



THE ANZ

PRIVATELY-OWNED BUSINESS BAROMETER

CONSTRUCTION SECTOR
INSIGHTS 2015





BUILDING ON SUCCESS

With New Zealand's need for infrastructure, a healthy construction sector is vital.

The construction industry has always been a challenging one but it's always been a vital one too. So it's very encouraging to see a level of optimism within the sector in this year's ANZ Privately-Owned Business Barometer.

That's a welcome sign in an industry that's had more than its fair share of challenges to contend with over the past few years. As we see it, the challenges for construction businesses now are very different ones – how to not only make the most of the current environment, but also to build resilience so they can continue to prosper, even when conditions are less benign.

In the course of preparing this report, we met many owners who pay as much attention to the details of their business as they do to the details of their buildings. They combine their passion for building with practical business and financial management skills. Ironically, it's often when business is buoyant that those skills become even more crucial. Growth comes with challenges, and without strong business and financial disciplines businesses run the risk of becoming victims of their own success.


Training, mentors, staff and advisers can all be ways of addressing skill gaps. Other resources like ANZ Bizhub (<https://bizhub.anz.co.nz/>) can also help smaller businesses in particular develop essential business skills and knowledge.

The continued success of the sector also depends on its ability to encourage people into the industry – but a particular concern in this year's Barometer was the difficulty in attracting, developing and retaining young people. It's a key challenge and the industry, the government and individual employers all have a role to play in finding a sustainable solution.

While the industry needs to grapple with the challenges of sustainable growth, it's a good challenge to have. We hope this report provides useful insights to help. At ANZ, we share the confidence in the industry that this year's Privately-Owned Business Barometer reveals, and we look forward to helping build an even brighter future.

A handwritten signature in black ink, appearing to read 'Graham Turley'.

Graham Turley
Managing Director — ANZ Commercial & Agri



STRONG FOUNDATIONS

The current environment has challenges. Among these is finding ways to turn buoyancy into a platform for sustainable growth and avoid the 'boom and bust' cycle that has characterised the industry.

While growth is what every business aims for, managing that growth is not always easy. It's no longer enough (if it ever was) to be good at the technical aspects of construction. Just as a building needs a strong foundation, having the right processes in place to protect the businesses' cash and asset-backing is equally important to long-term success.

This year's Barometer identified a range of approaches being taken across the industry to drive smarter, more sustainable growth. In a sector whose fortunes are heavily

impacted by the ups and downs of the wider economy, that's a positive development. Nothing lasts for ever, but the current upturn provides a window of opportunity for businesses to lay the foundation for continued success, whatever the stage of the economic cycle.

This year's ANZ Privately-Owned Business Barometer showed that many businesses, having come through a tough period for the construction sector, were optimistic.

"Demand has doubled from what it was two years ago."

Engineering company owner, Auckland

“The optimism is based on the short-term outlook in Christchurch and the long-term outlook in Auckland.”

Commercial construction company owner

That’s good news, because the construction sector is an important one for New Zealand. It’s our sixth largest sector, employing 8% of the workforce and contributing 5.5% of GDP – so a thriving construction sector is important for New Zealand.

ANZ benchmark analysis shows margins until FY13 were relatively thin, but improved notably in FY14 (see page 9). Construction respondents were among the most positive about the outlook for the New Zealand economy over the next 12 months. They were also very optimistic about the prospects for their own business, with over 50% reporting high levels of optimism over both the next 12 months and three years. 62% of respondents also reported expectations of profit growth over the next 12 months.

A TALE OF TWO CITIES

The reasons for that optimism are clear. A building boom in Auckland, the demands of the Christchurch rebuild, and the need for seismic strengthening around the rest of the country are all driving demand.

Looking out over a longer timeframe (the next three years) the ‘optimism gap’ between Auckland / Christchurch and the rest of the country remains, although it’s not as wide.

It’s also interesting to note that despite a common perception outside Christchurch that the rebuild still has quite some way to go, Christchurch respondents were cautious about the outlook past the next two years. With many projects (including some major infrastructure projects) targeted for completion in the 2017 year, focus group respondents felt that the story is one of rebuild rather than growth and that attracting new businesses to Christchurch would be key to driving future growth – both in the CBD and further out.

A SNAPSHOT OF SURVEY RESPONDENTS

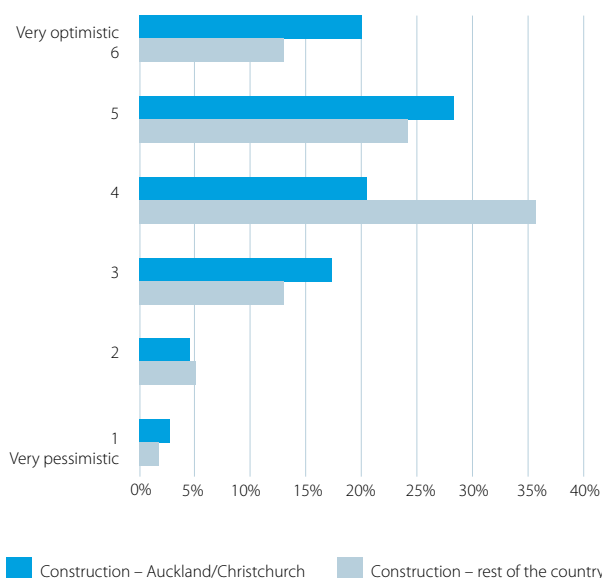
Of the nearly 4000 respondents to the 2015 ANZ Privately-Owned Business Barometer, 314 Construction sector businesses took part. They ranged from very small (with turnovers under \$100,000) to very large (turnovers above \$150 million).

