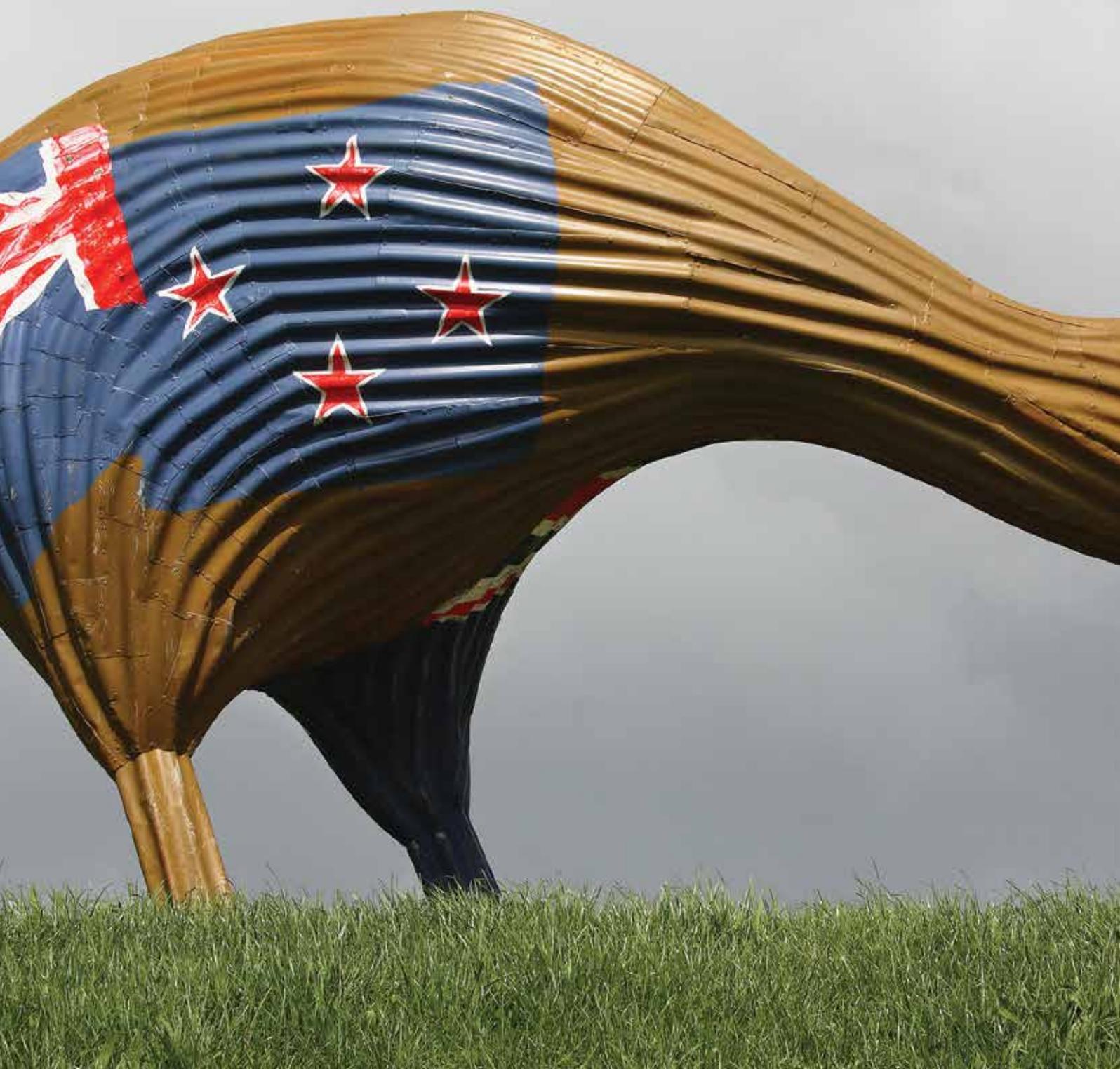




THE ANZ PRIVATELY-OWNED BUSINESS BAROMETER

Key Insights 2013







POSITIONED FOR GROWTH

The last few years have been tough for business owners, but there's a growth wave coming that should launch our economy into 'rock star status' among the OECD countries. The question is, are we ready for it? How do we ensure that after riding this wave, we end up in a better place than we are today?

The underlying picture of this year's ANZ Privately-Owned Business Barometer is one of growth, particularly in export-orientated businesses. After the long haul through the global financial crisis that's an exciting change. The challenge for businesses, advisers, banks, government and the wider community is to turn that growth into long-term prosperity. To do that requires business practices that allow us to manage volatility and maximise opportunities as they arise.

New Zealand business owners are flexible, adaptable and practical people. The upheaval of the global markets provoked a dramatic response from many. Now, as the international opportunity for New Zealand's products is growing, and confidence in the local economy is strong, we are looking for a new response to take advantage of favourable conditions.

This year's findings point to three key areas to help business owners build a sustainable growth platform. By doing so, all will be better positioned to realise the benefits of the coming growth wave, both today and tomorrow. We trust you find these keys useful and look forward to exploring what they could mean with you in your business.

A handwritten signature in black ink, appearing to read 'Graham Turley'. The signature is fluid and cursive.

Graham Turley
Managing Director, Commercial & Agri

GROWTH IS KNOCKING AT THE DOOR, HOW WILL YOU ANSWER?

Optimism is up, confidence is strong and expectations are high. The promise of growth and the benefits it will bring may be enough to make us sit back and enjoy the ride, but if we want those benefits to remain, we need a different course of action.

As in life, businesses follow a predictable pattern of establishment, growth, and (sadly) decline. The trick of course is to try and avoid decline for as long as possible, but this doesn't happen by accident or by following the status quo. Nor does it happen very easily when things are already on a downward slope. The key is to make a step change in your business trajectory before you get there, and it's much easier to do so when times are good and resources and opportunities are plentiful.

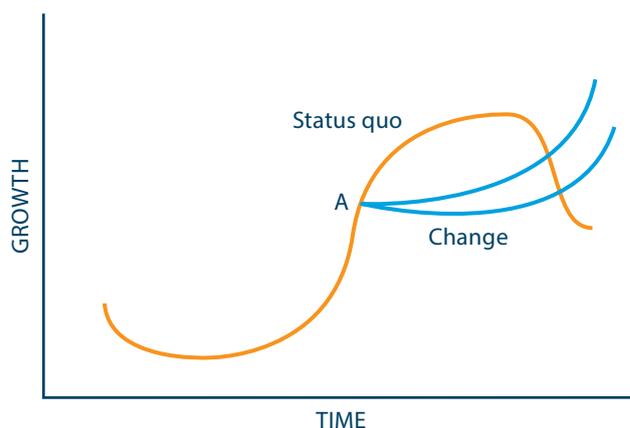
A LESSON FROM THE '90s

In 1994, organisational behaviourist, Charles Handy, demonstrated this principle with what he called the 'sigmoid curve'. Nearly twenty years on, this theme is as applicable today as it was then, and given the soon-to-be-realised improvement in our own economy, a very timely one.

If the curve in Diagram 1 represents the New Zealand economy, most businesses would be at point A, and if nothing changes, these businesses will ride the growth wave to the flat part of the curve. Unfortunately, this is the last phase before decline and is also known as the 'paradox of success' as what has brought you there will not be able to keep you there.

