
2018 Hills Shire Business Performance Sentiment Index

Delivering the pulse of local
Hills Shire businesses

MAY 2018



THE HILLS
Sydney's Garden Shire

mccrindle

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Introduction

Mark McCrindle

We are delighted to again release the Hills Business Performance Sentiment Index, which gives an ongoing measure of the local economic conditions and business confidence. Our thanks go to The Hills Shire Council and the Sydney Hills Business Chamber for their vision in commissioning this instrument and their generosity in making it freely available to the community.

This year's results highlight the success businesses are making of the challenging economic conditions. Once again, the strong sentiment of optimism marks local business leaders and is no doubt a key reason for the business resilience the study has found.



Once again, this area is well rated by local organisations as a great business location. The Greater Sydney Commission has highlighted that the future of Sydney will not be centred around the Harbour and the CBD but rather it will be a city of three cities and the geographical middle of these “30-minute cities” is the Central City. Not only is the Hills district strategically located in the heart of this Central City, but it is one of the few areas in Sydney outside the CBD which is already achieving the goal of “a city with smart jobs”.

The Hills district has more than 80,000 local jobs and a population a bit over 160,000 people. Therefore, it has one local job for every two residents. Based on the current growth, by 2038 the Hills district will have increased its population by almost 100,000 people. To keep this impressive local jobs ratio, by then it will have to add almost 50,000 new local jobs and many of these will come from the growth and commencement of local small businesses. Based on the current rise in the number of businesses in the Hills Shire, growing at more than 4% per year, there will be twice as many businesses locally in 20 years than the 20,000 operating here today.

Twenty years ago, the first stage of Norwest Business Park was just getting underway and Norwest Boulevard did not connect through to Old Windsor Road. In twenty years' time, Western Sydney airport will have been up and running for a decade, Norwest Business Park with the Metro and high-rises will feel a lot like a CBD and the local population will exceed a quarter of a million people. If the current infrastructure investment and local economy keeps pace, the Hills will achieve all the not only be a liveable, diverse, and collaborative community, but an economically thriving one as well.

Mark McCrindle

Director

McCrindle Research

Nigel Rayner

This is the fourth consecutive PSI Survey conducted in the Hills region through the ongoing partnership between the Sydney Hills Business Chamber, McCrindle and The Hills Shire Council.

Participants of the PSI Survey represent a broad range of business types, sizes and industry sectors of businesses located across the Hills region.

The results of the 2018 Hills Business PSI Survey reflect a number of interesting matters facing businesses within the Hills Region.

The overall 2018 PSI score for the Hills region was -3. This continued the downward trend from the previous 2017 PSI (Score of 0) and 2016 PSI (Score of 11).



Business Conditions within the Hills, namely local infrastructure and regulations required by Government, continued to be the main issues for businesses in the Hills region. Regulatory settings received the lowest score (Score of -38) in the PSI survey.

The current and future outlook in regard to infrastructure received a low score (Score of -33), however had significantly improved from the previous 2017 PSI (Score of -44).

Business Performance (Score of -10) and Expenses (Score of -34) showed significant decline from the previous year (Score of -1 and Score of -18 respectively), indicating that business earnings had decreased due to the effects of both business expenses, particularly the increasing costs associated with employing staff.

The good news is that Sentiment (Score of 21), primarily economic outlook and growth forecasts, within the Hills business community continues to remain strong and is similar to that of 2017 (Score of 22).

With the Sydney Metro Rail project opening in 2019 and continued building and infrastructure development within and around the Hills region, it will be interesting to see the impact that these will have on businesses and the results of the next PSI survey in the Hills.

Nigel Rayner

Chairman – Sydney Hills Business Chamber
www.sydneyhillsbusiness.com.au

Michelle Byrne

This year's business sentiment report defines how people think and feel about business in the Hills and gives us key themes to consider when we plan for the future.

We are experiencing unprecedented growth and change in The Hills Shire and while we understand that this growth will bring opportunities beyond our expectations, Council needs to balance growth with the needs of our residents and businesses and we are working hard to achieve that balance.

It's pleasing to note that 46 per cent of the companies who have completed the survey have met with Council's Economic Development Team and are reporting positive performance outcomes.



We value our relationship with our local business community and are proud of the things they achieve. Council is doing all we can to help business owners by providing information, workshops, data and skill-building opportunities to assist them make informed decisions and grow in the future.

The arrival of the Sydney Metro North-West is closer than ever before and planning now to make the most of the opportunities growth will bring is a smart move. I am committed to ongoing consultation with the community and the PSI survey is an excellent way for me to keep informed about issues affecting the business community.

Enjoy reading this report – I hope you find it as informative as I did.

Dr Michelle Byrne

Mayor of The Hills Shire

THE HILLS

BLUE MOUNTAINS

WESTERN
SYDNEY
AIRPORT

PENRITH

PARRAMATTA

BOX HILL

WISEMANS
FERRY

GLENORIE

CASTLE HILL

CBD







10 YEARS
OF CHANGE

2006

2011

2016

POPULATION

 Total population	132,656 	141,995 	157,243 
 Male/Female	♂ 65,519 ♀ 67,139	♂ 70,127 ♀ 71,863	♂ 77,451 ♀ 79,791
 Median Age	← 35 →	← 37 →	← 38 →

MEDIAN WEEKLY INCOME

 Personal Income	\$639	\$737	\$827
 Household Income	\$1,794	\$2,120	\$2,359



FAMILY HOUSEHOLD COMPOSITION

 Couple with children	22,166	23,509	26,052
 One parent	3,385	3,845	4,048
 Couple without children	10,050	10,734	11,195
 Other family	334	354	380
 Average people per household	3.1	3.1	3.2

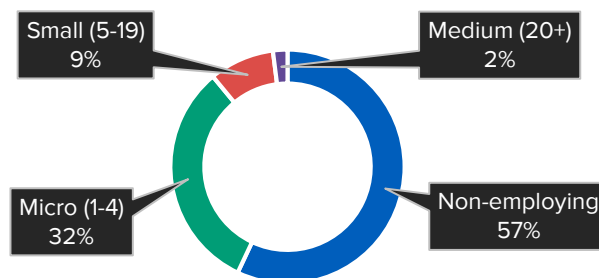
HOME OWNERSHIP

 Private dwellings	42,226	45,111	49,056
 Ownership Outright / Mortgage / Rent	🔑 14,371 🏠 19,886 💰 6,207	🔑 15,531 🏠 21,330 💰 6,593	🔑 16,590 🏠 21,910 💰 8,276
 Median monthly mortgage repayment	\$2,100	\$2,600	\$2,500
 Median weekly house rent	\$320	\$455	\$560

EMPLOYMENT

 Full-time	46,599	48,234	52,334
 Part-time	20,339	21,894	24,664

The Hills business snapshot



The Hills Shire is home to 167,296 people¹. This represents 2% of New South Wales' population (7,861,068)² and 0.7% of the total population of Australia (24,945,391)³.

The business community in The Hills Shire is comprised primarily of sole traders and micro-sized businesses. The majority of these are businesses which have less than 20 employees (98%). The largest proportion of businesses in The Hills are sole traders, who make up more than half (57%) of all businesses. This is followed by micro sized businesses who employ one to four people (32%)

The Hills Shire	The Hills Shire #	The Hills Shire %
Sole traders	11,513	57%
Micro (1-4)	6,487	32%
Small (5-19)	1,792	9%
Medium+	415	2%
Total	20,144	100%

The top industries of employment in The Hills Shire include Construction (17%), Professional, Scientific and Technical Services (16%) and Rental, Hiring and Real Estate services (13%).⁴ In The Hills Shire, each of these industries comprise a higher proportion of businesses compared to New South Wales.

The Hills Shire	The Hills Shire %	NSW %
Construction	17%	16%
Professional, Scientific and Technical Services	16%	13%
Rental, Hiring and Real Estate Services	13%	11%
Financial and Insurance Services	12%	9%
Health Care and Social Assistance	8%	6%

¹ ABS, 3218.0 Regional Population Growth, Estimated Resident Population by LGA, 2018.

² Ibid.

³ ABS, Population clock, 2017, May 2018:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Web+Pages/Population+Clock?opendocument&ref=HPKI>

⁴ ABS, 8165.0 Counts of Australian Businesses, including Entries and Exits, 2015-17.

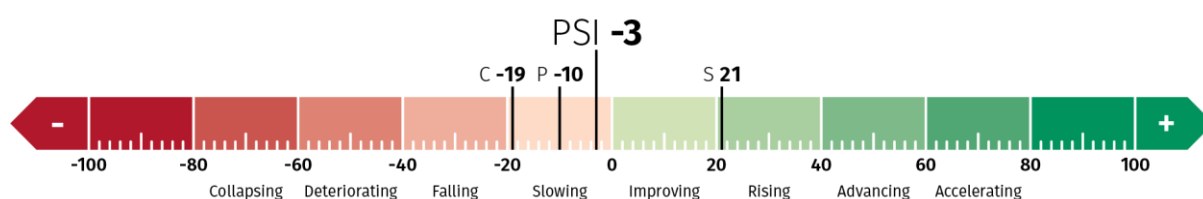
The Business Performance Sentiment Index (PSI)

Design

The **Business Performance Sentiment Index** (Business PSI), developed by McCrindle, is an ongoing measure of business performance, conditions, and sentiment.

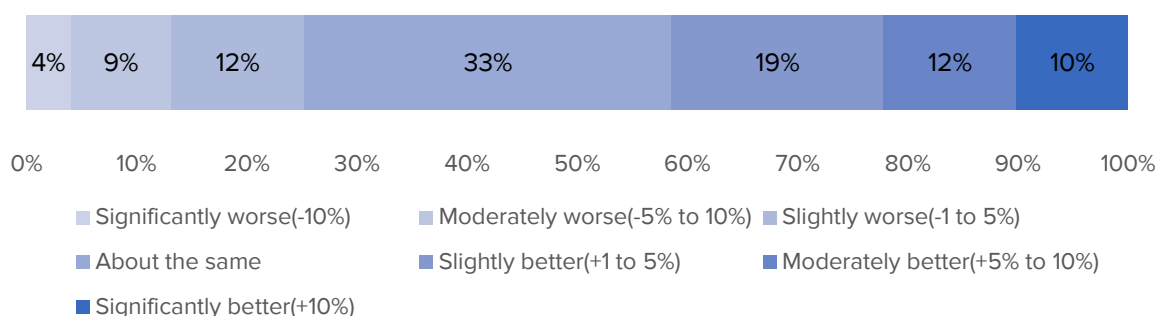
The Business PSI provides a snapshot of business health across the region. This latest edition of the Business PSI features the 2018 results for The Hills Shire with a comparison to the results from 2017, 2016 and 2015.

The Business PSI covers three key business measures, namely, business performance, sentiment and conditions. The PSI then uniquely charts these measures on a scale ranging from *accelerating* on the extreme positive to *collapsing* on the extreme negative. Each of the three key measures (conditions, performance, and sentiment) are comprised of three sub-measures made up of several questions.



The PSI is calculated using a metric of 21 targeted questions. Each question involves a 7-point Likert scale. An example of a question is provided below:

Thinking about your overall sales revenue at the moment,
how does this compare to 6 months ago?



The results of the questions indicate whether business conditions, performance, and sentiment are in the positive zone (*improving, rising, advancing, accelerating*) or the negative zone (*slowing, falling, deteriorating, collapsing*).

The average of the three main measures (conditions, performance and sentiment) gives an overall Business PSI score.

Purpose and use

The Business PSI is a robust measure of current performance deriving measures from actual earnings, expenses, staffing numbers etc. (performance and direction). The PSI also includes expectations of the future (sentiment and outlook).

The Business PSI is designed to be deployed in local and regional geographies. Doing so provides insights into economic conditions, regulatory settings and the impact of infrastructure in a local context. Contextual data allows for a nuanced understanding of business performance and conditions. The PSI measures local economies and allows for the comparison of business performance by region, across a city, within a state, and across states.

Furthermore, the Business PSI is a longitudinal instrument allowing the comparison of regional business performance over time. Time specific data allows for analysis of local policies, investments and infrastructure developments. It also allows for analysis of the ways state and national issues, such as economic conditions, affect local geographies.

Deployment

The Business PSI is a tested and easy-to-deploy 21 question survey. It allows business chambers and local governments to survey their business stakeholders at any point in time and compare the results to other areas or previous deployments.

It also allows industry groups and peak bodies to measure members by deriving a PSI for specific industries (such as hairdressers, real estate agents, etc.) or broader business categories (e.g. retailers, B2B service providers, etc.). The Business PSI results can be compared longitudinally, region-by-region, city-by-city or state-by-state.

The resulting PSI includes quantitative measures of business performance while incorporating attitudes, sentiment, and forecasts. This unique result delivers a comprehensive measure of actual and attitudinal performance; incorporating recent performance and current forecasts.

2018 Hills Shire Business PSI

Participants

The 2018 Hills Shire Business PSI displays the collective results from business owners and managers. The results comprise 304 started surveys and 228 completed surveys. Responses were collected from 6 March to 4 May, 2018. Individual responses are representative of various business sizes, locations, and industries across The Hills Shire.

Business owners and managers

The majority of respondents are both owners and managers (84%). Just over one in eight (14%) respondents are managers but not owners and the remaining 2% are owners but not managers. Two in five (40%) have owned a business prior to the business they now own or manage. Almost half of business owners (46%) are long term owners, having owned their business for 10 years or more.

Business locations

An even split of business owners or managers operate from their home (51%) and commercial locations (49%). Owners and managers are most likely to indicate they work from Norwest Business Park (46%), followed by Victoria Avenue (18%) and Castle Hill Town Centre (7%).

Business services

Owners and managers are most likely to be part of service-based businesses. More than three in four (78%) are from businesses who provide services to consumers, businesses and on behalf of the government. The remaining 12% are from businesses who sell products to consumers or businesses.

Business size

Smaller businesses are more prevalent in The Hills Shire. Almost one in four (23%) businesses represented in the survey are non-employing, one in three (33%) are micro businesses (employing 1-4 employees), 29% are small businesses (5-19 employees), and 15% are medium to large businesses (20+ employees).

