

Embargoed until 10:45am – 23 April 2010

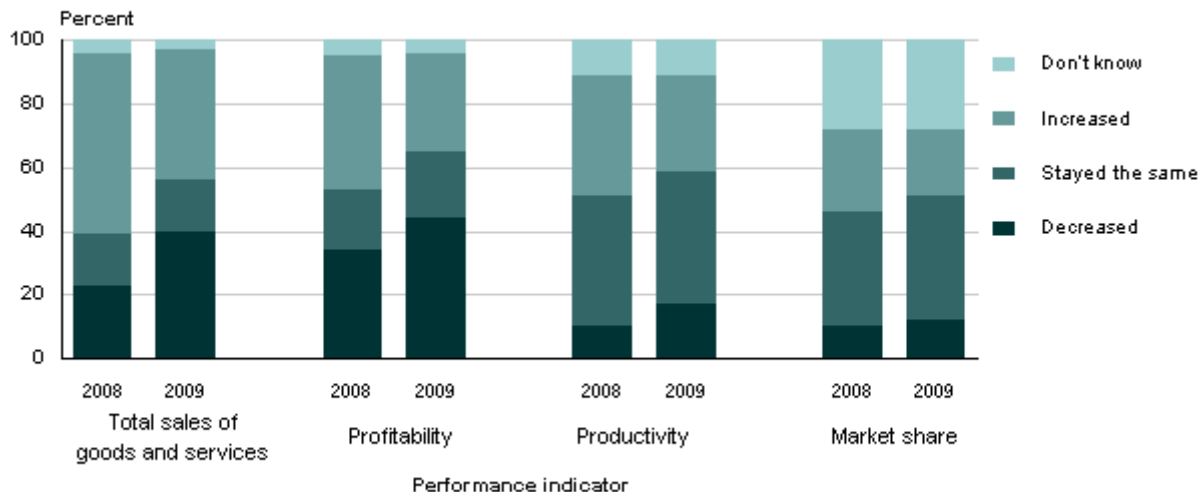
Business Operations Survey: 2009

Highlights

Of businesses surveyed in 2009:

- 41 percent reported increased sales in 2009, compared with 57 percent in 2008.
- 46 percent engaged in innovation over the past two years.
- 42 percent said the greatest effect of not receiving full debt finance requested was no longer being able to pay all their bills.
- 85 percent trained their staff.

Reported business performance
Last financial year at August 2008 and 2009



Source: Statistics New Zealand

Geoff Bascand
Government Statistician

23 April 2010
ISSN 1178-0711

Commentary

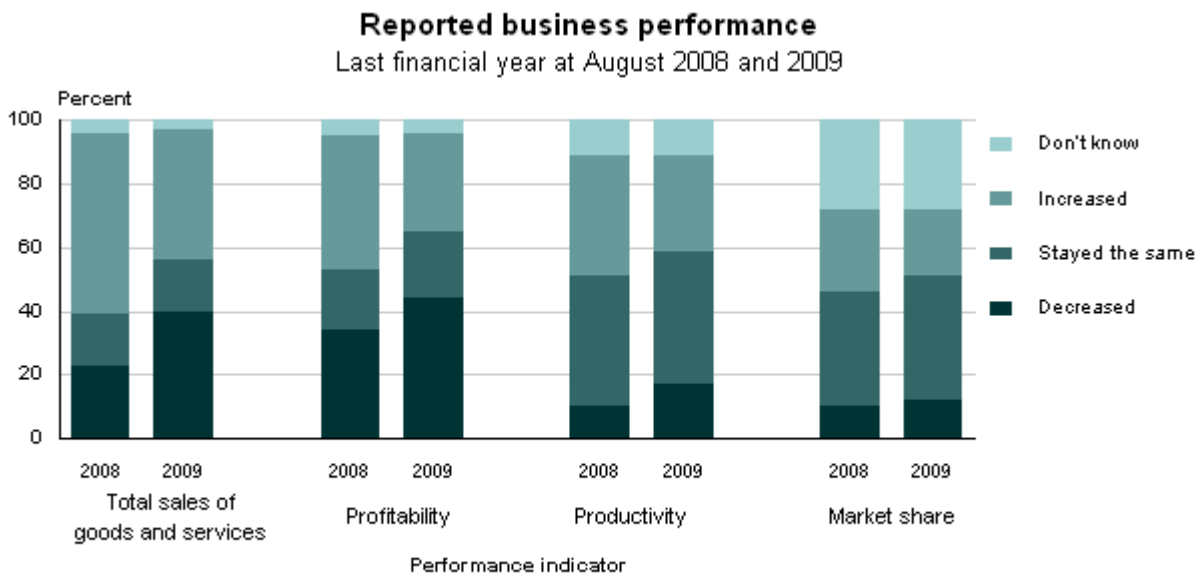
Business Operations Survey

The Business Operations Survey collects information from a wide cross-section of New Zealand businesses with more than six employees, in order to build a better understanding of a range of business practices and behaviours that may have some impact on business performance. The information is collected through a modular survey that contains a repeating business operations module, an alternating information and communications technology (ICT) or innovation module, and a contracted module that focused on business practices and recent financing arrangements for 2009.

