

# Westpac Small Business Report.

Here to help small businesses  
operate with confidence.

In collaboration with **Deloitte**.



**200 years**  
proudly supporting Australia

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## About Westpac.

Westpac is Australia's first bank, and Australia's oldest company. For over 200 years Westpac has been supporting all Australians. We provide a broad range of banking and financial services, including consumer, business and institutional banking and wealth management services. Our Business Bank division is responsible for sales and service to micro, small-to-medium enterprises and commercial business customers in Australia. The division also provides specialist services for cash flow finance, trade finance, automotive and equipment finance, property finance, treasury and auto finance loans.

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## About Deloitte.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges.

Deloitte's approximately 244,000 professionals are committed to becoming the standard of excellence.

# Foreword.

**Westpac has been proudly backing small businesses since we opened our doors more than two centuries ago. We recognise the enormous contribution small businesses make to Australia's prosperity. It's thanks to small businesses like yours, that almost 5 million Australians have jobs and our economy is experiencing its 27th consecutive year of growth.**

In this edition of the Westpac Small Business Report, we heard your views about the upcoming federal election and identified the challenges you face around applying for grants.

While there's uncertainty around the election, Westpac is committed to giving you the confidence to do business successfully. I hope the tips and insights in this report from high performing businesses provide you with more confidence and tools to navigate through the uncertainty.

Many of you said you're feeling worried about the election and you're holding back until the outcome is known. The most successful businesses surveyed are continuing to act despite the uncertainty, by hiring staff and buying equipment, so I encourage you to keep moving forward.

We know there are a significant number of grants available, from government and corporates. However, it's clear we need to do a better job of making them accessible because almost 80% of you say the grants process is too difficult.

Simplifying the complexities around grants is something Westpac is looking to address by engaging with the government on ways to improve the process so businesses can receive the benefits.

We want to see more businesses prosper like our customer, Whole Kids, who received two government grants that helped their business grow (see more on page 16).

At Westpac we remain committed to helping make businesses stronger. To ensure more small businesses can continue to operate with confidence, we have an additional \$30 billion available to lend to this sector.

It's clear that more work needs to be done. Across the industry, government and community - we need to work together to address your concerns and ease the burdens you face.

Thank you for your tireless contribution to growing our economy.

Please send any feedback or suggestions on this report by emailing us at [westpacbusinessbanking@westpac.com.au](mailto:westpacbusinessbanking@westpac.com.au)

Regards,



**Ganesh Chandrasekhar**  
General Manager, SME Banking



# About the research.

## A snapshot of small business.

This report provides insight into how small businesses are performing and their views of the broader business environment. It is designed to help small businesses prosper and grow with information and tips from their high performing peers.

The research is based on a survey of 500 Australian small businesses from all industries, wider desktop research and consultations with successful small businesses conducted in January and February 2019.

The report had two focuses: an ongoing component that measures business performance and attitudes, both historically and looking forward; and a component dedicated to the upcoming federal election. The election module examines how businesses are feeling and intending to react around the election, which is likely to be held in May.

Overall, small businesses are experiencing fairly consistent results. In each category of performance (number of staff, revenue, number of customers etc.) most businesses have grown slightly or stayed the same over the last 12 months.

As part of the research, we analysed what the 50 small businesses with the highest profit rates<sup>1</sup> were doing to be successful.

**These 'successful businesses' have been defined by comparing the 50 most profitable businesses with the 50 least profitable businesses. We found that successful businesses are:**

- 1 Far more likely to be engaging in community actions** than other businesses – they are three times as likely to employ people from disadvantaged backgrounds, and twice as likely to volunteer.
- 2 More concerned about technology** – they are twice as likely to nominate changes in technology and innovation as the main factor in their performance than other businesses.
- 3 More engaged with government** – almost three in four successful businesses communicate their views to government, compared to 60% of other businesses.
- 4 More likely to earn income from government** – 44% of successful businesses have either received a grant or earned income through a government contract, compared to only 27% of other businesses.

To read the Westpac Small Business Report: Christmas Edition, please [download here](#)



Or visit: [www.westpac.com.au/smallbusinessreport](http://www.westpac.com.au/smallbusinessreport)

1. We define 'successful businesses' as the businesses in the sample that have the highest profit rates. However, we excluded businesses with annual revenue less than \$100,000 as they can have very high profit given the low base.

# Key findings.

## Small businesses are delaying decisions until after the federal election.

2/5

say their decision making is impacted by the upcoming federal election.

Almost twice as many businesses say they are delaying their decisions than bringing them forward.

50 per cent are worried or uncertain about the impact election policies will have on their operations.

20%

will delay buying equipment.

19%

will delay hiring staff.

The federal election is not the most important driver of business performance. The top drivers are:

- 1 Local economic conditions.
- 2 Global economic conditions.
- 3 Changes in technology and innovation.
- 4 Staff performance.
- 5 **The federal election.**

### What do the top 50 most successful businesses do?<sup>2</sup>

56%

say elections don't affect their timing for hiring staff.

58%

don't consider elections when buying equipment.

3/4

communicate their views to government.

56%

of small businesses say they don't have enough influence over how Australia is run.



### Government grants.

43% are unaware of a range of government grants, and 78% said that grants are too difficult to navigate.



### Top national policies.

- 1 Investing in health and hospitals.
- 2 Reducing personal taxation.
- 3 Reducing business taxation.

### Top business priorities.

- 1 Decreasing energy costs.
- 2 Reducing regulation and red tape.
- 3 More grants for small businesses.

### Growth.

62% of small businesses say that their income has stayed the same or grown.

But growth has moderated over the last quarter; when asked three months ago, 87% of businesses were in this category.

March 2019

62%

December 2018

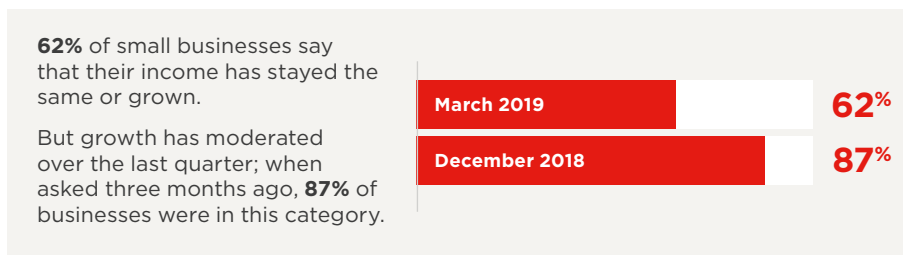
87%

2. We define 'successful businesses' as the businesses in the sample that have the highest profit rates. However, we excluded businesses with annual revenue less than \$100,000 as they can have very high profit given the low base.

