

TRANSFORMING THE MID MARKET

MYOB Enterprise Insights Report



myob simplify
success

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INTRODUCTION

Small businesses are often seen as the backbone of the Australian economy. That's no surprise since over 60% of the country's 2.17 million enterprises operate as sole traders and a further 36% employ fewer than 20 staff.

Very large businesses are rare in this country. Less than 1% of Australian businesses – just over 3,800 organisations – have more than 200 staff.

However, between Australia's small businesses and the largest local corporations is a significant sector that is often overlooked in business analysis, reporting and policy.

Australia's mid-market makes up just 2.3% of all businesses. But despite their relatively small number – around 51,000 – these 'bigger businesses' make a significant impact on the economy. Around a quarter of the nation's workforce is employed by one of these enterprises.

Australia's bigger businesses are a diverse range of enterprises. They are spread across the industry sectors and operate throughout the country from urban centres to the regions. They supply the country and our largest trading partners with a wide selection of goods and services.

Despite their differences, they also share a number of distinct characteristics and face common challenges. Often established by a single individual or family, they have grown through the early stages of business development to reach maturity. In doing so, they have faced many similar growing pains which range from staffing issues and skills shortages to intensifying competition.

While most have adopted at least some of the structures common in the larger corporate world, most notably spreading the control and governance of the business across an executive team and board, many still carry the strong imprint of the original owners. This gives them a unique culture, perspective and management style.

Growth and development has often been achieved in hard-fought stages. The business starts with a small number of employees in a single location, transforms into a countrywide operation, then becomes an international exporter. This experience often shapes the way the business develops and guides their aspirations and ambitions for the future.

Ultimately, the performance of these businesses will significantly affect the future of the Australian economy. Not only do these businesses help drive growth in both jobs and the economy, but they are also a key source of future development and innovation.

Australia's bigger businesses arguably represent the future of the country. The sector produces major private sector innovators, efficient producers, large exporters and significant job creators. This home-grown sector is also more likely to reinvest the returns they make back into the country, while fostering a wider eco-system of local businesses that respond to their successes. To accomplish this, these enterprises need the right tools, support and environment. It is therefore vital that the country, from the Government to investors and business commentators, has a great understanding of the challenges these businesses face and what they need to succeed.

To this end, MYOB is making an important first step.

In this report, we are measuring the performance of the Australian mid-market, highlighting the challenges they face and identifying the barriers to their growth. In doing so, we hope to help bring their significance into greater focus and ultimately support their success.

INTRODUCTION

ABOUT THE SURVEY

For the MYOB Enterprise Report, we interviewed 276 bigger businesses from across the country in the latter half of 2017.

The businesses range in size from mid-sized operations of under 20 employees to large scale enterprises. 30% of the respondents employ more than 50 people and 3% have a staff of over 1000. They represent a wide range of sectors, from manufacturing (23%) and construction (8%) to professional services (8%), healthcare (7%) and agribusiness (3%).

Over a third of the respondents report an annual turnover of less than \$10 million, while 6% reported earnings of over \$100 million.

While a third are based in New South Wales, reflecting the majority of bigger businesses in the country's most populous state, they are spread across the country – from Northern Territory to Western Australia and Tasmania.



ECONOMY

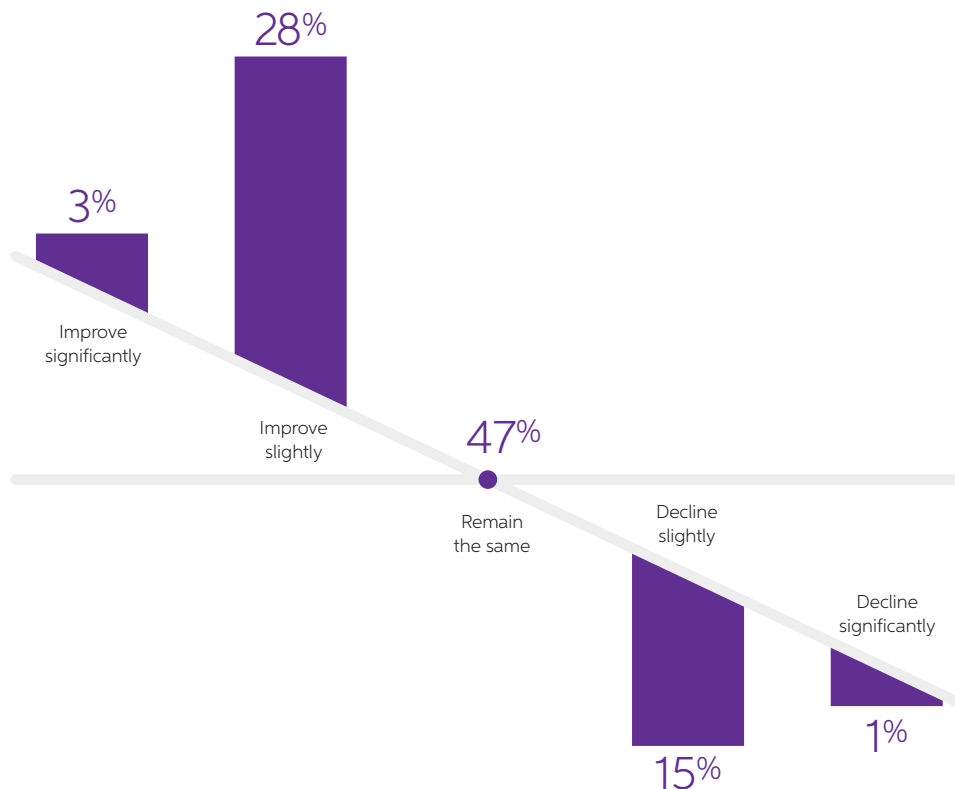
01

BUSINESS CONDITIONS SET TO IMPROVE AS CONFIDENCE IN ECONOMY GROWS

Over the last 12 months, Australia's bigger businesses demonstrated the strength of their contribution to the economy, with strong growth underpinned by solid confidence in both their own performance and that of the wider economy.

According to the MYOB Enterprise Report survey, confidence was high in the performance of Australia's economy in late 2017, with 3% of bigger-business operators saying it would improve by the end of 2018. Just 16% said it would decline in 2018, 47% believed it would remain the same, and 7% were uncertain about how the economy would perform this year.