This is the first release of business operations statistics covering the financial year ending August 2009. A full set of tables from the survey will be released on 30 April 2010. A detailed report on innovation in New Zealand will be published in June 2010.

Reported business performance

There are a range of indicators that can be used to indicate business performance, and these may be influenced by many factors, both internal and external to the business. In the survey, businesses were asked to assess their performance based on sales, profitability, productivity, and market share indicators.



Source: Statistics New Zealand

Businesses were asked about how they saw their performance change over the last financial year, at August 2009:

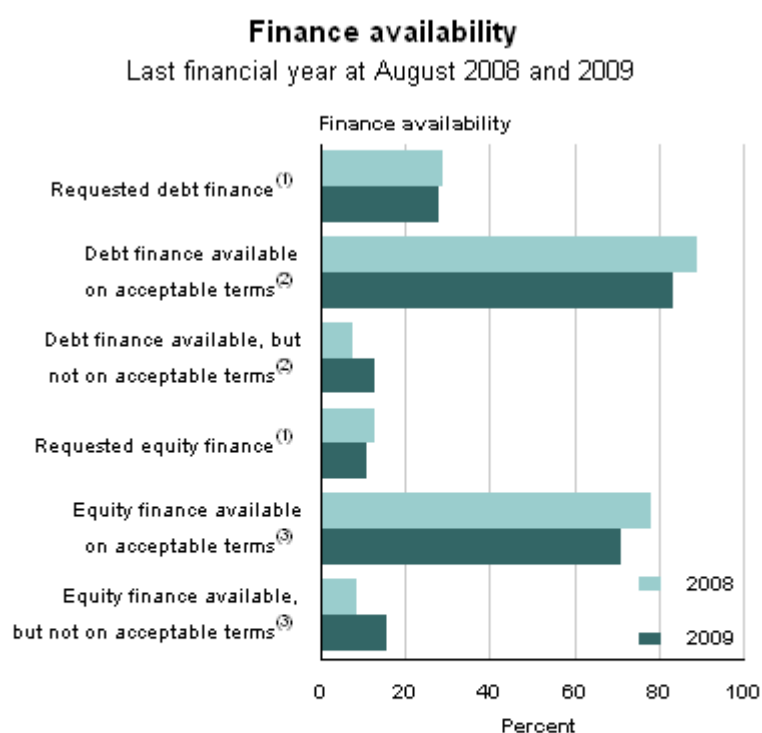
- 41 percent reported total sales of goods and services had increased over the last financial year, compared with 57 percent of businesses in 2008
- 31 percent reported an increase in profitability over the last financial year, compared with 42 percent in 2008
- 30 percent reported an increase in productivity over the last financial year, compared with 38 percent in 2008

- 21 percent reported an increase in their market share over the last financial year, compared with 26 percent in 2008
- the proportion of businesses reporting no change in these indicators remained similar.

These results reflect businesses' views on how both their internal and external business environments have changed over this period of economic downturn (or negative GDP). Between June 2008 and June 2009, GDP had decreased 1.8 percent (see [Gross Domestic Product: June 2009 quarter](#)).

Finance availability

Businesses can request different types of new or additional finance in order to support either current operations or expansion. Twenty-nine percent of businesses requested new or additional finance in the financial year ending August 2009, a similar proportion to that reported in 2008.



(1) Percentage of all New Zealand businesses.

(2) Percentages of all New Zealand businesses which requested debt finance.

(3) Percentage of all New Zealand businesses who requested equity finance.

Source: Statistics New Zealand

In 2009, fewer businesses reported the finance they sought was available on acceptable terms.

Eighty-three percent of businesses who requested debt finance reported that this was available on acceptable terms, a decrease from 89 percent in 2008.

Seventy-one percent of businesses who requested equity finance reported that this was available on acceptable terms, a decrease from 78 percent in 2008.

Change of existing credit facilities

Change in credit facilities is one factor that made finance conditions less acceptable to businesses. The survey asked about three types of these facilities: overdraft or credit limits, interest rates or fees, and security or collateral requirements:

