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**SME
RESEARCH
REPORT
2017/18**

Executive
Summary



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Foreword



Private businesses are the lifeblood of the economy, and there are more than 2 million actively trading businesses in Australia. They are also highly valued clients of our practice.

We have collaborated with Bstar to bring you this Small to Medium Enterprise (SME) Research Report. The Report provides insights into the opinions and concerns of business owners, and explains how SMEs are surviving and thriving.

We know SMEs love hearing and learning from their peers. The Report contains comments and experiences of SMEs about their top business concerns, and ideas for addressing their needs.

Our Report is different. It doesn't just provide statistics. Instead it looks at what's keeping business owners awake at night and discusses 3 new emerging trends:

- How business owners are acting to de-risk their business;
- Ways business owners are improving efficiency to increase profits;
- Why they want to work smarter not harder.

The Report highlights that SMEs want to make plans, but need help. Before they are willing to make changes, they need confidence in their plans, and accountability to ensure the plans are delivered.

We value our relationships with our business clients, and we know you are looking for assistance to grow, improve, reduce stress and succeed in your business.

There are advisory solutions available, and the Report features information on the advisory solutions that are most wanted by SMEs.

Coinciding with the release of the Report, we now offer our business clients **The Better Business Program**, which is featured in the Report. This research indicates this is **the #1 advisory solution** wanted by SMEs from their accountant - refer to Part 7 for more information. The Program provides structure and process to support our clients to de-risk their business, grow and improve their profit and cash flow.

I encourage you to use the insights in this year's Report to take action. With our advice and support you can **take control of your business improvement journey**. The first step is completing the **Business Risks Survey**, which is available on our website, or can be emailed to you. This will give you a personalised Business Risks Scorecard (shown in the Report) with a snapshot of the key risks in your business.

We welcome your feedback on the Report, and our Advisers look forward to discussing this further with you.

Yours sincerely,

John Kotzur
Hanrick Curran

Executive Summary



My goal? To succeed and reduce stress!

This quote, from the business founder of a wholesale/retail manufacturing business, goes to the heart of the themes we highlight in the 2017/18 SME Research Report.

Detailed in the Report there are many similar quotes, in fact, there are over **100 comments, ideas and strategies** from SME business owners explaining how they are growing, improving, thriving and achieving a more balanced lifestyle by actioning change with the advice and support of their 'essential' adviser.

Top 3 Business Concerns

Refer to Part 2 of the Report for discussion on Top Business Concerns



How are business owners going to achieve their goals?

Business owners are generally optimistic and believe they can achieve their goals, both in business and personally, they just need to put the right plan in place to succeed.

We are in a good position to extend our business into new areas. We have already sourced new products and we have initiated a training programme for key staff.

Business owners want to know how to work smarter, not harder. They are very interested in how they can change their business to be more efficient and productive. **79%** of SMEs want solutions to help them grow their business and its value, a 10% increase from last year.

The future of the car industry is going to have a massive effect on our [auto-electrics] business. Technology is getting cheaper and easier. What will the business look like in 5 to 10 years? We'll be dealing with hybrid cars, electric cars, driverless cars.

There is a theme that unites the top 3 business concerns – business owners are concerned about how to deal with the multitude of external changes and pressures that affect their business. They know they need to take action and make changes, but struggle to do so.

Common barriers to change

Many SMEs lack business financial management skills, so they need to look outside their business to obtain help. Only **one in three** business owners regularly spends time on strategic and business planning.

The **first barrier** to obtaining expert assistance is that they don't know what is available. Most are unaware that key advisory solutions are available to improve and transform their business. Refer to **Part 8 – The First Step** for more information.

The **second common barrier** is that SMEs don't know where to find expert help. While **69%** of SMEs have a trusted adviser, many have never discussed their business concerns with them.

I have been in business for a long time, but until I dealt with Hanrick Curran, I had never found anyone that understood me and my business that I could talk to about issues I was dealing with. When we started to go through our concerns, it was such a relief to finally be dealing with these issues.

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What's keeping business owners awake at night?

I am planning for the future of the business. It's not all about the numbers. I want to 'future-proof' the business, and increase staff engagement.

A common view is that the main concerns of business owners are cash flow and profit improvement, but that is overstating the situation. **Cash Flow** and **Declining Sales and Profits** were **#4** and **#5** Business Concerns – they are significant, but outranked by wider, more serious concerns.

We have embraced new technology, and that has meant we have been able to adapt to changes in the industry. It has increased our level of service to clients. This has given us the confidence to expand into new premises.

Business owners want to think strategically and plan for the future. They are looking for ways to adapt to change, and become more efficient in the current changing and challenging economic conditions.

We've made some losses in the last few years due to the cost of reinventing ourselves. We've had to adapt to changes in competition and the business environment with new product lines, new attitude and changed staffing.

