



# BUSINESS BALANCE REPORT

JULY 2017



## BOQ's 2017 Business Balance Report

### **A message from Group Executive BOQ Business Brendan White**

Deep business knowledge, trusted partnerships and a clear understanding of the struggles faced by Australian SMEs is at the heart of BOQ's reputation as a relationship bank.

As an alternative to the big four banks, BOQ is committed to building long-term partnerships with our clients. We have structured our business to deliver on this commitment by specifically reducing the number of businesses being managed in each client portfolio. This deliberate decision means our business customers get the very best support from banking specialists that have the time to really understand their clients' needs, opportunities and the challenges faced every day.

Banks have a trusted and privileged position in supporting their customers, particularly our small business clients. We play a central role in securing their financial wellbeing for them and their family. Minimising business challenges for SMEs is critical in supporting this sector and BOQ sees huge value in initiating discussion and further investigation into the emotional pressures resulting from day-to-day challenges.

More than two million businesses are currently operating around the nation and while these companies have been established for a variety of reasons, the BOQ 2017 Business Balance Report highlights that Australia's SMEs are facing very common wellbeing challenges. With close to half (47%) of small business owners surveyed saying they look to their accountant or banking advisor for advice, Australia's banks have an important role to play in supporting the sector.

The fact that such a significant proportion look to their financial institutions for guidance reinforces the importance banks must place on establishing the right internal structures that enable considered support. Encouraging an always approachable culture among client facing staff is critical and in BOQ's case, it has been instrumental in establishing long-term and genuine partnerships benefiting both parties. Without the correct internal support, banking specialists will be unable to provide the guidance so many SME clients are looking for.

Banking institutions should further commit to supporting business owners by tailoring services to suit the unique needs of the SME sector. For instance, banking services should be available outside of typical work hours to reflect the often non-traditional start and finish times of small business owners.

While banks have a significant role to play in helping to resolve the business challenges faced by their SME clients, this research also reinforces the importance of recognising the emotional toll that can come with small business ownership.

It is so important for both SMEs and their supporters – whether it be friends and family or their business guide – to openly discuss and normalise this potential impact on wellbeing so that any pressure can be minimised. The success of their business results in greater financial security for them and their family, firmly placing trust in a specialist.

# Introduction

## Balance matters for small business

The Bank of Queensland 2017 Business Balance Report has been created to illustrate the extent of the emotional toll on small business owners in Australia and to understand how best to help SME owners overcome these pressures so that they may enjoy the rewards of their hard work.

More than two million small-to-medium enterprises (SMEs) make up Australia's small business sector, which in the words of the federal government, is the engine room of the Australian economy.

Starting any business is hard, not only financially but also emotionally. Setbacks regularly include increased competition, staffing challenges and cash flow problems, coupled with an ever-present fear of failure that can lead to a multitude of psychological and emotional stressors. Insomnia, anxiety, mood swings – the list of implications on the mental wellbeing of small business owners is endless.

Commitments made by the Federal Government in the 2017 Budget, such as supporting the instant write-off for eligible assets costing less than \$20,000, the elimination of \$5.8 billion in red tape and the delivery of further tax cuts for businesses with less than \$10 million in annual turnover, have been designed to relieve operational pressure on business owners and further strengthen the small business sector.

While these measures go some way towards addressing the concerns of small business, the emotional and psychological strain on SME owners and their families can be especially significant.

BOQ seeks to further support Australia's small business owners by identifying common pressure points and empowering SMEs to succeed.

