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EO NEW ZEALAND

**THE STATE  
OF KIWI  
ENTREPRENEURSHIP**

JUNE 2022

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# INTRODUCTION

With the prospect of 'getting back to normal,' there's a spring in our step. We've eased back into our daily rhythms with a bit of reclaimed optimism and relief knowing restrictions are a thing of the past and it's time to pick up the pieces. Yet, as we hear from our EO members this quarter, the fallout may have only just begun. We're feeling the undercurrent of a downturn that likely lies ahead – yet our members have tactics in place to endure it.

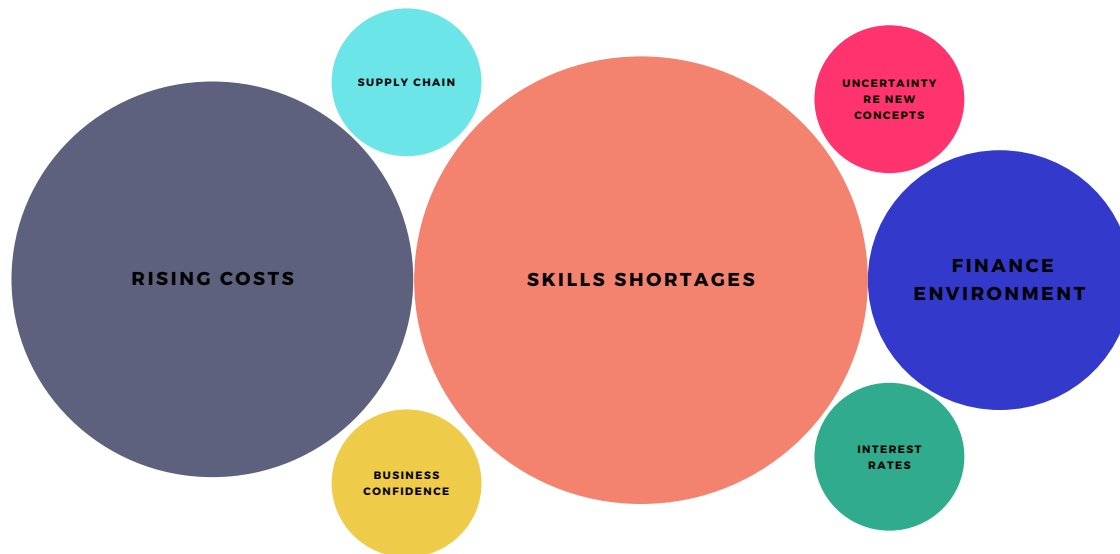
Entrepreneurship doesn't need to be a solitary journey. EO is a diverse community of Kiwi entrepreneurs who soundboard ideas and find a way through together. The *EO New Zealand State of Kiwi Entrepreneurship Report* sheds light on the unique challenges our industries are facing, where our progress is pinching and the patterns that foreshadow what's coming. As we see in our members' stories, challenges provide opportunities to transform and EOers are well placed to spot them. Their agility is proof that when there is a will, there is always a way.



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# A PERFECT STORM FOR KIWI BUSINESSES

EO members have reported some significant challenges this past quarter.



## COSTS ARE RISING ON ALL FRONTS

Inflation is a hot topic at the moment with no signs of cooling anytime soon. Wage costs, operational costs, delivery costs, material costs, you name it – the economic fallout of the last two years is rearing its head from the fuel pump to the supermarket aisle. Kiwi businesses have no choice but to reluctantly foot the extra costs, tightening spending and leaving little wiggle room for productive investments in good business management, strategy, research and development.

“It’s just a lot more to manage on all fronts - rising costs, lack of staff and general uncertainty in the economy. Thankfully things are busy and profitable still.”

**Nilay Shah | Rilee’s | Signage**

“We are seeing challenges around getting fixed costs within the construction sector. The labour shortages, compounded by inflation and the cost of capital are seeing the perfect storm with regards to financing, managing timeframes and costs for projects.”

**Warner | Height | Engineering Professional Services**

“We just did a blanket 12% rise in fees last week. As that’s what we have experienced in staff wage inflation to retain and attract talent, cover petrol costs going to meetings and invest into business automation. While there has been an increase in homeowners remodelling their houses, this has been met with tighter lending restrictions from the bank and a 30% material and product price rise in the last nine months. This impacts the amount home or business owners can actually achieve. We are having to send out an educational document outlining why we can’t fix our building materials pricing.”

