

TRANSFORMING THE MID MARKET

MYOB Enterprise Insights Report



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INTRODUCTION

New Zealand is often characterised as a nation of small businesses. This is unsurprising, given over 70% of the country's 528,000 enterprises have no paid employees, and a further 23% employ fewer than 10 staff.

Larger businesses are rare in this country: less than 1% of New Zealand businesses – just under 2,500 organisations – have more than 100 staff.

Between these two groups – New Zealand's small businesses and those larger corporations at the 'big end of town' – is a sector that seldom garners a great deal of attention. While broadly defined, an enterprise is often described as a business with more than 20 staff, and a yearly revenue of more than \$5 million.

In New Zealand, the mid-market makes up just 6% of all businesses. Despite their relatively small number – around 31,000 – these 'bigger businesses' make a significant impact on the economy. Over a third of the nation's workforce is employed by one of these enterprises, which contribute around 40% of the country's GDP.

New Zealand's bigger businesses are a diverse range of enterprises. While they dominate in the manufacturing and construction/trades industries, they are spread right across the industry sectors. They also operate throughout the country and supply a wide selection of goods and services, both locally and internationally.

Despite their differences, New Zealand's bigger businesses also share a number of distinct characteristics and face common challenges. Often established by a single individual or family, they have grown through the early stages of business development to reach a level of maturity. In doing so, they have faced many similar growing pains – from staffing issues and skills shortages to intensifying competition.

While most have adopted at least some of the structures common in the larger corporate world, most notably spreading the control and governance of the business across an executive team and board, many still bear the strong imprint of the original owners – giving them a unique culture, perspective and management style.

Growth and development has often been achieved in hard-fought stages, with the business building from a small number of employees in a single location, to a countrywide operation. This experience has often shaped the way they have developed and, in particular, their aspirations and ambitions for the future.

Ultimately, how well these businesses perform will have a significant effect on the future of the New Zealand economy. Not only does this small number of businesses drive growth in both jobs and the economy, it is also the key source of future development and innovation for the country.

New Zealand's bigger businesses arguably represent the future of enterprise in this country: it is from this group the major private sector innovators, efficient producers, large exporters and significant job creators will arise. And this home-grown sector is also more likely to reinvest the returns they make back into the country, while fostering a wider eco-system of local businesses that respond to their activities – both cooperatively and as competitors.

In order to ensure that these enterprises have the tools, support and environment in which to thrive, it is vitally important that the country – from the Government, to investors, to business commentators – have a greater understanding of the challenges they face and what they need to succeed.

To this end, MYOB is making an important first step. In this report, we are measuring the performance of the New Zealand mid-market, highlighting the challenges they face and identifying the barriers to their growth. In doing so, we hope to help bring their significance into greater focus and ultimately support their success.

INTRODUCTION

ABOUT THE SURVEY

For the MYOB Enterprise Report, MYOB interviewed 185 bigger businesses from across the country in the latter half of 2017.

The businesses range in size from mid-sized operations of under 20 employees to large scale enterprises. 45% of the respondents employ more than 50 people and 6% have a staff of over 1000. They represent a wide range of sectors, from manufacturing (23%) and construction (11%), to professional services (11%), healthcare (6%) and agribusiness (5%).

A quarter of the respondents report an annual turnover of less than \$10 million, while 4% reported earnings of over \$100 million.

While half are based in the Auckland region, reflecting the preponderance of bigger businesses in the country's super city, they are spread across the country – from Northland to Southland and Otago.



ECONOMY

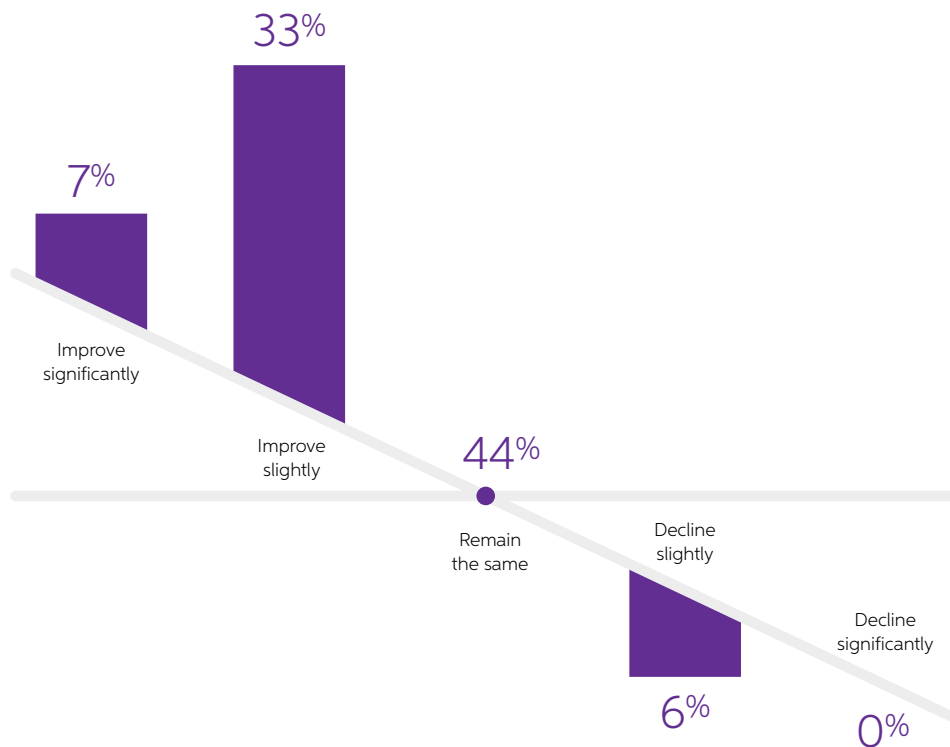
01

BUSINESS CONDITIONS SET TO IMPROVE AS CONFIDENCE IN ECONOMY GROWS

Over the last 12 months, New Zealand's bigger businesses demonstrated the strength of their contribution to the economy, with strong growth underpinned by solid confidence, in both their own performance and that of the wider economy.

According to the MYOB Enterprise Report survey, the outlook for New Zealand's economy was positive in late 2017, with 40% of bigger-business operators saying it would improve by the end of 2018. Just 6% expected economic conditions to decline in 2018, 44% believed it would remain the same, and 10% were uncertain about how the economy would perform this year.

THE NEW ZEALAND ECONOMY WILL:



The steady confidence in the local economy will likely ensure the sector maintains its willingness to invest in growth, even if economic conditions change over the near term.

