



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

A photograph of two men in a workshop. The man on the left is wearing a grey cap and a high-visibility orange and grey polo shirt. The man on the right is wearing glasses and a brown jacket over a blue shirt. They are both looking at a large, rectangular piece of material, possibly a cross-section of a composite material, which they are holding together. The background shows a wall of metal lockers or storage units.

Small Business Counts

Small Business in the Australian Economy

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Forward



Australia is a nation of small businesses and I am so pleased to be appointed as the first Australian Small Business and Family Enterprise Ombudsman. Small business is the most dynamic and exciting sector in the Australian economy, yet it is underreported in the media and often overlooked by governments at all levels when setting policies that affect business.

Part of my role is to lift the profile of the Australian small business sector so that it receives the attention from governments and the media that it deserves. This report is a roundup of the key small business statistics kept by various Australian Government agencies. It confirms the size and importance of the sector to the Australian economy.

Less obvious from the statistics is the ever changing face of small business (see chart below). Tens of thousands of small businesses are entering and leaving the economy every year.

The small business environment is a very dynamic medium that allows entrepreneurs to pursue their dreams, unencumbered by the strictures of larger and more bureaucratic business structures. As such, small businesses encapsulate the values of agility and nimbleness espoused by the Prime Minister and are perfectly placed to pursue innovative opportunities in the new Australian economy.

Kate Carnell, AO Australian Small Business and Family Enterprise Ombudsman

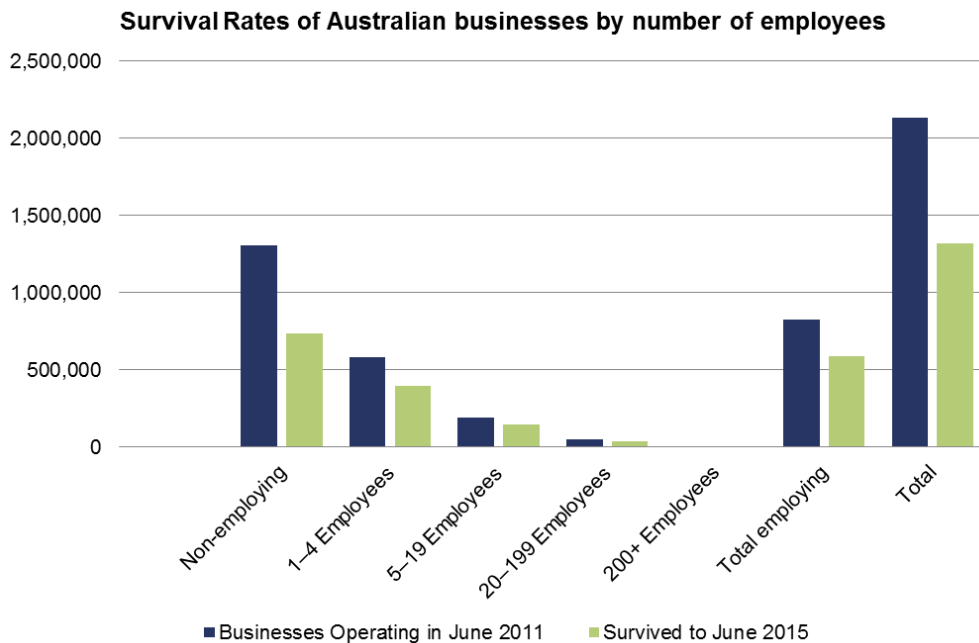


Figure 1 - Survival rates of Australian businesses by numbers of employees

Source: Australian Bureau of Statistics Counts of Australian Small Businesses 8165.0, Feb 2016

Overview

Small businesses count.

They are prevalent in all sectors of the economy and in all of Australia's regions. There is no 'typical' small business. It is a very diverse sector, covering many different types of business activity. Nevertheless, we are able to draw together statistics from several sources to illustrate the size and importance of the small business sector. What emerges is a picture of a surprisingly large and vibrant sector, which is vital to the health of the Australian economy.

The vast majority (over nine in ten) of Australian businesses are small businesses. They account for 33 per cent of Australia's GDP, employ over 40 per cent of Australia's workforce, and pay around 12 per cent of total company tax revenue.

While some small businesses are at the cutting edge of technology and design in Australia, only 30 per cent of small businesses engage in product innovation. This is a smaller percentage than for medium and large businesses. Nevertheless, small business accounts for 17 per cent of business expenditure on research and development (R&D).

Small businesses dominate some industry sectors (such as Agriculture and Real Estate) but are virtually non-existent in others sectors that require significant capital investment to participate (for example Telecommunications and Utilities).

The size of a business is an important determinant of business longevity. The small business sector is very volatile, with non-employing small businesses having the lowest survival rate of all businesses in Australia. Paradoxically, this ongoing creation and destruction of small businesses is an explanation for the adaptability and resilience of the small business sector. It enables new business ventures to quickly spring up to exploit new opportunities and promptly exit declining industries.

The 'born-global' phenomenon is seeing greater numbers of small businesses entering export markets at an early stage of their development. In 2013-14, 44 per cent of goods-exporting firms were small businesses. However, they are generally niche players, accounting for a very small percentage (about 0.5 per cent) of the total value of Australian exports.

Women are becoming increasingly significant in small business. In 1991, 31 per cent of small businesses owners/managers were women. By 2015 this figure had risen to 34 per cent.

Small business is the least assisted sector of the economy. Only 15 per cent of small businesses report receiving any form of government assistance, compared to 30 per cent of medium businesses and 57 per cent of large businesses.

A healthy small business sector is a prerequisite for a growing economy with high employment opportunities. In a very real sense, small business counts.

1 Introduction

This report brings together the ABS, ATO and Austrade data to present a statistical report of the small business sector. It shows the contribution of the small business sector to the Australian economy.

Its purpose is to be an information resource for governments, public policy makers and researchers that will improve their knowledge and understanding of the Australian Small Business sector. The report is data-based and does not comment on the policy issues or concerns of the small business sector. It simply sets the scene to give all stakeholders a more common understanding of the significance of the small business contribution to economic activity.

In this report, a **small business** is defined as a business that has an Australian Business Number (ABN) and an active GST role with turnover less than \$2 million per annum (p.a.); or employs less than 20 people. There is a rough approximation between these two measures but they are not identical. Accordingly, there are minor differences in the counts of Australian small businesses depending upon whether the turnover or employee definition of a small business is used.

In this report, unless otherwise stated, the term 'small businesses' will include micro businesses, which are defined by the ABS as GST paying enterprises employing 0-4 employees. However, unless otherwise stated, the data counts do not include extremely small businesses which have an ABN but are not GST active and have no employees. We have termed these '**nano businesses**' (see sections 2.1.2).

2 Small business share of economic activity

This section examines the small business share of output, employment and value added by industry and State and Territory. The data source is the February 2016 release of the ABS Counts of Australian Business.

2.1 Small business numbers

2.1.1 Business numbers measured by employment

Using the employment measure of small business, there were 2,065,523 small businesses in Australia employing less than 19 people, accounting for 97 per cent of all Australian businesses by employee size. There were 51,000 medium sized businesses, employing 20 to 199 employees, which is 2.4 per cent of all firms. Only 3,700 Australian firms employed over 200 people in 2015, meaning that large businesses account for only 0.2 per cent of all Australian businesses.

Table 1: Business size measured by employment

Business Size	Count	%
Small (0-19 employees)	2,066,523	97.4
Medium (20-199 employees)	50,995	2.4
Large (200+ employees)	3,717	0.2
Total	2,121,235	100

Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)

The majority, 61 per cent, of Australian businesses by number are sole traders with no employees. Micro business with 1-4 employees account for 27 per cent of Australian businesses. Small businesses with 5-19 employees comprise 9 per cent of Australian firms. Only 3 per cent of Australian businesses have 20 or more employees.

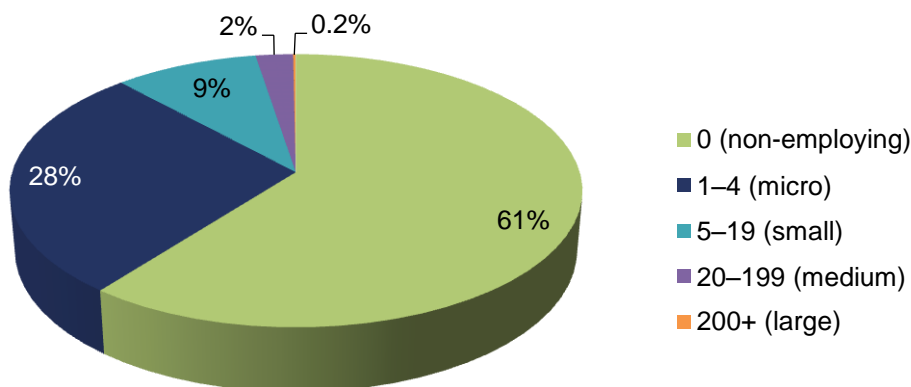
Table 2: Counts of Australian businesses measured by employment size as at Jun 2015

Employees	Firm Count	%
0 (non-employing)	1,284,615	60.6
1-4 (micro)	584,744	27.5
5-19 (small)	197,164	9.3
20-199 (medium)	50,995	2.4
200+ (large)	3,717	0.2
Total	2,121,235	100

Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)

Chart 1: Turnover by business size

Firm count by number of employees



Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes micro businesses with no GST role)

2.1.2 Business numbers measured by turnover

In 2015, there were 1,980,401 small businesses in Australia with an active GST role and turnover of less than \$2 million a year. These small businesses accounted for 93 per cent of all Australian businesses by turnover. Around a quarter of small businesses had a turnover of less than \$50,000 a year.

Moving up the size spectrum, over 730,000 small businesses had turnover of less than \$200,000 a year and another 700,000 had turnover of \$200,000 to \$2 million a year (see Table 3). In proportionate terms, two thirds of Australian businesses had income of \$50,000 to \$200,000 a year. Only 7 per cent of Australian businesses could be considered medium or large businesses with turnover of more than \$2 million a year¹.

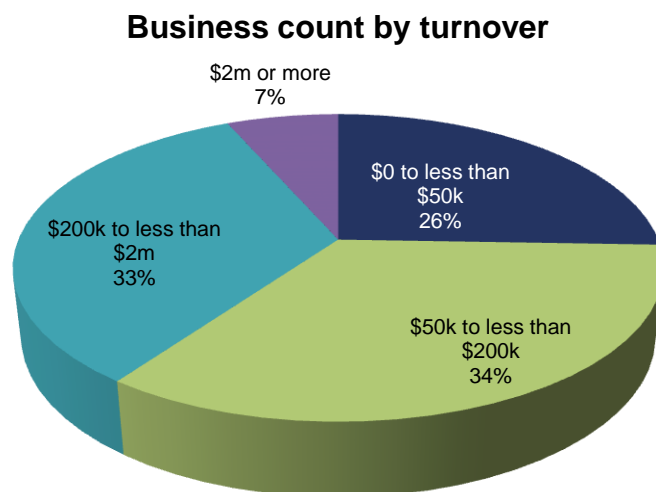
Table 3: Business numbers by annual turnover in 2014-15

Turnover	Number	%
\$0 to less than \$50k	541,616	26%
\$50k to less than \$200k	730,901	34%
\$200k to less than \$2m	707,884	33%
\$2m or more	140,834	7%
Total	2,121,235	100%

Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)

¹ Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations

Chart 2: Turnover by business size



Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)

2.1.3 Nano businesses numbers

In the ATO data set, there are ‘nano’ sized businesses that report business revenue but have no GST activity (the mandatory GST registration threshold is \$75,000 turnover).

These nano businesses are excluded from the ABS small business counts. Nano businesses are, on average, roughly one-tenth the size of small businesses with GST activity. The median turnover of these nano businesses was only \$15,000 in 2013 (mean turnover \$48,000). Nano businesses are often secondary business interests to a main revenue source.

While the individual economic contribution of these nano businesses is correspondingly small, their number is significant overall. For every ten small businesses with GST activity in the ATO data there are another six nano businesses (about 1.2 million) without GST activity. These non-GST active nano businesses are largely sole traders, trusts and self-managed superannuation funds. Extrapolating these figures would give a potential GDP contribution of nano businesses of roughly 2 per cent of GDP.

Table 4: Comparison: Small businesses with GST activity and Nano business without GST activity

2012/2013	Small Business Median	Small Business Mean	Nano Business Median	Nano Business Mean
Turnover	\$131,000	\$368,000	\$15,000	\$48,000
Net income	\$16,000	\$43,000	\$5,000	\$22,000
Income tax	\$0*	\$11,000	\$1,000	\$8,000
GST	4,000	\$11,000	\$0**	\$0**

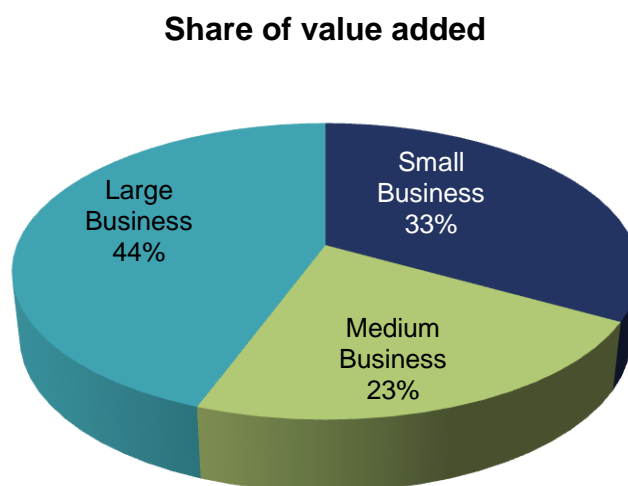
Source: ATO Data Set 2013, ASBFEO Calculations. Figures rounded to nearest thousand.

