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CEO **Jennifer Westacott** on how Australian business can be  
done better with greater efficiency

# When David And Goliath Work Together

Business Council of Australia's Jennifer Westacott  
on business cooperation



There is a familiar myth emerging in Canberra and in many other parts of the nation that seeks to frame small business and big business as natural enemies. It is both unhelpful and damaging; we are better served by co-operation rather than conflict.

The narrative is politically easy. For politicians and ideologues who oppose moves to enhance economic growth, it is the big end of town versus everyone else.

This David and Goliath narrative might be politically expedient but it isn't borne out in the reality of Australia's dynamic, trade-driven economy.

In fact, together business across the country employ 10 million of the 12 million working Australians. Around 45% of these jobs are in small enterprises with

20 or fewer employees, while the other 55% are in medium and larger businesses.

The private sector itself, that is the business community, generates 80% of Australia's economic output.

The real story here is one of interdependence. Smaller businesses need big business and vice versa. It's a complex ecosystem in which each member plays its part.

Some businesses are naturally smaller, catering to local niche markets while larger business that form the backbone of industries like mining and manufacturing, serve large global markets and require large capital investments.

Small businesses that want to take advantage of major emerging export markets often need to partner with bigger companies.

Each of these businesses play to their own strengths – whether that is specialised knowledge, skills or processes. Businesses enhance their own competitiveness by sourcing the intermediate products and services they need from each other.

For this reason, where the system is not functioning as well as it might the best solutions will be collaborative and flexible – allowing individuals the capacity to find solutions that work for their specific needs.

That's exactly what the Business Council and the Council of Small Business have done by launching the Australian Supplier Payment Code, which will see some of Australia's largest companies committed to fair payment times for small suppliers.

Despite payment times already becoming shorter across the economy, larger businesses understood that progress needed to be faster. So, businesses came together to develop the code which provides for fair payment times but also for the flexibility needed to meet the demands of each specific business.

That means that while businesses are committed to paying correct invoices within 30 days, they are also free to come to agreed terms that work for both the organisations involved.

Signatories are also pledging to work with their suppliers to innovate and institute newer, more efficient invoicing methods – gone are the days of the carbon paper invoice book.

This industry-led initiative is already having an impact, with over 50 companies signing, representing business revenue exceeding \$370 billion. These are some of Australia's most prominent companies including the big four banks, Qantas and Virgin Australia, BHP and Rio Tinto, just to name a few. The voluntary approach has also attracted the commitment of some local councils, providing benefits to small and large business providers alike.

Of course, there were some whose first call was for heavy-handed government regulation, but in truth this option would have been costly, and may not even have worked.

More measured voices know that this kind of blunt intervention is fraught, all too often having unintended consequences and depriving businesses, large and small, of the flexibility they need.

There is far more to be gained by a culture of co-operation than one of compliance. Businesses have more to gain by working together to drive better outcomes, rather than being simply compelled to do the minimum.

Both the federal opposition and the Turnbull government should be commended for giving the industry led approach the best chance at success.

This kneejerk resort to regulation is often aided by the faux David and Goliath myth, and it has led to myriad ill-conceived and, in some cases, absurd regulations.

The myth's persistence is not only frustrating, but it has a considerably adverse impact on the development of economic and business policy in Australia.

Our nation sits adjacent to the increasingly competitive economies of Asia, and the signs for our future competitiveness are worrying.

This year was the first since 1996 that Australia was not included in the top-20 nations for competitiveness per the IMD World Competitiveness Centre. We are losing our edge to nations like Iceland.

The World Bank says that while we are still one of the easier countries for aspiring entrepreneurs to get started, we are lagging our smaller neighbours like New Zealand.

And, our tax system is far more difficult to navigate than that of other comparable nations.

Of course, where it serves a legitimate purpose and is proportionate and well targeted, regulation is sometimes necessary. But, for small and large businesses alike, ill-conceived regulation and red tape is not only stifling, it can seriously restrict their ability to take risks and grow.

The trouble with many regulations is that the hidden costs push up prices for goods and services Australians consume.

Not to mention some of these interventions which simply defy logic – why are hardware stores in Western Australia allowed to sell outdoor lights but not indoor lights before 11am?

Businesses hire workers in the expectation that they will contribute at least as much to the business as it costs to pay them. Every additional restriction or cost imposed on an enterprise – particularly a small one – limits their capacity to take that risk.

Our complex tax system and a wealth of inefficient regulation, however well-intentioned, adds to that risk.

While there has been some improvement in unemployment numbers recently, there is no question we need faster jobs growth.

To encourage that growth, we need to be careful when it comes to regulation, we must be systemic, evidence based and never create “set and forget” regulatory frameworks.

Fostering new investment and jobs growth is also reliant on the maintenance of a fair and



internationally competitive tax system – one that recognises that larger businesses generate most of Australia’s investment and jobs growth. The reality is that big businesses accounted for all net job creation in 2015-16, while small and medium businesses collectively shed more jobs than they created.

Here again we see the David versus Goliath myth playing out in Canberra in the Senate’s reluctance to pass the government’s full Enterprise Tax Plan. This is a modest proposal to reduce the tax rate on company profits from 30 to 25 percent over the next decade.

While nobody would refuse tax cuts for small businesses, big business tax relief would make new investments in Australia more attractive to global capital markets, sucking in billions of investment dollars that would otherwise flow to other countries.

Ultimately we do not want to discourage small and medium businesses from expanding and becoming bigger businesses – a suburban cafe becomes a franchise, or a vineyard expands and exports its wines around the world.

But imposing higher tax rates on larger companies discourages smaller businesses from expanding their operations out of fear that they’ll overstep the \$50 million threshold and face a much higher tax bill. The same is true of other taxes and regulations that come into effect at various thresholds.

Businesspeople of all stripes have rightly

resisted playing the politicians’ David and Goliath game because it is ultimately self-defeating. An attack on one segment of the economy ultimately is an attack on them all.

The Business Council is committed to working with the entire business community to see issues like supplier payment times resolved efficiently and cooperatively and without unnecessary intervention. We are also loud advocates for a fairer tax system.

Most Australian’s know that a thriving business sector – small, medium and large – is the best opportunity for Australian workers.

A cottage-industry economy would leave workers unprotected from the tumult of global change. There’s no use hiding from this change, and history will not be kind to countries that fail to think big and aim high.

The opening of our economy under successive Labor and Coalition governments unleashed our country’s energy and creativity, enabling real incomes per person to grow by three-quarters over the past 30 years.

Building on this achievement will require a collective effort from all businesses, and a relentless focus from government on providing the best environment for them to succeed.

**Jennifer Westacott is the CEO of the Business Council of Australia. ●**