The outlook within the sector is particularly positive in the South Island (49% expect economy to improve) despite one of the significant growth drivers, the Canterbury rebuild, passing its peak. Growth in the agricultural services sector, significant infrastructure development and the impacts of the booming tourism industry are likely to be contributing to confidence in the South. And while businesses operating in the North Island are slightly less optimistic than their southern counterparts (34%), confidence in the greater Auckland region is slightly above the sector average (41%).

Over half (58 per cent) of larger businesses (those which employ 20-49 employees) and those with revenues higher than \$10 million dollars (54%) also said they expect the economy to improve this year.

SIGNIFICANT REVENUE GROWTH IN THE MID-MARKET

Underpinning the broader confidence is the strong revenue growth most of New Zealand's bigger businesses achieved in 2017.


Just 11% of bigger-business operators said their revenue decreased in 2017, while 43% said their revenues had grown since 2016. Performance was strongest in the North Island, where close to half (45%) of bigger business operators said their revenues had increased since last year. Despite being more confident about growth in the economy, only just over a third (35%) of the South Island's enterprises saw improved returns over the last year.

Off the back of the country's building boom, the construction and trade industry performed well in 2017 – over half (55%) said revenues had grown. The industry is also among the most positive for 2018 – with over three quarters (77%) expecting revenue to increase between now and the end of the year.

Likewise, a majority of family owned businesses (64%) reported higher returns than 2016, compared to only a quarter of public companies. Over two thirds (67%) of family-managed businesses said their revenues will be up by 2019.

Overall, New Zealand's bigger businesses are expecting considerable growth in 2018, with 54% forecasting that their revenue will increase over the next 12 months. The Auckland region is looking particularly strong in the year ahead, with 58% of bigger businesses based there expecting improved revenue.

Only a small number of enterprises in the sector are expecting their revenue to be down this year, at just 4%. Those most likely to expect their returns to fall are businesses with a revenue of less than \$5 million (14%) and North Island businesses that are based outside of Auckland (11%).



THE PRESSURES THE SECTOR FACES

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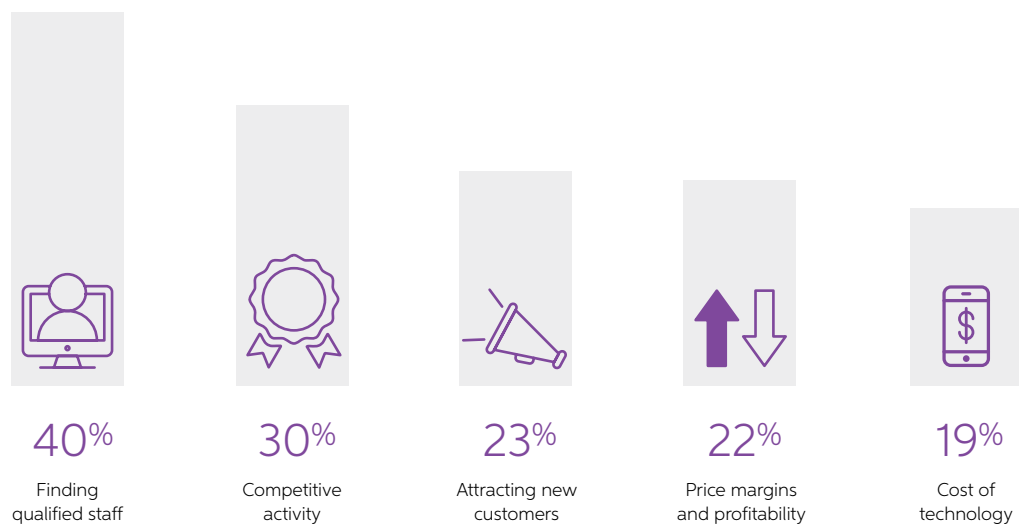
THE PRESSURES THE SECTOR FACES

MORE SKILLED WORKERS NEEDED TO RELIEVE BUSINESS PRESSURE

A shortage of the skilled employees needed to support the needs of the organisation is reaching crisis levels among New Zealand's bigger-business operators.

The MYOB Enterprise Report survey highlights the ability to find qualified staff is the sector's most significant business pressure (40%), followed by competitive activity (30%) and attracting new customers (23%).

TOP FIVE BIGGER-BUSINESS PRESSURES



The skills shortage is particularly severe for the construction/trade industry, with over two thirds (67%) identifying it as a significant issue – a concern given the major investment in building planned by the Government over their first term, as well as the ongoing boom in the Auckland market.

Businesses operating in the South Island are also constrained by a lack of qualified staff. 57% of bigger businesses in the region are facing issues attracting staff into the regions to help manage growth in agriculture, tourism and manufacturing.

The nation-wide skills shortage is also hitting larger enterprises hard. Almost half (49%) of the sector's largest businesses (those which employ more than 50 people) said their greatest business pressure was the ability to find qualified staff – compared to 9% who said this put no pressure on their operations.

“Our staffing requirements have changed over the last four or five years as the technology has advanced. We’re a very stable employer and we use the latest technology to do interesting things. We also operate in interesting, vibrant cities and towns, which is where most people look to live.”

- Derek Lander, Director, Flight Plastics Ltd.

THE PRESSURES THE SECTOR FACES

The activity of competitors continues to be a pain point for local enterprises as well – with three out of five operators agreeing it will put at least some pressure on their operations. However, this also has the potential to drive prices down which in turn may increase consumer spending.

“We’re always looking at how to improve and be better than our competitors, but it can be a slow process.”

- Darren Auld, Finance Manager, Millbrook Resort.



EMPLOYMENT

03

EMPLOYMENT

KIWI ENTERPRISES LOOKING TO EMPLOY MORE AND PAY MORE

New Zealand's bigger businesses are expecting to take on more staff over the next 12 months, as well as pay their workforce higher salaries and wages.

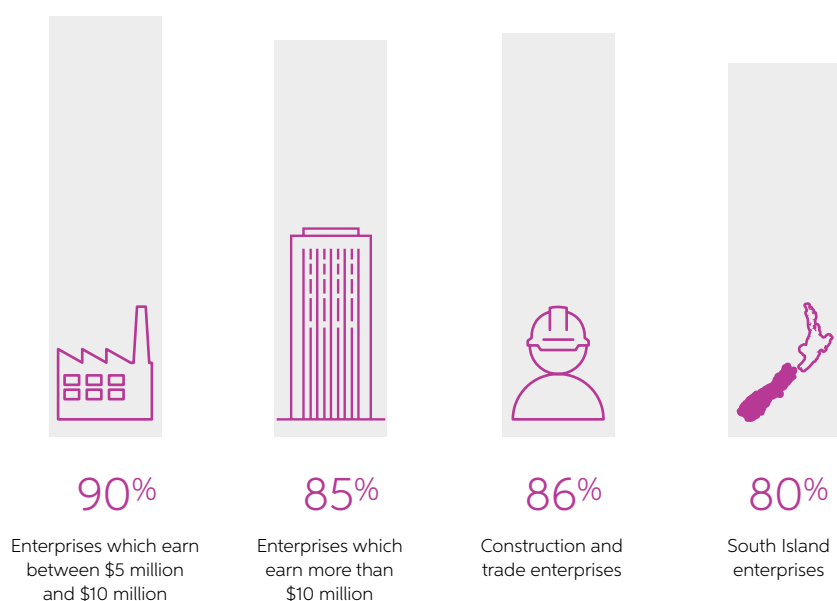
Almost three quarters (72%) of bigger-business operators are planning to increase the amount they pay their staff this year, while just 1% said they are looking to reduce staffing costs.