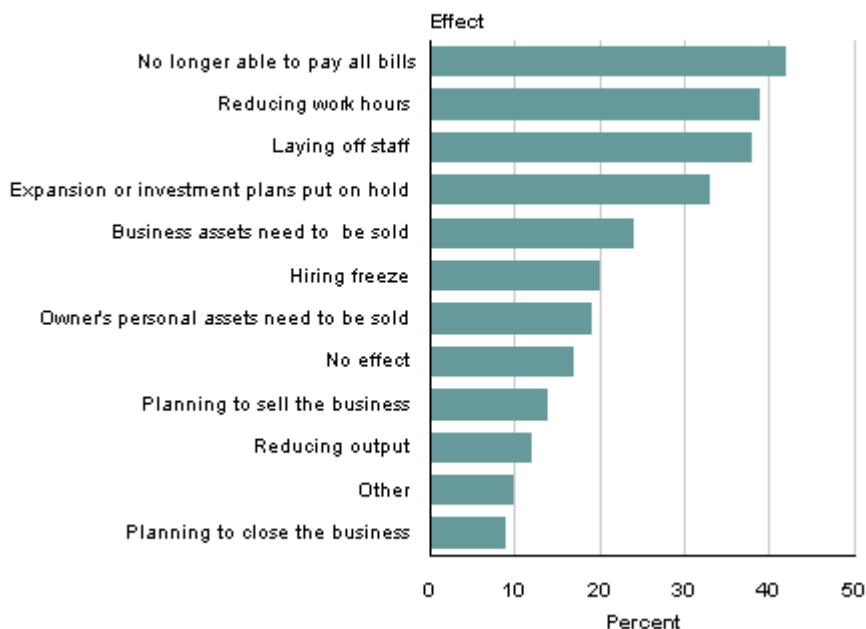
- 69 percent reported that overdraft or credit limits remained the same.
- 49 percent reported that interest rates or fees had stayed the same.
- 83 percent reported that security or collateral requirements stayed the same.

Effects of not receiving debt finance

Businesses can request debt finance from many different sources, but sometimes may not be able to receive all of the finance they requested. In 2009, 42 percent of businesses said the greatest effect of not receiving the full amount of debt finance requested was not being able to pay all their bills. This was followed by reducing work hours (39 percent), and laying off staff (38 percent).

Effect of not receiving debt finance

Last two financial years at August 2009



Source: Statistics New Zealand

Business activities

The Business Operations Survey collects information on a range of activities businesses may be involved in, such as export sales, investment in expansion, research and development (R&D), and tourism sales. In 2009, the rates of participation in all of these activities were similar to those in 2008.

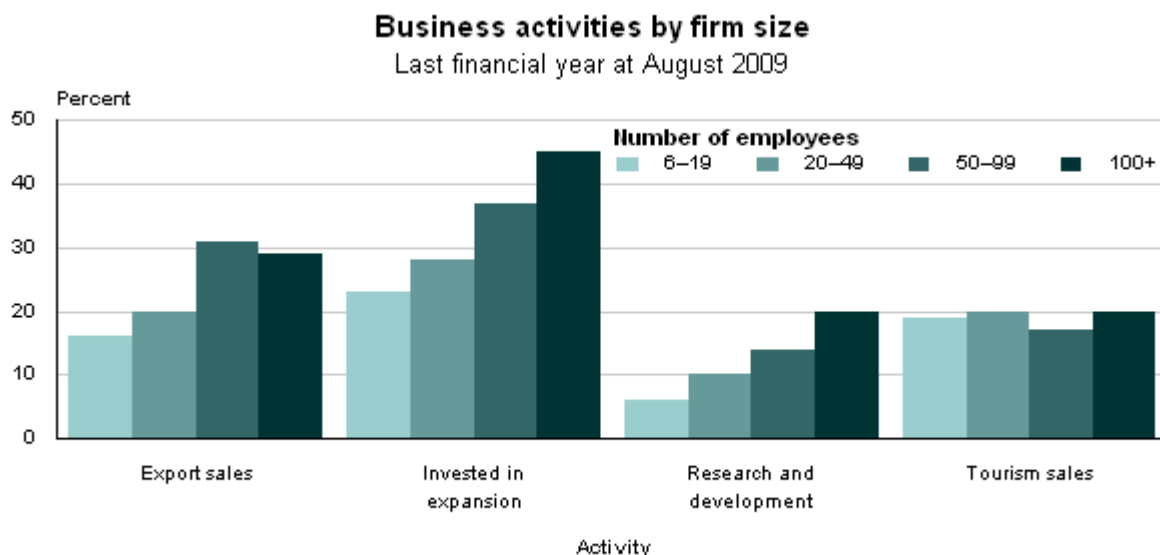
In 2009, 18 percent of businesses gained sales from exports. The industry with the highest proportion of exporting businesses was wholesale trade (42 percent).

Twenty-six percent of businesses invested in expansion. A steady increase in levels of expansion was found to be proportional to business size. In 2009, 23 percent of small

businesses (6 –19 employees) invested in expansion, compared with 45 percent of large businesses (100 or more employees). The survey did not collect information on the value of these investments.

Eight percent of businesses undertook R&D, an activity that also increases with business size. Six percent of small businesses performed R&D in 2009, compared with 20 percent of large businesses.

Nineteen percent of businesses gained sales from tourism. Because there are many industries involved in tourism, there is no evident pattern of increased tourism activity as firm size increases.