Respondent demographics

Just over half of owners and managers are male (55%) whilst 45% are female. The majority (84%) belong to either Generation X (39-53) or the Baby Boomer generations (54-72). Owners and managers are highly educated with over half (52%) having completed a Bachelor degree or higher qualification. A further 33% have either a Certificate III / IV or Diploma / Advanced Diploma degree.

Please refer to the appendix for a comprehensive visual overview of participants and their business demographics.

Indicator overview

The following tables outline the individual measures that form the conditions, performance, and sentiment components of the Business PSI.

Conditions

Conditions measure	Comprised of indicators	Question Example
Economic conditions	Local economic performance	How would you say the local economy is performing now compared to 6 months ago?
	Australia's economic performance	How would you say the Australian economy is performing now compared to 6 months ago?
Regulatory settings	Red tape and regulation requirements	How do the time and cost requirements related to compliance, legislation and regulations in your sector compare to 6 months ago?^
	Supportive government policy settings	How do government policy settings that support small businesses and assist your sector compare to 6 months ago?
Infrastructure & locale	Local infrastructure provision	How does the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare to 6 months ago?
	Business expansion or reduction	Has there been any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the last 6 months?
	Infrastructure and locale outlook	How will the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare in 6 months' time?

Performance

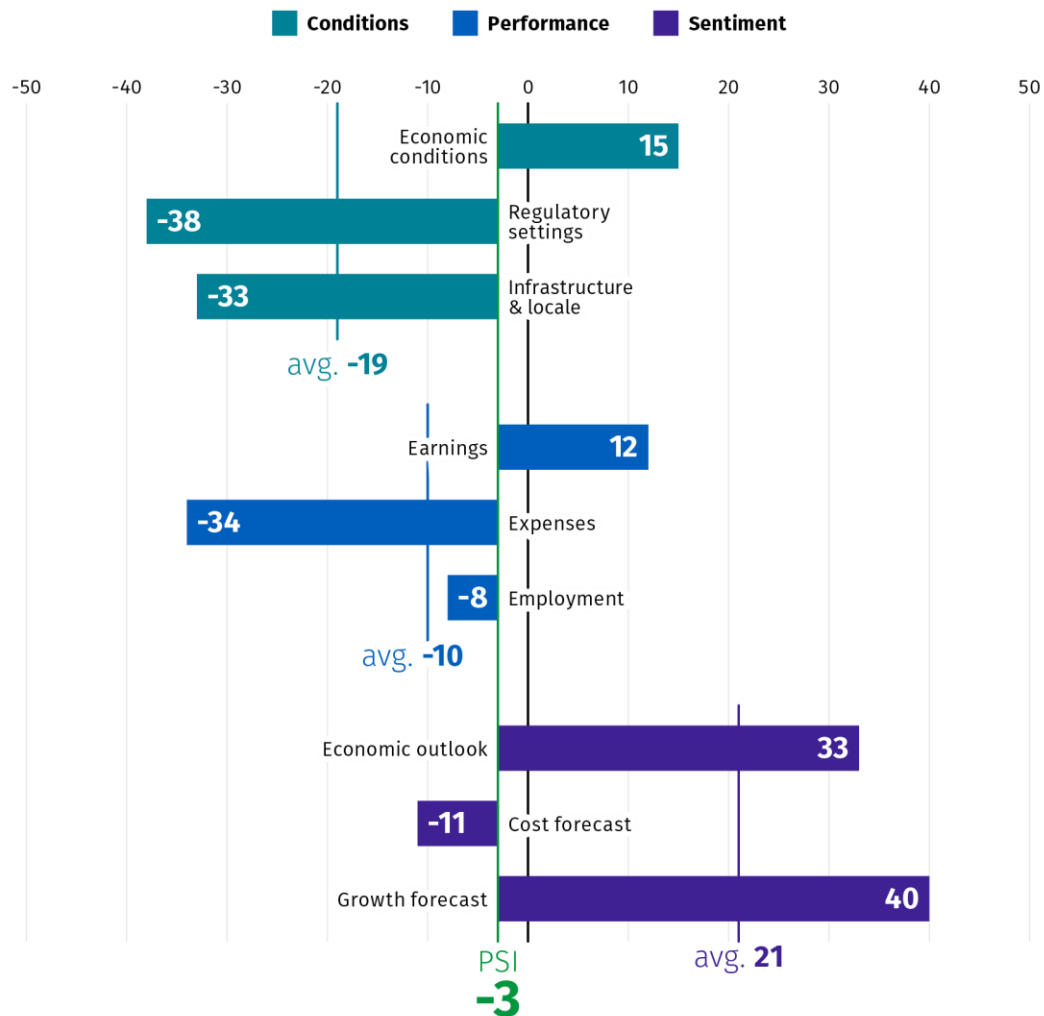
Performance measure	Comprised of indicators	Question Example
Earnings	Sales and revenue	How does your overall sales revenue compare to 6 months ago?
	Pre-tax profit	How does your operating and pre-tax profit compare to 6 months ago?
	Business cash flow	How does your business cash flow compare to 6 months ago?
Expenses	Business costs	How do your business costs compare to 6 months ago?
	Capital investments & expenses	How do your capital investments compare to 6 months ago?
Employment	Staffing levels	How do your staffing levels (both numbers and hours) compare to 6 months ago?
	Staff wages and on-costs	How do your staff wages and on-costs compare to 6 months ago?^

Sentiment

Sentiment measure	Comprised of indicators	Question Example
Economic outlook	National economic outlook	How do you think the Australian economy will be performing in 6 months' time compared to today?
	Internal revenue outlook	How do you think your overall revenue will compare in 6 months' time to today?
Cost forecast	Expense forecast	How do you think your business expenses (input, staffing, materials, sales) will compare in 6 months' time to today?^
	Staffing level forecast	How do you think your staffing levels (both numbers and hours) will compare in 6 months' time to today?
Growth forecast	Profit forecast	How do you think your operating pre-tax profit will be in 6 months' time compared to today?
	Cash flow forecast	How do you think your business cash flow will be in 6 months' time compared to today?
	Expansion forecast	Do you foresee any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the next 6 months?

^The results of these questions are inverted within the PSI. For example, an increase in the time and cost requirements related to compliance, legislation and regulations would impede business growth rather than advance performance.

2018 Hills Shire Business PSI results



The 2018 Hills Shire Business PSI score is **-3**.

Conditions

Conditions is the lowest scoring measure, ranking at **-19**. This score is primarily limited by a negative score regarding regulatory settings (-38) and infrastructure and locale (-33). Owners and managers however, feel that economic conditions are positive leading to an overall increase in conditions score since 2017. This increase can be seen in the scale “2017 to 2018”.

Performance

Performance scores **-10**. Whilst earnings returns a positive score, expenses and employment ultimately weighed down the result. Business owners and managers are primary issues are expenses, which is the lowest scoring sub-measure.

Sentiment

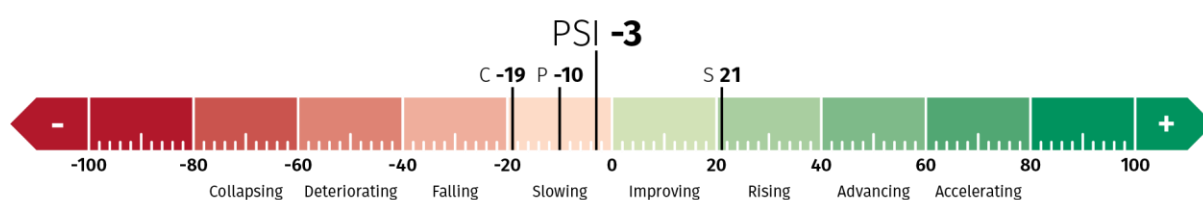
Sentiment yields the highest scoring average out of the measures indicated its positive result. At a score of **21** reflected in a strong economic outlook and growth forecast, business owners and managers continue to face the future with optimism; the only negative sentiment score resulting from cost forecasts could not severely dampen its overall result.

Longitudinal comparison

2018 results

Despite poorer performance, conditions are better and sentiment is hopeful

The conditions indicator is the only indicator that increased since 2017. The remaining two indicators, performance and sentiment both decreased. Despite rising from -21 in 2017 to -19 in 2018, conditions remain as the lowest scoring indicator of The Hills Shire. Whilst sentiment decreased slightly by one point, it remains the highest scoring measure.



Change from previous years

The scales on the following page compare the most recent shifts from 2017 to 2018 as well as previous shifts since 2015 when the PSI was first deployed.

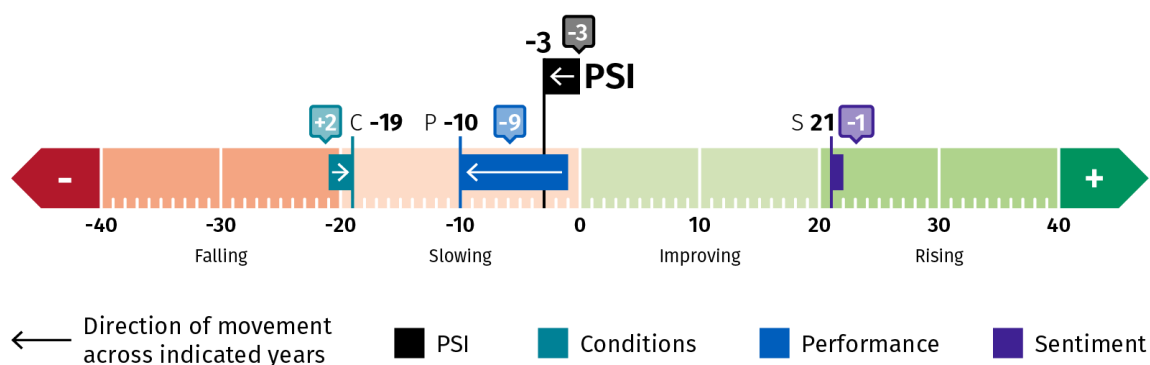
Whilst conditions decreased significantly from -2 in 2016 to -21 in 2017, the results show a small increase of two points since showing that business conditions have improved slightly in 2018 (-19).

Performance is at an all time low score of -10. It has steadily decreased since 2016, falling by a total of 16 points over the two years.

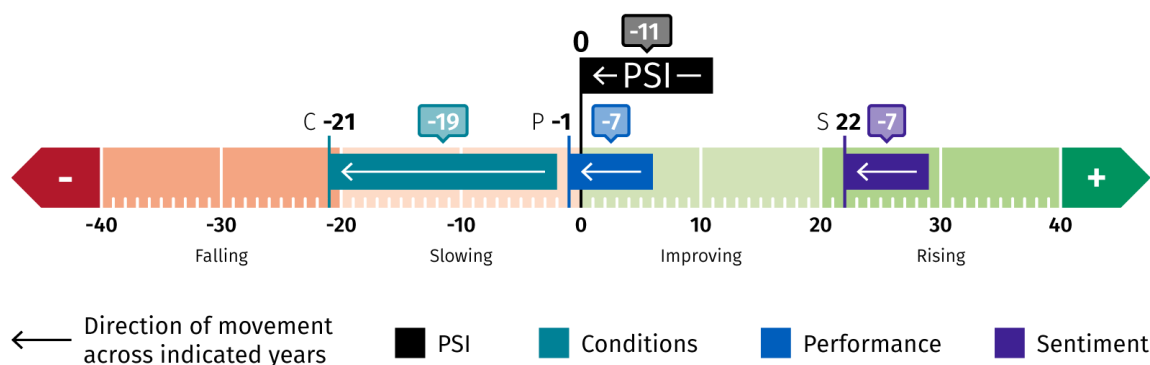
Decelerating performance and poorer conditions continue to be upheld by an unswervingly positive sentiment. Although the highest score was recorded in 2016 (29), the 2018 sentiment (21) is still higher than the first deployment of the PSI in 2015 (6). The positivity of the current period continues to persevere in the outlook of business owners and managers.

Overall, the changes have resulted in a PSI score of -3. This score is slightly lower than 2017 (0) and has reached a negative score for the first time since the first PSI deployment.

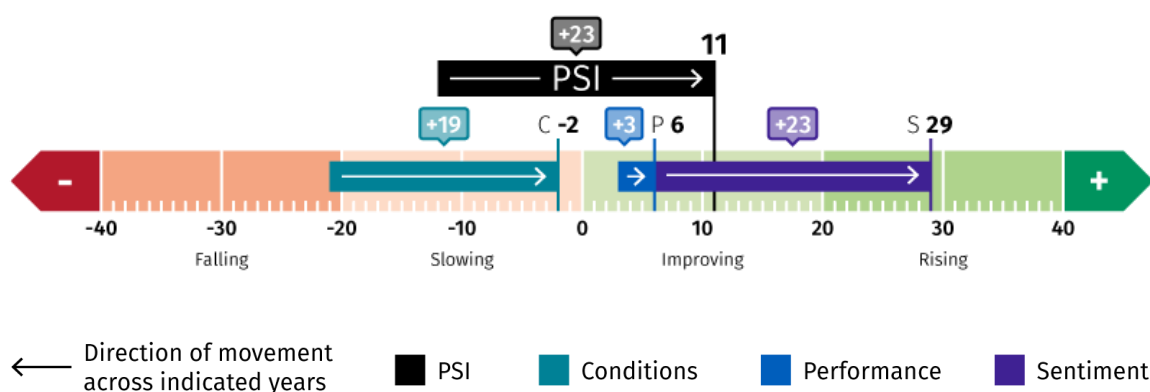
2017 to 2018



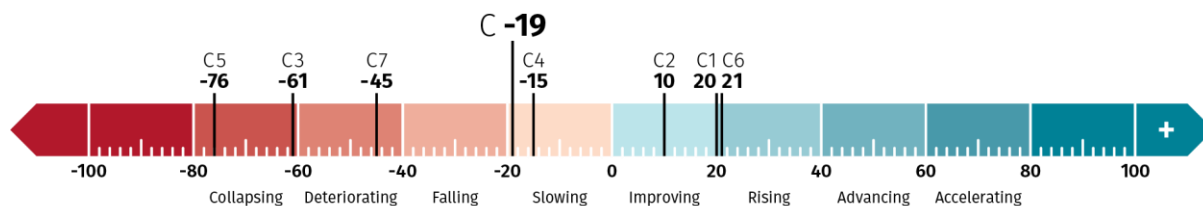
2016 to 2017



2015 to 2016



Conditions



Conditions measure	Key	Indicators	Score (2015)	Score (2016)	Score (2017)	Score (2018)	Change (2017-18)
Economic conditions	C1	Local economic performance	6	47	39	20	↓
	C2	Australia's economic performance	-42	21	-3	10	↑
Regulatory settings	C3	Red tape and regulation requirements	-64	-45	-53	-61	↓
	C4	Supportive government policy settings	3	1	-18	-15	↑
Infrastructure & locale	C5	Local infrastructure provision	-32	-49	-94	-76	↑
	C6	Business expansion or reduction	18	32	33	21	↓
	C7	Infrastructure and locale outlook	-27	-35	-72	-45	↑
Total Conditions Score			-21	-2	-21	-19	↑

Improving conditions

Business owners and managers in The Hills Shire indicate that operating conditions have improved slightly since 2017. The results of the 2018 PSI show a slight increase in conditions from -21 to -19.