It's particularly good news for those working in the construction/trade industry (86% expect to increase pay) and staff in the South Island (80% expect to increase pay) – whose operators are the most likely to raise their salaries/wages by the end of 2018.

Bigger businesses with revenues between \$5 million and \$10 million are also most likely to be increasing the amount they pay their staff – with 90% expecting to do so over the course of the year.

With the sector employing around 35% of the workforce, New Zealanders are set to have more money in their pockets this year, which should contribute to higher household incomes overall.

ENTERPRISES EXPECTING TO PAY THEIR STAFF MORE IN 2018



MORE BUSINESSES TAKING ON STAFF IN 2018

The number of jobs available in New Zealand is also set to increase. Steady confidence in the economy and strong returns will mean more enterprises can invest in additional staff this year.

Half of all respondents to the MYOB Enterprise Report survey said they plan to increase full-time staff in 2018, while just under a third (31%) said they will be adding more part-time staff to their workplace. Employment growth is most likely for the construction and trade industry (71% wanting to employ more full-timers). Businesses with a revenue of \$10 million or more are much less likely to increase the number of full-timers (just 13%), and are also less likely to keep their employee count the same (23%).

EXPORT TRENDS

04

EXPORT TRENDS

SIGNIFICANT PROPORTION OF BIGGER BUSINESSES EXPORTING

The MYOB Enterprise Report survey found that a fifth of bigger businesses based in New Zealand now sell off-shore.

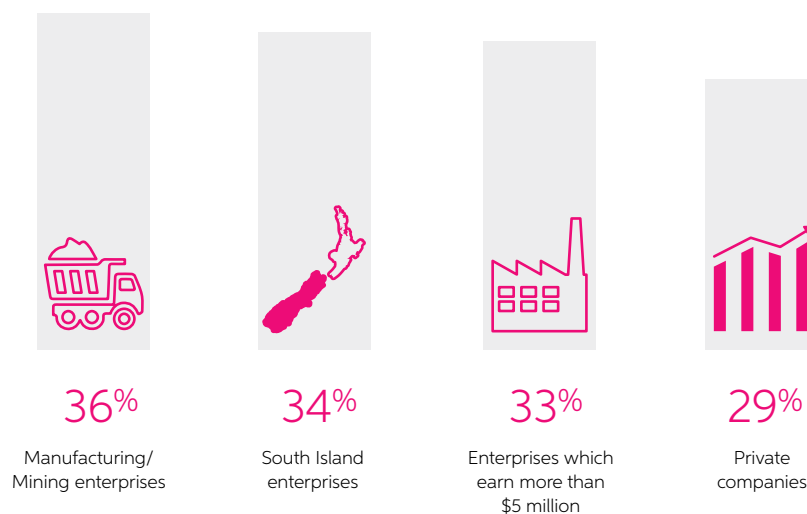
While 20% of respondents identified as exporters, 27% said they only sell within their own city/region, and a further 38% said they sell across the whole country.

Those in the manufacturing/mining industry are most likely to export to overseas markets (36%). Export business makes up a greater proportion of activity for the sector in the South Island, where 34% of bigger business operators sell offshore – compared to 15% of businesses from Auckland and a fifth from the North Island (excluding Auckland).

Expansion into offshore markets is one of the major stages of growth in the sector, with smaller enterprises (those which earn less than \$5 million in revenue) the least likely to export their products and services overseas (15%).

Most bigger business exporters are likely to see New Zealand as a stepping stone to export development, with 57% selling to our trans-Tasman neighbours. Other target markets including Asia (32%), with 22% selling in China, the Pacific (32%), North America (24%) and Europe (19%).

TOP EXPORTERS



EXPORT TRENDS

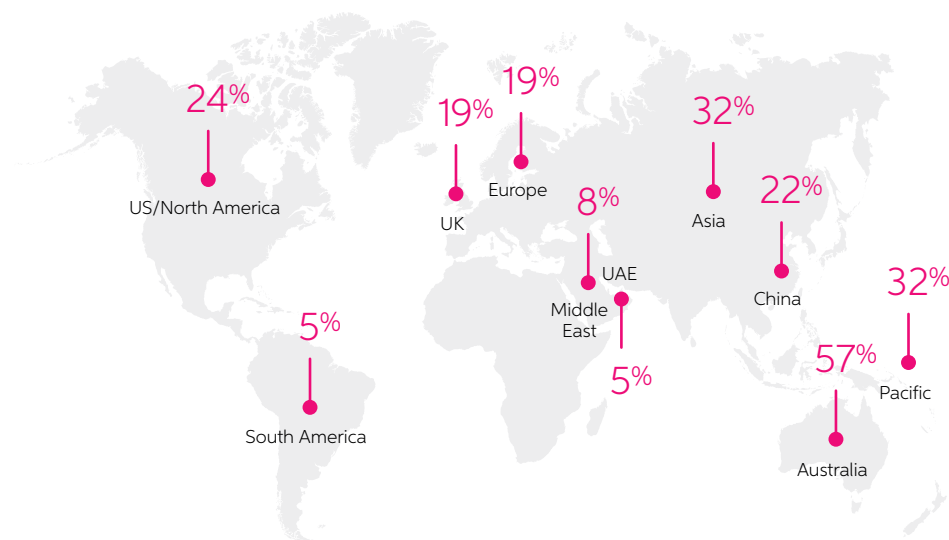
ASIA FOCUS IN TRADE DEVELOPMENT

While New Zealand and the Pacific are the sector's largest export markets, when asked which countries they believe the Government would be best to further build trade ties with, 43% of respondents said Asia, with 39% wanting the Government to specifically target China. However, just 13% said they'd like the Government to focus on trade links and agreements over the next 12 months.