Business planning is the #1 Business Concern, unchanged from last year. **98%** of business owners believe there are opportunities to grow their business, and most have ideas to do so. What they lack is a plan - only **20%** had prepared a business plan.

#2 concern was **Protecting the Business and Family Assets**. Business owners want to protect what they have worked hard to achieve, and become more resilient. An emerging trend is that business owners are protecting these assets by focusing on identifying and removing risk from their business.

The majority of SMEs are planning to stay involved in their business. Only **15%** had set a retirement date. Business owners know that taking care of themselves is key to staying in business for the long term.

Stress and Lifestyle is #3. The increasing importance of this concern reflects the personal impact on business owners who are having to process and adapt to a rapidly changing environment.

This is particularly important for SMEs because of the heavy reliance on their owners. Only **27%** of business owners believed their business could operate without them, declining for the third consecutive year.

Emerging Trends

(Refer to Part 1: Emerging Trends for more information)



What are they focussing on?

SMEs are prioritising important, strategic business issues above purely financial KPIs. They are tackling risk management, improving efficiency and working smarter to keep their business healthy and ready to cope with new challenges.

Due to limited space, we can't really grow. Expanding into larger premises will increase costs and risk. My challenge is to maintain the clients and turnover we have now.

De-risking the Business

An emerging trend is how important it is to business owners to protect their business, personal and family assets from risks. SMEs are focussing on ways to de-risk the business. But only **32%** of business owners had identified their top 5 business risks and how they were to be managed.

We need to explore alternative manufacturing sources. This would increase business flexibility and vastly reduce our stock risks and the need to discount old stock.

In response to the emerging interest in analysing business risks, Hanrick Curran is pleased to offer an online, self-assessment Business Risks Survey and Scorecard for SMEs. It is designed to start owners thinking strategically about their business risks, and start a conversation about prioritising actions. It **overcomes the common barriers to change** and **creates a great framework** for considering the areas within the business that are having an impact on current and future profit growth.



The pace of change really is increasing

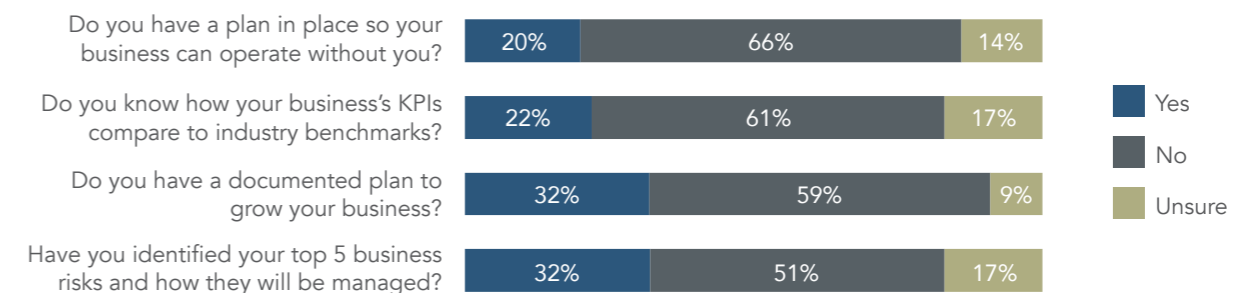
"An analysis of the history of technology shows that technological change is exponential, contrary to the common-sense 'intuitive linear' view. So we won't experience 100 years of progress in the 21st century — it will be more like 20,000 years of progress (at today's rate)."

Ray Kurzweil, *The Law of Accelerating Returns*¹



1. "The Law of Accelerating Returns" by Ray Kurzweil, Essay published 7 March 2001. www.kurzweilai.net/the-law-of-accelerating-returns

HIGHEST RISKS FOR SMEs



Source: Bstar's Business Risks Survey²

2. The data was collected using the responses of 106 SMEs across a wide range of industries in August & September 2017. The Bstar Business Risks Survey is an interactive online survey which produces the Business Risks Scorecard. Refer to the full 2017/18 SME Research Report for more information.

Improving Efficiency

Another emerging trend is the search for increased efficiency and productivity. SMEs know that it is hard to achieve growth, so they want to do more with their existing resources. The focus is moving to cost control, and increasing margins.

SMEs are monitoring Operating and Financial KPIs to target improvement in their business. But SMEs need accurate benchmarking information to do this.

I have no idea how we compare with industry averages, but I want to. We need to look at each arm of the overall business separately, and see how we are performing.

The majority (60%) of business owners are producing accurate and timely financial reports, but only 22% of SMEs know how their business' key performance indicators compare to industry benchmarks.



Working Smarter

86% of business owners love their work, and 75% spend time doing the things they enjoy so it is not surprising that business owners intend to remain in their business longer. 35% of owners are deferring thinking about succession planning for at least 5 years and only 15% have set a retirement date.

To be able to do so, they need to work smarter, not harder. A key indicator for most business owners is a good work/life balance. Unfortunately, only 47% of owners felt they spent enough time with their family.