Four indicators have increased in 2018 compared to only one increase in 2017. Local economic performance, red tape regulation and requirements and business expansion/reduction are measures which have declined from 2017 to 2018.

Rebuilding infrastructure

Local infrastructure provision has declined in each deployment of the Hills PSI until now, where it has risen by 27 points to a score of -76. The largest decline is seen in local economic performance which decreased by 19 points to a score of 20.

Conditions by business size

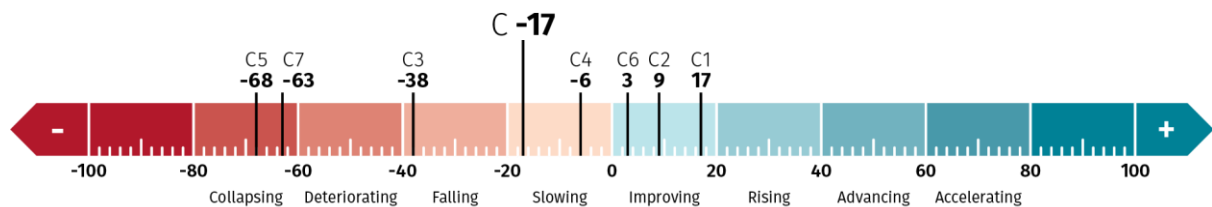
Medium sized businesses feel that conditions are improving

Medium-sized businesses return the most positive conditions score of 9 points. This marks an increase from a score of 0 in 2017 and the only business size to not return a negative result. A strong local and national economic performance condition contributes most to this with scores of 53 and 33 respectively.

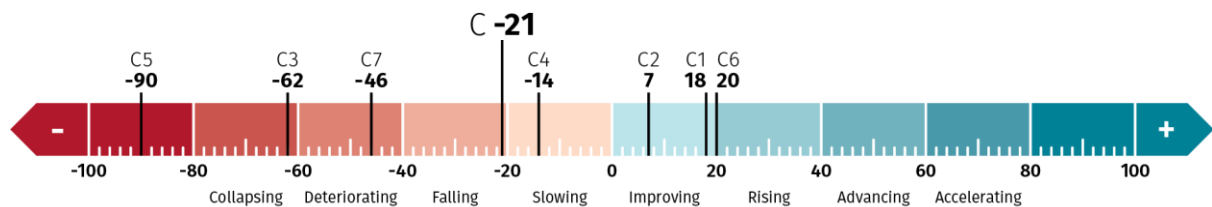
Micro and small businesses perceive business conditions to be the least positive (-21 and -20 respectively). Both business sizes are limited by local infrastructure provision and red tape regulation requirements.

All business sizes are consistent in their view that the local economy (C1) is providing better operating conditions than the national economy (C2).

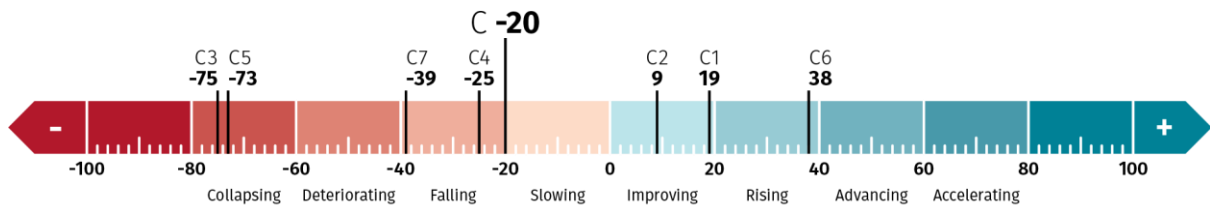
Non-employed businesses



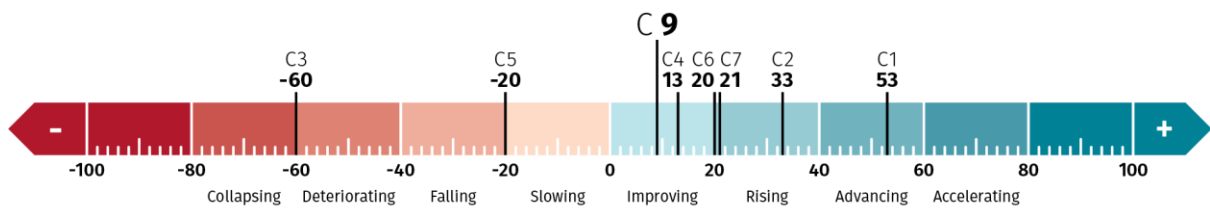
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)



Conditions in B2B versus B2C business

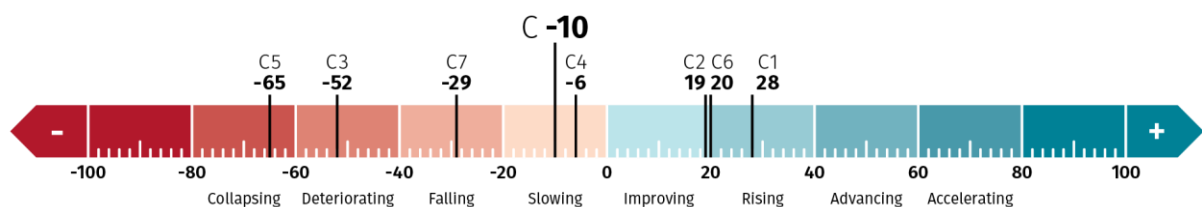
The condition scores for business to business (B2B) entities have risen whilst business to consumer (B2C) condition scores have declined since 2017. B2B rose by 10 points from -20 to -10 whilst B2C fell 7 points from -21 to -28.

The primary factor for B2C entities' declining conditions score is the local infrastructure provision, scoring -88. B2B entities shared this sentiment to a lesser extent, scoring -65.

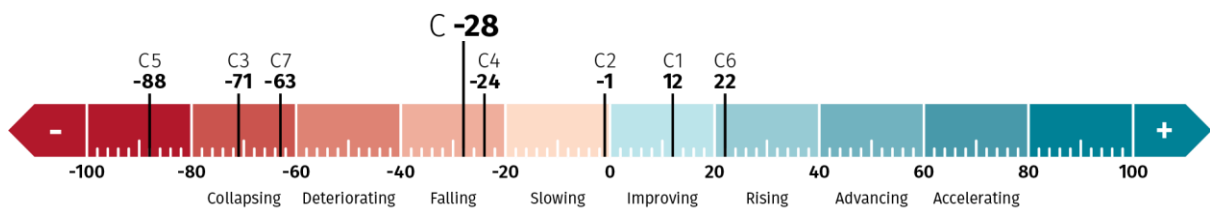
The top three condition indicators for both B2B and B2C entities are business expansion or reduction (B2B 20; B2C 22), local economic performance (B2B 28; B2C 12) and Australia's economic performance (B2B 19; B2C -1).

Overall, B2B entities have a more positive outlook towards current business conditions with their conditions score increasing 10 points since 2017.

B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Business Tenure Insights

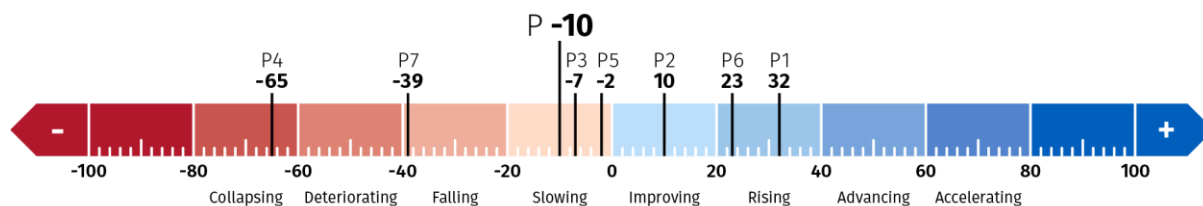
Regulation requirements increasing for mid-term business owners and managers

Mid-term business owners and managers (5-10 years) are the most likely to report a restrictive operating environment with half (50%) indicating an increase in compliance and regulation requirements.

Although slightly less than three in ten new business owners report an increasingly restrictive operating environment (29%), they are most likely to indicate that regulation stayed the same (63%).

Following a similar trend, at least two in five long-term owners and managers report an increase in regulation and compliance (43%), whilst more than half (52%) say regulation requirements stayed the same.

Performance



Performance measure	Key	Indicators	Score (2015)	Score (2016)	Score (2017)	Score (2018)	Change (2017-18)
Earnings	P1	Sales and revenue	52	55	35	32	↓
	P2	Pre-tax profit	31	43	21	10	↓
	P3	Business cash flow	24	35	9	-7	↓
Expenses	P4	Business costs	-26	-44	-57	-65	↓
	P5	Capital investments & expenses	-3	18	21	-2	↓
Employment	P6	Staffing levels	18	31	28	23	↓
	P7	Staff wages and on-costs	-45	-58	-41	-39	↑
Total Performance score			3	6	-1	-10	↓

Slowing performance

Business performance is on a downward trend since 2016, with the total performance score falling a further 9 points in 2018 to -10.

Lower profits and rising costs

All measures excluding staff wages and on-costs have contributed to the steady decline in the total performance score since 2016. The largest decrease seen in scores is from capital investments and expenses which dropped by 23 points.

Positive revenue, profits and investment

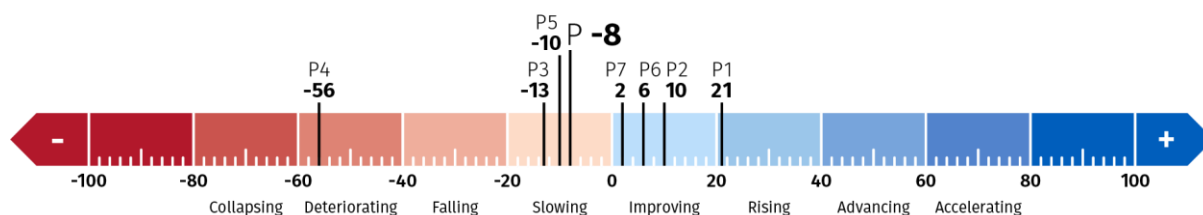
Congruent with the overall PSI decrease in 2018, four of the seven performance measures are negative. The three measures receiving positive scores are sales and revenue, pre-tax profit, and staffing levels, although all three are on a downward trend.

Performance by business size

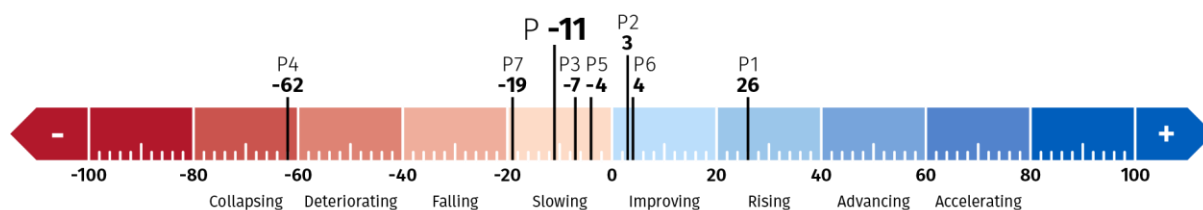
Performance slowing for all business sizes excluding medium sized businesses

All businesses reported a decrease in performance score from 2017 to 2018. Medium businesses, however, continue to retain a positive score (4). Small businesses returned the lowest score of -13. Business costs (P4) are consistently in the deteriorating category whilst staff wages and on-costs (P7) are issues particularly affecting medium+ sized businesses.

