



# BDO WELLBEING & BUSINESS PERFORMANCE INDEX

APRIL 2023 REPORT





# INTRODUCTION

## WELCOME TO OUR THIRD BDO WELLBEING & BUSINESS PERFORMANCE INDEX REPORT - BDO TE RANGAHAU O NGĀ HAUORA PAI.

The Index is a unique biannual study exploring the relationship between wellbeing (leveraging the World Health Organisation's globally recognised WHO-5 Wellbeing Index methodology) and business performance in the New Zealand business sector.

While at BDO, we're certainly not mental health experts, as advisers to over 16,000 businesses across Aotearoa, we are in a unique position to see the impacts of a wide range of factors on New Zealand business leaders and their businesses – including financial, economic, regulatory, environmental and social. The BDO Wellbeing & Business Performance Index was born out of growing observations among our BDO Partners of the particular impact which financial concerns can have on business leaders and owners. The Index is our opportunity to provide practical advice to NZ's business leaders and owners – helping them to alleviate the key stresses of running a business, particularly financial concerns, and in turn promoting stronger wellbeing.

Now on our third edition, we have accumulated sufficient data to identify some distinct trends. The Index has confirmed business finances are a leading and growing contributor to negative wellbeing among New Zealand's business leaders, and this is only getting worse as economic conditions deteriorate. The way to manage this uncertainty is of course to adopt strong financial management processes.

Mental wellbeing is often only seen in a negative light – but positive wellbeing is something you can top up and maintain; so we also wanted to give tips for people to maintain their wellbeing when it's in a good space.

We know that conditions can vary significantly across sectors, so we have also incorporated specific insights and tips for businesses operating in our leading industries; agriculture, tourism, retail, construction, healthcare and Māori business.

## VIEW OUR SECTOR-SPECIFIC REPORTS AT [BDO.NZ/WELLBEING](https://bdo.nz/wellbeing)

Most importantly, it's never too soon or too late to reach out for help. Please lean on your trusted team - whānau, friends, colleagues and advisers - for the support you need in managing your wellbeing and business performance. You'll find details of useful contacts at the end of this report and at [bdo.nz/wellbeing](https://bdo.nz/wellbeing).

## ABOUT THE REPORT

The BDO Wellbeing and Business Performance Index – BDO Te Rangahau o Ngā Hauora Pai - collates feedback from a total of 504 business owners and leaders across Aotearoa who completed our digital survey in March 2023 (conducted by an independent research agency). Respondents span a wide range of industries and business stages, based on a market-representative sample of New Zealand's business sector. The survey targeted business leaders and owners (anyone who was not an owner, General Manager, CEO or Director was excluded from results). For the purpose of the report, we have referred to all respondents generically as "business leaders".

### SURVEY METHODOLOGY

The World Health Organisation's 'WHO-5 Index' score, adopted in this survey, is a point in time measure – reflecting wellbeing as experienced by respondents over the past two weeks. For this reason, wellbeing is best tracked over time. Respondents were also asked to share where they expect their business performance and wellbeing to be in six months' time – and the key drivers for this.

The survey collects details of why respondents might have been feeling less mentally healthy recently. We also ask what they do to stay mentally healthy, both in their business and in their personal life.

### THE WHO-5 WELLBEING INDEX - STATEMENTS

I have felt cheerful, in good spirits

I have felt calm and relaxed

I have felt active and vigorous

I have woken up feeling fresh and rested

My daily life has been filled with things that interest me

### WHAT'S IN THE REPORT

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# EXECUTIVE SUMMARY

## BDO WELLBEING & BUSINESS PERFORMANCE DASHBOARD – APRIL 2023

### OVERALL FINDINGS

Unfortunately, wellbeing among New Zealand business leaders has declined since our first measure in May 2022, decreasing from 69 to 62 in March 2023. During this same period, the impact of business financial pressures has steadily increased. Business financial pressures are now the most commonly cited cause of negative wellbeing in our March 2023 results, overtaking COVID-19 for the first time. Meanwhile, business leaders now cite external economic pressures as the second most significant cause of negative wellbeing – a reflection of the ever-increasing economic challenges businesses are facing both here in Aotearoa and globally. The future outlook has also worsened over the past year, with fewer and fewer respondents expecting to feel generally satisfied with life in six months' time. Meanwhile, in terms of business performance, 48% of business leaders currently feel positive about their business financials all or most of the time, down 11% on our first measure.

	RANKING	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX		69	62 ▼	62 ▬
% feeling less mentally healthy in the past six months		44%	46% ▲	48% ▲
Top 5 causes of negative wellbeing in business life	1	COVID-19 - 45%	COVID-19 - 36% ▼	Business financial pressures - 44% ▲
	2	Business financial pressures - 36%	Business financial pressures - 34% ▼	External economic pressures - 37% ▲
	3	External economic pressures - 31%	Workload - 33% ▲	Workload - 27% ▼
	4	Workload - 25%	Not having enough people to rely on for support - 29% ▲	Not having enough people to rely on for support - 25% ▼
	5	Employee performance/conflict 24%	External economic pressures - 27% ▼	Concerns around environmental and social impacts - 25% ▬
% of people expecting to feel generally satisfied with life all or most of the time in 6 months		73%	72% ▼	65% ▼
Current business performance sentiment: % of people feeling positive about business performance all or most of the time		63%	63% ▬	60% ▬
Current business financials sentiment: % of people feeling positive about their business financials all or most of the time		59%	51% ▼	48% ▼
Future business performance sentiment: % of people expecting to feel positive about business performance all or most of the time in 6 months		71%	67% ▼	66% ▼

WELLBEING

BUSINESS PERFORMANCE



## SECTOR FINDINGS - DASHBOARD

AGRIBUSINESS			
	MAY 2022	OCTOBER 2022	MARCH 2023*
WHO-5 INDEX	80	62 ▼	n/a
Future wellbeing sentiment	87%	77% ▼	n/a
Future business performance sentiment	92%	77%	n/a

\* Agribusiness data excluded from the March 2023 survey due to disruption via adverse weather events during the survey period, incl. Cyclone Gabrielle.