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### Key findings - It's that dreaded time of year again – tax time trumps the Christmas silly season

- More than a third (37.8%) of small business owners find the end of the financial year to be the most stressful time of year beating even Christmas (24%).
  - The average Australian SME (62.5%) says they dread and worry about the end of the financial year with a third (31%) admitting it's because their accounts aren't up to date.
  - For many (16%), financial institutions have a large role to play in alleviating tax time stress, with these small business owners relying on their banking specialist to help them manage the pressures of this time of year.
  - Close to half of all small business owners (45%) say having too much admin and paperwork to do makes this time of year particularly stressful, while one in five (20%) said the pressure of hitting sales targets was a key contributor to end of financial year strain.
  - Interestingly, one in 10 said their main source of stress was the expectation by customers for discounted goods or services, causing close to a quarter (23%) to worry that they'll lose profit. For three in 10 SMEs (30%), their stress stems from having little time to spend with family and friends as the financial year draws to a close.
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### Key findings - Balance matters to stressed-out small business owners

- More than one in 10 (12%) SME owners in Australia have been diagnosed with depression, stress or anxiety due to the emotional and psychological strains of running a small business.
  - Despite this, almost half (41%) said they'd be unlikely to talk to someone about their business difficulties.
  - Most common manifestations of these strains are sleep issues (35%), constant fatigue (21%) and feeling distanced from friends and family (15%).
  - More than one in 10 regretted starting their own business because of the emotional pressure and 7% admitted the toll resulted in a marriage or relationship break up.
  - Of those who are prepared to reach out for help, the majority (61%) would choose to speak with a spouse or family member rather than a psychologist or counsellor (25%), while almost half (47%) would look to an accountant or banking advisor.
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## About the research

The *Bank of Queensland Business Balance Report* was undertaken by third party research specialists, the Online Research Unit, between 11 and 17 May 2017.

The sample size was 520 Australian small business owners, proportionate to population size for each state and territory.

## Who is a typical SME owner in Australia?



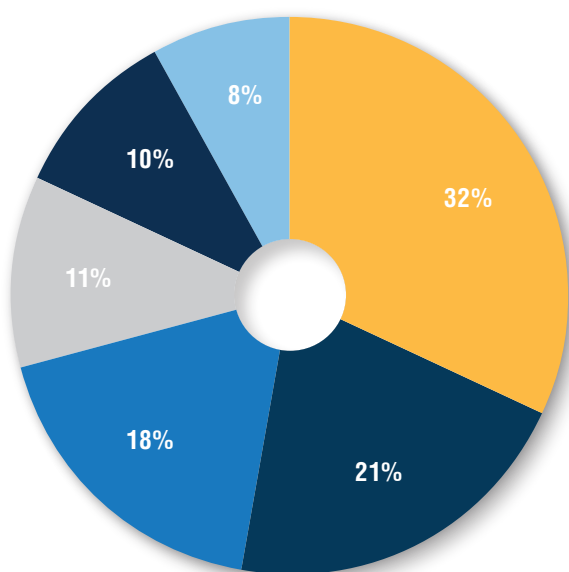
- **46 year old male or female**
  - **Married/de facto with children (55%)**
  - **Runs a business in a metropolitan area of Australia (72%)**
  - **Has owned their business for more than five years (57%)**
  - **Used personal savings to start their enterprise (75%)**
  - **Works in the professional services industry (21%)**
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## The driving factors behind small business

Over half (57%) of Australian SME owners decided to start their own businesses because they wanted to work for themselves, with more than a third (36%) saying they dreamed of more flexibility and freedom.

Close to a third (30%) embarked on their own start-up because they were passionate about the subject matter. A handful (13%) made the move after being made redundant and choosing to work for themselves rather than reporting to someone else.



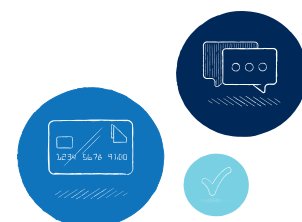
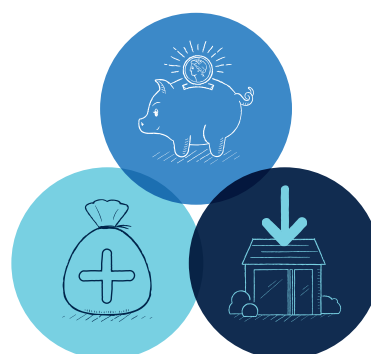
## Reasons for starting a business

- **I wanted to work for myself** (32%)
- **I believed it would provide more freedom and flexibility** (21%)
- **I'm passionate about the subject matter / function** (18%)
- **I saw it as a way to make more money** (11%)
- **I wanted a lifestyle change** (10%)
- **I was made redundant and chose to work for myself** (8%)

## Funding solutions

While the majority (75%) used personal savings to fund their start-up, one in five (22%) sought a bank loan to turn their dream into a reality.

