



What Do Kiwi Businesses Think Controls Their Success?

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What do we tell our children it means to be an adult? One definition we give to them as early as we can is that you take responsibility for your own actions. But that just means owning up when a plate gets knocked off the bench. There is more to it than that. Perhaps it is when a person takes responsibility not just for their actions but also for their outcomes. The alternative is to blame others for what they consider to be the woeful state of their lives, demanding pity, apologies, then maybe compensation.

According to psychologists this is a matter of where we place our locus of control. Those who accept that what they are is what they make themselves to be have a close locus of control. Those who feel that what and where they are substantially stems from the actions of others have a distant locus of control.

A way of understanding this would be to consider what people learn when they do an MBA. No course participant is taught that the success of their company depends upon the state of the economy. That is what we economists are instructed in when we do our generally macroeconomy-focussed degrees.

MBA participants are given a set of tools they can use to influence their business's outcomes, and to anticipate and react to external shocks (which always come along). They are not taught to lobby politicians for favours, to blame their customers if no-one likes their products, to blame staff for lax working environments and standards, and to blame tax collectors for their cash flow issues. They are taught to bring their locus of control close.

The New Zealand Business Sector Locus of Control

Where does the locus of control sit for the average New Zealand business? Do the people we look toward to create jobs and profits and to build and expand our economy believe that they are the masters of their own destiny? Or are they waiting for external circumstances to change, for others to adjust, for MFAT to open up more markets (when we can't service the ones we can already access), for NZTE to give them a grant?

In an attempt to answer this question, with no preamble, I added a special query to the BNZ Confidence Survey which Weekly Overview readers were invited to respond to on the evening of March 7. The question was this.

“If you had the power to change just one thing relevant to the success of your business going forward, what would it be?”

Our interest is in whether businesses seek changes in their external operating environment or the way in which **they** operate within it. All 134 responses are included at the end of this paper. The responses show that typical Kiwi businesses look to outside agencies and forces to determine their success, not themselves. Only 11 responses (8%) focussed on what the respondent had control over. To quote...

- Find more time for training and keeping up with technology changes.
- Staff productivity.
- More capital
- Using a longer time horizon to make decisions.
- Better networking abilities/facilities

- More proactive marketing
- More exports to counter vagaries in the small domestic market.
- Agility - the speed at which we can change direction to demands of the market.
- Improve productivity.
- More access to and time talking with prospective clients.
- Stronger selling capability

The people with these responses may be the one's who's interviews we will read in later years to learn what they did to make their companies successful. They are the exceptions. That there are so few of them shows perhaps why NZ struggles.

The other 123 responses ranged across a vast swath of external factors over which the businesses had no influence outside of lobbying efforts.

Reduced government rules, regulations and compliance costs, including RMA reform.	23
Reduced, steady, or controlled exchange rate	12
Greater sales, stronger economy	10
Better quality staff	6
Wider margins	4
Easier labour laws	3
Lower or steadier interest rates	3

Plus a mish mash of double or single responses ranging from more rain (2) and greater market share (2) to more listings (2), import controls, irrigation, financial literacy, and cheaper marketing.

What does it mean for our economy going forward that so few Kiwi businesspeople feel their business outcomes primarily reflect their actions?

Firstly it suggests there is little prospect for improvement in the two key areas identified elsewhere as points of weakness for Kiwi businesses – internationalisation and human resource management. The focus of businesses is not on these things but outside their companies.

Second,

- given many years of promises of reduced red tape but little action since the 1980s,
 - strong prospects for the NZ dollar remaining high and probably going higher, and
 - a labour market about to undergo a substantial tightening,
- average NZ businesses are likely to continue to struggle in the absence of internally-focussed operational changes.

Third, government policies toward SMEs should consider more explicit emphasis on self-reliance.

Fourth, business lobby groups should be careful that they don't justify their member fees by continually painting them as victims of outside forces for which lobbying expenditure is necessary.

Fifth, governments, when reminding businesses of their limited ability to influence the likes of the exchange rate, should consider an education campaign based around how to handle a sustained high NZD. This might include strengthened generalised business training, and dissemination of examples of businesses which have adapted to a high exchange rate (market changes, product mix changes, input changes) etc.

Sixth, the media and business groups could themselves seek out and publicise firms which have successfully adjusted to sustained negative external factors, even if the outcome is still shrinkage and reduced profitability. This is still better than closure.

Then again, maybe one would get the same low 8% internalisation of control in other countries.

Full Responses

If you had the power to change just one thing relevant to the success of your business going forward, what would it be?