THE AUSTRALIAN ECONOMY WILL:



The solid sense of optimism among bigger businesses means the sector is likely to reinvest in the local economy, providing more jobs and increasing pay for staff.

By state, enterprises in Queensland are the most optimistic, with two fifths (39%) expecting the economy to improve. Less positive are those bigger businesses in South Australia and the Northern Territory, a quarter (23%) of which expect the economy to decline this year.

Two out of five (39%) mid-sized enterprises (those who earn between \$5 million and \$10 million in revenue) also said they expect the economy to improve this year.

SIGNIFICANT REVENUE GROWTH IN THE MID-MARKET

Underpinning the strong sense of confidence is the major revenue growth most of Australia's bigger businesses achieved in 2017.

44% of bigger business operators said their revenues had grown in 2017, while just 16% said their revenue decreased. Performance was strongest in NSW, where over half (58%) of bigger business operators said their revenues had increased since last year. Despite being more confident about growth in the economy, almost a quarter (22%) of Queensland-based operators said their revenues had decreased since last year compared to just 9% of operators in NSW/ACT who said the same.

Despite struggling with the long-term effects of the collapse in commodities prices, the manufacturing and mining industry also performed well in 2017 with over half (51%) stating their revenues had grown. The industry is also most likely to be forecasting income growth in 2018 with three out of five (60%) expecting revenue to increase between now and the end of the year.

Overall, Australia's bigger businesses are expecting considerable growth in 2018, with 53% forecasting that their revenue will increase over the next 12 months. Mid-sized enterprises which employ between 20 and 49 people are looking particularly strong in the year ahead, with 69% expecting improved revenue.

Only a small number of enterprises in the sector are expecting their revenue to be down this year, at just 7%. Those most likely to expect their returns to fall are businesses operating in Western Australia (14%) and enterprises which employ less than 20 staff (10%).


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Two out of five (39%) mid-sized enterprises (those who earn between \$5 million and \$10 million in revenue) also said they expect the economy to improve this year.

“We’ve recently become a Corporate Commonwealth Entity, so we’re definitely expecting strong revenue growth this year. It’s about taking our key learnings from 2017 and growing from them.”

- Nick Hetherington, Acting CFO, Museum of Australian Democracy at Old Parliament House.

A grid of white hard hats is shown against a dark purple background. One hard hat in the middle-right section is highlighted in white, while all others are in a dark purple color. The text is overlaid on the top left, and a large number '02' is at the bottom center.

**THE PRESSURES THE
SECTOR FACES**

02

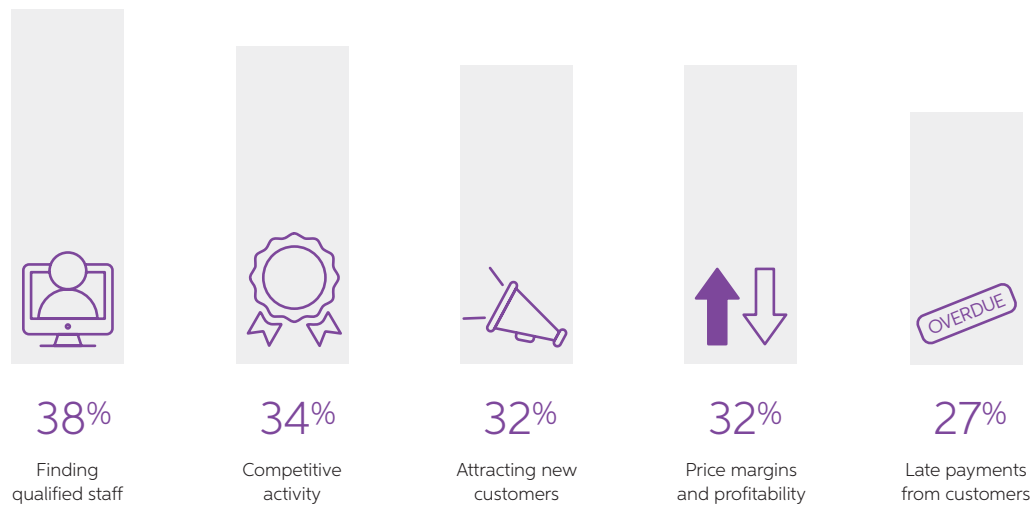
THE PRESSURES THE SECTOR FACES

MORE SKILLED WORKERS NEEDED TO RELIEVE BUSINESS PRESSURE

A shortage of skilled employees needed to support the demands of a business is reaching crisis levels among Australia's bigger-business operators.

The MYOB Enterprise Report survey highlights the ability to find qualified staff is the sector's most significant business pressure (38%), followed by competitive activity (34%) and attracting new customers (32%).

TOP FIVE BIGGER-BUSINESS PRESSURES



The skills shortage is particularly severe for the construction/trade industry, with close to two thirds (61%) identifying it as a significant issue. It's a concern given the industry is improving at the fastest rate since 2004 (Performance of Construction Index, 2017) and is continuing to manage a major building boom.

Mid-sized enterprises, those which earn between \$5 million and \$10 million in revenue, are also constrained by lack of qualified staff. 51% of these enterprises are facing issues attracting staff, potentially affecting their prospects for growth and development.

The skills shortage is also hitting larger enterprises hard. Almost half (43%) of the sector's largest businesses (those which employ more than 50 people) said their greatest business pressure was the ability to find qualified staff. Only 18% who said this put no pressure on their operations.

“Finding staff with the key skills at the right time – particularly tech-based skills – can be a real struggle.”

- Nick Hetherington, Acting CFO, Museum of Australian Democracy at Old Parliament House.

THE PRESSURES THE SECTOR FACES

“It’s difficult to find staff, but I think it’s difficult for every industry or business at the moment.”

- *Mark Mulder, CEO, Nextt Health.*

The activity of competitors continues to be a pain point for local enterprises as well – with almost three out of four (72%) employers agreeing it will put at least some pressure on their operations. However, this also has the potential to drive prices down which in turn may increase consumer spending.

EMPLOYMENT

03

EMPLOYMENT

AUSSIE ENTERPRISES LOOKING TO EMPLOY MORE AND PAY MORE

Australian enterprises are expecting to take on more staff over the next 12 months, as well as pay their current staff higher salaries and wages.