Over one in 10 (11%) enlisted financial aid from a friend or family member to get their enterprise off the ground.



## SME pressure points

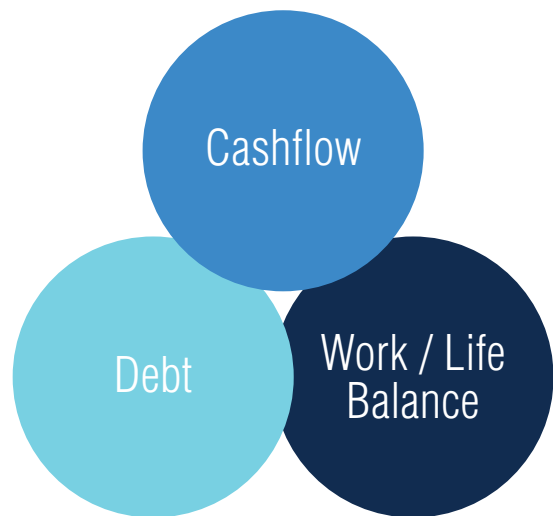
Only 9% of SME owners across Australia said they didn't experience any form of business-related stress.

When it comes to running their businesses, owners say they are faced with a number of pressures big and small that impact on their financial and mental wellbeing.

**The three biggest pressure points for SME owners were identified as:**

- 1. Managing finances and cash flow**
- 2. Trying to manage a healthy work / life balance**
- 3. Being in debt**

Other, challenges included uncertainty about the future, keeping customers happy and marketing the business effectively.



### **Comment from Tony Simmonds, Co-Founder and Managing Director of JetBlack Australia**

*“Running a business brings a host of challenges, and I’ve certainly experienced personal lows where my wellbeing has been negatively impacted by business issues. In the early days, the pressure to make JetBlack Australia a success meant I put many hours into work and sacrificed family time which significantly affected my marriage.”*

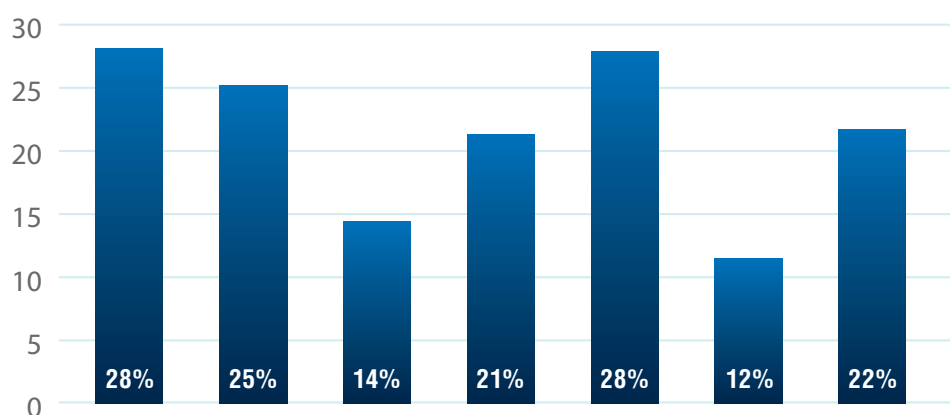
## The emotional impact

The most significant causes for concern among SME owners highlight the tension between balancing functional needs of the business with the emotional toll. 28% were mostly concerned with generating enough funds to keep their venture afloat while more than a quarter (26%) rated dealing with fatigue as their primary concern.

One fifth (22%) of business owners rated neglecting their family or partner as a major concern while they focus on making their business a success.