Source: Statistics New Zealand

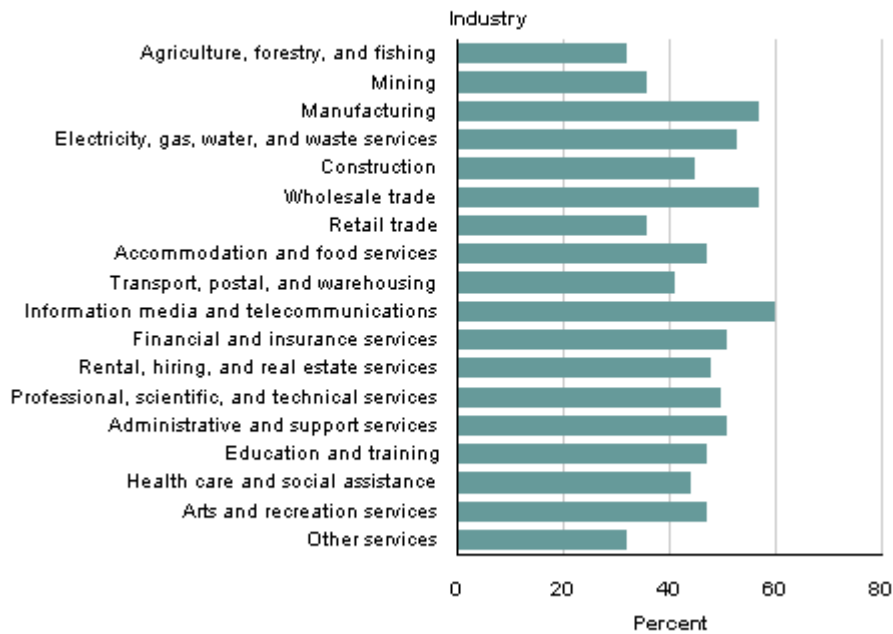
Innovation

Innovation is internationally recognised as a link to economic growth and productivity gains (OECD Innovation Strategy, available from www.oecd.org) and is therefore deemed an important statistic to be collected from businesses. Innovation includes the development or introduction of any new or significantly improved activity for a business.

Survey results indicate that 46 percent of businesses engaged in innovation activity over the past two years, which was the same rate as in 2007 when this information was previously collected. The industry with the highest overall innovation rate was information, media, and telecommunications, at 60 percent. The larger the business size (number of employees), the more likely they were to innovate, which is the same trend seen in 2007.

Innovation rate by industry

Last two financial years at August 2009



Source: Statistics New Zealand

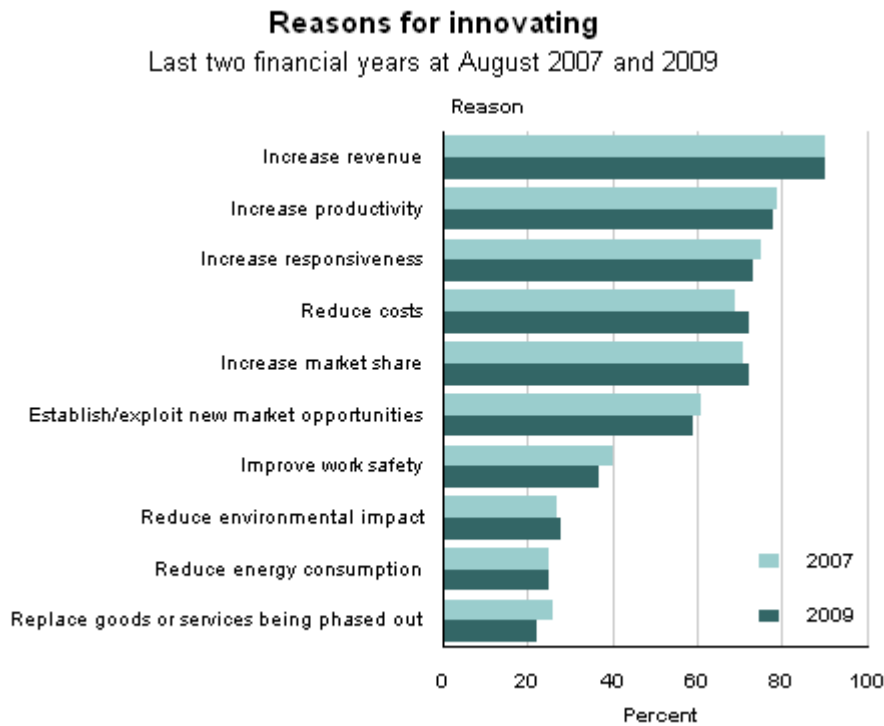
The overall innovation rate is made up of four categories, although an individual business can engage in more than one. Results showed that businesses undertook innovation in:

- goods or services (26 percent)
- operational processes (23 percent)
- organisational or managerial processes (26 percent)
- marketing methods (25 percent).