Those businesses who want to avoid this decline clearly need to make some significant decisions so they can continue to realise the benefits growth can bring. This requires a sustainable growth platform and the best time to develop one is now.

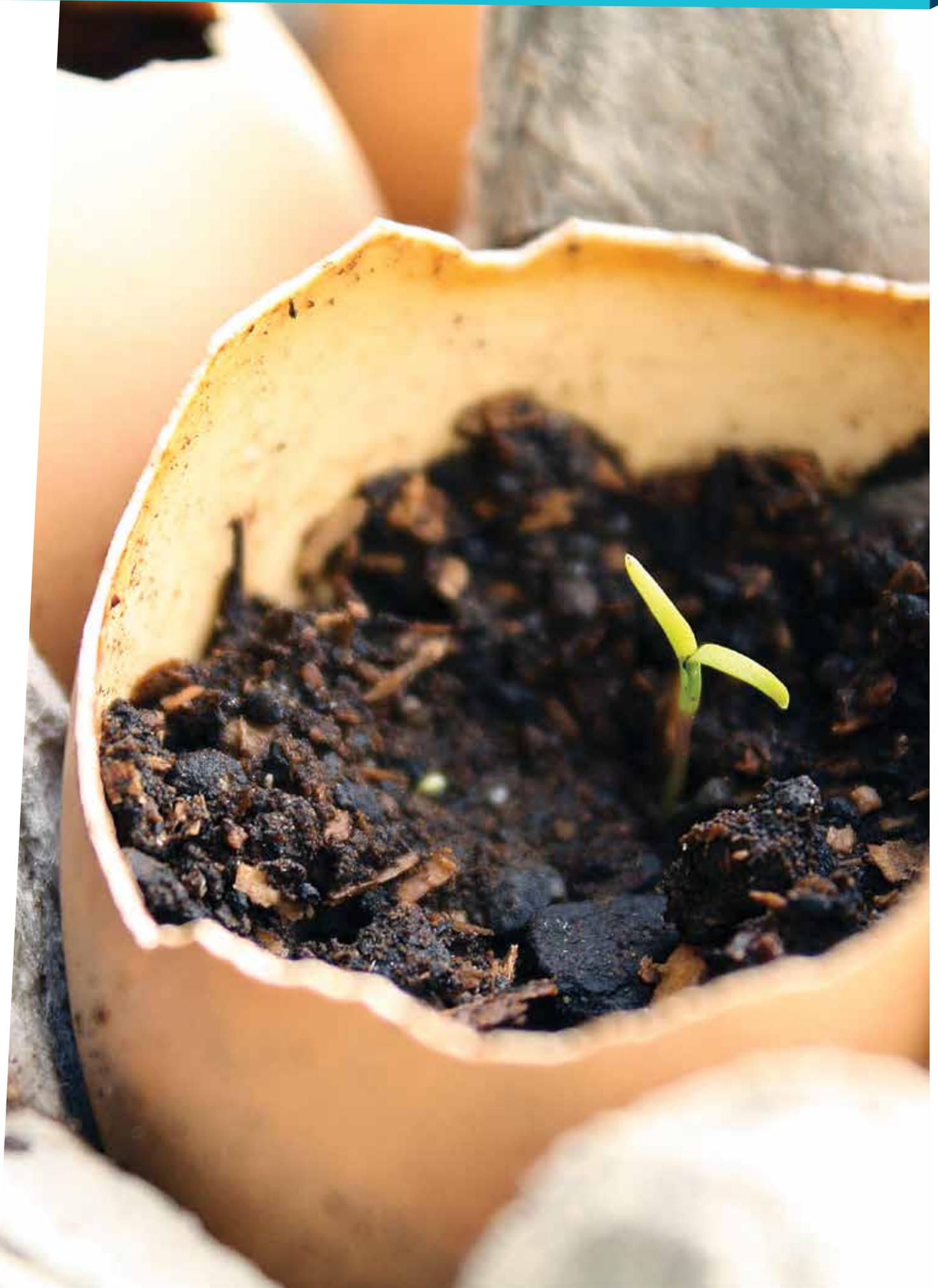
Diagram 1: Riding the sigmoid curve



BUILDING A SUSTAINABLE GROWTH PLATFORM

As business owners across most sectors expect to prosper over the next 12 months, and even more are confident about the next three years, the question is how will that optimism convert into sustainable growth? What should business owners be doing now to seize the opportunities that markets offer while at the same time build a platform that will ensure their business can weather the next storm and come out the other side even stronger?

The next storm? Yes, there will be more. The global financial crisis was perhaps the mega storm that buried the concept that a persistent boom-bust cycle was making way for a new paradigm based on complex ways of mitigating risk. Thankfully, worries over getting paid, tight inventory and cost control and a lack of capital for funding are receding as priority issues, though maintaining debtor control and smart inventory management underpins a secure foundation for expansion.



Creating a sustainable business capable of withstanding the inevitable volatility of economic cycles takes business owners away from working in the business to working on the business. It may be a cliché, but the difference is fundamental to creating something that endures. There are many books written on success – it is a successful industry in its own right – but in our experience businesses that understand their value proposition, work closely with their customers, and are looking ahead are more likely to be sustainable enterprises than those focused on short-term goals. Some may think of that as creating a legacy; to others it may be achieving success and personal wealth. All will be better protected by a business that can absorb the shocks and still continue to prosper.

“Now that we’re more established, legacy is more of a key driver for me and is affecting the decisions we’re making. It wasn’t earlier in our development though. By wanting to leave a legacy we’re not growing as fast as we could, but rather looking at sustainability and how our decisions are affecting the people coming after us.” – *Owner, wine company*

PERHAPS THE MOST IMPORTANT STEP FOR ANY BUSINESS IS CREATING THE SCALE THAT CREATES OPTIONS

Business owners will know they have reached the right point when there is more time to work on the business than in it. But that is only the start.

Scale may mean different things to each business. It could be achieving sufficient size and earnings capacity to attract the skilled people who through their expertise or added capability, can drive further growth. It could be a commitment spending more on research and development (either in-house or with research agencies) on specific projects that will create new products or services. Or it may be working with others in the same industry to find solutions to common problems. Others still may choose to achieve greater relevancy in the community by actively engaging in projects that support community goals.

Scale may also be achieved by collaborating, or more formally, by merging with others or by the outright acquisition of a complementary or competitor business. However mergers, acquisitions and collaboration are not a strong focus for most businesses even though these can create the step-changes necessary to deliver scale.

“We want to buy growth. We have become a bit of a distributor by integrating vertically but we’re looking at horizontal integration.” – *Owner, manufacturer*

The ANZ Barometer shows expectations for increased earnings are low in the immediate future with the bulk of businesses estimating increases of one to ten per cent for the next year and over the next three years. So, not surprisingly, there is little change in the factors driving business growth. A little more weight is being given to research and development and there is a slight increase in firms intending to launch new products or services. Exporters stand out as having higher expectations of growth and earnings and being actively engaged in introducing new products or services as well as targeting new markets or segments.

“We’re looking at markets with established distribution channels, where GDP and population growth is on the rise.” – *Owner, food and beverage exporter*

Exactly how scale is achieved may be less relevant than the opportunities it provides to work more closely with customers and think about business in a different way.