The survey also underscored the strong connection New Zealand's bigger businesses now see between the success of their operation and the policies of our second largest trading partner, China. Almost one fifth (19%) said China's trade and economic policies have the greatest effect on their business success, while 13% said the same for the wider Asian region. Only 10% felt Australia's trade and economic policies had the potential to affect their business.

Despite the high level of uncertainty surrounding the trade policies in both regions, with Brexit looming and the Trump administration's America-first focus, just 3% believed that changes in trade or economic policies in the US would have an impact on their business, while just 2% saw the UK's policies as a risk to current trading conditions.

EXPORT DESTINATIONS



BUSINESS MANAGEMENT CAPABILITY



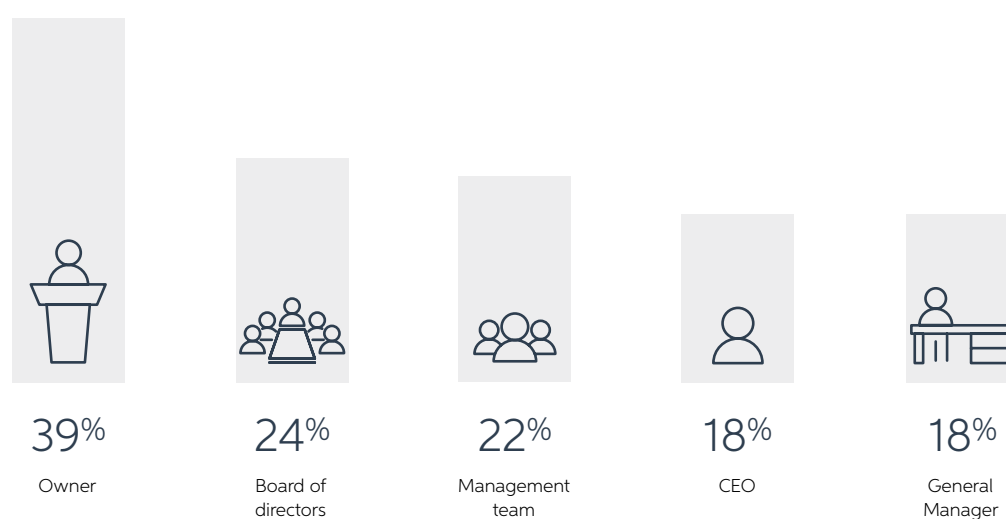
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ENTERPRISE OWNERS HAVE THE GREATEST INFLUENCE ON THEIR BUSINESSES

One of the key characteristics of the sector is the evolution of enterprises' management structure. As they evolve, bigger businesses are more likely to bring in executive management and introduce an additional layer of governance through a Board of Directors. However, for the majority of the mid-market, the business owner is still most likely to make the major business decisions – particularly regarding operational structure and strategic planning.

Almost two fifths (39%) of enterprise owners said they are responsible for setting and implementing business strategy, while just under a quarter (24%) said decisions are made by a board of directors.

WHO'S RESPONSIBLE FOR MAKING BUSINESS DECISIONS?



Service-based business owners (including health and educational institutions) are the least likely to make business decisions on their own (just 26%), while over a quarter of this industry (28%) rely on a board of directors.

Excluding public-owned companies, family-owned businesses are also the most likely to consult a board of directors.

In some industries, the influence of a single owner is more prevalent. For example, well over half (57%) of the construction/trade industry said business decisions are made by the business owner.

BOARDS MORE LIKELY TO SUPPORT DECISION MAKING AS AN ENTERPRISE GROWS

As New Zealand's enterprises increase in size (whether by staff count or revenue), they are more likely to use a board of directors to set and implement business strategy.

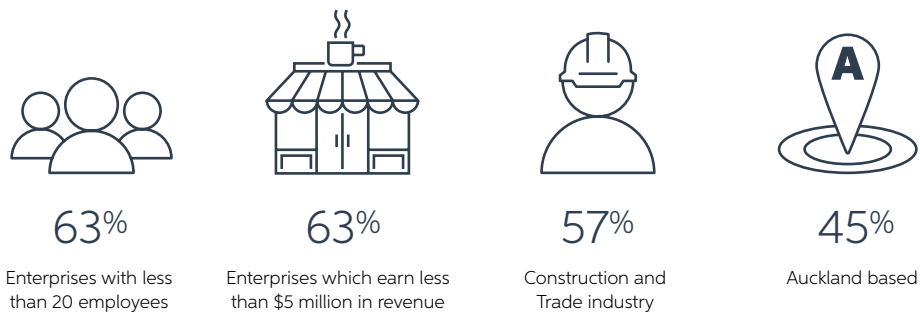
While almost two thirds (63%) of businesses with less than 20 employees – as well as those which earn less than \$5 million in revenue – said business owners are responsible for strategic planning, only a quarter (23%) of those which employ 50 or more people and 29% of businesses which earn more than \$5 million in revenue said the same. Under a third (30 per cent) of those which employ 20-49 people have the owner as the primary decision-maker.

One of the key issues businesses face in managing growth, is the ability to introduce the management structures and disciplines that are vital for business to reach the next stage of growth and productivity. While business owners of smaller enterprises appear to make the most important decisions by themselves, a board of directors and an executive management team become increasingly important as an enterprise grows. These business professionals and independent advisors are likely to bring a broader set of skills, experience and perspectives to an organisation, which can help ensure greater economic returns and a more productive workforce.

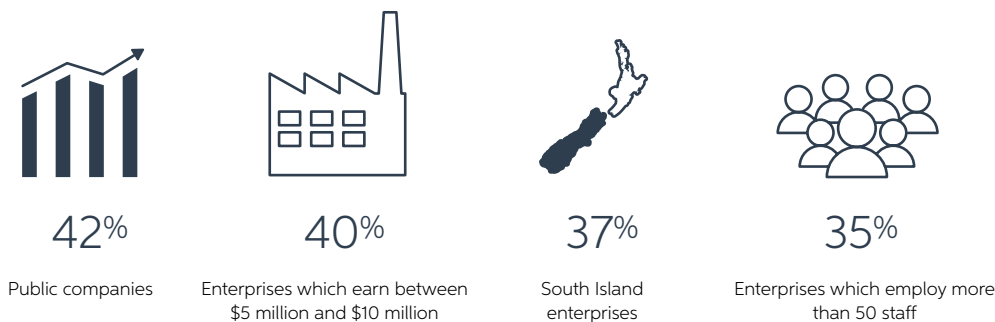
“It probably depends what type of business you’re running. At Flight Plastics, we run pretty lean and have a very active group of shareholders, so we haven’t felt the need to have external directors. That may change as we grow, as we do get specialist advice or consultation when we need it.”

- Derek Lander, Director, Flight Plastics Ltd.