**Laura Heynike | Pocketspace Interiors Ltd. | Construction**

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# SUPPLY CHAIN DELAYS CAUSE A DOMINO EFFECT

While it's a minor issue for those of us who operate digitally or source locally here in New Zealand, many of our industries are suffering from serious supply chain delays. It's sparking a chain reaction of pushed-out projects and deferred revenue for those businesses with affected clients. The admin required to chase delays and stockpiling can be costly, leaving industries – like construction – in the lurch of a job half done.

“There are long lead times and project dates being pushed into 2023 so lots of deferred revenue for us.”

Nilay Shah | Rilee's | Signage

“We are holding double our normal stock levels to counter shipping delays, which is having a serious effect on cash flow.”

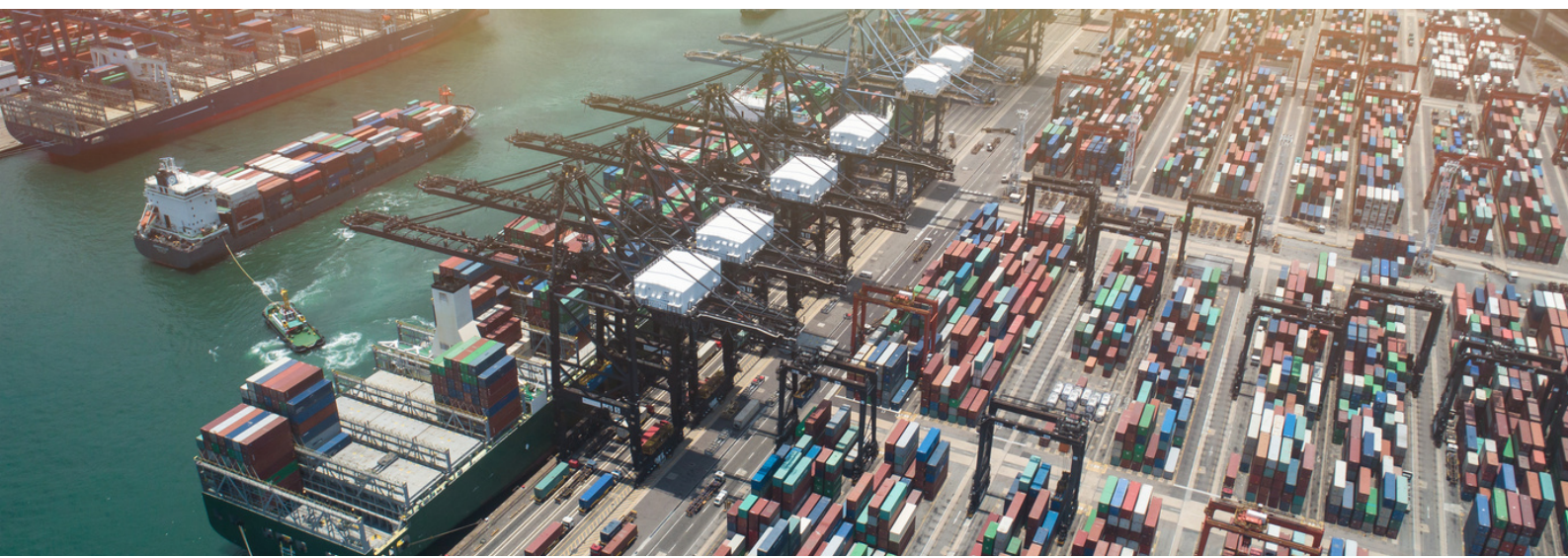
Tony Falkenstein | Just Life Group | Marketing

“This does slow down our recruitment process as construction clients that are struggling for materials will push back their hiring intentions.”

Mike Westbury | One Eighty Recruitment | Recruitment

“It's a domino effect. Businesses are wanting to get staff back into the office, to build hush rooms for zoom calls, but we just can't construct them. The disruptions are in labour too. We are finding a lot of preplanning and continual updates are required, which ultimately gets passed to the client. Our admin labour has increased by 23%. Apart from GIB - which is actually at crisis point now; if stock isn't available on a product there seems to be plenty of other alternatives to specify.”

