

Business Motivations, Development Goals & Barriers

What they are, how we can help

July 2023

b4b BETTER FOR
BUSINESS
BUSINESS AND GOVERNMENT WORKING SMARTER



ABOUT

The research enables more effective government support

This research, initiated and led by Better for Business (B4B) in association with Research New Zealand, paints a picture of New Zealand's business motivations and development goals. Understanding motivation and development enables us to provide more effective support as motivation is a key element in behaviour change.

The research is part of a suite of research that monitors digital uptake and business health

This research is an element of the wider annual Digital and Health set of reports which are available on request.

The research was conducted between 21 November and 6 March 2023, with 2,702 New Zealand businesses surveyed. Answers are weighted to be representative of industry category and business size (by number of staff).

Better for Business understands businesses to help the government support them.

Better for Business (B4B) represents the voice of NZ businesses and works with a range of government agencies to make it easier and more seamless for businesses to deal with government. We do this by understanding, representing, and supporting the diverse needs of small businesses across Aotearoa, and by leading the strategic response to improving the experience businesses have when dealing with government.



IN THIS REPORT

Business Motivations and Development

This report consists of three sections:

1. **Introduction – why do we care about business motivation**
2. **What does the landscape of business motivation look like?**
3. **What can we do with our knowledge of motivation?**



KEY TAKEAWAYS

Wellbeing and work-life balance is a key motivation for entrepreneurs starting their own business.

50% of businesses want to reduce the **time & cost** of business tasks.

The main barriers to businesses achieving their goals are **cost, time and uncertainty.**

WHY DO WE CARE ABOUT MOTIVATIONS?



UNDERSTANDING MOTIVATION HELPS US COMMUNICATE AND DESIGN SOLUTIONS



In today's complex business landscape, understanding the motivations of business owners has become increasingly important. The driving forces behind their decisions and actions have far-reaching implications, not only for the success of their enterprises but also for the stakeholders and policymakers involved in supporting small businesses.

When policymakers have a clear understanding of the driving forces behind entrepreneurial ventures, we can design and tailor policies that support and incentivise business owners' goals, fostering a more conducive environment for business growth and innovation. This alignment of understanding between the government and business owners can contribute to sustainable development and foster economic growth.

This report explores business owners' motivations, development goals and barriers, and is intended to help decision-makers craft better solutions that align with their needs and objectives.

WHAT DOES THE LANDSCAPE OF MOTIVATION LOOK
LIKE?



MOTIVATIONS

Why do people start and continue their business?



*Respondents were asked to state their primary motivations at the time of starting their business, and were asked to state what motivations are current at the time of the survey.

People start their own businesses for a multitude of personal and financial reasons. The desire for independence and autonomy is a powerful motivator. Many individuals yearn to break free from the constraints of traditional employment and take control of their own destiny. This is shown by 89% of respondents indicating that 'being your own boss' was an initial motivation in starting their own businesses. Other respondents valued the potential to make a living (91%) and having a good lifestyle (89%) as a significant driver for starting a business.

Two-thirds of business owners also wanted to contribute positively to society through their business offering, and almost one-third was motivated to provide financial support to a social or charitable cause.

The prospect of financial independence, the ability to accumulate assets, and the potential for long-term stability are all factors that motivate individuals to take the leap into entrepreneurship. These fuels their determination to start and continue their business ventures. Interestingly, while the desire to 'be your own boss' is one of the prominent motivations in *starting* a business, it is also one of the motivations which is least likely to persist as the business *continues*. Two other starting motivations that are more likely than others to drop as the business continues are 'business activity is a passion' and 'building a good personal reputation'.

Continuing a business can be challenging for various reasons, especially in the current socioeconomic climate. During an economic downturn, consumer spending tends to decline and market conditions become more uncertain. This reduction in demand for various products or services can lead to revenue decline and financial strain, leading to a decline in motivations. In the survey results, 49% of respondents indicated that their motivations at present are different from when they started their businesses.