Our most successful strategy has been the ongoing development of team members. We have fortnightly meetings where the sales team is actively involved in improving our systems, discussing changes and generally brainstorming ideas for growth. They are engaged and productive to grow the business, and they can do more for themselves.

Many owners want to reduce the reliance on their personal presence and efforts, but 80% of SMEs don't have plans in place to enable the business to operate without them.

There is high interest in advisory solutions that share responsibility, and give the owners more time to spend with their family and doing things they enjoy.

A comparison between the top 3 Business Concerns over the last 3 reports



How are SMEs taking action?

Successful business owners are focusing on what is vitally important and making changes to improve their position. 40% of owners are working to increase their own business expertise, by investing in their personal training and development. They are also seeking out external support, using their networks, mentors and professional advisers, to support their goals.

If you don't know where you're going, you might not get there. (Yogi Berra)

SMEs can measure their success in many ways, but we have observed **two key constants** in their approach – confidence and accountability.

Confidence is needed to maintain the effort to change, and overcome resistance to change. Business owners need to believe in their goals and trust in the plan to reach them, if they are to make changes to their business model.

Accountability is key to successful implementation. Plans only work when individuals take responsibility for making it happen. Advisers can help SMEs in regular meetings with internal and external stakeholders to keep SMEs accountable for their agreed plans and time lines.

We know we have opportunities for interstate and overseas growth, and potential to grow online sales. We need to review and update our current three year plan. To date the implementation has not worked as well as we hoped.

Part 8 – The First Step

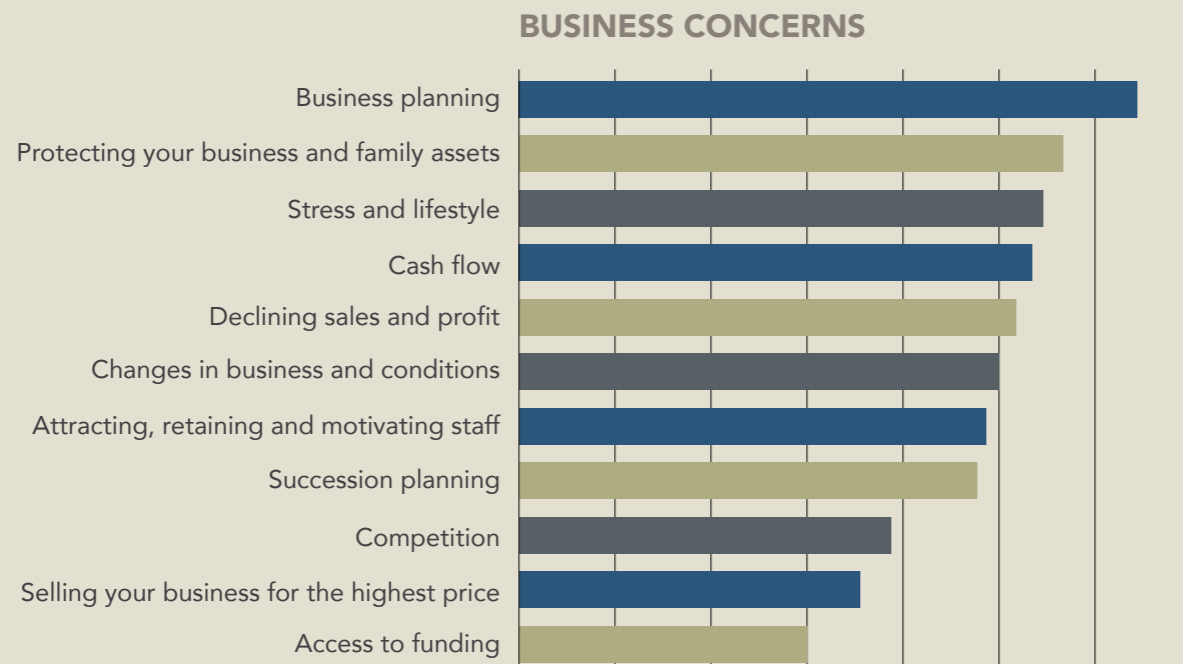
Business owners need to start the conversation about the strategic opportunities and issues facing their business.

The 2017/18 SME Report demonstrates there are significant factors keeping business owners awake at night that need a plan and follow through to provide peace of mind.

The first step is to work with an adviser who can uncover these concerns then provide accountability with ongoing support to implement an action plan.

We discuss the types of solutions Harrick Curran can offer business owners in Part 7 - SMEs Most Wanted Advisory Solutions.

Snapshot of Business Concerns



Source: Bstar's Needs Review Process. The size of the bar signifies relative importance. Concerns are weighted by urgency.

Compare your views with other business owners by reading the full Research Report.

[> Download full Research Report here](#)



Identify and assess your key business concerns, take this short Business Improvement Survey for your personalised business risk scorecard.

[> Start survey](#)



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