



New Zealand

Private Business

Survey

# The strategy for the private business sector in New Zealand



Businesses are optimistic but face common challenges for growth

Small and medium-sized businesses fuel New Zealand's economy. They range from iconic brands and multi-generational family businesses to disruptive startups. The common link between these businesses is private ownership. They make up roughly 20% of our national GDP and have significant potential to grow employment, increase individual wealth and shared prosperity.

As a country, our long term relevance in the global marketplace relies on good businesses growing to become great businesses. In turn, this provides a better future for the next generation. So it's important to understand the unique needs and challenges of small and medium-sized businesses.

Our survey asked small and medium-sized companies (defined as those with annual revenues of \$1 million to \$100 million) what their unique needs and challenges were in the current operating environment. Our 2019 Private Business Survey results highlighted a positive outlook on individual businesses and were surprisingly similar to many of the key themes mentioned in PwC's 2018 European Private Business Survey.

A common catalyst to many business' growth is a well-defined strategy. Over 50% of our survey respondents say they already have a well-defined strategy, with 40% saying they have the beginnings of a strategy. However, 72% of respondents said that key parts of a strategy are not known wider than management or there was no uniform view across the company.

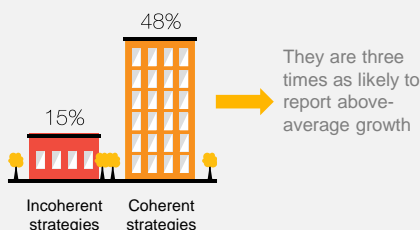
The key concerns of business about their strategy was that it is not clear enough about how it creates value for customers, is not differentiated from competitors and is not bold enough to win. In times of economic challenge and uncertainty, getting strategy right is what sets apart companies that achieve sustainable, profitable growth.



## Companies that get strategy right...

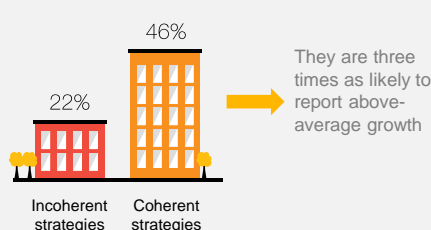
### Grow faster...

% of companies growing faster than industry average



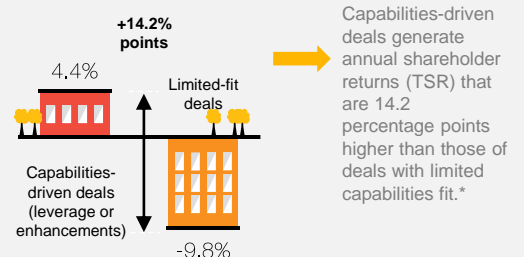
### ... are more profitable

% of companies more profitable than industry average



### ... make better deals

Annual total shareholder returns (TSR) vs. market index



\*Source: "Deals That Win" by J. Neely, John Juliens and Joerg Krings (strategy + business, July 2015)

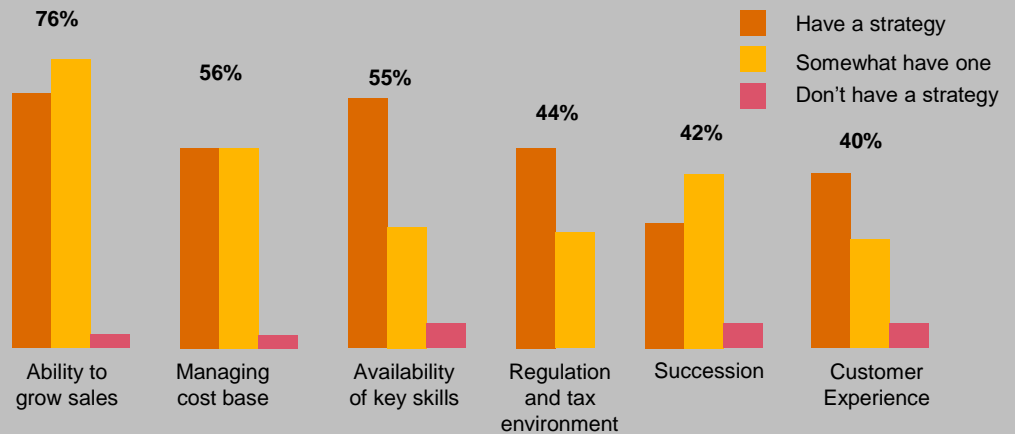
# Private businesses' biggest challenges



You are not alone - the most significant challenges for New Zealand private business leaders are the same as those identified by leaders around the globe.

