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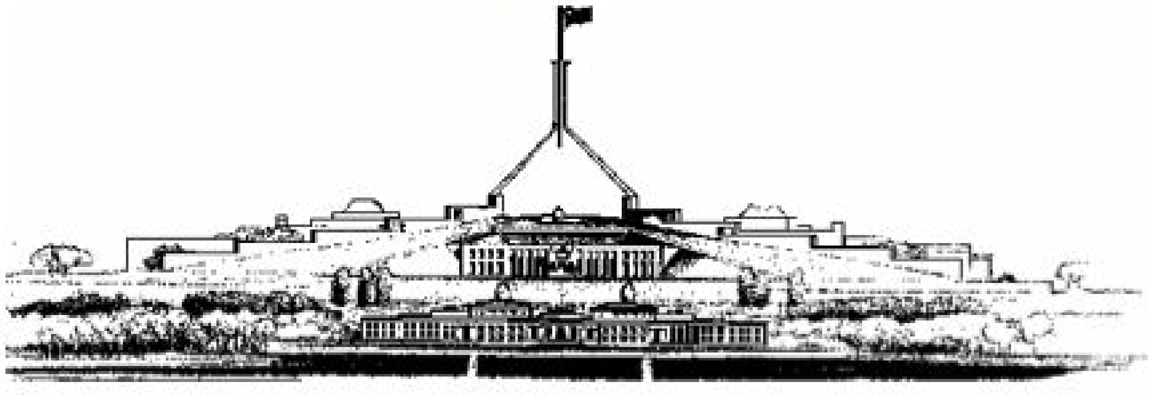

THE SENATE

PROOF

ADJOURNMENT

Family Business Sector

SPEECH

Tuesday, 27 October 2009

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Questioner		**Responder**	
Speaker	Boyce, Sen Sue	**Question No.**	

Senator BOYCE (Queensland) (7.06 pm)—Tonight I would like to speak to the Senate on the issue of family business in Australia. It is a sector to which we do not give sufficient consideration. Family businesses account for 67 per cent of the private business sector in Australia and employ more than half the country's workforce. They make up the majority of the 1.9 million business owners that the ABS identified in Australia last year. In my home state of Queensland, the top 400 private companies, many family-owned, boast a combined turnover of $12.8 billion and employ 40,000 people. These companies were identified by the 2008 *Queensland Business Review* survey of private companies. And, globally, family businesses make up 80 per cent of all businesses.

So, whilst we here contend with policy and legislative issues such as climate change, industrial relations, financial products and services, access to credit, and, of course, tax in all its forms, why isn't the term 'family business' constantly on our lips? Firstly because, like so many others, we confuse family business with micro and small business. Even the Australian Institute of Company Directors, in a recent editorial outlining their support for SMEs, went on to talk about 'small' family business. I imagine that many senators think of the local corner store, the newsagent or the neighbourhood mechanic when they think of family business, so we wrongly assume that by addressing the needs of small business we are also meeting the needs of family business.

The ABS and the ATO distinguish four categories of business size: microbusinesses, with fewer than five employees; small businesses, with 20 or less; medium businesses, with between 21 and 200 employees; and large businesses, with 200 staff or more. The majority of family firms are in the small to medium category—but not all of them. A significant number are large businesses. But we persist, as Pitcher Partners have pointed out, in assuming that all non-listed entities are SMEs. It is just not true. In fact, Pitcher Partners said they believed that 'SME' is one of the most misused terms in financial reporting circles across the globe. For example, the top private company in Queensland in 2008 was Teys Brothers, a family-owned meat processing company, with 2,718 staff. That is not a small business in anyone's terms.

The *Survey of Family Businesses 2009* published recently by KPMG and Family Business Australia further demonstrates that family business is not all small business. True, of the 613 Australian family businesses surveyed, the largest percentage, 36 per cent, had an annual turnover of between $1 million and $5 million. But four per cent had a turnover of between $50 and $100 million. Another three per cent had a turnover of between $100 million and $200 million. And another three per cent had a turnover of more than $200 million. That is 10 per cent of family businesses in Australia turning over more than $50 million a year.

So the first reason we do not hear the needs of family businesses frequently discussed in here is that we do not realise how big they are. The second and related reason is that not a lot of research, which would underpin policymaking, has been done on family businesses, and until recently that suited the owners of these businesses just fine. They are not called private companies for nothing.

In the past 15 or so years, advocacy organisations such as the family business association and academic groups such as the Australian Centre for Family Business at Bond University have begun teasing out the many issues that distinguish family business from other business, listed and unlisted. And with this growing academic interest has come a growing, and overdue, legitimacy for family business as a discrete sector.

But as Professor Ken Moores and Dr Justin Craig from Bond University pointed out earlier this year, interpreting these research results to influence public policy is still very much in its infancy. And one of the reasons that this research is still in its infancy is the lack of information about the family business sector from the Australian Bureau of Statistics. I would have liked to tell the Senate today exactly how many Australian companies are family businesses, what their aggregated turnover is and how many staff they employ, but those figures are simply not available because the ABS does not collect all the data. Professor Moores and Dr Craig point out that the lack of quantitative data and strong theoretical research foundations have constrained the family business sector in its representations to decision makers. However, this weakness is now being overcome and as policymakers we must start to listen to the continuum of family businesses—small, medium and large.

Family businesses have some problems in common. Separating the family from the business, sibling rivalry and succession planning are just a few of them. But family businesses have many common strengths, including conservative borrowing patterns, flexible planning and structures, inbuilt experience and resilience. So, somewhat paradoxically, the third reason that we do not often talk of family business in this place is their quietly spectacular success as business entities. But this is the very reason we must listen. In the current economic climate, we ignore the lessons from successful business to our own detriment.

Big and small, family businesses generally outperform their non-family counterparts on a variety of measures. According to the 2009 KPMG survey, family businesses accumulate and preserve business assets and wealth in a different manner from their non-family counterparts. The family business model—a conservative approach with a long-term focus—is ideally suited to weathering economic downturns. In fact, the most important distinction between family business and other business is the notion of 'patient capital'. Family businesses are not just about the short term, the quick buck, or fiddling with the share price to look good on June 30. Seventy-one per cent of the family businesses surveyed said the current downturn had had no impact, or only a small impact, on their business. More than half had not decreased staff and two-thirds had not experienced any changes to their terms of credit from banks and other financiers. Surprisingly, 25 per cent said that they were paying lower interest rates than a year ago.

But when it came to the Rudd government's economic stimulus package, family businesses were less than impressed with this knee-jerk spending. Forty-four per cent thought the package would be positive short term, with 56 per cent neutral or negative. Long term—that is, looking five years out, as this group is wont to do—91 per cent of this group who actually understand economic conservatism think the results of Labor's stimulus package will be neutral or negative. One retail business in a focus group identified the distortion inherent in the stimulus spending: 'It throws into serious question what we do with our budget for the next autumn and winter because it has been a total distortion.' This company is now budgeting on 85 per cent of 2009 sales in 2010.

There was one issue on which family businesses agreed with all other business—the stultifying effect of state imposed payroll tax on employment. Thirty-five per cent said they would hire at least one extra full-time employee if payroll tax was abolished.

So, in summary, as the KPMG survey notes:

> It is no exaggeration to suggest that family business is a vital contributor to the overall health of the national economy.

In my view, they are not just contributors; they should be national role models. We, as policymakers, must start listening to family business.