Construction sector respondents were located around New Zealand, but compared with all commercial respondents a higher percentage respondents were (perhaps not surprisingly) located in Christchurch.

The majority were family-owned and more than half (54%) have been in business for more than ten years.

CONSTRUCTION RESPONDENTS’ EXPECTATIONS FOR THE NZ ECONOMY (3 YEARS)

Auckland-Christchurch vs. rest of country



SMART GROWTH

FOCUS ON THE FUNDAMENTALS



Construction is a cyclical business, so it's vital to have business systems strong enough for the ups and downs.

One of the paradoxes of a buoyant economy is that even with so much work available, a number of construction firms fail – including in the height of the Christchurch rebuild. What these failures indicate is that growth comes with risks – and the faster the growth, the bigger the risks.

Growth is exciting – and no-one wants to turn down work. But it's profit and cash flow, not growth, that determines the long-term success of a business. One of the main causes of failure in the sector identified by focus groups was growing too fast - and losing control of the business in the process.

One example given was a business that had experienced a significant increase in work and revenues, but whose profitability has stayed about the same as in more difficult times. The focus was on activity, rather than the bottom line.

When things are moving fast, it's easy to forget the basics. Common issues mentioned in focus groups included:

- Jobs not being priced properly
- Missing out on variations in the rush to simply get the job done
- Invoices not being issued in a timely manner, creating cash flow problems
- Focusing too much on one client leaving the business overly exposed
- Taking on a too-large project for the owner's equity, meaning that any losses can't be absorbed.

Construction is a cyclical business so it's understandable that owners want to make the most of the upturns and there is a lot that construction companies can do to build a more sustainable business.

STAYING IN CONTROL

Focus group respondents talked about the three fundamentals of sound business practice in construction:

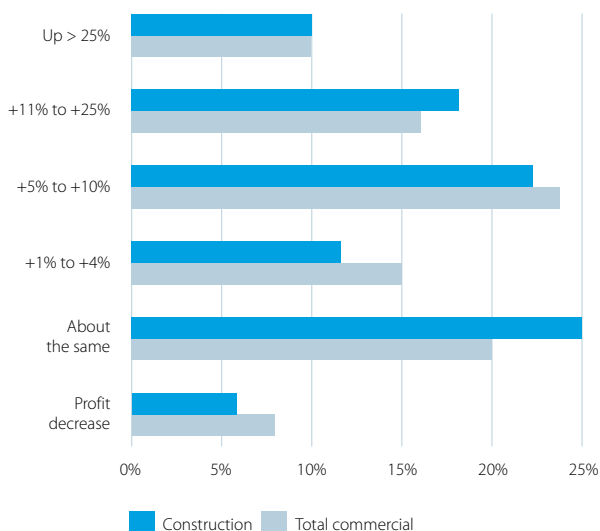
- **Margin management** – knowing your margins is key – as is making sure that you can maintain reasonable margins and profitability in every piece of work you take on. Chasing volume at the expense of profitability is not a winning strategy.
- **Cash flow management** – cash flow issues can kill a business, even if it is trading profitably. Creating a cash flow forecast can go a long way towards identifying and managing through difficult periods. Simple things like making sure invoices go out promptly and are followed up on; negotiating better payment terms where possible, minimising ownership of materials, and leasing rather than purchasing equipment can also make a big difference.
- **Building relationships** – much of the industry operates on a fairly transactional basis, with tenders evaluated mainly on the basis of the cheapest price. However, that provides little incentive for quality work and less incentive for subcontractors to display flexibility when the pressure is on. Investing in building long-term relationships mitigates those risks and helps ensure that both work and suppliers are available when needed.

It's interesting to note that construction businesses are less likely to have boards than businesses in other sectors - only 16% have boards compared to the Barometer average of 25%. Having a board makes owners and management more accountable and tends to drive more formal reporting and monitoring processes. It's also an opportunity to bring in experience from other sectors. For businesses looking to strengthen their business management disciplines, steps towards bringing in an independent adviser or establishing a board may be options worth exploring.

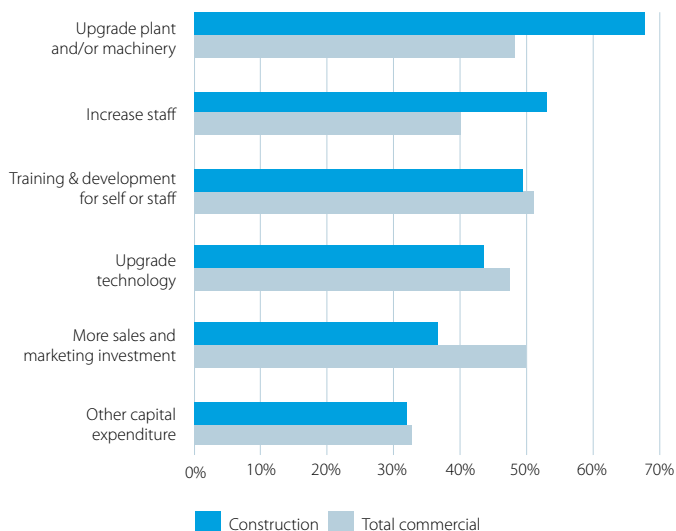
MAJOR RISKS IDENTIFIED BY BAROMETER CONSTRUCTION RESPONDENTS

- 1 Competition and its subsequent impact on margins
- 2 Cashflow – payments can be out of sync for long periods
- 3 Owner's own health

RESPONDENT'S EXPECTED PROFIT GROWTH NEXT FINANCIAL YEAR



RESPONDENTS' PLANS FOR INVESTMENT IN THE BUSINESS



“The risks are actually greater in the upturns. Owners get overconfident, the business gets too big too fast, and eventually it gets out of control.”