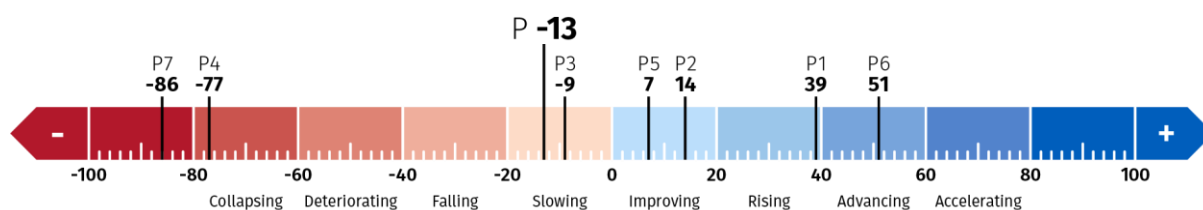
Non-employed businesses



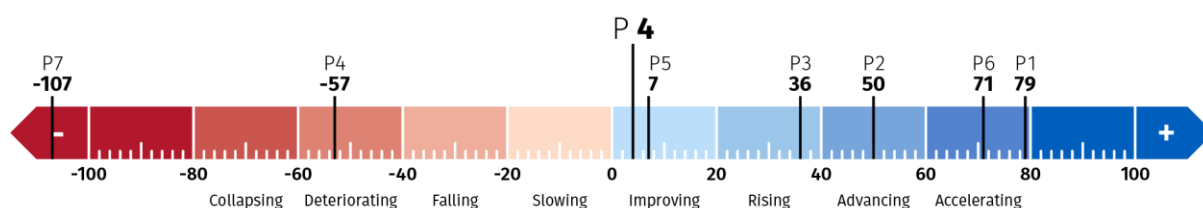
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)

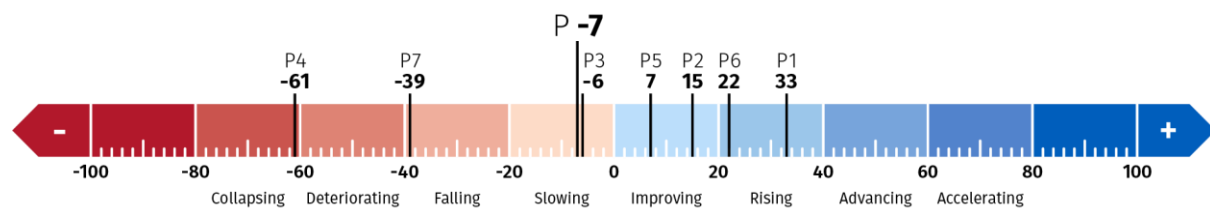


Performance in B2B versus B2C businesses

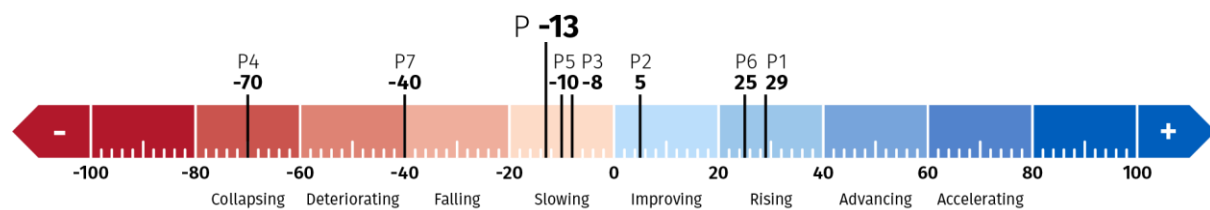
Performance slowing for B2B businesses

Both B2B and B2C businesses are experiencing slowing performance when compared to 2017's results. The results have shown a marked decrease in performance, where B2B entities score -7. This is due to significant declines primarily in business costs (P4), staff wages / on-costs (P7) and business cash flow (P3). B2C companies have decreased further to a score of -13 and is primarily attributed to the negative results indicated by business costs (P4) and staff wages / on-costs (P7).

B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Business Tenure Insights

New owners and managers likely to report manageable costs

In the last six months, business owners and managers who have operated for at least one year are likely to indicate increasing costs in the past six months.

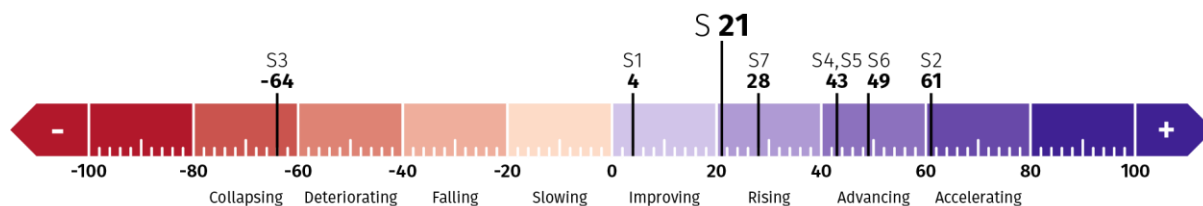
Almost three in five (58%) mid term business owners and managers (5-10 years) are most likely to indicate increasing business costs.

Of all tenure lengths, new business owners (12 months or less) are most likely to report stable business costs in the past six months (59% cf. 39% short; 28% mid; 32% long-term).

Staff wages and on-costs are challenging for long-term owners and managers

Long term business owners and managers (10+ years) are most likely to report staff wages and on-costs as a challenge, with half (50%) indicating they have increased in the past six months. Conversely, business owners and managers who have operated for 10 years or less are most likely to report that their staff wages and on-costs stayed the same, with those of 1-3 year tenure being the most likely to indicate this (84%).

Sentiment



Sentiment measure	Key	Indicators	Score (2015)	Score (2016)	Score (2017)	Score (2018)	Change (2017-18)
Economic outlook	S1	National economic outlook	-31	14	-9	4	↑
	S2	Internal revenue outlook	46	78	73	61	↓
Cost forecast	S3	Expense forecast	-68	-65	-82	-64	↑
	S4	Staffing level forecast	30	55	69	43	↓
Growth forecast	S5	Profit forecast	36	48	40	43	↑
	S6	Cash flow forecast	34	52	39	49	↑
	S7	Expansion forecast	16	41	38	28	↓
Total Sentiment Score			6	29	22	21	↓

Sentiment is consistently positive

Of the three main indicators, sentiment performs the best in the 2018 Hills Business PSI. Whilst one point lower than the 2017 result, four key measures have increased since 2017 compared to only one measure increase from 2016-2017.

Strong economic and growth forecasts

Positive business sentiment is attributed to an increasingly optimistic national economic outlook, reduced expense forecasts and a higher anticipated cash flow forecast. The national economic outlook has improved from a negative score in 2017 (-9) to a positive in 2018 (4), highlighting how businesses are regaining faith in the future national economic performance in Australia.

Staffing level and internal revenue limits growth.

Despite this positive outlook businesses are still limited by their labour resources, with the staffing level forecast decreasing from 69 in 2017 to 43. Moreover, internal revenue outlook has decreased to 61 from 73.

Sentiment by business size

Optimistic sentiment shown by all business sizes

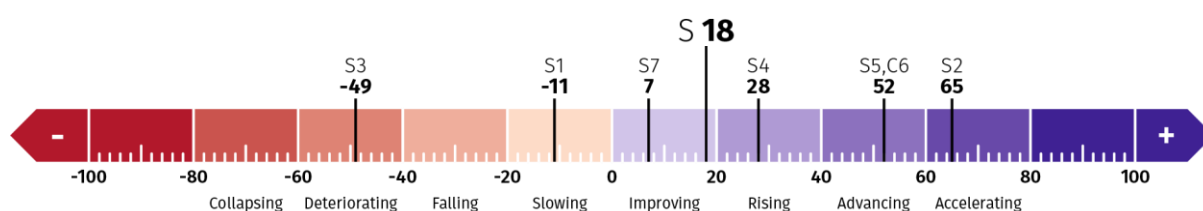
Sentiment scores positive for all business sizes in The Hills Shire. Medium sized businesses indicate the highest sentiment score (46) placing their sentiment in the *advancing* stage. This is followed by micro businesses (23), non-employed businesses (18) and small businesses (15).

Rising internal revenues

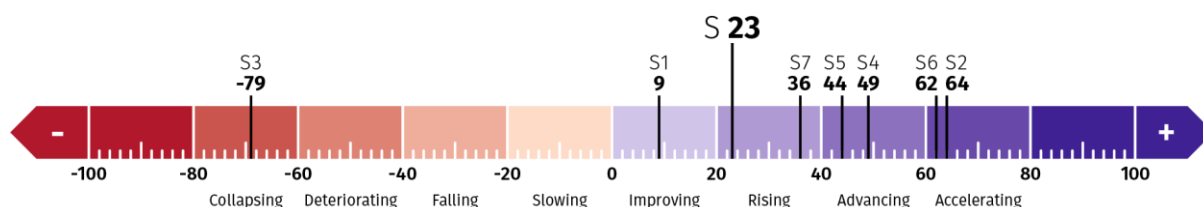
The consistently top scoring key indicator is the internal revenue outlook (S2). Medium businesses are forecasting significant internal revenue growth with a score of 100. Non-employed businesses are also expecting *accelerating* revenues with a score of 65.

The only consistently negative scoring indicator is expense forecast (S3). Micro sized businesses are expecting the most negative result (-79).

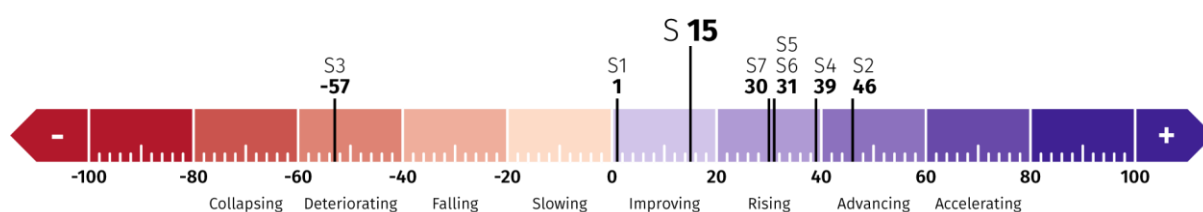
Non-employed businesses



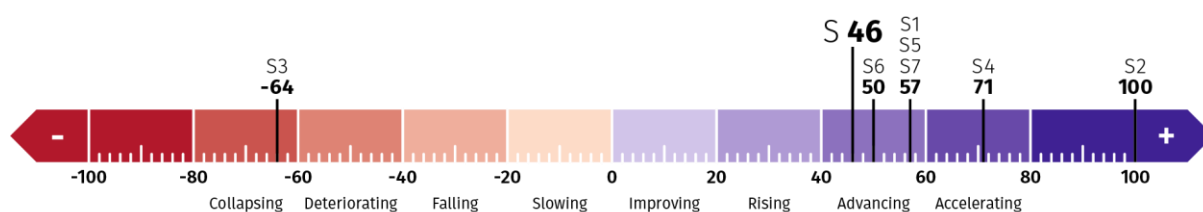
Micro (1-4 employees)



Small (5-19 employees)



Medium+ (20+ employees)

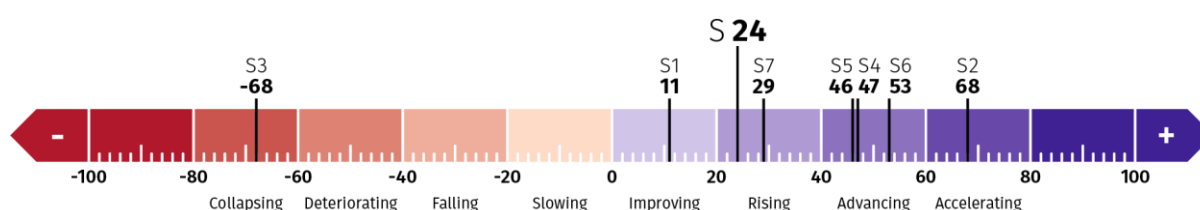


Sentiment in B2B versus B2C businesses

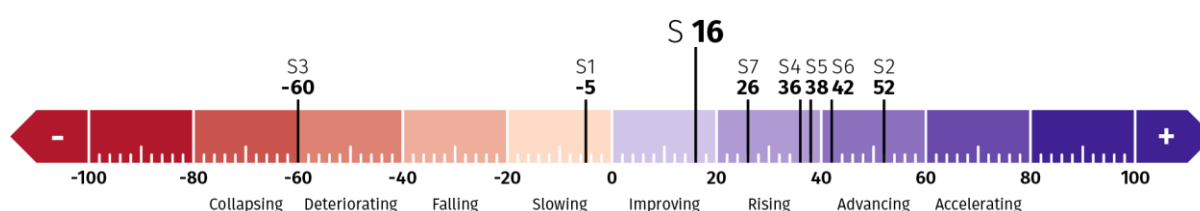
Business sentiment is *rising* for B2B and *improving* for B2C businesses in The Hills Shire. The B2B sentiment (24) is slightly higher than B2C sentiment (16).

B2B entities are decidedly positive in all key measures excluding expense forecasts (S3). B2C however, has both expense forecasts (S3) and national economic outlook (S1) in the negative scores.

B2B: Products/services to businesses, public utilities and/or government



B2C: Products/services to consumers



Business Tenure Insights

Optimistic outlook for short-term owners and managers

Half of short term business owners and managers (51%) are expecting better pre-tax profits compared to six months ago. New business owners and managers are least likely to indicate better pre-tax profits but are more likely to report similar expectations compared to other tenure lengths (61% cf. 37% short; 25% mid; 30% long-term business owners and managers).

Further insights

In addition to capturing responses to the 21-question index, the 2018 survey also included a series of additional questions. These additional questions consisted of several previously deployed longitudinal questions.

Questions from previous years included the Net Promotor Score, various sentiment tracking questions, and a qualitative question focused on the struggles of conducting business in The Hills Shire. In 2018 a new question was added exploring the performance of businesses which received Council support.

Net Promoter Score

The Net Promoter Score (NPS) is based on the fundamental perspective that every organisation's clients can be divided into three categories: Promoters, Passives and Detractors.

By asking those who own or manage a business in The Hills Shire "On a scale of 0-10, how likely is it that you would recommend doing business in The Hills Shire to a friend or colleague?" the NPS model can track these groups and get a measure of The Hills Shire's performance as a business region.

Individuals respond on a 0-to-10 point rating scale and are categorised as follows:

- **Promoters** (score 9-10) are loyal enthusiasts who will keep engaging and refer others, fuelling growth.
- **Passives** (score 7-8) are satisfied but unenthusiastic respondents who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy respondents who can impede growth through negative word-of-mouth.



$$\text{NET PROMOTER SCORE} = \% \text{ PROMOTERS} - \% \text{ DETRACTORS}$$

The Hills Shire NPS for doing business in the Hills in 2018 is **9**.