CONSTRUCTION			
	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX	82	68 ▼	64 ▼
Future wellbeing sentiment	91%	74% ▼	70% ▼
Future business performance sentiment	88%	78%	68%

HEALTHCARE			
	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX	60	62 ▲	62 ▬
Future wellbeing sentiment	70%	66% ▼	55% ▼
Future business performance sentiment	73%	69%	59%

MĀORI BUSINESS			
	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX	73	64 ▼	62 ▼
Future wellbeing sentiment	78%	80% ▲	68% ▼
Future business performance sentiment	75%	66%	72%

RETAIL			
	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX	56	62 ▲	56 ▼
Future wellbeing sentiment	51%	66% ▲	61% ▼
Future business performance sentiment	38%	58%	55%

TOURISM			
	MAY 2022	OCTOBER 2022	MARCH 2023
WHO-5 INDEX	63	60 ▼	66 ▲
Future wellbeing sentiment	76%	79% ▲	71% ▼
Future business performance sentiment	64%	60%	70%

### KEY

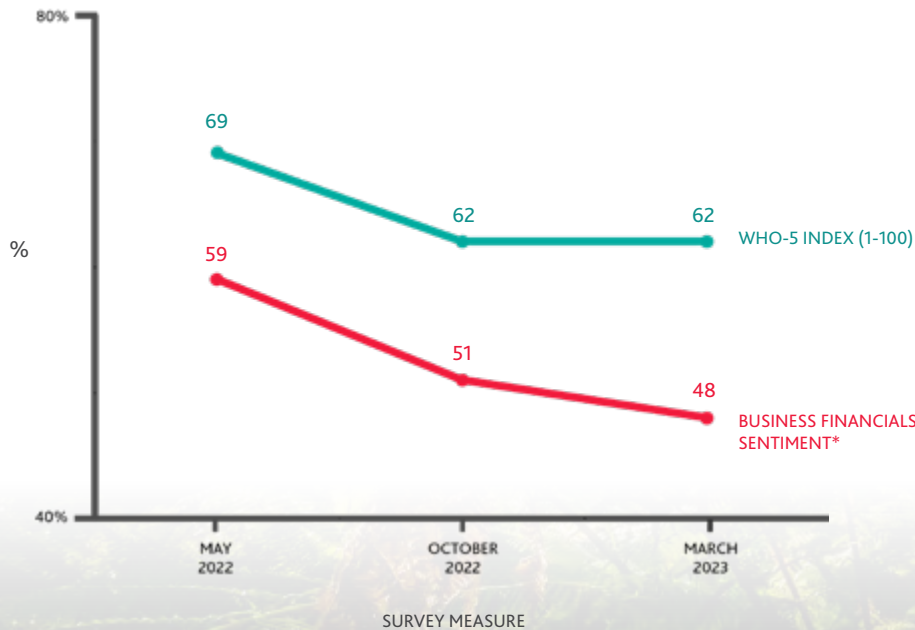
Future wellbeing sentiment: % of people expecting to feel generally satisfied with life all or most of the time in 6 months

Future business performance sentiment: % of people expecting to feel positive about business performance all or most of the time in 6 months



## A CLOSE RELATIONSHIP – BUSINESS FINANCIALS AND WELLBEING

Business leaders have confirmed that business financials are now their number one driver of negative wellbeing, as rated by 44% of business leaders in our March 2023 survey. In addition, we are now seeing a trend develop across our three measures where movements in the Wellbeing Index (WHO-5 score) and business financials sentiment are closely aligned, as shown below. This highlights that it is more important than ever for business leaders to employ strong financial management tactics in order to alleviate negative wellbeing (see our tips on page 7 for more on this).



\* % feeling positive about business financials in last 6 months (all/most of the time)

## SECTOR FINDINGS - INSIGHTS

### CHALLENGES FOR CONSTRUCTION, BUT LIGHT AHEAD FOR TOURISM

We have also seen this trend across key sectors, particularly in construction, which in May 2022 was a sector in the boom phase, with more work than they could handle. Since then, construction business leader wellbeing has reduced significantly as forward work dries up and inflation continues to decrease margins.

The WHO-5 score for retail, which saw a slight increase in our October 2022 results, has decreased again – like construction, retailers are suffering from increasing inflation eroding margins, as well as reduced consumer spend as the cost of living crisis takes its toll.

There is one sector that is experiencing a more positive outlook. As visitor numbers increase, so too has wellbeing among tourism business leaders, who in this measure scored 66 out of 100 on the WHO-5 index. They also have a more positive future outlook – reflecting expectations that overseas visitors will increase even further in future.

### MORE SECTOR INSIGHTS

For more detail on sector trends uncovered in the April Index, view our sector-specific insights on our website – including; agribusiness, construction, healthcare, Māori business, retail and tourism.

You can also view our deep-dive into the specific factors impacting larger businesses within the construction sector, and practical tips for navigating these, in our recently-released [2023 BDO Construction Sector Report](#).

### FINANCIAL TIPS TO ADDRESS KEY FACTORS

With economic and market conditions worsening for many, it's important that business leaders focus on what they can control as a way to manage wellbeing. Strong financial management is an essential tool for business leaders to move through these tough times, and you will see some specific tips on this on the next page.

#### Special feature - BDO Business Resilience Guide

With external economic pressures now the second largest driver of negative wellbeing among business leaders, our April report also includes the BDO Business Resilience Guide - a special feature of this edition, including strategies and considerations for businesses in preparing for the impacts of escalating economic challenges and potential recession.



# TOP TIPS FOR BUSINESSES TO MANAGE FINANCIAL PERFORMANCE AND OTHER KEY BUSINESS STRESSORS

The April 2023 BDO Wellbeing & Business Performance Index highlights a number of specific financial pressures are having a growing influence on business leader wellbeing – from cash flow to interest rates and inflation (see next section). Below, we share practical suggestions for business leaders in navigating these challenges. You'll find more sector-specific tips in the sector reports on our website.