Building company owner



FROM BUILDING TOOLS TO BUSINESS TOOLS

MEASUREMENT PUSHES PERFORMANCE

Barometer focus groups highlighted the importance of monitoring key indicators regularly.

MEASUREMENTS PUSHES PERFORMANCE

Survey respondents reported a range of what they measured and how often.

- Half of respondents said they compared actuals to budgets at least on a monthly basis; 13% said they never do.
- 45% said they do cash flow forecasts at least monthly; while 13% never do.
- 52% said they calculate margin on specific parts at least monthly; while 13% never do.
- When it comes to benchmarking against similar businesses, 15% said they do this annually while 28% said they never benchmark.

Respondents from larger firms reported monitoring these indicators more frequently than small firms, along with keeping a frequent watch on debtor days and capacity utilisation.

Historically the industry has managed working capital by negotiating slightly tighter debtor terms than are required by creditors – ANZ analysis suggests top performing companies achieve a greater difference (see page 8).

Larger businesses have more resources and can afford to employ specialists in the area of business performance, while small business owners are often able to keep a handle on most aspects of the business. Perhaps the largest gap is in medium sized businesses where owners of necessity do most functions themselves and, in a lonely job, find a paucity of good information on what other businesses are doing can be difficult.

Accountants are the main source of help and advice on significant decisions – more so for construction than for other sectors surveyed in the Barometer. In focus groups some respondents reported undertaking external training, or bringing in staff or partners with business knowledge and experience, as effective ways of improving the quality of business and financial management in their company.



BENCHMARKING

How does your business rate?

Our experience in a range of industries is that benchmarking data is a useful tool for driving efficiency and profitability. Information about how other companies are performing, sometimes even in other industries, sparks analysis and conversations about alternative strategies and challenges businesses.

Barometer respondents expressed interest in using good benchmarking data; however they also reported that it was not readily available in the construction sector. ANZ has met this need developing extensive financial benchmarks across many sectors, including residential, commercial and civil

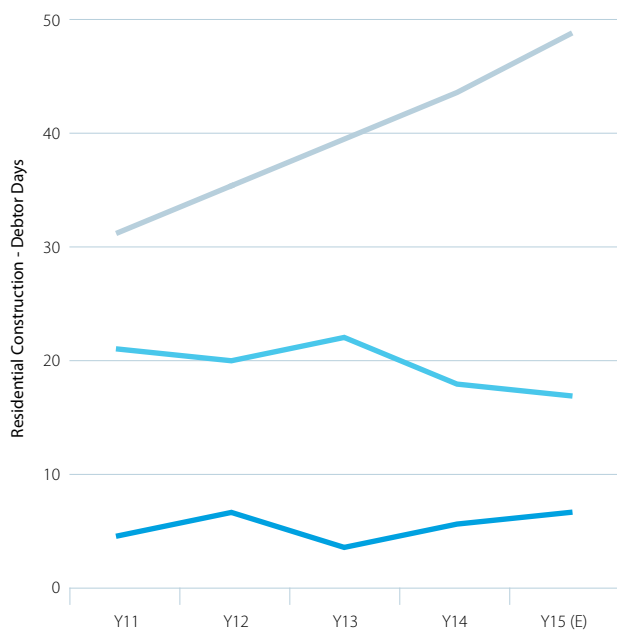
construction. Each benchmark group consists of a consolidation of 50 to 100 operators who consistently achieve \$2m plus revenue. An example is shown over the page of industry debtor days, which illustrates operators are now generally getting paid quicker, however some residential construction companies are extending payment terms, perhaps as a negotiating strategy. (Please contact ANZ if you would like a benchmark paper tailored to discuss your businesses performance relative to the industry, see contact details at the end of this document).

“Better benchmarking information would help ratchet up profitability across the whole industry, because it would generate a conversation about profitability and currently there isn’t one.”

