

## The Small-medium Enterprise in New Zealand

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### Abstract

The small-medium enterprise (SME) plays a significant role in New Zealand economy, which consists of average 95% small enterprises. The purpose of this paper is to mainly examine which and how e-local government strategy related to SME influence and exploit the expansion of the small business industry through analysing the following three questions; thus taking advantage of the economic growth all over the New Zealand market. This essay will search the components of e-local government strategy related to SMEs from 80 local councils in New Zealand, then determine what has been implemented by these councils via tables, and create an evaluation criterion to show the three most useful components to advance the small business based on the following table.

**Key words:** Small-medium enterprise; New Zealand; analysis

### WHAT COMPONENTS OF E-LOCAL GOVERNMENT STRATEGY RELATE TO SME

E-local government strategy related to SMEs is very closely. It can influence and exploit the expansion of the small business industry. In New Zealand, Small business is organised by New Zealand Trade and Enterprise (NZTE). It is a New Zealand government agency, which can support some programs and make more benefits for small business. E-local governments formulate many components for small business around four areas: “provision of advice, mentoring and practical tools; access to finance and business support; enhancing the environment for small business and improvements in the regulatory environment.” (SBAG, 2004) Under these four areas, there are six components of e-local government strategy relate to SMEs: 1. Funding policy; 2. Enterprise training; 3. Equal employment opportunities; 4. Innovation activities; 5. Networking support; and 6. Employment creation.

Firstly, E-local governments set up many funding policies for small business. These funding policies can help people to set up their own business, because E-local governments can give small business many financial supports, and also they offer many good business financial ideas for small business to raise their profits and operate their activities. For example, to support much money to small business for their district wide projects and future project (Far North District Council, 2004). Take another example, E-local governments set up internal borrowing policy, in order to help small businesses have enough money to operate their businesses (Far North District Council, 2004).

Secondly, E-local governments offer some enterprise’s training programmes for small businesses. If you want to be a boss, these training programmers can teach you how to start

your own business. "This program is intended for individuals who have been working for others" (SmallBusiness-Start.com, 2005). Enterprise's Training is an important component of small business support in New Zealand, such as the Investment Ready training, which is about raising capital. That means if you want to plan a new concept, you can through this training to learn how to find investors, and "this programme is also meant mainly for existing businesses, to expand or diversify their activities" (SmallBusiness-Start.com, 2005).

Thirdly, Equal employment opportunity is a very important component for all small business employees. This component formulates all small businesses must offers an equal competition opportunity for their employees, such as sex, race and age. It means E-local governments set up different equal policies to regular small business. Under these policies, all employees can compete with each other in an equal environment, and there is no peculiarity. For example, E-local governments set up time policy, which means that working time for all employees must be same.

Fourthly, Innovation activity is a very major component related to small business, because it has a significant relationship with enterprise size. "Innovation activity is a strategy which small firms have been using to enter industries and remain viable in industries in which they otherwise would experience inherent cost disadvantage" (Holmes et al., 2003, p.47). The E-local governments offer some information and resource for small business, in order to maintain their research and development, also give small business the greatest opportunity for diversified enterprise. For example, "Small enterprises are able to introduce new technology more rapidly than large enterprises because of their more flexible production structure" (Nikzad, R., 2015, p.176-187).

Fifthly, networking support is other component related to small business. E-local governments set up many ways to improve communication for different small businesses. Such as website, meeting and conference. Through this, small businesses can contact each other and share the information.

Finally, Employment creation is also an especially component for small business. The aim of this component is to maintain build good relationship between job creation and enterprise size. Job creation, which means e-local governments formulate some policies and make more benefits for small businesses, in order to encourage people to develop small business, therefore increasing the small enterprise size and reducing unemployment levels. Under job creation, E-local governments pay attention on two things. 1. Job quality. The quality of jobs created by different sized enterprises is a very significant issue. There are two aspects of job quality: the first one is financial remuneration, such as more money pay when people working hard. The other one is fringe benefits, such as subsidized housing, child care and job security. 2. Minimum price. That means that E-local governments set up Minimum wages policy to all small businesses, in order to maintain or ensure job satisfaction and keep price to a minimum. (Holmes et al., 2003, pp.50-51).