As a special feature in this edition you can find our BDO Business Resilience guide on page 15 with further considerations for business leaders in navigating economic pressures and preparing for potential economic recession.

## FINANCIAL MANAGEMENT



**Report on cash flow – daily if you have to** – Cash flow planning should be done regularly, but the cadence should depend on what's going on in your business and in the wider economy.



**Understand your financials and look at them as a whole** – You need to know your business finances just as well as your market and industry. Don't just look at one metric, review net profit, gross margin, expenses, cash flow and sales together to build up a much more accurate picture of how your business is doing.



**Manage inflation by regularly reviewing your pricing and margins** – Make sure your margins don't get squeezed by inflation by regularly reviewing your pricing to ensure it is keeping up with increased business costs. This is particularly important at the start of any key project that is likely to span a significant period of time. It's also a good idea to have clauses in your contracts that help you adjust your prices according to inflation.



**Consider foreign exchange planning if importing or exporting** – If your business is dependent on foreign currency exchange rates, consider fixing your foreign currency for the next 12 months so you won't be so negatively impacted by exchange rate fluctuations.



**Make friends with your bank!** – This will help ensure you have a trade finance facility that works for your business. You will have a stronger relationship with your bank if you can showcase detailed forecasts and up-to-date cash flow reports. Be up front if you are not going to be able to meet your agreements – giving advance notice can make all the difference.

## BUSINESS PLANNING AND FORECASTING



**Forecast around different scenarios** – This can be around sales, inflation, interest rates, exchange rates – anything that might affect your business over the coming year. This can then guide you as you plan for stock, staffing, pricing and financing, enabling you to review which levers you can pull and when, and how each one will impact the rest of your business.



**Take the time to properly plan** – Remember why you are in business. Do you have a clear strategic plan in place, and are you on track? Being clear on your vision for the future and your strategic priorities will keep you, and your teams focused when making business decisions. Consider holding a half day or full-day planning session where you plan out the next 18 months by quarter, identifying key areas of focus and breaking this down into specific tasks and goals. Hold regular follow-ups to ensure progress and identify what's working and what isn't.



**Ensure you have business continuity plans in place** – You never know what might happen, and business continuity plans enable your business to carry on even if a major, unexpected event occurs.



**Start the succession planning journey as early as possible** – consider what your business will look like without you in it and ensure you have strong financials and are selling in favourable market conditions.



## TOP TIPS FOR BUSINESSES CONTINUED

### MANAGING WORKLOAD



**Manage workload by focusing on your best customers** – Consider the 80-20 rule, whereby 80% of your net profit comes from 20% of your clients. This will enable you to move your focus away from customers who aren't making you a lot of money but are still consuming your time and resources.



**Don't go it alone** – Seek advice from people you trust. Consider establishing an advisory board of experts to provide advice on a regular basis.

### RISK MANAGEMENT



**Take a proactive approach to risk management** – Consider taking the time to create a risk register of your top 20 business risks, whether they are low, medium or high risk, and what controls you can put in place to mitigate them

### SUPPLY CHAIN



**Plan your supply chain carefully** - If making alterations to your supply chain management practices, ensure you have considered the broader impacts. For example, how does buying more stock ahead of time impact your cash flow? Forecast different scenarios to ensure you aren't creating further problems as you look to manage supply chain disruption.



**Communicate regularly with your customers** – Most people understand that things can go wrong. But they want to be kept in the loop. If you won't be able to fulfil an order in time because of supply chain issues, let your customers know. Nine times out of ten they will be okay with it, provided you are communicating with them regularly.

### SUSTAINABILITY



**Understand your climate and sustainability risks and opportunities** – There will be physical risks to your infrastructure and supply chain, as well as transitional risks associated with changing consumer habits and increased government regulation. But there are also opportunities for businesses embracing ESG.



**Undertake cost-benefit analysis on sustainable business decisions** - This will enable you to understand the whole-of-life impact, not just the up-front cost.

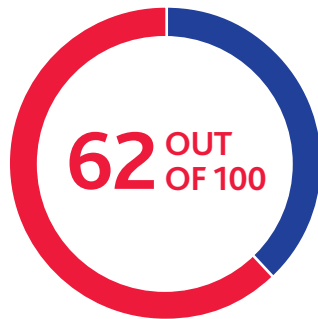
# WELLBEING STABLE BUT LOW

## BUSINESS FINANCIAL PRESSURES NUMBER ONE CAUSE OF NEGATIVE WELLBEING FOR BUSINESS LEADERS

Nearly half (48%) of business leaders have been feeling less mentally healthy than normal in the past six months – an increase of 2% from our last measure.

The World Health Organisation's 'WHO-5' Index prompts respondents to score how they have been feeling during the past two weeks in relation to five key statements, as shown in Figure 1.\*