# 1 Moderating growth.

**A new pulse check of conditions in the small and medium sized business sector shows moderating economic conditions across Australia is mirrored in the powerhouse that employs close to five million people.**

**Chart 1.1: Small businesses that reported growth on income.**



### Did you know?

Small businesses employ 44% of the Australian workforce – 4.8 million people.<sup>4</sup>

These moderating business conditions are evident across a range of indicators. While small businesses are trying to grow by acquiring new customers and offering more goods and services, sales income and the value from sales to customers overseas are weaker, and the number of people they employ has also weakened.<sup>3</sup>

Moderating economic conditions were felt relatively evenly across Australia’s 19 small business sectors. Traditional sectors such as agriculture, manufacturing and construction generally fared worse, while services sectors such as professional services, information technology and hospitality performed more strongly.

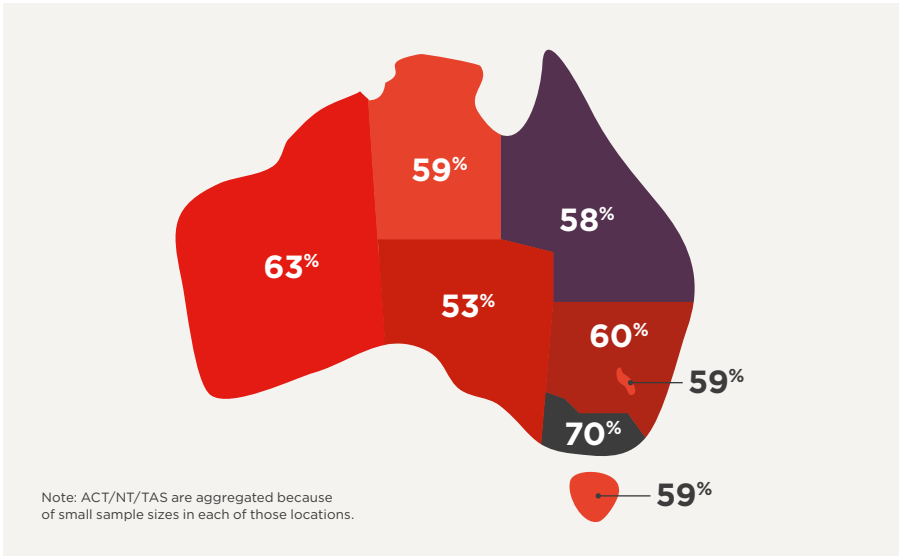
### Tip: For better or worse, uncertainty is the new norm.

However, there are always opportunities to grow, such as diversifying your operations to access new customers and new sources of revenue to future-proof your business. Consider how your product offering can be differentiated in the market to generate more profits by meeting the increasing needs of new customers, such as the environmentally or community conscious consumer.

3. We note a small methodological change in how some businesses are accounted for between editions of this research – whereas in the previous report, 0% change in outcome was its own category, it is simplified as part of a 0–9% growth category. This could have marginal impacts on comparability. Breaking down the numbers in other ways also points to a slowdown – the proportion of businesses experiencing reduced income has increased from 15% to 37%, while the proportion experiencing fast growth (10%+) has decreased from 31% to 25%.

4. Parliament of Australia (2018), Small business sector contribution to the Australian economy, [https://www.aph.gov.au/About\\_Parliament/ParliamentaryDepartments/Parliamentary\\_Library/pubs/rp/rp1819/SmallBusinessSector](https://www.aph.gov.au/About_Parliament/ParliamentaryDepartments/Parliamentary_Library/pubs/rp/rp1819/SmallBusinessSector)

Figure 1.2: Reported income growth across the Australian states.



Looking at conditions across Australia’s states and territories, slightly stronger conditions were recorded in Victoria, they were weaker in South Australia and Queensland. Elsewhere, New South Wales, Western Australia, Tasmania, the Australian Capital Territory and Northern Territory were close to the national average.

Looking ahead, conditions are expected to improve slightly. Where 62% of small businesses say they experienced the same or increased income from the sale of goods and services relative to 12 months ago, 67% say they expect to see the same or increased income over the next 12 months.

**This tepid outlook mirrors national economic forecasts. Most commentators have predicted continued economic growth, but at a slower pace, and the RBA has revised down its 2019 forecast from 3.5%<sup>5</sup> to 3%<sup>6</sup> due to a combination of a mini-credit crunch, the drought and falling rates of housing construction.**

For the average small business, it’s important to be vigilant about tougher conditions, but some perspective is also needed. **Many Australian economic indicators are actually quite healthy – so while a house price correction is occurring, the labour market is continuing to improve, via job gains and falling unemployment.**<sup>7</sup> Wage growth is also continuing to recover (albeit slowly), and businesses overall are set to gradually expand their capacity.<sup>8</sup> The strongest gains over 2019 are likely to be in health care and mining.<sup>9</sup>

Moreover small business owners are the masters of their own destinies. Around three in five survive their first five years, but two in five do not, coming unstuck for a variety of reasons. Management issues are a major factor in business failure, while economic conditions are far less so.<sup>10</sup>

**Tip: Don't rely on the market to drive your business.**

It's your actions and your decisions that are key to your performance and success.