*Note that small businesses operating as a partnership pays no tax at the partnership level, rather on individual partners’ level. The same is generally true for businesses operating through a trust – individual beneficiaries of the trust are taxed at their individual tax rate. **A business with no GST activity is generally paying GST on business inputs (input taxed.)

2.2 Small business share of value added

Value added is the increase in the value of goods or services as a result of business activity. Industry value added is the contribution of that industry to GDP. On average, small business contributed one-third of industry value added and one-third of GDP in 2014.

Chart 3: Share of value added by business size



Source: ABS Catalogue No. 81550 Australian Industry 2013-14 Page 5, ASBFEO Calculations

As the economy has grown over the last six years of records, the proportion of total value added by small, medium and large businesses have remained fairly constant.

A slight decline from 34 per cent in 2008-09 to 33 per cent in 2013-14 indicates that the average growth rate of the small business sector has been only slightly less than that of the economy as a whole. The medium business sector has also experienced a marginal decline in its share of the economy over that six-year period. The winner was the large business sector, which expanded in relative terms from 42 per cent of economic output in 2008-09 to 44 per cent in the last year of record.

Table 5: Value added by business size from 2009 to 2014

Size	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	\$billion	%	\$billion	%	\$billion	%	\$billion	%	\$billion	%	\$billion	%
Small business	\$283	34%	\$313	36%	\$326	35%	\$341	34%	\$335	33%	\$343	33%
Medium business	\$197	24%	\$188	22%	\$215	23%	\$229	23%	\$226	23%	\$234	23%
Large business	\$354	42%	\$357	42%	\$402	43%	\$433	43%	\$440	44%	\$460	44%
Total	\$834	100%	\$858	100%	\$943	100%	\$1,003	100%	\$1,001	100%	\$1,037	100%

Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

The small business' share of total industry output varies markedly between different sectors of the economy. In the Agriculture, forestry and fishing sector, where most farms and fisheries are small family run enterprises, small business predominates, contributing 80 per cent of value added. Small business also accounts for 80 per cent of the value added in the Rental, hiring and real estate services sector.

At the other end of the spectrum, small business contributes only a small portion of the Electricity, gas and water sector (6 per cent), where large government-owned utilities provide nearly all of the services. A similar situation is in the Information, media and telecommunications sector, where large corporates such as Telstra, Fairfax, News Limited and the ABC dominate; and the Mining sector (10 per cent), where BHP and Rio Tinto are the main players.

Small businesses are underrepresented in the Manufacturing sector, producing only 19 per cent of value added, but overrepresented in the Construction sector (47 per cent) where self-employed tradesmen subcontract to large builders; and the Professional, scientific and technical services sector, due to the large numbers of self-employed people in the professions; for example, doctors, lawyers, dentists, veterinarians, accountants, and so on.

Table 6: Value added by Industry 2013-14

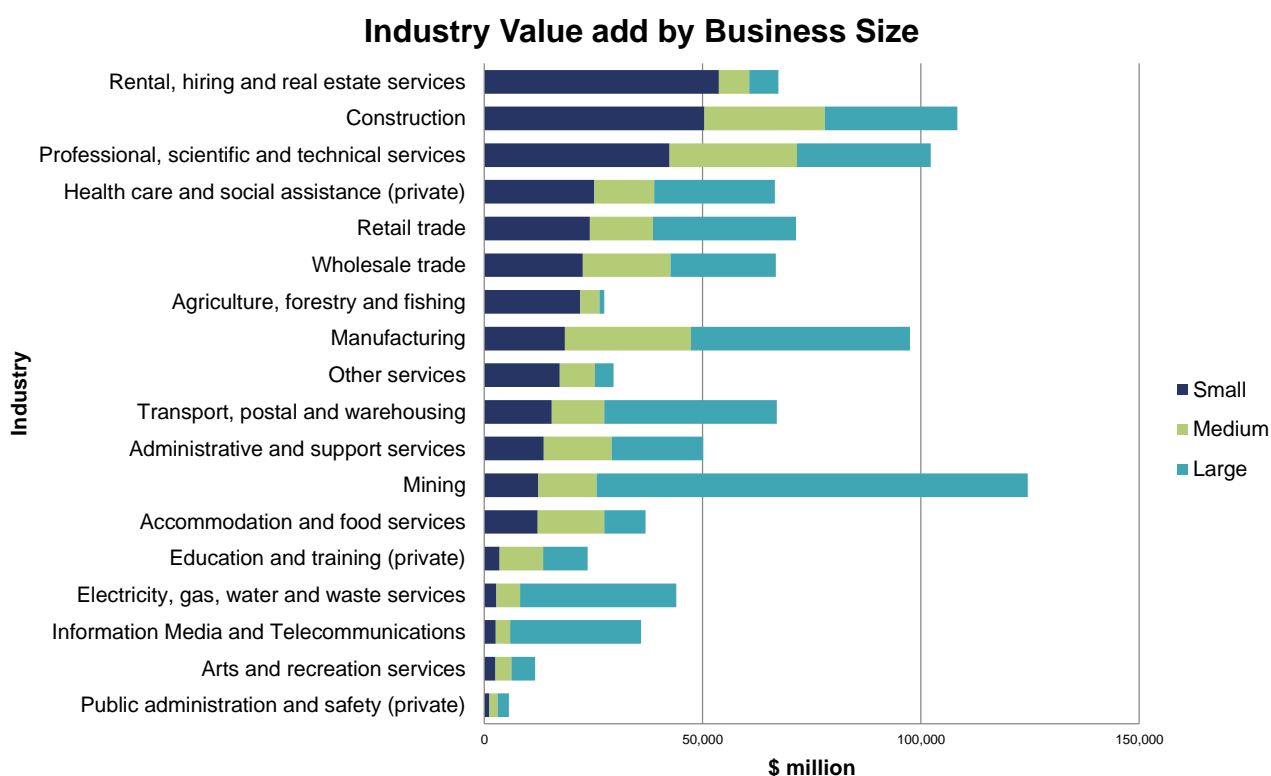
Industry sectors	Small business \$m	Medium business \$m	Large business \$m	Total value added \$m	Small business share %
Agriculture, forestry & fishing	22,010	4,390	1,138	27,538	80%
Rental, hiring & real estate services	53,773	6,942	6,667	67,382	80%
Other services	17,342	8,055	4,225	29,622	59%
Construction	50,432	27,588	30,333	108,353	47%
Professional, scientific & technical services	42,482	29,179	30,595	102,256	42%
Health care & social assistance	25,257	13,702	27,607	66,566	38%
Wholesale trade	22,637	20,058	24,098	66,793	34%
Retail trade	24,254	14,420	32,775	71,449	34%
Accommodation & food services	12,262	15,233	9,479	36,974	33%
Administrative & support services	13,642	15,576	20,981	50,199	27%
Transport, postal & warehousing	15,489	11,999	39,561	67,049	23%
Public administration & safety	1,219	1,856	2,580	5,655	22%
Arts & recreation services	2,622	3,621	5,417	11,660	22%
Manufacturing	18,530	28,840	50,177	97,547	19%
Education & training	3,540	9,970	10,177	23,687	15%
Mining	12,453	13,334	98,689	124,476	10%
Information media & telecommunications	2,642	3,334	29,964	35,940	7%
Electricity, gas, water & waste services	2,814	5,462	35,768	44,044	6%
Total	343,400	233,559	460,231	1,037,190	

Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

The industry where the small business sector makes the largest contribution to GDP is the Rental, hiring and real estate services industries where small business value added was \$54 billion in 2013-14. The next largest small business industry sector was Construction, where small business value added was \$50 billion in 2013-14.

The Professional, scientific and technical services industry was the third-largest small business industry sector, producing value added of \$42 billion. Small business makes a large contribution in the Health care and social assistance industry (\$25 billion) due to the clustering in this sector of doctors, dentists, ophthalmologists and other health practitioners who operate as independent small businesses. It might be surprising that Retail trade is only fifth-largest industry in terms of small business output at (\$24 billion). However, if retail is combined with wholesale trade, the combined small business value added would be the third largest of any industry.

Chart 4: Industry value added by business size 2013-14 (\$ million)



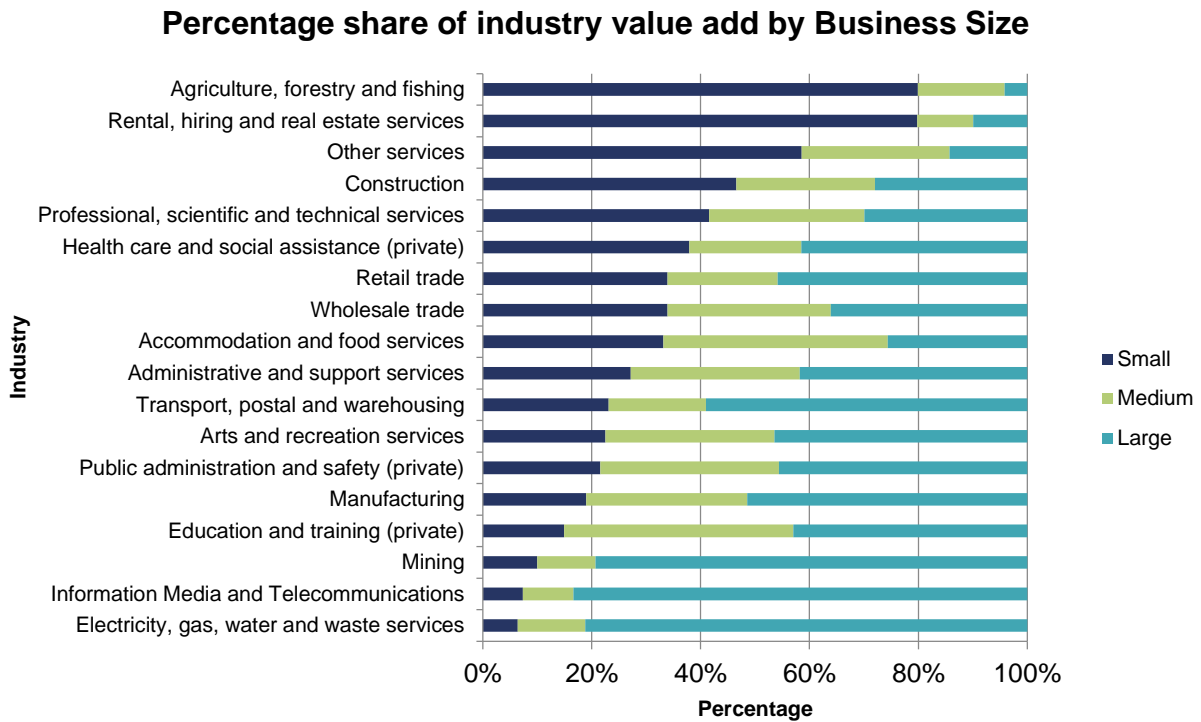
Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

Small business makes the largest contribution to GDP in the Rental, hiring and estate services industry (57 billion); the Construction (\$50 billion); Professional, scientific and technical services (\$43 billion); Health care and social assistance (\$25 billion), Retail trade (\$24 billion), Wholesale trade (\$23 billion) and Agriculture (\$22 billion).

When industries are ranked according to the small business' share of industry output, a different picture emerges.

Small business dominates the Agriculture, forestry and fishing and Rental, hiring and real estate services industries, accounting for 80 per cent of the value added in each industry. Family farms are by far the most prevalent form of business organisation in the rural sector. Real estate agencies are also set up as small businesses. In the Construction industry, independent tradesmen and small builders account for 46 per cent of value added.

Chart 5: Percentage share of industry value added by business size 2013-14



Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

2.3 Small business employment

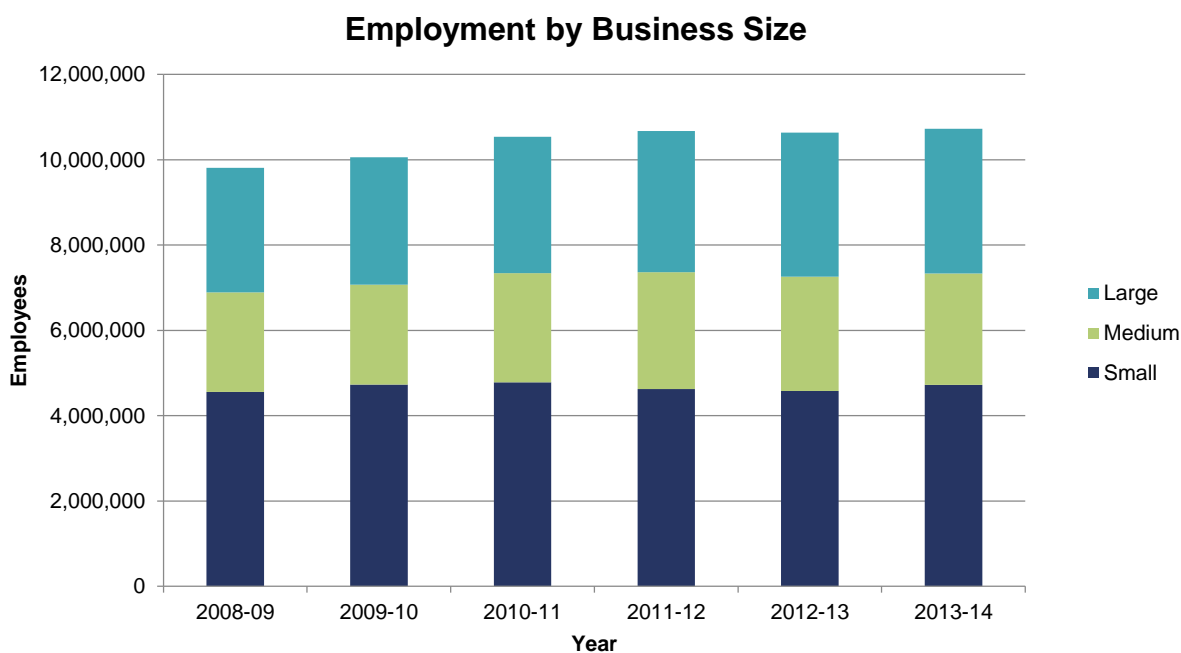
In 2013-14, small business employed 4.7 million people (44 per cent of total employment) and generated 40 per cent of new jobs in the economy². While small business employment grew by nearly 200,000 in the 6 years from 2008-09 to 2013-14, its share of total employment declined marginally from 46 per cent in 2008-09 to 44 per cent in 2013-14. The share of employment in medium-sized businesses remained at 24 per cent. Although big business increased its share of total employment from 30 per cent in 2008 to 32 per cent in 2013-14, small business was still the largest employing sector with 1.3 million (39 per cent) with more employees than large businesses.