Commercial Construction company owner, Canterbury

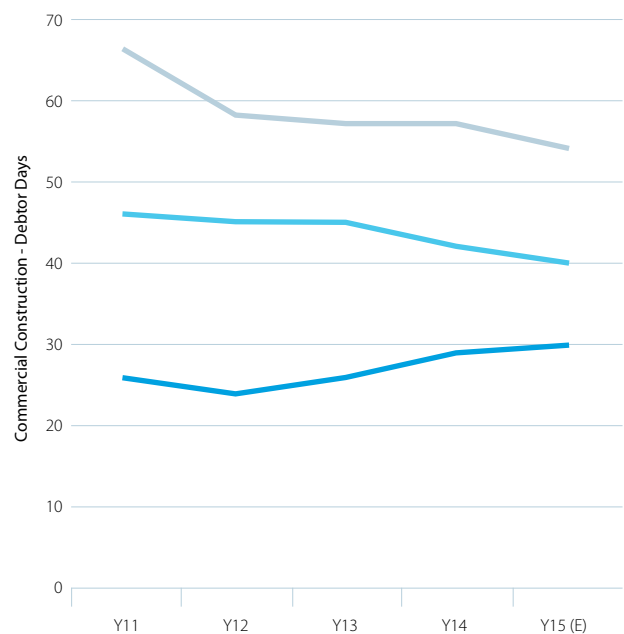


RESIDENTIAL CONSTRUCTION DEBTOR DAYS ANZ BENCHMARK



Lower Quartile
Median
Upper Quartile

COMMERCIAL CONSTRUCTION DEBTOR DAYS ANZ BENCHMARK

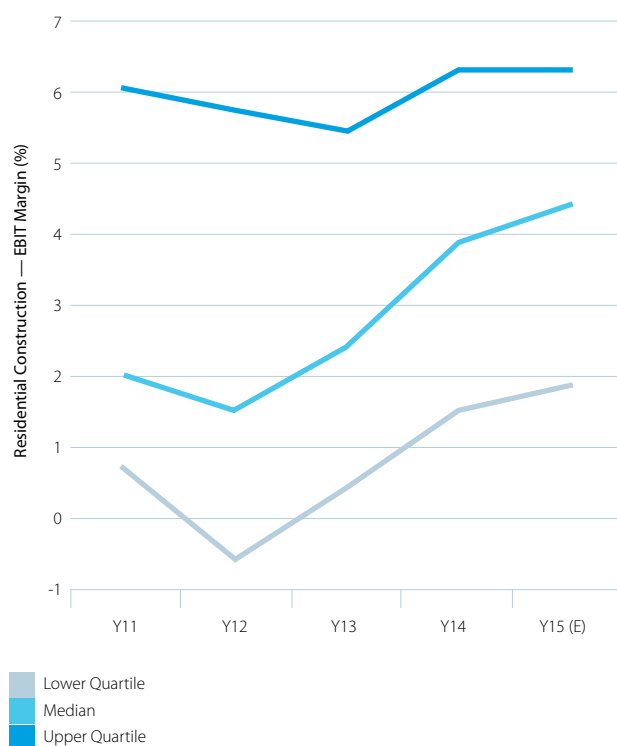


Lower Quartile
Median
Upper Quartile

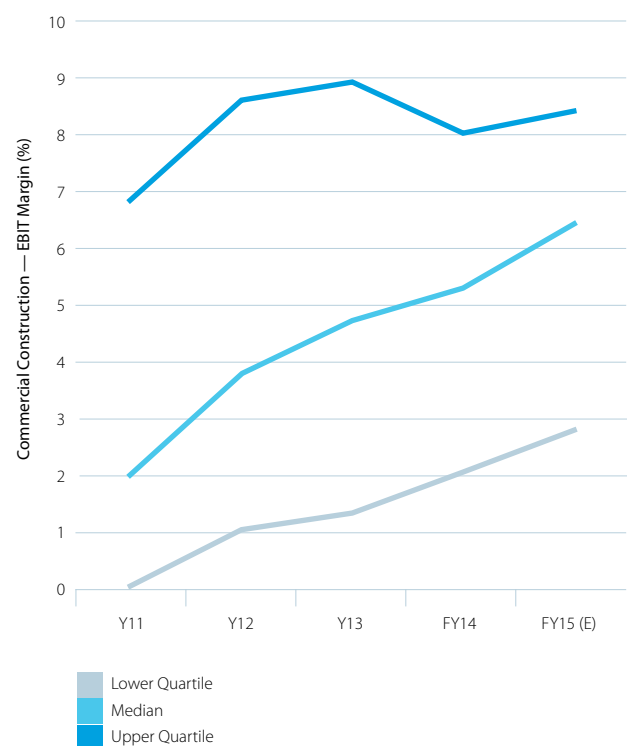
Source: ANZ analysis



RESIDENTIAL CONSTRUCTION EBIT MARGIN ANZ BENCHMARK



COMMERCIAL CONSTRUCTION EBIT MARGIN ANZ BENCHMARK



FILLING THE GAPS

GETTING AND KEEPING GREAT STAFF



In past Barometers, lack of staff has often been mentioned as a constraint on growth.

In this year's Barometer, staffing remains a major issue for the construction sector – and the building boom has brought the problem into even sharper focus. 30% of construction sector respondents said lack of staff has definitely impacted their business, compared with 18% of all survey respondents.

Finding staff is a problem that affects all parts of the construction workforce, from trades-people through to professionals such as project managers, quantity surveyors, designers and engineers.

The upshot is intense competition for sought-after skills. Focus groups reported good candidates typically receive a number of offers, especially in highly-skilled roles.

SOLUTIONS

One response to staffing shortages has been international recruitment and owners mentioned that the best results come from investing in putting support systems in place – ranging from training and orientation in their country of origin, to assisting with housing and other essential services on arrival.

A contributing factor to staff shortages mentioned in focus groups was a lack of apprentices coming through. Some businesses are addressing this by identifying suitable people and taking an active role by bringing in and training apprentices and focus groups suggested any further government assistance to enable business owners to take on more apprentices would be welcome.