FIGURE 1:  
WHO-5 WELLBEING INDEX



**\*HOW THE WHO-5 SCORE IS CALCULATED**

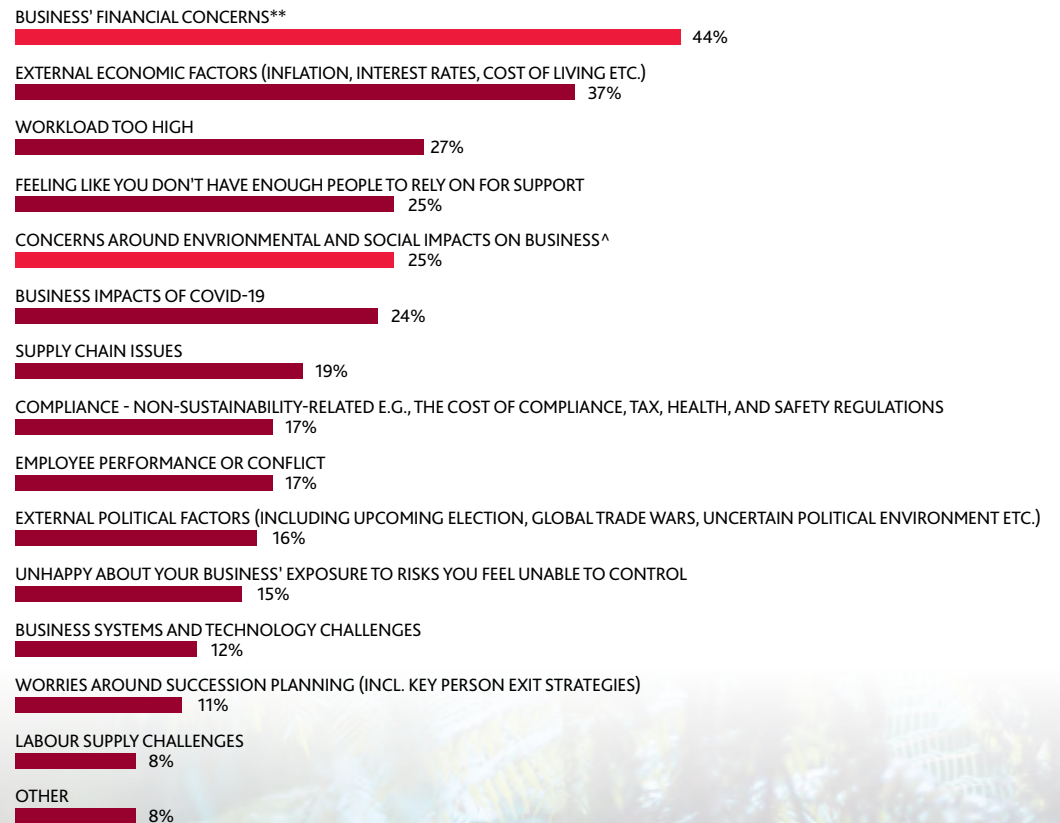
Someone who scores 'all of the time' on a particular statement is given a score of 5, while if they score 'at no time' they get a score of 0 for that statement. The total raw score, ranging from 0 to 25, is multiplied by 4 to give the final score, with 0 representing the worst imaginable wellbeing and 100 representing the best imaginable wellbeing.

In our April Index, business leaders scored 62 out of 100 – this is exactly the same as our last measure in October 2022 – indicating that mental wellbeing among New Zealand's business leaders is stable – however it remains relatively low.

### BUSINESS FINANCIAL PRESSURES INCREASING

Despite a stable overall Wellbeing Index score, there continues to be change in the leading contributors to business leader wellbeing. Business financial pressures are the most common cause of negative wellbeing in our April Index. This has now taken the top spot, with 44% of those who have been feeling less mentally healthy saying this was a key cause in their business life - a 10% increase from our October 2022 results [Figure 2].

FIGURE 2: IN THE LAST 6 MONTHS HAS ANYTHING BEEN CAUSING YOU TO FEEL LESS MENTALLY HEALTHY THAN NORMAL IN YOUR BUSINESS LIFE?



\*\* Combined score based on respondents who selected the following two drivers: Cash flow problems 31%. Business' financial performance challenges 24%

^ Combined score based on respondents who selected the following three drivers: Concerns around physical risks to infrastructure caused by natural disasters and climate change – 11% Concerns around transition risks (non-physical) associated with climate change – 11% Compliance – Sustainability/ESG-related – 11%



Looking more closely at business financial performance challenges among business leaders; one-third (31%) of those feeling less mentally healthy say that cash flow is causing this.

External economic factors (37%), including inflation, interest rates and the cost of living, are the second leading contributor to negative wellbeing. With inflation peaking and the Reserve Bank actively trying to pursue a slow down in our economy, it is no surprise that these factors, which are all having a flow-on effect into business financial pressures, are causing issues for business leaders.

Workload has consistently been highlighted as a key contributor to negative business leader wellbeing in each of our three Index reports to date. However, in our April Index, workload ranks in third place at 27% - behind cash flow and external economic factors for the first time, highlighting just how difficult economic conditions have become.

## YOUR BALANCE SHEET IS MORE IMPORTANT THAN EVER

"The economic situation has continued to deteriorate since our previous measure, placing a number of businesses under pressure. Not only are businesses suffering from the increased costs of doing business, but external cost of living pressures are reducing consumer spending, also impacting on organisations' top lines.

During tough economic times, a strong balance sheet can become important in a business' ability to weather the storm. In understanding their cashflow needs, it is important business leaders consider their reserves – do you have sufficient liquid assets to navigate through to better times?

When cash flow is tight, strong and ongoing communication with business bankers is critical. Talk to them early, and ensure they are onboard with your strategy."



KIMBERLEY SYMON,  
BDO BUSINESS ADVISORY PARTNER.

Outside of the top three contributors to negative business leader wellbeing is a closely-bunched group of factors: Feeling like you don't have enough people to rely on for support now sits on 25%, as do concerns around ESG (Environmental, Social & Governance) impacts. However, the business impacts of COVID-19 are dropping significantly. Only 24% of those who had experienced negative wellbeing said that this was a key cause - a drop of 12% from October.

## YOUR STRATEGY WILL HELP GET YOU THROUGH TOUGH TIMES

"Now is the perfect time for businesses to be considering their strategy. Have strategic objectives and actions been set that key people within the business are accountable for? Are the decisions that are being made reflective of your long-term vision? Strategic planning is essential to remaining on course when times are tough, and business leaders should be clear in their purpose for being in business and in their vision for the future."



KIMBERLEY SYMON,  
BDO BUSINESS ADVISORY PARTNER.

## ONE IN FOUR BUSINESS LEADERS CONCERNED ABOUT SUSTAINABILITY

The April Index featured ESG-specific questions for the first time – with survey findings highlighting this is a contributing factor for negative wellbeing among one in four business leaders. These questions canvassed concerns around physical risks to infrastructure from climate change, transitional risks to brands and customer bases (for example, if customers stop purchasing from a brand they perceive to be unsustainable), and the cost of compliance associated with meeting ESG regulations set by Government. It is notable that this survey was undertaken shortly after Cyclone Gabrielle and significant Auckland floods. As more adverse weather events take place, it will be interesting to observe how this factor tracks over time.