The top four challenges are the same for companies whether they have a strategy, a partial strategy or none.

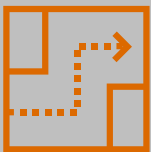
These challenges are consistent with the findings of other global PwC surveys. Challenges, such as finding key skills are also prevalent when companies do have a clear strategy.



Source: PwC New Zealand Private Business Survey 2019

The failure to commit to and execute strategy has real consequences: performance suffers when companies get strategy wrong. Companies with a strong strategy tend to outperform those that don't have one, or don't communicate their strategy. Every part of the business should link back to a good strategy, with the right measures in place to connect it to execution.

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Organisations with a coherent strategy outperform the market. A coherent strategy provides connection between business ambition, value proposition, capabilities, investment and activities. Creating this connection means that shareholders understand how to respond to market forces, management have a clear view of how to deploy resources and staff understand how their efforts support the business to move forward.

Andrew Jamieson, PwC Executive Director

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For private businesses looking to increase sales, launch new products or enter export markets, the ability for companies to consistently grow sales domestically and in export markets relies on staying abreast of consumer changes, knowing how your product or service creates compelling value for those consumers and executing effectively on a deliberate consumer centric strategy.

Dan Hansen, PwC Sales Advisory Partner

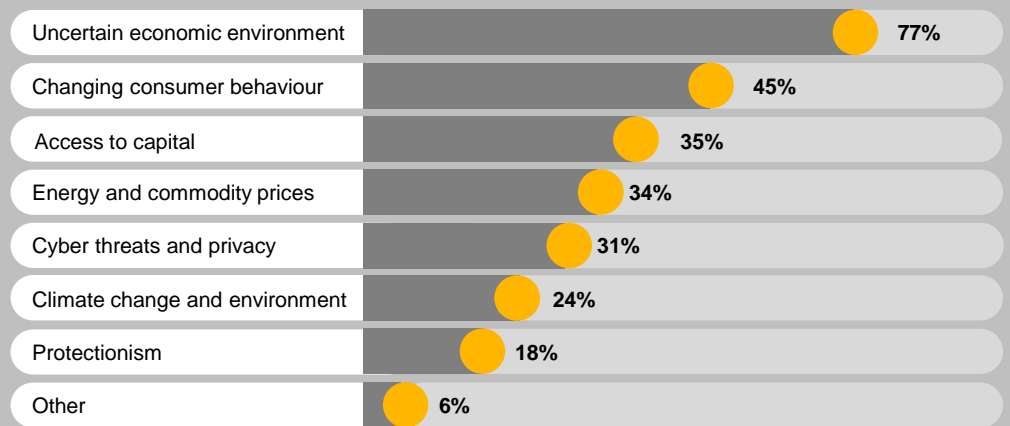
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# Private businesses' biggest challenges



New Zealand companies are optimistic about their own ability to grow but are uncertain about future operating conditions, with a subdued economic outlook (45% say economy will decline over the next 12 months) – these were their biggest concerns.

What trends concern you over the next two years? The operating environment of businesses was the greatest concern for many survey respondents. Overall, 45% believe the economic environment will get worse for their business over the next 12 months.



Source: PwC New Zealand Private Business Survey 2019

As customer preferences change and new competitors enter the market, leaders need to look to new ways of doing things. Companies that do not embrace data and technology run the risk of losing their competitive advantage to more focused and digitally-enabled competitors.