Table 7: Employment by business size

Size	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%
Small	4,556	46	4,731	47	4,781	45	4,626	43	4,576	43	4,722	44
Medium	2,333	24	2,337	23	2,558	24	2,734	26	2,679	25	2,608	24
Large	2,920	30	2,988	30	3,197	30	3,312	31	3,382	32	3,395	32
Total	9,809		10,056		10,536		10,672		10,637		10,725	

Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations.

Chart 6: Employment by business size

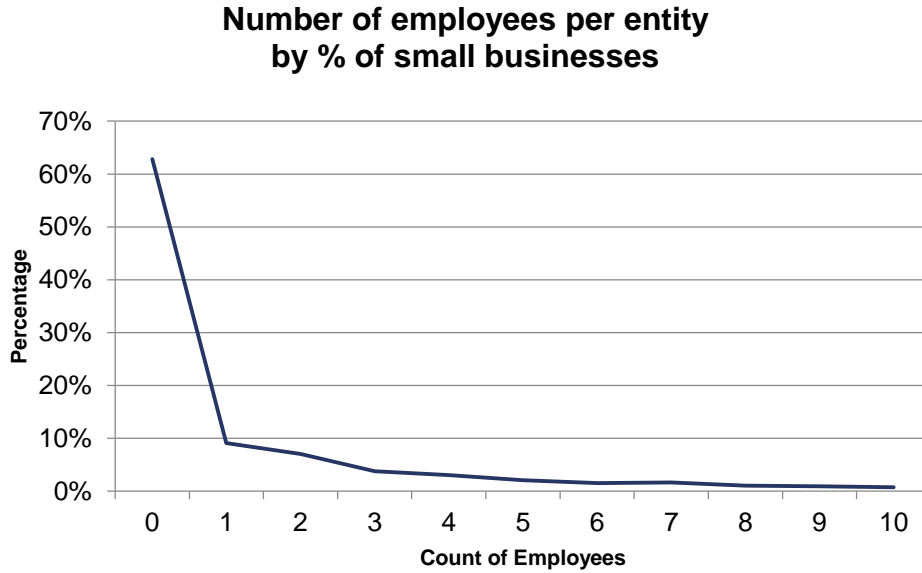


Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

² See Department of Industry, Office of the Chief Economist, Research Paper 4/2015, *The employment dynamics of Australian entrepreneurship*.

The vast majority (63 per cent) of small businesses are sole traders with no employees at all. Of the rest, 9 per cent of small businesses have one employee, and that sole employee is likely to be the owner. Another 7 per cent of small businesses have two employees.

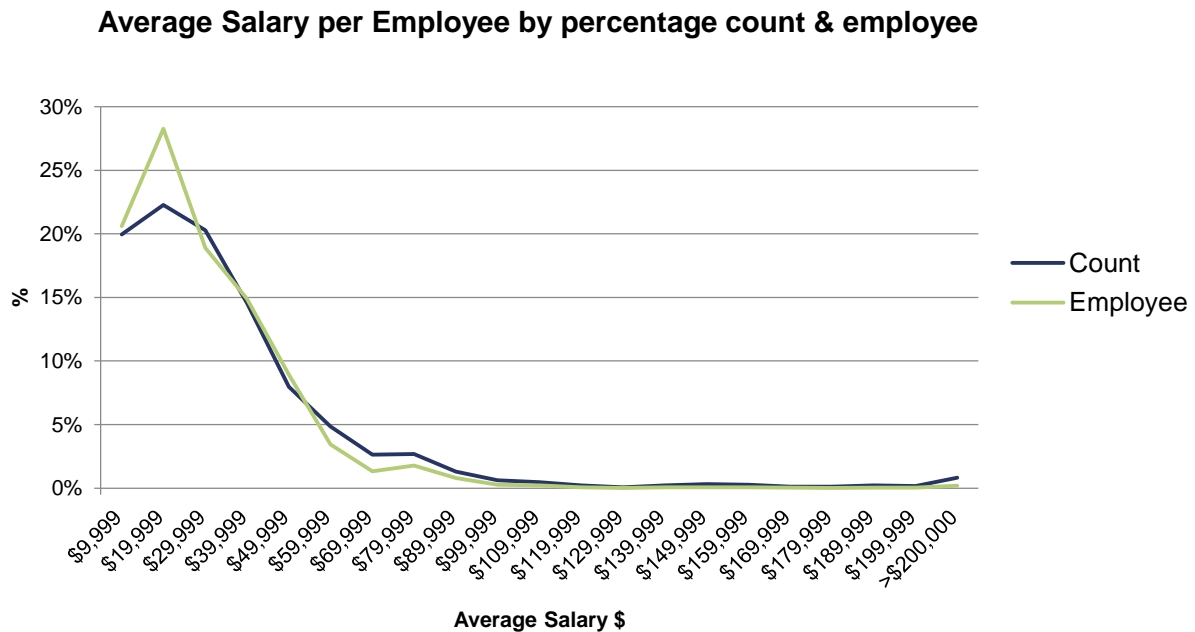
Chart 7: Number of employees by percentage of small businesses



Source: ATO data set 2013 year, ASBFEO Calculations (excludes nano businesses with no GST role)

The few small businesses employing 10 people or more, cumulatively comprise 7 per cent of total small businesses by number, but employ the majority (60 per cent) of people employed by small businesses overall. In the same year 49 per cent of employees of small businesses earned less than \$20,000 - a reflection of the high rate of part time employment in small businesses.

Chart 8: Average salary per employee



Source: ATO data set 2013 year, ASBFEO Calculations (excludes nano businesses with no GST role)

In 2013-14, small business with less than 20 employees employed over 4.7 million people or 44 per cent of the total private sector workforce. A further 2.6 million people were employed in medium-sized businesses with less than 200 employees. In total, twice as many people are employed in small and medium sized businesses then in large business.

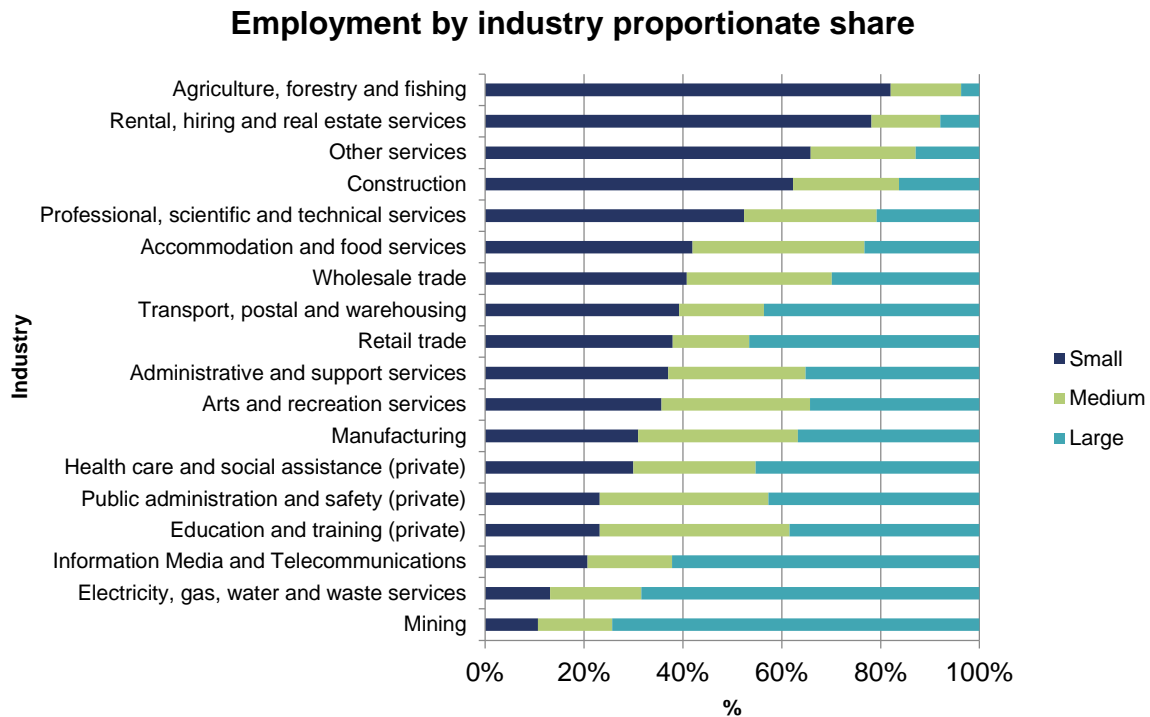
Table 8: Employment by industry 2013-14

Industry Sector	Small business '000	Medium business '000	Large business '000	Total employment '000	Small business Share %
Agriculture, forestry and fishing	421	73	19	513	82%
Mining	20	28	139	187	11%
Manufacturing	272	284	323	879	31%
Electricity, gas, water and waste services	15	21	78	114	13%
Construction	669	230	175	1,073	62%
Wholesale trade	232	167	170	569	41%
Retail trade	482	196	592	1,270	38%
Accommodation and food services	384	319	213	915	42%
Transport, postal and warehousing	224	98	249	571	39%
Information Media and Telecommunications	34	28	102	165	21%
Rental, hiring and real estate services	315	56	32	403	78%
Professional, scientific and technical services	506	259	201	966	52%
Administrative and support services	336	252	319	908	37%
Public administration and safety (private)	19	28	35	82	23%
Education and training (private)	88	146	146	380	23%
Health care and social assistance (private)	307	253	464	1,025	30%
Arts and recreation services	77	65	74	217	35%
Other services	322	104	63	489	66%
Total selected industries	4,723	2,607	3,394	10,726	

Source: ABS Catalogue No. 8155.0, Australian Industry 2014-14 Page 5, ASBFEO Calculations

In proportionate terms, small business was most significant in the Agriculture, forestry and fishing industries where they provided 82 per cent of total employment. Other industries where small business employed more than half the total industry employment were Rental, hiring and real estate services (78 per cent); Other services (66 per cent); Construction (62 per cent) and Professional, scientific and technical services (52 per cent).

Chart 9: Employment by industry ranked by small business proportionate share - 2013-14

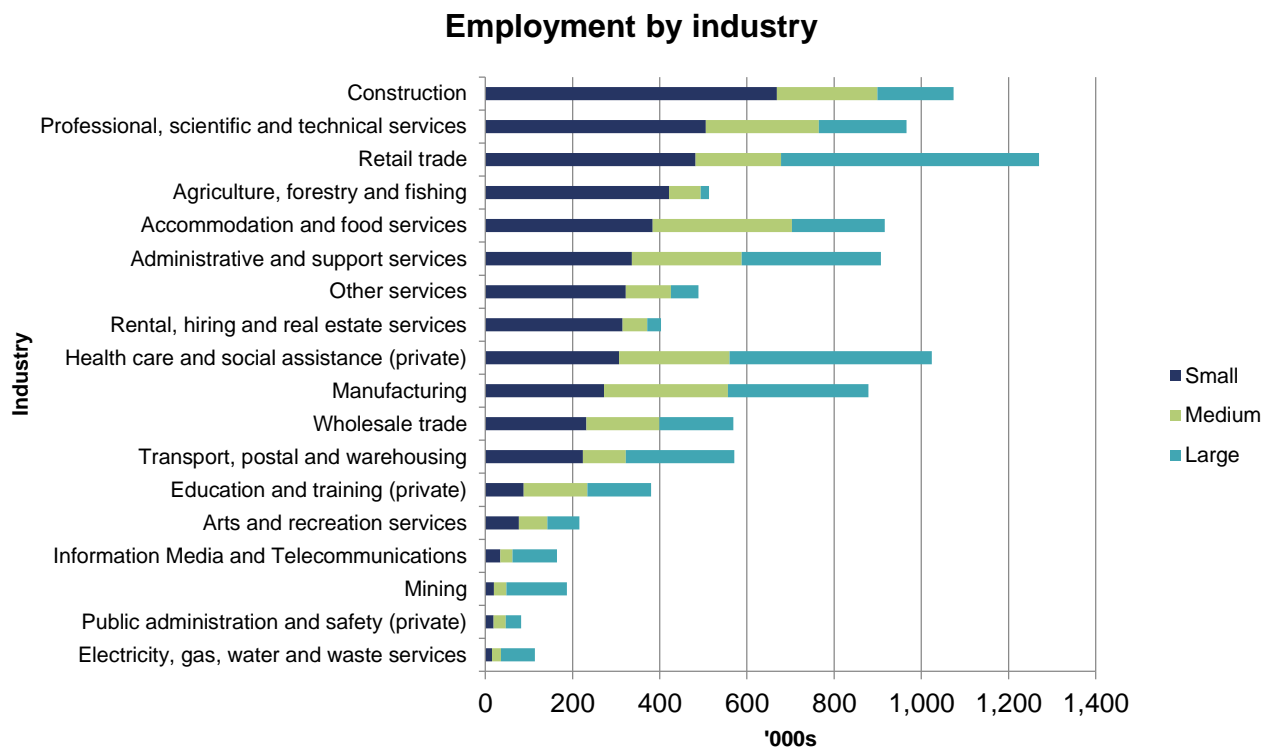


Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

Small business was least significant in the Mining (10 per cent); Electricity, gas, water and waste services (15 per cent); and Information, Media and telecommunications (21 per cent) industries, which are heavily capitalised sectors and characterised by high entry barriers and large economies of scale. These industries are dominated by large firms which provide 60-75 per cent of total employment.