ENTERPRISES WHERE OWNERS ARE RESPONSIBLE FOR BUSINESS STRATEGY:



ENTERPRISES WHERE A BOARD OF DIRECTORS ARE RESPONSIBLE FOR BUSINESS STRATEGY:



CHIEF EXECUTIVES DECIDE ON IT INVESTMENTS

While enterprise owners decide the overall direction of their businesses, CEOs (or equivalent) are the most likely group to decide when, where and how the business invests in I.T and related services.

Over a third (36%) said the CEO, General Manager or Managing Director were responsible for I.T investment decisions, while just 11% said the business owners were responsible.

Smaller enterprises (those which employ less than 20 staff) were much more likely to rely on their business owners however, while those with greater annual turnover (more than \$10 million) relied on the CEO or equivalent.

GROWTH

06

GROWTH

GEARED FOR GROWTH?

While New Zealand's bigger businesses are key to the future development of the local economy, many of the businesses in the sector are not currently geared for growth, according to the MYOB Enterprise Report survey, with many preferring to maintain the status quo.

While almost a fifth (19%) said they'd like to expand their operations to cover the whole country, 17% said their long-term business goal was to maintain their current market status, and 13% want to provide a comfortable lifestyle for the business owner/directors.

Just 16% of respondents indicated that they're looking to grow this year, and 15% said they don't know what their long-term goals are.

TOP LONG-TERM BUSINESS GOALS



19%

Expand to cover
whole country



17%

Maintain
current market
share/status



16%

Growth



13%

Provide a
comfortable lifestyle
for owners/directors

"If you can continuously look to improve and continuously have the attitude to be better than the day before – then you're always going to be successful."

- Darren Auld, Finance Manager, Millbrook Resort.

Maintaining the status quo was most important for larger enterprises – particularly those with greater returns – while the desire to grow was common among smaller enterprises (those which employ less than 20 people).

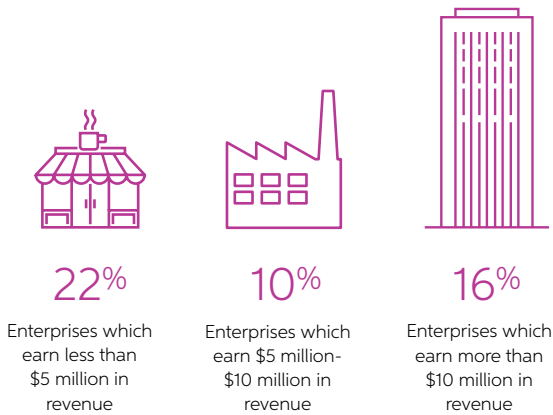
38% of those with annual turnover greater than \$10 million are comfortable retaining their current place in the market, and over a third (35%) of those which earn over \$5 million said the same.

This desire to maintain their current market position drops by almost half (down to 19%) for smaller enterprises with a turnover less than \$5 million.

This trend continues by employee count, where 27% of businesses with less than 20 employees said they would like to grow their business this year, compared to just 6% of enterprises which employ 20 to 49 team members.

GROWTH

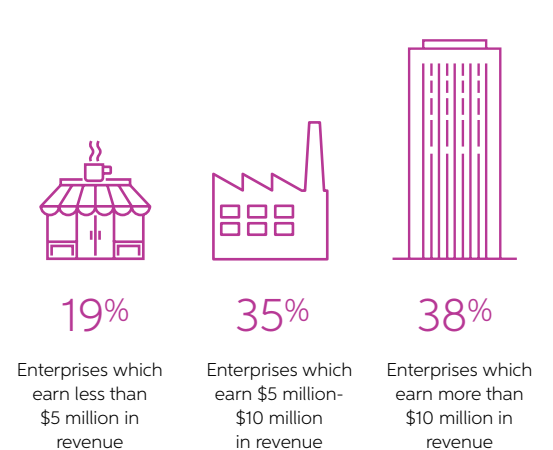
DESIRE TO GROW BY ENTERPRISE SIZE:
REVENUE



EMPLOYEE SIZE



DESIRE TO MAINTAIN STATUS QUO BY ENTERPRISE SIZE:
REVENUE



EMPLOYEE SIZE



GROWTH

SUCCESS MEASURED BY PROFITABILITY MORE THAN GROWTH OR CUSTOMER SATISFACTION

Growth and customer satisfaction aren't considered the greatest indicators of success by enterprises in New Zealand. Instead, business operators base their KPIs on profitability and revenue.

Close to a third (28%) said their definition of success was how much they had increased their revenue, while only a fifth said growth (21%) and customer satisfaction (17%).

HOW ENTERPRISES DEFINE BUSINESS SUCCESS:



A third (32%) of Auckland-based enterprises said profit was a key performance indicator for success, while less than a fifth (19%) said growth.

Two out of five small enterprises (those which turn over less than \$5 million) said they measure success on profitability/revenue – compared to one out of five of those which earn between \$5 million and \$10 million.

For a quarter of these enterprises, success is defined by growth, as well as customer/client satisfaction (20%).

Only 4% of enterprises said meeting their business targets was a way to define success.