FORWARD THINKING IS ONE OF THE HALLMARKS OF SUCCESSFUL BUSINESS PEOPLE

Some refer to it as a ‘gut feeling’, an instinct that helps them make the mostly right decisions that have underpinned their success. Those ‘gut feelings’ are nearly always based on something far stronger; an understanding of what the markets want and the ability of a business to deliver on them.

Inspiration can come from many places. Customers in an informal setting may be a valuable source of information on industry trends and what competitors are doing.

“We invest heavily in buyer relationships by taking them out to dinner etc. This is where you hear what’s really going on – you just don’t get that same sort of detail in a business meeting.” – *Owner, wine company*

Trade shows can be the source of information on new processes and the kit required to implement them. Web-based discussion groups are becoming a useful forum to solve technical issues. Agribusinesses have a particular advantage in information sharing. Most do not see others in the industry as direct competitors and understand the benefits derived from the sharing of information and best practice.

Turning inspiration into a plan is likely to require further research and the involvement of advisers before scrutiny by directors, mentors or others whose judgement is trusted. Or it may be a robust family discussion that examines and reshapes the proposal. However it is examined, the plan is likely to emerge stronger from the input and attention paid to it.

Having worked closely with a large proportion of businesses over the years, our observation is that a more formal planning process that includes a written plan leads to the goals of the business being achieved more often and usually in a more timely manner.

BUILDING A BUSINESS THAT HAS THE RESILIENCE TO WITHSTAND THE UPS AND DOWNS OF BUSINESS CYCLES REQUIRES INVESTMENT

The most important investment may be in the capabilities of the business owner/manager so he or she can fully evaluate the opportunities that present, and implement strategies to seize them.

Mentors, university business schools and industry workshops can provide the interaction to challenge and extend horizons and capabilities.

Critical when considering new investment is the expected return. Will it justify the outlay? The likelihood of external forces changing the parameters may discourage even projects with a high rate of return, as has been evident since the global financial crisis. In some industries, such as dairying, there is a natural reticence in committing to further substantial investment when regulatory agencies can make redundant what was approved as a requirement a few months earlier.

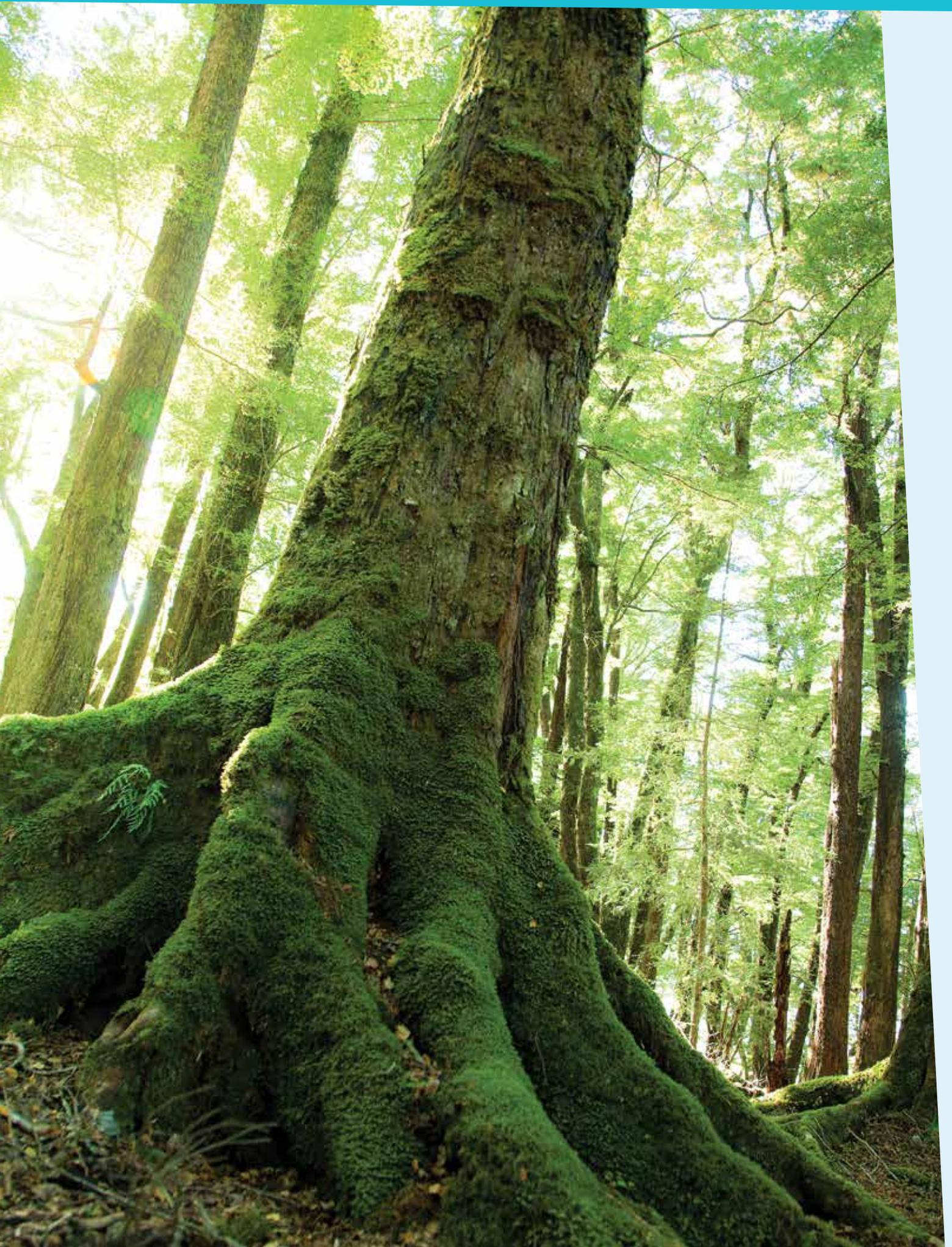
Government (local and central) regulation, procedures and policies remain some of the biggest external and non-controllable concerns for business. Clearly-defined policy guidelines and timeframes for implementation would give businesses more certainty when it comes to making important investment decisions.

“If my asset can't pay for itself in ten years, I'm not interested in it – and if there are risks involved which mean I'm less likely to get that return, then I'm not going to do it.” – Owner, dairy farm

For others the investment might be in new products, processes or equipment, or a combination of these. Exporters in particular are analysing trends in target markets to identify where new value-creating products might be pitched. Where these involve new technologies, there is a willingness to tap into science funding agencies to support additional research. Others are choosing to undertake research with competitors when the target is to create an advantage in third-country markets over competitors from other nations.

Finding the right people is an ongoing issue that is prompting innovative solutions. One large family business we are aware of finds work for the teenagers of their staff during school holidays, as a means of encouraging those young people into the business when their formal education is complete. Others, with a more urgent need, are investing in existing staff to lift their capabilities and involvement in the success of the enterprise.

“Culture is everything to us, so we tell our employees their kids can come and work in the holidays. One year they'll be greasing a tractor, the next year they'll be driving it. Culture is fundamental to attracting and retaining good staff.” – Owner, wine exporter



FINDINGS AT A GLANCE: THE ANZ BAROMETER POINTS TO GROWTH

Unless otherwise specified, the following results are based on responses from small-medium and commercial business owners.

