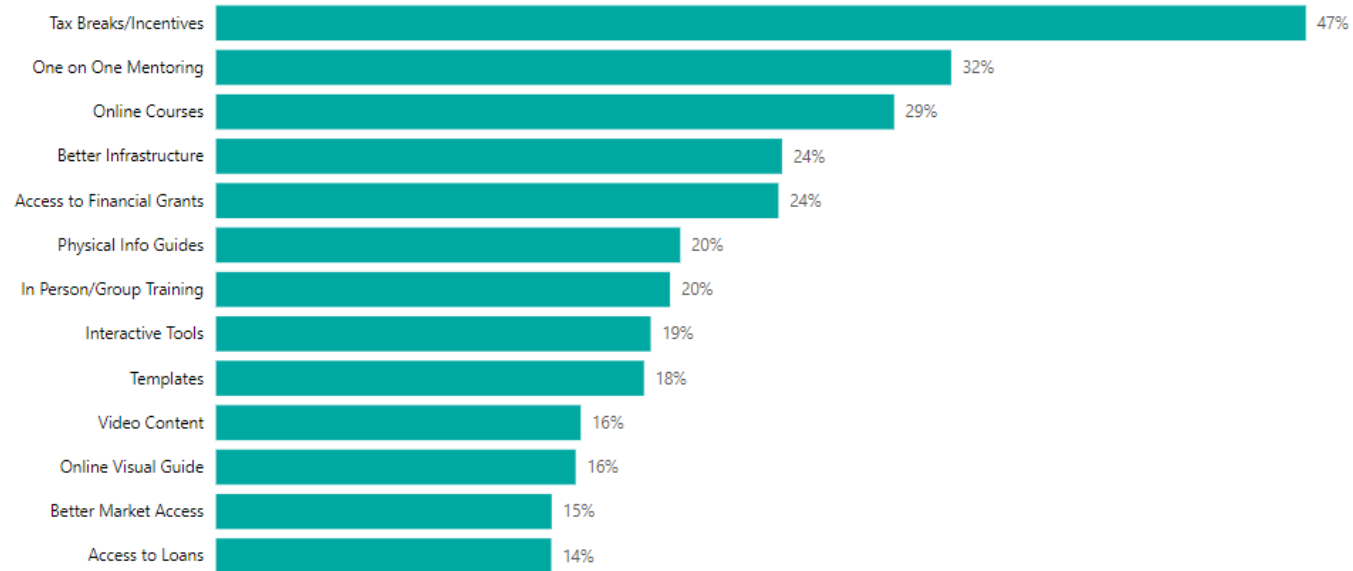
A blend of financial support and developmental assistance were the most sought-after.

Much of the requested support already exists in some capacity. For example, there are existing tax incentives for research, opportunities for one-on-one mentoring through regional business chambers and Business Mentoring NZ, and a plethora of online courses available, such as those offered on business.govt.nz.

To better support businesses, it would be helpful to know:

- Are they aware of this existing support?
- How many are using the support?

Types of support required by businesses



“And what support, if any, would you require in the next 12 months or so to achieve this goal ?”

Growth focused businesses want more support

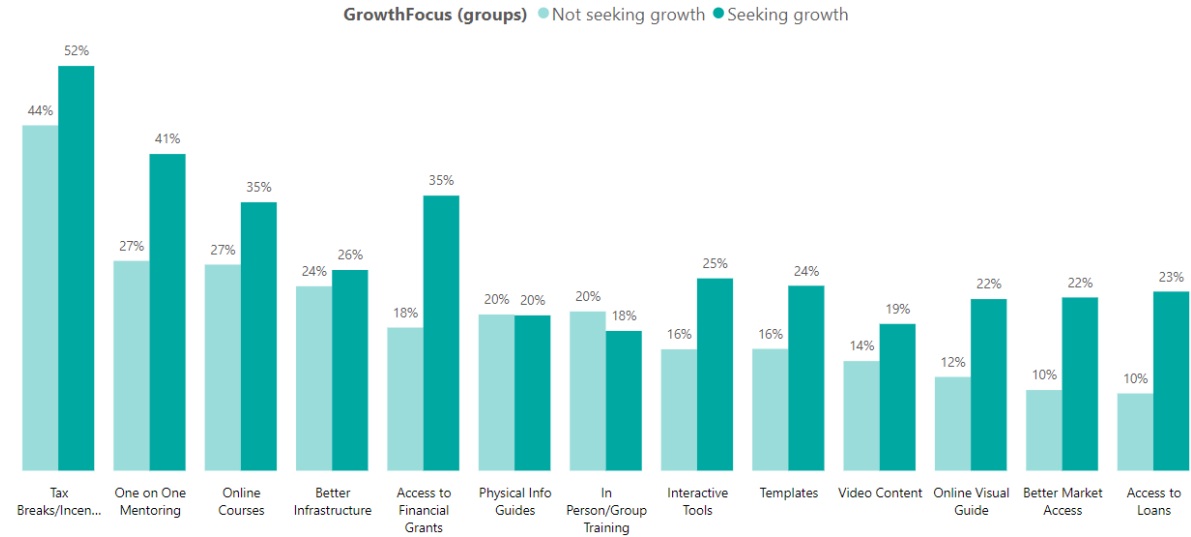
Given the crucial role of growth in business success, we explored whether growth-focused firms require different types of support compared to other firms.

The chart on the left illustrates various types of support that businesses can choose to advance toward the goals identified earlier in this report.

Generally, growth-orientated businesses tend to request more assistance.

Businesses focused on growth particularly stand out in their need for financial grants, loans, and improved market access. These forms of support are likely linked to the unique challenges associated with pursuing growth.

Percentage of businesses choosing the following support needs



“And what support, if any, would you require in the next 12 months or so to achieve this goal”

Appendix



Appendix –Method and Interpretation

Survey responses were collected through both online platforms and telephone interviews, ensuring that the data is representative of industry category and business size based on the number of employees.

The respondents are primarily business owners or managers from businesses that have been in operation for one to two years, meaning very new businesses are not included in this survey.

While the sample variance for this report may differ depending on the specific subset being analysed, it can be estimated at approximately 2%. This implies that when interpreting the results, differences of less than 2% should be considered statistically insignificant.