In absolute terms, the industries with the most small business employment are Construction (669,000); Professional, scientific and technical services (506,000); Retail trade (482,000); Agriculture, forestry and fishing (421,000); Accommodation and food services (384,000); and Rental, hiring and real estate services (315,000).

Chart 10: Total employment by industry ranked by small business numbers - 2013-14



Source: ABS Catalogue No. 8155.0 Australian Industry 2013-14 Page 5, ASBFEO Calculations

The least significant small business sectors are Information, Media and telecommunications (34,000 employees); Mining (20,000 employees), Public administration and safety (19,000) and Electricity, gas, water and waste management services.

Looking at the survival of businesses over a four year period, of the 2.1 million firms in business in June 2011, only 1.3 million or 62 per cent) were still in business in 2015.

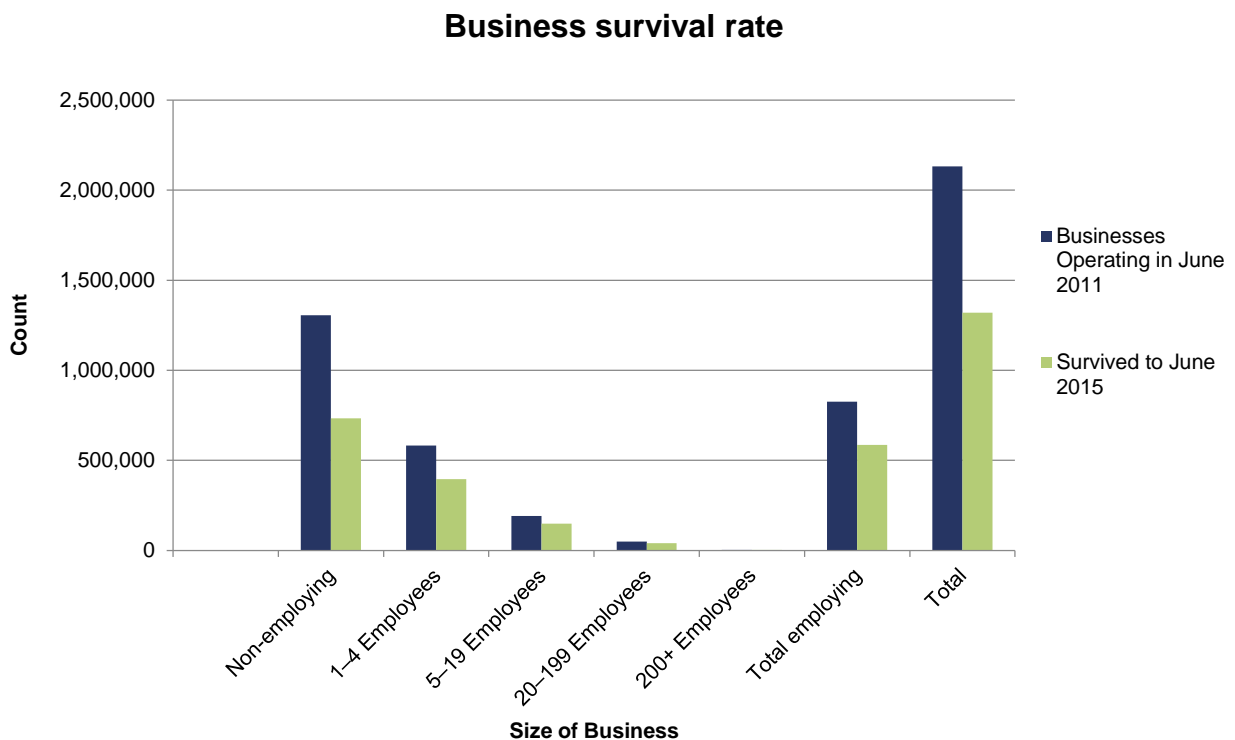
Table 9: Business survival rates 2011 to 2015

Employment Size	Businesses operating in June 2011 (count)	Survived to June 2015 (count)	Survival rate %
Non-employing (a)	1,306,023	733,946	56
1–4 employees	581,741	394,746	68
5–19 employees	191,812	147,698	77
20–199 employees	49,302	40,284	82
200+ employees	3,534	2,932	83
Total employing (b)	826,389	585,660	71
Total (a + b)	2,132,412	1,319,606	

Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations.

It would seem that sole operators with no employees are the most short-lived with a survival rate of only 56 per cent. Survival rates increase with firm size: micro businesses with 1 to 4 employees had a survival rate of 68 per cent. Small businesses with 5-19 employees had a survival rate of 77 per cent, medium sized firms had a survival rate of 82 per cent. The largest firms with over 200 employees had the highest survival rate of 83 per cent.

Chart 11: Businesses operating in 2011 and 2015



Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations.

3 Innovative behaviour

3.1 Small business innovation

Small businesses are often innovative, however, the propensity to engage in innovative activity, increases with size. While only 40 per cent of micro businesses and 60 per cent of small businesses engaged in innovative activity in 2013-14, 67 per cent of medium businesses and 80 per cent of large businesses reported undertaking at least some innovative activity.

Large businesses generally have greater resources to spend on innovative processes such as research and development. The relative advantage of large businesses is least in bringing new goods and services to market. In 2013-14, 31 per cent of small businesses were involved in product innovation compared to 35 per cent of large businesses. The disparity between small and large business' innovative behaviour is greatest in the area of operational processes, where large businesses were twice as likely to be involved in innovation as small businesses.

Table 10: Business innovation by activity and size 2013-14

Innovation activity - new or improved:	0-4 persons	5-19 persons	20-199 persons	200 or more persons
	%	%	%	%
Goods/services	19	31	34	35
Operational processes	13	22	34	44
Organisation/managerial processes	16	29	39	53
Marketing methods	16	26	31	40
Any innovative activity	40	60	67	80

Source: ABS Catalogue No. 81670: Characteristics of Australian Business 2013-14 – Summary.

3.2 Commercialising research

An issue for the commercialisation of innovation is the limited transfer of ideas between higher education institutions and business. The ABS survey on Innovation in Australian Business³ found that only three per cent of small to medium enterprises (SMEs) sourced ideas and information for innovation from the tertiary education sector (see Table 10). By contrast, SMEs were around ten times more likely to have sourced ideas from their competitors and other businesses in the same sector (also Table 11). A larger proportion of SMEs may also have sourced ideas indirectly from the tertiary education sector through, for example, journals and research papers. However, the figures strongly suggest that there is generally poor transference of ideas and information from the tertiary education sector to small and medium sized businesses.

Small business is also less likely to collaborate on innovation than large business. The differences are most pronounced in Agriculture, forestry and fishing, where 82 per cent of big businesses collaborate, compared to 28 per cent of small businesses; and Finance and insurance services where 46 per cent large businesses collaborate compared to only 16 per cent for small business.

³ ABS: 8158.0 – Innovation in Australian Business, 2012-13.

Table 11: Source of ideas for innovation for small to medium businesses - 2012-13

Source of idea	0-4 persons %	5-19 persons %	20-199 persons %
Within the business or related company	55	62	68
Clients, customers or buyers	42	37	46
Suppliers	25	27	36
Competitors and other businesses from the same industry	28	31	36
Consultants	16	21	29
Universities or other higher education institutions	3	3	3
Government agencies	3	2	5
Private non-profit research institutes	1	np	1
Commercial laboratories & research and development enterprises	1	1	1
Websites, journals, research papers, publications	31	28	29
Professional conferences, seminars, meetings, trade shows	21	25	27
Industry associations	16	16	24

Source: ABS: 8158.0 – Innovation in Australian Business, 2012-13.

3.3 Small businesses innovation and national productivity

Productivity, measured as output per hour worked, or output per dollar of capital invested, indicates how efficiently the Australian economy is turning inputs into outputs. Productivity grows as innovation spreads through an industry; as firms invest in more advanced technology, and as competition drives the success of more efficient firms and the failure of others. In 2013-14, only 28 per cent of small businesses reported improvements in productivity compared to 36 per cent of large firms.

Table 12: Businesses reporting improved performance compared to previous year, 2013-14

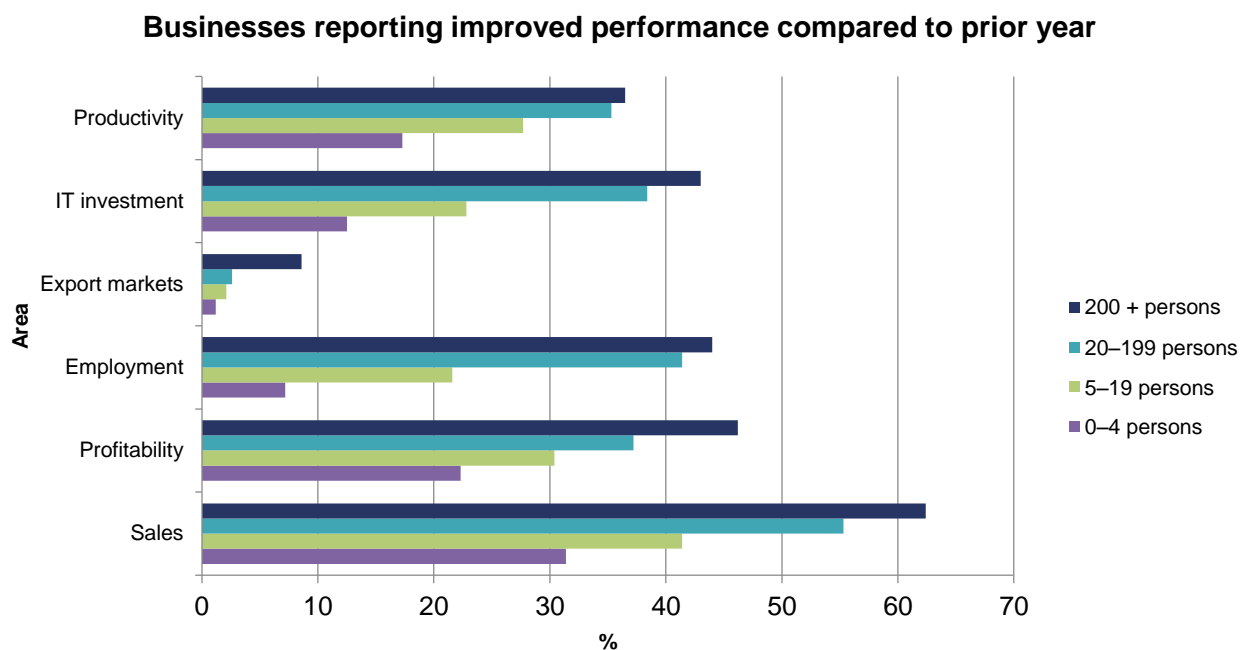
Activity	0–4 persons % of businesses	5–19 persons % of businesses	20–199 persons % of businesses	200 + persons % of businesses
Sales	31	41	55	62
Profitability	22	30	37	46
Employment	7	22	41	44
Export markets	1	2	3	9
IT investment	13	23	38	43
Productivity	17	28	35	36

Source: ABS Cat No. 8167.0 Selected Characteristics of Australian Business, 2013-14 and ASBFEO calculations.

Measured in absolute numbers, small business is very involved in innovation – they are more likely to innovate and bring new goods and services to a market. The overwhelming majority of innovative firms are small businesses: in 2012-13, 285,000 small firms reported they engaged in innovative activity, compared with 2,972 large firms.

Small businesses often pioneer new technologies or work practices, before they spread more broadly through an industry. Modern definitions of entrepreneurship emphasise a strong link between entrepreneurship and innovation and distinguish entrepreneurship from simple form of management. As far back as 1934, Schumpeter, in his classical analysis of capitalist society *The Theory of Economic Development*, for example, emphasised the role of the entrepreneur and associated ‘*gales of creative destruction*’.

Chart 12 Businesses reporting improved performance compared to previous year - 2013-14



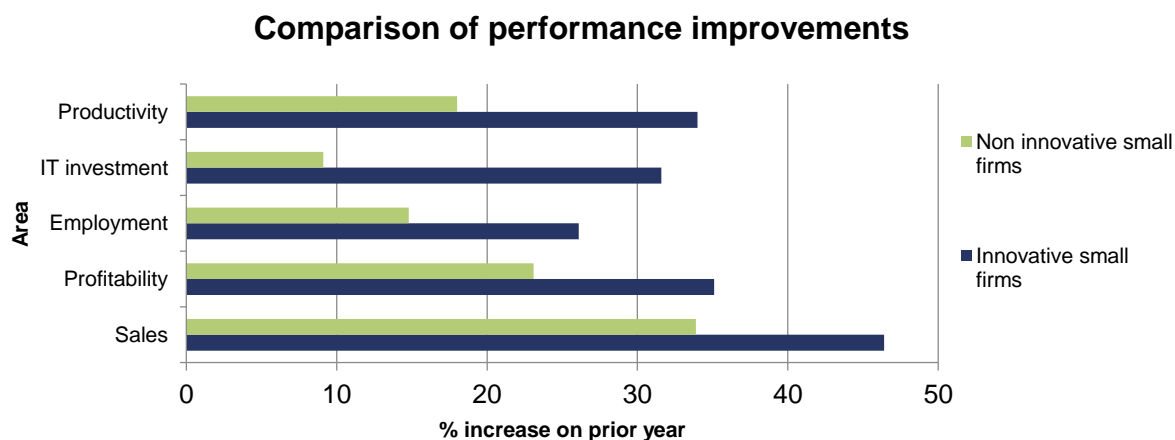
Source: ABS Cat No.: 8167.0 Selected Characteristics of Australian Business, 2013-14 and ASBFEO calculations.