5. Reserve Bank of Australia (2018), Statement on monetary policy – November 2018: overview, <https://www.rba.gov.au/publications/smp/2018/nov/overview.html>  
 6. Reserve Bank of Australia (2019), Statement on monetary policy – February 2019: overview, <https://www.rba.gov.au/publications/smp/2019/feb/overview.html>  
 7. Reserve Bank of Australia (2019) Statement on monetary policy: overview, <https://www.rba.gov.au/publications/smp/2019/feb/overview.html>  
 8. Deloitte Business Outlook, Q4 2018.  
 9. Deloitte Business Outlook, Q4 2018.  
 10. Nicholls, S., and Orsmond, D. (2015), The Economic Trends, Challenges and Behaviour of Small Businesses in Australia, <http://www.rba.gov.au/publications/confs/2015/nicholls-orsmond.html>

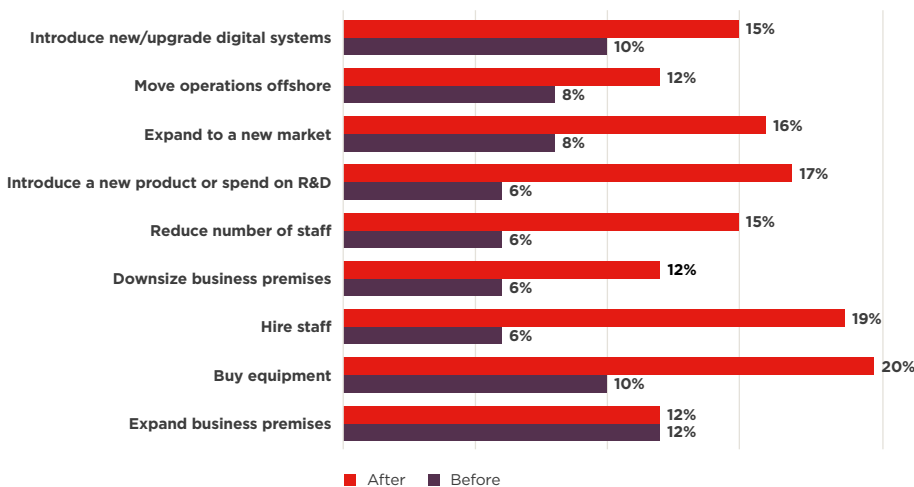
## 2 The election waiting game.

**When asked about the federal election, 50 per cent of small businesses are worried or uncertain about the impact election policies will have on their operations. This might be due to uncertainty or concern over the election outcomes, or that the major parties are yet to fully unveil their election platforms and promises. And even when policies are announced, their full impact remains unclear.**

Furthermore, on average, two in every five small businesses say federal elections impact the timing of critical business decisions, like staffing, investment and expanding premises.

Of those that say an election impacts their decisions, almost twice as many say they are delaying decisions until after the election, rather than bringing them forward (Chart 2.1). For instance, 20% of small businesses say they will delay buying equipment, compared to 10% who say they will bring any purchases forward.

**Chart 2.1: Proportion of businesses delaying decisions until after the election**



Source: Deloitte Access Economics based on data from Dynata. n = 514 (2019)  
 Note: Businesses not shown on the chart either said their decisions were not affected by the election, they would not normally do this, or they were unsure.

**This delay can have significant impacts on the economy. An estimated 40% of new jobs in the economy are created by small businesses,<sup>11</sup> equivalent to 107,000 jobs in 2017-18,<sup>12</sup> so 19% of small businesses delaying staffing decisions could stunt job growth.** Similarly, small businesses invest an average of around \$530 million each month,<sup>13</sup> so if the net effect of the election was to delay some proportion of small business investment by two months, overall investment levels could decline for that period.

**Did you know?**

The most successful businesses are less likely to say their decision-making is affected by elections. 56% of this group say elections don't affect their timing for hiring staff, compared to just 41% of other businesses. And 58% don't consider elections when buying equipment compared to 40% of other businesses.

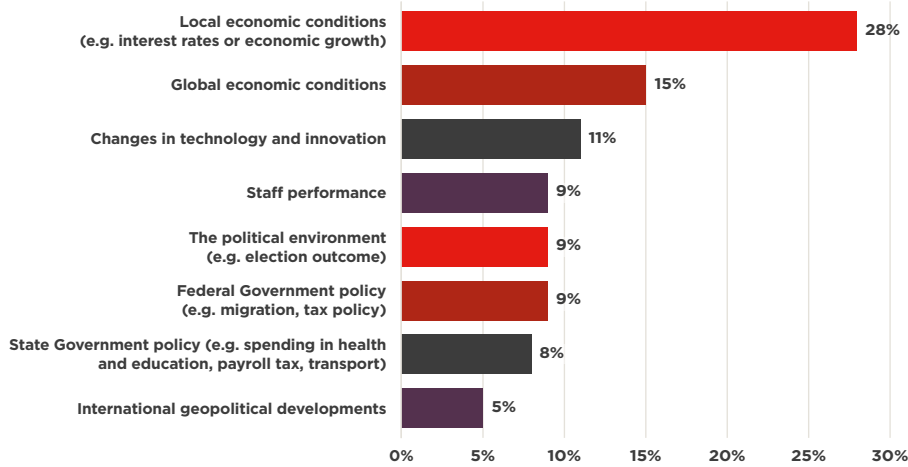
11. Australian Government (2016), Small Business Counts – Small Business in the Australian economy, [https://www.asbfeo.gov.au/sites/default/files/Small\\_Business\\_Statistical\\_Report-Final.pdf](https://www.asbfeo.gov.au/sites/default/files/Small_Business_Statistical_Report-Final.pdf)  
 12. ABS (2019), 6202.0 – Labour Force, Australia, Jan 2019, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Jan%202019?OpenDocument>  
 13. ABS (2017), 5625.0 – Private New Capital Expenditure and Expected Expenditure, Australia, May 2017, <http://www.abs.gov.au/ausstats/abs@.nsf/O/C663DEB965257495CA257679000FA4A6?OpenDocument>



A common sentiment around any election time is that businesses are affected. This is partly about how specific policies will affect the ability of businesses to operate, innovate and grow, but also the uncertainty caused by potential transfers of power from one of the major parties to the other, or even the prospect of minority government.

But how important are elections to small business? Overall, their impact would appear to be modest. The political environment is considered a driver of business success by around one in 10 small businesses, and policy settings at the federal and state levels are also considered important by some. But they rank lower than other drivers such as economic conditions, which are themselves less important than business attributes in driving performance.

**Chart 2.2: Main drivers of business performance.**



Source: Deloitte Access Economics based on data from Dynata. n = 514 (2019)  
 Note: Businesses were asked to rank as many options as applicable, this chart presents the top ranked response only.