Cyclone Gabrielle has had a significant impact on businesses in several regions across Aotearoa, particularly in the agriculture sector. For relevant insights and tips see our [Wellbeing in Agribusiness report](#) and video here on our website.

## AUTHENTICITY IS CENTRAL TO SUSTAINABLE BUSINESS

“The recent weather events are yet another reminder that climate change and sustainability are real issues impacting real people. Not only are the physical risks to infrastructure and supply chains caused by climate change becoming more extreme, we are also seeing the transitional risks increasing. Both consumers and prospective employees are looking for sustainable brands, and it's not just environmental sustainability anymore. Businesses are increasingly expected to act on social and governance issues as well – whether that's increasing diversity, ensuring equal pay or promoting their people's wellbeing. The area is complex and this has led some business leaders to steer clear of sustainability. However as long as you are doing something, telling your story authentically as well as being honest about the aspects you know you need to improve, you will be able to show your customers and your people that you are engaged and meaningfully contributing to the solution.”



RICHARD CROUCHER,  
BDO SUSTAINABILITY LEAD PARTNER.

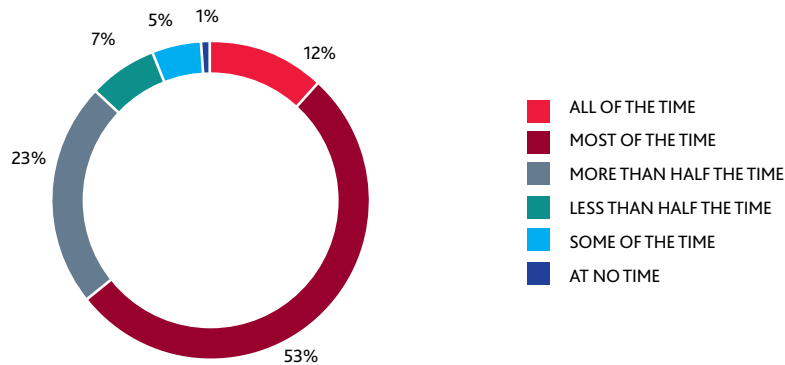


# WELLBEING OUTLOOK

## FUTURE WELLBEING SENTIMENT DECLINES

When asked about life satisfaction in six months' time, 65% of business leaders expect to feel positive all or most of the time [Figure 3]. This is compared to 72% from our October results – reflecting a sizeable drop in positivity in business leaders' future outlook.

FIGURE 3: IN SIX MONTHS, I EXPECT TO FEEL GENERALLY SATISFIED WITH LIFE:

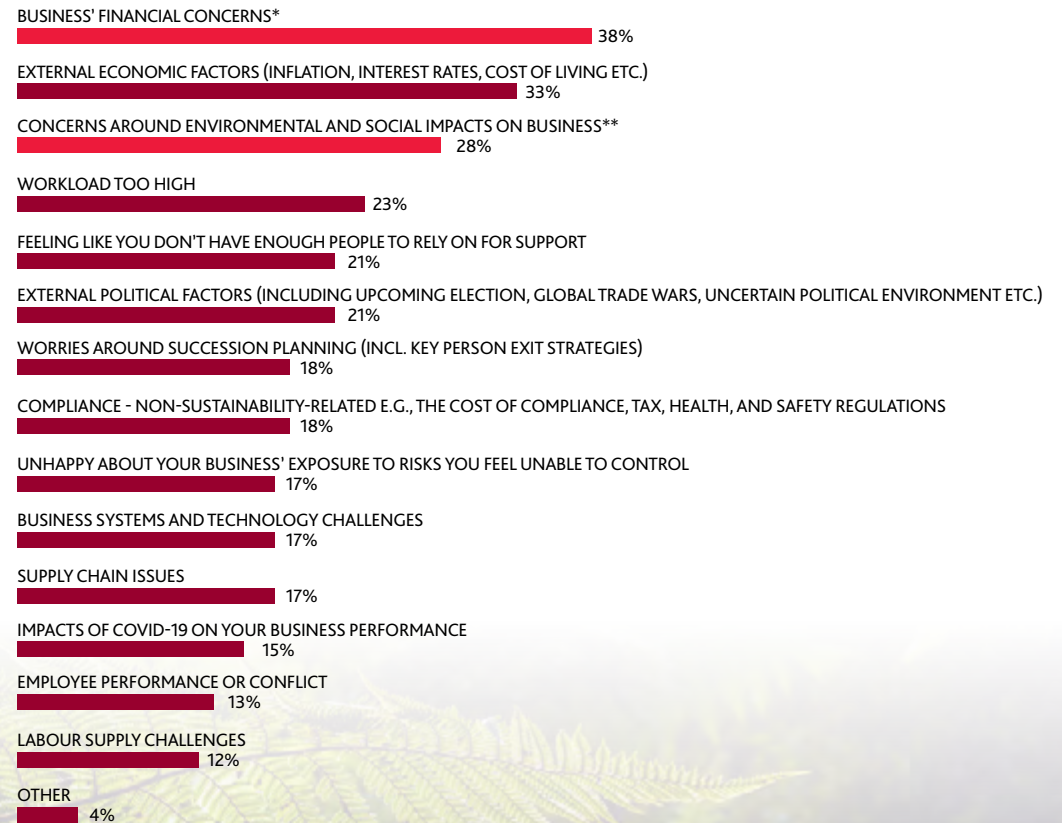


## ECONOMIC PRESSURES PEAKING?

When asked what the expected drivers of any negative wellbeing in six months' time will be, business financial pressures again came out top at 38% [Figure 4]. However, this represents a drop of 6% among business leaders currently citing it is causing them negative wellbeing. External economic factors are also expected to lessen, with 33% of those expecting to feel negative wellbeing citing this is as a key cause, down from 37% currently.

Recent economic announcements suggest that global economic pressures may be peaking currently and are expected to lessen towards the end of the year, particularly in key measures such as inflation. Our April Index results indicate that New Zealand business leaders may be buying into this outlook.