INNOVATION



07

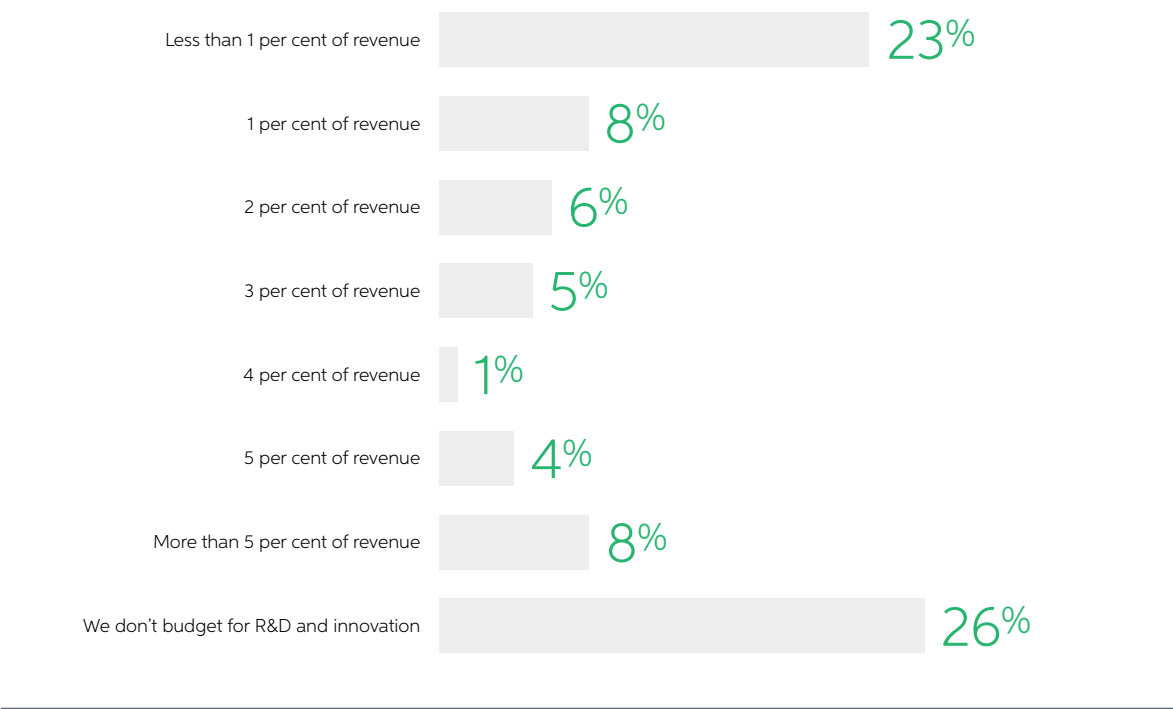
INNOVATION AND R&D UNDER-FUNDED

New Zealand’s mid-sized enterprises aren’t significantly investing in research and development, with close to a quarter (23%) spending less than 1% of revenue on R&D, and a further 26% not budgeting for it at all.

The average amount a business invests in innovation is just 1.5% of their revenue. Just 5% said they spend the recommended average of 3% on R&D, and 8% said they spend over 5% of their revenue on developing their business.

Businesses that earn more are also less likely to spend large on R&D. A third of businesses which turn over more than \$10 million said they spend less than 1%, while just 19% of businesses which earn less than \$5 million said the same. Of those which earn less than \$5 million, 7% said they spend more than 5% on R&D.

PERCENTAGE OF REVENUE SPENT ON R&D AND INNOVATION



INNOVATION

The reluctance to spend on research and development within the sector stands in contrast to the pressures the organisations in the sector report facing.

With two fifths unable to find qualified staff and 30% feeling pressure from competition, a greater focus on innovation could help overcome these challenges. This could include a focus on training staff to close the skills gap or seeking to automate or introduce other efficiencies in areas where staff are unavailable; engaging current audiences to get ahead of competition; and researching new markets to attract more customers.

“You can’t escape the pressures associated with competition, but the best response is to innovate, and try to offer what the market’s looking for as early and efficiently as possible.”

- Derek Lander, Director, Flight Plastics Ltd.

LACK OF SKILLED STAFF HINDERING SECTOR’S ABILITY TO INNOVATE

Almost a third (30%) of New Zealand’s enterprises said a lack of skilled staff was their main barrier to innovation, followed by lack of time (24%) and cost to develop (19%). Just 8% said lack of Government support, and 2% said they have no need to innovate.

Smaller enterprises reported lack of time to be a greater barrier than lack of skilled staff. 30% of enterprises which employ less than 20 people said they don’t have enough time to innovate, and over a third (35%) of enterprises which earn between \$5 million and \$10 million said the same.

A lack of time was reported mostly by Auckland-based enterprises, with 29% reporting it as a key barrier, while just a fifth of business in the rest of the North Island (19%) and South Island (21%) said similar.

Businesses located in the South Island were more likely to mention the lack of Government support as a key barrier to innovation (26%), yet just 15% of enterprises said they’d like the Government to focus on supporting innovation over the next 12 months.

Having the ability to innovate will be paramount to the growth and success of New Zealand’s enterprise sector, particularly as the economy changes, and new competitors enter the New Zealand market.



TECHNOLOGY

08

ARE ENTERPRISES READY FOR DIGITAL TRANSFORMATION?

While some enterprises expect digital transformation to affect their operations over the next decade, few operators agree they're prepared for newer, emerging technologies – such as robotics, internet-of-things and AI – to do the same.

Almost two fifths (37%) of respondents said they think internet-connectivity and cloud-computing will impact their industry over the next decade – which is highly likely given 66 per cent said they currently rely on high-speed internet to operate their business. However, just a quarter (26%) said they expect emerging technologies such as robotics and the internet-of-things to do the same.

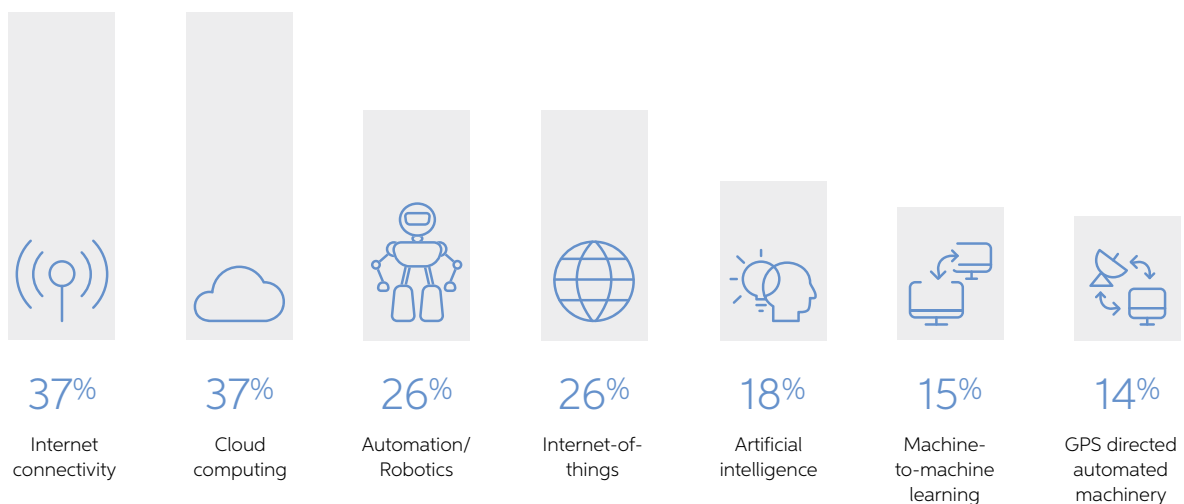
Just 5% said they believe drone technology will alter their operations, and only a fifth (18%) said the same about artificial intelligence.

Those least likely to expect automation and robotics to impact their industry between now and 2028 are smaller enterprises which employ less than 20 people (18%), and operators in the retail/wholesale and hospitality industries (17%). 9% of retail enterprises said the same for artificial intelligence.

In contrast, 42% of larger operators – those which employ more than 20 staff – said they believe automation and robotics will alter their industry, and 45% of enterprises with revenues exceeding \$5 million but less than \$10 million said the same about the internet-of-things.