**Did you know?**

Successful businesses are more concerned about technology. They are twice as likely to nominate changes in technology and innovation as the main factor in their performance than other businesses.

**Tip: Keep up with digital trends to stay competitive.**

Highly digitalised small businesses are more likely to be growing in revenue than those with only basic digital engagement. If you don't already have online, mobile and social channels to engage with customers, look at implementing this.

Case study #1.

# Variety

With Steve Wakerley and Ian Allan.



Variety Heart Scholarship kid, Eithen Leard, an up and coming wheelchair basket baller and future Paralympian.

**Variety – the Children’s Charity of Queensland is a leading not-for-profit organisation that supports children and families facing challenges through sickness, disadvantage or disability. Steve Wakerley, CEO, says “Variety’s board, staff and supporters alike believe that ALL kids deserve a fair go, no matter what challenges they have been thrown in life.”**

Variety offers a range of support to children, including grants of equipment (such as specialised wheelchairs, walking frames and communication devices), accessible transport (Variety Sunshine Coaches for special schools), scholarships for kids with a talent in the arts, education, or sport, and amazing experiences for kids with special needs.

Over the past year, Variety has experienced significant growth, as a result of becoming more focused as an organisation. “In the last 12 months, we grew our revenue by 25%, or nearly \$1 million, which led to a 20% increase in the support we could give to kids. We attribute this growth to a change in our business model. We were too focused on what we do and how we do it, instead of why we do it. We started to talk about our “why” and our values. **Being laser-focused on giving all kids a fair go meant that we could let go of underperforming fundraising programs that weren’t having impact.** We streamlined our fundraising events to focus on those with the most potential. And we started to build the foundation for diversifying our income so that we have a sustainable business model.”

**The other major driver of success has been a greater focus on investing in people.** “We have implemented KPIs, performance reviews and personalised professional development plans. We also changed our approach to hiring. Instead of just looking for someone to fill a gap as it arises, we look for people who are a good cultural fit.”

“Our team has worked hard to be more purpose-driven in everything we do.” Ian Allan, Finance and Corporate Services Manager, commented on the importance of investing in people. “We were able to restructure and are now able to evolve easily depending on the people we meet and how they strategically fit within our organisation.”

A key challenge for an organisation in the crowded not-for-profit space is standing out, and for Variety that means keeping up with technology. Wakerley notes “We have been trying to keep up with technology, in particular reacting to how the internet, social media and smart phones have changed donation behaviour and communications. The younger staff have been particularly helpful around ideas about social media and websites. We even have a fortnightly meeting where we look at another charity’s website or fundraising campaign and then discuss and learn from its features.”

Variety faces a significant compliance burden. Wakerley says that **“governance and compliance is of course our highest priority, so with all the red-tape that exists around charities and fundraising, it takes**

**up a huge amount of resources.** But there are inconsistencies in legislation and reporting requirements among different states, and complying across multiple jurisdictions results in an ineffective use of our human resources for this purpose.”

Nevertheless, Variety’s adaptability has allowed it to thrive, no matter the environment. Wakerley and Allan are optimistic about the future of Variety and its ability to meet the needs of kids. “The NDIS is changing the way we help kids. Some of the support we’ve historically offered – like providing equipment – is not needed as much anymore. It means we can start to create an impact in new areas that might have been neglected. It is very important for Variety to stay innovative and relevant and we are especially enjoying developing new ways to help and impact upon kids in the future.”

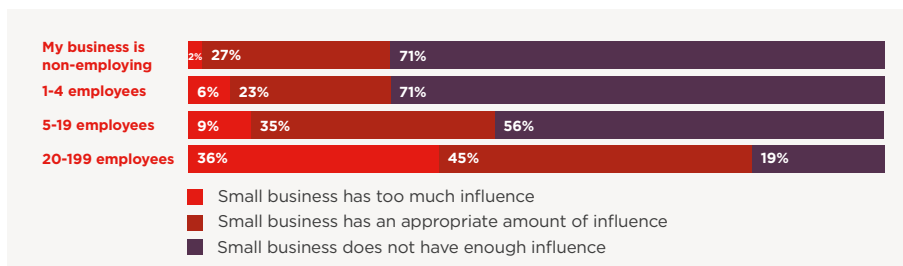
### Tips for small businesses

- Explore different revenue streams and diversify if possible, but also focus on what you know you can deliver well, and grow this.
- Make every decision and action about your “Why”.
- Invest in human capital and the organisation’s culture.
- Keep up with digital trends to stay competitive.

# 3 Having a voice.

**More than half (56%) of small businesses and 71% of micro businesses (those with fewer than five employees) say they don't have enough influence over how Australia is run.**

**Figure 3.1: Views of small businesses about their level of influence over Australian policy.**

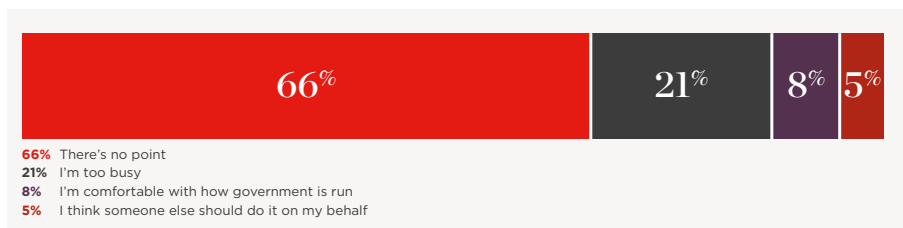


Source: Deloitte Access Economics based on data from Dynata. n = 514 (2019)

In part, this might be because two in five small businesses don't communicate with government. For those that do, the most common way is by directly contacting a local member of parliament (29% of businesses), being part of an industry body (23%) and participating in industry forums (22%).

The majority of businesses (66%) that don't communicate say there is no point. And 65% of small businesses don't think their MP has a good understanding of the issues they face.

**Figure 3.2: Reason for not communicating with government.**



Source: Deloitte Access Economics based on data from Dynata. n = 514 (2019)

This attitude has the unfortunate effect of a vicious circle - if businesses don't communicate their thinking and needs, government can't be expected to always understand and respond accordingly.