Results were evenly spread across the different types of innovation, similar to that in 2007. Innovation has a range of benefits for businesses, which still makes it worthwhile for them to continue to engage in innovation in spite of tougher economic conditions.

Reasons for innovating

There are many reasons why a business may choose to innovate. In 2009, 90 percent of businesses cited they wanted to increase their revenue as a reason for innovation. This was followed by wanting to increase productivity (78 percent) and to increase responsiveness to customers (73 percent). Similar patterns were evident in the 2007 data.



Source: Statistics New Zealand

Sales from product innovations

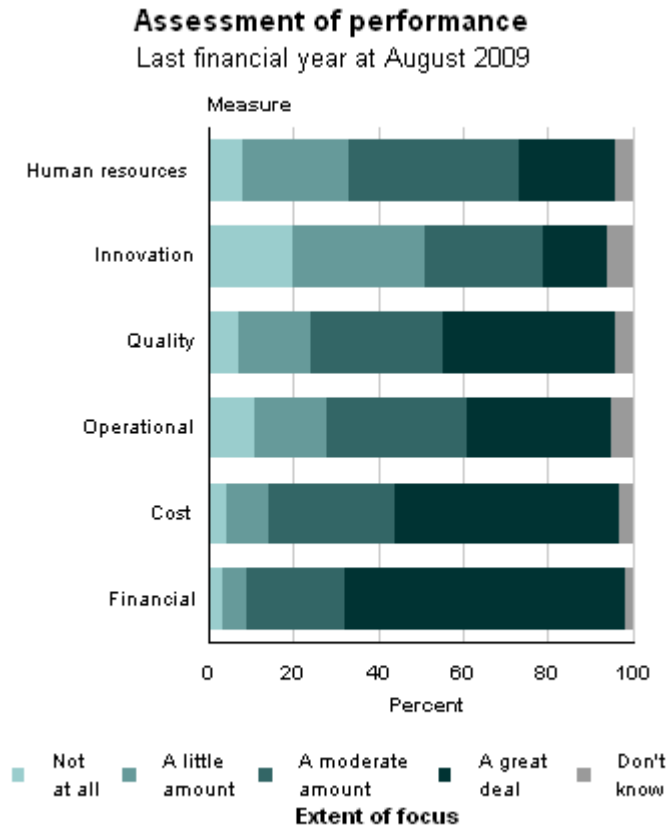
Over half of businesses who engaged in product innovation received 1 to 10 percent of their overall sales from these new products.

Further detailed results on innovation activities will be published on 30 April.

Performance assessment

Businesses focus on many different measures when assessing their performance. In 2009, 66 percent of businesses reported they focused a great deal on financial measures. This was followed by cost measures (53 percent) and quality measures (41 percent).

Innovation was most reported as not being considered at all when assessing performance (20 percent). The majority of innovating businesses reported that innovation was undertaken to improve financial measures. It is those financial measures that businesses focus on when assessing their performance, rather than innovation itself.



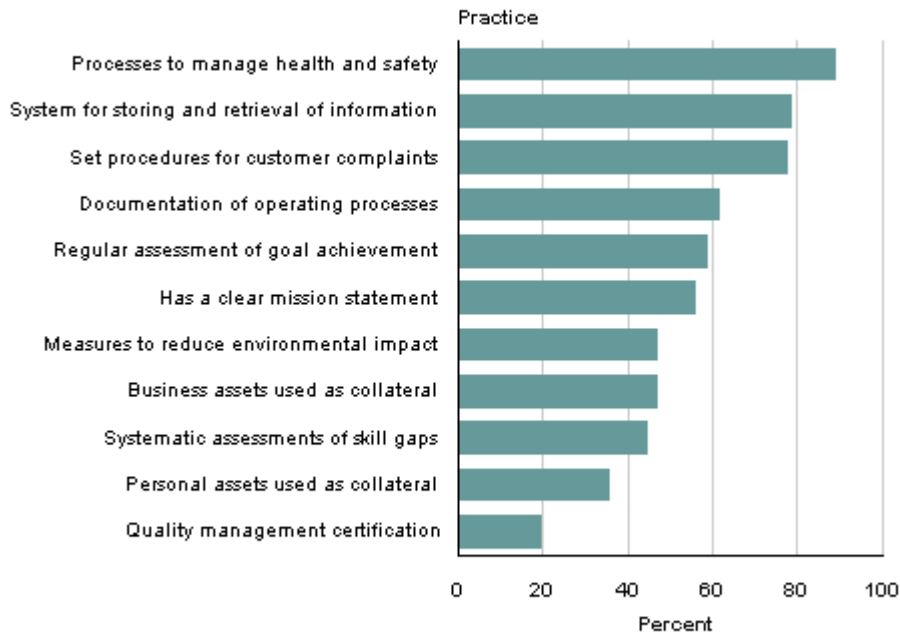
Source: Statistics New Zealand

Business practices

There are many different activities that businesses can perform in order to improve their business. More than three-quarters of all New Zealand businesses have processes to manage health and safety, a system for storing and retrieval of information, set procedures for customer complaints, and participation in training. Only 36 percent of businesses used personal assets as collateral for financing and 20 percent had quality management certification.