Table 13: Performance improvements for innovative and non-innovative small businesses - 2013-14

Activity increases in:	Innovative small firms %	Non-innovative small firms %
Sales	46	34
Profitability	35	23
Employment	26	15
IT investment	32	9
Productivity	34	18

Source: ABS Cat No.: 8167.0 Selected Characteristics of Australian Business, 2013-14 and ASBFEO calculations.

Chart 13 Performance improvements for innovative vs non-innovative small businesses, 2013-14



Source: ABS Cat No.: 8167.0 Selected Characteristics of Australian Business, 2013-14 and ASBFEO calculations.

3.4 Barriers to business innovation

The October 2015 MYOB Business Monitor⁴ found that small business nominated government regulation, lack of research and development funding, lack of marketing expertise, access to investment and lack of appropriate personnel as significant barriers to innovation (see Table 14). The MYOB survey also noted that medium-sized businesses perceived more barriers to innovation than small-sized businesses, with only 3 per cent stating there were no perceived barriers to innovation. Medium-sized businesses were more likely to mention lack of research and development (R&D) funding (31 per cent), access to investment funding (25 per cent) and lack of appropriate personnel (25 per cent) as barriers to innovation. Innovation surveys data show that a larger percentage of small firms compared with large firms, complain about compliance with government regulation and that lack of access to additional funds constrain their ability to be innovative.

Table 14: Barriers to innovation, by employment size - 2013-14

Firm size	Access to funds %	Development cost %	Lack of skills %	Technology access %	Regulations %	Standards %	Lack of demand %
0–4 persons	17.1	12.6	12.7	3.3	11.2	3.3	12.3
5–19 persons	20.7	17.5	22.0	3.4	12.8	4.9	14.8
20–199 persons	19.5	12.8	23.0	3.4	14.0	3.9	12.2
200+ persons	10.4	14.9	18.2	2.2	11.3	4.5	11.2

Source: ABS Cat. No. 81670: Selected Characteristics of Australian Business, 2013-14 and ASBFEO calculations

Micro and small businesses find that the biggest barriers to innovation are lack of funding, high development costs and lack of skilled personnel. The survey of Selected Characteristics of Australian Business⁵ found significant skill shortages for IT professionals and engineering skills.

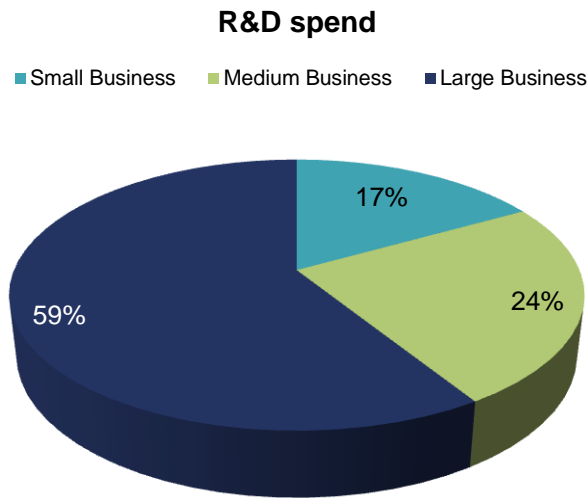
3.5 Small business R&D

R&D expenditure is skewed towards larger companies. Small business spent only 17 per cent of total dollars spent on R&D in 2013-14, considerably less than the small business share of total industry value added (33 per cent). The share of R&D expenditure by medium business (24 per cent) was proportionate to its share of value added (23 per cent). Big business accounted for a higher proportionate of R&D expenditure (59 per cent) than its share of value added (44 per cent); Professional, scientific and technical services (35 per cent).

⁴ MYOB Business Monitor, October 2015 Report: <http://files.myob.com.s3-ap-southeast-2.amazonaws.com/news/MYOB-AU-BUSINESS-MONITOR-NATIONAL-REPORT.pdf>. Of the 1024 businesses surveyed, 61% were not employing businesses, 24% were micro businesses, 11% were small businesses, and 4% were medium businesses.

⁵ ABS: 8167.0 – selected Characteristics of Australian Business, 2013-14.

Chart 14: Small business share of total business research and development spending - 2013-14



Source: ABS Cat. No. 81040 Research and Experimental Development, Businesses, Australia, 2013-14.

There are several industries in which the small business share of R&D expenditure is greater than its share of value added. These are rental, hiring and real estate services (54 per cent of industry R&D spend); health care and social assistance (44 per cent of industry R&D); and education and training (35 per cent of industry R&D).

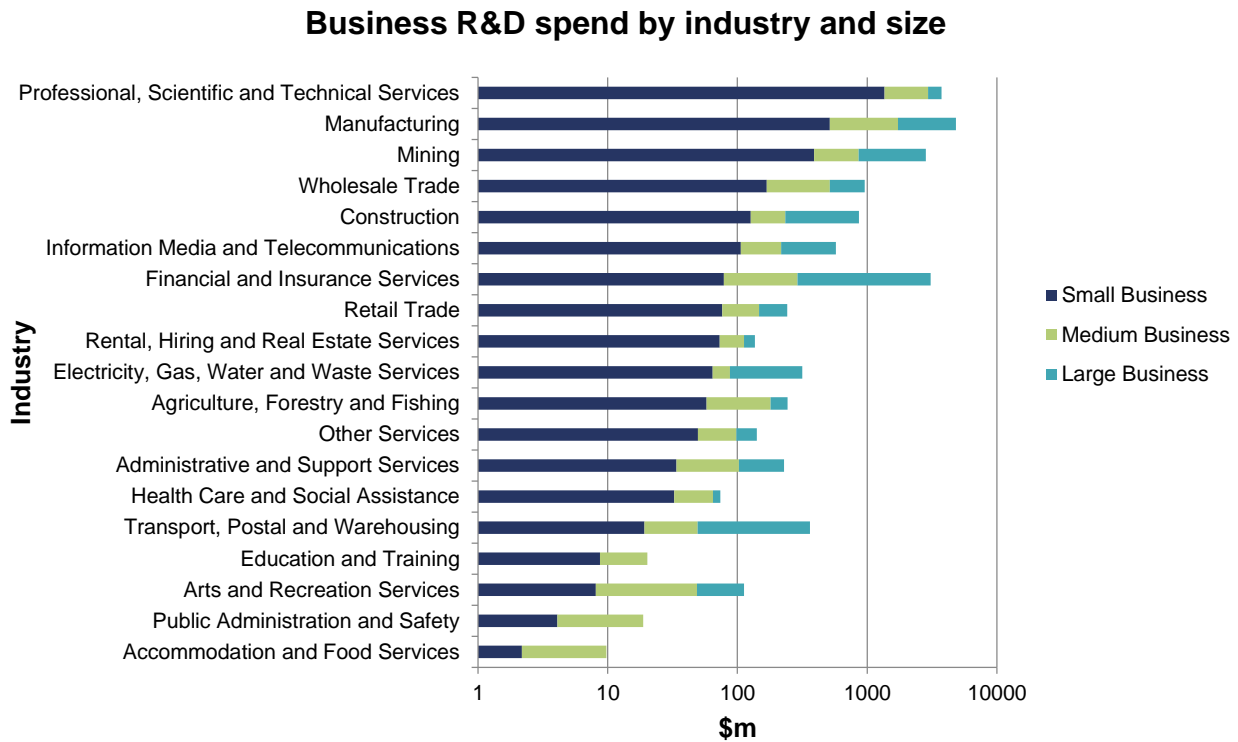
Table 15: Business expenditure on R&D by industry and firm size - 2013-14

Industry	Small business \$m	Medium business \$m	Large business \$m	Total industry R&D \$m	Small business share %
Agriculture, forestry and fishing	58	123	62	243	24
Mining	390	469	1972	2830	14
Manufacturing	514	1214	3116	4844	11
Electricity, gas, water and waste services	64	23	228	315	20
Construction	127	107	630	864	15
Wholesale trade	168	346	446	960	18
Retail trade	76	70	96	242	32
Accommodation and food services*	2	8	0	24	9
Transport, postal and warehousing	19	30	314	363	5
Information media and telecommunications	106	111	358	575	19
Financial and insurance services	79	212	2802	3093	3
Rental, hiring and real estate services	73	39	24	136	54
Professional, scientific and technical services	1363	1592	798	3753	36
Administrative and support services	34	69	125	228	15
Public administration and safety*	4	15	0	27	15
Education and training*	9	11	0	25	35
Health care and social assistance	33	32	9	74	44
Arts and recreation services	8	41	64	113	7
Other services	50	49	43	141	35
Total	3182	4561	11107	18850	

Source: ABS Cat. No. 81040 Research and Experimental Development, Businesses, Australia, (Sept. 2015). * includes data not available for publication but included in total.

Looking at the magnitude of R&D expenditure in dollar terms, the industries where small business spends the most on R&D are: professional, scientific and technical services \$1,363 million; manufacturing \$514 million; mining \$390 million; wholesale trade \$168 million; and construction \$127 million.

Chart 15: Business expenditure on R&D by industry and firm size - 2013-14 (logarithmic scale)

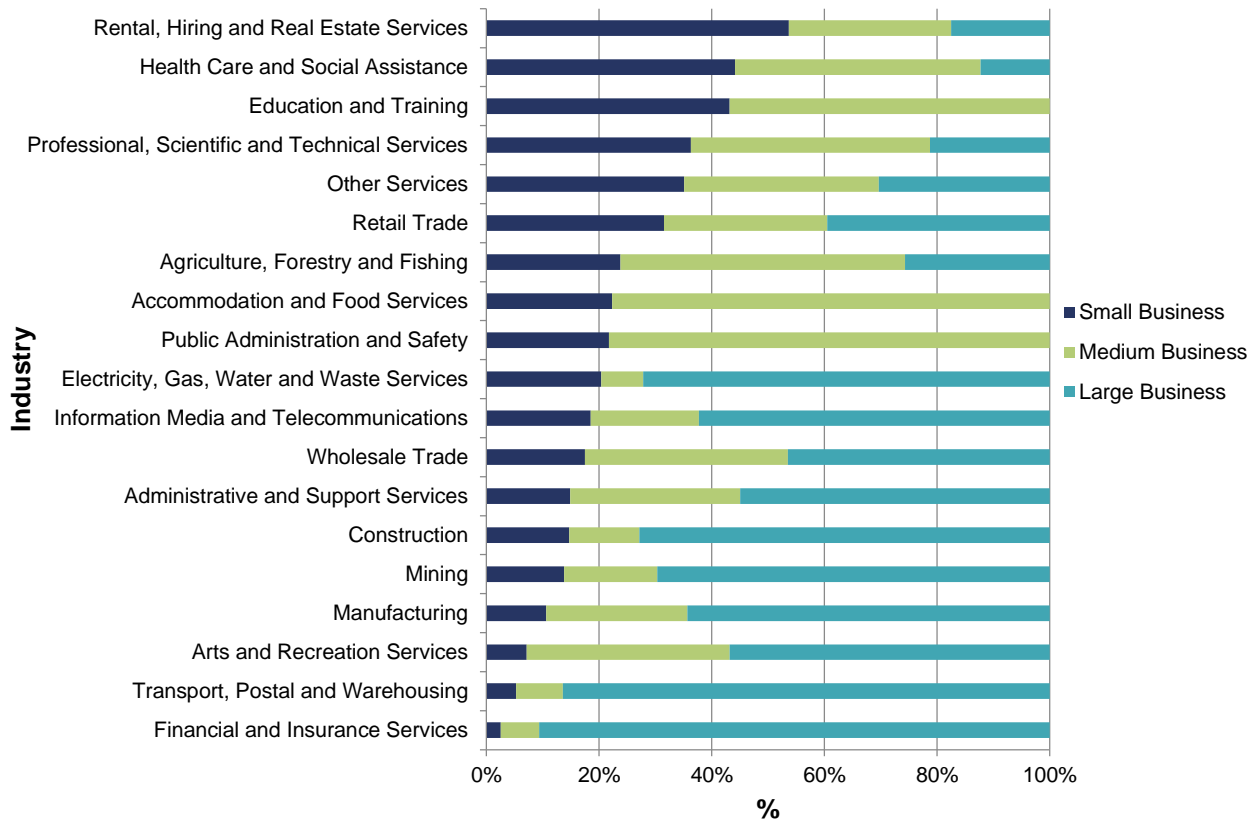


Source: ABS Cat. No. 8104.0 Research and Experimental Development, Businesses, Australia, 2013-14.

The industries where small business R&D expenditure is most significant in proportionate terms are Rental, hiring and real estate services (54 per cent of industry R&D); Health care and social assistance (44 per cent) Professional, scientific and technical services (36 per cent) and Education and training (35 per cent).