In our global research, cyber threats loom large among the concerns of private company CEOs. Many (39%) cite cyber threats as the leading danger facing their organisation, followed closely by the scarcity of key skills to mitigate those risks.

New Zealand's Private Business Survey found that cyber threats are also a top concern for private business leaders. 31% of respondents said that cyber threats and privacy were key risks to their business.

Technology disruption and business disruption are two different things, and it's important to understand when technology can be leveraged for competitive advantage.

Like the CEOs participating in other PwC surveys, private company CEOs see how digital technologies offer new opportunities, but also new threats, and they wonder if they are prepared for the changes to come.

A large proportion of New Zealand's private businesses are still missing the opportunity to address common growth challenges. Many need to attract digital talent to help them on this journey, and to incorporate technology into their strategic roadmap. However, companies are finding it difficult to find the right people, with the knowledge and skills to do the work.

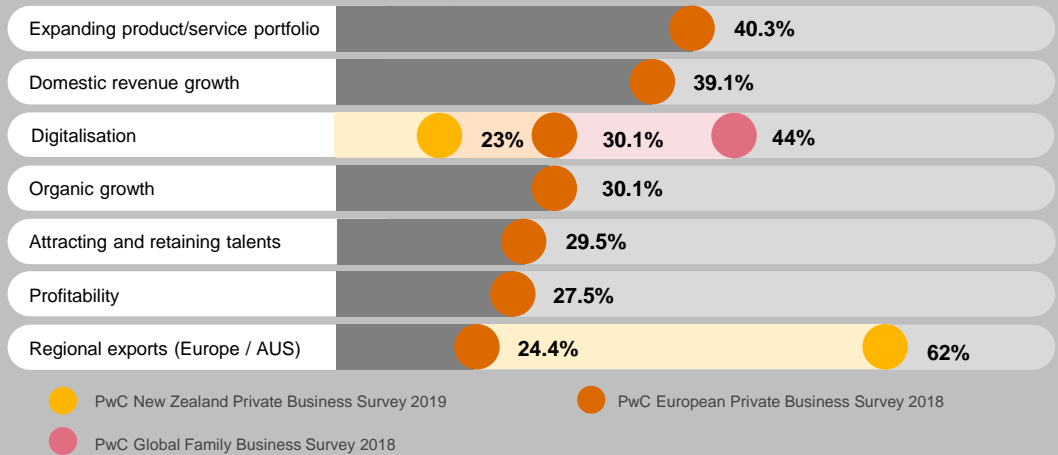
# Private businesses' biggest challenges



Growth strategy: digitisation offers a non-traditional pathway to profitable growth and upskilling opportunities. The next generation sees digital experiences as a hygiene factor.

Of our PwC European Survey respondents, these were biggest opportunities for growth.

Digitalisation was a challenge for 23% of New Zealand respondents, lower than both European companies at 30% and 44% among global family businesses.



Compared to global peers, our survey found that digitalisation is not a top priority for many New Zealand private businesses. This implies that leaders in New Zealand private businesses may still underestimate what a digital future means for their companies, and the potential it has for positive change, as well as the disruptive forces it is unleashing.

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For private businesses looking at the digital revolution around them, we offer three key insights:

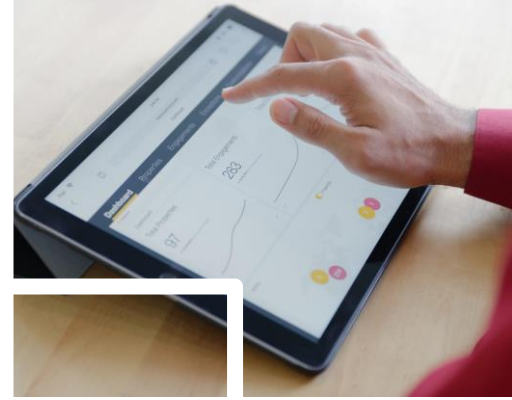
- Digitalisation is not optional. Every company, everywhere, is affected by it. Failing to understand the implications for your business and just assuming that the status quo will prevail will inevitably lead to challenges.
- Digitalisation implies more than digitizing processes and operations. To fully embrace digitalization, businesses need to rethink their business models holistically. Key enablers in this process are the right technology, as well as sourcing and integrating the right talent that possesses a deep tech understanding.
- The digital age also involves risks. Businesses can forget to prepare for challenges that might be operational rather than about innovation of business model transformation – such as cyber risks and increased innovation pressure. These risks are real, and need to be taken seriously.