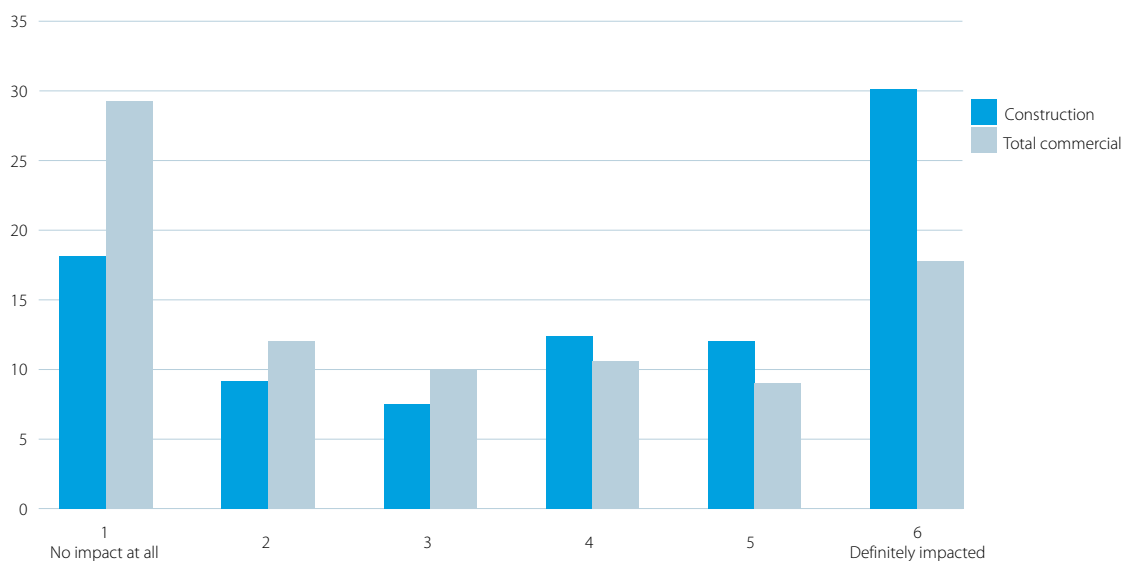
“I focus on quality construction and providing a positive and challenging environment for employees.”

Barometer respondent

“Giving my team a flexible working environment has meant my staff retention is very high.”

Barometer respondent

IMPACT OF LACK OF SKILLED STAFF ON RESPONDENTS' BUSINESSES



Some owners in focus groups talked about difficulties interpreting NCEA results when employing school leavers. This suggests that NCEA (and particularly its relevance to the workplace) may not be well understood by employers. Barometer focus groups suggested value to employers in understanding how NCEA works and how to interpret NCEA achievement when evaluating potential employees.

We asked Barometer survey respondents to tell us what strategy was most successful for attracting or retaining good staff. Most responses talked about retaining staff, suggesting that the best solution to staffing shortages is, number one, look after the people you have.

Higher wages, training programmes, good kit and good working environment were all mentioned, along with a perhaps surprising number of mentions of flexible and family-friendly working arrangements. However what came through most strongly was that care and energy from owners in creating a culture where people are informed, challenged and involved in decision-making is a winning strategy.

RESPONDENTS' COMMENTS ON THEIR SUCCESSFUL STAFF RETENTION ACTIVITY INCLUDED:

“Keeping staff involved with company direction by having weekly meetings. Encouraging them to take ownership of a contract so they have can have job satisfaction. To attract staff our company offers a wide variety of jobs. We train our staff ourselves and get them to help run the company so that they are a part of it.”

“Building pride in being a member of the best team.”

“Retention is achieved by a focus on personal development and a career development framework to keep key staff.”

“Creating a positive work culture. Being leaders in our field. Offering long term employment rewards. Offering company health insurance.”

“Focus on quality construction and providing a positive and challenging environment for employees.”

“Treating staff with respect and honesty. Empowering staff to make decisions based on their experience and the freedom to make mistakes and not worry about losing their jobs over it but to learn from it. Treating staff how we wanted to be treated when we were employees.”



INNOVATION

NEW TECHNOLOGY IS PUSHING UP ON
PRODUCTIVITY AND DOWN ON COSTS

One of the big drivers of innovation in the building industry has been utilisation of mobile technologies.

KEEPING UP

Around 30% of survey respondents said mobile technologies had totally changed their business, in ways that were sometimes surprising:

- **73% said mobile technology made it easier to work anywhere**, as communicating to people in the field and out on sites has become immeasurably simpler. For example, plans can be sent and received via smartphones rather than having to drive or courier them out to the site.
- **45% said mobile technology led to improved information for decision making**. When issues crop up on site, for example, information, data and images can be transmitted instantly to enable faster, more informed decisions on what action needs to be taken. Significantly more large companies (over \$1 million turnover) cited this as a key benefit, perhaps because the decision makers in smaller companies are often on site themselves.
- **43% said mobile technology improved productivity**, in a number of ways. For example, when responding to tenders or pricing jobs, documents can be sent out to multiple subcontractors at once. Smartphone apps are available for anything from estimating materials to pipe layouts and more. Mobile technology has also streamlined a range of back office functions like invoicing and payments (over 14% of respondents cited better payment solutions, such as ANZ FastPay, as a significant benefit).
- Interestingly, mobile technologies have also driven **increased staff satisfaction**. This could be a result of staff feeling they have the right tools and the potential for mobile technology to make their job easier. However, there was a significant split between large and small companies, with 23% of large companies reporting increased staff satisfaction as a benefit compared to just 5% of small companies. Smaller companies, of course, have less capacity to invest in technology, but mobile is one area where the return can be well worth the investment.



In an industry where margins can be thin, anything that can help improve productivity and reduce costs can have a big impact on profit – and on future sustainability. Many Barometer respondents are making good use of mobile technology to do things smarter and more efficiently. However with 20% of respondents reporting that it had made little to no real change to their business and with mobile technology and applications changing and evolving rapidly there is significant potential for further gain.

CHANGING THE GAME

If this year's Barometer is anything to go by, times are good in the construction industry. But as anyone who's been in the industry for a while knows, things can change. The businesses that succeed over the long term are likely to be those who can adapt better and faster.

For example, meeting the challenges of providing affordable housing (particularly in the Auckland region), and the shift from the traditional kiwi suburban ideal to greater housing density, will require innovative approaches.