FIGURE 4: WHAT ARE THE EXPECTED DRIVERS OF NEGATIVE WELLBEING IN YOUR BUSINESS LIFE IN SIX MONTHS



\* Combined score based on respondents who selected the following two drivers:

Cash flow problems 31%. Business' financial performance challenges 18%

\*\* Combined score based on respondents who selected the following three drivers:

Concerns around physical risks to infrastructure caused by natural disasters and climate change – 10%

Concerns around transition risks (non-physical) associated with climate change – 15%

Compliance – Sustainability/ESG-related – 12%

## EXTERNAL POLITICAL FACTORS EXPECTED TO HEIGHTEN

While the April Index indicates a degree of anticipation that external economic factors are now peaking, external political factors are expected to become a stronger driver of negative wellbeing, with 21% expecting these to be a cause of stress in six months, compared to 16% currently. This trend likely indicates a degree of uncertainty among business leaders of the potential business impacts of the October 2023 general election.

Looking six months ahead, succession planning is also expected to play a growing role in contributing to negative business leader wellbeing – increasing from 11% to 18%. This suggests there may be more business leaders looking to exit towards the end of the year.

Concerns around transitional risks associated with climate change are also expected to increase, from 11% citing these are causing negative wellbeing currently to 15% in six months' time. Transitional risks include anything that is a non-physical risk, for example changing consumer habits causing decreased demand for unsustainable products, or increased reputational risk where an organisation is perceived to be making climate change worse. With Kiwis becoming increasingly climate conscious, particularly in the wake of the recent adverse weather events, and the Government increasing its regulations in this space, it will be interesting to see how this measure fluctuates over time.

### NEVER TOO SOON TO START THE SUCCESSION PLANNING JOURNEY

"It can never be too soon to start the succession planning journey. Start to look at your business through the eyes of a potential purchaser – think about what your business is going to look like without you in it? It's important to make the business look as attractive as possible to a prospective buyer – this means your business needs to be performing well and you need to be selling in favourable market conditions (which may not necessarily be now). I have a client who's considering moving on – their previous two years have been heavily impacted by Covid, so we're waiting to get a 2023 final result before we complete a prospectus for potential purchasers. Not only will regular financial reporting, forecasting and budgeting help you overcome current economic woes, it will also be key in telling a positive story to any buyer."



KIMBERLEY SYMON,  
BDO BUSINESS ADVISORY PARTNER.

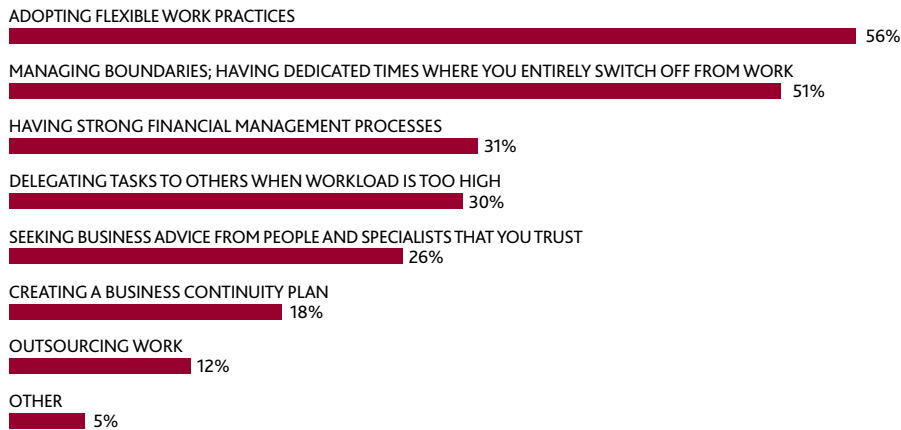


# MANAGING WELLBEING

## ROOM FOR STRONGER FINANCIAL MANAGEMENT PROCESSES TO STAY MENTALLY HEALTHY

When asked what respondents do in their business life to stay mentally healthy, flexible working again has come out top at 56%, followed by managing boundaries between work and home (51%) [Figure 5].

FIGURE 5: WHAT DO YOU DO TO STAY MENTALLY HEALTHY GENERALLY IN YOUR BUSINESS?



One-third (31%) of respondents use strong financial management processes such as creating a cash flow management plan and regularly reviewing accounts – consistent with our last measure. Given financial matters are now the leading driver of negative business leader wellbeing, there is a real opportunity for business leaders to start adopting cash flow plans and other financial management strategies in order to alleviate stress – and we hope that this figure will be higher in future surveys.

The number of people using business continuity plans has decreased by 5% from our last measure. Again, given the high degree of uncertainty the business community is currently facing, we would hope that this might be higher in the next measure - as a business plan is a key means for organisations to stay on track and stick to their goals in the face of growing external pressures.

### LOOK AT YOUR FINANCIALS AS A WHOLE

"Strong financial management means looking at your financial results and forecasts as a whole, rather than driving decision making based on one or two measures. I've seen examples where business owners have focused just on their gross profit or margin, and have been making their decisions solely based on maximising that number. However this path can lead to a less than desirable net profit outcome – not to mention cash flow. Comparing both gross and net margin, sales, expenditure, pipeline, working capital and cash flow to budgets and prior year results will build a much more accurate picture of how your business is performing, as well as indicating which levers you can pull to make your business more resilient to economic shocks."