Chart 16: Business expenditure on R&D by industry and size - 2013-14

Business R&D Expenditure by industry and size proportionate share



Source: ABS Cat. No. 8104.0 Research and Experimental Development, Businesses, Australia, 2013-14

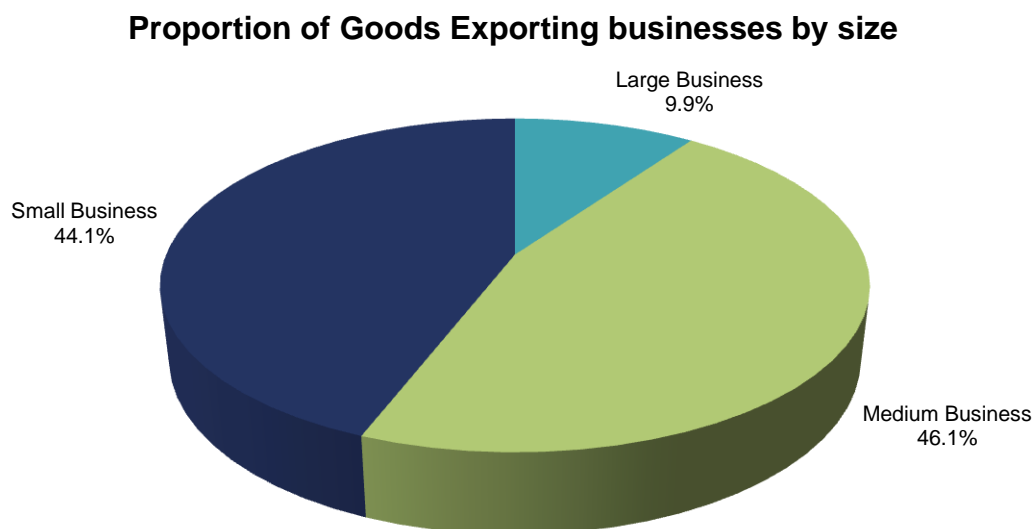
4 Small business exports

This chapter examined the available data on small business exports. The data comes from the ABS publication *Characteristics of Australian Exporters, 2013-14*⁶. While this survey provides data on the number of small business exporters of goods and the value of their exports, it does not provide any data on small business exporters of services.

4.1 Number of small business exporters

It is sometimes assumed that only large companies are capable of penetrating export markets but this is simply not true. In 2013-14 there were 19,965 small businesses exporting goods, representing 44 per cent of all businesses exporting goods. In recent years we are seeing increasing numbers of small firms that are 'born global', meaning that they are exporting from the very beginning⁷.

Chart 17: Proportion of goods exporting businesses by size 2013-14



Source: ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

The number of small businesses which are exporting has been growing since 2006-7. But they have also been growing as a proportion of exporting businesses. In 2006-07 small businesses made up 39 per cent of exporting businesses. By 2013-14, that had grown to 44 per cent. It is likely that this trend has largely resulted from the enhanced ability of small business to reach global markets using the Internet; however no data is available to confirm this.

⁶ ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14.

⁷ Counts of Australian Business, ABS 8165.0, 2 March 2015 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0>.

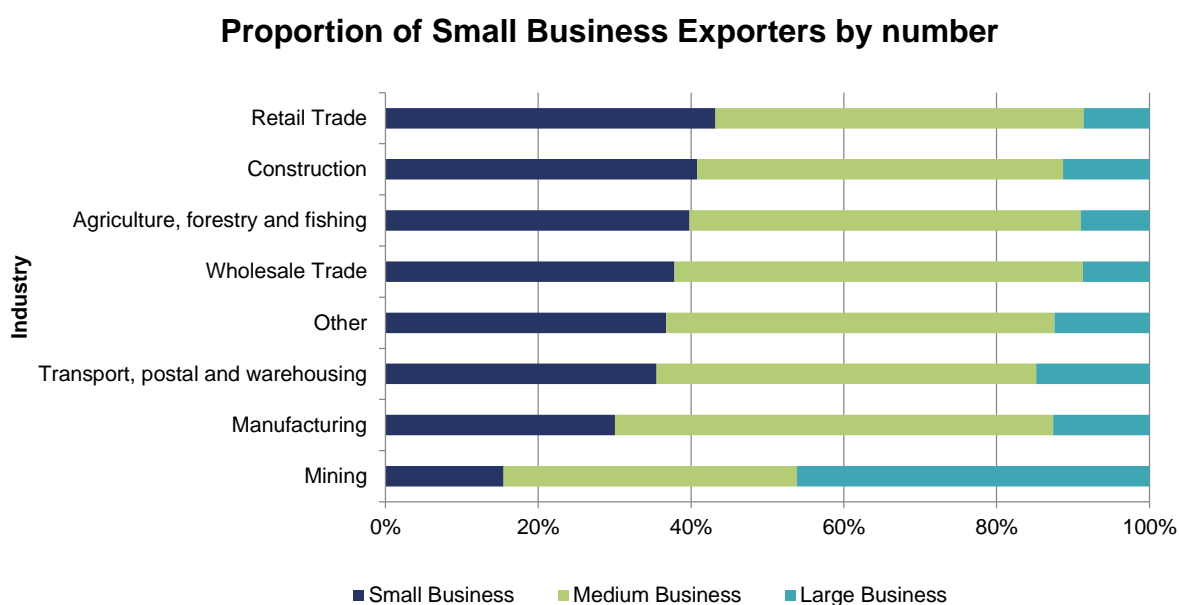
Table 16: Number of small business exporters of goods

Business Size	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Large business	4,375	4,411	5,932	4,274	4,207	4,206	4,211	4,474
Medium business	21,666	21,670	20,787	20,857	20,753	20,577	20,464	20,867
Small business	16,613	17,017	16,540	17,521	17,774	18,297	18,370	19,965
Total exporters	42,654	43,098	43,259	42,652	42,734	43,080	43,045	45,306
% Small business	38.9	39.5	38.2	41.1	41.6	42.5	42.7	44.1

Source: ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

The proportion of exporting businesses which are small businesses varies across industries. Small business exporters make up a larger proportion of exporters in the Retail trade (43 per cent), Construction (41 per cent) and Agriculture, forestry and fishing (40 per cent) industries but make up a much smaller proportion of Manufacturing (30 per cent) and Mining (15 per cent) exporters (Chart 18). The proportion of small business exporters in each industry sector are less than the overall proportion because 6,664 small business exporters (28 per cent) do not have an ABN and are not included in the figures for individual industries, while few medium or large businesses are in this position.⁸

Chart 18: Proportion of small business exporters by number – 2013-14



Source: ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

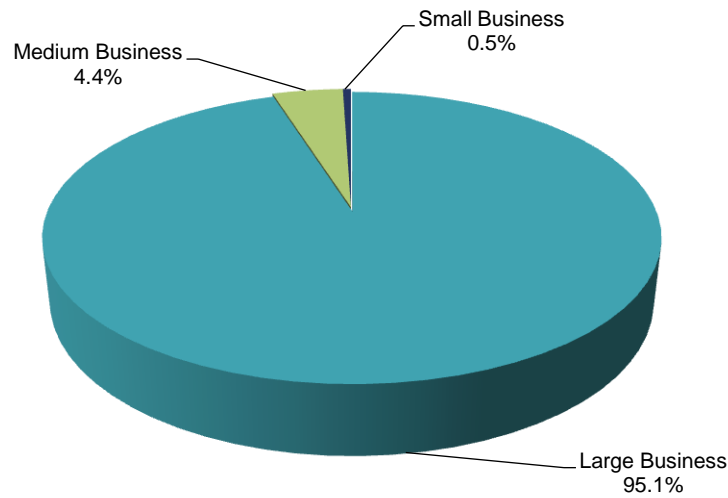
4.2 Value of small business exports

While the number of small businesses which are exporters is significant, their contribution to the total value of exports is relatively small. In total, small business contributes only \$1.4 billion to the value of exports out of a total of \$273 billion.

⁸ ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

Chart 19: Contribution of small business to the total value of goods

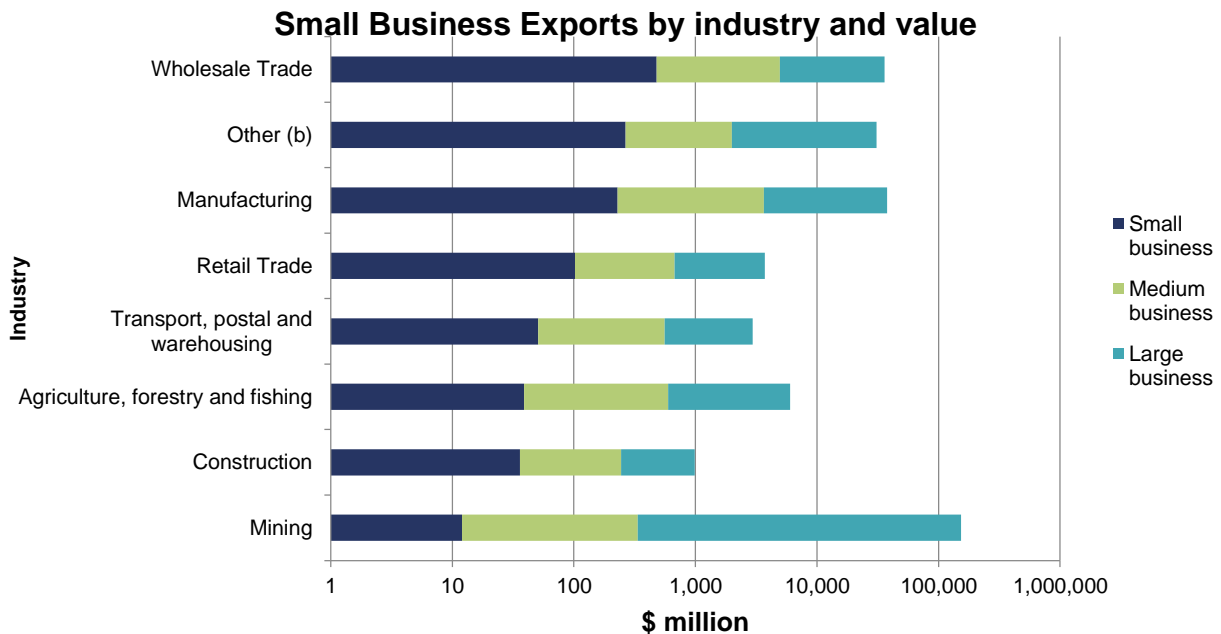
Total value of goods exported contribution by size



Source: ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

The value of small business goods exports is greatest in Wholesale trade (\$480 million) followed by Manufacturing (\$229 million) and Retail trade (\$102 million). Chart 20 sets out the value of exports in each industry by size of business. Note that because of the low total value of small business exports, this Chart uses a logarithmic scale to emphasise the small business contribution.

Chart 20: Small business goods exports by industry 2013-14, by value - \$m (logarithmic scale)

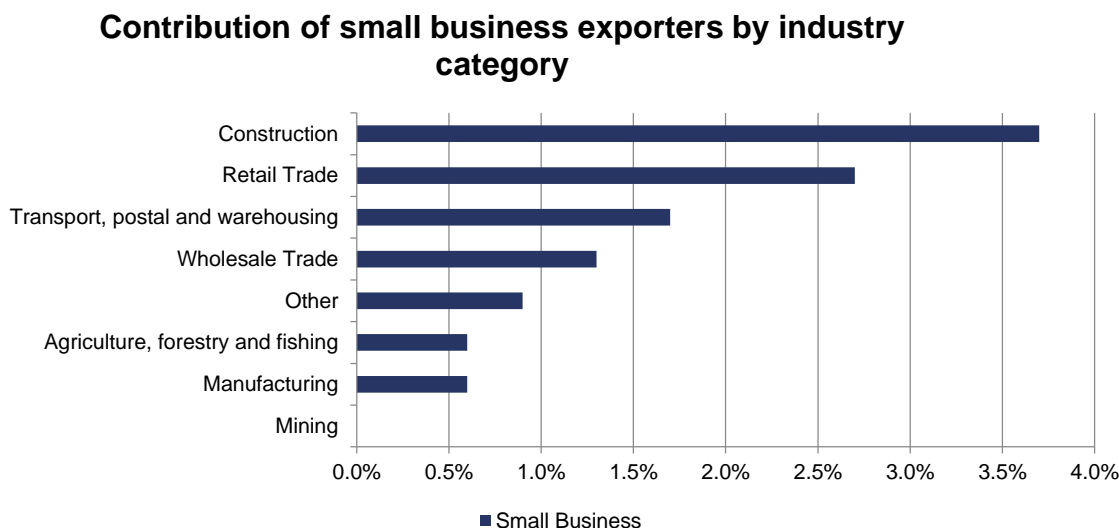


Note: 'Other (b)' in Chart 20 includes goods exporters in Electricity, gas, water and waste services; Accommodation and food services; Information, media and telecommunications; Financial and insurance services; Rental, hiring and real estate services; Professional, scientific and technical services; administrative and support services; Public administration and safety; Education and training; Health, care and social assistance; Arts and recreation services; as well as businesses that lack a classification under ANZSIC 2006 and businesses yet to confirm their main industry of activity with the ATO.

Source: ABS Cat No. 5368.0 - Characteristics of Australian Exporters, 2013-14 (Jun 2015) and ASBFEO calculations.

The small business exports as a proportion of the exports for each industry varies. While the total value of small business goods exports is largest in the wholesale trade, the contribution to each industry as a proportion of that industry exports is different. As a proportion of each industry's small business makes the greatest contribution to exports in the construction industry (4 per cent) and the retail trade (3 per cent) while it contributes only \$12 million to mining exports (Table 17 and Chart 21).

Chart 21: Contribution of small business exporters to each industry category



Source: ABS 5368.0.55.006 – Characteristics of Australian Exporters, 2013-14: ASBFEO calculations.

Table 17: Value of goods exports, by industry and business size 2013-14

Goods exporters with an ABN by Industry	Small business \$m	Medium business \$m	Large business \$m	Total exports \$m	Small business share %
Agriculture, forestry and fishing	39	559	5,410	6,008	0.6
Mining	12	323	152,902	153,237	-
Manufacturing	229	3,417	34,193	37,839	0.6
Construction	36	208	740	985	3.7
Wholesale trade	480	4,464	31,110	36,054	1.3
Retail trade	102	573	3,041	3,716	2.7
Transport, postal and warehousing	51	507	2,393	2,952	1.7
Other (b)	267	1,724	28,975	30,966	0.9
All goods exporters with an ABN	1,216	11,776	258,764	271,756	0.4
Goods exporters without an ABN	208	183	773	1,164	17.9
All Industries (c)	1,424	11,959	259,537	272,921	

Source: ABS Cat No. 5368.0 - Characteristics of Australian Exporters, 2013-14 (Jun 2015) and ASBFEO calculations.

