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Business is Good

This week I had a dog flap installed in my kitchen door by a business specialising in just that. It's a highly efficient, one man (and his dog) business run by a former pet shop operator, who 14 years ago saw a niche for a person who understood the behaviour and needs of cats and dogs and their owners. He made it his business to master the skills involved in installing doors for almost any sized pet into almost any kind of surface.

Katz Pet Door Installations is an archetypal small Kiwi business, one of around 413,000 businesses around the country employing five or fewer employees. Their number is growing steadily, according to information released this week by Statistics New Zealand. The total number of businesses grew in the year to February 2007 by 2%, with 96% of that increase being made up of businesses with fewer than 10 employees.

Not surprisingly, however, the strongest growth in employment in the period came from large businesses: those with 100 or more employees were up 27,300 employees or 3.2%, followed by firms with 50–99 employees, up 4,500 employees or 2.7%. Large businesses (those employing 100 or more), while representing only 0.5% of all businesses, in fact employ 46% of the total work force.

You'd be hard pressed to find anyone who wouldn't want a resourceful, customer-focused business like Katz to succeed. It deserves to, and its hard-working owner deserves to make a decent profit.

We need productive businesses in this country. Business, after all, is the source of everybody's income – through wages and salaries, returns on savings and other investments, as a source of revenue to governments, and so on.

Business is also what meets our needs as consumers: its primary function is to be an efficient producer of goods and services that they value.

Businesses compete with one another to be more innovative and resourceful, to drive down prices and give better value for the customer's dollar. What hurts business, distracts it from its tasks, or needlessly adds to its costs, will hurt us all as workers, savers and consumers.

And we need businesses to be profitable. Profits are essentially the difference between the value that goods and services sell for, and the costs of the resources, such as labour and capital, that go into making them. Healthy profits are usually a sign of good use of resources. Loss-making businesses are no use to anyone, least of all their workers and investors, or the consumers of their products.

We live in an era rich with examples of business innovations that have brought lower priced and better quality goods to the mass of consumers. Only 100 years ago, Henry Ford announced his goal of creating "a motor car for the great multitude", a dream he achieved with the invention of the first assembly line. His famous Model T was built in a record-breaking 93 minutes, meaning he could dramatically lower its price and at the same time raise workers' wages and make a good profit. Sales soared and by 1914, Ford had claimed a 48% share of the automobile market. It put the motor car, previously a luxury, within the reach of the average American worker and revolutionised society around the world.

It is almost poetic that in January this year Ratan Tata, chairman of Indian car manufacturer Tata Motors, unveiled the Tata Nano, the so-called 'People's Car', designed to bring the car within the reach of millions of ordinary Indian families. Retailing at US\$2,500 (the world's cheapest car) and launching later this year, the Nano promises to be comfortable, safe, fuel efficient and low on emissions, and to achieve for India what Ford achieved a century earlier for America.

Like Ford, Tata is no doubt as much motivated by profit as by a genuine desire to meet his customers' needs and, in the process, enhance their lives.

How could anyone rationally be opposed to such a powerful and positive force? To be sure there will always be a few rotten apples within business just as there are within unions, universities, politics, religious bodies and

other walks of life. They should be met with social opprobrium and, where relevant, the full force of the law.

Fortunately, those who hold the almost reflexive view that business and profits are bad seem to be dwindling in number. The fact that many of our best and brightest now seek careers in business is a sign of a changing culture. When around 80% of employees work in the private sector, it's hard to believe that New Zealanders at large are anti-business.

If governments are serious about raising New Zealanders' standards of living there is only one way of achieving it: to make it easier for entrepreneurial businesses – large and small – to flourish and benefit their stakeholders.

Roger Kerr (rkerr@nzbr.org.nz) is the executive director of the New Zealand Business Roundtable.