Companies are responding in a variety of different ways, from prefabricated, factory-assembled housing to reduce cost and time, to new designs that maximise space and provide a feeling of separation on a much smaller footprint. Others are looking for competitive advantage by taking cost out of their business through more efficient business processes, upskilling their workforce or smart use of technology.

As many focus group respondents commented, construction can be a challenging industry. But there are also real opportunities for businesses that are open to new ideas and approaches.

“The future skill set will be a hybrid of keyboard warrior and getting hands dirty, quite different from traditional requirements.”

Business owner, Auckland



SUSTAINABILITY AND COMPLIANCE

Focus group discussions pointed to managing environmental considerations as a big issue.

The key concern raised in focus groups was the cost of complying with environmental regulations – especially given the already thin margins in the industry.

20% of construction respondents said environmental considerations bring significant extra costs (compared to an average of 9% for all businesses) – and focus groups question the return on those costs.

Owners mentioned difficulty in passing those costs on to customers and felt that while there is a lot of talk and debate about the benefits of sustainable building; customers tend to vote with their wallets. They noted consumers appear willing to pay if there is a clear economic justification – the increasing popularity of more efficient LED lighting is a case in point - but not otherwise. Nevertheless, given that meeting environmental regulations is simply a part of doing business in the construction sector, it's concerning that the response selected by most construction respondents (40%) was 'I think about environmental considerations but they're not in my plan'. Agri businesses lead the way in proactive planning for environmental impacts. Construction respondents were similar to other commercial (non-agri) businesses in this regard.

MANAGING COMPLEXITY

Environmental regulations are just one part of what focus group participants saw as the increasingly large regulatory burden they have to meet. One business owner noted that the number of pages of working drawings required has tripled because of the amount of information now required.

Increased complexity is hard to manage, as highlighted by the proportion of respondents with boards suggesting they would like to strengthen the board's skills in the area of regulation and compliance. Complexity also brings increased cost – to building companies and to consumers. Two recent studies¹ found that regulation costs added significantly to the upfront cost of building a typical house in Auckland.

The time and effort needed to meet the building regulations required can also lead to significant delays. This in turn can have significant financial impacts – particularly for developers. Interest costs still have to be repaid, and in some cases the increasing costs of compliance can materially alter the original investment case.

¹The impact of regulation on housing affordability, Master Builders Association, Construction Strategy Group and BRANZ, 2015 and Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development, Motu Economic and Public Policy Research, January 2015

“When it comes to environmental considerations, unless it saves money most customers vote with their wallets.”

Residential building company owner

HEALTH AND SAFETY

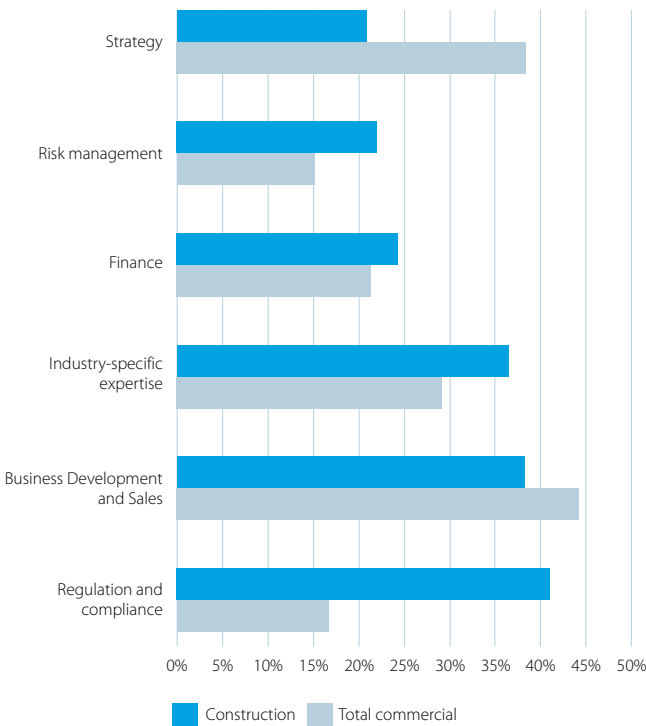
There's no doubt that health and safety is an increasingly important issue and in the construction industry in particular, the consequences of getting it wrong can be significant.

Compliance with new health and safety legislation was one of the top five biggest challenges mentioned by survey respondents. It was also cited by focus group participants as a key focus and a reason why regulation and compliance skills were top of the list of skills needed at board level.

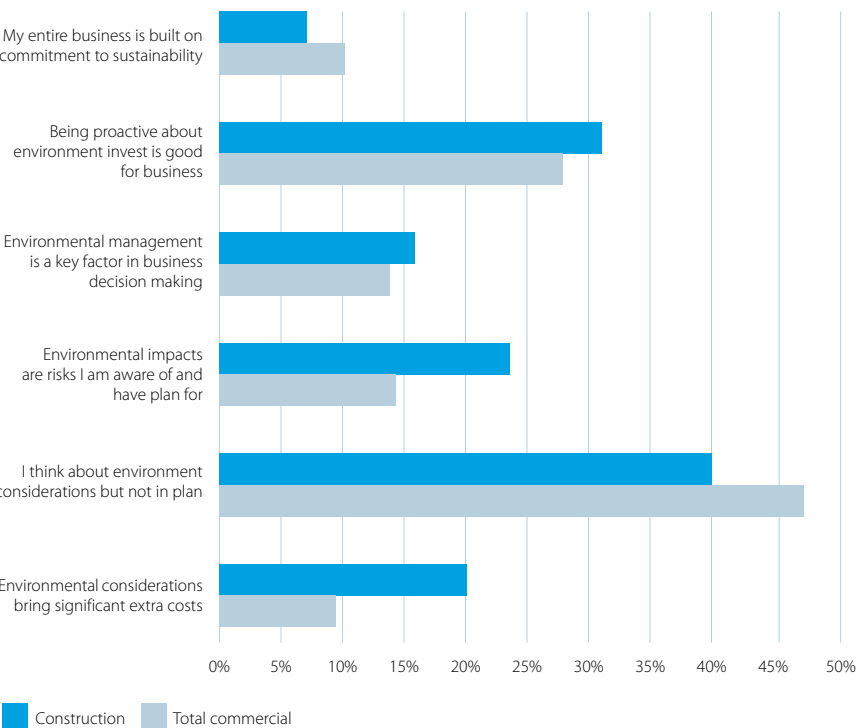
Strategies for coping with the risk mentioned at focus groups included governance responses such as health and safety being the first item on all board meeting agendas and a dedicated annual board meeting where independent experts such as the insurer were invited.