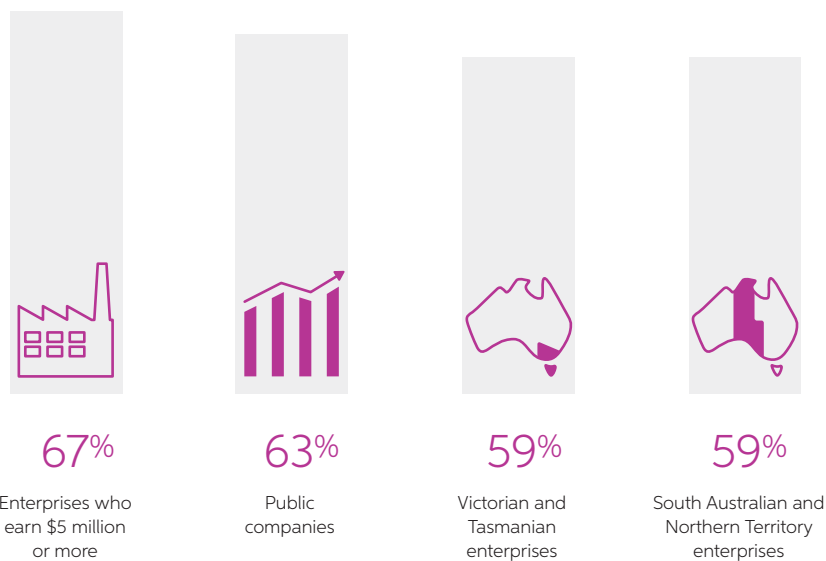
Over half (54%) of bigger-business operators are planning to increase the amount they pay their staff this year, while just 3% said they are looking to reduce staffing costs.

It's particularly good news for those working for enterprises which earn more than \$10 million in revenue (72% expect to increase pay) and publicly listed companies (63% expect to increase pay) whose employers are the most likely to put more in their pay packets by the end of 2018.

Bigger businesses which operate in Victoria/Tasmania and South Australia/Northern Territory are also set to increase the amount they pay their staff – with 59% expecting to do so over the course of the year.

With the sector employing around a quarter of the workforce, Australian's are set to have more money in their pockets this year, which should contribute to higher household incomes overall.

ENTERPRISES EXPECTING TO PAY THEIR STAFF MORE IN 2018



MORE BUSINESSES TAKING ON STAFF IN 2018

The number of jobs available in Australia is also set to increase. Steady confidence in the economy and strong returns will mean more enterprises can invest in additional staff this year.

Over a third (34%) of respondents to the MYOB Enterprise Report survey said they plan to increase full-time staff in 2018, while just under a third (28%) said they will be adding more part-time staff to their workplace.

Employment growth is most likely for enterprises which earn between \$5 million and \$10 million (46% wanting to employ more full-timers). Businesses which operate in Western Australia are much less likely to increase the number of full-timers (just 18%), but are the most likely to keep their employee count the same (82%).

EXPORT TRENDS

An aerial photograph of a port area, showing a large ship docked at a pier with several cranes. The image is overlaid with a semi-transparent red filter. The text 'EXPORT TRENDS' is in the top left, and a large '04' is in the bottom right.

04

EXPORT TRENDS

MODERATE PROPORTION OF BIGGER BUSINESSES EXPORTING

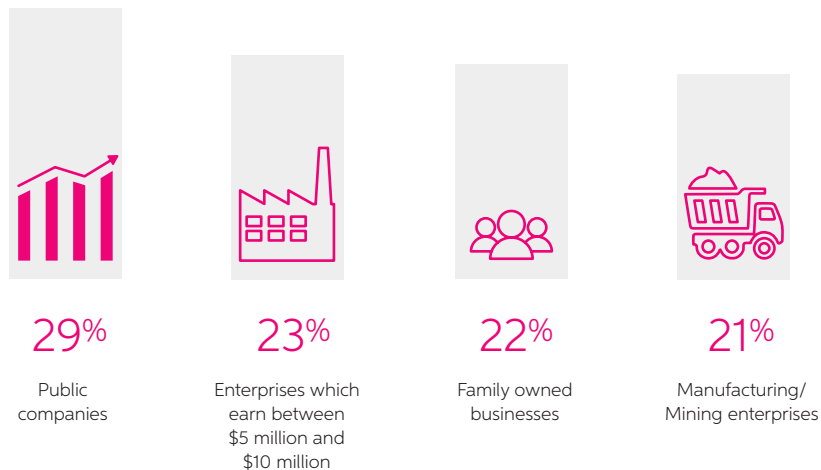
The MYOB Enterprise Report survey found that just under a sixth of bigger businesses based in Australia now sell off-shore.

While 16% of respondents identified as exporters, 32% said they sell within their own city/region, and a further 33% said they sell across the whole country.

Over a fifth (21%) of the manufacturing/mining industry export to overseas markets, as well as over a quarter (29%) of public companies – compared to 17% of private companies. Enterprises operating in NSW are the most likely to sell across the whole country (43%), however they are also some of the least likely to sell within their city/region (17%).

Expansion into offshore markets is one of the major stages of growth in the sector, with mid-sized enterprises (which earn between \$5 million and \$10 million) among the most likely to export their products and services overseas (23%).