While technology has completely transformed business over the last two decades, few New Zealand bigger businesses seem prepared for the impact of emerging technologies, such as automation, robotics and AI. By exploring and investing in the development and integration of these technologies, businesses are likely to be better prepared to manage the pressures they currently face and remain competitive in the face of potentially disruptive change.

WHICH TECHNOLOGIES DO YOU BELIEVE WILL HAVE THE GREATEST IMPACT ON YOUR INDUSTRY IN THE NEXT 10 YEARS?



“Technology not only makes business life easier for your team, it can reduce your labour costs quite significantly.”

- Darren Auld, Finance Manager, Millbrook Resort.

GOVERNMENT SUPPORT



GOVERNMENT SUPPORT

LITTLE SUPPORT FOR THE GOVERNMENT AMONGST THE MID-MARKET SECTOR

The majority of New Zealand's bigger business operators believe the National Party is best able to help businesses like theirs succeed. Two out of five (41%) business operators prefer National's policies, while just 1% favour Labour.

Coalition partners the Greens and New Zealand First also gained support from just 1% of the sector – the same level was enjoyed by ACT.

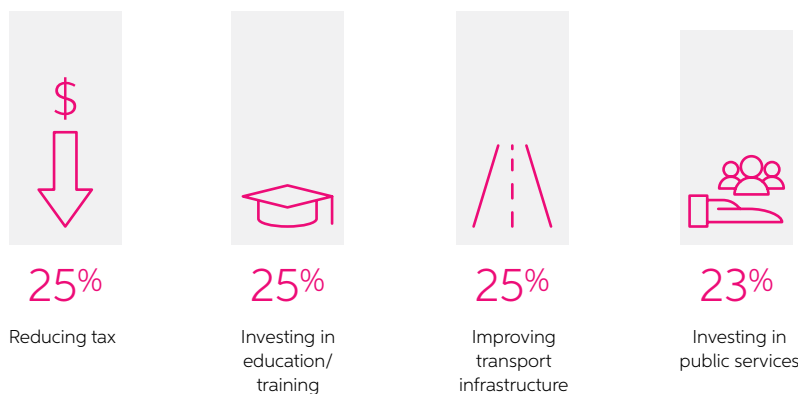
However, a large number of businesses in the mid-market were uncertain about which party would be most likely to benefit their operation, with 46% saying they didn't know.

Auckland-based enterprises were slightly less likely to support National, with 36%, while almost half (48%) of businesses operating in the rest of the North Island indicated National is the best party for their business success.

INVESTING IN EDUCATION/TRAINING, IMPROVING INFRASTRUCTURE AND REDUCING TAX TOP PRIORITIES FOR SECTOR

New Zealand's enterprises would like to see the Government invest in education/training to ease the skills shortage this year. Operators also indicated they'd like to see improvements to transport infrastructure and have their taxes reduced.

POLICY AREAS THE GOVERNMENT SHOULD FOCUS ON IN 2018



A quarter (25%) of the sector nominated these areas as the key policies they'd like the Government to focus on over the next 12 months, while restricting immigration (6%) and controlling exports (4%) were the least important policies to enterprises across the country.

The need for education/training has undoubtedly stemmed from the country's lack of qualified staff. Enterprises located in the South Island (41%) would most like to see the Government focus on training, as well as businesses which earn more than \$5 million in revenue (44%).

Over half (51%) of all larger enterprises – those which earn more than \$10 million in revenue – said they want improvements made to transport infrastructure, while just 28% of businesses which earn less than \$5 million said the same.

IMMIGRATION RESTRICTIONS LIMITING ENTERPRISES IN THE SOUTH ISLAND

Just 6% of enterprises indicated they'd like the Government to focus on immigration restrictions this year – likely due to fears that the policy will further exacerbate the widely-reported skills shortages.

South Island operators, who report the greatest impact from skills shortages, are the least likely to want further restrictions to immigration, with just 3% saying they want the Government to focus on this over the next 12 months, compared to 10% of North Island businesses (excluding Auckland).

To satisfy the needs of New Zealand's bigger businesses the Government will have to invest in a range of areas, including providing more education and training for New Zealanders, finding ways to limit immigration without negatively impacting the industries and regions who need the workers, and investing in roads and public transport to make it easier for larger enterprises to reach key markets across the country.

“New Zealand is just too small to rely on local workers. Enterprises like ours need immigrant workers to be profitable and successful.”

- Darren Auld, Finance Manager, Millbrook Resort.



CONCLUSION

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CONCLUSION

TRANSFORMING THE MID-MARKET TO SECURE NEW ZEALAND'S FUTURE

*By Carolyn Luey
General Manager
Enterprise Solutions*

The New Zealand mid-market is a sector with extraordinary potential for the country. Despite representing only a small number of the country's enterprises, New Zealand's bigger businesses could transform the future of our economy.

By their nature, these businesses can be more dynamic and highly flexible, able to respond to changing markets while identifying and exploiting new opportunities as they arise. They also have the potential to feed more back into the economy – stimulating job growth, introducing new technologies and reinvesting their profits within New Zealand.

However, despite the enormous possibilities contained within the sector, at present New Zealand isn't getting everything it could from the mid-market.

In part, the issue lies within the businesses themselves. As is frequently observed in a country with a lifestyle as enviable as New Zealand, many owners of the country's bigger businesses are comfortable enjoying the benefits of their enterprise, without taking on the additional risk and stress associated with a growth agenda. Many too – particularly at the larger end of the scale – are satisfied with the level of success they have achieved and focus more on maintaining the position they have achieved in the market rather than pursuing further expansion.

While a good number are comfortable with a level of growth that will see them dominate their local market or expand throughout the country, only a small proportion of the total number of bigger businesses have ambitions to take on the world.

At the same time, some businesses are likely to be constrained purely by the limits and experience of their owners. With a large proportion of Kiwi enterprises relying on the direction of an individual owner, they are less likely to enjoy the clear benefits of the broader capabilities of an expert management team and the independent experience of a board.

And a surprisingly large number of businesses are unprepared for the levels of disruption we are likely to see through the introduction of new technologies, nor are they willing to invest in the research and development necessary to help transform their own business in the facing of rising pressures and a growing skills crisis.

But the issue overall is less about the attitudes of the business owners themselves and more about the environment in which they operate.

If we are truly serious about developing this country into a leading international competitor, underpinned by the growth and development of productive, dynamic and technologically-enabled businesses, succeeding as part of a flourishing knowledge economy, we need to do everything we can to focus on their needs and foster their development.

And this will mean stimulating greater investment in research and development by providing incentives for the businesses that are willing to forego higher profits to focus on developing valuable knowledge and infrastructure.

