

BOQ 2018 BUSINESS BALANCE REPORT

OCTOBER 2018



BOQ'S 2018 BUSINESS BALANCE REPORT

A message from Brendan White, Group Executive BOQ Business

Small business is the backbone of our economy. The Australian Government estimates small business contributes \$395 billion annually and employs over 5.6 million people.

Bank of Queensland (BOQ) is a proud supporter of Australian small business and we pride ourselves on understanding SME's. We have a network of Owner Managers across Australia that are all small business owners themselves, so this means we understand the issues faced by them and actively work to support them.

In 2017 we commissioned our inaugural BOQ Business Balance Report which highlighted the challenges faced by SME owners, particularly when it comes to work life balance and mental health.

As a bank that values our relationships with our customers, we feel it is important to raise awareness of the issues that impact small business owners and support them when times get tough.

We are releasing this year's report ahead of World Mental Health Day on 10 October to draw attention to stresses that exist for small business owners and highlight the importance of looking after your mental wellbeing.

It's my hope that BOQ's 2018 Business Balance Report can help show Australia's small business owners they are not alone.

Brendan White

Group Executive, BOQ Business



A message from the Mental Health Association Australia

Small business owners face a range of challenges that go beyond the '9-5'. Over 50% of small business owners regularly far exceed the 40 hour working week, with high social and emotional opportunity costs of family time, personal health, relaxation and leisure.

The BOQ 2018 Business Balance Report highlights the major pressure points experienced by small business owners and their impact on stress, burnout and personal health and wellbeing.

A key finding of the report is the significant emotional impacts experienced by small business owners aged 18-29, with 52% reporting that they regret starting their business. Recent rapid growth in start-ups and innovation investment by Government has resulted in increased opportunities for millennials to become small business owners. However, it is concerning that these business owners are reporting lower levels of wellbeing than other age groups.

A key strategy to support small business owners in building psychological capital is through breaking the stigma associated with stress, burnout and mental health issues.

What is most encouraging about the results of the 2018 Business Balance Report is the increased willingness of small business owners to speak out and share their experiences. Although the figures in the report are rising, we can infer that this is in part due to the impact of the 2017 report in reducing the stigma associated with mental health issues.

I commend BOQ for their commitment to sharing the experiences of small business owners. Papers like the Business Balance Report help to break down stigma, and encourage people to seek the support they need whether in a personal or professional capacity.

Jody Wright

Chief Executive Officer

Mental Health Association Australia

INTRODUCTION

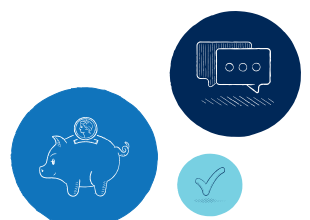
Welcome to the Bank of Queensland (BOQ) 2018 Business Balance Report. Last year, BOQ launched a research report to examine the mental and emotional strains associated with small business ownership in order to better support this important sector. Our findings resulted in the release of our inaugural Business Balance Report.

In 2017 we revealed that a worryingly high number of SME owners had been diagnosed with depression at some point in their lives. Perhaps of greater concern, was the revelation that the vast majority would be unlikely to address their emotional wellbeing challenges head on or talk about their issues with someone. Sadly, a significant number of small business owners even admitted to regretting their start up because of the emotional pressure it had caused them.

This year we recommissioned research into the state of mental wellbeing within small business owners to benchmark against last year's report. We have also established a relationship with the Mental Health Association Australia and gained their endorsement for this report.

Key findings - 2018

- Overall, diagnosis rates for depression, stress and anxiety amongst SME owners have increased in 2018 (13% vs. 10% in 2017);
 - Managing finances and cash flow continues to be the most stressful aspect of running a small business, significantly more so than in 2017 (46% vs. 37%);
 - There are more business owners in 2018 feeling isolated from their family and friends due to business demands compared to 2017 (18% vs. 12%);
 - There has been a significant increase in those wanting financial help and guidance from a financial expert who understands the SME landscape (22% vs. 14% in 2017); and
 - Many (57%) small business owners are spending considerable time worrying about the threat of local and international competition which has had a negative impact on an individual's physical, mental and business health.
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ABOUT THE RESEARCH

Research for the BOQ 2018 Business Balance Report was undertaken by third party research specialists, The Online Research Unit between 27 and 31 August 2018. The sample size was 520 nationally representative Australian small business owners.

The data analysed within this report compared research outcomes from 2018 with those found in 2017 where research was conducted independently by the same agency against an identical volume of small business owners between 11 and 17 May 2017.

SME MENTAL HEALTH: ONE YEAR ON

SME PRESSURE POINTS

Across the board, SME owners appeared to be under more pressure this year with business-related stress increasing in eight key areas.

The management of finances and cash flow continues to be the most stressful aspect of small business management, significantly more so than in 2017.

