



**Real World
Consulting**

PROVEN BEST PRACTICES FOR
SURVIVING AND THRIVING IN BUSINESS

Collaboration Will Prove to be the Saving Grace of New Zealand's Business Sector

Snapshot of Current Status:

- The Kiwi business failure rate remains unacceptably high. See the stats here: <http://www.realworldconsulting.kiwi/rwc/rwc-blog/challenging-the-status-quo-its-time-the-spotlight-was-shone-on-the-traditional-kiwi-business-model/>
- Kiwis remain convinced that they can start-up and survive/ thrive as an SME (Small-Medium Enterprise) scale business operation in a market which is already oversaturated with SME scale businesses.

Snapshot of Current Status (cont...):

- Just over 500,000 businesses were operating in N.Z. in 2015, of which 99 % were of a SME scale.
- Current population of N.Z. = 4,700,000; of which 91 % (4,277,000) are aged 20 years or older – and therefore have the potential to earn/ receive income.
- This is the equivalent of 0.2 businesses per adult Kiwi; or one business per five adult Kiwis !
- Summation: too many businesses are operating given the size of the N.Z. population, particularly the number which have a domestic orientation only.

For Survival Reasons, Pending/ Existing Business Owners Must:

- Cultivate a workplace culture of collaboration and cooperation.
- Look outside themselves to identify mutually beneficial strategic partnerships with aligned businesses.
- Explore opportunities to combine forces with likeminded organisations in order to:
 - Increase scale
 - Increase market share
 - Reduce reliance on external funding to achieve growth (e.g. R & D)
 - Remain viable and be sustainable

Increasingly, it Doesn't Make Good Commercial Sense to Operate a Traditional SME Business

- Working capital level is typically insufficient to achieve growth.
- End of year surpluses are typically nil, or insufficient to provide meaningful investment in infrastructure/ assets for growth purposes.
- Overdraft interest further stretches available cash flow.
- Engagement of suitably skilled specialist people (e.g. IT/ digital marketing) is typically unaffordable.

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- Lack of scale prevents negotiating favourable volume-based terms of trade with suppliers, which impacts on price competitiveness.
- Inadequate marketing budget results from modest (only) revenue achievement.
- (Largely due to no “fresh blood” entering the organisation) Few-to-nil new ideas are generated, impacting on innovation and product/ service development.
- Very rare that all of the skills required by a business person are present in a single individual, or even in 2 – 3 individuals.

Even Some of the Larger Kiwi Businesses Are Recognising the Power of Collaboration

- Even some of the more astute larger national Kiwi businesses have started to re-structure their operations to achieve a higher level of collaboration, either:
 - Between internal stakeholders – where representatives across different departments get together to generate ideas for new initiatives/ products/ services/ marketing campaigns, etc; and/or
 - With one or more other business – which need not necessarily be directly related to the same product/ service/ business category.

Key Growth Determinants:

- Competitive advantages – including product/ service points of differentiation.
- Awareness and acceptance of the product/ service/ business brand among target customers.
- Scale of operation – to achieve terms of trade negotiating strength.
- Working capital – to be able to self-fund purchases/ investment required to realise growth steps (e.g. new systems, R & D, market research, etc).
- Effectiveness of the marketing programme – level of investment, creativity and execution.
- The right people doing the right things at the right time.

Fact of the Matter:

- Many SME scale businesses do not have the wherewithal (capability/ capacity) to be able to realise most of the listed “Key Growth Determinants” .
- The combining of strengths/ resources/ skills of individuals - and even whole organisations – improves the likelihood that an organisation will achieve most (if not, all) of the listed “Key Growth Determinants”. This is the art of collaboration.

Want to Make a Change for the Better ?

- If you're either an existing business owner or a person who is contemplating owning a business, you would do well to really understand the pros and cons of operating within a collaborative business structure such as:
 - Parent company
 - Merged entity
 - Franchise
 - Buying group/ cooperative

The Light is Going On in the Minds of Some Younger Commercially-orientated People...

- Having exposed commerce students at the Eastern Institute of Technology during 2017 to these “real world” commercial considerations: <http://www.realworldconsulting.kiwi/rwc/rwc-blog/consequences-of-commercial-decisions/>

....it has been interesting to receive feedback from those who were once firmly focused on “going it alone” owning/ operating their own business; who at the end of the 2017 teaching year were convinced that teaming-up with other likeminded people who have complementary strengths/ skills/ knowledge is a more sensible way to go.