A growth wave is coming but earnings expectations haven't changed much.

68
PER CENT of respondents are slightly to very optimistic about the New Zealand economy over the next 12 months (compared to 44 per cent in 2012)

78
PER CENT of respondents are slightly to very optimistic about their business over the next 12 months (compared to 65 per cent in 2012)

88
PER CENT of commercial respondents expect positive earnings growth in the next 12 months (compared to 89 per cent in 2012)

18
PER CENT of commercial respondents are looking to invest in new plant and equipment to drive business performance

25
PER CENT of commercial respondents are looking at new regions or markets to drive business performance

Businesses that want to realise the long-term benefits of this growth need to build a sustainable growth platform. This will require **scale and collaboration, inspiration and planning, and investment.**

Scale and collaboration in business creates opportunity through capability and choice and is perhaps under-appreciated.

90
PER CENT of New Zealand businesses have five or less employees (Statistics New Zealand 2013)

15
PER CENT of commercial respondents are looking at mergers and acquisitions to drive business performance

11
PER CENT of commercial respondents are looking at partnerships or joint ventures to drive business performance

17
PER CENT of commercial respondents are looking at international expansion to drive business performance

Inspiration and planning go hand in hand – both are as important as each other and both are required to develop and achieve long-term growth objectives.

80
PER CENT of respondents have a goal that really motivates them

57
PER CENT of respondents have this goal written down

23
PER CENT of respondents involve their staff in goal setting

45
PER CENT of respondents say they follow best practice when it comes to planning and decision making

Investment is critical, but this is not just limited to acquiring physical assets. Owners seeking sustainable growth will also be investing in themselves, their people, and their culture.

8
PER CENT of commercial respondents are looking at research and development to drive business performance

56
PER CENT of respondents found market research and financial analysis tools helpful when making big decisions

25
PER CENT of respondents would like advice on how to improve productivity

Owning a business is a challenging, and sometimes, lonely job. Making time to work on harnessing a new wave of growth can be tough, especially if it means adopting new practises to the business. **However let's not forget that when you achieve what you set out to do, the rewards can be immense.**

77
PER CENT of respondents are in business to make money

55
PER CENT of respondents are in business to enjoy a chosen lifestyle

17
PER CENT of respondents are in business to leave a legacy

SCALE AND COLLABORATION

New Zealand is a land of small businesses. Our remote location and low-density population makes smallness a particular attribute of New Zealand enterprises. Even our 'giants' are small on a global scale.

There are advantages in being the little guys. Few see us as a threat, and many New Zealand businesses have taken advantage of that perception to establish profitable niche markets that much larger competitors have tended to overlook. And it's fun growing a business without having to worry about all the systems and organisation that larger enterprises need just to function.

BUT THIS LACK OF SCALE IS OFTEN AN INHIBITOR TO THE CREATION OF SUSTAINABLE BUSINESSES THAT CAN WITHSTAND THE VOLATILITY OF MARKETS AND BUSINESS CYCLES

Economists attribute the lack of scale to the low level of productivity that dogs the economy overall. Low productivity limits wealth creation and makes businesses vulnerable to sudden and unexpected events that they lack the capacity to withstand.

"Having so many small businesses can sometimes disempower us as a nation because nobody talks to each other; nobody shares information."

– Owner, construction company

The need for scale appears to be under-appreciated or ignored by many businesses. Few in this year's ANZ Barometer are looking at partnerships, acquisitions or mergers to strengthen their market positions and potentially create the scale to explore further opportunities that additional resources might bring.

Collaboration becomes all the more necessary with the sheer size of the infrastructure projects now being undertaken by local and central government, who prefer suppliers with the capability to deliver their requirements.

IN ESSENCE, SCALE AND COLLABORATION IS ABOUT CREATING OPPORTUNITY THROUGH CAPABILITY AND CHOICE

With a stronger market position, businesses may attract staff with higher levels of skill and expertise to assist in developing further opportunities for growth. This capability also provides resource for research and development to build the pipeline of products and services. Businesses with scale tend to be more attractive to staff at all levels for the career paths they offer and that scale leads to sustainability and beyond to creating a business that will proudly celebrate its jubilee and contemplate a centenary.

SCALE THROUGH COLLABORATION – TOGETHER EVERYONE ACHIEVES MORE

Scale can be achieved in many ways. At one level it may be collaboration, for example, working with a competitor or another industry player, to tackle a market opportunity here or overseas that would not be achievable by either business on its own. At another level, it may be a partnership or a formal joint venture to invest resources in a particular market, such as joining with a distribution partner to provide the marketing support required. Or it could mean bringing in a shareholder with the skills and resources to take the business to the next level.

"Collaboration is happening and will happen more. If you look at what drives collaboration it's mature markets and chaos." – *Owner, food and beverage exporter*

Collaborative arrangements have the attraction of channelling resources directly to the project while the rewards return to the individual businesses that provide the materials, services and capital. It may be the legal complexities or the individualism of many business owners – the drive that got them into business – that makes collaboration a little-used means of building scale.

"A major barrier to collaboration is that New Zealand inventors tend to want to go it alone, to do it themselves. They're not prepared to give up control to have a bigger slice of pie." – *Owner, food and beverage exporter*



THE WINE INDUSTRY LEADS THE WAY IN SCALE THROUGH COLLABORATION

Over the last decade a dozen winemakers have collaborated together to stage promotional events in designated markets, organise inbound visits by sommeliers and influential wine writers and conduct knowledge sharing and capability-building workshops every year.

“We work collectively on making sure our product is number one. That gives us a major lead in markets and is a big shift for the industry where we all used to compete against each other.” – *Owner, wine exporter*

OTHERS ARE ALSO FOLLOWING SUIT

A component manufacturer is expanding because in providing extra services to his customers, his business grows as theirs does. He also works with competitors producing components for them and has expanded vertically to become a distributor.

A resource-based exporter is funding a joint research project with a competitor in another country to develop a marker that will authenticate their products and give purchasers the assurance they are getting a premium product rather than an imitator from competitors with different species.

SCALE AND COLLABORATION REPRESENT SIGNIFICANT OPPORTUNITIES IN THE AGRI SECTOR

In the dairy industry, scale and collaboration means that medium-sized and larger operations now have the ability to employ the management teams, staff and advisers essential for maintaining production and achieving the ever-increasing compliance standards the industry faces.

To achieve that scale, many farms have been amalgamated and new units created, reducing the total number of farms available to new entrants. As a consequence, the traditional route of sharemilker to farm owner is being disrupted with some evidence of sharemilkers realising that farm ownership may not be the ultimate goal anymore.

“Scale is important to attracting good skills, not just retaining them. You can train your staff better on a larger farm. And staff retention and productivity are better.”
– *Owner, dairy farm*

INDUSTRY ASSOCIATIONS NEED TO BE SETTING THE EXAMPLE

For many businesses their industry association should provide a working forum for the instigation of research projects designed to benefit the whole industry, that may otherwise be too large for any one business to achieve.