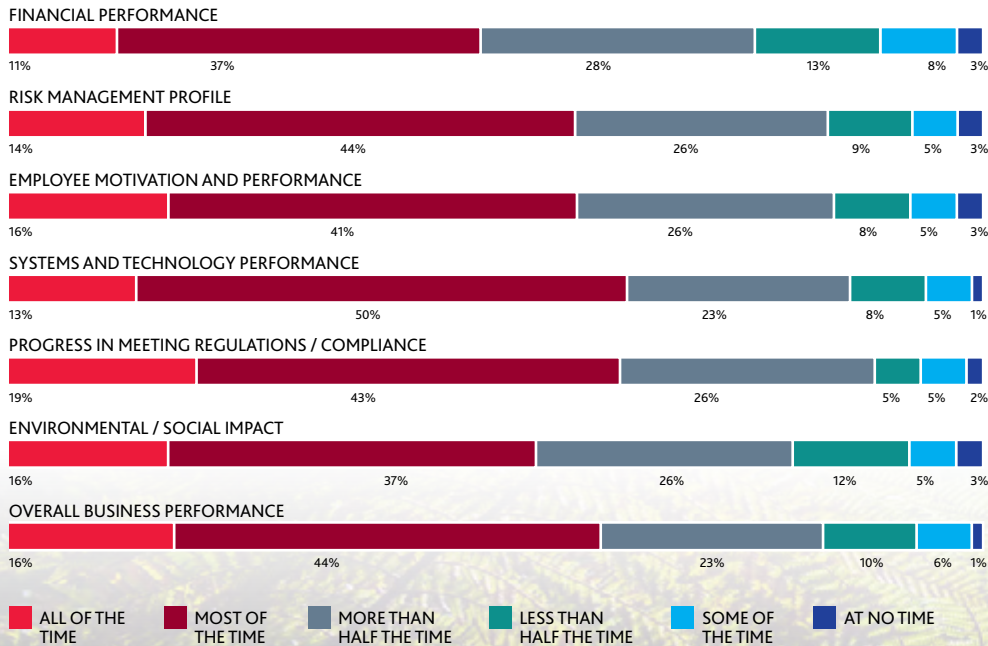
KIMBERLEY SYMON,  
BDO BUSINESS ADVISORY PARTNER.

# BUSINESS PERFORMANCE

There has been a decline in business performance sentiment, with 60% of business leaders citing that they feel positive about their business performance all or most of the time [Figure 6] – a decrease of 3% from our October 2022 results. Financial matters remain the greatest concern and this measure has declined significantly since this time last year. 48% say they feel positive about their financial performance all or most of the time, a drop of 11% since May 2022 (and a 3% decline since our October survey).

**FIGURE 6: BUSINESS PERFORMANCE SENTIMENT (LAST 2 WEEKS)**

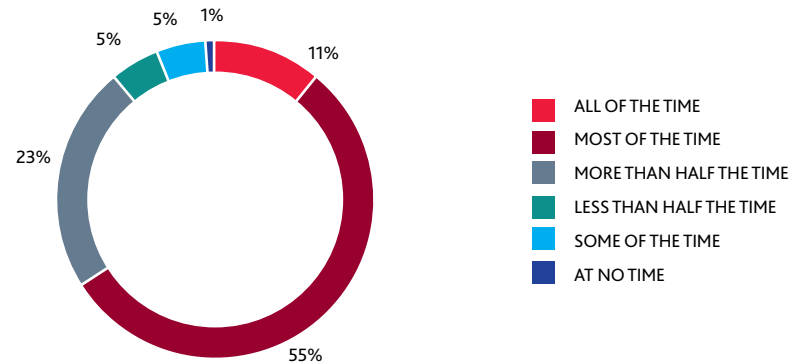
PERCENTAGE OF RESPONDENTS WHO HAVE FELT POSITIVE ABOUT THEIR:



## BUSINESS PERFORMANCE EXPECTATIONS STABLE

When asked about their business performance in six months' time, 66% expect to feel positive all or most of the time [Figure 7]. While this result is consistent with our October survey, the number of business leaders expecting to feel positive all of the time has dropped 7%. This reflects a trend that we have observed throughout our April Index results, with a steady decline in those feeling positive all of the time across almost all factors contributing to business leader wellbeing.

**FIGURE 7: IN SIX MONTHS, I EXPECT TO FEEL POSITIVE ABOUT BUSINESS PERFORMANCE:**





## SPECIAL FEATURE: BDO BUSINESS RESILIENCE GUIDE

### RECESSION READINESS

What would you do if you had a three to 12-month head start to prepare your business for a recession or economic downturn? Is your industry or, more importantly, your business resilient to economic shocks? What can you do to soften the fall or, better yet, go on the offensive to create value-added opportunities? Are you aware of the impact of a downturn on your key customers or suppliers?

- Cash needs to be a key focus both for resilient businesses looking to capitalise and weaker businesses looking to survive.
- For organisations in good financial standing, market turbulence creates opportunity — if they have the foresight and agility to seize it.
- A downturn may require more defensive measures for organisations with tighter finances or high demand elasticity.
- Building strategic resilience (or the capacity to withstand business shocks and pivot to new opportunities) early into an economic downcycle separates the businesses that thrive from those that struggle.