- More market share
- More community involvement
- Increase wages
- Find more time for training and keeping up with technology changes
- increase turnover
- Lower the exchange rate
- Access to quality staff
- Consistency in the government education policy and subsequent funding to enable the policy to be implemented.
- Hawkes Bay Region Population Growth
- To take GST back to 10%.....15% is killing a lot of business off.
- Staff productivity.
- The currency, it is too high, we sell everything in NZD\$\$\$ so we personally do not take the risk but our customers whinge. US and UK are the loudest
- Change the RMA.
- A further review of the tax structure for small business in New Zealand.
- Reduce the value of the NZ \$ against the UK £ so that I could move my business back to New Zealand.
- More housing construction.
- Labour laws which still protect the sacking of non-productive workers
- Confidence in the Wellington market across all industries.
- Lower the OCR
- RMA reform
- Adding resources
- Our business is like a roller coaster ride, up and down. Long steady secure growth is preferred to enable forward planning.
- Increased margins
- Increased margin
- Less competition
- More capital
- Using a longer time horizon to make decisions.
- That the debt we are carrying from the recession would be lower, to enable us to invest more fully in the future.
- Business confidence
- Get a decent sales force in place!
- Making it compulsory for businesses who claim to be NZ owned and operated to pay the majority of their taxes to NZ
- Less bureaucratic influence, imported inefficiencies.
- Reduce Council and Govt Bureaucracy
- Tax rates
- Being able to engage new workers especially younger workers or low skill level workers without being afraid of employment law that favours the worker.
- More opportunities
- Government department action despite the uncertainty. Too much waiting for the next redundancy list makes for no decision making.
- Building materials cost increases. The current council / RMA costs are high but controllable and are not the main factor to building houses at competitive rates.
- Removal of FBT on work vehicles
- Better access to capital for investment into growing our business's capability to accelerate our ability to get to offshore markets.

- Deliver a solution that enabled the process of building a new home to be easier for the consumer; take away the too hard components.
- Quicker payers
- Three-year Investment Plan funding from the Tertiary Education Commission.
- Better networking abilities/facilities
- Stop the government shifting the goal posts every year.
- Remove excessive central but mostly local government red tape.
- Interest Rate stability
- Lower overhead costs- power phone rates insurance
- Salary increases to match CPI
- Exchange rate lower
- More proactive marketing
- Lower the exchange rate
- Take the Chinese out of the equation
- Stop the Tsunami of govt compliance swamping us
- Less Compliance
- Stabilize the NZ dollar
- Ensuring that no overseas competitors were able to import similar items.
- Rewrite the RMA with a view to streamlining the process, particularly around infrastructure improvements.
- Increased supply of skilled people
- Steady up the incoming work.
- Market share
- More capital
- Steady work flow rather than highs and lows.
- Free up labour laws
- Increase the retail and construction activity in Wellington
- Politicians and media recognise that property investors also provide a service, which the Government, HCNZ and local government is struggling (or unable) to satisfy.
- Get more people to list their properties for sale
- Less compliance cost.
- Agitate for tax rate threshold extension
- People buying on product not price
- More sales
- Produce the much needed rain to start the grass growing again
- Lower the exchange rate
- Less bureaucratic intervention
- Get clients spending again
- The weather!
- I think if people were generally more financially literate they would hire more - greater understanding of opportunity costs, holding costs etc.
- Irrigation - needs more qualified staff e.g. design engineers
- Getting property managers who do a good job
- Reducing the compliance burden and the costs associated with it
- Lower the value of the N Z dollar
- Control the exchange rate
- RMA - less interference.
- Less legislative encroachment into ones business.
- An increase in the supply of houses for sale.
- Get rid of the government's involvement in the Valuation profession.
- Rent increases
- More exports to counter vagaries in the small domestic market.
- Achieve more new business
- Red tape and regulations around the RMA and obtaining consent to commence basically anything.

- Like to see more inward money flows into regions
- Effective cheap marketing
- Have more hours in the day!
- Stop the Greens and Labour Party terrifying property investors with their mad ideas about affordable housing and rapacious property investors
- More trades people, specifically flooring installers
- Agility - the speed at which we can change direction to demands of the market.
- A contract with the District Health Boards that was fair!
- Employ more experienced human resource
- Cut red tape
- BNZ have agencies with mortgage brokers
- Refine the R&D and Capex sign off process.
- Improve productivity.
- Employee ownership of company via shares
- Reduce the strength of the NZ\$
- The growth of other companies
- Some stability to exchange would be nice
- Create a new Accountants Institute focused solely on small to medium accounting practices
- Better community relationships
- Reduce power bills
- Road Transport Industry. Increase the trading margins.
- Constant work flow
- Have variable interest rates around the country.
- Lower long term fixed rate lending offerings.
- Speed up the re-construction of Christchurch
- Have better quality candidates available.
- More access to and time talking with prospective clients
- Connectivity
- Increase sales from an improved economy or lower NZ\$.
- Reduce time spent on regulatory compliance.
- Stability in public sector employment (Wellington)
- Reduce uncertainty by eliminating bureaucratic interference & regulation..
- Less risk adverse companies with their hiring intentions.
- Bring on the rain. The North Island drought is already impacting on business confidence
- A more stable exchange rate .
- Maintaining low interest rates
- Less central and local government compliance cost
- More margin
- Reduce local Government charges
- Council's poor timeframes and skill levels
- More work - we have stuff all - no new building is going on in our area
- Stronger selling capability
- Take out some competitors; there are far too many of us in this market
- Continue to move to a Government balanced budget

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