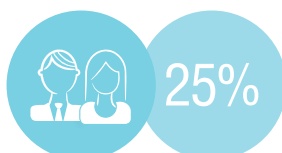
Additionally, almost one quarter (24%) stated the volume of administration associated with running a business was a burden and one in five (21%) admitted to finding the lack of social life stressful.

## What's causing the most stress for small businesses\*



- **Generating enough funds** (28%)
- **Managing admin and finance** (25%)
- **Finding reliable staff** (14%)
- **Neglecting partner/ family** (21%)
- **Dealing with fatigue** (28%)
- **Isolation from family and friends** (12%)
- **Lack of social life** (22%)

The most common manifestations of these strains are insomnia and frequent waking in the night (35%), constant tiredness and fatigue (21%), and feeling distanced from family (15%). In fact, more than one in 10 (12%) admitted they regretted starting their own business because of the emotional toll.



“Owning my own business means I will be unable to retire at the age of 65.”



“I regret starting my own small business due to the emotional and financial burden.”



“I rarely socialise because my business takes up most of my time”

### Comment from Stephanie Thompson, Corporate Psychologist

“Many people who decide to start a business are highly skilled in a particular speciality, but they underestimate the emotional impact that comes from trying to bend their character to perform so many unfamiliar yet business-critical roles. As well as a specialist, they’re an administrator, accountant, sales person, strategist and lackey.

If small business owners do make it through the initial start-up phase, they start employing staff, which can feel like a mixed blessing because the focus then shifts away from their speciality and towards ensuring enough money comes in each month to pay their staff. The requirement to make payroll trumps everything else and, as a result, many owners deny themselves essentials like proper wages, rest, exercise or family time.”

## Personal repercussions

In addition to the physical and mental challenges of running a small business, many SME owners find their enterprise is stopping them from living a balanced and healthy life.

Almost one in five (17%) had not taken a holiday in more than three years, while 14% had not taken a break for five or more years.

Perhaps most concerning is that close to one in four (24%) admitted to putting off a health check due to prioritising the needs of the business over their general health.

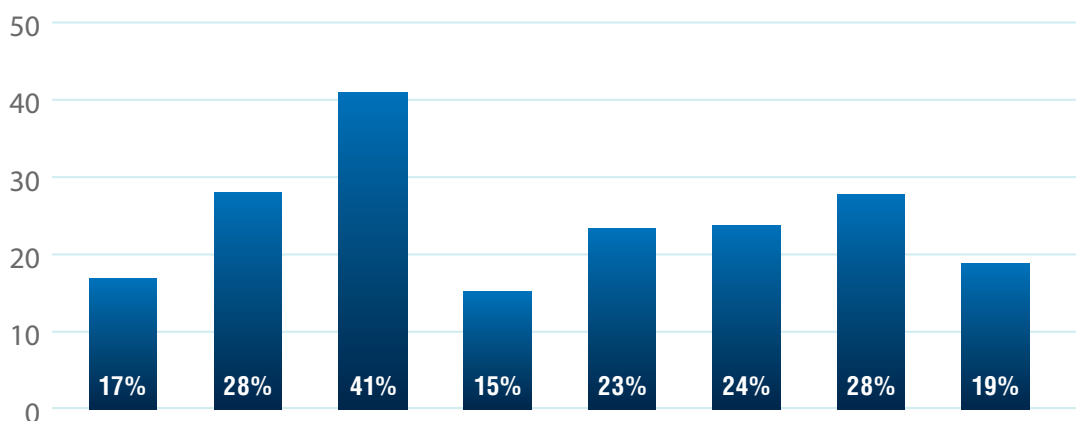
## The impact on life's milestones

The implications of building a small business can impact on a business owners ability to reach common milestones. For instance, close to a quarter (23%) said their business had prevented them from buying a home, while almost a third (32%) said they had delayed getting married or starting a family for the sake of their enterprise.

This can be attributed to the finding that 75% of small business owners use their savings to start their enterprise, further adding to the pressure this can have on both the individual and their families.