Common practices to improve business⁽¹⁾

Last financial year at August 2009



(1) Responses were to yes/no or open-ended questions.

Source: Statistics New Zealand

For technical information contact:
Kathy Jackson
Wellington 04 931 4600
Email: info@stats.govt.nz

Next release ...

Business Operations Survey: 2009 tables will be released on 30 April 2010.

Technical notes

Survey background

In order for New Zealand's economic performance to be measured against initiatives aimed at increasing economic growth, a range of data on a variety of measures needs to be collected.

Because of the large range of data needed, Statistics New Zealand has developed an integrated, modular survey – the Business Operations Survey – as a way of collecting the required information while minimising the reporting load for New Zealand businesses. The survey has been designed to include up to three 'modules' and has been run annually by Statistics NZ since 2005.

Statistics NZ works with a range of other organisations to develop the mix of content for this survey. Table 1.01 show how these groups contributed to the development of the survey.

Table 1.01

Organisations' contributions to the Business Operations Survey					
Module	2005	2006	2007	2008	2009
	Content				
Module A	Business operations	Business operations	Business operations	Business operations	Business operations
Module B	Innovation	Information and communication technology	Innovation	Information and communication technology	Innovation
Module C	Business practices	Employment practices	International engagement	Business strategy & skills	Business practices
Organisation	Contribution to content				
Ministry of Economic Development (MED)	Y	Y	Y	Y	Y
Ministry of Research Science & Technology (MoRST)	Y	N	Y	Y	Y
Department of Labour (DOL)	Y	Y	N	Y	N
Treasury	Y	Y	Y	Y	
New Zealand Trade & Enterprise (NZTE)	N	N	Y	N	N
Commerce Commission	N	N	Y	N	N

The main objective of the survey is to collect information on the operations of New Zealand businesses in order to quantify business behaviour, capacity and performance. In addition, each module in the survey has its own specific objectives. The modules included in the Business Operations Survey 2009 and their objectives are listed below.

Module A: Business operations

The objective of this module is to provide a longitudinal series of information relating to business performance. This will assist in the development of models aimed at investigating causal relationships. As well as traditional measures of performance such as turnover and profitability, there is also a need to collect information on such areas as export intensity. The purpose of collecting environmental information is to analyse any relationships between the environment in which a business operates and the results it achieves.

Module B: Innovation

The objective of this module is to provide information on the characteristics of innovation in New Zealand private-sector businesses to enable the development of policy which will facilitate innovation, and to understand the dynamics of innovative businesses. The innovation module runs every two years, and replaced Statistics New Zealand's former Innovation Survey, last run in 2003. The module has been designed in accordance with OECD guidelines to develop an understanding of the contribution of all aspects of innovation to the New Zealand economy by measuring:

- levels of firm innovation
- how and why firms collaborate with other firms and institutions in order to innovate
- factors affecting the ability of firms to innovate
- outcomes of innovation for firms.

Module C: Business practices

This module collects data on a range of practices (including management practices and behaviours), some of which were collected in the Business Operations Survey 2005. In addition, questions relating to recent financing arrangements were also included to gain an understanding of the current situation. These financing questions will also be collected in the 2010 survey.

Classification change

From 2008, the design of the survey was updated to the latest Australian and New Zealand Standard Industrial Classification (ANZSIC). See the technical notes of the 2008 release for more information regarding this change. Innovation results from 2007 were collected using both the old and new classifications, therefore 2007 results in this release have been recalculated on the updated ANZSIC basis, and will differ from those previously published.

Reference period

The survey was posted out in August 2009 and collected information for the last financial year for which the business had data available at that point.

Target population

The target population for the Business Operations Survey 2009 was live enterprise units on Statistics NZ's Business Frame that at the population selection date:

- were economically significant enterprises (those that have an annual GST turnover figure of greater than \$30,000)
- had six or more employees

- had been operating for one year or more
- were classified to Australian and New Zealand Standard Industrial Classification – New Zealand Version 2006 (ANZSIC06) codes listed as ‘in scope’ in list 1 below
- were private enterprises as defined by New Zealand Institutional Sector 1996 Classification (NZISC96) listed in list 2 below.

An enterprise is defined as a business or service entity operating in New Zealand, such as a company, partnership, trust, government department or agency, state-owned enterprise, university or self-employed individual.

The final estimated population size for the 2009 Business Operations survey was 36,347 enterprises.