Laura Heynike | Pocketspace Interiors Ltd. | Construction



## REAL LIFE BUSINESS

# FOLLOWING A MOVING TARGET

EO New Zealand President's Choice Winner,  
Pocketspace Interiors

In 2015 with nothing more than a dream and \$3000, Laura Heynike founded Pocketspace with the mission to maximise space through interior design.

Seven years later, Laura has expanded her business into a five-person team with a busy project pipeline. To top it all off, this month, Laura received the 2022 EO New Zealand President's Choice Award for her selfless alignment to the organisation's values and her innovative work.

Specialising in creative interior design, the team at Pocketspace bring together construction knowledge with functionality to create custom designs for interior spaces large and small.

Pocketspace, however, isn't immune to the global challenges that pose financial and staffing pressures on today's business owners. Amidst a changing market, Laura continues to invest in her staff and stay transparent with her clients.

### Building a strong team

Retaining and attracting talent amidst the "Great Resignation" requires a bit more than your average hiring pitch.

To stay ahead, Laura approaches recruitment with a destination mindset. "Rather than advertise what we expect from the applicant, we show the applicant what they can expect from us."

A day-in-the-life video highlighting workplace benefits and the core values of the Pocketspace dream landed Laura with two phenomenal new team members this quarter.



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# REAL LIFE BUSINESS

Retaining quality talent means going above and beyond what other employers can offer. Laura says, “All wages have been increased by 12% and we are working on a Pocketspace Pathway programme at the moment. Identifying personal goals like owning a home, and working out a path to help them achieve it. You have to be ahead of the game.”

## Meeting financial challenges

While the pandemic may be on its way out, the road to normalcy after a two-year hibernation is only just beginning.

“We’ve increased our revenue by a third compared to this time last year, and our sales pipeline is very healthy – but we’re certainly still recovering.”

With business costs rising at every corner, it’s becoming increasingly difficult to accurately quote projects for clients. With limited supply, severe delays on materials, and rising petrol costs, it’s next to

impossible to know where the future stands.

To help communicate the global issues affecting her everyday business, Laura has taken to educating clients with thoughtful documents, and instigating frank conversations with suppliers and clients.

“One of our core values is ‘relationships through dependability’. More than ever, we are using that value to measure our success on projects and daily work-life. Reading, networking, and creating a cashflow buffer has been integral to us running parallel with the moving target instead of against it.”

While the next quarter will likely bring a range of unwelcome surprises, Laura has a strong team and an eye for staying ahead of the curve.

**“I don’t know if there is a light at the end of the tunnel, but those who have a torch will find a way through.”**



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Our members predict these challenges to continue in the coming months:



**RISING  
COSTS**



**SKILL  
SHORTAGES**



**FINANCE  
ENVIRONMENT**

## WHAT ARE EO MEMBERS DOING TO MITIGATE THESE PRESSURES?

### FINDING TALENT IS ONE THING, RETAINING IT IS ANOTHER

Kiwi businesses are struggling to acquire talent in a thin employee market, leaving staff retention our biggest strategy to combat the impact of skilled worker shortages. Increased wage requirements from staff, the mass exodus of our younger job market and simply trying to do more with less is leading to mounting pressure on the existing staff still holding on. EO members have made some huge overhauls of their employee experience and hiring programmes.

“We started a recruitment agency to help backfill for growth.”

Richard Conway | Pure SEO | Marketing

“We have always provided a great place for working parents to consider as an option for coming back to the workforce. We have created a great environment in that regard so haven't at this stage seen that part of our team wanting to look for other options. In terms of our younger staff, we are aware that we will lose most this year so they can travel. Otherwise though, we pay at the absolute top end of the Hays Salary banding for our top staff, offer work that is purposeful and has a clear social conscience. We also try and create a workspace that is safe and where vulnerability is a strength.”

Warner | Height | Engineering Professional Services

The skills shortages are actually good for us, as it means our clients need our services more than ever and we are good at finding people.”

Mike Westbury | One Eighty Recruitment | Recruitment

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# RAISING THE PRICE OF PRODUCTS AND SERVICES DELICATELY

It's agonising to see your margins slowly shrinking. Many Kiwi businesses are left with no choice but to raise their prices – a delicate process that requires frank conversations with clients and customers. With plenty of pre-planning for what's to come, right-sizing price points have been crucial to counteract inflammatory pressures of the market that continue to squeeze from every angle. EO members have some careful strategies to ease the pressure.