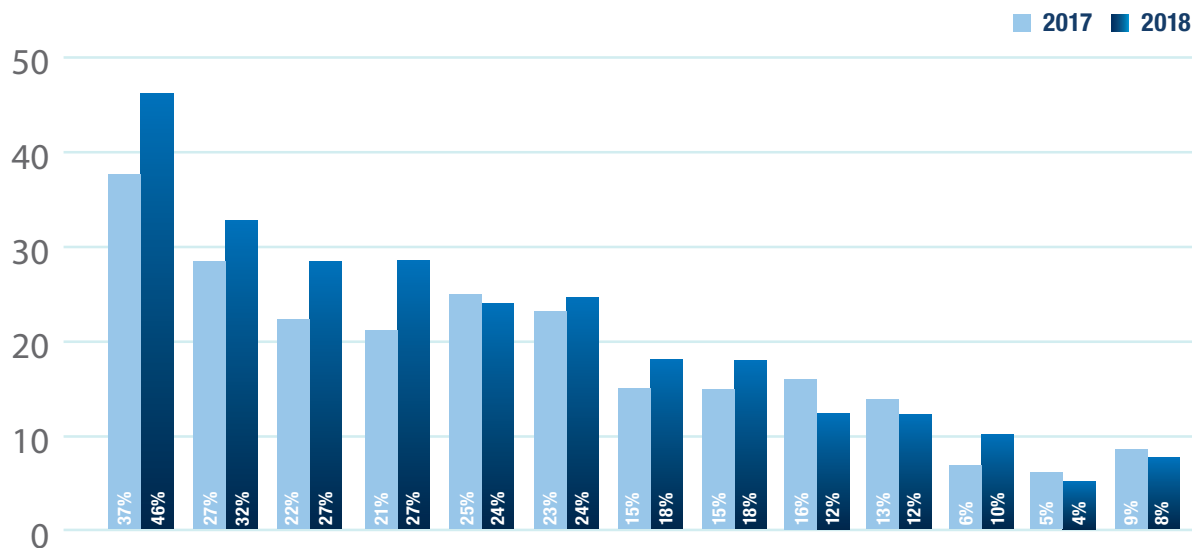
While debt continues to cause worry, more owners are feeling compelled to effectively market their business and keep customers satisfied in a sign that financial strains may be related to the competitive advantage of an enterprise.

The top five pressure points for SME owners in 2018 were identified as:

1. Managing finances and cash flow (#1 in 2017)
2. Trying to manage a healthy work / life balance (#2 in 2017)
3. Effective marketing (#5 in 2017) (FY17 37%, FY18 46%)
4. Customer satisfaction (#6 in 2017)
5. Being in debt (#3 in 2017)

Similarly to last year, fewer than one in 10 SME owners said they were stress-free at work. Interestingly, this was skewed towards older Australians, with one in five aged over 65 saying that running their business is worry-free.





- Managing finances and cash flow (FY17 37%, FY18 46%)
- Trying to manage a healthy work/life balance (FY17 27%, FY18 32%)
- Marketing my business effectively (FY17 22%, FY18 27%)
- Keeping my customers/ clients satisfied (FY17 21%, FY18 27%)
- Being in debt (FY17 25%, FY18 24%)
- Uncertainty about my future (FY17 23%, FY18 24%)
- Finding and keeping good staff (FY17 15%, FY18 18%)
- Managing the day-to-day operations (FY17 15%, FY18 18%)
- Not knowing enough about business/ needing to learn 'as you go' (FY17 16%, FY18 12%)
- Lack of psychological/ emotional support (FY17 13%, FY18 12%)
- Finding a reliable financial provider/ partner (FY17 6%, FY18 10%)
- Other (FY17 5%, FY18 4%)
- Nothing stressful (FY17 9%, FY18 8%)

THE EMOTIONAL IMPACT

SME owners are even more disconnected from loved ones in 2018. This downward trend reflects the emotional impact of small business ownership in Australia.

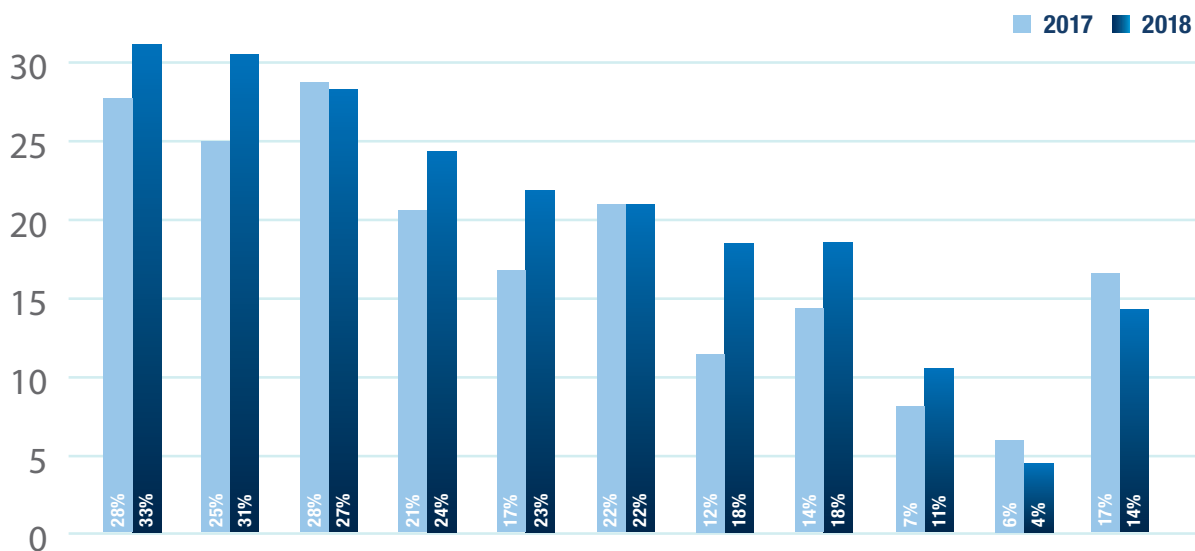
In fact, more than half (53%) of SME owners in 2018 experienced some form of emotional strain related to their family, friends or social life – up from 49% last year. The impact is particularly significant for Millennials those aged 30 – 39 with more than two-thirds admitting to feeling emotional strain within their relationships and personal life as a result of running their business.