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MOTIVATIONS

Identifying motivation factors behind each industry and ethnicity

Motivation Factors	Māori Owner/Manager	Pasifika Owner Manager*	Non Māori or Pasifika Owner/Manager	Highest industry	Lowest industry
To make a living/enough money to live on	93%	83%	91%	Real Estate (97%)	Manufacturing (84%)
To 'be your own boss'	90%	85%	89%	Wholesale trade (95%)	IT (79%)
To have a good lifestyle/prioritising my wellbeing	94%	92%	88%	Agriculture, Forestry & Fishing (93%)	Arts and Recreation (79%)
The core business activity is a passion of yours	79%	50%	80%	Education and Training (94%)	Admin & Support services (67%)
To build a good personal reputation	89%	65%	76%	Health Care and Social Assistance (82%)	Hospitality (70%)
To be as profitable as possible	72%	60%	74%	Transport, Postal and Warehousing (90%)	IT (53%)
To directly make a positive impact on society through my business offering	74%	38%	67%	Financial and Insurance Services (93%)	Construction (59%)
To establish or maintain a family business	51%	≤25%	42%	Agriculture, Forestry & Fishing (67%)	IT (≤25%)
To be an employer/provide employment opportunities	46%	≤25%	35%	Hospitality (63%)	IT (≤25%)
To provide financial support to a charitable/social causes	38%	≤25%	28%	Financial and Insurance Services (50%)	Arts and Recreation (≤25%)
To spend more of my time helping a charitable/social cause	35%	34%	≤25%	Financial and Insurance Services (48%)	Agriculture, Forestry & Fishing (≤25%)

*Limited sample size

The research also identified sectors where certain motivations were most prevalent ('Highest industry') and least prevalent ('Lowest industry'). Motivation factors behind each industry can vary depending on the nature of the business and the individuals involved. For example, within the financial and insurance services industry (appearing as the highest industry in three out of eleven motivation factors), many (93% of) individuals began their business because they were motivated, in part, by making a positive impact on society. Interestingly, about half of the businesses in this industry also state that providing financial support and/or time to a social cause was a motivation for starting their business.

From the table, we see that most business owners across all ethnicities tend to value having a 'good lifestyle/wellbeing' as a motivation factor. Māori business owners are also more likely to be particularly motivated by 'making a positive impact on society through their business offering' (74%) and 'providing employment opportunities' (46%).

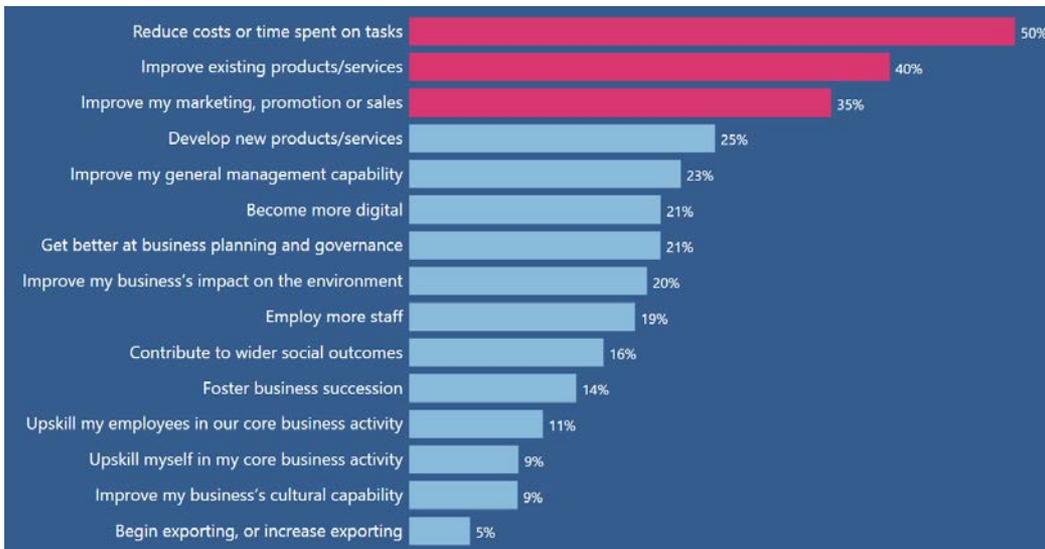
It is important to note that the motivation factors listed are not exhaustive and can still widely vary among business owners of the same industry and ethnicity. Personal aspirations, values, and interests also play a significant role in determining what motivates individuals within their chosen industry.