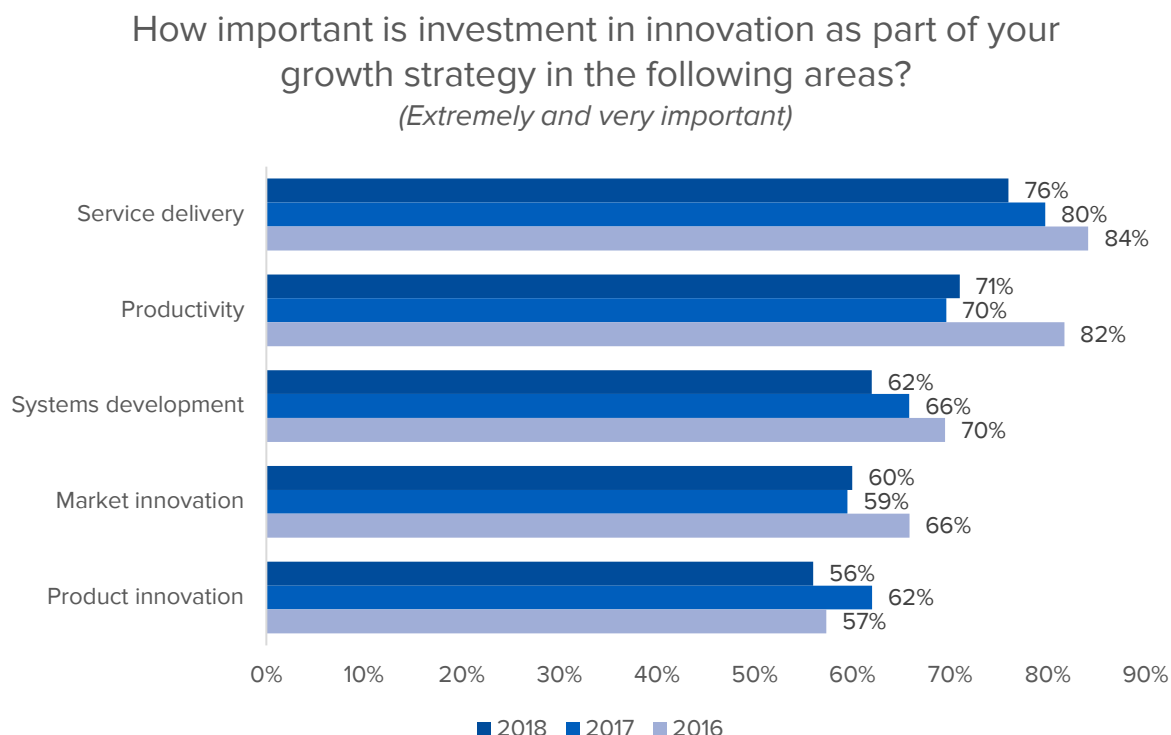
This score has risen 3 points since 2017. A result above 0 means the proportion of promoters outweigh the detractors, so a score of **9** is a good result. Almost four in ten respondents are passives (38%), meaning that even though they are not categorised as promoters, they are not detractors either, returning a score of 7 or 8.



The following sections of the report provide insight into the strengths and challenges of doing business in The Hills Shire.

Innovation

The below question was first asked in 2016 and has been repeated ever since. It was not asked during the first deployment of the Hills Business PSI in 2015.



Business owners and managers in The Hills Shire are most likely to value investments into service delivery (76%) in 2018. Seven in ten owners and managers (71%) feel that productivity is another extremely or very important element of their growth strategy.

Both productivity and market innovation are aspects of business growth which have seen an increasing relevance since 2017. Three in five owners and managers (60%) feel that market innovation is important (extremely/very) which marks a slight increase of one percentage point since 2017 (60% 2018 cf. 59% 2017).

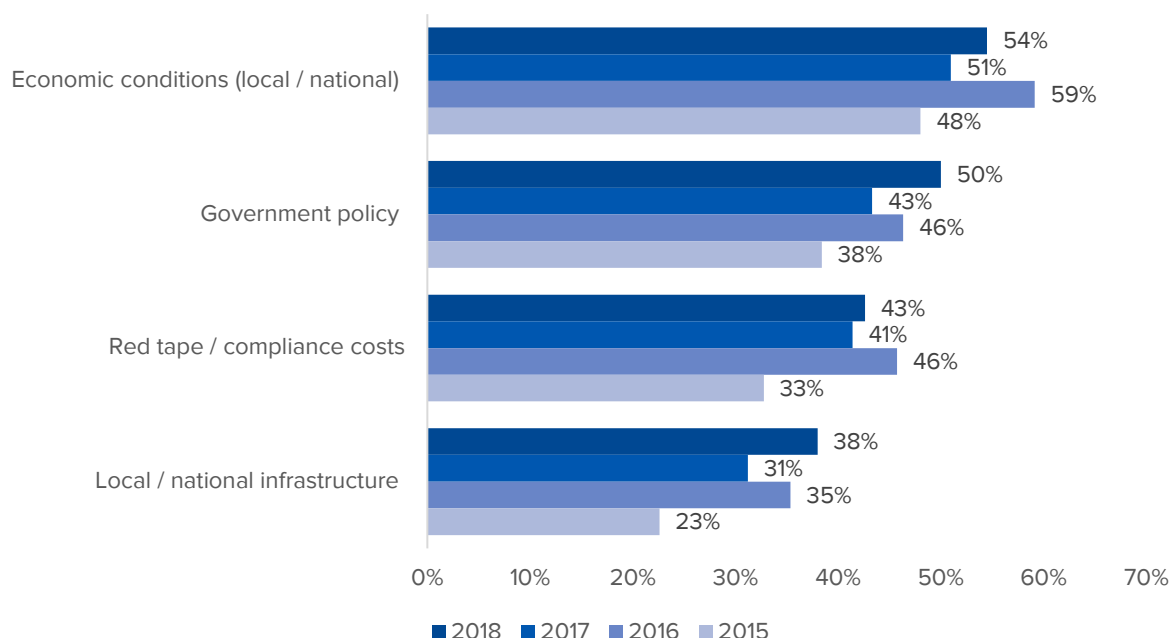
Systems development has decreased consistently since 2016; the score has fallen four percentage points since 2017 and eight percentage points total since 2016. Despite this reduced perceived importance, the result still shows more than three in five (62%) business owners and managers believe it to still be either extremely or very important.

Of all the results, product innovation was the least likely to be considered an important (extremely/very) aspect of a Hills business' growth strategy. The results, however, show that more than half (56%) still consider it an extremely or very important aspect of their future growth strategies.

External impacts on business performance

At the moment, how much do the following issues impact your business performance?

(Extreme and significant impact)



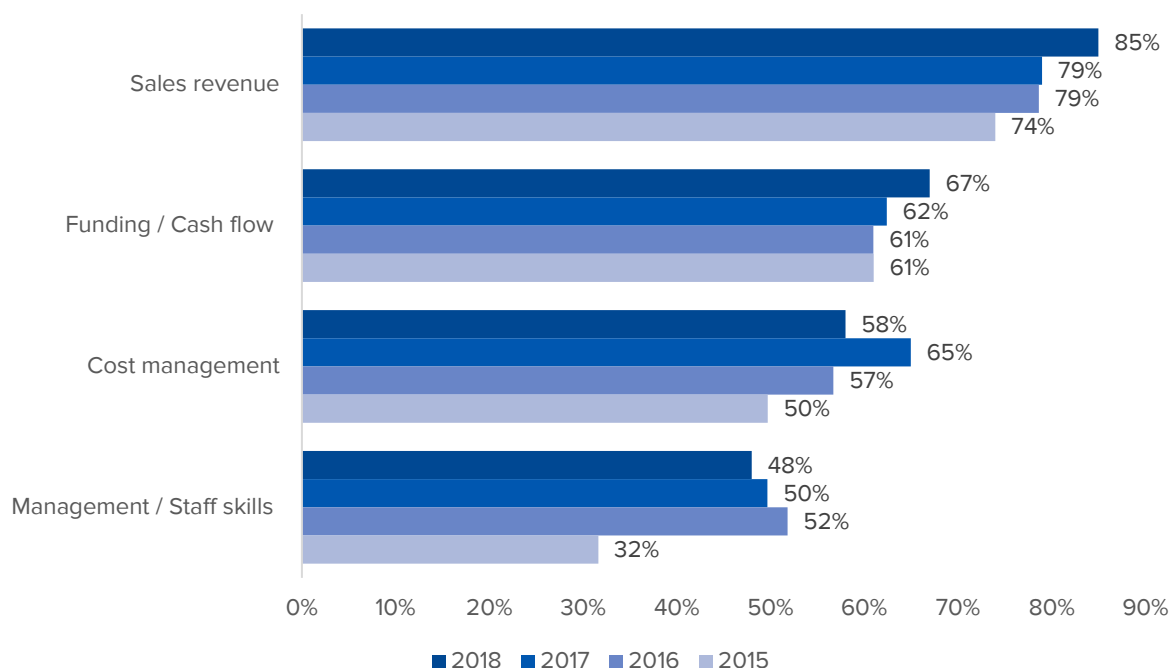
More than half (54%) of business owners and managers feel that economic conditions are most likely to impact (extremely / significantly) their business performance in 2018. Business owners and managers are also more likely to feel Government policy has an extreme or significant impact on their business' performance; In 2018, such policies have been given more attention, rising seven percentage points from 43% in 2017 to 50%.

Red tape / compliance costs and local / national infrastructure, however, are still important to business owners and managers. More than two in five (43%) feel red tape / compliance costs extremely or significantly impact their business' performance whilst more than one in three share this view about local / national infrastructure (38%).

Business priorities

Thinking ahead to the next 6 months, how much are the following areas a priority for you to address?

(Extreme and significant impact)



Future sales revenue continues to remain as the highest priority for business owners and managers since 2015. More than four in five owners and managers (85%) believe the next six months' sales revenue will have an extreme or significant impact on their business. Sales revenue has grown the most as a priority and has risen six percentage points since 2017 from 79% to 85%.

Funding / cash flow has increased in importance compared to previous years with two in three (67%) business owners and managers indicating it will be of extreme / significant impact on their business in the next

six months. Funding / cash flow has increased five percentage points since 2017 from 62% to 67%.

The only future factor to decrease in impact was cost management and staff skills. Just under half of business owners and managers (48%) felt that management / staff skills would have an extreme or significant impact in the next six months. When considering cost management, business owners and managers feel that it is a lesser priority than in 2017, with just under three in five (58%) believing it will have an extreme or significant impact in the next six months.

Qualitative insights

Challenges faced by business in The Hills Shire

Q. What is the most significant challenge that your business is currently facing?

Survey respondents were asked to describe the most significant challenge that their business is currently facing. The most common challenges included staffing, reaching potential customers, poor traffic infrastructure and a lack of visibility in marketing and advertising.

Staffing

The results highlight that staffing problems are one of the most common challenges that business owners and managers face in The Hills Shire. Respondents indicated that finding and retaining skilled staff members as well as managing affordability of wages was a challenging aspect of their business.

“Staffing – investing to ensure a shared corporate vision in order to grow.”

“Finding and keeping staff as well as managing cash flow.”

“Hiring skilled labour at realistic rates.”

Travel

Another common challenge was travel in The Hills Shire. Owners and managers expressed frustrations at the amount of construction and congestion which negatively impacts business productivity. On top of the increased congestion on the roads, the lack of available parking is another major challenge.

“The traffic in the Norwest area is discouraging customers to visit and spend money. The peak hours are definitely more quieter and driving business away to more convenient places.”

“Traffic and parking is disgusting and will only get worse with all the units going up.”

“Congestion around the area has added time to travel when meeting clients.”

Potential customers

Attracting potential customers is proving challenging for Hills Shire businesses. Some of these issues are due to difficulty in defining their own market whilst others feel that the local Government should offer preference for their services and products.

“To me the most significant issue we are facing is local support. We get most leads from Victoria and Queensland - yet minimum from the local area. The Government in other states gives preference to local business I feel our area doesn't oblige the same thing.”

“As a new business understanding where my customers are is extremely important and challenging. Defining my target market in selected areas is my priority and challenge.”

Infrastructure

Another challenge shared by business owners and managers is the lack of infrastructure provision. These include challenges in parking, internet and buildings. Some respondents expressed frustrations in the unsustainable development taking place in The Hills Shire area.

“Increased development is fine, and is necessary, even here, but must be matched by council planning for and investing in the future.”

“Internet speeds, parking for staff and visitors.”

Advertising and marketing

Some owners and managers indicated that marketing and visibility was their business’ biggest challenge. This hurdle to greater brand recognition and recall particularly affects younger businesses whilst low foot traffic is an issue for established shops.

“Reaching new clients, educating and advocating for the value of the service we provide.”

“Marketing our Brand in the Hills District to ensure our new clients find out about our services.”

“Poor customer traffic in the food court of Stockland Shopping Centre.”

Competition

A number of owners and managers mentioned that their biggest challenge related to increasing competition in The Hills Shire area. Some expressed that a combination of the current business conditions and increasing competition is the greatest challenge. A few business owners or managers indicated that competition stemming from outside of The Hills Shire area has driven their business away from local consumers.

“Deteriorating business conditions, increased consolidation of competitors.”

“Even our local fresh food markets will not support our inclusion at local growers markets as they prefer to support businesses outside of the area which was recommended by an outside consultant some years ago. So we have to sell our product much further afield to people who do appreciate our products.”

Regulation

For some business owners and managers, government red tape and regulations hamper their growth and expansion. This challenge is further compounded by legislation and regulation changes which may require more resources to address.

“Burden of red tape (time and costs) as we expand, making it harder to work on and not in the business.”

“Changes in government regulations and legislations around our industry.”

Strengths

Current strengths

The location, lifestyle and potential of The Hills Shire are key strengths

The top three current strengths for business in the Hills are the future potential of the Hills, work/life balance, and location.

More than half of business owners and managers perceive the future potential of the Hills to be a strength of conducting business in the Hills (58%). This remains the top strength for business in the Hills, growing by 11 percentage points since 2017.

A similar number (56%) perceive work/life balance as a strength of conducting business in The Hills Shire, representing a considerable increase from 37% in 2017 to 56% in 2018.

Respondents continue to view location as a strength of conducting business in the Hills, increasing from 43% in 2017 to 52% this year.

Future strengths

There is significantly greater recognition of the benefit of relational networks in The Hills Shire

Business owners and managers were asked what they saw as the future strengths for business in The Hills Shire. The top three future strengths are the new Norwest train line, location, and work/life balance, as they were in 2017.

More than three in five respondents (62%) see the forthcoming Norwest train line as a future strength for business in the Hills. The results alongside the qualitative insights highlight the urgency and need for infrastructure development that alleviates congestion and parking issues and the Norwest train line appears to be an integral part of that solution.