5 Tax contribution

Table 18: Company tax revenue by business size

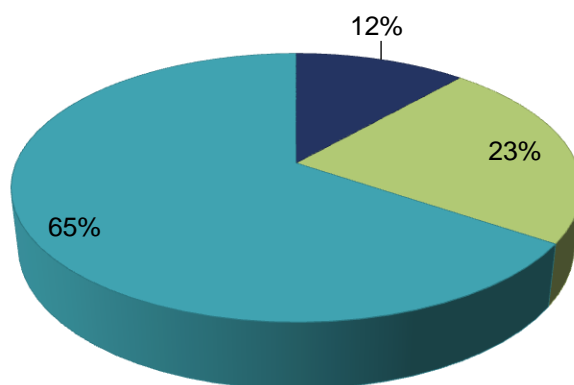
Business size classed by revenue	2010-2011		2011-2012		2012-2013	
	\$m	%	\$m	%	\$m	%
Small (<\$2m)	6,631	10	7,105	11	7,491	12
Medium (\$2m - \$100m)	13,680	22	14,124	22	14,735	23
Large (>\$100m)	42,712	68	42,923	67	42,304	65
Total	63,023	100	64,152	100	64,530	100

Source: ATO tax data and ASBFEO calculations.

Chart 22: Share of company tax revenue by business size

Share of company income tax revenue %

■ Small business ■ Medium business ■ Large business



Source: ATO tax data and ASBFEO calculations (2012/13 year).

5.1 Understanding the tax contribution of small businesses

The use of entity level data can produce a misleading picture of the overall tax contribution of small business. The interplay of individual, partnership, trust, company, and superfund aspects of family enterprise tax planning enormously complicates the picture of what the small 'economic group' earns, the taxes paid, and total of government assistance received by individuals (while significant for very small businesses there is no data on this in this report). Keeping this caveat in mind, the following table (Table 19) illustrates the importance of the size of the small business (at an entity level) on the taxes paid and employment.

Table 19: Key numbers by annual turnover in 2012-13

Turnover	% of small businesses	% income tax paid by small business	% net GST paid by small businesses	% employees of small business
\$0 to less than \$50k	27%	13%	-1%	2%
\$50k to less than \$200k	34%	19%	13%	8%
\$200k to less than \$2m	36%	53%	64%	66%
\$2m to less than \$5m	4%	15%	24%	24%
Total	100%	100%	100%	100%

Source: ATO sample dataset for 2013 year and ASBFEO calculations (excludes nano businesses with no GST role), Entity level data.

5.2 Small business industry benchmarks

The ATO publishes small industry benchmarks to assist in the comparison of a business performance against potentially similar businesses in the same industry. The benchmarks:

- are calculated from income tax returns and activity statements from over 1.3 million small businesses;
- account for businesses with different turnover ranges (greater than \$30,000 and less than \$15 million) across more than 100 industries, and
- are published as a range to recognise the variations that occur between businesses due to factors such as location and the businesses circumstances.

The approach used excludes the distortionary impact of industry outliers from the benchmark calculation process. The benchmarks can be found at: <https://www.ato.gov.au/Business/Small-business-benchmarks/In-detail/Benchmarks-by-industry/>

Table 20: Example benchmark data – takeaway food services 45120 (excluding restaurants)

2013-14 Financial Year	Annual turnover range '000		
	\$65-\$200	\$200-\$600	>\$600
Cost of sales/turnover	34%-41%	36%-44%	34%-41%
Average cost of sales	37%	40%	37%
Total expenses/turnover	76%-85%	81%-90%	88%-94%
Average total expenses	81%	86%	91%
Labour/turnover	14%-21%	13%-21%	19%-25%
Rent/turnover	15%-23%	11%-19%	8%-14%

Source: <https://www.ato.gov.au/Business/Small-business-benchmarks/In-detail/Benchmarks-A-Z/R-Z/Takeaway-food-services/>

6 Women in small business

There is limited data about the role of women in small business. The ABS data on the Counts of Australian Businesses⁹ does not show the gender of the business owner or manager. The ABS Labour Force data does show the number of people working as business owner/managers broken down by sex. This data relates to all businesses, not just small business. Nevertheless, as over 97 per cent of all businesses are small businesses, this data should provide a good indication of the proportion of women who are owner/managers of small businesses.

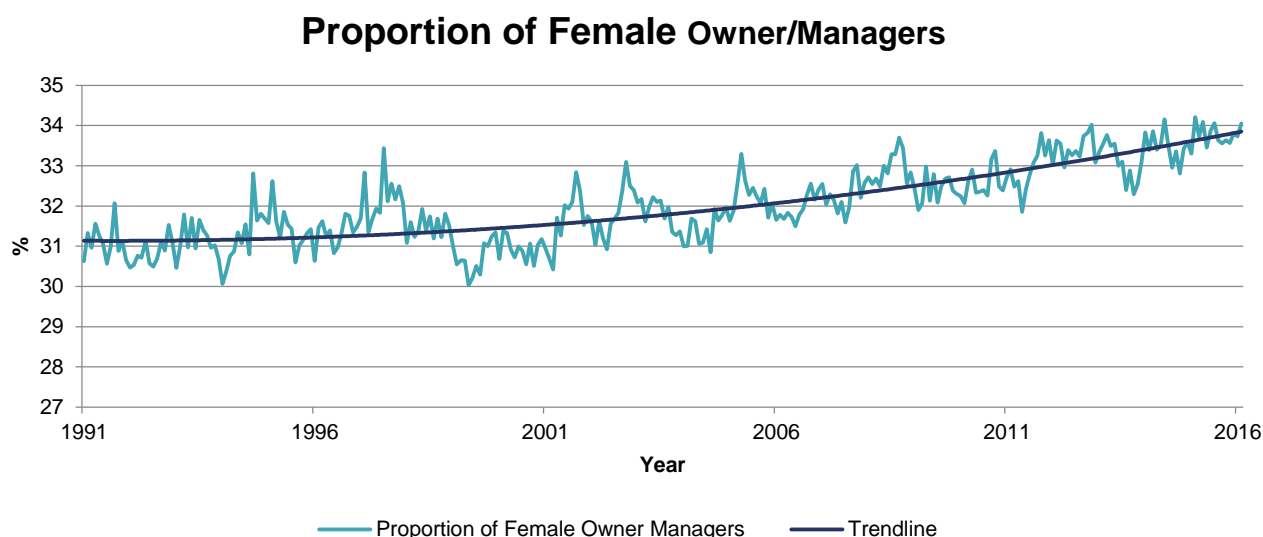
Private surveys provide another source of data on women in small business. These surveys are often prepared by accounting firms, industry organisations and academics. Much of the available data which comes from private surveys is focussed on family businesses. However, as family businesses constitute around 70 per cent of all businesses and most businesses are small businesses that data can provide some guidance on issues relating to women in small business.

The quality of the data from private surveys may not be highly reliable. In some series of surveys the results appear to change more significantly from one survey to the next than would be expected. Nevertheless, some general observations might be drawn from the available data.

6.1 Ownership and management

The ABS data from February 2016 shows that 34 per cent of business owner/managers are women¹⁰. While there are significant fluctuations in the number of female owner/managers from month to month there is a clear overall trend. In 1991, 31 per cent of business owner/managers were women. There was little change until the late 1990s and then a clear upward trend emerged. The change is not rapid but it has been sustained over a long period and appears to be continuing (Chart 24).

Chart 24: Proportion of female business owner/managers 1991-2016



Source: ASBFEO and ABS 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery, Feb 2016.

While the overall proportion of women owner/managers of businesses has grown, the detailed picture is somewhat clouded by other changes. Between 1991 and 2016, the total number of business owner/managers grew from 1.4

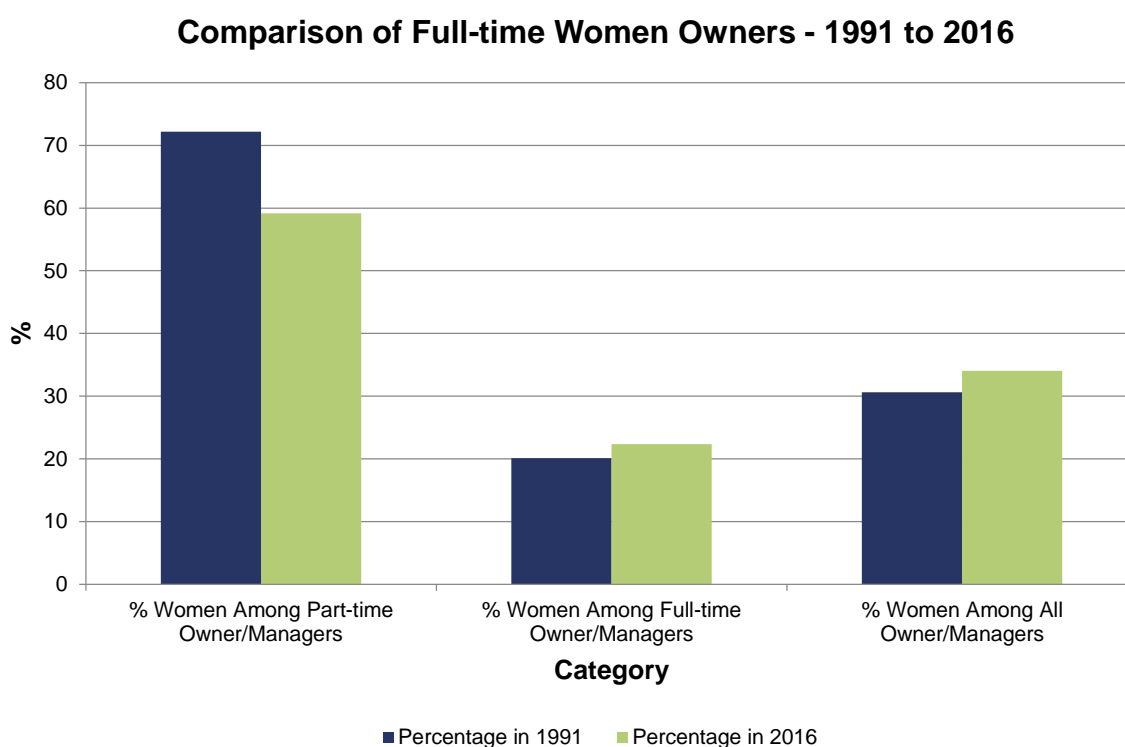
⁹ ABS 8165.0 – Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015.

¹⁰ ABS 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery, Feb 2016.

million to 2.1 million. That growth was most heavily concentrated among part-time owner/managers. The total number of part-time owner managers grew by 129 per cent from 286,800 to 658,000 over this period. In contrast, the total number of full time owner managers grew by only 25 per cent from 1,132,400 to 1,417,800. This represents a significant change in the pattern of work by business owner/managers.

Historically, women have been much more likely to be part-time, rather than full-time owner/managers. In 1991, while 30 per cent of owner/managers overall were women, they made up 72 per cent of part-time owner/managers and only 20 per cent of full time owner/managers. Despite the rise in the proportion of part-time owner/managers between 1991 and 2016, there was a shift towards a higher proportion of fulltime women owner/managers while the proportion of women part-time owner/managers fell. The overall proportion of women rose from 30 per cent to 34 per cent and the proportion of women among full-time owner/managers rose from 20 per cent to 22 per cent while the proportion of part-time women fell from 72 per cent to 59 per cent. (Chart 25)

Chart 25: Change in the proportion of female owner/managers from 1991 to 2016



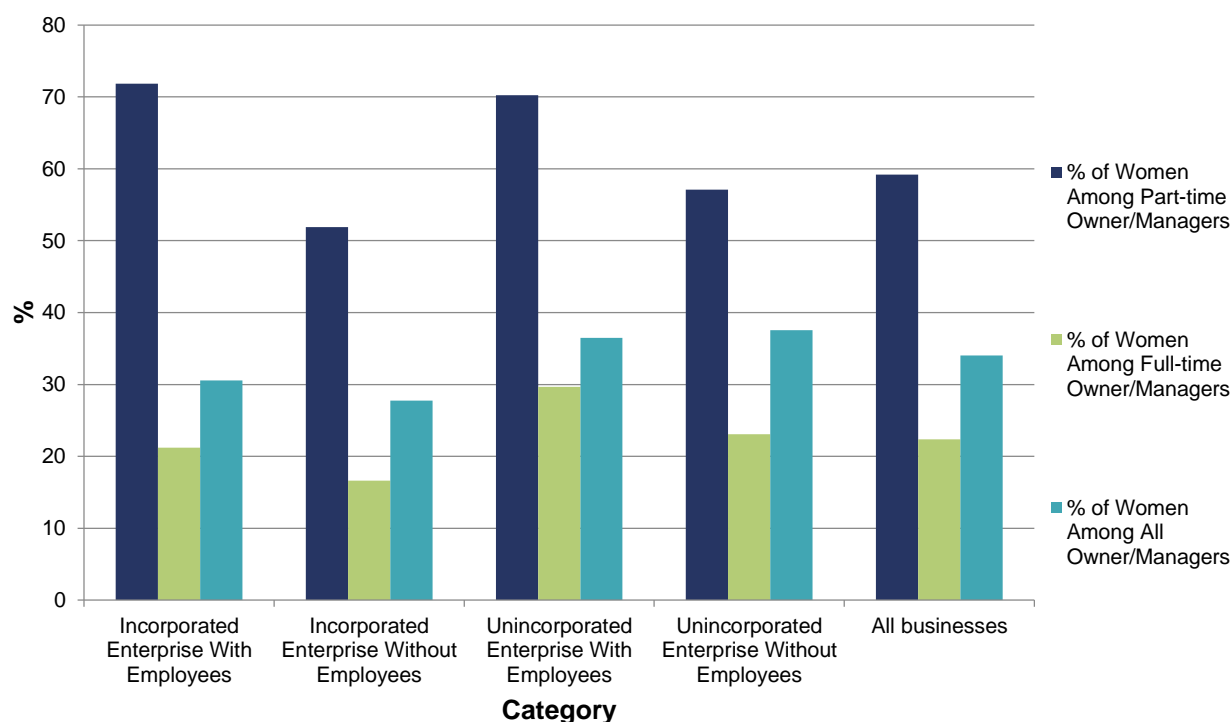
Source: ASBFEO and ABS 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery, Feb 2016.