DEVELOPMENT GOALS OF BUSINESSES



DEVELOPMENT GOALS

How would businesses like to develop or change in the next two years?



The development goals of businesses encompass a range of objectives centred around growth, sustainability, and productivity. Generally, we know that business owners are motivated by financial and personal independence that allows for the work-life balance they desire. Unsurprisingly, the prominent development goals of businesses relate to improving their financial outlook ('Improving existing product/services' and 'Improving marketing, promotion or sales') or enhancing productivity and profitability ('Reducing costs or time spent on tasks').

From the table, it is observed that medium businesses (6 to 19 employees) are the most likely to have two of the three top development goals, 'reducing costs and time spent on tasks' and 'improving marketing, promotion and sales'. For larger businesses, with wider access to resources and economies of scale, they are the most likely to have 'improving existing products/services' as a development goal.

Interestingly, 48% of respondents indicated that they are inclined to prioritise business stability and opt to maintain their operations at the current size instead of pursuing growth. This is in contrast to the 32% of respondents who indicated interest in growing/developing their business. Considering the volatility of the current business landscape, it is increasingly common for business owners to adopt a cautious approach in today's uncertain times, with a focus on preservation rather than growth. This is reflected from the table where only 5% of businesses have plans to begin/increase their exporting.

Top 3 Development Goals	One employee/sole trader	Small (2-5)	Medium (6-19)	Large (20+)
Reduce costs or time spent on tasks	46%	56%	64%	61%
Improve existing products/services	36%	42%	54%	61%
Improve my marketing, promotion or sales	32%	38%	47%	43%

DEVELOPMENT GOALS CONT.

How would businesses like to develop or change in the next two years?

Development Goal	Highest industry	Lowest industry
Reduce costs or time spent on tasks	Financial and Insurance Services (56%)	Public Administration and Safety (36%)
Improve existing products/services	Public Administration and Safety (61%)	Construction (31%)
Improve my marketing, promotion or sales	Wholesale trade (52%)	Public Administration and Safety (19%)
Develop new products/services	Public Administration and Safety (51%)	Transport, Postal and Warehousing (15%)
Improve my general management capability	Construction (34%)	Public Administration and Safety (14%)
Become more digital	Financial and Insurance Services (35%)	IT (8%)
Get better at business planning and governance	Education and Training (38%)	Public Administration and Safety (9%)
Improve my business's impact on the environment	Agriculture, Forestry and Fishing (31%)	Financial and Insurance Services (12%)
Employ more staff	Hospitality (48%)	Professional, Scientific and Technical Services (11%)
Foster business succession	Financial and Insurance Services (29%)	Arts and Recreation (7%)
Contribute to wider social outcomes	Manufacturing (24%)	IT (5%)
Upskill myself in my core business activity	Professional, Scientific and Technical Services (15%)	Wholesale Trade (3%)
Improve my business's cultural capability	Education and Training (25%)	Administrative and Support Services (4%)
Begin exporting, or increase exporting	Wholesale Trade (18%)	Construction (1%)

Development goals behind each industry can vary based on a range of factors, including market dynamics, competitive landscape, technological advancements, and customer demands. In the financial and insurance services industry (which appeared as the highest industry in 3 out of 14 development goals), businesses are more likely to focus on goals related to optimising processes and productivity, business succession and increasing their digital footprint (e.g. expanding on their existing digital banking services, enhancing cybersecurity measures, or improving the efficiency of financial transactions). With the advent of new fintech solutions such as blockchain technology and robo-advisors, financial and insurance services industry seems to be focused on providing more convenient and secure financial services to customers.

