

## **Seizing new opportunities for small business**

*Kirk Hope*

New Zealand is a country of small businesses - and as they return to work for 2018, it is timely to reflect on some of the challenges they will face in the year ahead.

For those considering setting up a small business in 2018, it is prudent to be alive to the challenges that will arise during the process.

For those already running a small business, the challenge is not just to survive - but to grow.

The World Bank ranks New Zealand as the easiest place in the world to do business, and to set up a business.

Yet most small businesses fail in their first two years.

More than 10,000 SMEs have been set up each year over the past four years, according to Statistics NZ.

Of the roughly 550,000 businesses in New Zealand, 97 per cent have fewer than 20 employees.

Those SMEs contribute \$65 billion to our GDP.

The diverse nature of small businesses in New Zealand means the challenges they face can be hard to define in general terms, but there are common issues all SMEs encounter.

Planning for challenges that will inevitably arise means that while they cannot be avoided, contingencies can be put in place to confront them head on.

Getting the basics right is one of the keys to success - and seeking advice early on can be crucial for SMEs to avoid common pitfalls further down the track.

Small businesses require access to financial capital in order to succeed.

MBIE figures show 94 per cent of small firms with 6-19 employees reported they could access debt finance on acceptable terms.

But that is not the only factor – businesses need a capital plan in place for when they might want to change the structure of their business or access different types of capital.

And the issue of getting paid on time, or sometimes at all, can be a real pain point for small businesses.

Late payments and a subsequent lack of cashflow can hamper small businesses, and threaten their ability to remain afloat.

SMEs can feel hamstrung by their comparative lack of clout compared to larger businesses they provide services to, but there are options available to maximise their chances of getting paid, and getting paid on time.

Factoring can turn unpaid invoices into cash for SMEs - firms can purchase the accounts receivable of an SME for around 85 per cent of its value, and pursue the full value of the account with the company that has been provided services.

Small businesses can also take advantage of technology - including using software for invoicing, online invoicing and reminders, or mobile payment options or apps to ensure invoices are sent, and paid, as promptly as possible.

Skills shortages can also strike small businesses hard, as a lack of adequately and appropriately skilled people to employ can restrict progress and growth.

The key is to find the right people with the right skills and work ethic, which can be difficult, especially outside of the main centres.

Businesses need the Government to ensure there is a pipeline of skilled Kiwis and migrants to meet the needs of enterprises all over the country, particularly in manufacturing, construction and trades.

Regulations and red tape can be another issue SMEs struggle with, particularly at the company's inception.

Small businesses should not hesitate to ask for help, and do so early, to ensure compliance with matters such as health and safety.

Business NZ – and the EMA Northern, the Wellington Employers Chamber of Commerce, the Canterbury Employers Chamber of Commerce and the Otago Southland Employers Association - can provide support in respect of HR, training, and health and safety, among other areas.

Resources are also available through MBIE, or experts can be employed to provide advice on areas where knowledge or expertise may be lacking.

Drive and creativity are not enough to ensure success for SMEs - what is needed is practical advice from those experienced and knowledgeable in their areas.

If these challenges can be overcome, 2018 will be a year of opportunities for small businesses.

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