“Educating our clients with thoughtful documents, updating our terms and conditions, an increase in variation forms signed by both parties and just real frank conversations with our suppliers and clients. One of our core values is ‘relationships through dependability’; and more than ever we are using that value to measure our success on projects and daily work-life. Reading a lot, networking and creating a cashflow buffer has been integral to us moving with the moving target instead of against it.”

**Laura Heynike | Pocketspace Interiors Ltd. | Construction**

“Recession planning, uncertainty planning, strategic moves and assessing market opportunities are crucial. We are paying close attention to financials, financial investment and moving on market opportunities created through the challenges.”

**Logan | Advisory.Works | Consulting**

“Better planning is a must - we need longer lead times around hiring and materials. And higher costs are being passed to our customers to the extent possible.”

**Nilay Shah | Rilee's | Signage**





# REAL LIFE BUSINESS

## ALLIED MEDICAL

Providing essential products, despite the challenges

Katie Noble leads Allied Medical with the vision to empower New Zealanders to live with dignity. This assistive technology company works with 74 suppliers across the world to bring over 15,000 essential medical products to Kiwi families.

Having joined EO eight years ago, Katie is ingrained in the business community. She's seen monumental social and economic changes since co-founding Allied in 1998, but nothing quite compares to the challenges posed in the last two years.

### When you no longer sit in the driver's seat

"We love to control our own pathway," says Katie, "and I think for many of us business owners, it feels as though our navigation has been taken away."

Massive supply chain delays due to lockdowns around the world have led to global shortages for key items such as microchips and key components for the products that Allied Medical imports.

The last quarter has been a fight to get hold of core items. Katie describes the current climate as "total uncertainty, with no obvious end in sight."

Surrounding global issues are trickling down into the work day. Katie says HR challenges stemming from sick staff, pandemic-related stress, and personal struggles have never been more visible within her team. To combat these issues, Allied recently invested in the Resilience Programme, a 10-week mental health training exercise, to help employees navigate these issues and build their personal wellness toolkit.



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## REAL LIFE BUSINESS



### Positivity in the community

Katie says the shining light through the uncertainty is still being able to connect with other business owners. “Taking a moment to share and support one another, amidst the challenges we’re all facing, still fills my cup,” she says.

For the Allied team, exciting technology innovations in the assistive technology sphere are the biggest motivators for the future. “It’s the small things,” says Katie, “that make a huge difference to the people who need them.”

Although there’s no certain end for these challenges, Katie is positive about what’s to come. Every challenge has a creative solution. Supply issues have led the industry to consider 3D printing, manufacturing some items domestically, and finding better efficiencies. Katie predicts the future will continue to see more flexible working conditions, and a stronger focus on building skills here in New Zealand.

“We’ll look back eventually, and see just how significant these couple of years have been. I think we’ll see that we learnt so much, and that anyone working in the supply chain was a true champion.”



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# LOOKING TOWARDS THE COMING 18 MONTHS



## WHAT ARE OUR MEMBERS PREDICTING?

“People will need to take a break otherwise burnout and associated ills will keep increasing.”

Richard Conway | Pure SEO | Marketing

“Growth of small businesses trading overseas, increased awareness of the need for digital innovation, and increased government awareness of the need to support small business, improved loan structures for research and development, and local business hubs with an economic development focus.”

Beth Coleman | CATALYNK Limited. | Information Technology Services

“We'll continue to punch above our weight on the global stage.”

Ryan Castle | The Breakthrough Co | Education

“More business exits and also business mergers and roll ups. Business owners should look to be ready for these opportunities whichever side they are on.”

Mike Warmington | Platform 1 | Business Owner Transition

“Businesses will need extraordinary cash flow to weather lumpy projections and economic strains, particularly in the third quarter this year once we see some of the opposing levers be pushed to unrecoverable proportions. It's going to be tough, real tough. I also see it becoming an employer's market once this reset starts to get into motion.”

Laura Heynike | Pocketspace Interiors Ltd. | Construction

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# WITH CHALLENGE COMES OPPORTUNITY

In the eye of the perfect storm, Kiwi businesses have the strength to force their way onward, harnessing creativity and the resources they have available to them. We may have to look a bit harder for agile solutions to come unstuck. For EO members, digital transformation and new software make up for the tightened time and resource pressures they are facing. They are combing for opportunities to expand in the expected downturn while competitors get scared and hunker down.

“Growth in the USA, helping companies to sell in a digital world and in tough economic conditions.”