Isolation from family and friends due to business demands now impacts close to one in five SME owners (18%), up from 12% in 2017.

Close to one in five (23%) said they had little quality time to spend with their family compared to 17% of SMEs last year, while the same number cited a lack of social life as a problem. A major concern for many was sacrificing family happiness for business success with almost a quarter (24%) admitting to neglecting their partners and one in 10 (11%) missing the chance to put their kids to bed.

Like last year, financial concerns were the cause of emotional distress for the majority of respondents (33%), with business admin (31%) and a lack of sleep (27%) following closely after.

YEAR ON YEAR COMPARISON: TOP EMOTIONAL STRAINS SME OWNERS ENCOUNTER AS A RESULT OF RUNNING THEIR BUSINESS



- Wondering how I can generate enough funds to keep the business afloat (FY17 28%, FY18 33%)
- Managing admin and finances while trying to run a profitable business (FY17 25%, FY18 31%)
- The tiredness I feel from running a business (FY17 28%, FY18 27%)
- Ensuring I don't neglect my partner/ family while focusing on the business (FY17 21%, FY18 24%)
- Having little quality time with my family (FY17 17%, FY18 23%)
- Lack of social life due to business demands (FY17 22%, FY18 22%)
- Isolation from family and friends due to business demands (FY17 12%, FY18 18%)
- Finding reliable/ capable staff members to support me (FY17 14%, FY18 18%)
- Missing the kids' bedtime due to business demands (FY17 7%, FY18 11%)
- Other (FY17 6%, FY18 4%)
- I have not encountered emotional strains running my own business (FY17 17%, FY18 14%)

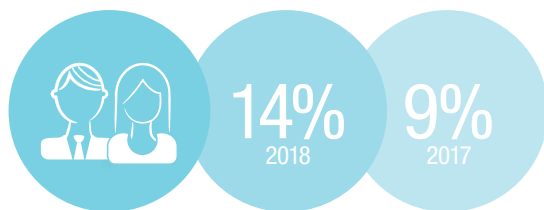
TOP EMOTIONAL STRAINS AMONG SME OWNERS

2018 saw an increased number of SME owners experiencing a negative impact on their lives as a result of running a business.

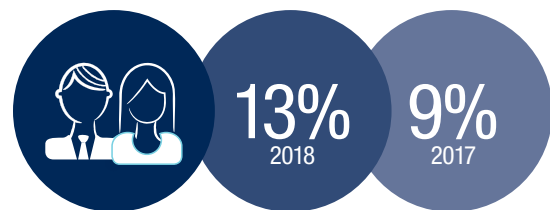
Diagnosis rates for depression, stress and anxiety amongst SME owners increased to 13% in 2018 (from 10% in 2017.) An identical increase was seen in feelings of isolation from loved ones with both factors cited as key contributors to SME relationship breakups in 2018.

Compounding the issue of stress is lack of sleep with one-third of small business owners (34%) saying their enterprise keeps them awake at night. For more than one in five (22%), business worries wake them frequently throughout the night and 19% suffer regularly from insomnia. Consequently, more than a quarter (27%) of small business owners feel constant fatigue or burn out.

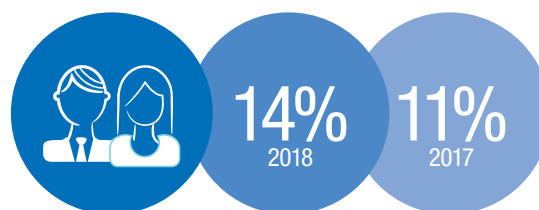
Sadly, almost one in five (17%) SME owners now regret starting their business because of the heavy emotional, financial and family burden of small business ownership. Disturbingly, the feeling of regret is particularly prevalent within millennial business owners in a worrying sign regarding the long-term prospects of Australia's small business industry. More than half (52%) of small business owners aged 18 – 29 and close to one third (32%) of those aged 30 – 39 regret starting their business.



“I spend more time worrying about my small business than enjoying time with family, friends or myself.”