Given more time, almost half (49%) said they would like to go travelling while close to a third (30%) would use the time to catch up on some much needed sleep and relaxation.

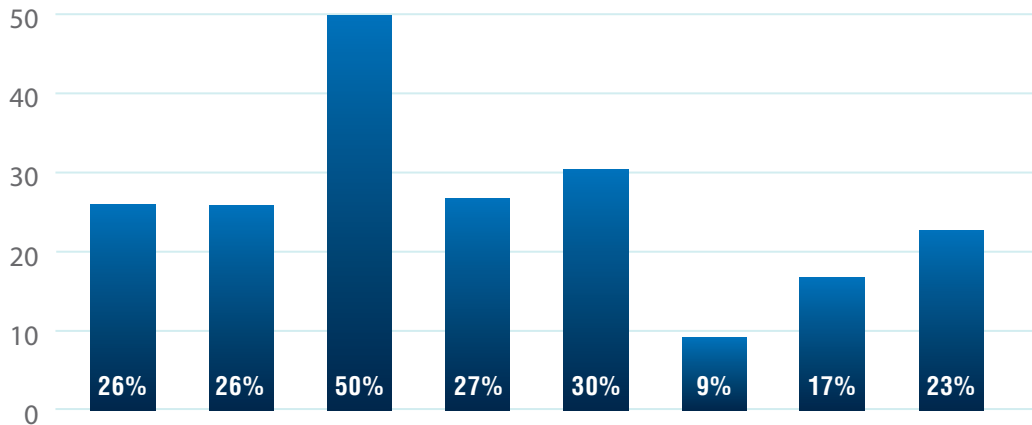
## What has your SME stopped you from doing?\*



- Starting a family/having kids (17%)
- Renovating my home (28%)
- Taking a holiday (41%)
- Getting married (15%)
- Buying a home (23%)
- Getting a health check (24%)
- Attending a major family event (28%)
- Investing in education for my child/children (19%)



## If you had more time, how would you spend it?\*



- **Spending quality time with family** (26%)
- **Investing time in relationships** (26%)
- **Travelling** (50%)
- **Socialising with friends** (27%)
- **Sleeping and relaxing** (30%)
- **Another business venture** (9%)
- **Education** (17%)
- **Personal development** (23%)

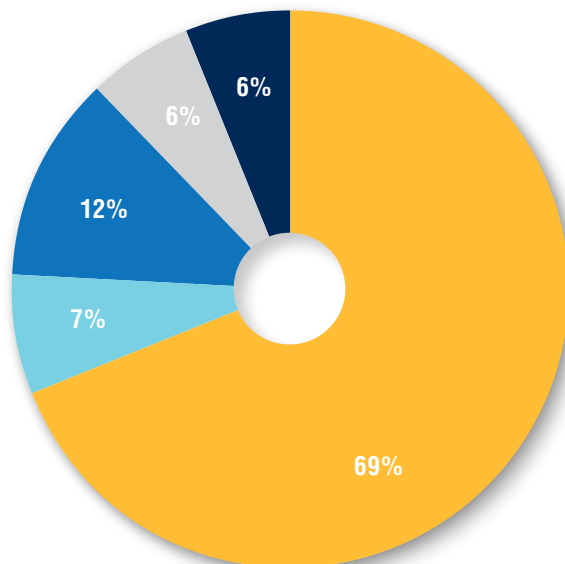
## Asking for help doesn't come easily

Worryingly, more than a third of all SMEs (41%) are unlikely to discuss the emotional strains of their business, despite one in 10 having been diagnosed with anxiety or depression. For almost one in ten (7%), they simply don't want anyone to know they're struggling.

Of those who are prepared to reach out for help, the majority (61%) would choose to speak with a spouse or family member rather than a psychologist or counsellor (25%). As such, it's important that partners and relatives of SME owners watch out for any telltale signs of emotional stress.