Paul O’Donohue | SalesStar Ltd | Consulting

“The tough get going, and so it’s all about being more innovative and agile than your competition.”

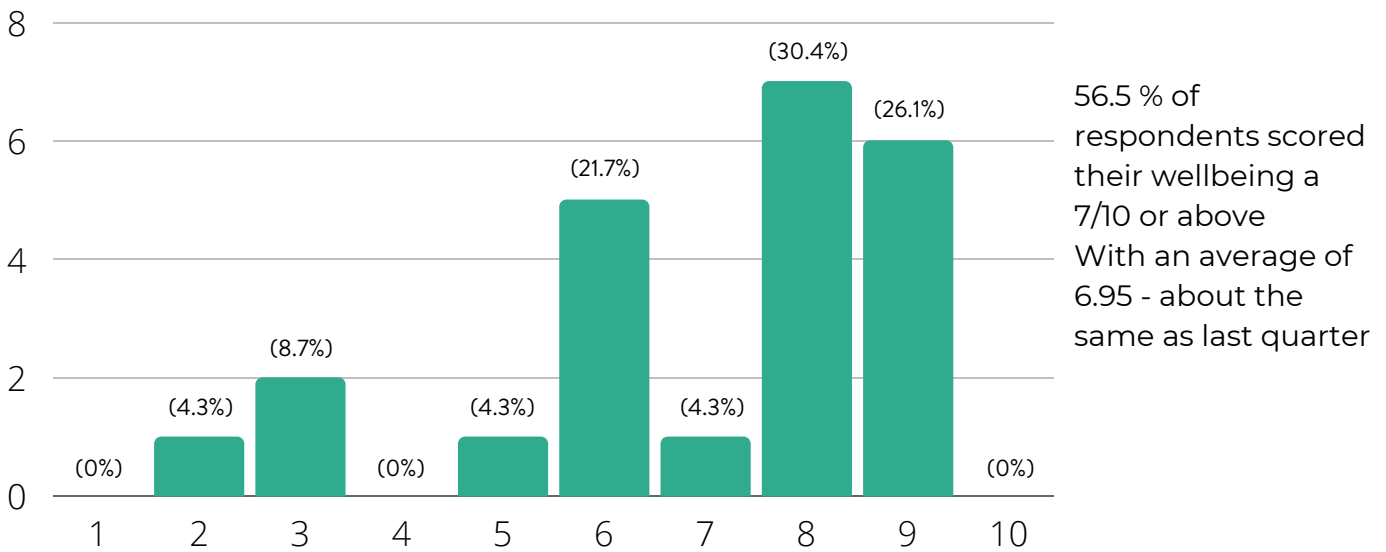
Chris J Corke | CORUM Limited | Technology

“The lack of labour and resources will create opportunities for digital transformation and products that replace traditional manual services.”

Warner | Height | Engineering Professional Services

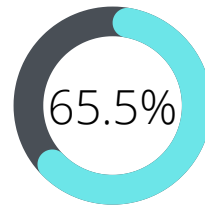


Business owners have been weathering this pandemic storm for some time and, with little sign of respite, they are at a high-risk level of burnout. Now more than ever Kiwi business owners must prioritise their health and muster their resilience.

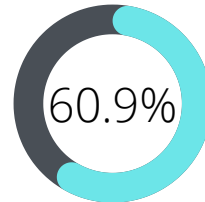


### DESPITE IT ALL, OUR MEMBERS ARE CONFIDENT:

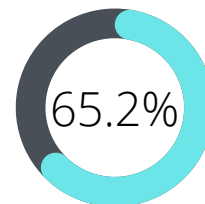
65.5% of respondents said they were 'somewhat', 'very' or 'extremely confident' in the coming 6-18 months ahead



60.9% of EO members are on track to experience an increase in revenue compared to the same period last year (first half of 2021 21.7% say revenue is looking to stay the same.)



65.2% have experienced an increase in revenue compared to the same period pre-covid (first half of 2020)



For many entrepreneurs, the bulk of the day is now spent regularly problem-solving and navigating a precarious economic environment that looked very different just over two years ago. With the renewal of tourism in New Zealand, some industries are keenly expecting some reprieve while others gear up to withstand an expected downturn. No matter where business lies, our members remain optimistic to see it through.

We will continue to go boldly and weather the perfect storm.



**New Zealand**

[eoneewzealand.org](http://eoneewzealand.org)

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