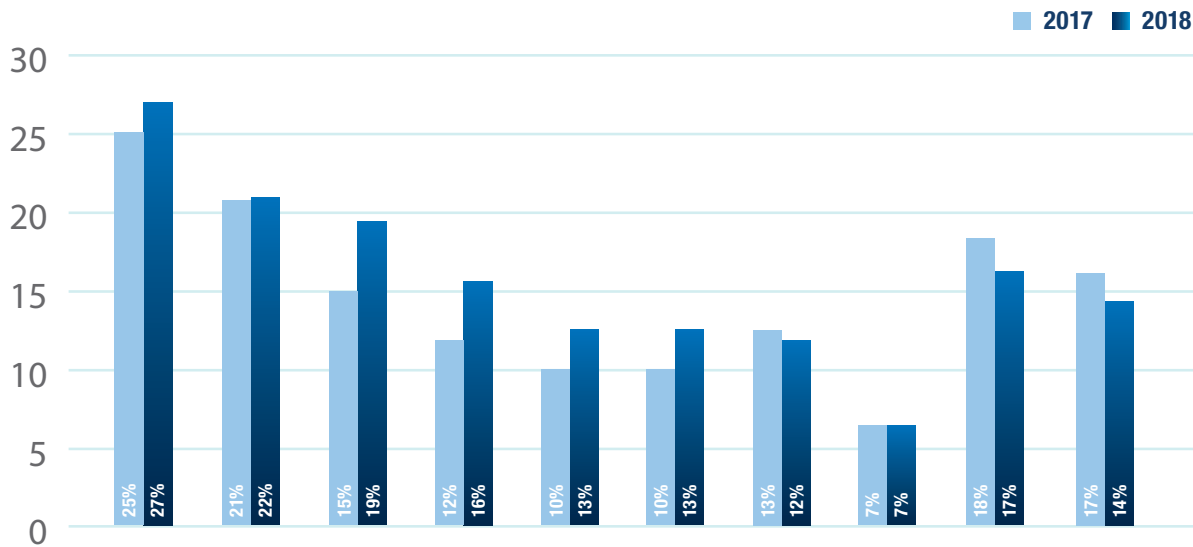


“I feel isolated because no one around me understands how hard it is to run a small business.”



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

YEAR ON YEAR COMPARRISON: IMPACT OF EMOTIONAL STRAINS



- 'I constantly feel fatigued and 'burnt out' (FY17 25%, FY18 27%)
- I frequently wake in the middle of the night worrying about my business (FY17 21%, FY18 22%)
- I suffer regularly from insomnia (FY17 15%, FY18 19%)
- Inability to deliver my best to the business (FY17 12%, FY18 16%)
- I have been diagnosed with depression, stress or anxiety (FY17 10%, FY18 13%)
- I feel isolated from those closest to me (FY17 10%, FY18 13%)
- I feel distanced from my partner/ spouse/ family (FY17 13%, FY18 12%)
- It has resulted in a relationship break up (FY17 7%, FY18 7%)
- Other (FY17 18%, FY18 17%)
- I have not experienced emotional strains (FY17 17%, FY18 14%)

PERSONAL REPERCUSSIONS

In a landscape where rates of depression are increasing and more than half (58%) of SME owners feel their business has impacted their mental health, physical health is also suffering.

Fewer small business owners in 2018 are putting a priority on their physical wellbeing with 29% admitting that business management has made them unwell (up from 24% last year). Adding to that is fewer SME owners are being proactive about their physical health with 20% more owners admitting that business management stopped them from getting a health check (26% in 2018 compared to 24% in 2017).

Troublingly, the burden of business ownership is resulting in a large number of SME owners forcing themselves to show up for their workday even though they feel the need for time away. In fact, almost two-thirds (63%) admit to having needed to take as much as a month of business-related-stress-leave but haven't been able to.

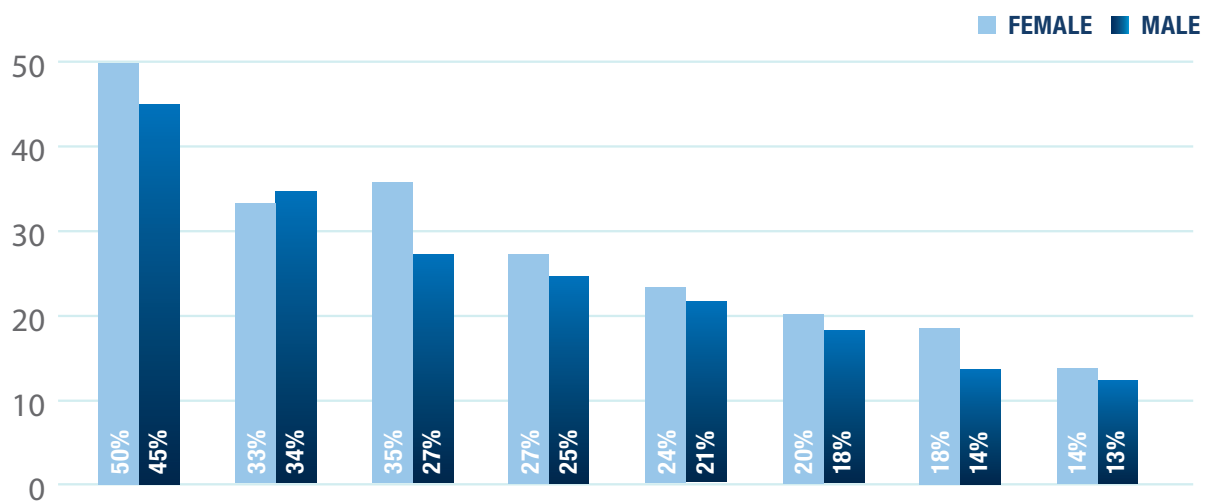
While the incidence of both mental and physical illness is prevalent in SME owners only one in five has sought mental or psychological health advice from a professional. Female entrepreneurs are also more likely than their male counterparts to feel that running their business has impacted their mental health (65% compared to 52%).