#### KEY WARNING SIGNS OF FINANCIAL DISTRESS



Default on bank  
loan covenants



Short on cash



Declining sales  
and shrinking  
margins



Excess inventory,  
(days inventory  
outstanding) DIO  
fluctuations



Ageing creditors



Excessive  
employee or  
management  
turnover

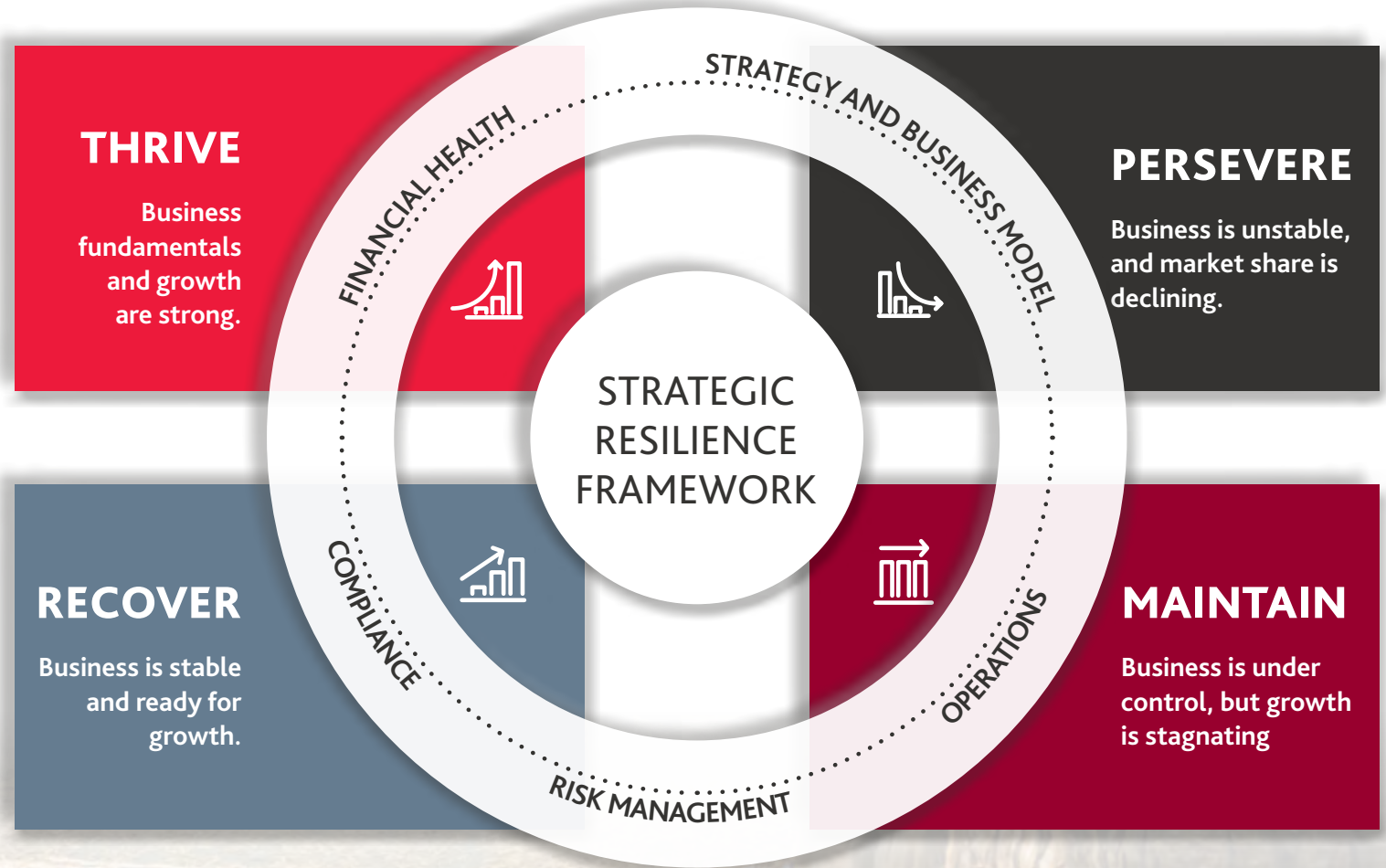


Change in auditors  
or revolving  
financial advisers

## BDO'S STRATEGIC RESILIENCE FRAMEWORK

### WHERE IS YOUR BUSINESS, AND WHAT NEEDS TO BE YOUR STRATEGIC FOCUS?

Not every company is in the same place when it comes to the current economic environment. Because of this, the operational or strategic focus point for every business will not be the same. Business leaders should remember to seek opportunity in times of economic volatility.





# GAUGE YOUR BUSINESS' RESILIENCE






WHERE IS YOUR BUSINESS ON THIS SPECTRUM?



## LIQUIDITY AND CASH FLOW DURING A DOWNTURN

In a recessionary environment or economic downturn, cash and liquidity management needs to be the paramount concern of business leaders. It's important for businesses to have the necessary liquidity and cash management tools to adapt to the challenges of the current economic environment.

### QUESTIONS FOR BUSINESS LEADERS AND STAKEHOLDERS

-  Can you identify your top challenge related to cash management (covering operating expenses, financing investments etc.)?
-  Is your business showing signs of distress? If so, what are they?
-  Do your current processes and tools allow you to manage liquidity and forecast cash levels effectively?
-  Are you implementing strategies to allocate capital effectively and improve cash generation and conservation?
-  Have you investigated strategies to identify and execute cash flow opportunities and maintain the levels of liquidity needed to navigate uncertainty?
-  Did you develop and maintain an accurate and granular view of the timing of money moving in and out of the business to understand liquidity constraints and funding availability, as well as surpluses available for investment or distribution?
-  What is the status of your relationship with creditors and other stakeholders?
-  Do you have a working relationship that garners trust and transparency?
-  Have you identified all sources of existing capital and new sources of capital to understand liquidity constraints or surpluses available for investment or distribution?

Contact your local BDO adviser to discuss your business resilience.



## FINAL THOUGHTS AND FURTHER SUPPORT

We hope you have found this report of value – stimulating ideas and conversations to foster your wellbeing and business performance, which often go hand in hand. Business leaders play such a vital role in our economy, community and planet. We hope to continue to grow the Wellbeing & Business Performance Index as a reference point and resource, providing extra support as you navigate the rewarding and challenging task of running a business.



Scan the QR Code or visit [bdo.nz/wellbeing](https://bdo.nz/wellbeing) for the latest video insights, sector reports and more on the BDO Wellbeing & Business Performance Index – including previous results of our biannual survey.

It's important to lean on your trusted team for the support you need in managing your wellbeing and business - whānau, friends, colleagues and professional advisers, including your accountant. Your local BDO team are always on hand with professional business advice and accounting solutions to help you stay on top of your business finances.

### VIEW OUR VIDEO INSIGHTS



### WELLBEING SUPPORT

For wellbeing support, please don't hesitate to reach out to your trusted contacts or one of the sources below.



#### XERO ASSISTANCE PROGRAMME (XAP)

BDO is proud to be the first Xero Global Partner. Xero provide Xero small businesses, their employees, and their families access to the Xero Assistance Programme (XAP). XAP offers free, confidential access to face-to-face, telephone, live chat, and online counselling. [Find out more here.](#)



#### 1737

1737 is a free Government-run advice line for anyone who is feeling stressed or just needs someone to talk to. You can ring them for free or text on 1737. [Find out more here](#)



#### FIRST STEPS

Find targeted resources for New Zealand business owners, leaders, and entrepreneurs, at [First Steps here.](#)



#### MENTAL HEALTH FOUNDATION OF NEW ZEALAND

For further support, for yourself or others, visit the [Mental Health Foundation of New Zealand website.](#)