List 1 – ANZSIC06 codes in scope

In scope

ANZSIC06 code – description

A – Agriculture, forestry and fishing

B – Mining

C – Manufacturing

D – Electricity, gas, water and waste services

E – Construction

F – Wholesale trade

G – Retail trade

H – Accommodation and food services

I – Transport, postal and warehousing

J – Information media and telecommunications

K – Financial and insurance services

L – Rental, hiring and real estate services

M – Professional, scientific and technical services

N – Administrative and support services

P – Education and training

Q – Health care and social assistance

R91 – Sport and recreation activities

R92 – Gambling activities

S94 – Repair and maintenance.

Out of scope

O – Public administration and safety

R89 – Heritage activities

R90 – Creative and performing arts activities

S95 – Personal and other services

S96 – Private household employing staff and undifferentiated goods and service producing activities of households for own use

List 2 – NZISC96 codes in scope

In scope

NZISC96 code – description

1111 – Private corporate producer enterprises

1121 – Private non-corporate producer enterprises

1211 – Producer boards

1311 – Central government enterprises

2211 – Private registered banks

2221 – Private other broad money (M3) depository organisations
2291 – Private other depository organisations nec
2311 – Private other financial organisations excluding insurance and pension funds
2411 – Private insurance and pension funds.

Out of scope

1321 – Local government enterprises
21 – Central bank
2212, 2213, 2222, 2223, 2292, 2293, 2312, 2313, 2412, 2413 – Central and local government financial intermediaries
3 – General government
4 – Private non-profit organisations serving households
5 – Households
6 – Rest of world

Sample design

The sample design was a two-level stratification according to ANZSIC industry and employment size groups. This information was obtained using enterprise ANZSIC industry and employment information from Statistics NZ's Business Frame.

The first level of stratification was 36 ANZSIC groupings. Within each of the ANZSIC groups there is a further stratification by employment size group. The four employment size groups used in the sample design are:

- 6–19 employees (small)
- 20–29 employees (medium 1)
- 30–49 employees (medium 2)
- 50 or more employees (large).

The two medium groups have been amalgamated, and the large size group further broken down for this publication, as these businesses were of particular interest for some of the results.

The survey has been designed to produce aggregate statistics at a national level. This design does not facilitate statistics to be produced at a regional level.

Measurement errors

The Business Operations Survey 2009 results are subject to measurement errors, including both non-sample and sample errors. These errors should be considered when analysing the results from the survey.

Non-sample errors

Non-sample errors include mistakes by respondents when completing questionnaires, variation in the respondents' interpretation of the questions asked, and errors made during the processing of the data. In addition, the survey applied imputation methodologies to cope with non-respondents. Statistics NZ adopts procedures to minimise these types of error, but they may still occur and are not quantifiable.

Given the nature of the data collected, there are limitations on the level of accuracy that can be expected from the survey. Businesses' records may not be kept in the form required for the survey and some estimation by the respondent may be required.

Sampling error

The estimates in this report are based on a sample of business. Somewhat different figures might have been obtained if a complete census of the entire business population had been taken using the same questionnaire and processing methods etc. Because the estimates are based on a sample of businesses, all estimates have a sampling error associated with them. The variability of a survey estimate, due to the random nature of the sample selection process, is measured by its sampling error.

The majority of the tables in this release are percentages of the total number of New Zealand businesses within each size and industry. The absolute sampling errors for the overall New Zealand business population are presented in the following table. These errors should be used as a guide for judging the reliability of figures contained in the tables. The table should only be used on the overall estimates that are percentage of all New Zealand businesses.

Table 1.02

Sample errors for total population of Business Operations Survey 2009	
Size of estimate	Sampling error
1	0.4
2	0.6
3	0.7
5	1.0
10	1.3
20	1.8
30	2.0
50	2.2
70	2.0
80	1.8
90	1.3
95	1.0
97	0.7
98	0.6
99	0.4

The sampling errors provided above are measured at the 95 percent confidence level.

How to use the sampling errors:

For example, the estimated number of businesses with export sales in 2009 is 18 percent. This estimate is subject to a relative sampling error of approximately plus or minus 1.55. This means that 95 percent of the possible samples of the same size will produce an estimate between: $18 - 1.55$ and $18 + 1.55$, that is, between 16.45 and 19.55.

Sampling errors vary from estimate to estimate, and with population breakdown and population size. Table 1.02 shows approximate sampling errors for all New Zealand level estimates of the whole Business Operations Survey population. Similar tables of approximate sampling errors at

a size and industry level can be provided upon request if required. Exact sampling errors can be produced for each variable within the Business Operations Survey upon request if required.

Response rate

The Business Operations Survey 2009 targeted an 80 percent response rate. The survey achieved an actual response rate of 82.4 percent, which represented 5,603 businesses.

Non-response and imputation

Unit non-response

Unit (or complete) non-response occurs when units in the sample do not return the questionnaire. The initial selection weight of the remaining units in the stratum was adjusted to account for the unit non-response (no item non-response imputation would occur for the units that did not return the questionnaire).