For business owners in the 'wholesale trade' industry, the most prevalent development goal is 'improving marketing, promotion and sales'. This may involve enhancing their online presence and leveraging on data analytics for personalised marketing and customer insights. In a related sense, businesses in this industry are more likely than most to concentrate on the export market for their products.

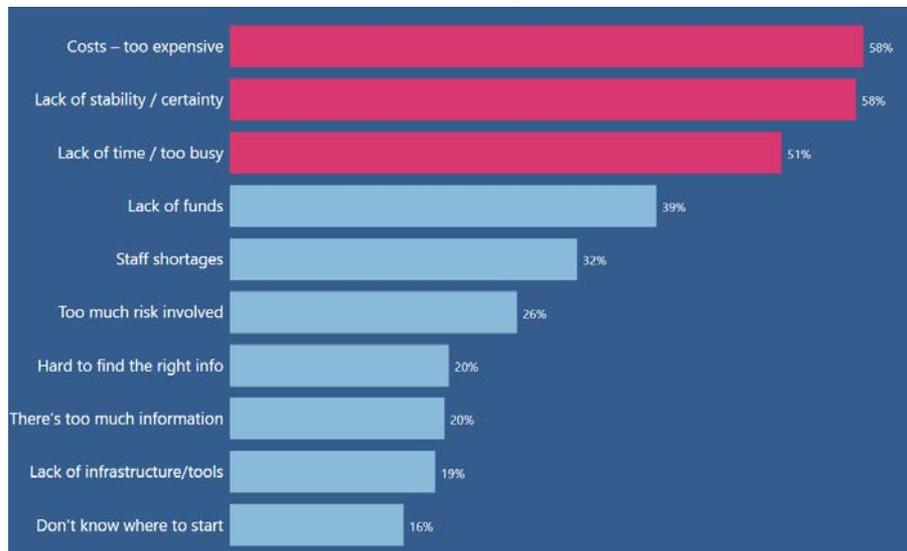
On the flip side, businesses in the 'public administration and safety' are more likely to focus their attention on both creating new products/services and improving their existing offerings, reflecting to their role as a public service provider and steward of the wellbeing of its citizens. By enhancing public services, businesses in this industry can ensure efficient and effective service delivery, meeting the needs and expectations of the public.

WHAT IS STANDING IN THE WAY OF SUCCESS?



DEVELOPMENT BARRIER

What stops businesses from developing?



Top 3 Development Barriers	Top Industries	Top Regions	Main Economic Regions
Costs – too expensive	Hospitality (76%) Agriculture, Forestry and Fishing (70%) Transport, Postal and Warehousing (70%)	West Coast (80%) Southland (77%) Tasman (74%)	Auckland (56%) Canterbury (63%) Wellington (52%)
Lack of stability / certainty	Electricity, Gas, Water and Waste Services (77%) Public Administration and Safety (70%) Agriculture, Forestry and Fishing (68%)	Gisborne (89%) Tasman (67%) Canterbury (66%)	Auckland (60%) Canterbury (66%) Wellington (55%)
Lack of time / too busy	Admin. & Support Services (65%) IT (61%) Education and Training (59%)	West Coast (88%) Gisborne (82%) Bay of Plenty (57%)	Auckland (45%) Canterbury (50%) Wellington (56%)

Similarly to development goals, barriers also are more or less prevalent depending on which industry a business is operating within. For example, hospitality businesses tend to be more affected than most by financial costs and staff shortages, whereas businesses in the education and training sector tend to have their goals impacted more by lack of funding, infrastructure and time.