THE IMPACT ON LIFE'S MILESTONES

The interference with key life milestones that comes from owning a small business also appears to impact female entrepreneurs more greatly.

In all but one instance, more female small business owners than males indicated that running their business had stopped them from ticking off common milestones including holidaying, renovating or buying a home, getting married, starting a family and investing in their children's education.

WHAT HAS YOUR SME STOPPED YOU FROM DOING?



- Taking a holiday (female 50%, male 45%)
- Attending a major family event (female 33%, male 34%)
- Renovating my house (female 35%, male 27%)
- Getting a health check (female 27%, male 25%)
- Buying a home (female 24%, male 21%)
- Investing in my children's education (female 20%, male 18%)
- Starting a family (female 18%, male 14%)
- Getting married (female 14%, male 13%)



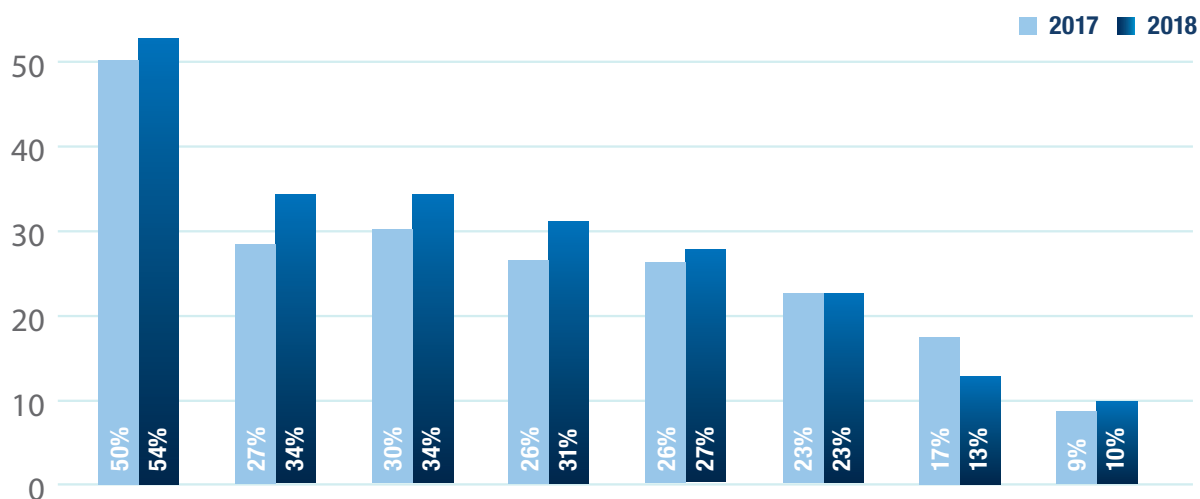
Concerningly, the impact on achieving life milestones peaks among SME owners aged 30 – 39 years. 80% of business owners in this age group said that running their business stopped them from achieving at least one of these milestones compared with 67% in 2017.

Across the board, having time off and time with family has been impacted most significantly in 2018 with 14% more SME owners not able to take a holiday and 22% more not being able to attend a family event compared to last year. Within this context, it is no surprise that SME owner depression rates are increasing when the need to disengage from the business and bond with loved ones remains unrealised for many.

If SMEs had more time, they would:

- Travel: 54% vs. 50% in 2017
- Socialise with friends: 34% vs. 27% in 2017
- Sleep and relax: 34% vs. 30% in 2017
- Spend quality time with the kids: 31% vs. 26% in 2017

IF YOU HAD MORE TIME, HOW WOULD YOU SPEND IT?