However compliance is just one part of the health and safety landscape. Award-winning entrants to the New Zealand Workplace Health & Safety Awards 2015 highlight the importance of innovative new working methods and inspiring initiatives that engage everyone in the business in improving health and safety.

KEY SKILLS NEEDED ON RESPONDENTS' BOARDS



VIEWS ABOUT SUSTAINABILITY AND THE ENVIRONMENT



20%

20% OF RESPONDENTS SAY ENVIRONMENTAL CONSIDERATIONS BRING SIGNIFICANT EXTRA COSTS



TRANSITION

PLANNING NEEDED FOR EFFECTIVE EXIT STRATEGY

Construction respondents identify over-dependence on the owner's expertise as the biggest barrier to succession.

Almost no one wants to simply shut the door. With 43% of Barometer respondents planning to take the first step towards succession in the next 3-10 years, it's an issue that will begin to bite in the near future. Finding an effective exit strategy, however, has particular challenges in the construction industry.

In focus groups owners commented that people outside the industry don't really understand it. Advisors commented on difficulty at times in assessing how much a business is worth – a lot of business is done on the basis of tenders so goodwill can be hard to value, and the cyclical nature of the business can also make it a relatively difficult sell to people outside the industry.

Even within the sector, apart from some consolidation activity, intra-industry sales are rare. That probably explains why construction company owners received by far the lowest level of interest in buying their business of any sector in this year's Barometer.

As a result, business owners often tend to look inside their company when they want to sell – but finding people with the resources, skills and desire to take over is difficult. Developing processes and systems is one way owners can make their business more attractive to potential buyers, or for family members thinking about taking over the mantle.

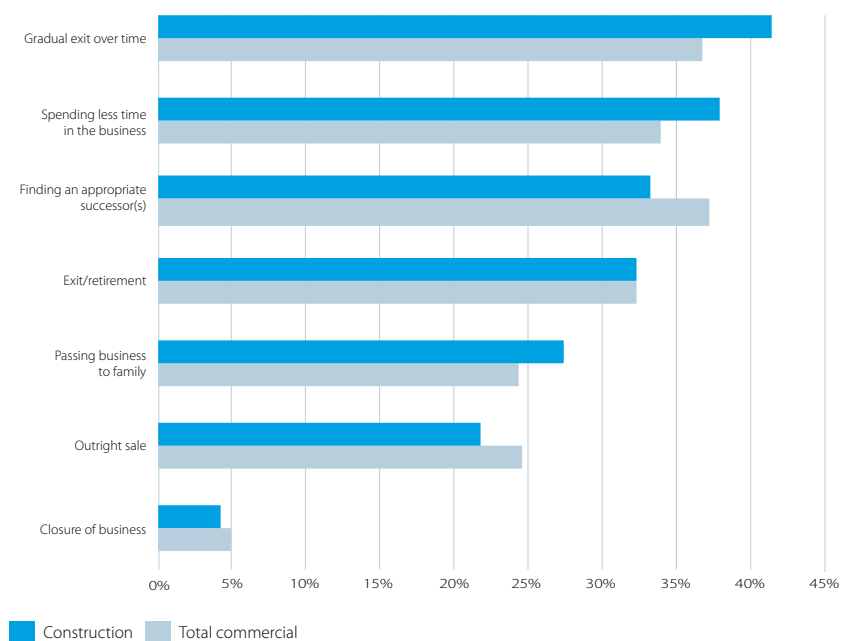
RESPONDENTS' COMMENTS ABOUT SUCCESSION INCLUDED:

"Succession is a particular issue in the construction industry so owners usually sell to staff or people in the industry. You need to consider and plan for this well in advance."
Barometer respondent

"A complication that most construction companies don't actually own a lot of stuff; they're essentially Project Managers with added services."
Construction company owner, Canterbury



WHAT DOES 'SUCCESSION' MEAN TO YOU?



43%

43% OF BAROMETER RESPONDENTS PLANNING TO TAKE THE FIRST STEP TOWARDS SUCCESSION IN THE NEXT 3-10 YEARS

BUILDING A SUSTAINABLE BUSINESS

CASE STUDY: MAINLINE CONSTRUCTION

One firm that has taken steps to build a more sustainable, less volatile business is Auckland-based Mainline Construction. Mainline Construction was started by Darren Pennington at age 20, after finishing his building apprenticeship. The business grew rapidly, but with growth came issues. Darren's passion was building, but he was spending most of his time trying to keep up with paperwork – and he also recognised he lacked some business skills that the company needed if it was to grow in a sustainable way.