Item non-response

Item (or partial) non-response is when units return the questionnaire but some questions are not answered. No item non-response imputation was carried out for units that did not answer 60 percent or more of the questions they were required to answer (based on questionnaire routing rules). The respondents who did not meet this criterion were classified as unit non-responses and the weights were adjusted accordingly.

Imputation of numeric variables

The imputation methods used were weighted mean imputation and donor imputation.

Using the weighted mean method, a weighted mean was calculated from linked responding units for each numeric linecode within each imputation cell. Non-responding units were then imputed with the weighted mean for their imputation cell. Weighted mean imputation was used to impute totals.

Donor imputation randomly selected a donor from within each imputation cell. The non-respondent was then imputed with the value(s) from the donor. Donor imputation was used to impute components and percentages so that the distribution was maintained.

Imputation of categoric questions

For categoric imputation the method used was nearest neighbour imputation, which involved finding a donor with the most similar responses. The donor supplied responses for all categoric variables requiring imputation. If the donor unit did not respond to any of the variables requiring a response, then we chose the next best donor to supply this information. This was continued until all the variables had a response.

Definitions

ANZSIC: Australian and New Zealand Standard Industrial Classification System – New Zealand Version 2006.

Business Frame: A register of all businesses operating in New Zealand.

Employees: The number of employees is defined by an enterprise's rolling mean employment

(RME) count. RME is a twelve-month moving average of the monthly employment count (EC) figure. The EC is obtained from taxation data.

Enterprise: A business or service entity operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation or self-employed individual.

Goods and services tax (GST): Respondents are asked to exclude GST if possible in the financial figures provided in the questionnaire. If they did not, Statistics NZ takes out GST to make all enterprises comparable.

Last financial year: For the purposes of this survey, this refers to the last financial year for which the business had results available as at August 2009, as entered on the questionnaire.

Innovation definitions

The innovation module of the survey is designed to collect innovation data in accordance with the definitions contained in the [OECD Oslo Manual \(2005\)](http://www.oecd.org), available from www.oecd.org. The following definitions relate specifically to the innovation module:

Innovation: For the purpose of this survey, innovation is broadly defined. It includes the development or introduction of any new or significantly improved activity for this business. This includes products, processes and methods that this business was the first to develop and those that have been adopted from other organisations.

For the Business Operations Survey 2009, innovation is defined as the development or introduction of new or significantly improved:

- Goods or services – does not include the selling of new goods or services wholly produced and developed by other businesses.
- Operational processes – ie methods of producing or distributing goods or services
- Organisational / managerial processes – ie significant changes in the business's strategies, structures or routines.
- Marketing methods – intended to increase the appeal of goods or services for specific market segments, or to gain entry to new markets.

Co-operative arrangement: Active participation with another organisation or individual in activities for the purpose of innovation.

- This includes collaborative arrangements for the purpose of innovation.
- Each party should bring exclusive knowledge or expertise to the co-operation.
- Partners do not necessarily gain immediate commercial benefit from the co-operations.
- This does not include only contracting-out work, where there is no active cooperation or collaboration.

More information

For more information, follow the link from 'Technical notes' of this release on the Statistics NZ website.

Copyright

Information obtained from Statistics NZ may be freely used, reproduced, or quoted unless otherwise specified. In all cases Statistics NZ must be acknowledged as the source.

Liability

While care has been used in processing, analysing and extracting information, Statistics NZ gives no warranty that the information supplied is free from error. Statistics NZ shall not be liable for any loss suffered through the use, directly or indirectly, of any information, product or service.

Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

Tables

The following tables are printed with this Hot Off the Press and can also be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file

1. Reported business performance, last financial year at August 2008 and 2009
2. Finance availability, last financial year at August 2008 and 2009
3. Change of existing credit facilities, last financial year at August 2009
4. Effect of not receiving debt finance, last financial year at August 2009
5. Business activities, last financial year at August 2008 and 2009
6. Types of innovation, last two financial years at August 2007 and 2009
7. Reasons for innovating, last two financial years at August 2007 and 2009
8. Sales from product innovations, last financial year at August 2007 and 2009
9. Assessment of performance, last two financial years at August 2009
10. Common practices to improve business, last financial year at August 2009

Additional tables

More tables from the Business Operations Survey: 2009 will be released on the Statistics New Zealand website on 30 April 2010 and will be available for download in Excel format. The tables will cover these topics:

- exports
- tourism
- investment
- research and development
- international presence
- employment
- business performance
- other business factors
- new goods or services
- new operational processes
- new organisational or managerial processes
- new marketing methods
- activities supporting innovation
- abandoned or not yet completed activities
- reasons for innovation
- sources of ideas or information
- cooperative arrangements
- other factors of cooperation
- strategy, goals, and planning
- customers
- suppliers
- information and benchmarking
- employee practices
- quality and process
- recent financing arrangements
- debt financing experiences.