## Trusted Advisors

- **Partner/Spouse** (69%)
- **Family member** (7%)
- **Accountant** (12%)
- **Business website** (6%)
- **Friends** (6%)



### Comment from Don Macleod, Owner Manager of Bank of Queensland Hobart

*"It's not always easy to maintain a positive attitude and there have been tough times where the stress and anxiety has felt overwhelming. You get pretty tired from the constant mental pressures of running a business, and it's not always easy talking freely about your problems. I'm lucky to have a loving family, supportive friends and understanding peers within my industry that have helped me enormously with their emotional support."*

## The role of banks

Knowing that financial stability can play a major role in alleviating some of the emotional and psychological burdens of running a small business, banks and other financial institutions have a major role to play in supporting Australian SMEs.

Notably, close to one in five (19%) said it was important for their banking Specialist to understand what it's like to be an SME and those who don't feel supported by their banking institution say it comes down to service and accessibility, with the top reasons noted as:

1. **Selfishness:** My banker only seems to care about their own business needs (26%)
2. **Non-accessibility:** My banker isn't available / cannot access services outside of business hours (21.6%)
3. **Personalisation:** I can only ever talk to a machine and not a person (18%)

Almost half (47%) of all SME owners look to their accountant or banker for support on business issues and a large proportion of SMEs (45%) do feel supported by their bank.

The top three reasons for this are:

1. **Approachable:** My banker is always available to offer helpful advice (40%)
2. **Relatable and knowledgeable:** My banker understands my business and recommends the right financial product (27%)
3. **Accessible:** My business banking support services are available 24/7 (22%)

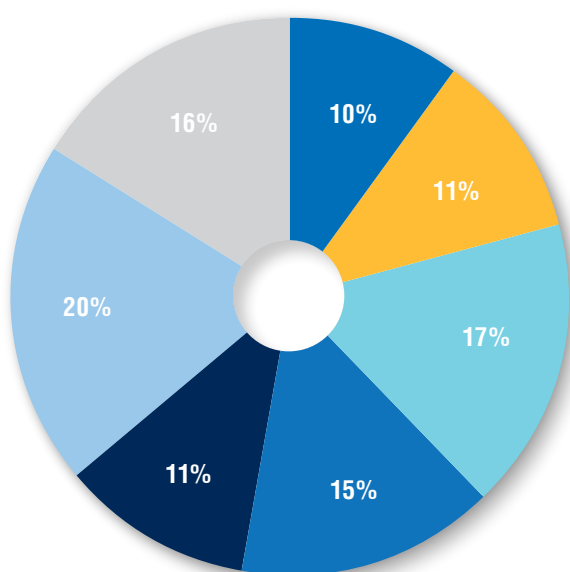
## What would make it better for SMEs?

When asked what would help them to achieve a better work/life balance, a quarter (25%) said they needed better business knowledge, while more than one in five (22%) indicated they could benefit from a business mentor.

A near identical number (21%) suggested that regular interaction with other small business owners would be helpful, while one in 10 said they would like access to a business psychologist – free of charge.



## Support needed by SMEs



- Access to a business psychologist available, free of charge (10%)
- Being able to borrow more money (11%)
- Having a business mentor (17%)
- Finding better staff (15%)
- Financial help and guidance from an expert (11%)
- Increased business knowledge (20%)
- Regular interaction with other small business owners (16%)

### Comment from Stephanie Thompson, Corporate Psychologist

*There's a good reason why most large businesses employ business psychologists and coaching psychologists; they understand that success can be generated by optimising the performance of key staff. However, small business owners usually don't factor their own functioning into this equation even though they are the business's lynchpin.*

*The cost of falling sick for three weeks from stress-related illness, for example, isn't just medical. It's lost earnings, lost business opportunities and, more importantly, the tremendous wellbeing costs. A single decision can translate into a five or six figure gain or loss.*

*Business coaches can get SME owners out of a rut by helping with commercial decisions, resolving procedural inefficiencies or staff performance problems. This, in turn, can alleviate stress, anxiety and family challenges.*