**Tip: Any election time presents a great opportunity to have your views heard.**

Take a moment to formulate and communicate your views, needs and pain points. This can be as quick and simple as an email to your local MP. Alternatively, industry bodies that represent small business can be a great way of getting your voice heard.

**Did you know?**

Small and medium businesses are responsible for over 53% of gross value added<sup>14</sup> and over 67% of employment<sup>15</sup> in the Australian economy.

**Did you know?**

Successful businesses are more engaged with government. Almost three in four communicate their views to government, compared to 60 per cent of other businesses.

14. ABS (2018), 8155.0 - Australian Industry 2016-17, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8155.0Main+Features12016-17?OpenDocument> and ABS (2018), 5201.0 - Australian System of National Accounts 2017-18, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5204.0>  
 15. ABS (2018), 8155.0 - Australian Industry 2016-17, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8155.0Main+Features12016-17?OpenDocument> and ABS (2019), 6202.0 - Labour Force, Australia, Dec 2018, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

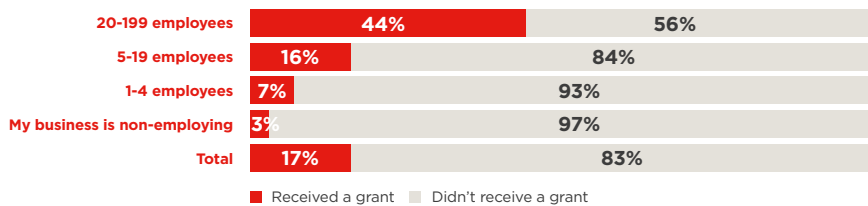
# 4 A fair slice of grants.

**Many small businesses aren't aware of what grants they're eligible for – over two in five (43%) are unaware of a range of grants, and are missing out on the possibility of government financial assistance.**

Many small businesses also struggle to understand and apply for grants. Around one third (35%) know about grants, but aren't sure if their business is eligible. And over three quarters (78%) say that it is hard to navigate through the grants application process. More than half (55%) of regional businesses are comfortable with finding information and navigating the grants process, compared to 38% of businesses in metropolitan areas.

Yet small businesses clearly think grants are important. Survey respondents ranked grants for small businesses as the third most beneficial government policy for them, so more work needs to be done to bridge the knowledge gap.

**Figure 4.1: Proportion of survey respondents who have received a grant from the Government.**



Source: Deloitte Access Economics based on data from Dynata. n = 514 (2019)

One way government supports business is through grants – one database alone tracks over 3,000 grant scheme across Australia, provided to a range of recipients from not-for-profits to researchers and businesses. By some estimates, grants represent around one fifth of state and Federal Government expenditure.<sup>16</sup>

Significant support via grants is available for businesses. **While the federal Department of Jobs and Small Business spent close to \$100 million on grants in the 2017-18 financial year alone,<sup>17</sup> only 17% of small business survey respondents received a government grant.**

Working with government can be a good way to grow your business, and one in five successful businesses received a grant. They are also more likely to be earning revenue indirectly from government through, for example, a government contract. Just over 10% of successful small businesses earn revenue this way, compared to only 7% of other businesses.

**Tip:** It can be easy to get caught up in the day-to-day management of sales, cash flow, and making ends meet. But taking advantage of all the opportunities available to you, including government grants, can help your business to thrive. **You might be eligible for more than you think. Check out the Federal Government's grants portal to see what's on offer at [www.business.gov.au/assistance/search](http://www.business.gov.au/assistance/search)**

If you find the process daunting, try connecting with other business owners/managers in your industry who have used grants before, and ask about their views and experiences. Or consider whether it might be worth bringing in an expert to help.

**Did you know?**

The research and development (R&D) tax incentive is available for businesses with revenues below \$20 million. It offers a 43.5% refundable tax benefit for R&D spend. It is worth approximately \$3 billion annually, but less than one quarter of survey respondents know it exists.

**Westpac's contribution.**

Westpac has a number of grants available, including our **Businesses of Tomorrow program**, which recognises the businesses shaping Australia's future, and **Westpac Foundation's Social Scale-up Grants** for social enterprises that are creating employment pathways for vulnerable Australians.

16. Innovation Lab (2017), Grants in Australia, <https://www.ourcommunity.com.au/files/aigm/GrantsInAustralia2017.pdf>  
 17. Commonwealth of Australia (2018) Portfolio Budget Statements 2017-18: Jobs and Small Business Portfolio Additional Estimates Statements (PAES) 2017-18

Case study #2.

# Vescient.

Working with the government.

Rod Greedy and business partner Dale Whelan.

**Vescient provides a range of business consulting services to both domestic and international clients.**

The Perth-based business started three years ago by Rod Greedy and his business partner Dale Whelan, and has been growing quickly. Vescient now has multiple offices across Australia, and annual revenue has grown to almost \$2 million since the first year of operation.

**Rod Greedy puts the success of the business down to two factors: staff, and knowing the environment.** “Even as a start-up, we knew our long term vision for the business was to be an Australian owned, multinational professional services company. So we make sure we select people with the right ethical values, a classless sense of family, paired with technical knowledge and business acumen at the leadership level. **Establishing strong ethical and family culture from the outset enables our leaders to guide the rest of the team to always act in the best interest of our clients as we continue to grow.**”

But it’s not enough to have good people, Greedy notes knowing the regulatory environment is essential for a strong business. “You have to be across legislation, governance, and liability, and you have to know what the community expects of you. If you’ve got those basics, you can clear most other hurdles.”

And while Vescient works with government a lot, Greedy warns against small businesses investing too

much time up front in government as a client. “Dale and I are both ex-Defence Force, and having knowledge around the processes, the mechanisms, even the languages used, has been a big advantage. Even so, it took us two years to crack in to the government market. While it’s good to get the process of working with government started, small businesses need to make sure they also work in the private sector, at least at first, to secure some cash flow.”

Greedy sees significant room for improvement in the way small businesses and government interact. In fact, he sees the connection as a transaction, rather than a relationship. “It’s essential those transactions are turned into a relationship. **Small businesses are like plants: they start as seeds, and if they are given everything they need, they grow and get big and contribute to economic growth.** But if they aren’t given the support they need (e.g. from government), they are stunted, or even die.”

