

People power shows importance of HR for Australia's SMEs

SMEs realise good staff are the key to growth: Scottish Pacific SME Growth Index

A majority of Australian SMEs are in growth mode through to Christmas, and owners mostly attribute this growth to "great people and a strong team".

This is one of the key findings of the inaugural Scottish Pacific SME Growth Index, created from interviews with 1,257 SMEs from around Australia and in a diverse range of industries, with annual turnover of between \$1-20 million.

The Index, executed for Scottish Pacific Debtor Finance by research firm East & Partners, found that 62.6 percent of the SMEs were expecting an average 8.6 percent increase in their business revenues through to the end of 2015. Only 13.2 percent were forecasting a revenue decline, by an average of 3.9 percent.

33.8 percent of all the businesses forecasting growth attributed this growth to the talents of their staff and teams, making this the most common driver of business growth.

Anchor or core customers was next, nominated by 31 percent of SME owners as a key growth driver.

Peter Langham, chief executive at Scottish Pacific, said it was refreshing to see that 33.8 percent of SME owners and CEOs attributed their growth success to great people and strong teams.

"SMEs by nature are entrepreneurial and sometimes the perception is that the business is all about the person at the top. It's great to see SME owners acknowledge the importance of putting strong teams in place," he said.

"However, it's also interesting to note that in the survey almost two in 10 of the SME leaders attributed their success more to luck or timing, and that almost three in 10 said they 'just followed their nose' and can't really pinpoint why they are growing."

Mr Langham said it was a huge issue for SMEs to ensure they had adequate funding to attract and pay the best staff. Too often cash flow issues can prevent SMEs from hiring to help manage growth. This is one reason many businesses turn to debtor finance to fund their business growth. Facilities are self-liquidating, the funding available grows in line with turnover and real estate security is not required.

Labour hire and recruitment SMEs turn to debtor finance to grow

"Debtor finance is a popular funding solution in labour hire and recruitment businesses, representing approximately 30% of Scottish Pacific's business," Mr Langham said.

There are currently more than 4,500 Australian SMEs, with combined annual revenues of \$65 billion, using debtor finance to fund their business growth.

Scottish Pacific SME Growth Index: What is driving your business growth?

(N: 787)

Great people/staff/strong team

33.8

Anchor / core customers

31.0

Good industry networks

23.0

Continual change / innovation

19.1

Luck / good fortune / good timing
17.8
No legacies / history
14.4
Successfully integrating technology with the business
12.3
Smart management
12.2
Smart marketing
11.2
Little / no direct competition
8.6
Tightly defined markets / segments
7.5
Availability of equity / positive backers
6.6
Effective mentors / advisors
5.2
Don't know / just followed our nose
28.2
Other
0.8

Note: sums to over 100 percent due to multiple responding allowed

About Scottish Pacific

Scottish Pacific Debtor Finance Pty Ltd provides working capital solutions to SMEs with annual turnover of almost \$5 billion, offering the broadest range of trade and debtor finance solutions in Australasia. Established in 1988, Scottish Pacific has full operations centres in Sydney, Melbourne, Perth, Brisbane, Auckland and China. Scottish Pacific was awarded the 2014 Best Cash Flow Lender by broker publication The Adviser, as voted by brokers, in their inaugural Non-Bank Lending Awards.

About the Scottish Pacific SME Growth Index

The biannual Index, initiated in September 2014, will help benchmark SME growth in Australia and highlight issues of concern to the SME business community. For the inaugural Index, East & Partners interviewed 1,257 SME businesses with annual revenues of between A\$1-20 million in late July/early August 2014. 82 percent of respondees were SME business owners, CEOs or CFOs. The next Index will be released in March 2015.

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