

Practitioner Insights: Working on, not in, the Business

Introduction

This is a new addition to the SEAANZ White Paper and Thought Piece Series. These are written as observations and thoughts from our Board, as well as other interested parties, with the aim of starting or adding to important topical conversations.

In the first such offering we take up an issue that dominated the conversation at our September 2022 Board meeting – a conversation that began with the question of *‘how are the small businesses in your area going?’*

From Margaret River, W.A to Armidale, NSW, to Melbourne, Victoria to Wellington, NZ., the unanimous response was that most are doing it tough. While this may seem a familiar refrain, the initial responses to the COVID pandemic were generally all about issues on the demand side – where border closures, lockdowns and quarantine requirements produced a dramatic and sudden loss of demand for goods and services. Two years later and the responses have moved to the supply side – one where the lack of students, backpackers and migrant labour in particular has seen access to casual workers dry up. The net effect is that we are seeing too many small business owners working *in* the business, not *on* the business – and becoming so stressed with the extra workload in the business that they are no longer able to make sensible decisions about the business – or even consider that there are options. Many are effectively self-sabotaging their chances of survival!

It is with this rather grim and terrifying context in mind that we offer the following thoughts from members of the SEAANZ Board. The aim is to get the conversations going to provide practical, accessible resources and sources to small business to stem the potential for both financial and psycho-social for those we love and care about.

From Tui McKeown, SEAANZ Chair

Our first insight is offered by Dr Barbara Maidment, Margaret River, Western Australia, SEAANZ Vice Chair, Practitioners and Business.

While this may seem trite, the most practical form of assistance in my area has been to approach business owners as people, and to speak to them from the heart. As noted in the introduction, owners are working long hours in an attempt to recover from pandemic-related debt and to keep the cashflow steady in the face of staff shortages.

These people don't need constant reminders of how tough it is out there, or the mistakes they made in the early days of the pandemic. They already know these

things. Early on, there was some hope that the government would assist with the ongoing expenses of the business, including staff costs. Unfortunately, as with many government programs, the paperwork was horrendous and the actual cash assistance to the business less than expected. At the same time, many workers suddenly found they were earning MORE in government subsidy than when they were working!

This seems to have led to a re-think about the world of work, including a withdrawal from availability. In an area like ours, where we depend on locals to fill the vacancies, this change has spelled disaster for many businesses. The result has been forced closure, forced sale, change in business model to take-away instead of dine-in and so on.

There has been a surge of visitors to our area with considerable pent-up demand and businesses have felt overwhelmed. Visitors seemed to have forgotten that we were all under the same lockdown orders so gearing back up instantly to service the demand, with less staff, has been the penultimate challenge.

Right now, business owners need a bit of sympathy along with practical help in restructuring their management as well as their finances. An empathetic business advisor is a good place to start.

The following insight is offered by Matt Kennedy-Good, Co-founder, Neocrete; former head of business.govt.nz and SEAANZ Director, Sustainable Business Outcomes.

It's a difficult time for small business owners in New Zealand. We can see this in low results in confidence surveys.

There's lots of factors causing this that are well known - the supply chain challenges from covid-19, inflation, difficulty finding employees, rising interest rates and the challenges that all this uncertainty brings for planning and stress.

Every small business is different, so it's worth looking at some specifically.

A common group of small businesses in New Zealand is farmers. Fertiliser has doubled in price and diesel has almost doubled. The cost of debt has increased. There are new taxes on carbon emissions to consider. While commodity prices have increased, it's unlikely that it will cover these new costs. Added to this it's really hard to find skilled labourers.

Another group - which I'm very familiar with right now - is start-ups. I am a co-founder of Neocrete, a business focused on making concrete carbon neutral. We're raising Series A funding right now, and one thing we are used to hearing is "it's a much harder climate to raise money than it was 12 months ago." (Luckily it is still a good time for climate-focused businesses like mine.)

No two small businesses face the same challenges. But, from my work leading business.govt.nz, the government's support for small business, one thing I know they have in common is a huge to-do list, and not enough time in the day to do everything. This has got worse recently it seems, as Barbara pointed out. The more time a small business owner can spend "on" the business (rather than "in" the business), the more likely it is to succeed.

This is part of the reason why it's so stressful to run a small business. Another reason is that small business owners are usually quite isolated, with no one to share their problems with. This is why the government of New Zealand has just extended its "Small Steps" programme to help small businesses owners deal with stress and mental health issues. This is good - but it won't change the fact that it's harder than usual to be a small business owner right now.

The next insight is offered by Dr Tanya Jurado, SEAANZ Director, Editor in Chief, Small Enterprise Research, Entrepreneurship Academic at Massey University, New Zealand

Recently I have been thinking about how small businesses deal with pressures to adopt more sustainable practices. These pressures are coming from customers, who are increasingly aware, among other things, about packaging issues (e.g. too much plastic and waste), traceability (e.g. fairtrade practices) and climate change (e.g. mitigating operational practices such as ethical employment practices, recycling, renewable resources, and so on), and this is driving demands for more sustainable practices.

Customers are also questioning worldviews which are now seen to be tired and no longer fit for purpose. Globalisation, as the prevailing paradigm, has come under attack and criticised for being driven by growth, fostering inequality and resource depletion, thus favouring the 'global' over the 'local'. The pandemic was another push factor for businesses to recalibrate their approach when supply chains failed and they had to go local to fill the gap. The new paradigm that is emerging in the business world has been variously described, for instance, ESG - environmental, social and governance practices, CSR - corporate social responsibility, sustainable business practices and so on. What all of these approaches share is a preoccupation with impact. Impact on the environment, impact on the ecosystem of the enterprise, and inclusive and transcendent leadership.