But he notes the way forward for government is not easy. “Obviously there are a lot of small businesses, and there are only so many resources government can dedicate to building that relationship. Even still, the system is too bureaucratic at the moment. **I think a good place to start would be having a place that provides better information on government procurement processes. Right now, small businesses either have to figure it out (which many don’t have the confidence to do), or give up – and that is not a win for anyone.**”

**Greedy’s tips for other small businesses are:**

1. Use your wider network when you get stuck – our bank manager has been a key part of our internal team, and other business peers provide valuable free insight.
2. Working with government is all about networks, while they won’t get you the work, they will get you the opportunity to compete.
3. Be realistic in what you are capable of doing, and don’t waste time tendering for jobs that are aspirational.
4. Tendering is a valuable skill to learn, and government will provide you feedback on your tenders. So tendering for government work will teach you how to get better at winning work.

# 5 Community minded.

Two in three small businesses engage with their communities in some way, with the most popular actions being purchasing business inputs locally, reducing reliance on natural resources, and donating to charities.

Chart 5.1: Percentage of businesses involved in community action.



Source: Deloitte Access Economics based on data from Dynata. n=514 (2019)  
 Note: Businesses were asked to select as many options as applicable.

Older businesses are more likely to be invested in their communities. A third of businesses more than 20 years old buy local inputs compared to 14% of businesses less than three years old, and 24% of established businesses sponsor local community groups, compared to 7% of younger businesses.

For some businesses, community impact is at the heart of everything they do, and previous research suggests around 7% of Australian businesses are established primarily to achieve a social goal.<sup>18</sup>

But even for those whose business wasn't established for a social purpose, community impact still matters. In fact, four in five businesses think giving back is important to their customers and shareholders, and around three quarters think it is important to their employees.

From a business perspective, the customer preference for community conscious businesses could generate more profits if it leads to a sufficiently bigger and more loyal customer base.

Depending on how you choose to contribute, you could also be differentiating your product from others in the market. Recent research by Roy Morgan, for example, revealed approximately 90% of consumers aged 14 and over are more likely to buy locally made products.<sup>19</sup>

**Tip: Does your engagement in your community reflect the preferences of your customers?**

If it doesn't, think about where you might be able to do more. It might be a good way for you to differentiate your products, and your business. If it does, think about how you can communicate what you are doing so that your customers understand your commitment and the value that you provide.

**Did you know?**

Successful businesses are more likely to engage in social actions, are three times as likely to employ people from disadvantaged backgrounds, twice as likely to volunteer, and one-and-a-half times as likely to source materials ethically and donate to registered charities.

**Did you know?**

66% of global consumers say they are willing to pay a higher price for brands they see as being more environmentally conscious.

- 2015 Nielsen Global Corporate Sustainability Report

18. Chartered Accountants Australia and New Zealand, 2018, The future of business.

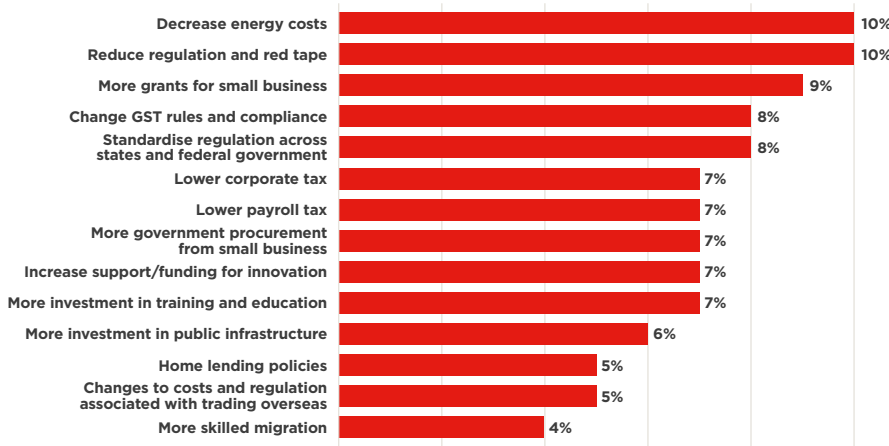
19. Roy Morgan Single Source (Australia), Oct. 2013 - Sep. 2014 (n=16,176) and Oct. 2017 - Sep. 2018

# 6 Policy priorities.

**By international standards, Australia provides a conducive environment for businesses, big and small, to succeed. But there are opportunities for government to do better. For instance, New Zealand is ranked 1st globally as the best place to start a business, register property and get credit.**

When asked about potential policy changes, small businesses across all industries say the most helpful things government could do for them is decrease energy costs and reduce regulation and red tape.

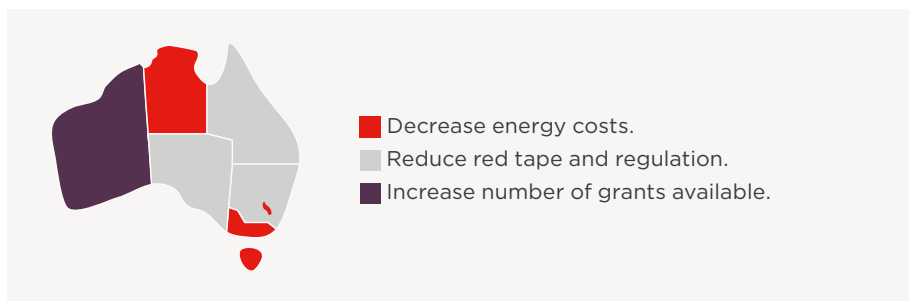
**Chart 6.1: Policy changes that would be beneficial for small businesses.**



Source: Deloitte Access Economics based on data from Dynata. n=514 (2019)  
 Note: Businesses were asked to rank as many options as applicable, this chart presents weighted responses.

And given recent heatwaves and policy discussions, it is unsurprising businesses in Victoria were most likely to rank energy costs as their biggest concern.

**Figure 6.2: Top policy priority, by state.**



Source: Deloitte Access Economics based on data from Dynata. n=514 (2019)  
 Note: Businesses in ACT, Tasmania and Northern Territory have been analysed together because of low sample sizes.