MERGERS AND ACQUISITIONS STILL REMAIN KEY

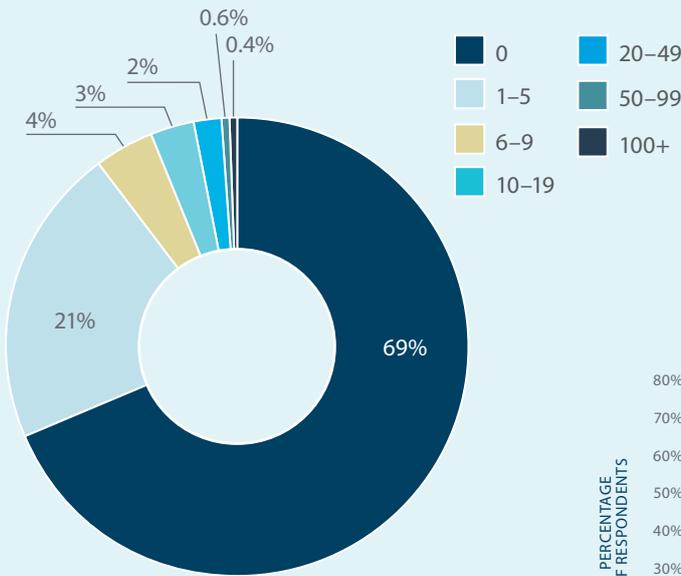
Beyond the team approach of working to achieve a common goal, is the formal merger or outright acquisition of a competitor or supporting business. These are less favoured in the commercial sphere, though expansion through the purchase of a further farm has long been accepted in the agri sector. Māori enterprises also view mergers and acquisitions as a means to achieve scale, establish market positions and overcome soft barriers to markets that might otherwise be challenging.

SIX QUESTIONS TO CHALLENGE YOUR THINKING ON SCALE AND COLLABORATION

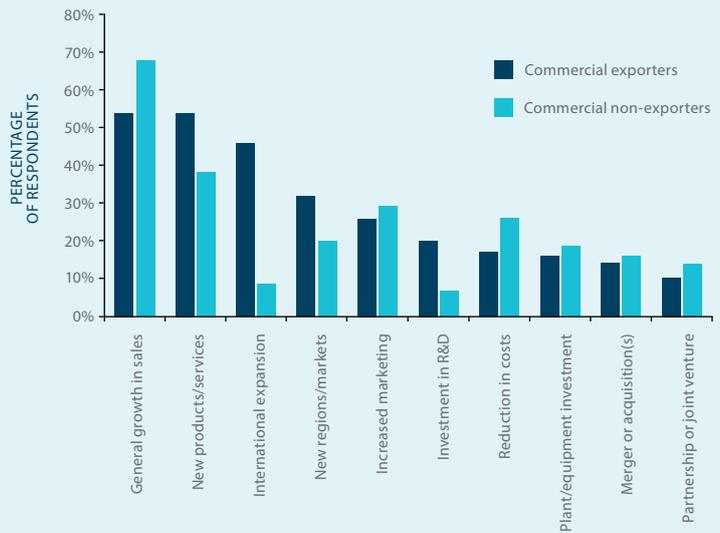
- What would have to change for your long-term earnings expectations to be different?
- Are you as big as you need to be to achieve the business outcome you want?
- Who can you collaborate with so that you can act bigger than you are?
- Are there opportunities for you to expand up, down and across your value chain?
- How can you make your industry group work for you?
- Are you big enough to leave a legacy?

OFF THE CHARTS: WHAT BUSINESS OWNERS SAID ABOUT SCALE AND COLLABORATION

EMPLOYEE COUNT (FTE) OF ALL NEW ZEALAND
BUSINESSES (Statistics New Zealand, 2013)

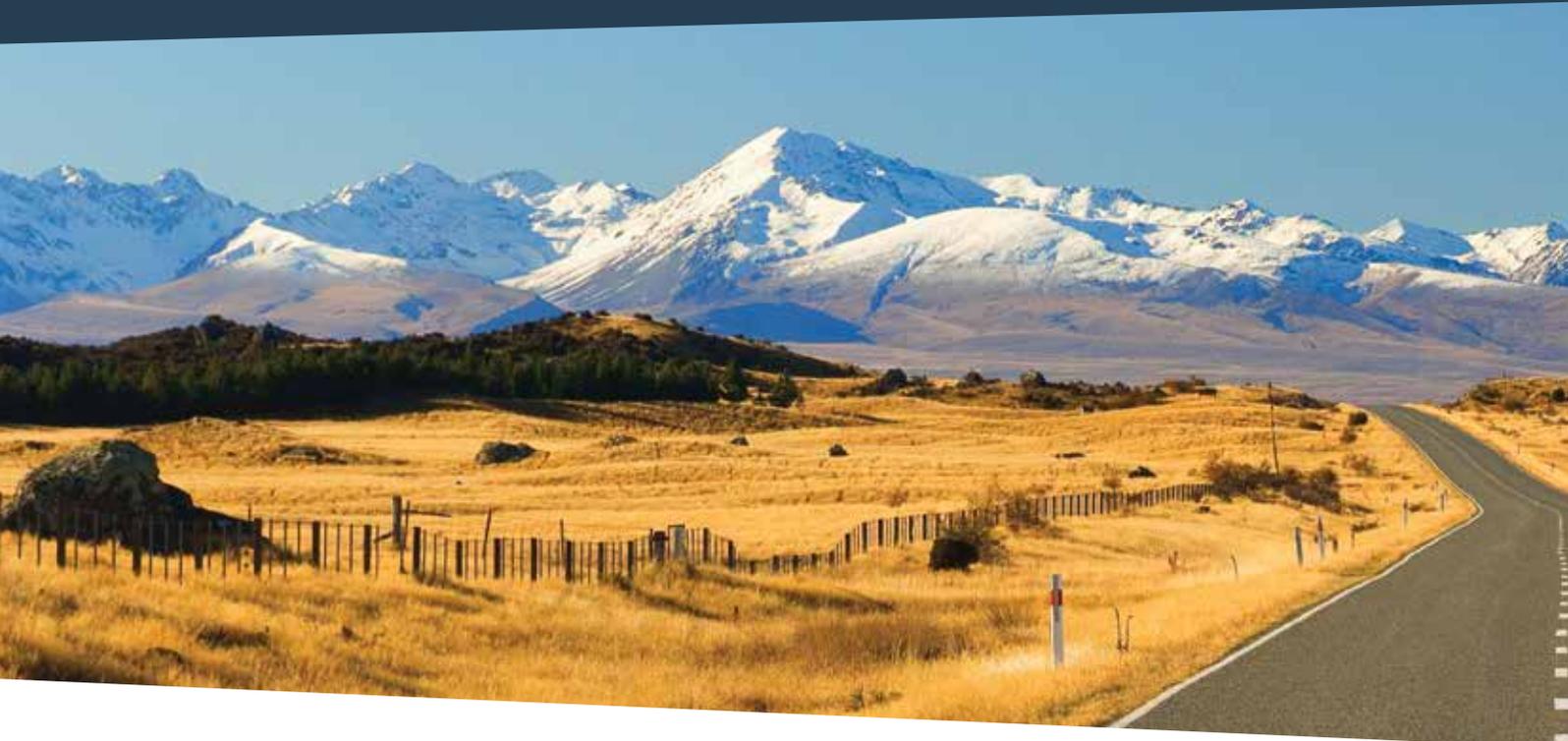


FACTORS THAT WILL CONTRIBUTE MOST TO
BUSINESS PERFORMANCE (IN THE NEXT 3-5 YEARS)



FACTORS FOR PERFORMANCE VS EXPECTED
EARNINGS GROWTH (COMMERCIAL BUSINESSES)





INSPIRATION AND PLANNING

Who is the Steve Jobs or Mark Zuckerberg in your organisation, the 'Big Ideas Officer' who can see what your customers want before they know it themselves? There are not many Gates, Jobs or Zuckerbbergs around, but every business needs a 'BIO' who can help formulate the next 'big' idea.