- Travelling (FY17 50%, FY18 54%)
- Socialising with friends (FY17 27%, FY18 34%)
- Sleeping and relaxing (FY17 30%, FY18 34%)
- Spending quality time with the kids (FY17 26%, FY18 31%)
- Investing time in my relationship (FY17 26%, FY18 27%)
- Personal development (FY17 23%, FY18 23%)
- Education (FY17 17%, FY18 13%)
- Another business venture (FY17 9%, FY18 10%)

THE MENTAL WELLBEING DRAIN

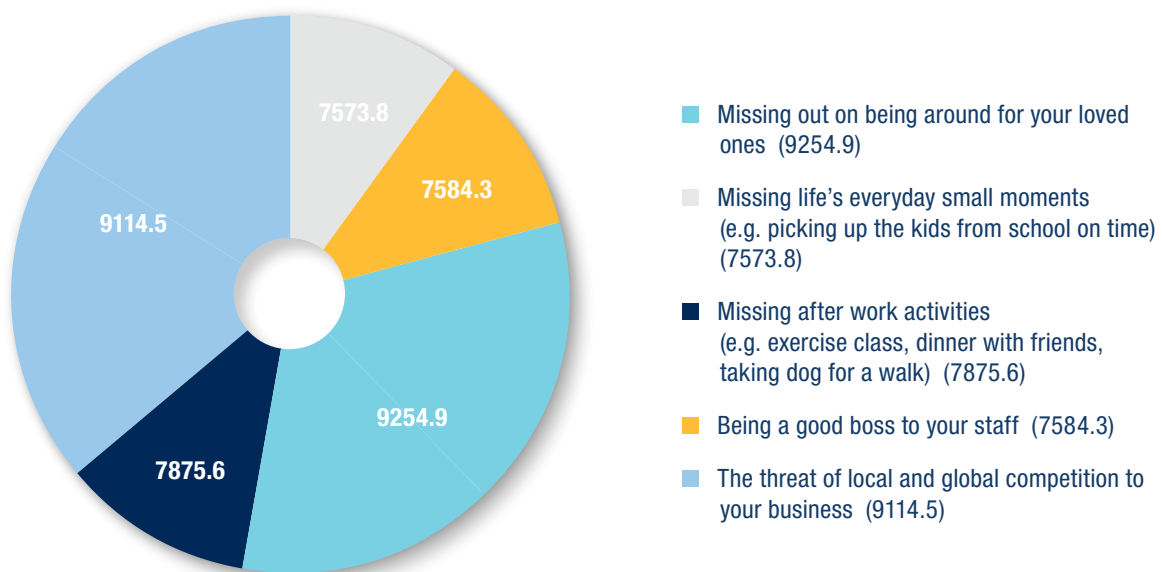
Worries about business and personal life, plus stress-induced leave, are taking small business owners away from the task at hand: running their enterprise.

A significant number of small business owners admit that fears and concerns occupy some of their mental capacity while on the job.

The top three concerns for small business owners are:

- 59% spend time worrying about missing out on being around for their loved ones;
- 57% spend time worrying about missing out on after work activities and rituals; and
- 57% spend time worrying about the threat of competition to their business.

AVERAGE MINUTES PER YEAR INDIVIDUAL SME OWNERS SPEND WORRYING



Cumulatively, time spent on these fears per year equates to individual small business owners spending:

- 19 working days worrying about not being around for loved ones;
- 18 working days worrying about the threat of local and / or global competition;
- 16 working days worrying about missing after work activities;
- 15 working days worrying about being a good boss; and
- 15 working days worrying about missing life's everyday small moments.

Based on an 8-hour working day.

While slightly less time is spent worrying about the threat of competition compared to missing out on time with loved ones, the outcome for time spent worrying about the former appears to have a greater negative follow through on physical, mental and business health.



PHYSICAL HEALTH

SME owners who have been made physically unwell due to running their business spend 51 minutes per day on average worrying about competitors compared to 14 minutes per day for those who haven't been made physically unwell.



MENTAL HEALTH

Business owners who feel their mental health has been impacted 'significantly' worry on average 57.5 minutes per day about the threat of competition compared to just 7.1 minutes per day for those that feel no impact on their mental wellbeing.



BUSINESS HEALTH

35% of small business owners who worry about the threat of competition describe their business health as 'poor' compared to just 19% of those that don't spend any time worrying about it.

Similarly, the pressure of running their business has seen close to half (46%) of all SME owners needing to take days off work.

Small business owners aged in their 30s are significantly impacted with 73% of this age group needing to step away from their start-up. 31% require between 11 and 20 working days' stress-leave per year compared to 12% of business owners in their 40s and just 6% of business owners over the age of 50.

THE IMPACT OF MENTAL WELLBEING ON FUTURE OUTLOOK

In general, small business owners are uncertain about the future of Australia's small business landscape and that of their own venture which correlates to impressions of business health and its impact on their mental wellbeing.

Sadly, more than a quarter (28%) of SME owners feel their business health is poor or extremely poor due in part to declining market share, decreased profits and stagnant growth opportunities. Consequently, more than half (58%) admit the state of their business health impacts their mental wellbeing. For one in 10 SME owners, the impact is significant with symptoms of anxiety, depression and mental exhaustion experienced regularly, while close to half (48%) experience these symptoms occasionally.

Looking ahead, SME owners have little confidence in Australia's SME future and the future of their own enterprise. 63% of small business owners are unsure or anxious about the future growth of SMEs in Australia, while confidence about their own venture is split with 50% doubtful or unsure about the future of their business.