**Did you know?**

The World Bank ranks Australia as among the top 20 countries in the world for 'ease of doing business'.<sup>20</sup> Our strong points are enforcing contracts and starting a business, but we rank more poorly on the trading across borders and protecting minority investors measures.

**Westpac's contribution.**

Westpac is committing resources to help these broader priorities. For example, our \$100m drought relief fund is supporting drought-affected farmers and agribusinesses, and \$50m has been committed to help farmers in North Queensland affected by recent floods.

20. The World Bank (2018), Rankings and Ease of Doing Business Score, <http://www.doingbusiness.org/en/rankings>

**More government support needed.**

Businesses generally consume more energy than households and pay a higher price for their power. The average annual electricity cost for small businesses ranges from \$1,900 (for sole traders) to \$7,500 (for those with 5-19 employees).<sup>21</sup> By comparison, small businesses in the United Kingdom pay between AUD\$1,800 and AUD\$3,700.<sup>22</sup>

Compared to big business, small businesses are less confident in dealing with their power bills. Only 17% have looked to switch providers, and most have not passed on cost increases to their customers.<sup>23</sup>

With energy a major concern, the ACCC has recommended a package of changes to help businesses through lower prices, including changes to the standing offer and advertising of discounts, and government funding for small business organisations to provide tailored retail electricity market advice.<sup>24</sup> Work is underway to implement some of these changes.

**According to a survey of over 200 Westpac small businesses customers, the top three policies businesses would like to see changed are small business tax cuts, regulation and red tape, and energy.**

When asked about the types of regulation and red tape they would like to see removed, GST and tax compliance, payroll taxes and compliance, and work health and safety requirements were the top three.

The red tape problem is well documented – in the last edition of this research, we found the average small business spends 12 person-hours on regulation compliance every week.

**The impacts, not to mention the dollars, can quickly add up, and the annual cost of businesses complying with government regulation is estimated to be \$100 billion.**<sup>25</sup>

Of course, much regulation is necessary to protect and support small business (the World Bank ranks Australia fifth globally when it comes to having enforceable contracts).<sup>26</sup> And government is working to reduce the cost of compliance for business. For example, in the three years to December 2016, the Federal Government repealed regulation that is expected to reduce the compliance burden by \$5.8 billion per year once fully implemented.<sup>27</sup>

**Small businesses also believe the Government should focus on a broader national agenda. In fact, small businesses in our survey overall thought that the Government should prioritise spending on health and hospitals.**

Other societal initiatives such as housing affordability, drought relief, and environmental conservation all ranked as more important overall than financial support for businesses.

Even when asked specifically in the area of tax, businesses rank personal tax cuts above corporate tax cuts. This might be in part because unincorporated small businesses don't benefit from lower corporate taxes.

Of course, the issues highlighted in the chart above also affect businesses as well. It is possible that small businesses see issues such as health, infrastructure and housing affordability as issues that affect their workforce and thus their productivity at work.

**Tip: When was the last time you reviewed your energy costs?**

It's worth re-evaluating annually to check whether you are getting the best deal. **Comparison sites - like the Federal Government's Energy Made Easy initiative<sup>28</sup> - can help.**

**Do you know what's driving your energy consumption?** Most utility companies offer free energy audits, which can help you determine where the costs are, and allow you to make better informed choices.

21. AEMC (2018), Small businesses struggle to deal with energy retailers, <https://www.datocms-assets.com/5684/1528863961-2018-retail-energy-competition-review-small-and-medium-businessesmedia-releasefinal.pdf>  
 22. Business Energy (2019), Average Electricity Prices by Business Type, <https://www.businessenergy.com/business-electricity/>  
 23. AEMC (2018), Small businesses struggle to deal with energy retailers, <https://www.datocms-assets.com/5684/1528863961-2018-retail-energy-competition-review-small-and-medium-businessesmedia-releasefinal.pdf>  
 24. ACCC (2018), Retail Electricity Pricing Inquiry—Final Report, [https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018\\_Exec%20summary.pdf](https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_Exec%20summary.pdf)  
 25. Deloitte Access Economics. (2014). Building the Lucky Country #4. Note: Figure has been updated to 2018 dollars.  
 26. The World Bank (2018), Rankings and Ease of Doing Business Score, <http://www.doingbusiness.org/en/rankings>  
 27. Australian Government (2018), Deregulation Agenda, <https://www.jobs.gov.au/deregulation-agenda>  
 28. Found here: <https://www.energymadeeasy.gov.au/>