The 'BIO' will be looking for the inspiration that will give your business a competitive edge. Most likely the 'BIO' in your business is you, the owner and/or your senior management team.

WHERE DOES YOUR INSPIRATION COME FROM?

As a country we are never short of good ideas. The challenge is identifying those that will fit your business model and create value. The role of the 'BIO' is to understand where the business is on the sigmoid curve (see page 3) and what it needs to keep it travelling up the slope.

Amongst the businesses we talk to there are many different approaches. One exporter works regularly with a business adviser to bring in new ideas and explore market development opportunities. That led to their selection as a case study at an American university business school, which evaluated the prospects for the business' products in their markets.

Others tell us they go trade shows to look at new products and processes. Another asks for introductions from his suppliers to customers offshore who talk far more readily about industry trends than his immediate competitors at home will.

"My competition doesn't talk to me in New Zealand. Instead, I speak to my suppliers and ask them to introduce me to their overseas clients so that I can hook up with them. They're not threatened by us, so are more than happy to share ideas."
– *Owner, manufacturer*

Understanding the needs of end customers and what they really want can be the inspiration for new products or services. For others it is catching up with customers in a more relaxed setting to glean insights into industry trends and how competitors are positioning.

All these activities will be engaged in to some degree and the findings mulled over with advisers or boards before being refined into fully budgeted options. How those options translate into action vary.



TURNING INSPIRATION INTO ACTION

We know from working with our customers that those with a written plan and someone to hold them accountable for the outcome, are more likely to achieve their objectives.

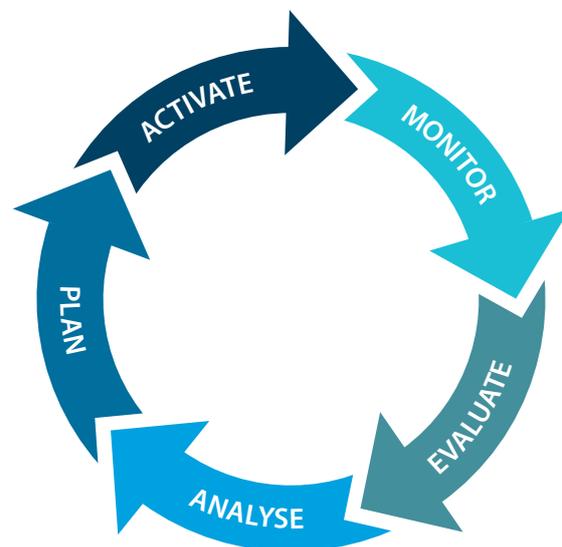
The ANZ Barometer shows that about one in four businesses adopt that practice. Diagram 2 demonstrates the elements of good planning, and we were pleased that at least half of respondents thought it bore a resemblance to the steps they go through in their business.

“We have a business adviser who comes in a couple times a month to keep the business focussed. We have to plan five years out for funding needs. You know it won’t be entirely accurate but you do the best you can.”
– Owner, manufacturing exporter

Smaller businesses and those driven by the next sale are less likely to commit to a written plan, while those with a management structure are more likely to have a formal planning process. One well-established family business tells us that four times a year it brings in a facilitator to ensure even participation by everyone at its planning sessions. Another, headed by a self-confessed autocrat, engages in a robust discussion with immediate family members before seeking additional advice from the business’ accountant.

“When I started trading, this type of planning went by the wayside. When you’re trading you just trade and hope to make a profit. Now that we’re manufacturing I’m coming back to this again, more management by objectives, more budgeting.” – Owner, food and beverage exporter

Diagram 2: Plan to succeed



PLANNING IS A 'DOING' WORD

One owner told us he was advised before he commenced operations to determine his exit strategy – which he did by contacting larger players in the industry offshore to tell them his intentions. The feedback received helped him structure the business to meet the metrics that will attract prospective purchasers when he chooses to exit the business.

Equally innovative was the approach adopted by an agribusiness owner, who, with his wife, headed overseas armed with contacts provided by suppliers to talk to similar business owners there on building his business and putting in place a succession plan.

Another business looked at their operations and identified their need for skilled staff as a major dependency some years ago. Instead of waiting for it to become an even bigger issue, or wishing for it to improve, they started their own apprenticeship programme and are now starting to reap the rewards.

“Capturing the growth opportunity all comes back to resource for us. We saw this as an issue a while back, so started our own apprentice programme three years ago, training up guys to do the work. The government wasn't doing anything in this area, so we had to do something ourselves to ensure our own survival.”

– *Owner, construction company*

SUCCESSION AND PLANNING GO HAND IN HAND

One area the ANZ Barometer has always focused on is the area of succession. With ageing demographics, exit or retirement is increasingly on the cards for many business owners with respondents citing that barriers such as finding a suitable acquirer, agreeing the value of the business, and over-reliance on the owner's expertise remain a concern. Interestingly, we know that businesses with better cashflow seem more comfortable about succession plans.

INSPIRATION FOR PLANNING CAN COME FROM MANY PLACES

Talking to competitors, suppliers, family and being open to trends and changing consumer tastes are all part of it. Understanding what is important for your business is the start of your next plan.

NINE QUESTIONS TO CHALLENGE YOUR THINKING ON INSPIRATION AND PLANNING

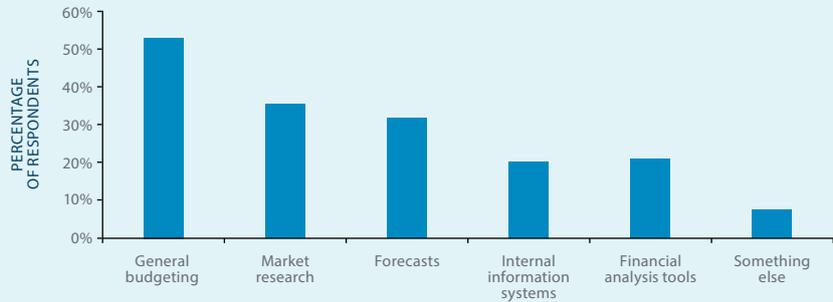
- What's holding you back from making the big investment decisions?
- Do you know what your ultimate end users really think of your product and how they use it?
- What would be the upside of working with a more structured planning process?
- When was the last time you gave yourself the freedom to explore new ideas?
- How will today's ten-year olds experience your business in 2025?
- Thinking about the world around you, what has the potential to totally transform your business?
- Where in the world is innovation happening in your industry – when were you there last?
- Who knows what's going on in your market and how can you get to know what they know?
- Who do you ask for an outsider's perspective on your business?