ASKING FOR HELP

Close to one in five (19%) small business owners confirmed they would seek professional help for their mental wellbeing, compared to 15% last year. While this is a sign that the stigma of seeking professional help is slowly reducing, more needs to be done to adequately support small business owners to combat the increasing rate of depression and repercussions on their personal lives.

Understandably, with the stress regarding cash flow and finances increasing significantly this year, there has been a noticeable increase in those requiring financial help and guidance from an expert. More than one in five (22%) small business owners believe guidance from a financial expert who understands the SME landscape would help them achieve greater balance, up from 14% in 2017.

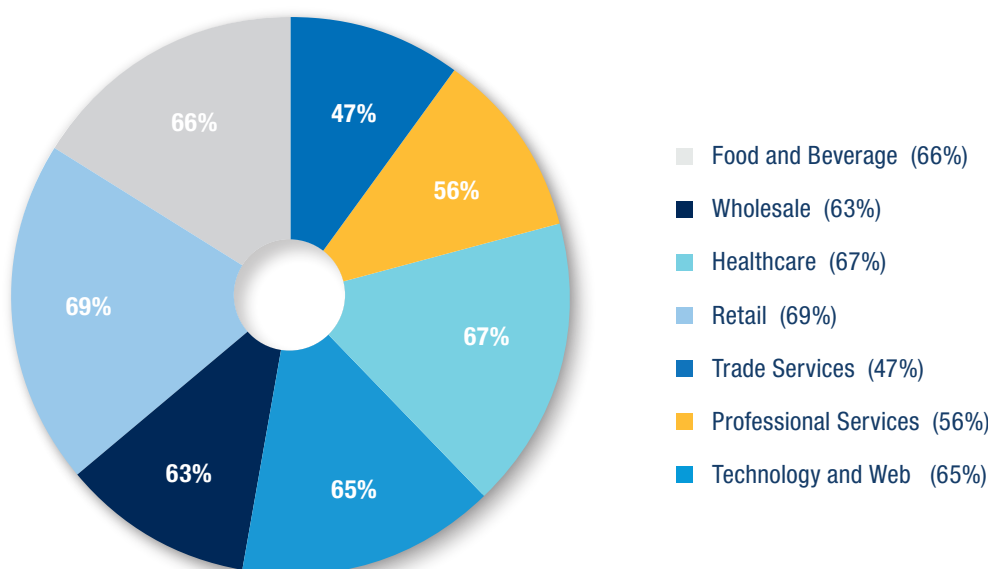
SME MENTAL HEALTH BY INDUSTRY

To complement the holistic picture of mental wellbeing for SME owners, it is important to understand how these issues manifest for the small business owners across different industries.

It is evident that small business ownership impacts the mental wellbeing of owners regardless of trade, however what is interesting to note are the different pressure points, impacts and adverse outcomes of business ownership by industry.



HAS SMALL BUSINESS OWNERSHIP IMPACTED YOUR MENTAL WELLBEING?



FOOD AND BEVERAGE OPERATORS: REGRETFUL OVER THEIR VENTURE

Sadly, small business owners within the food and beverage industry are more likely to regret their venture with many admitting they wouldn't have started it had they known the emotional toll it would take.

28% of SME owners in this industry regret starting their business compared to just 10% outside of the food and drink space, while more than double (41% vs 17%) would not pursue small business ownership again knowing what they do now about the pressures of this career choice.

In fact, half of food and beverage owners report that running their business has made them physically unwell (vs. 27% not in the industry), while the vast majority (81% compared to 60% not in the industry) report their venture has stopped them from achieving a life milestone.

WHOLESALE AND IMPORT/EXPORTERS: FEELING THE FINANCIAL PINCH

The financial strain of business ownership, and the resulting pressures these concerns add to an SME owner's mental wellbeing, appear to be felt most by wholesalers and import/exporters.

Within this industry, there has been a significant increase in the number of owners admitting to having problems managing admin and finances while also trying to run a profitable business with 71% of owners affirming this statement in 2018 compared to 28% last year. Alarmingly, this is also significantly higher than the rest of the SME market where less than two thirds of business owners in other industries say financial and administrative challenges were encountered.

HEALTHCARE PROFESSIONALS: PHYSICALLY ILL BUT PROACTIVE ABOUT PRESSURE POINTS

Physical and mental health is at the fore for business owners within the healthcare and medical industry.

2018 saw a significant increase in the number of healthcare professionals reporting that running their enterprise had made them physically unwell, up from 14% last year to 46%.

Moreover, it's not just physical problems that are prevalent in this industry. Compared to other industries, those in healthcare are more likely to have sought mental or psychological health advice from a professional (38% compared to 18% for those not in the industry). This proactivity towards mental wellbeing is further signified by the number of healthcare SME owners saying they are 'very likely' to talk to someone about the emotional strains of business ownership which rose significantly in 2018 to 46% compared to 8% of respondents last year.

RETAILERS: DISTANCED FROM LOVED ONES

The gulf between loved ones that small business ownership can create appears to impact retailers most significantly.

In fact, small business owners in this industry are more likely to report that they feel distanced from their family compared to the rest of the SME market (23% vs. 10% of those not in the industry) which may be a result of the long hours that many retailers face.