TOP EXPORTERS



EXPORT TRENDS

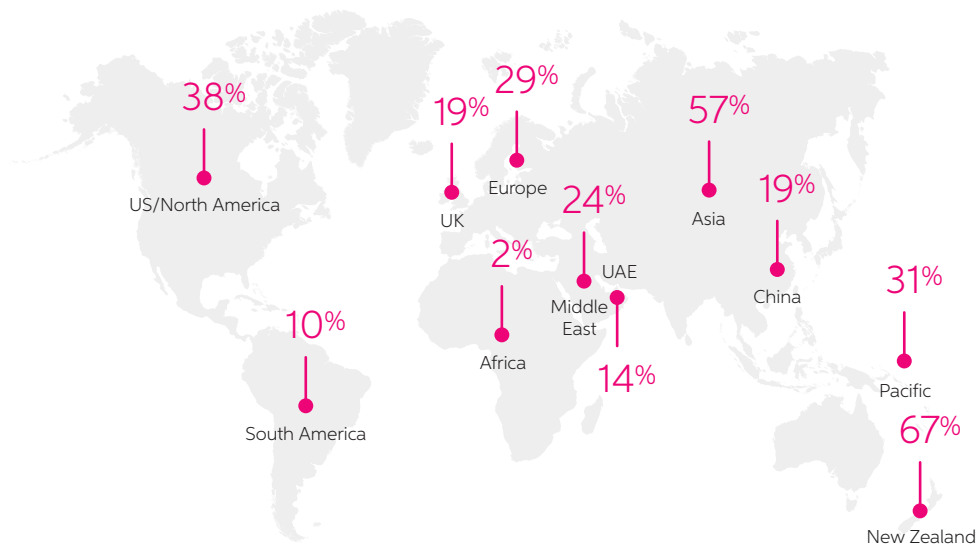
ASIA FOCUS IN TRADE DEVELOPMENT

While New Zealand is the bigger business sector's largest export market, when asked which countries they believe the Government would be best to further build trade ties with, 54% of respondents said Asia with 35% wanting the Government to specifically target China. However, just 14% said they'd like the Government to focus on trade links and agreements over the next 12 months.

The survey also underscored the strong connection Australia's bigger businesses now see between the success of their operation and the policies of our largest trading partner, China. 16% said China's trade and economic policies have the greatest effect on their business success, and 16% said the same for the wider Asian region. Only 2% felt New Zealand's trade and economic policies had the potential to affect their business.

Despite the high level of uncertainty surrounding the trade policies in both regions, with Brexit looming and the Trump administration's America-first focus, just 10% believed that changes in trade or economic policies in the US would have an impact on their business, while none saw the UK's policies as a risk to current trading conditions.

EXPORT DESTINATIONS



BUSINESS MANAGEMENT CAPABILITY



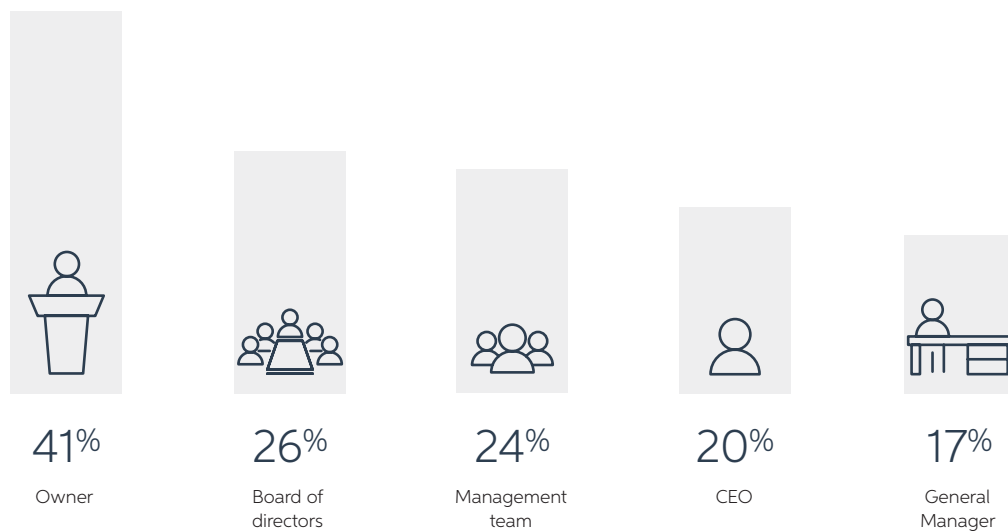
05

ENTERPRISE OWNERS HAVE THE GREATEST INFLUENCE ON THEIR BUSINESSES

As Australia's bigger businesses evolve, they are more likely to establish a layer of executive management and introduce a Board of Directors. However, for the majority of the mid-market, the business owner is still most likely to make the major business decisions – particularly regarding operational structure and strategic planning.

More than two fifths (41%) of enterprise owners said they are responsible for setting and implementing business strategy, while just over a quarter (26%) said decisions are made by a board of directors.

WHO'S RESPONSIBLE FOR MAKING BUSINESS DECISIONS?



Larger enterprise owners (those which employ more than 50 people) are less likely to make business decisions on their own (just 27%), while over a third (34%) of these businesses rely on a board of directors.

In some industries, the influence of a single owner is more prevalent. For example, well over half (57%) of the construction/trade industry said business decisions are made by the business owner.

BOARDS MORE LIKELY TO SUPPORT DECISION-MAKING AS AN ENTERPRISE GROWS

As Australian enterprises increase in size (whether by staff count or revenue), the more likely they are to use a board of directors to set and implement business strategy.

Half of businesses with less than 20 employees – including 58% of those which earn less than \$5 million in revenue – said business owners are responsible for strategic planning. However only a quarter (27%) of businesses which employ 50 or more people and 32% of businesses which earn more than \$10 million in revenue said the owner is the primary decision maker.

One of the key issues businesses face in managing growth is the ability to introduce the management structures and disciplines that are vital for a business to reach the next stage of growth and productivity.

While business owners of smaller enterprises appear to make the most important decisions by themselves, a board of directors and an executive management team become increasingly important as an enterprise grows. These business professionals and independent advisors are likely to bring a broader set of skills, experience and perspectives to an organisation, which can help ensure greater economic returns and a more productive workforce.

ENTERPRISES WHERE OWNERS ARE RESPONSIBLE FOR BUSINESS STRATEGY:



58%

Enterprises which earn less than \$5 million in revenue



57%

Construction and Trade industry



51%

Retail, hospitality and wholesale companies



50%

Enterprises with less than 20 employees

ENTERPRISES WHERE A BOARD OF DIRECTORS ARE RESPONSIBLE FOR BUSINESS STRATEGY:



41%

South Australian enterprises



33%

Enterprises which employ more than 50 staff



33%

Services (including health and education)



33%

Enterprises which earn between \$5 million and \$10 million

CHIEF EXECUTIVES DECIDE ON IT INVESTMENTS

While enterprise owners decide the overall direction of their businesses, CEOs (or equivalent) are the most likely group to decide when, where and how the business invests in I.T and related services.

Over half (54%) said the CEO, General Manager or Managing Director were responsible for I.T investment decisions, while just 4% said the business owners were responsible. Where applicable, 30% said the head of I.T influenced investment decisions.

“Technology should be the responsibility of the broader management team.”

- Mark Mulder, CEO, Nextt Health.

