



Corporate Affairs
Level 24, ANZ Centre
23-29 Albert Street, Auckland
Phone 09 374 4051
Facsimile 09 374 6160
anz.co.nz

Media Release

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Consider opportunities for long term as well as short-term measures in downturn: ANZ Privately-Owned Business Barometer

Business owners are focusing on survival tactics during the economic downturn but at the same time should consider the opportunities that the recession presents, according to the latest ANZ Privately-Owned Business Barometer.

"The ANZ Privately-Owned Business Barometer 2009 tells us that business owners are focusing largely on short-term financially-focused activities – which is the right approach and vital in the current environment. However, owners should also consider that the recession presents opportunities for the well-prepared that will help them deliver their long term business goals," ANZ Managing Director, Commercial Graham Turley said today.

Mr Turley said the ANZ Privately-Owned Business Barometer was New Zealand's most in-depth study of the privately owned business sector. It focused on businesses with annual turnover between \$5m and \$150m – and as such provided critical insights into a key sector of the New Zealand economy.

"According to the survey, 79 per cent of respondents did long-term strategic planning and evidence from the survey and our follow-up discussions suggest the focus is largely on costs and financial performance.

"In today's conditions we can understand and appreciate a business owner's need to act more defensively, and business planning does involve looking realistically at the current environment. But it should also take into account the business's long term objectives.

"While the current conditions are challenging, it may open up opportunities in the long-term if owners widen their perspective, and consider what is happening with their suppliers and competitors, and the opportunities from consolidation that may occur," Mr Turley said.

"No single solution fits every business. However, in general, owners should consider planning for a range of scenarios, to help them in the short term but keeping their long-term objectives in mind. For instance, it is important for owners to be able to answer questions such as 'What would I do if one of my major customers or suppliers collapses? Am I in a position to acquire a competitor? Should I consider merging with a competitor to combat the economic downturn?'"

"We believe that increasing the scale of the business provides the opportunity to identify efficiencies and compete more effectively on a global stage. Other options could be investing in the growing Asian opportunity, adding more capacity to the business or investing in technology.

"Businesses should actively seek independent advice and expertise on how to take advantage of these opportunities. Strengthening governance to that end is also important."

Mr Turley said the Bank used the ANZ Privately-Owned Business Barometer to cement its knowledge and understanding of the sector in order to offer relevant solutions and advice so business owners could make informed decisions, and learn from the experiences of others.

Other key findings of the ANZ Privately-Owned Business Barometer 2009 include:

- Businesses continue to plan for growth but there is uncertainty over how to fund it, mixed views over the availability of capital, and an increased aversion to debt.
- The current economic crisis has seen the succession issue move to the back burner for many businesses. Despite the increasing age of business owners and their looming retirement, just 11 percent have a formal succession plan in place.
- Business owners say they value the different thinking and ideas provided by external sources such as independent directors, boards and advisors. However, there is a disconnect between what they say and what they do.

The ANZ Privately-Owned Business Barometer (Key Insights and Results Summary) is available on www.anzbarometer.co.nz

Summary of key findings

Business planning in a changing environment

- 79 per cent of respondents undertake long-term strategic planning
- Key behaviour changes in the current climate are actively reducing costs (49 per cent), more actively engaging with clients (34 per cent) and more actively managing debtors (30 per cent)

Constraints to growth

- 70 per cent of businesses are planning growth
- 88 per cent of business plan to fund growth through cash flow and existing debt facilities and 65 per cent would borrow from the bank (61 per cent in 2008)
- 88 per cent of businesses expect less than 10 per cent growth over the next 12 months, and 43 per cent expect negative growth
- 66 per cent believe capital is readily available (78 per cent in 2008)
- 40 per cent believe capital is a constraint to growth (virtually unchanged from 2008)
- 69 per cent believe the economic impact is a constraint to growth
- 36 per cent of owners are averse to debt (21 per cent in 2008)

Planning for change of ownership

- 62 per cent of owners are over 50 years old
- 23 per cent of owners are over 60 years old
- 46 per cent plan to retire in the next 5 years (45 per cent in 2008)
- 11 per cent have a formal succession plan in place (17 per cent in 2008)

The role of independent expertise

- 84 per cent believe they will benefit from independent thinking (86 per cent in 2008)
- 81 per cent believe an independent adviser would add value (90 per cent)
- 35 per cent are interested in engaging an adviser (40 per cent)
- 65 per cent of businesses have a formal board
- 38 per cent of these have an independent director

Background information

The ANZ Privately-Owned Business Barometer targeted about 1900 owners of business with annual turnover between \$5m and \$150m during February and March 2009. The response rate was high at 31 per cent (compared to a 21 per cent response rate in 2008). Respondents represented all regions and sectors. For the most part the Barometer respondents were key decision-makers within their business and 35 per cent were the founders of their companies. Almost 90 per cent of businesses had been in operation for more than 10 years.

Media Contact

Astrid Smeele - External Communications Manager
Phone 027 490 7336