Similarly, owners and managers continue to see the location of The Hills Shire to be a strong future strength (47% cf. 40% in 2017). The current frustrations with development and

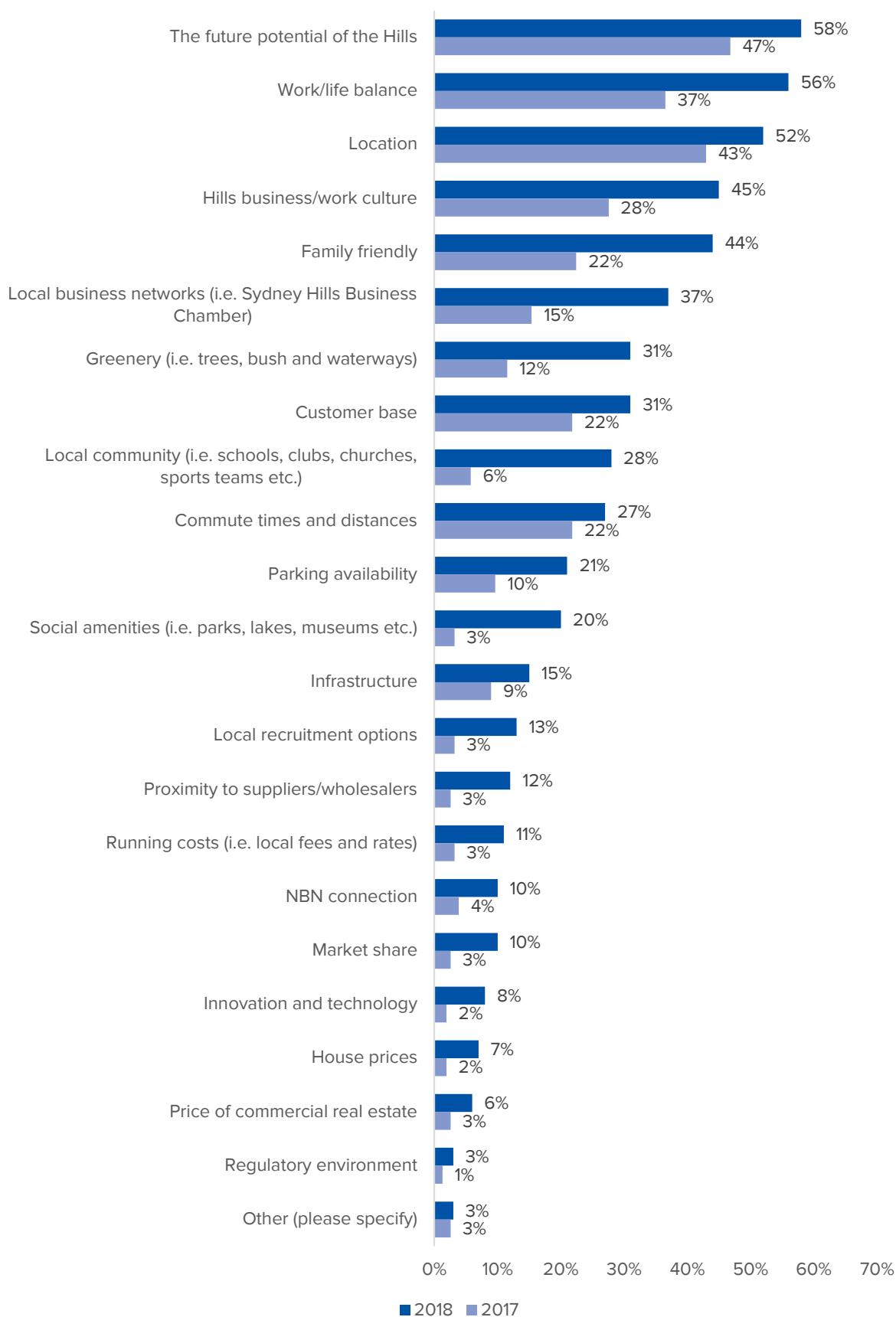
construction are issues that may be resolved in the future when the facilities are built so that the area may thrive amongst neighbouring areas.

The lifestyle appeal of living and working in The Hills Shire continues to remain a future strength. More than two in five perceive work / life balance (45%) and Hills business/work culture (42%) as future strengths for business in The Hills Shire.

Respondents are significantly more optimistic about the benefit that local business networks (i.e. Sydney Hills Business Chamber) play in the future of the Hills, with two in five (40%) seeing this as a future strength – up from 13% in 2017. Similarly, the proportion of respondents who view the family friendly nature of the Hills as a future strength for business tripled from 13% in 2017 to 39% in 2018.

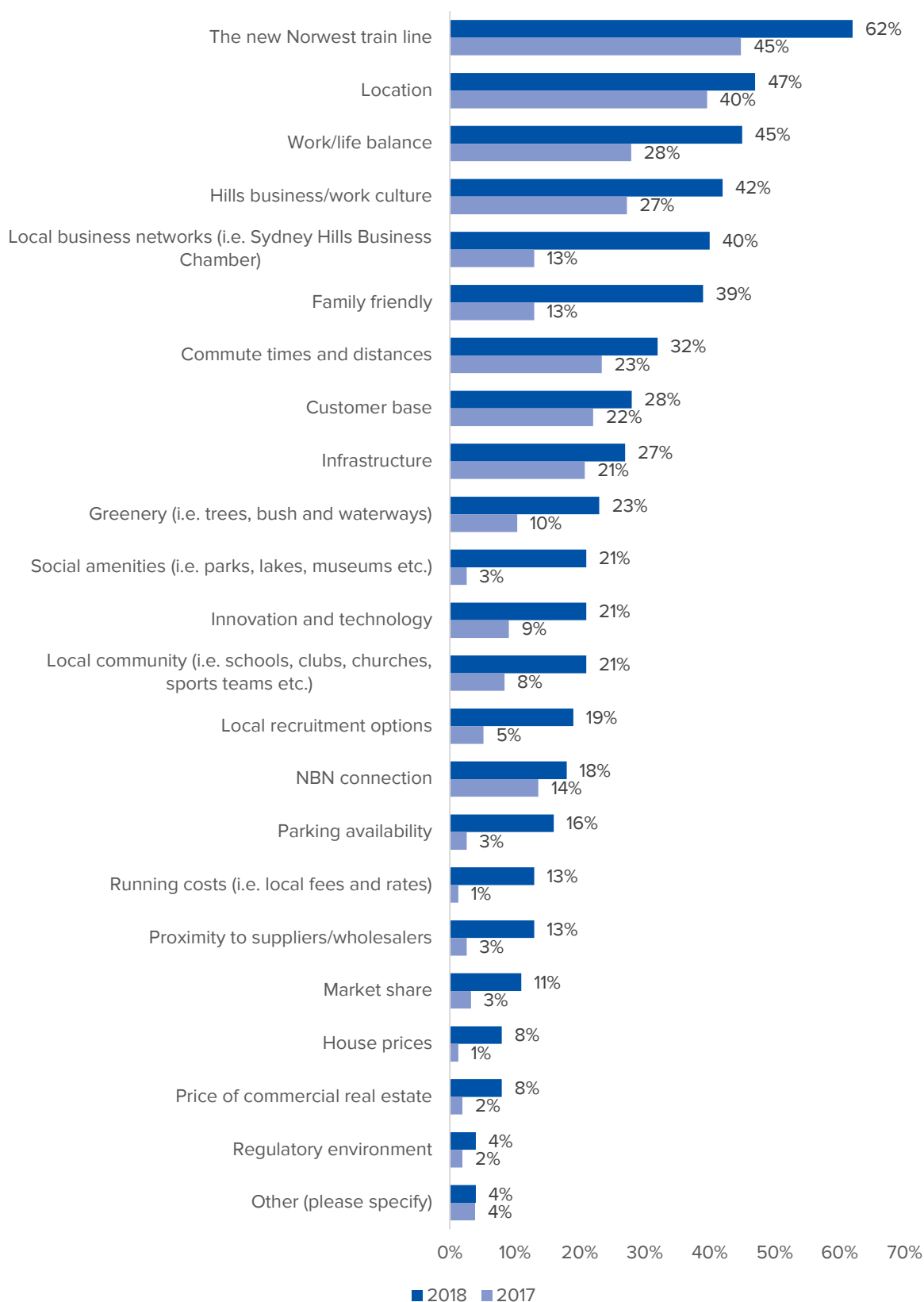
What are the current strengths for business in the Hills?

Please select all that apply.



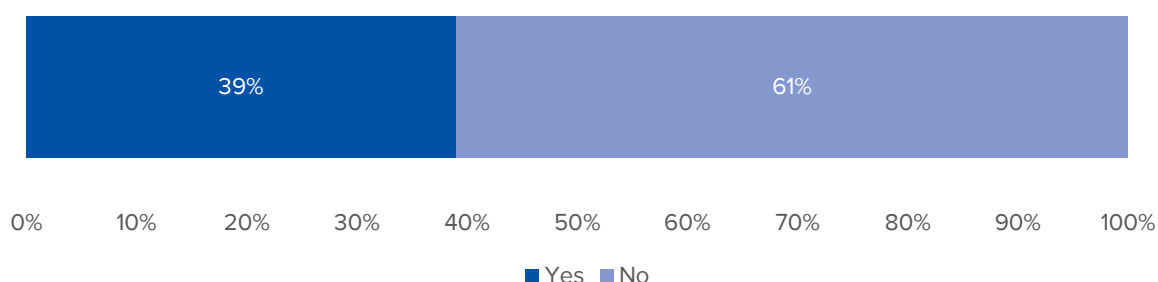
What do you see as the future strengths for business in the Hills?

Please select all that apply.



Council support

In the last six months have you (or your business) utilised any resources or received support provided by The Hills Shire Council, such as online business information, business visit program, smart series, events, etc.?



Almost two in five business owners and managers (39%) indicated they had utilised resources or support provided by The Hills Shire Council in the last six months.

Council support insights

Those who received support and resources from The Hills Shire Council are more likely to report better (significantly, moderately, slightly) overall sales revenue in the past six months. More than half of owners and managers who received Council support indicated a better overall sales revenue (53%) compared to the one in three (36%) who did not receive support but still experienced better overall sales revenue.

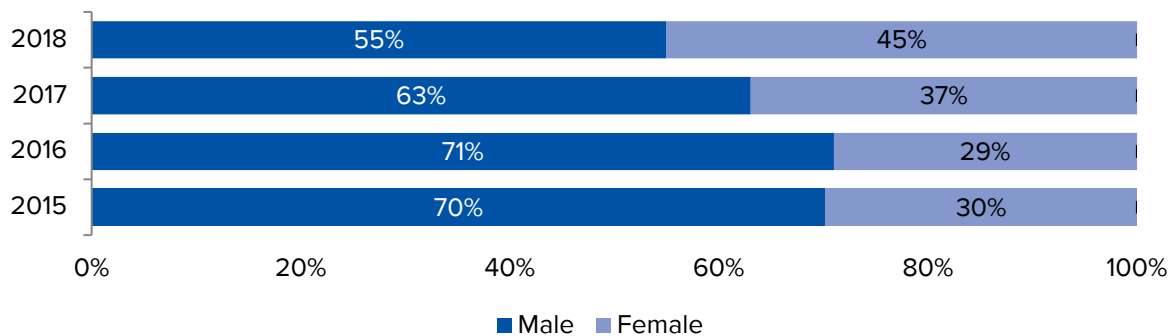
Council support can have a positive impact (significant, moderately, slightly) on operating pre-tax profit. Just over one in three (34%) business owners and managers who did not receive Council support indicated a worse operating pre-tax profit in the past six months compared to 16% of business owners and managers who received Council support.

Staffing levels for businesses with Council support have increased (significantly, moderately, slightly) in the past six months. One in three (35%) respondents who received resources and support have increased staffing levels compared to one in four (26%) businesses who did not receive council support.

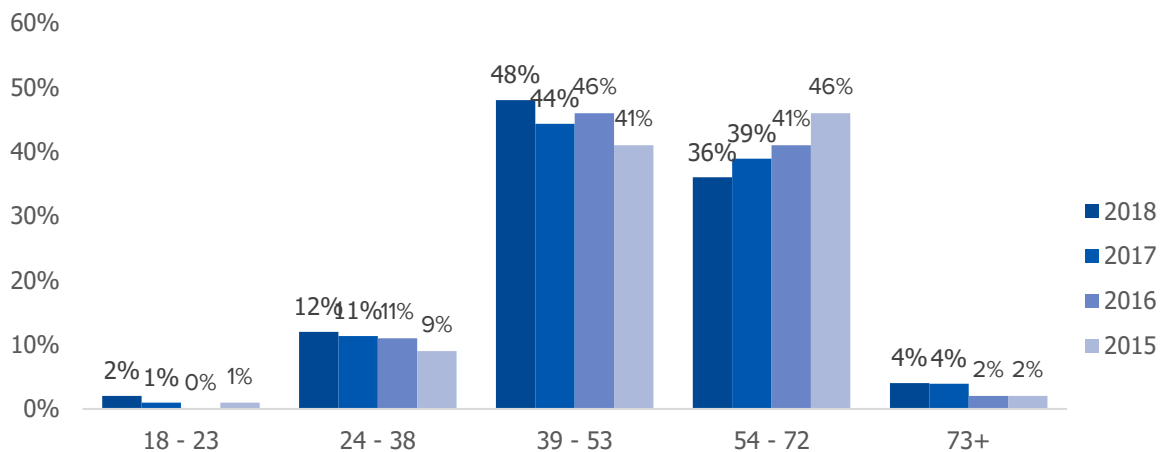
Appendix

Respondent characteristics

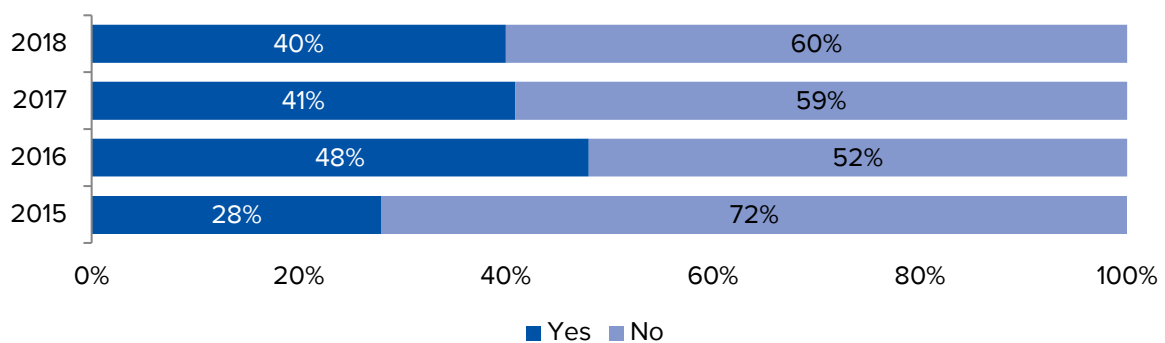
Are you male or female?