CONCLUSION

It will also mean taking serious steps to mitigate the crushing shortage of skilled staff, by investing in training – not just at university but in applied skills – which is responsive and appropriate to the needs of industry. It will also require us to take a nuanced approach to immigration, so we can attract in-demand experience from all over the world, and channel those skilled migrants not just to the major centres but into the areas they are needed most.

But ultimately, it will require us – as a nation – to start recognizing the vital importance of the mid-market, benchmarking their success and developing the framework of support they need to go from ambitious entrepreneurs to world-leading powerhouses.

If we can focus on New Zealand's mid-market not just in terms of the small number of businesses from a broad range of sectors this represents, but instead look at them in terms of the size of their current contribution to the local economy and the potential they embody, we are far more likely to be able to provide them with the resources, support and investment they require to maximize the benefits they can bring for the whole economy.

CASE STUDIES

A hand is holding a light-colored, rectangular block against a dark, textured brick wall. The block is positioned horizontally, and the hand is visible on the right side, gripping the block. The background is a dark, out-of-focus brick wall.

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FLIGHT PLASTICS LTD.

Innovating for the future

Leading New Zealand plastics manufacturer and innovator, Flight Plastics Limited, has been family owned and operated for over 100 years. Today, the company employs more than 140 staff, and has plants located in three countries – New Zealand, Australia and the UK.

“The company manufactured hand crafted leather luggage for many years in New Zealand, transitioning to plastics in the 1970s,” says Director Derek Lander.

“Today, we specialise in rigid plastic food packaging such as fresh produce containers, meat trays and other food packaging.”

In August last year, Flight Plastics opened the first plant in New Zealand capable of reprocessing post-consumer PET plastic such as clear drink bottles and clear food trays back into high quality food-grade packaging.

The products Flight Plastics make using recycled materials helps reduce New Zealand’s plastic import volumes. “As manufacturers of PET plastic packaging, we feel we have a responsibility to minimise the environmental impact of plastic production in New Zealand. And by using Flight’s New Zealand recycled plastic, we are offering Kiwi food producers and supermarkets the opportunity to take responsibility for their plastic packaging – at no extra cost!” says Derek.

The new wash plant has the capacity to process up to 8000 tonnes of PET a year which exceeds the volume of clear PET New Zealand currently exports overseas.

“We want Kiwis to know that their recycling efforts are worthwhile, and that it’s all recycled and remanufactured right here in New Zealand.”

While the plant is fully operational today, Derek says it took over five years of research, innovation and investment to successfully pull everything together.

“We started using recycled PET in the UK eight years ago, and began looking at how we could introduce the same processes in New Zealand soon after,” he says. “We knew it would be a massive undertaking, but as Kiwis ourselves we felt it was the right thing to do.”

Derek says Flight Plastics was almost uniquely placed to do it, so it was worth the time, effort and investment. “Today, we’re able to buy PET collected from household recycling bins around New Zealand, process it through the wash plant and produce NZ-RPET food trays all on the one site in Lower Hutt.”

Most importantly, Flight RPET is taking material from the waste stream.

“It’s New Zealand recycled plastic, not imported ‘100% recyclable’ material or imported ‘recycled’ material,” says Derek. “The difference is enormous, and it’s a great opportunity for New Zealand to make a meaningful difference to the volume of plastic we import.”

While the research and development phase took longer than expected, Derek says it was very important to get it right. “It took some time to develop a workable strategy and then source the right equipment. Fortunately, that coincided with the technology evolving and improving significantly.”

Derek says the manufacturing industry has become increasingly tech-focused, meaning it requires a different skill set than what was needed ten or fifteen years ago. “Although it’s machine-intensive work, it still requires people. We have a great team who now have the opportunity to work with the absolute latest European plastics technology and learn from the designers of this equipment – it’s fantastic.”

Derek says the technology has also improved Flight Plastics’ operations overall – keeping them competitive and increasing their productivity. “You can’t escape the pressures associated with competition, but the best response is to innovate, and try to offer what the market’s looking for as early and efficiently as possible.”

“We’ve taken this opportunity to develop our plastics business, which in turn, has provided the opportunity for food companies and supermarkets to deliver on their sustainability promises.

“It also means more New Zealanders will be able to see their recycling efforts put to good use right here in Aotearoa.”

- Derek Lander is the Director of Flight Plastics Ltd.

MILLBROOK RESORT

Leading resort offers more than a hotel

Situated just 25km from New Zealand's premier visitor destination, Queenstown, and only a kilometre west of Arrowtown, lies one of Australasia's leading five-star accommodation providers – Millbrook Resort.

"Millbrook is much more than a hotel," says Finance Manager Darren Auld.

"We're considered a lifestyle resort – a place you can come to escape everyday life."

Spread across more than 500 acres, Millbrook Resort is comparable to a small town – comprising of luxurious accommodation, a championship world-class golf-course, four restaurants, a day spa as well as a health and fitness centre and property for sale.

"There's nothing else like it in New Zealand," Darren says.

Today, Millbrook Resort employs close to 300 people and is investing in additional land to keep up with visitor demand. "About three years ago, we purchased another lot of land which has the capacity for an extra 42 luxury homes and another nine holes of golf."

Darren says Queenstown's rapid growth and development has had a large role to play in Millbrook's success. "For the first time ever, Queenstown Airport reached 2 million visitors in a single calendar year." This growth has afforded Millbrook the opportunity to invest in new technology and software.

"In the past, we used make do with the systems we had," Darren says, "But technology provides outstanding benefits – particularly in regards to productivity, efficiency and reducing labour costs."

Millbrook Resort recently implemented a new house-keeping application called Hot SoS, which enables their house-keeping staff to connect with front-of-house staff in real-time. "It not only makes their jobs easier, but it has reduced our labour costs in house-keeping alone by about six or seven per cent," says Darren.

While the resort has taken full advantage of modern technology, Darren says their location can sometimes hinder their capabilities. "Due to the size of Millbrook, Wi-Fi and fibre broadband connectivity isn't always the best. But that's something we're trying to fix – because we can't operate without a strong internet connection. Especially when you operate across 500 acres."

Recruitment can be a challenge too. "It certainly fluctuates, but sometimes we struggle to recruit the right people," he says. "And now it's even harder because of immigration restrictions."

According to Darren, Queenstown is a very transient city, so there's not as many locals looking for permanent work. As a result, he says Millbrook relies on travelling workers and other immigrants. "The moment they introduced changes to immigration, it became much harder to find staff, and much more expensive." While immigration cuts might be beneficial to places like Auckland, Darren believes it only make things worse for enterprises in Queenstown.

- Darren Auld, Finance Manager, Millbrook Resort.