TRADIES: PERSONAL LIFE BEARS THE BRUNT

The demands of small business ownership take particular toll on the personal lives for those in trade services.

2018 saw 40% of small business owners in the trade services industry admitting that running their business had resulted in the lack of a social life, a significant increase from 13% in 2017. This is also significantly higher than the rest of the SME market where one in five business owners outside of the trade services industry feeling this way. A similar number (17%) say they rarely find the time to socialise, close to one third (30%) have been unable to attend a family event due to the demand of running their venture and 13% spend considerable time (between one and four hours) each day worrying about missing out on time with their loved ones.

TECHNOLOGY AND WEB SERVICES: MARKETING MATTERS AND RELATIONSHIP ISSUES

Small business owners are acutely aware of the challenge to effectively marketing their business, however this peaks for those in the technology and web industry.

Small business owners in this industry are more likely than others to report that effectively marketing their business is one of the most stressful aspects of running their enterprise. In fact, more than half (54%) of these business owners feel this way compared to 26% of those not in the industry.

Concerningly, the stress of small business management has also contributed to more relationship break ups for owners in the technology and web industry with 23% admitting to a separation compared to 6% of business owners outside this industry.

PROFESSIONAL SERVICES: DAY-TO-DAY MANAGEMENT A CHALLENGE

Compared to last year, 2018 saw a significant increase amongst those in the professional services industry reporting that day-to-day management is one of the most stressful aspect of business ownership (18% vs. 4% in 2017).

Compounding this issue is that more professional services business owners are feeling isolated from their support network because people around them don't understand the difficulty of small business ownership (18% vs. 5% in 2017).

SME SUPPORT: WHAT'S NEEDED?

While the majority (81%) of small business owners haven't sought mental health advice in a bid to curb the emotional strains of business management, they are more forthcoming with nominating the aspects that would improve their work / life balance and the support services that would enable this.

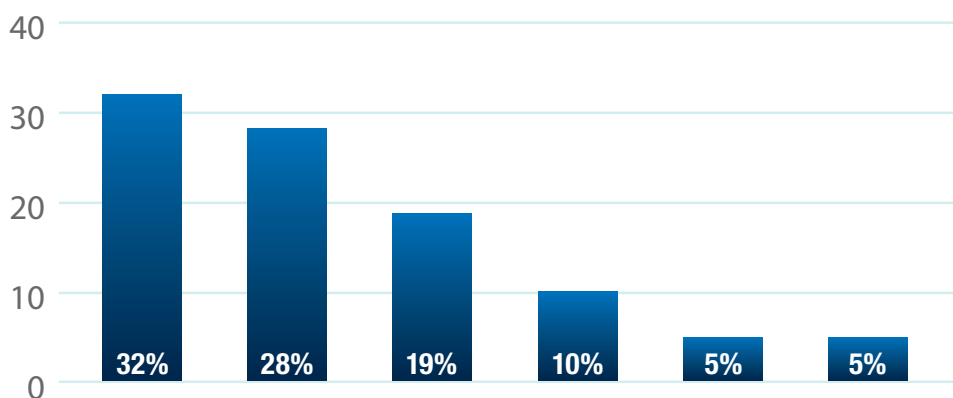
Compared to last year, request for support on a peer-to-peer level and from a business mentor have increased. This is reflective in the demand for tangible support services SME owners are calling for that will help them improve the health of their business.

In 2018, the main business support services needed are:

- Business mentor: 32%
- Marketing / social media: 28%
- Tech support: 19%

With four out of five SME owners indicating help is needed for technical and specialist services as well as high level guidance, it's clear there is a skills gap that needs to be bridged to ensure effective day-to-day management and secure small business growth prospects for the future.

SUPPORT NEEDED TO BETTER IMPROVE THE HEALTH OF YOUR BUSINESS



- Business mentor (32%)
- Marketing/social media (28%)
- Tech support (19%)
- Access to a psychologist / counsellor (10%)
- Legal counsel (5%)
- HR recruitment (5%)

CONCLUSION

In conclusion, the BOQ 2018 Business Balance Report has highlighted that small business owners continue to face significant challenges which impact on their mental health and that these pressure points are more pronounced than they were 12 months ago. While few SME owners seek professional help with managing their mental wellbeing, it is encouraging to see that this trend appears to be improving, as the stigma associated with seeking help is gradually broken down.

The Report also highlights the diversity of the small business community and that the challenges faced by each SME is unique. Different industry segments and different age groups experience very different pressures. The Report broke down small business owners by industry, revealing a number of interesting insights, including that food and beverage operators are the ones most likely to regret their venture and the SME owners in the technology industry are markedly more likely to suffer a relationship breakdown. Generationally, the report also shows that it is Millennials who are most feeling the strain of owning their own businesses and are most worried about the impact this may be having on their wellbeing.

With the important contribution small business makes to Australia's economy, it is crucial that SME owners are adequately supported for success. Alongside more traditional forms of business-related support infrastructure, it is clear that the mental wellbeing of SME owners also needs to be priority if we are to ensure the future of individual businesses and the health of Australia's SME industry.