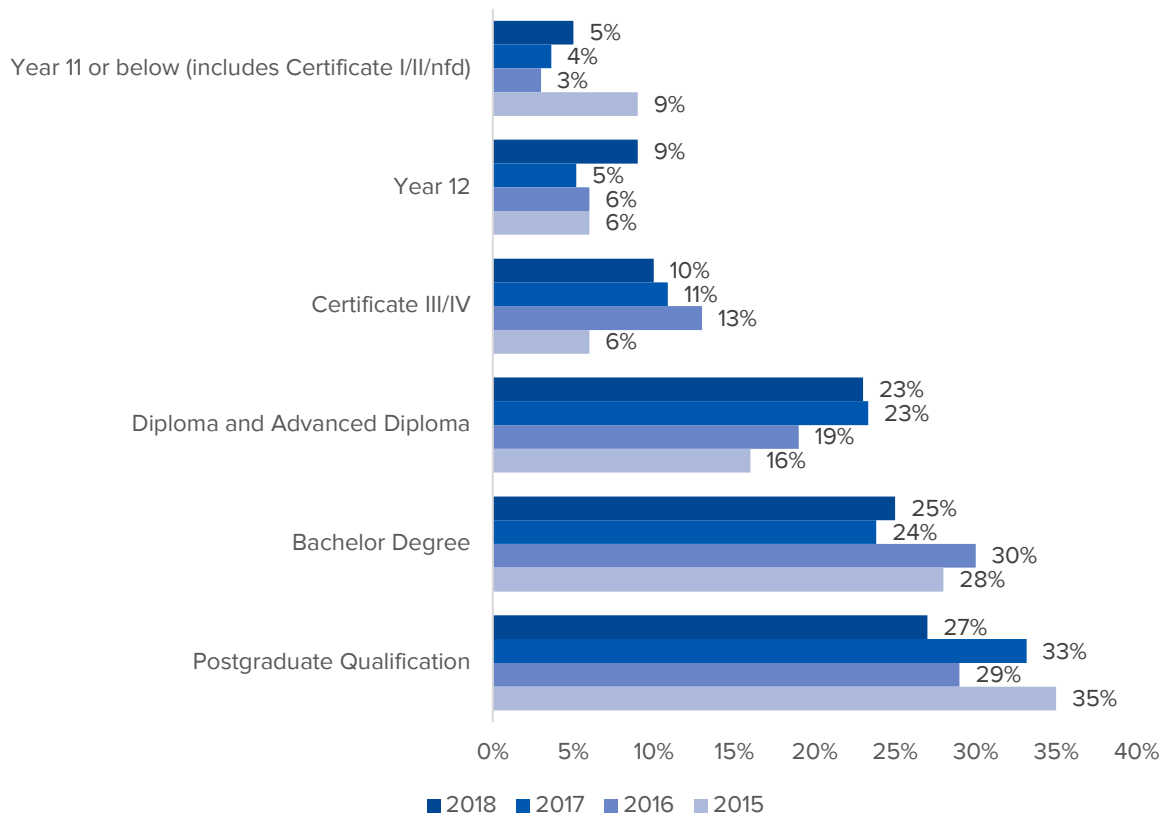
What was your age at your last birthday?



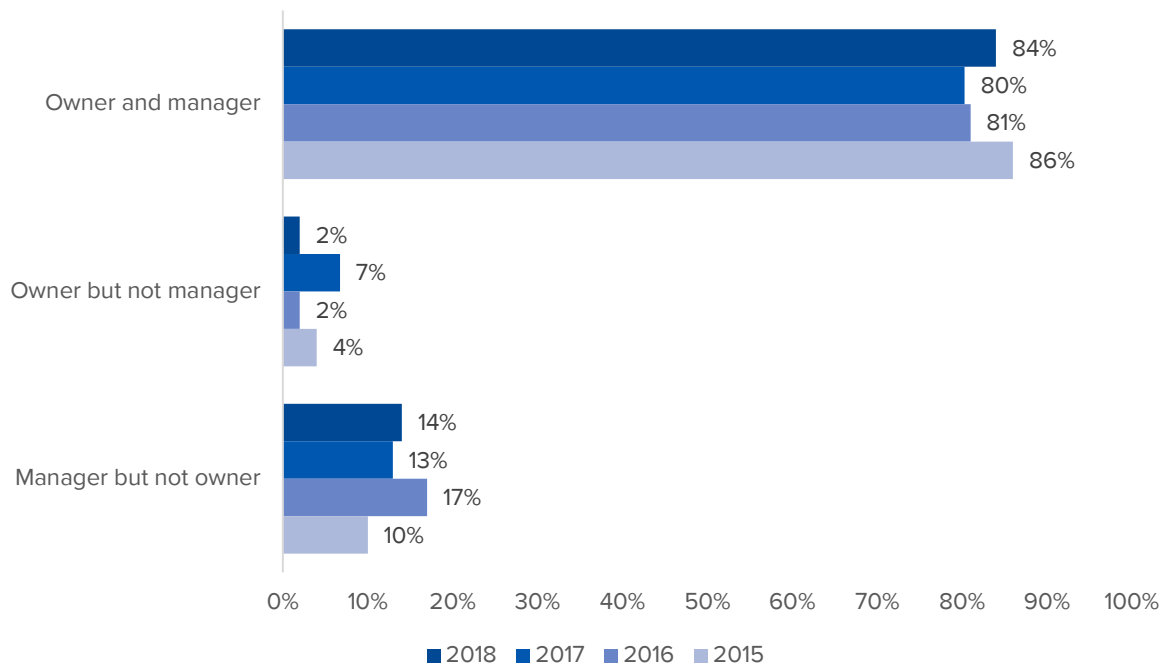
Are you a member of the Sydney Hills Business Chamber?



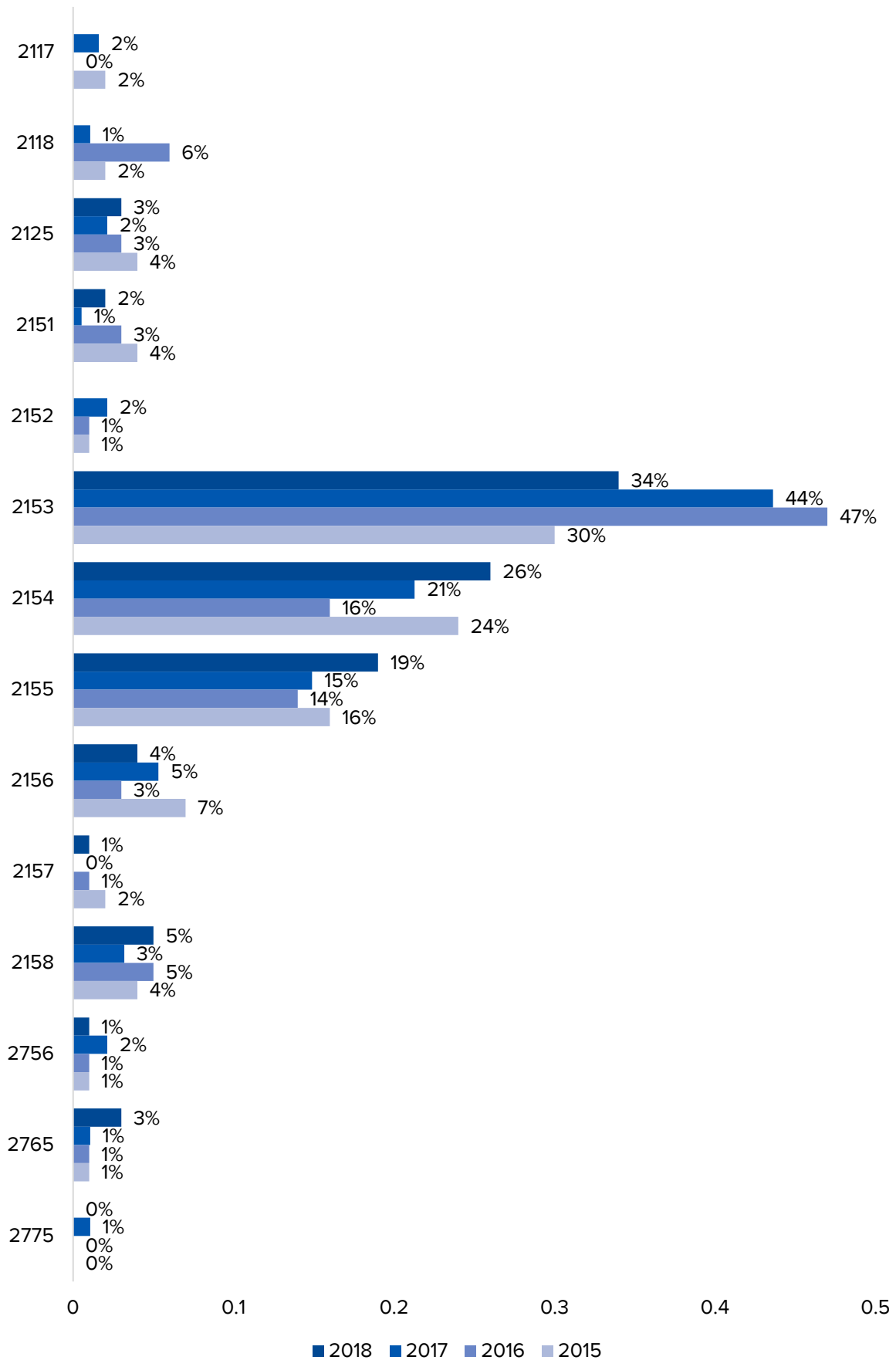
What is your highest level of completed education?



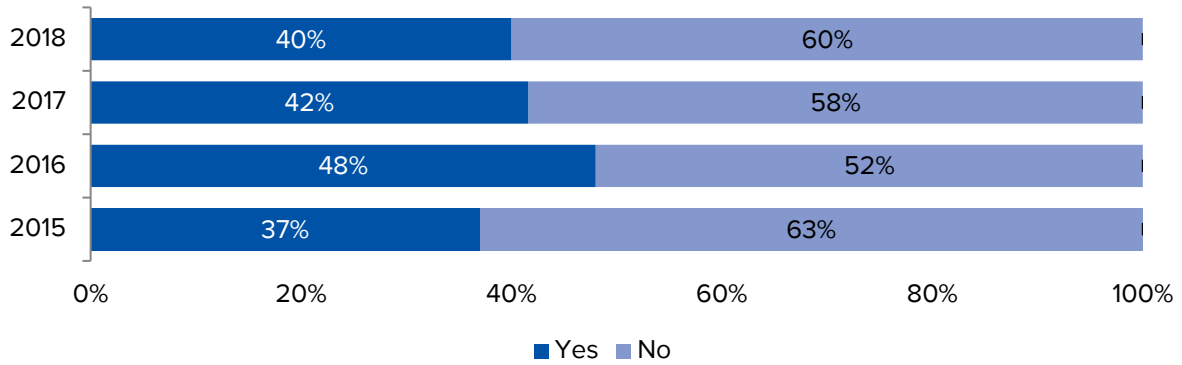
What is your role within your business?



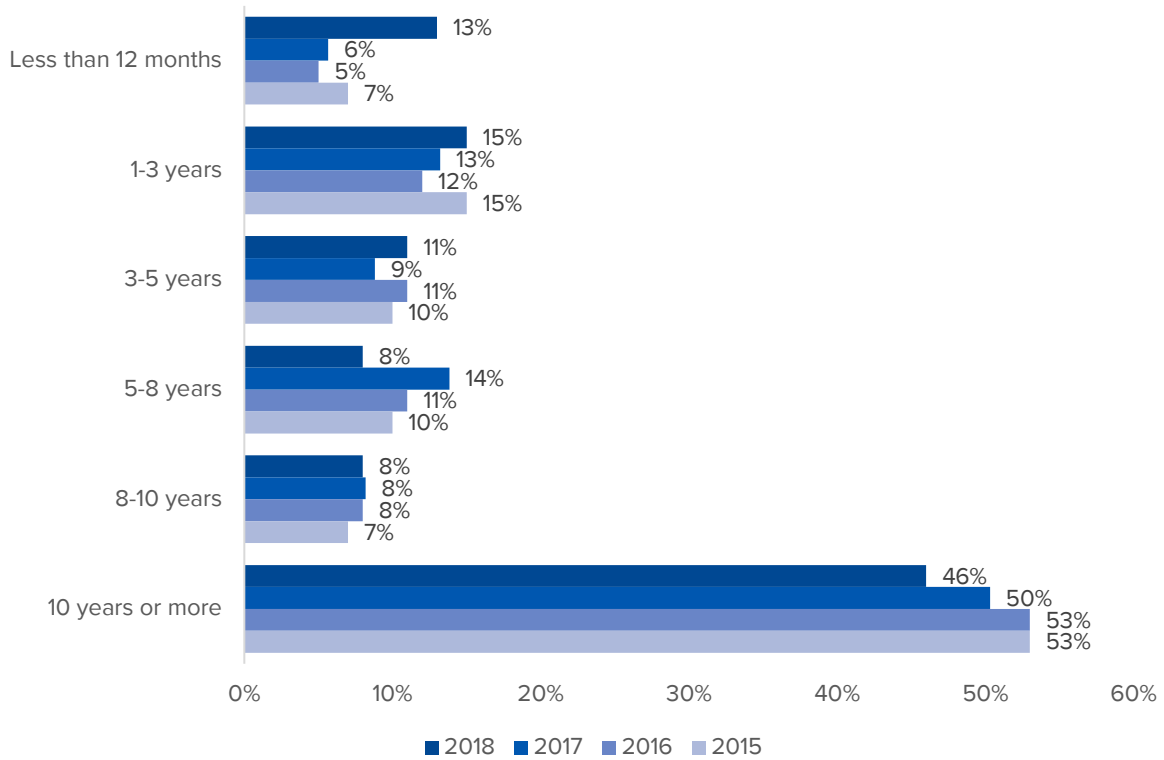
What is the postcode where your business is located?