OFF THE CHARTS: WHAT BUSINESS OWNERS SAID ABOUT INSPIRATION AND PLANNING

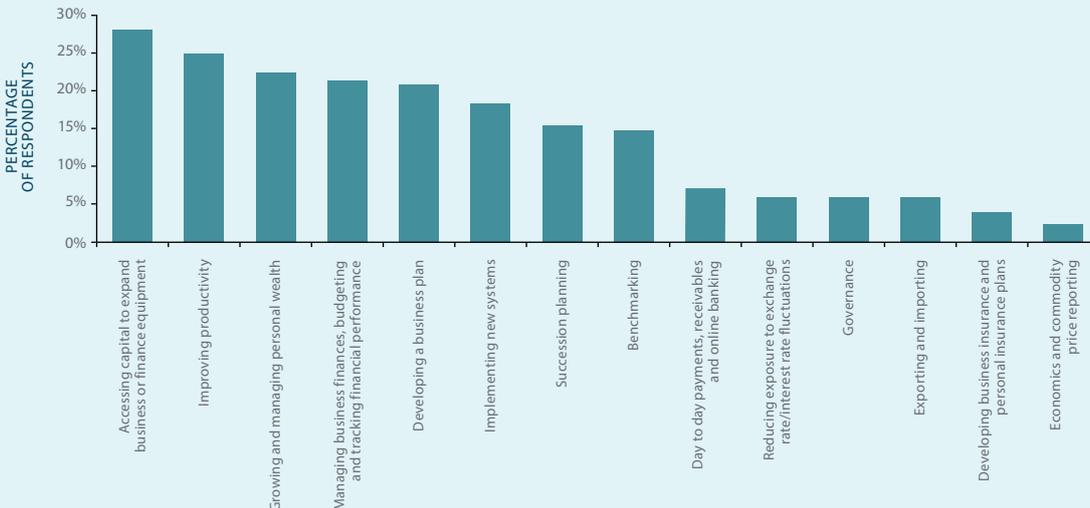
WHERE DO BUSINESS OWNERS GET THEIR
INSPIRATION AND IDEAS FROM?



TOOLS BUSINESS OWNERS FIND BENEFICIAL
WHEN MAKING BIG DECISIONS



SPECIALIST EXPERTISE OR INFORMATION
BUSINESS OWNERS WOULD BENEFIT FROM





OPPORTUNITY
SHOP

INVESTMENT

When businesses fail, it's mostly due to one of two simple reasons: the business has run out of money, or can no longer see a viable future with its present structure or management.

So why do successful businesses get to that point? Often it is a lack of investment to create a sustainable business. Short-term opportunistic growth has its attractions and many successful enterprises have been transformed by taking advantage of favourable circumstances. Those that have succeeded in the longer-term have understood the value proposition created and have invested in it. What that investment looks like will differ from business to business.

WHEN DID YOU LAST INVEST IN YOURSELF?

Discussions on investment usually focus on new plant and equipment, or on new systems to deliver cost savings or increase productivity. But perhaps the most important thing for any business to invest in is its principal asset – you, its owner. Building your capability to run your business for the next ten years will do more towards creating a sustainable business than any other investment.

It may be through business school courses where a cross pollination of ideas from many sectors can stimulate new thinking and create new networks. It might be by reaching out to leaders in your own (or unrelated) industries, or being inspired by the latest management handbook or autobiography. For many, it is being open to new ideas and trends and thinking about your relevance to your business goals.

INVEST IN NEW WAYS OF THINKING

One small technology company we know of hires new graduates straight from university for the new thinking and creativity they will bring, knowing that within three years most will have moved on to other opportunities.

Others appoint directors and mentors who can provide the insights and connections to fulfil the business' goals. Newcomers to the technology sector are ready-adopters in this space, especially if their intention is to tap into investor enthusiasm within public markets for the capital to expand globally.

BETTER EQUIPMENT AND QUALITY CONTROL CAN LEAD TO BETTER CUSTOMER SATISFACTION

Sustainable growth may well require investment in physical assets. One manufacturer told us that the purchase of more sophisticated (and expensive) equipment to replace less reliable machines meant restructuring his factory to run 24/7 to justify the expenditure. To do so meant bringing back some lines, which had been outsourced offshore to a low-cost manufacturing country. The business is now reaping the benefits of improved customer satisfaction, as a result of achieving higher levels of quality and reliability.

Given increasing consumer concerns regarding the integrity and sustainability of the products they buy, more firms are also investing resources into demonstrating compliance with regulations. Some have even been able to use this to create a sustainable advantage over competitors.

"We're doing a lot of R&D to avoid problems. We're using compliance and food safety as our competitive advantage." – Owner, food and beverage exporter

COLLABORATION CAN BRING EFFICIENCIES

Bigger ideas may require investment in further research and commercialisation. There is a greater awareness of available funding and resources from government agencies and related research institutes. But there is still a split between those who regard the effort in time and paperwork as not worthwhile, and those who succeed in tapping into those resources.

While New Zealand prides itself on innovation, there is recognition that other nations are leaders in particular fields. Israel, for example, is a world leader in irrigation technology. Some owners have suggested that working with experts offshore is more likely to produce a high-quality solution in a shorter timeframe than starting from further back in New Zealand.

"R&D in New Zealand should really be about tapping into what other market leaders are doing and re-purposing it for us. We need to think about R&D differently. Doing things collaboratively is a much better use of resource." – Business adviser, investor

WHAT IS YOUR PAYBACK HORIZON?

Understanding the level of risk you're comfortable with is important in any decision to step up investment, and part of this is evaluating calculated payback timeframes. Other factors to challenge investment decisions include the cost of buying new technologies, and the staff training and development required to implement them. Just over 20 per cent of respondents to the ANZ Barometer find the cost of new technologies a significant challenge while almost 40 per cent – regard staff training and development as a similar impediment. We know however, that investing in technology and staff is critical to building a sustainable growth platform and this will only increase as businesses look for more ways to make their products and services available to the mobile, online world.

"We're looking to move our product up the value chain rather than commoditising. Technology plays a huge part in that." – *Owner, food and beverage exporter*

KNOW WHERE YOUR GROWTH IS COMING FROM AND INVEST THERE

When it comes to the approach of businesses to investment, research and development, and innovation, there's a clear division between businesses that are export-orientated and those who are not. Businesses focused solely on the domestic market see further growth coming from increased sales with less emphasis on new products or services. But to achieve above-trend growth in the current market, those businesses will need to take market share from competitors. The ANZ Barometer shows that while the number of owners contemplating M&A activity is slightly up from previous years, it is still small.

"It's encouraging that more businesses are looking at mergers and acquisitions to grow. It's definitely important for export success, but I've heard New Zealand business owners say that acquiring is like cheating." – *Business adviser, investor*

Exporters are only too well aware that they face competition from many sources and need to be close to their customers and innovative to succeed. There is also a keen understanding of the dynamics of potential markets and the structures required to establish a market presence.