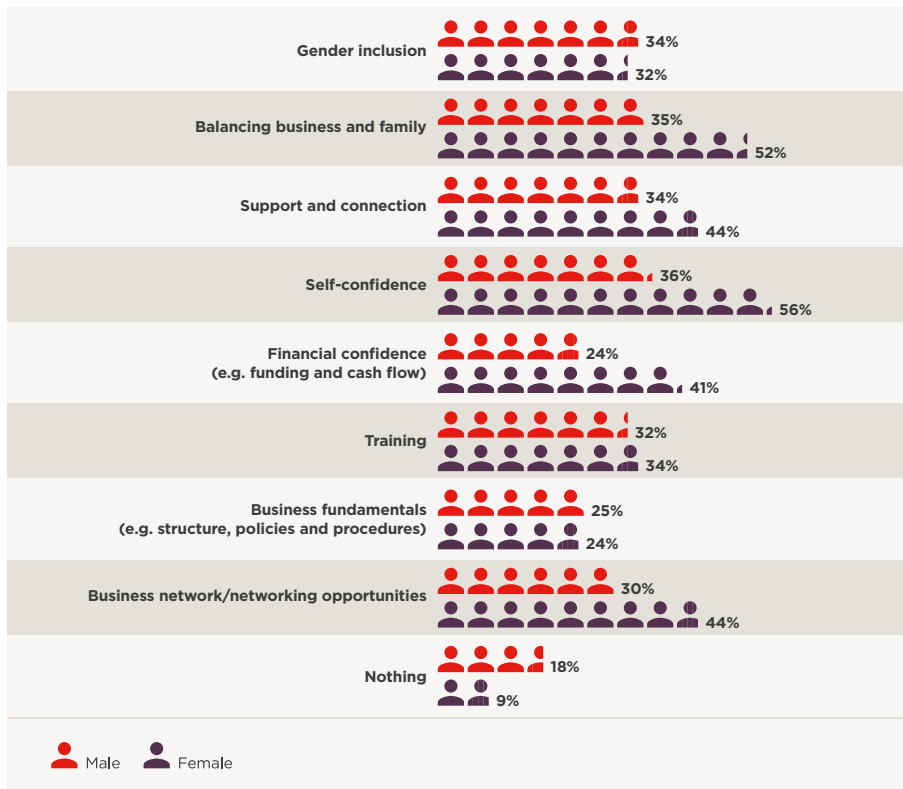


# 7 Supporting female entrepreneurs.

The number of women who have started their own business has grown rapidly, increasing 7.6% in the last decade – meaning today there are more than half a million female owner-managers.<sup>29</sup>

However, there is still clearly a gap. Small business respondents think female entrepreneurs need support across a range of areas to help ensure their success.

**Chart 7.1: Support that respondents think female entrepreneurs need to ensure their success, by gender.**



Source: Deloitte Access Economics based on data from Dynata. n=514 (2019)  
 Note: Businesses were asked to rank as many options as applicable.

Successful businesses are more likely to have a diversity and inclusion strategy than other businesses (34% compared to 21%). Interestingly, though, male business owners were much more likely to have a diversity and inclusion strategy (20%) than their female counterparts (9%). This might be a result of different business sizes, or female owners may think they do not need a formal strategy if women are already well-represented in the business.

**Did you know?**

One third of all business owner managers in Australia are women.<sup>30</sup>

**Did you know?**

The Federal Government supports a range of initiatives to help increase the number of small businesses run by women. The *Boosting Female Founders Initiative*, which assists female entrepreneurs to access domestic and global markets, is an example.<sup>31</sup> But there is more work to do. **If Australia could increase the number of women running businesses to be on par with the number of men, there would be an additional 380,000 small businesses.**<sup>32</sup>

29. ABS 2071.0, Census of Population and Housing. Note that figures refer to growth between 2006 and 2016.  
 30. ABS 2071.0, Census of Population and Housing. Note that figures refer to growth between 2006 and 2016.  
 31. Minister for Industry, Science and Technology (2018), Boosting female founders to go global, <https://www.minister.industry.gov.au/ministers/karenandrews/media-releases/boosting-female-founders-go-global>.  
 32. DAE calculation based on ABS data on number of small businesses.

Case study #3.

# Whole Kids

## Profit with purpose



**Whole Kids is an Australian-owned organic food company created by Monica and James Meldrum. The business launched their first organic snacks for children in 2005. Since then, Whole Kids has grown to offer the largest range of award-winning organic snacks for kids in Australia.**

Whole Kids was founded on the belief that business can have a greater impact on the world and affect positive social change. The husband and wife team had different experiences that both led them to believe they could create a business that did more than sell a product for a profit. **Monica Meldrum decided that, “Instead of joining a not-for-profit, I thought that through starting a small business with purpose, I would be able to contribute to the health of Australian kids, as well as have a broader impact by affecting real change globally.”**

Having a strong sense of purpose has been at the core of Whole Kids during its growth and development. They live their purpose to “create happy, healthy lives for kids”. This goes beyond just the snacks they produce; they use Whole Kids to stand up and campaign on important social issues and fund community and environmental projects for children in Australia and around the world.

Being purpose driven is a key factor in how Whole Kids has grown, and succeeded in building their loyal ‘tribe’ of customers. According to Meldrum, “Our customers are a powerful force for change; they really care about the story behind a product. And when they buy, they are effectively casting their vote for a better world.”

Relationships are key to Whole Kids, not just with customers, but with other stakeholders. “We have worked very closely with our suppliers (including

small family farms), retailers and our customers, each of who are committed to our vision”.

As one of the founding members of B Corporation in Australia, Whole Kids is independently assessed against a set of comprehensive standards for social and environmental performance, ethical behaviour, accountability and transparency. “From standing up and campaigning on important issues affecting children’s health, wellbeing and their environment to sourcing ethically and sustainably produced ingredients, we strive to make meaningful, positive impact in everything we do,” says Meldrum.

This year its measurable social impact saw Whole Kids reach their goal of providing 500,000 nutritious breakfasts to school children in Cambodia.

Today, the business employs 12 people, has a turnover of \$6 million and is on a trajectory to double revenue within the next 12 months. Many factors have contributed to Whole Kids’ exponential growth, including having a strong vision and purpose, a close relationship with customers and stakeholders, being able to innovate effectively and having the right people in place to see this through.

**To have enough time and capacity to strategise and innovate in a small business, it’s important to empower your staff, and take the time to step back.** “It’s easy to be so engrossed in the details that you don’t have time to think about the big picture. Especially in a growing business, it is important to know when the time is to step up, step out and lead. It is very important to create an environment that gives our team the freedom and flexibility to take on responsibility and make more decisions.”

Meldrum is proud of Whole Kids’ role in competing with large food

manufacturers. **“Being a small business that is nimble and lean has allowed us to move with speed; we are able to execute strategies in one third of the time that it could take a big corporation.”**

Access to funding is important to help small businesses compete with large, and there is assistance available.

“The growth stage of our business has been partially driven by the launch of new product innovations and exploring new markets which have been grant funded. **We received the New Product Development Grant and a matched Market Export Development Grant which allows us to work with specialised resources providing opportunities that may not have been otherwise possible given the size of our business.”**

Meldrum ultimately sees her business as an important way to leave a positive legacy. “I believe that by engaging with children in their formative years and enabling them to become agents for change, we can create a positive impact for their future. At the end of the day when my children grow up and hold me to account, I can look them in the eye and honestly say that I have done everything in my power to make the world a better place.”

### Tips for small businesses

- 1 Make sure your systems and processes are fit for purpose; revisit them regularly as your business changes.
- 2 Empower your people! As your business grows, give your team the ability, freedom and flexibility to make decisions.
- 3 Have a strong vision and purpose, beyond just the commercial. It will inspire your customers, suppliers and staff.



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