Olaf Acker, PwC EMEA Digital Services Leader

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# The way forward



## A Coherent Strategy

Having a clear, coherent strategy is the ultimate force multiplier. It allows companies to provide clear alignment across the business from the Board and Executive through the entire workforce, ensuring that everyone is pulling in the same direction.

We commonly see businesses create strategies which can't pass these critical tests:  
Is it easily understood by all your employees?  
Does the strategy allow you to make trade-offs?  
Can your business execute on it?



## Sales Execution

Companies need to commit to living their strategy every day and ensuring that it permeates every aspect of their day-to-day operations. By creating metrics that link your strategy to its execution, the business can track progress and make decisions that are based on fact. To enable a data-driven approach first you need quality data and second, a reporting function that gives you the right information. Two key areas that a data-driven approach can be applied to is tracking sales and managing costs.



## Digital Enablement

All organisations need to focus on digital enablement, and to understand the opportunities (or threats) that increased digitisation provides. Current and emerging technologies can unlock critical value in operating efficiencies and in customer value.

Being clear on how to leverage these opportunities in specific sector and markets is key to competitive differentiation and continued success.



## Talent and Capability

Although employees might have the right skills for businesses today, they might not have the right skills for business tomorrow. Private companies need to continually invest in building capability in their current staff to ensure their skills remain relevant.

Businesses also need to work on their culture and employee experience to become an employer of choice in order to attract strong talent in future.



## Customer Centricity

The essential first step towards making a company's strategy work is to identify what value the company is going to offer to customers and how that translates as experiences driving advocacy and lifetime value.

Leaders should determine the key capabilities that will allow their company to build a sustainable competitive advantage.

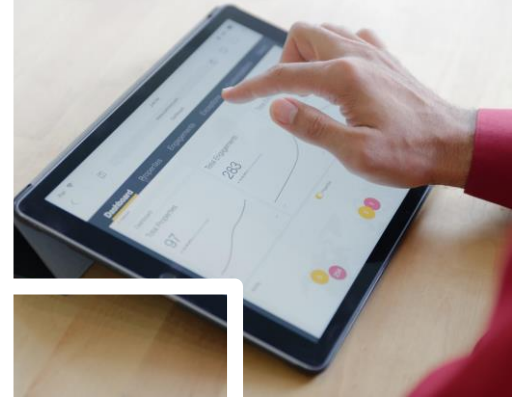


## Partnering and Outsourcing

Private businesses often feel remote from the centre of political power, which leads to their view they are not represented well. A way to help rectify that is by working together. Government might not be able to completely fix challenges like the skills shortage, but they can do more.

Private sector partnering is another powerful way that enables businesses to focus on key differentiating capabilities, without having to have all of the capabilities required to execute a strategy in-house (tech, sales & marketing etc.)

# Methodology



## Methodology

In the second quarter of 2019 PwC undertook a comprehensive analysis of the private business ecosystem in New Zealand. The aim was to provide insights into how New Zealand private businesses perceive the economic environment and growth perspectives, their growth strategies, key opportunities for growth and risks that might limit private businesses' ambitions.

To gain business owners' and managers' perspective on the above topics, a representative survey of 62 small and medium-sized PwC clients was conducted. The findings were analysed and evaluated by regulatory, digital, and strategy experts at PwC. The results were compared and contrasted with PwC's global insights from other thought leadership produced for private businesses in Europe and private business CEOs around the world.

Get in touch if you would like to discuss the survey results, or if you would like help solving your own business challenges.



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