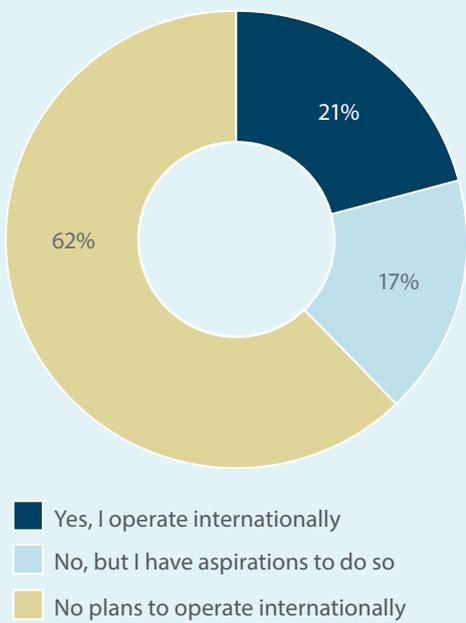
Māori-owned businesses tell us they see great opportunity in overseas markets to create value and are far more likely to understand the benefits of partnerships or joint ventures to help them get there.

SEVEN QUESTIONS TO CHALLENGE YOUR THINKING ON INVESTMENT

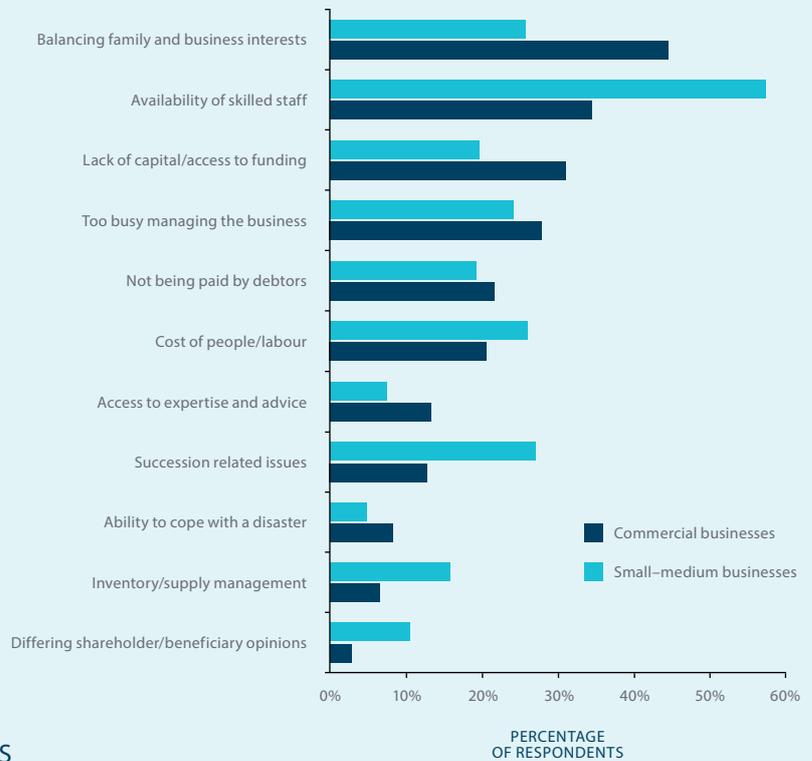
- What do you need to invest in now to make sure you have a brighter tomorrow?
- What are the leaders in your field investing in?
- Where could you put more of your time or resources to get better results?
- How do you prove the worthiness of an investment to yourself and your stakeholders?
- Who else stands to benefit from your investment and could they invest with you?
- How are you investing in the culture of your business and what does that give you?
- How are you investing in yourself?

OFF THE CHARTS: WHAT BUSINESS OWNERS SAID ABOUT INVESTMENT

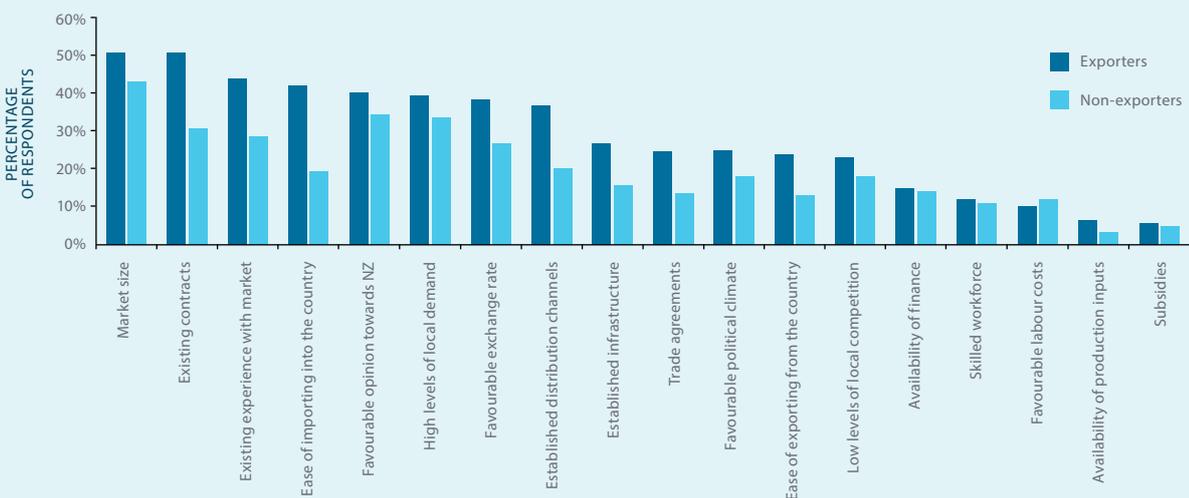
PERCENTAGE OF BUSINESS OWNERS OPERATING OR PLANNING TO OPERATE INTERNATIONALLY



FACTORS OF MOST CONCERN TO YOUR BUSINESS



ATTRACTIVE FACTORS WHEN WEIGHING UP OVERSEAS MARKETS





WHERE TO NEXT?

We hope the 2013 ANZ Privately-Owned Business Barometer has been thought-provoking and useful. If you would like to join a discussion group on these findings, or would like to be involved in the next survey please contact your ANZ Relationship Manager or email barometer@anz.com.

More information on the results of the ANZ Barometer can be found at anzbarometer.co.nz or by contacting one of our General Managers.

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ABOUT THE ANZ BAROMETER

The ANZ Privately-Owned Business Barometer (also known as the ANZ Barometer) is an annual study of privately-owned businesses conducted by Ipsos on behalf of ANZ.

This year we invited owners of small-medium businesses (those with turnover of less than \$2 million per annum), commercial businesses (those with turnover of more than \$2 million per annum), farmers, and Māori businesses to take part in an online survey.

To interpret the survey findings, focus groups were held across New Zealand, each representing different sectors of the privately-owned business community. These included small-medium and commercial businesses, exporters, Māori businesses, and agribusinesses (dairy, cropping and horticulture, and red meat farmers).

As this is only the second year agribusiness and small-medium business owners were included in the study, only two years' worth of data is used in the year-on-year comparisons for these sectors. Greater comparisons can be made with responses from commercial business owners as we have seven years of data to draw upon for this sector. No year-on-year comparisons are available for Māori businesses as this is the first year of their specific inclusion in the study.

This report looks at the entire sample of this year's respondents, with the focus being on non-agri businesses. A separate Agri Key Insights report covers the issues specific to farmers and the agri industry. More information on the ANZ Barometer and this year's findings can be found at anzbarometer.co.nz.

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 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.

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