#### **DETERMINE WHAT HAS BEEN IMPLEMENTED BY EACH LOCAL GOVERNMENT**

The following table shows the eighty councils and their components related to SMEs have or not have implemented by these councils. The horizontal proportions indicate each council has applied percentage of the six components of e-local government strategy. The vertical proportions appear how weight the councils have used each component.

<b>Strategy to SMEs E-local government</b>	<b>1. Funding policy</b>	<b>2. Equal business opportunities</b>	<b>3. Innovation activities</b>	<b>4. Employment creation</b>	<b>5. Enterprise training</b>	<b>6. Networking supports</b>	<b>%</b>
Ashburton District Council	√	√	√	√	√	√	100.00 %
Christchurch City Council	√	√	√	√	√	√	100.00 %
Mackenzie District Council	√	√	√	√	√	√	100.00 %
Gore District Council	√	√	√	√	√	√	100.00 %
Hutt City Council	√	√	√	√	√	√	100.00 %
Timaru District Council	√	√	√	√	√	X	83.33%
Waimakariri District Council	√	√	√	√	√	X	83.33%
Waimate District Council	√	√	√	√	√	X	83.33%
Clutha District Council	√	√	√	√	√	X	83.33%
Dunedin City Council	√	√	√	√	√	X	83.33%
Waitaki District Council	√	√	√	√	√	X	83.33%
Papakura District Council	√	√	X	√	√	√	83.33%
Matamata-Piako District Council	√	√	√	√	√	X	83.33%
Rangitikei District Council	√	X	√	√	√	√	83.33%
Wanganui District Council	√	√	√	√	√	X	83.33%
Upper Hutt City Council	√	√	√	√	√	X	83.33%
Wellington City Council	√	√	√	X	√	√	83.33%
Kaipara District Council	√	√	√	√	√	X	83.33%
Waipa District Council	√	√	√	√	X	√	83.33%
Waitomo District Council	√	√	√	√	X	√	83.33%

Rotorua District Council	√	√	√	√	√	X	83.33%
Napier City Council	√	√	√	√	X	√	83.33%
Taranaki Regional Council	√	√	√	√	X	√	83.33%
Horowhenua District Council	√	√	√	√	X	√	83.33%
Banks Peninsula District Council	√	√	√	√	X	X	66.67%
Invercargill City Council	√	X	√	√	√	X	66.67%
Central Otago District Council	√	√	√	X	√	X	66.67%
Environment Southland	√	√	√	X	√	X	66.67%
North Shore City Council	√	X	√	√	√	X	66.67%
Environment Waikato	√	X	X	√	√	√	66.67%
Otorohanga District Council	√	√	X	√	√	X	66.67%
Waikato District Council	√	X	√	X	√	√	66.67%
Kawerau District Council	√	√	√	√	X	X	66.67%
Western Bay of Plenty District Council	√	√	√	√	X	X	66.67%
Central Hawke's Bay District Council	√	√	√	√	X	X	66.67%
Hastings District Council	√	√	√	√	X	X	66.67%
Wairoa District Council	√	√	√	√	X	X	66.67%
South Taranaki District Council	√	√	√	√	X	X	66.67%
Stratford District Council	√	√	√	√	X	X	66.67%
Manawatu District Council	√	X	√	√	√	X	66.67%