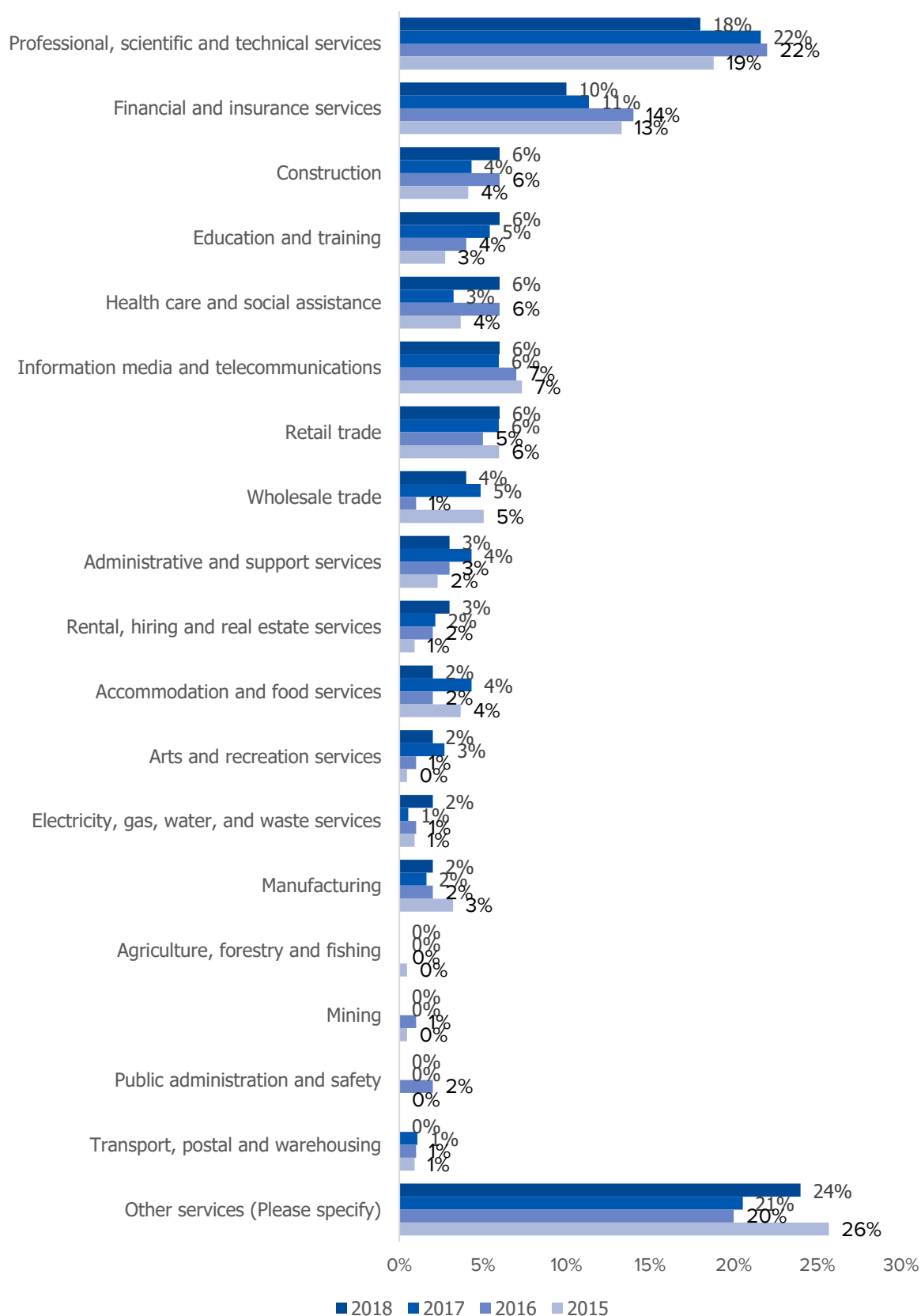
Have you ever owned a business prior to the business that you now own or manage?



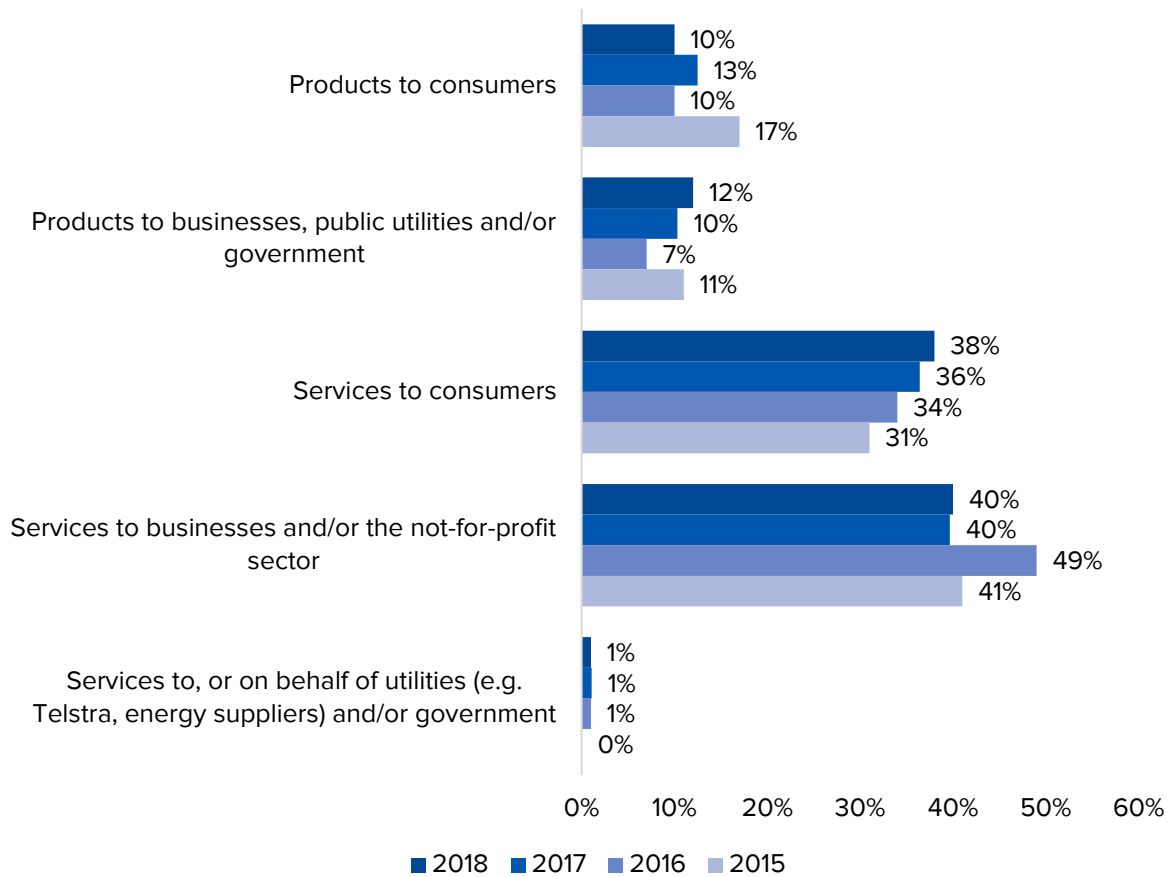
For how long have you been a business owner?



What industry sector do you operate in?

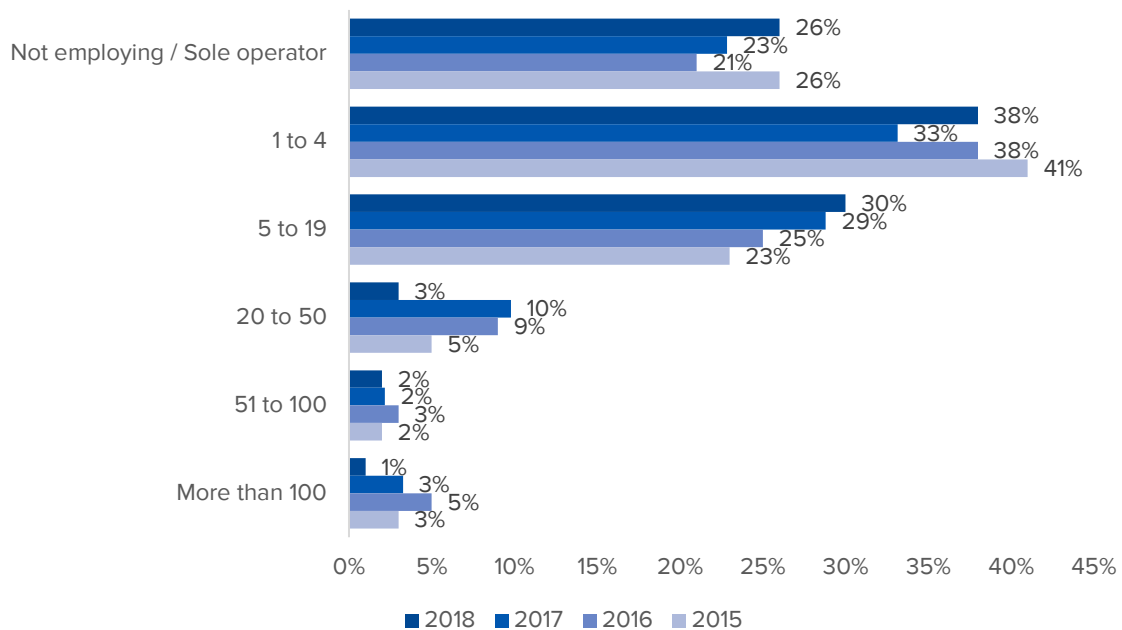


What does your business supply?

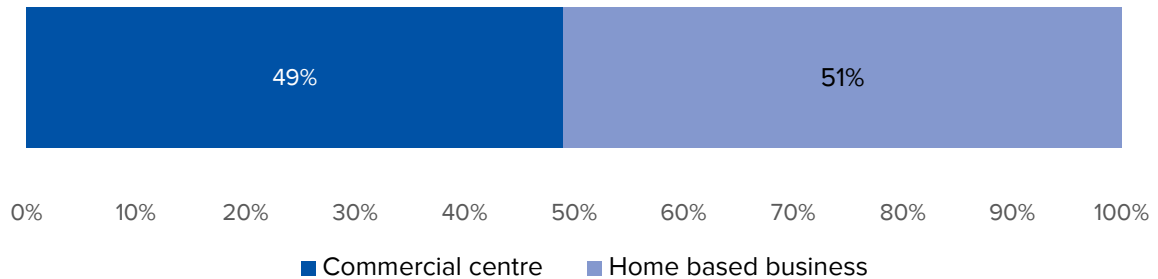


How many people does your business employ?

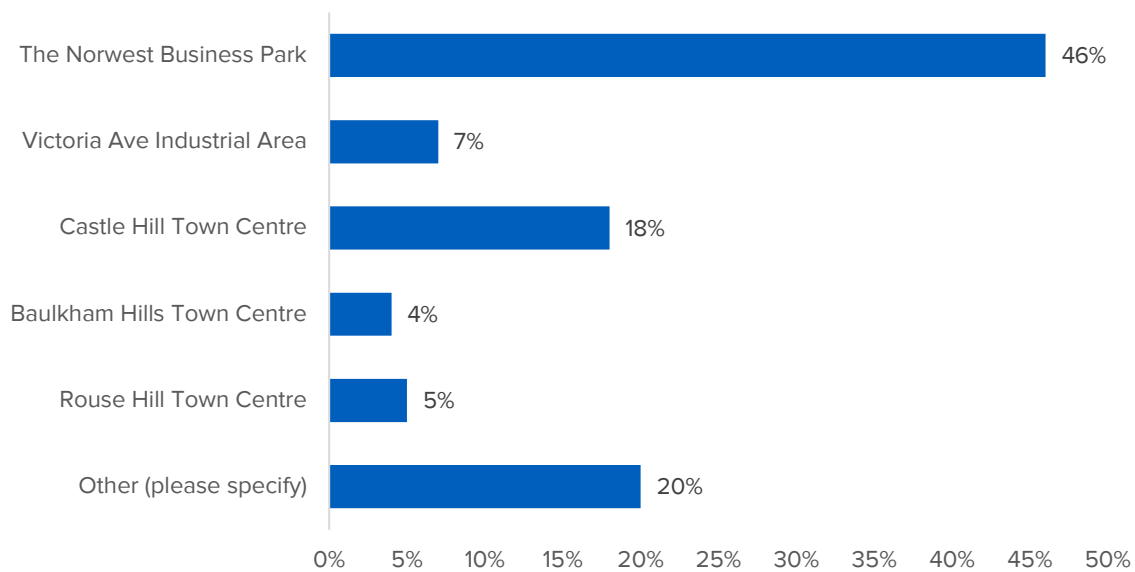
Please convert the work of any contractors into Full-Time Equivalent employees.



Are you operating out of a commercial centre or a home based business? Please select the one that best describes the location of your business.



In which commercial centre does your business operate?



Conducting your own PSI

The Business PSI can be conducted by any organisation, local government, or business chamber through partnership with McCrindle. The instrument is designed to be deployed every 12 months through a survey to business owners and managers for longitudinal tracking.

As the developers and deployment partners of the Business PSI, McCrindle can not only efficiently deploy, analyse, and visualise this survey for organisations, but act as a clearinghouse of the longitudinal data and so can provide benchmarking of industry or local results against other areas or sectors, as well as provide longitudinal comparison.

Partnership with McCrindle in deploying the Business PSI includes use of the Business PSI instrument, the raw data and output, a report of results, and assistance with commercial insights from the results.

Contact

For information on conducting your own PSI, contact McCrindle at info@mccrindle.com.au or call 02 8824 3422.

For information and implications specific to the 2017 Hills Shire Business PSI, contact Sydney Hills Business Chamber at membership@sydneyhillsbusiness.com.au or call 9659 3366.

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