GROWTH

06



GROWTH

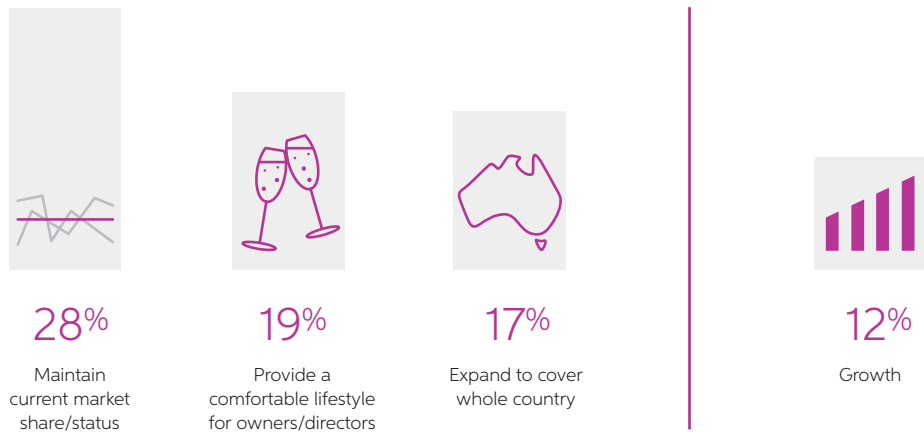
FEW BUSINESSES TARGETING GROWTH

While Australia's bigger businesses are a significant source of growth and development for the local economy, the majority of the businesses in the sector are not currently targeting growth, according to the MYOB Enterprise Report survey. Many prefer to maintain their share of the market or focus on other priorities, such as providing profitable returns for their owners.

While almost a fifth (17%) said they'd like to expand their operations to cover the whole country, almost a third (28%) said their long term business goal was to maintain their current market status, and 19% want to provide a comfortable lifestyle for the business owner/directors.

Just 12% of respondents indicated that they're looking to grow this year and 3% said they have no long term business goals.

TOP 3 LONG-TERM BUSINESS GOALS



Maintaining the status quo was most important for larger enterprises, particularly those with greater returns. 38% of those with annual turnover greater than \$10 million are comfortable retaining their current place in the market, and over a third (34%) of those which earn over \$5 million said the same.

Businesses with a revenue of less than \$5 million are more likely to want to sell their businesses (20% compared to 8% average), while the desire to grow is felt strongest in Western Australia (double the average at 24%).

Providing a comfortable lifestyle for owners/directors is the greatest goal for enterprises in the construction/trade industry. More than double the average listed this as their top long-term goal (39%).

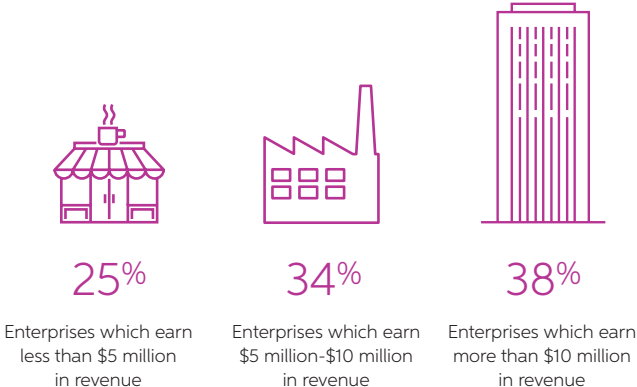
Surprisingly, growth is least desired by Australia's smaller enterprises (those with a turnover less than \$5 million). Just 5% said they're long-term goal is to grow, while almost a third (31%) said they want to provide a comfortable lifestyle for owners/directors.

“You really need flexibility in your core systems and a strong management team to grow successfully.”

- Mark Mulder, CEO, Nextt Health.

GROWTH

**DESIRE TO MAINTAIN STATUS QUO BY ENTERPRISE SIZE:
REVENUE**



EMPLOYEE SIZE



GROWTH

SUCCESS MEASURED BY PROFITABILITY MORE THAN GROWTH OR CUSTOMER SATISFACTION

Making a profit is the most significant indicator of success according to the bigger business sector. Far fewer target growth and customer satisfaction as a measure of their performance in the market.

Over a third (34%) said their definition of success was based on how much they had increased their revenue, while just 15% said growth and 16% said customer satisfaction (17%).

Almost half (48%) of businesses operating in the construction and trade industry said they measure success on profitability/revenue – compared to a quarter (24%) of service-based industries like health and education.

Only 6% of enterprises said meeting their business targets was their definition of success.

HOW ENTERPRISES DEFINE BUSINESS SUCCESS:



INNOVATION



07

INNOVATION

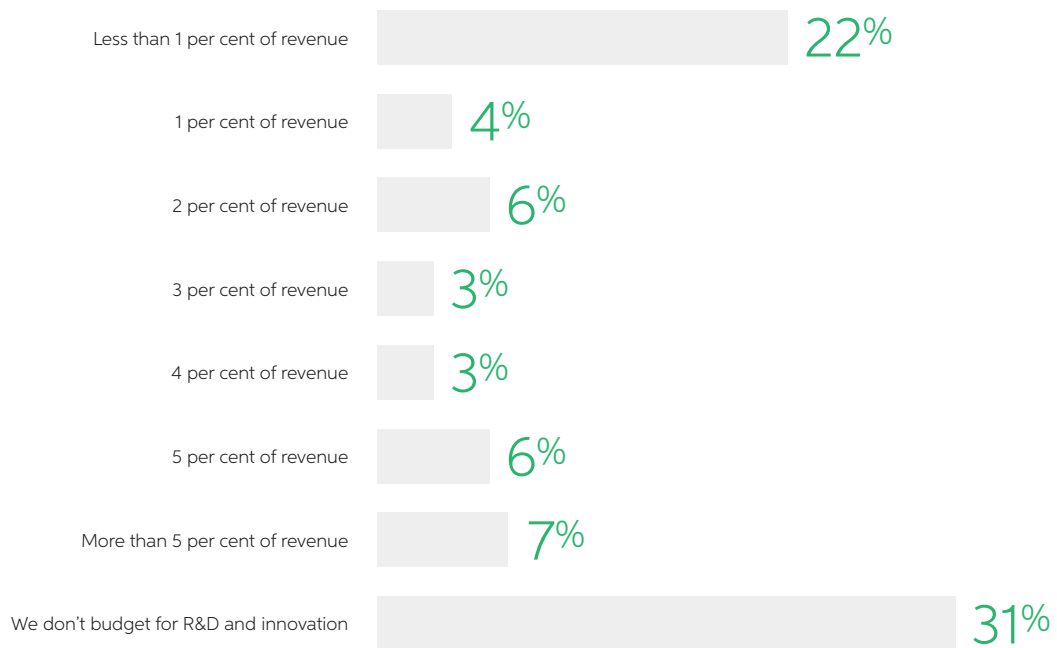
INNOVATION AND R&D UNDER-FUNDED

Research and development isn't a priority for Australia's mid-sized enterprises, with close to a quarter (22%) spending less than 1% of revenue on R&D, and almost a third (31%) not budgeting for it at all. In addition, just 16% said they'd like the Government to focus on supporting innovation over the next 12 months.