Kapiti Coast District Council	√	√	X	X	√	√	66.67%
Masterton District Council	√	X	X	√	√	√	66.67%
Tasman District Council	√	X	√	√	√	X	66.67%
Southland District Council	√	√	√	X	√	X	66.67%
West Coast Regional Council	√	√	√	X	X	X	50.00%
Westland District Council	√	√	√	X	X	X	50.00%
Environment Canterbury	√	X	√	√	X	X	50.00%
Hurunui District Council	√	√	√	X	X	X	50.00%
Otago Regional Council	√	√	√	X	X	X	50.00%
Queenstown-Lakes District Council	√	√	√	X	X	X	50.00%
Northland Regional Council	√	√	X	X	X	√	50.00%
Manukau City Council	√	√	X	X	√	X	50.00%
Rodney District Council	√	X	X	X	√	√	50.00%
South Waikato District Council	√	X	X	√	X	√	50.00%
Thames-Coromandel District Council	√	X	X	√	√	X	50.00%
Bay of Plenty Regional Council	√	√	√	X	X	X	50.00%
Opotiki District Council	√	√	√	√	X	X	50.00%
Taupo District Council	√	√	√	X	X	X	50.00%
Whakatane District Council	√	√	X	X	X	√	50.00%
Manawatu-Wanganui Regional Council	√	√	√	X	X	X	50.00%

Ruapehu District Council	√	X	X	X	√	√	50.00%
Tararua District Council	X	√	√	X	X	√	50.00%
Carterton District Council	√	√	X	X	√	X	50.00%
Porirua City Council	√	√	√	X	X	X	50.00%
Wellington Regional Council	√	√	√	X	X	X	50.00%
Nelson City Council	√	√	X	X	√	X	50.00%
Auckland City Council	√	X	√	X	X	X	33.33%
Auckland Regional Council	√	X	√	X	X	X	33.33%
Hamilton City Council	√	X	X	√	X	X	33.33%
Hauraki District Council	√	X	X	√	X	X	33.33%
Tauranga City Council	√	√	X	X	X	X	33.33%
Gisborne District Council	√	X	X	√	X	X	33.33%
New Plymouth District Council	√	X	X	√	X	X	33.33%
South Wairarapa District Council	√	√	X	X	X	X	33.33%
Grey District Council	√	X	√	X	X	X	33.33%
Far North District Council	√	X	X	X	X	√	33.33%
Whangarei District Council	√	√	X	X	X	X	33.33%
Franklin District Council	√	X	X	X	X	X	16.67%
Waitakere City Council	√	X	X	X	X	X	16.67%
Buller District Council	X	√	X	X	X	X	16.67%
%	97.50%	71.25%	68.75%	57.50%	46.25%	30.00%	

(The above table information comes from the government website: <http://www.govt.nz/>) According to the table above, in eighty councils, there are five councils using all the six components (100%), nineteen councils using five components (83.33%), twenty councils using four components (66.67%), twenty-two councils using three components (50%), eleven councils using two components (33.33%), and only three councils using one component (16.67%).

### **PROVIDE EVALUATIVE CRITERIA FOR DETERMINING, ON THE BASIS OF THE DATA YOU HAVE, AND ANSWER TO THE QUESTION**

Base on the analyzed table, we designed one pie (see appendix 1) to show the weight of the six components. The following essay mainly discusses three most useful components: Funding Policy, Equal Employment Opportunity and Innovation Activities, and exam how the e-local governments achieve their goals by using these components.

#### **Funding Policy**

Funding policy is the most useful component of e-local government strategy relate to SMEs. In New Zealand, equity is an essential component of small business finance. Many business owners have to borrow money from others, unless they bring in some money themselves. However, the local governments make the funding policy just for helping the SMEs, which are non-profit or do not have enough equity, to expanding their business. The government's Venture Investment Fund experiment appears to have had minimal effect to date in expanding the size of the venture capital funds available for new ventures. Moreover, governments have responded to the challenges SMEs face in raising finance by providing funds at subsidized rates or providing guarantees for SME lenders. (SBAG, 2004) Therefore, the local governments play an important role in encouraging the financial institutions in New Zealand, such as encouraging banks to lend on cashflow/ character in addition to assets and loan guarantees, with an aim to make access to funds easier for SMEs with growth potential. (SBAG, 2004)