Small businesses are leading the way in this area. By virtue of their size they are embedded in their communities and are well placed to heed these demands for more sustainable practices. In typical small business fashion, often these impact-driven practices are informal and ad-hoc. Heeding customer demands and turning the

challenges they present into opportunities is not easy - carving out the time to work 'on' the business these days is not straight forward.

What is promising is that most small businesses are entrepreneurial, opportunity driven and risk-takers, and in this case when they take the 'sustainability risk' everyone wants to see them succeed.

The next insight is from Professor Sujana Adapa, SEAANZ Director and Treasurer, Head of UNE Business School, University of New England, Armidale, Australia

My observations are from the New England Northern Inland region of New South Wales (NSW), Australia. It is not an exaggeration to mention that the regional small businesses face more constraints and need to work double or triple times harder than their metropolitan counter parts. The situation in the Northern Inland region of NSW is compounded due to the triple effect of natural disasters - drought, bushfires and tornado. Further, Covid-19 pandemic brought unprecedented challenges to all but in particular to several small businesses in the region. Nearly 50 percent of small businesses lost half of their income and 60 percent businesses in the region were forced to turn off lights due to government restrictions during the peak pandemic period as per the recently published Regional Development Australia Northern Inland report. Only 36 percent of small businesses in the region were able to undertake a transformative approach to run the businesses. Simply, the government support offered was not enough due to rise in the operating costs and business expenditures.

A casual conversation with few small business owners highlighted concerns of slower business recovery and constant regrowth battle. The business models changed to keep the overheads down, as small businesses started to 'do' everything just to 'do ok'. For example, a small business owner of a local fitness centre shared '...as the cleaning products became quite expensive during the pandemic, I had to say to the cleaner that there is no job for her...and pick up cleaning myself which was quite stressful but kept the business going...'. Another small business owner who owns a book shop noted '...I had to enhance my social media skills and increase social media presence for the business to reach out to customers in the region...we created a personalised approach but the investment in time and effort on top of everything although created stress...generated some business during the most difficult times.' Yet another small business owner who owns a café outlined '...it is hard to find staff with skills and retain them in the region...I feel as a Jack of all trades but master of none...as it comes down to affordability and difficulty in finding the right people...investment in training people does not necessarily translate to return on investment...better to do it myself!' These snippets of verbatim comments point towards the interplay of temporal and spatial dimensions that intersect small business owners' day to day work practices.

Overall, small businesses are the worst hit during the pandemic and small business owners were under immense stress that continues to date as many businesses

grapple with recovery. Evidently, small business owners are spending more time 'on the business to make the ends meet and perform tasks that they were not used to do before. The above mentioned also indicates that small business owners lack time and resources to invest 'in the business' for effective progress of the much-required strategic business growth and/or expansion initiatives. We fully acknowledge that small business owners are busy people. However, efforts towards initiating a small business storytelling network just to share and care for each other may be helpful to re-solve, to re-learn, to re-create and to re-emerge.

And our last insight is from Mark Brennan, Vice President SEAANZ

With a background as inaugural Small Business Commissioner of Victoria and then the first Federal Small Business Commissioner, laments such as the call for practitioners to be meaningfully responsive to the laments of small business have not changed radically over the decades. However, mantras such as "working on the business, rather than in the business" remain relevant and sound.

Another enduring lament is the gripe that there is too much red tape for small business to contend with. An interesting aspect of this lament is that, in general, small business, when asked to identify restricting red tape, struggle to articulate specific examples, and typically resort to comments to the effect that 'well, it's the tax stuff!'

It is time we moved beyond rhetoric and laments, and one way to actually get movement is to provide solutions, plans for action. With this in mind, I would like to suggest that one helpful way for a practitioner to assist a small business to identify realistic red tape compliance issues is to ask the following questions:

- What Government Departments do they deal with most?
- What ongoing requirements do those Departments have of my business?
- Why are those requirements in place?
- Can those requirements be met more efficiently than the Department requires?

Too often, small business meekly complies with Government requirements because they are asked to do so. This often leads to problems later and so instead, how about being proactive from the start? Instead of the automatic mindset of compliance, we need to question, 'why the requirements are needed'?. If we can understand the why, we may be able to more efficiently comply with them in terms of both the spirit and intent – and, if not, to offer better ways of achieving the desired goals.

To assist the context of these observations, here is an example where small business is required to comply with licensing schemes, particularly where annual licensing fees form part of the scheme. A practitioner could ask a relevant small business if they understand why they pay a licensing fee at all? Why is the fee required to be paid annually? Why not, every 5 or 10 years?

This approach of understanding and questioning facilitates the opportunity for practitioners and small business to contribute meaningfully to the development of schemes which may have some element of red tape but achieve beneficial outcomes with the minimum disturbance to the operation of small business.

An important consideration from the bureaucracy perspective is to be able to report improvement in compliance that are associated with red tape reduction. This can be viewed as a particularly worthwhile initiative if it stems from input from the small business sector.

Accordingly, it is well worth the while for practitioners and small business to identify red tape compliance issues that are specific to their area of operation and not responsive to scattergun laments about “the tax stuff”. It also achieves the fundamental aim of the small business owner working on the business by addressing a big picture issue with important day-to-day implications.

We hope you have enjoyed reading this first issue of our new addition to the SEAANZ White Paper and Thought Piece Series.

While this has begun as observations and thoughts from our Board, we welcome your future input in starting or adding to important topical conversations in 2023.

Here’s wishing for peace and joy to you and your family this holiday season.

From the SEAANZ Board