The average amount a business invests in innovation is just 1.5% of their revenue. Just 3% said they spend the recommended average of 3% on R&D, and just 7% said they spend over 5% of their revenue on developing their business.

Smaller enterprises are also less likely to spend large on R&D. A quarter of businesses which turn over less than \$5 million, as well as businesses which employ less than 20 people (26%), said they spend less than 1% of revenue on innovation.

PERCENTAGE OF REVENUE SPENT ON R&D AND INNOVATION



The reluctance to invest in research and development within the sector could be holding bigger businesses back, particularly when it comes to addressing key issues like the skills shortage and competitive pressures. Having the ability to innovate will be paramount to the growth and success of Australia's enterprise sector, particularly as the economy changes, and new competitors enter the Australian market.

"It's about finding a balance between doing as much as you can to achieve the outcome you want with the resources you have, and exploring new ways to enhance your offering on a budget that suits you and your organisation."

- Nick Hetherington, Acting CFO, Museum of Australian Democracy at Old Parliament House.

“Every enterprise should act like a start-up or small business. There are loads of tools to help you innovate, so you don’t need to spend great sums of money, or have big teams with long timelines to test and develop a new product or service.”

- Mark Mulder, CEO, Nextt Health.

LACK OF SKILLED STAFF AND LACK OF TIME HINDERING SECTOR’S ABILITY TO INNOVATE

Almost a third (29%) of Australia’s enterprises said a lack of skilled staff was their main barrier to innovation, followed by lack of time (30%) and cost to develop (20%). One in ten said lack of Government support, and 2% said they have no need to innovate.

“There’s no point having innovative software if you don’t have skilled staff to operate it.”

- Mark Mulder, CEO, Nextt Health.

Smaller enterprises reported lack of time to be a greater barrier than a shortage of skilled staff. 32% of enterprises which employ less than 20 people said they don’t have enough time to innovate, and a third (31%) of enterprises which earn less than \$5 million said the same. Of those in this revenue bracket, only 22% said lack of skilled staff.

A lack of time was reported mostly by Victorian/Tasmanian enterprises, with 40% reporting it as a key barrier, while just 23% of business from Queensland said similar.

Businesses located in the South Australia/Northern Territory were more likely to mention the lack of Government support as a key barrier to innovation (24% compared to 10% net average), yet just 20% of enterprises said they’d like the Government to focus on supporting innovation over the next 12 months.

TECHNOLOGY

08

ARE ENTERPRISES READY FOR DIGITAL TRANSFORMATION?

While some enterprises expect digital transformation to affect their operations over the next decade, few operators believe they're prepared for newer, emerging technologies – such as robotics, the internet-of-things and AI – to do the same.

A third of respondents said they think internet-connectivity (35%) and cloud-computing (31%) will impact their industry over the next decade – which is highly likely given 68% said they currently rely on high-speed internet to operate their business. However, just under a quarter (23%) said they expect emerging technologies such as robotics and the internet-of-things to do the same.

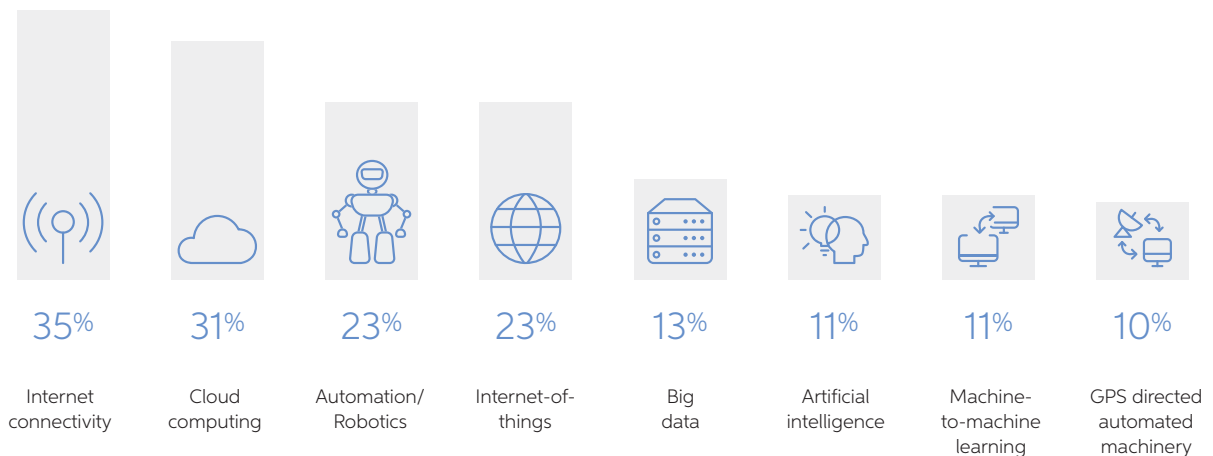
Just 8% said they believe drone technology will alter their operations, and only a tenth (10%) said the same about artificial intelligence.

Those least likely to expect automation and robotics to impact their industry between now and 2028 are Western Australian enterprises (12%), and operators in service based industries (16%). Just 4% of retail enterprises said the same for artificial intelligence.

In contrast, 41% of manufacturing and mining enterprises said they believe automation and robotics will alter their industry, and 28% of enterprises with revenues less than \$5 million said the same about the internet-of-things.

While technology has completely transformed business over the last two decades, few Australian bigger businesses seem prepared for the impact of emerging technologies, such as automation, robotics and AI. By exploring and investing in the development and integration of these technologies, businesses are likely to be better prepared to manage the pressures they currently face and remain competitive in the face of potentially disruptive change.