In 2009, Darren brought in Nigel Hanley (a former Mainline client) as a co-owner and director. Nigel had built and sold a successful technology business, was looking for new challenges, and brought valuable business management skills and experience to the company.

"Without Nigel I'd still be struggling through with 4 or 5 guys, doing the paperwork at night, and not really getting anywhere," says Darren. "Now we've got a team of architects, interior designers, quantity surveyors, site foremen, builders and apprentices and the business is much more stable and resilient. Having those business skills, and a different perspective, has made all the difference."

Here are some of the ways they've focused on creating a sustainable business model at Mainline Construction:

- **Cashflow is king** – Regular invoicing is the key – don't leave it until it's too late. Unlike many builders Mainline invoice monthly, rather than by key milestones. "The problem with milestones is that they can be influenced by weather and other things outside your control. Monthly invoicing reflects the actual work that's been done and keeps your billing cycle in tune with your cashflow – and most clients love it," says Nigel.
- **Build a nest egg** – don't suck the business dry in good times. Put away something to help you cope when times aren't so good.
- **Be responsible** – it's important to pay your bills at the end of each month and not to build up debt. They've sometimes gone without paying themselves, but they've made sure staff and suppliers are always paid.
- **Have a plan and stick to it** – whatever the economic environment, if you keep doing things well, keep building good relationships with your clients and keep following good business practices you'll position yourself to prosper when things pick up.
- **Use data to drive your decisions** – "gut feel will always play a part, e.g. when pricing jobs, but the better data you have the smarter decisions you'll make," says Nigel. "IT systems take money, time and resource to install and maintain, but it's worth the effort".
- **Make yourself redundant** – Darren and Nigel's goal is develop their people so the business can run without them. As well as being a less stressful business to run, that also creates a more saleable business as it's about more than just the owners. "Our best two months last year were when we were both overseas," say Darren and Nigel – "that says a lot about the resilience of the business".

INVESTING IN APPRENTICES

Another thing that's helped make the business more sustainable, says Darren and Nigel, is their decision to always take on apprentices. Mainline usually has around 3 apprentices at any one time and while it is a significant investment, they believe it's one that has also delivered significant benefits over time – particularly given the difficulties in finding good staff that are a feature of the industry.

"With apprentices you can train them in your approach and your values, so there's a better cultural fit," says Darren. "That's harder to do with other staff who might be more set in their ways."

Taking on – and looking after – apprentices also creates a natural staffing pipeline. Three of Mainline's foremen started with them as apprentices, and others have come back to Mainline after time with other firms. "We think we have a responsibility as an employer to the industry to take on and train young people," says Nigel, "but it's also simply good business."



NAILING THE OPPORTUNITY

With New Zealand's need for infrastructure, a healthy construction sector is vital. The challenge, in what can be a tough business is to do it in a sustainable way.

We asked some of ANZ's most experienced construction bankers for final words to 'sum up' with thoughts on the fundamentals when it comes to capturing sustainable growth in a construction business:

1. Be clear about where and how you make your money e.g. geographic location and type of work. When you branch out, do it mindfully and with a view to the risks (and price accordingly).
2. Fill any knowledge gaps with outside opinions and ideas: this can come from many sources, perhaps an advisory board, or a mentor, or simply talking with an 'old-hand' in the industry.
3. Invest some time every month in determining cashflow position and true margin (net profit before tax) for the year-to-date.
4. There's no such thing as too much equity when it comes to riding out the inevitable business troughs. Construction projects are inherently complex and things can and will go wrong – it's vital to keep some cash reserves aside for when they do.

FIVE QUESTIONS FOR CONSTRUCTION BUSINESSES

Based on the themes raised by business owners in this year's Barometer, five questions to help you think about the foundations of your business:

1. Who are your most (and least) profitable customers? Do you have the balance – and the focus – right?
2. What are your relationships like with key suppliers, customers and other stakeholders? What can you do to strengthen them?
3. How well are your core business processes (for example costing and invoicing) working? What areas do you need to improve and how?
4. In an industry where finding skilled people is a major issue, do you have a clear strategy for attracting and retaining key staff? And are you investing in developing your own skills?
5. What opportunities are there to gain competitive advantage by innovating and doing things differently – and what would you need to do to realise those opportunities?



ABOUT ANZ

ANZ is proudly New Zealand's largest financial services provider, with almost half of all New Zealanders having a banking relationship with us.

We hope that this ANZ Privately-Owned Business Barometer, insights for the construction sector has been thought-provoking and useful. If you would like to discuss any ideas or thoughts this paper raises, please do get in touch, via your ANZ Relationship Manager, emailing barometer@anz.com or by contacting one of our General Managers.

We recognise that strong partnerships are important for business and farming success, which is why here in our Commercial & Agri division, we support our clients with access to knowledge, insights and connections to help them grow.

Our Relationship Managers are active in communities nationwide, and through them our clients have access to the largest specialist banking teams in New Zealand. This means that we can contribute an in-depth understanding to the solutions businesses need to manage their payments, mitigate their risks, fund their growth and ultimately manage owners' personal wealth.

As New Zealand increasingly looks to markets across the Asia-Pacific, we provide clients with access to banking knowledge and expertise in offshore markets to help New Zealand businesses achieve their growth aspirations.

For information about our services see anz.co.nz

For more information about a benchmarking paper comparing your business to the industry contact:

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For more information on the results of the ANZ Barometer visit anzbarometer.co.nz, email barometer@anz.com or contact one of our General Managers:

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