There are many types of funding be using in New Zealand. For example, Mortgage Loans, Term Loans, Lease and Hire Purchase, Overdraft or Line of Credit, Working Capital Loans, Personal Loans and so on. However, lenders want to ensure that loans are repaid. Therefore, the evaluative criteria of each business which want a loan fund could be strict. The three factors should be considered as criteria. The first one is the past credit behaviour of the borrower. The second one is the business project. The last one is the experiences of managing the business and specific understanding of the market. (SmallBusiness-Start.com, 2005)

Take the Guarantees Loan Funding document on the Tauranga District Council website for example. The Council act as a guarantor to makes a policy in respect of the provision of guarantees to community groups and organisations seeking loan funds. Significantly, the conditions are very severe and detailed. The Director of Finance has to submit all the requests for guarantees to the Council before them being agreed to gain the loan funding. (Tauranga District Council, 2005)

#### **Equal employment opportunity**

The second most useful component of e-local government strategy relates to SMEs is equal employment opportunity. According to the above pie, we can know that there is 70 % of e-local government having equal employment opportunity policy statement. It can be defined that "A systematic results-oriented, set of actions that are directed towards the identification and elimination of discriminatory barriers that cause or perpetuate inequality in the employment of any person or group of persons" (Ashburtondc government, 2004). It means that all

employees must be given the equal opportunities to do the job towards this statement. The main goals of this policy are:

- To ensure that there is no discrimination in selection, opportunities for training and promotion of employment.
- To support that employees are selected by qualifications and working experience regard to the position, regardless of any “marital status, religious or ethical belief, race, ethnic or national origins”, gender, age, trade union activity and disability to apply for the job.
- To monitor all job information such as job description will be checked under the principles of equal employment opportunity.
- To comply the provisions of the Human Rights Commission Act, the Equal Pay Act, the Local Government Act and others.

(Ashburtondc government, 2004)

Based on the above data of our research and table, most of e-local governments have their own methods to support training, action plans and procedures. For example, in Wanganui government, they provide the “Core Training” and “Individual Training programs” as well as do the survey in order to conduct equal employment opportunities effectively among SMEs, which are responsible to comply with the principles of Equal Employment Opportunities (Wanganui Government, 2003).

### **Innovation activity**

Based on the above table, we can see there is about 74% e-local government implementing innovation activity component, which is the most useful to support the small enterprise to enter industries and remain stable and innovate to protect from cost disadvantage. In fact, “the relationship between small business and innovative activity is a significant area of economic research.” (Holmes et al., 2003, p.45) Because the small enterprises have not enough ability and money to acquire all kinds of information and resource which expansion their own business, the governments carry on a set of support activities to help small business research relevant data and knowledge; thus taking advance of economic performance in small enterprises. For example, most of councils provide library service, which contain a large number of financial and account data as well as market information. The small firms can research the relative data and information needed freely to determine whether they should innovate their technology, to change their products and to enter the new industry as well as to create the new production line so that the small enterprise can satisfy the whole market trends to against die out. In reality, small firms can change their technology and product rapidly mainly due to the flexible product structure. Not only library services, but also some annual report published by e-local government, both of them provide the useful and valuable data and information about the whole district development condition to support the SMEs innovate. For example, Centre Otago District Council provides the valuable data and information, such as housing and property for owners build or lease houses, the information about export and import goods, the industry trend in recent years. However, if the governments provide the inadequately data, the SMEs would be likely to face fate. Therefore, it is significant that the councils can publish the adequate and valuable data and information to support SMEs innovate rapidly to satisfy market trend.



## CONCLUSION

From the above analysis and our research, we can find eighty councils mainly publish the following six components of strategy related to SMEs: funding policy, enterprise training, equal employment opportunity, networking support and employ creation as well as innovation activity. Most council can publish and implement these components better to support the SMEs to expand and satisfy the market trend. The most three useful components are funding policy, equal employment opportunity and innovation activity, which are able to support government to achieve their goals of pertaining to SMEs as well as possible.

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**APPENDIX 1**