WHICH TECHNOLOGIES DO YOU BELIEVE WILL HAVE THE GREATEST IMPACT ON YOUR INDUSTRY IN THE NEXT 10 YEARS?



“There’s been a really strong push for technology and how it plays into visitor experience as well as administrative efficiencies. We’re still in the early stages – mapping out which tech infrastructure is most beneficial to us and our visitors – but it’s something we’re taking very seriously.”

- Nick Hetherington, Acting CFO, Museum of Australian Democracy at Old Parliament House.

GOVERNMENT SUPPORT



GOVERNMENT SUPPORT

ENTERPRISES SAY GOVERNMENT SUPPORT IS LACKING

Australia's enterprise operators believe the Government isn't doing enough to support their businesses. Just 14% of respondents agreed Canberra was working to support businesses, while almost a third (29%) disagreed. 7% strongly disagreed, while only 1% strongly agreed.

Operators of WA-based enterprises were the most likely to disagree, with just 6% believing the Government was doing enough – compared to almost half (42%) who believed they need to contribute more to the success of Australian businesses.

MODERATE SUPPORT FOR THE GOVERNMENT AMONGST THE MID-MARKET SECTOR

A large number of Australia's enterprises agree the Coalition is best able to help businesses like theirs succeed. Almost a third (31%) of business operators said the Coalition, while just 3% said Labour. A quarter (24%) said the Liberal party specifically, and a third said they don't know.

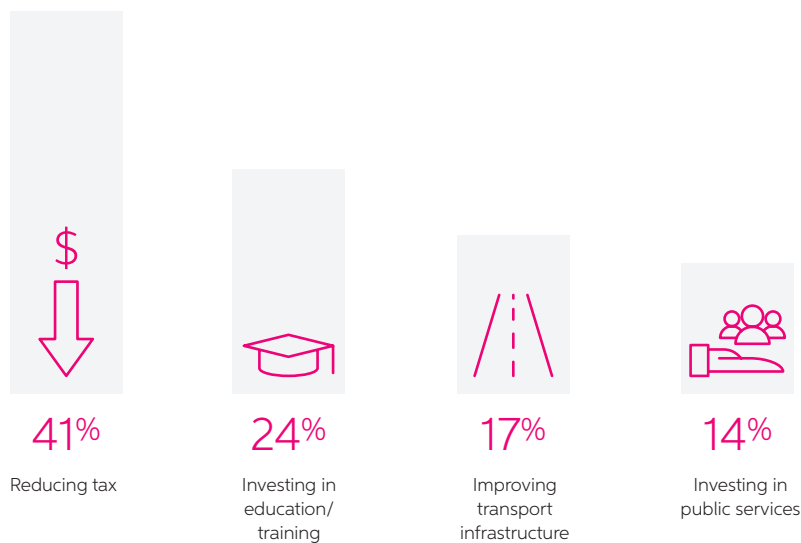
WA-based enterprise operators were slightly less likely to support the Coalition (21%) while over a third (39%) said no individual political party was doing enough to help them succeed.

Operators of businesses with \$5 million to \$10 million in revenue were most likely to nominate the Coalition (58%), including 50% who agreed the Liberal Party is most able to support businesses.

REDUCING TAX TOP PRIORITY FOR SECTOR

Australia's enterprises would like to see the Government reduce the amount they pay in tax this year. Operators also indicated they'd like to see investments made in education/training, as well as improvements to transport infrastructure.

POLICY AREAS THE GOVERNMENT SHOULD FOCUS ON IN 2018



GOVERNMENT SUPPORT

Almost half (41%) of the sector nominated tax reduction as the key policy they'd like the Government to focus on over the next 12 months, while restricting immigration (6% and raising the superannuation age (3%) were the least important policies to enterprises across the country.

Reducing tax was most favourable among smaller enterprises which employ less than 20 people (48%) as well as Queensland-based enterprises (53%). Reducing tax will be beneficial for enterprises looking to re-invest their savings in growth – which is likely for over a third (37%) who indicated they finance their business' growth by reinvesting profits.

The desire for the Government to invest in education/training is also high – particularly as the sector faces a skills shortage. Queensland's enterprises are the keenest to see the Government focus on this (30%), as well as service-based enterprises – including health and education (29%).

CONCLUSION



10

CONCLUSION

Transforming the mid-market to secure Australia's future

*By Carolyn Luey
General Manager
Enterprise Solutions*

The Australian mid-market is a sector with extraordinary potential for the country. Despite representing only a small number of the country's enterprises, Australia's bigger businesses could transform the future of our economy.

By their nature, these businesses can be more dynamic and highly flexible, able to respond to changing markets while identifying and exploiting new opportunities as they arise. They also have the potential to feed more back into the economy – stimulating job growth, introducing new technologies and reinvesting their profits within Australia.

However, despite the enormous possibilities contained within the sector, at present Australia isn't getting everything it could from the mid-market.

In part, the issue lies within the businesses themselves. As is frequently observed in a country with a lifestyle as enviable as Australia, many owners of the country's bigger businesses are comfortable enjoying the benefits of their enterprise, without taking on the additional risk and stress associated with a growth agenda. Many too – particularly at the larger end of the scale – are satisfied with the level of success they have achieved and focus more on maintaining the position they have achieved in the market rather than pursuing further expansion.

While a good number are comfortable with a level of growth that will see them dominate their local market or expand throughout the country, only a small proportion of the total number of bigger businesses have ambitions to take on the world.

At the same time, some businesses are likely to be constrained purely by the limits and experience of their owners. With a large proportion of Australian enterprises relying on the direction of an individual owner, they are less likely to enjoy the clear benefits of the broader capabilities of an expert management team and the independent experience of a board.

And a surprisingly large number of businesses are unprepared for the levels of disruption we are likely to see through the introduction of new technologies, nor are they willing to invest in the research and development necessary to help transform their own business in the face of rising pressures and a growing skills crisis.

But the issue overall is less about the attitudes of the business owners themselves and more about the environment in which they operate.

If we are truly serious about developing this country into a leading international competitor, underpinned by the growth and development of productive, dynamic and technologically-enabled businesses, succeeding as part of a flourishing knowledge economy, we need to do everything we can to focus on their needs and foster their development.