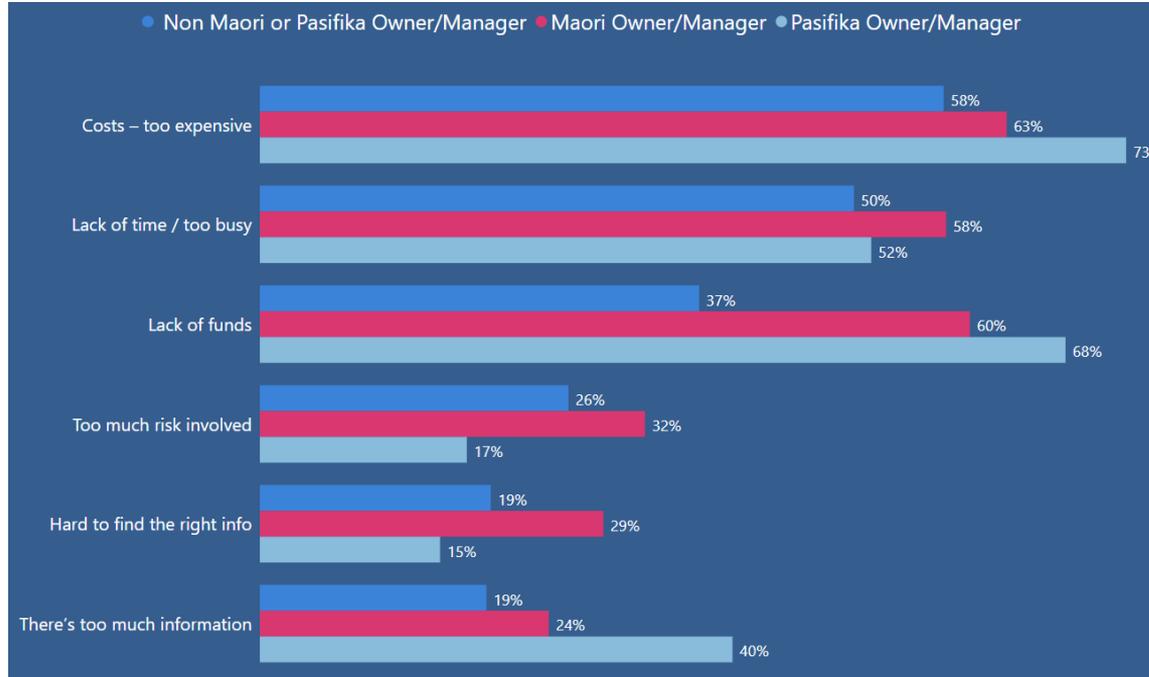
Barriers to development goals also tend to vary based on where a business is located in the country. This could be driven by a range of factors, including local infrastructure, available products and services, and existing support networks. In the West Coast for example, development barriers are mainly centred around financial/time costs and lack of funding. Businesses in this region are also more likely to mention a lack of infrastructure as a barrier in achieving their goals.

However, while also impacted by financial costs, businesses in the Canterbury region tend to be more concerned with the risks involved in pursuing their development goals and a general lack of certainty and stability.

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DEVELOPMENT BARRIER CONT.

What stops businesses from developing?



Alongside some differences in motivations for starting a business, there is clear variation in development barriers between business owner/managers with different ethnicities.

Māori and Pasifika-identified owner/managers tend to experience more financial-related barriers compared to non- Māori or Pasifika owner/managers. Almost two thirds of Māori (63%) and nearly three quarters of Pasifika owner/managers (73%) report financial cost as a barrier to achieving their business goals.

Additionally, Māori and Pasifika owner/managers tend to report more information-related barriers. Pasifika owner/managers are twice as likely than “non-Māori or Pasifika owner/managers” to report ‘too much information’ as a barrier to their development goals.

These differences in barriers suggest a need to consider and engage with these owner/manager groups when designing financial support packages and educational resources for the business community.

CONCLUSION

In conclusion, comprehending business motivations, development goals (and their barriers) is valuable for the effective provision of government support.

Understanding the driving forces behind business actions and decisions can help government and other business support stakeholders to align their efforts and resources to provide more impactful support. This in turn enables tailored strategies, solutions, and collaboration which address the specific needs and objectives of the business.

By anticipating future challenges and opportunities faced by businesses in New Zealand, we can facilitate more agile responses and forge stronger partnerships. This ultimately creates an environment conducive to growth and prosperity.