And this will mean stimulating greater investment in research and development by providing incentives for the businesses that are willing to forgo higher profits to focus on developing valuable knowledge and infrastructure.

CONCLUSION

It will also mean taking serious steps to mitigate the crushing shortage of skilled staff, by investing in training – not just at university but in applied skills – which is responsive and appropriate to the needs of industry. It will also require us to take a nuanced approach to immigration, so we can attract in-demand experience from all over the world, and channel those skilled migrants not just to the major centres but into the areas they are needed most.

But ultimately, it will require us – as a nation – to start recognising the vital importance of the mid-market, benchmarking their success and developing the framework of support they need to go from ambitious entrepreneurs to world-leading powerhouses.

If we can focus on Australia's mid-market not just in terms of the small number of businesses from a broad range of sectors this represents, but instead look at them in terms of the size of their current contribution to the local economy and the potential they embody, we are far more likely to be able to provide them with the resources, support and investment they require to maximize the benefits they can bring for the whole economy.

CASE STUDIES

A hand is shown holding a single, light-colored wooden plank horizontally. The plank is positioned against a stack of several dark, textured wooden blocks. The background is a dark, blurred image of a person's face, suggesting a focus on craftsmanship or material quality.

11

MUSEUM OF AUSTRALIAN DEMOCRACY

A modern museum steeped in tradition

Located in the heart of Canberra, the Museum of Australian Democracy at Old Parliament House has explored, interpreted and re-told Australia's social and political history for the last ten years – highlighting the importance of Parliament and the power of the people in a democracy.

In 2016, the museum became a Corporate Commonwealth Entity, something Acting Chief Financial Officer Nick Hetherington says presented the opportunity for change and growth as an enterprise.

“While we're primarily funded by the Government, we also have to source our own revenue – so we've been looking at ways to run the museum in a more commercial and financially sustainable way.”

Over the last 12 months, Nick says the museum has grown both financially and in visitation thanks to developments in their visitor experience offerings – including a growing demand for guided tours.

“We've been trialling different ways to create revenue and have gained key learnings along the way,” he says.

“For example, we've developed a night ghost tour which has been really successful – so we'll definitely look at that again this year. Unique experiences are great because they give our visitors a reason to keep coming back.”

Canberra's growing tourism market coupled with their recent commercial re-structuring has helped them keep up with local competitors, Nick says.

“The establishment of our board, as well as a corporate mindset has certainly put us on an even playing field with other museums in the area.”

Nick says the challenge now lies in how they refresh their spaces to keep up with digital trends and visitor expectations.

“There's been a really strong push for technology and how it plays into visitor experience as well as administrative efficiencies,” he says.

“We're still in the early stages – mapping out which tech-infrastructure is most beneficial to us and our visitors – but it's something we're taking very seriously.”

He says today's visitors expect to see technology integrated into exhibitions, so MoAD is currently looking at ways to tie different technologies together in order to give their visitors something new.

“For a lot of museums, including MoAD, evolutions in technology will have an impact on how people interact and engage with the content in exhibitions.

“This means looking at how we can exist beyond our physical space – how we can get into Australian classrooms and business spaces without people having to physically travel to Canberra.”

Nick says the museum will be directing resources into digital modernisation and integration over the next three years.

“While we can only allocate a modest amount to research and development, we do invest in ideation and exploration in order to make informed decisions about the direction of the offering we make available to visitors.

“So, it's not so much about the spend as it is about establishing whether the idea has merit or not.”

“If we can see something is going to create real value – by creating a truly transformative experience for the visitor – then we'll definitely invest in developing those ideas further.”

“It's about finding a balance between doing as much as you can to achieve the outcome you want with the resources you have, and exploring new ways to enhance your offering on a budget that suits you and your organisation.”

- Nick Hetherington is the acting CFO of the Museum of Australian Democracy at Old Parliament House, Canberra.

moadoph.gov.au

CASE STUDIES

NEXTT HEALTH

Growing for the future

Nextt Health provides high-value, personalised care and support services to individuals with autism, cognitive disabilities, mental health issues and dementia.

“Our services include skill-building, in-home support, specialist housing and community services for people in all stages of life – from infants to adult Australians,” says Chief Executive Officer Mark Mulder.

With over 1,000 employees operating out of eight offices across the East Coast of Australia, Nextt Health is one of the country’s leading disability service providers.

“Our expert team can offer comprehensive disability services in NSW, Victoria, Queensland and South Australia,” Mark says.

In 2013, the Australian Government launched the National Disabilities Insurance Scheme (NDIS) – a new way of funding and delivering support to those with a disability, their families and registered carers.

“As a consumer-directed system, the scheme provides funding to individuals instead of organisations,” Mark says.

“This means people with a disability can choose who their preferred service provider is – increasing choice and control for customers, and increasing competition for service providers.”

As a result, Nextt Health doubled their disability services in 2017, and are on track to accomplishing the same again this year.

“When we deliver on what we promise, we’re able to build a better reputation and acquire more clients.”

However, Mark says such rapid growth also has its challenges.

“Our team is under a lot of pressure. We’re a people-based business, so we need qualified staff around the clock.”

He says it’s difficult to find local people with the necessary clinical skills.

“There aren’t enough behavioural therapists in Australia, so a lot of our senior clinicians come from overseas.”

Despite staffing pressures, Mark says they will continue to train their current team this year – particularly around technology.

“We needed to find ways to provide services in a more structured, transparent, and measurable manner. To do this we have used our 15 years’ worth of client experience to build our own mobile-based software that staff can use in the field.”

“And there’ll be a strong focus on staff training, because there’s no point developing a software solution no one can operate.”

With a background in the technology sector, Mark says every business should think like a start-up when it comes to innovation and exploration.

“Even though we’re a mid-sized business, we ask ourselves, ‘if we were a venture in someone’s garage, how would we build this platform cheaply and rapidly?’

“And there are so many tools available to help you build prototypes and trial different elements that cost should never be an excuse,” he says.

While Nextt Health will continue growing, Mark says their priorities and values won’t change.

“Our goal is to help people get more out of life – in both a practical and measurable way.

“If our clinicians or support staff can leave a client session knowing they’ve helped someone achieve their goals or become more independent – that’s true success.”

- Mark Mulder is the Chief Executive Officer for Nextt Health.