The labour force figures also show the gender breakdown between those who work in employing and non-employing businesses, and between incorporated and unincorporated businesses. Women dominate every category of part-time owner/managers comprising 52-72 per cent of part-time owner/managers in each category of business. Among the individual categories of full time owner/managers women make up only 17-30 per cent (Chart 26)¹¹. It is noticeable that women make up a higher proportion of owner/managers in employing enterprises than in non-employing enterprises. The distinction between incorporated and unincorporated businesses may, to some extent, be artificial as many businesses operate through a combination of legal structures.

¹¹ ASBFEO and ABS 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery, Feb 2016.

Chart 26: Proportion of women part-time and full-time owners/managers by category

Part-time and Full-time Owner Managers 2016



Source: ASBFEO and ABS 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery, Feb 2016.

Private surveys of small business and family business paint a different picture. Private surveys also show that the majority of businesses are owned by men, but they show much lower proportions of women as owner/managers. In 1994, for example, the PWC/CBA Monash survey found that only 5 per cent of family business owners were women¹². The much later 2013 MGI survey found that around 10 per cent of family business owner/managers were female. But the figure for non-family businesses was even lower at 3 per cent¹³.

There is no data to indicate the reasons for this significant difference in findings. But it may be speculated that it is the result of a significant difference in sample selection. The ABS data attempts to capture all members of the labour force who report their occupation as business owner/manager. Private surveys usually select their sample from the clients of large accounting firms, users of particular types of accounting software, or from businesses covered by rating agencies such as Dun & Bradstreet. It is possible that the private surveys are biased towards larger small businesses and medium businesses and that the proportions of women owner/managers in those businesses are different to the overall figures for all businesses.

The reasons for going into business and the aspirations of women business owners can be different from those of men. The February 2014 MYOB Business Monitor found that women were more likely to cite lifestyle change (43 per cent rather than 35 per cent overall) or making money from a hobby or interest (26 per cent rather than 20 per cent overall) as reasons for starting a business.¹⁴ Similarly, the October 2015 MYOB survey found that the long-term goals of owners are more likely to include making money from something that they are passionate about for female owners (22 per cent) than for male owners (13 per cent).¹⁵

¹² Smyrniotis K, Romano C, The Price Waterhouse/Commonwealth Bank Family Business Survey 1994, p. 18.

¹³ Dana L, Smyrniotis K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 16.

¹⁴ MYOB, MYOB Business Monitor, February 2014 Report, p. 27.

¹⁵ MYOB, MYOB Business Monitor, October 2015 Report, p. 22.

6.1.1 Business control

Women have historically not featured prominently as the chairs of company boards or as directors. The 2008 Family Business Survey found that 97 per cent of chairpersons were male.¹⁶ More recent surveys in 2009 and 2011 surveys put the figure for women as chairs much higher, at around 12 per cent (Table 21).

Business owners have recognised the ability of women as directors. The 1994 PWC/CBA Monash survey found that 91 per cent of male and 97 per cent of female owners ranked women equally with men as directors.¹⁷ Despite this the representation of women among directors of family businesses is not high. The 2009 Family Business Survey found that 30 per cent of family business directors were female.¹⁸ In both 2011 and 2013 the Family Business surveys (using slightly different criteria) found that only one-third of businesses had executive directors who are female, with 36 per cent having female non-executive directors.¹⁹

Although the ability of female directors has been recognised and women make up a significant proportion of directors of family companies, they are much less likely to be the chair of the board.

6.1.2 Business management

The 2015 Family Business Survey found that high performing family businesses were more likely to have a female CEO.²⁰ Despite this finding surveys have consistently found that there is a relatively low proportion of women CEOs among family businesses.

Some of the earliest data on women in business comes from the 1994 PWC/CBA Monash survey of family businesses. It found that only 3 per cent of first and 5 per cent of second generation family businesses had female CEOs. Family businesses that were not managed by a family member did not involve any female CEOs.²¹ This is despite 91 per cent of male and 97 per cent of female owners ranking women equally with men as directors.²²

The latest Family Business Survey (2015) found that only 15 per cent of family business CEOs were female. Earlier surveys in the same series found that 23 per cent of CEOs were female in 2013, and 14 per cent were female in 2011.²³ While the rapid change in the reported number of female CEOs may be puzzling, these figures represent a significant increase from the 3-5 per cent figure reported in the 1994 PWC/CBA survey.²⁴

The Family Business Surveys also reported a low proportion of female managers in family businesses. The proportion fell from 40 per cent in 2011 to 25 per cent in 2013. In large family businesses the proportion was even lower at 18 per cent.²⁵

More data is available from the 2009 and 2011 Family Business Surveys. They provided a more detailed breakup of the proportion of male and female senior officers in family businesses.

¹⁶ KPMG and Family Business Australia: Family Business Survey 2008, KPMG & Family Business Australia, 2008, p. 12.

¹⁷ Smyrniotis K, Romano C, The Price Waterhouse/Commonwealth Bank Family Business Survey 1994, p. 18.

¹⁸ KPMG, Family Business Australia, KPMG and Family Business Australia Survey of Family Businesses 2009, p.11.

¹⁹ KPMG and Family Business Australia: Family Business Survey 2013, KPMG & Family Business Australia, 2013, p. 27.

²⁰ Graves C, Thomas J, KPMG and Family Business Australia: Family Business Survey 2015, KPMG & Family Business Australia, 2015, p. 7.

²¹ Smyrniotis K, Romano C, The Price Waterhouse/Commonwealth Bank Family Business Survey 1994, p. 18.

²² Smyrniotis K, Romano C, The Price Waterhouse/Commonwealth Bank Family Business Survey 1994, p. 18.

²³ KPMG and Family Business Australia: Family Business Survey 2013, KPMG & Family Business Australia, 2013, p. 27: KPMG and Family Business Australia: Family Business Survey 2011, KPMG & Family Business Australia, 2011. Cited in Graves C, Thomas J, KPMG and Family Business Australia: Family Business Survey 2015, KPMG & Family Business Australia, 2015, p. 19.

²⁴ Graves C, Thomas J, KPMG and Family Business Australia: Family Business Survey 2015, KPMG & Family Business Australia, 2015, p. 7.

²⁵ KPMG and Family Business Australia: Family Business Survey 2013, KPMG & Family Business Australia, 2013, p. 27.

Table 21: Who holds the key positions in the family business 2009²⁶

Position	Family		Non-family	
	Female %	Male %	Female %	Male %
CEO	12.12	85.23	0	2.65
Director	30.14	65.53	0.28	3.94
General manager	10.61	74.3	2.79	12.29
Owner/manager	16.43	82.16	0	1.41
Management team	21.39	47.76	10.95	19.9
Board chair	12.23	81.66	0	6.11
Member of board	18.05	69.92	2.26	9.77

Source: KPMG and Family Business Australia: Family Business Survey 2009, p11.

It is notable that in the 2009 data the proportion of non-family key position holders who are female is much lower than among family key position holders. For example, roughly one in three family directors are women while only one in fourteen non-family directors are women. The 2011 data on the gender of people in senior management/governance positions shows somewhat different results for the proportion of women in some of these positions.

Table 22: Family occupancy of senior management/governance positions 2011²⁷

Position	Female %	Male %
CEO/MD	14	86
Executive board member	37.5	62.5
Non-executive board member	36	64
Management team	40	62
Board chair	11.5	88.5

Source: KPMG and Family Business Australia: Family Business Survey 2011, p14.

The MGI Family and Business surveys (2003, 2006, 2010 and 2013) found that the participation of women as owners and managers of family businesses remained at roughly 10 per cent over a period of ten years while the involvement of daughters in the day to day running of business remained at roughly 9 per cent.

'Disappointingly, a comparison of the four reports again highlights a lack of growth in the participation rate of females as owners and managers of family businesses.'²⁸

The 2013 MGI survey also found that while 90 per cent of family business owner-managers are male, the figure for non-family businesses was even higher at 97 per cent.²⁹

6.2 The next generation

Overall, the available data suggests that the proportion of women in senior positions has been rising, but very slowly. A similar picture emerges from the data available on business succession.

There is a marked preference for sons, rather than daughters, to take over the family business. While now dated, the 1994 PWC/CBA Monash survey found that among Family Business CEOs who were going to be replaced by a

²⁶ KPMG, Family Business Australia, KPMG and Family Business Australia Survey of Family Businesses 2009, p.11.

²⁷ KPMG, Family Business Australia, KPMG and Family Business Australia: Family Business Survey 2011, 2011, p. 14.

²⁸ Dana L, Smyrnios K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 4, 6.

²⁹ Dana L, Smyrnios K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 16.

family member, 62 per cent will be replaced by a son compared to 8 per cent with a daughter.³⁰ The preference for sons to take over the role of CEO was, if anything, greater in 2006 than it was in 1994. In the 2006 survey appears that sons are 10 times more likely to succeed the current CEO (75 per cent) than daughters (7 per cent).³¹

These relative differences appear to be reflective of the variance in involvement in the family business. The 2006 MGI survey found that more sons are involved in the day-to-day running of family firms (30 per cent) compared to daughters (5 per cent).³²

Table 23: Family members most involved in the family business, in relation to the owner 2006³³

Family members involved	Overall %	1 st Generation Business %	2 nd Generation Business %	3 rd – 5 th Generation Business %
Spouse	53	60	28	17
Son	30	25	56	33
Daughter	5	4	4	22
Brother	3	2	2	11
Sister	0.4	-	2	-
Other	9	9	9	17

Source: MGI Australian Family & Private Business Survey 2006, p15.

The results for longer established businesses are revealing. In 1st and 2nd generation family businesses, many more sons (25-56 per cent) are involved in day to day management than daughters (4 per cent).

Among 3rd-to-5th generation business the picture is significantly different. While sons are still more likely to be involved in those businesses (33 per cent) the proportion of daughters (22 per cent) is much higher. This suggests that longer established family businesses give a much greater role to daughters than newer businesses.

The 2010 MGI survey showed a significantly higher level of participation by female family members with 7 per cent of current owners having daughters actively involved in the businesses and 2 per cent of business owners' sisters being involved in the business. Although the gap had narrowed sons were still five times more likely to be involved in the family business than daughters and five times more likely to succeed the current CEO than daughters.³⁴

The 2013 MGI survey cast some light on the perceptions of business owners and managers about the likely role of women in future generations of small business.

Both male and female business owner/managers feel that daughters are not as interested as sons in being actively involved in the family business. However, women had a more positive view of the involvement of daughters than men. Significantly more women owner-managers (58 per cent) than men (42 per cent) believe that daughters are as interested as sons to be actively involved in the family business and far fewer of them believe that work-life balance considerations keep daughters from taking up top-level positions in the business.³⁵

³⁰ Smyrniotis K, Romano C, The Price Waterhouse/Commonwealth Bank Family Business Survey 1994, p. 18.

³¹ RMIT University, The MGI Australian Family and Private Business Survey 2006, MGI, 2006, p. 4.

³² RMIT University, The MGI Australian Family and Private Business Survey 2006, MGI, 2006, p. 22.

³³ RMIT University, The MGI Australian Family and Private Business Survey 2006, MGI, 2006, p. 15.

³⁴ RMIT University, The MGI Australian Family and Private Business Survey 2010, MGI, 2010, p. 5.

³⁵ Dana L, Smyrniotis K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 26.

Table 24: Gender analysis of views concerning daughters in senior management 2013³⁶

In relation to daughters	Male			Female		
	Yes %	No %	Don't know %	Yes %	No %	Don't Know %
As interested to be actively involved?	42	29	29	58	21	21
More difficult to be actively involved	33	47	20	11	68	21
Kept from taking top management	33	37	30	5	79	16
Fathers find it easier to mentor	10	42	48	0	37	63

Source: MGI Australian Family & Private Business Survey 2013, p27.

The same survey found that the family members most actively involved in the business are: sons, 36 per cent; spouses, 35 per cent; daughters, 9 per cent; brothers, 8 per cent; sisters, 1 per cent; and other family members (father/nephew/sister-in-law/son-in-law/uncle) 11 per cent. Not only is the percentage of sons four times higher than the percentage of daughters, sons were also six times more likely to succeed the current CEO than daughters - 65 per cent versus 11 per cent.³⁷

6.3 Women as owner/managers

It is not only the scale of women's involvement in business that is different to that of men. There also appears to be differences in their view of business challenges and in the way business is conducted.

6.3.1 Business challenges

Views about the challenges facing small business differ between men and women. The February 2014 MYOB business monitor found that among female business operators cash flow, attracting new customers and price margins/profitability were a greater concern than among other business operators.³⁸

A 2013 CPA survey found that female respondents were significantly more likely to expect to access funds from a bank in 2014 than male respondents.³⁹

6.3.2 The use of IT

Women business operators are more connected than men. The February 2014 MYOB survey found that while only 17 per cent of business operators overall said they were currently connected to the NBN, 22 per cent of female business operators were connected.⁴⁰

Women are also heavier users of information technology than men. The October 2015 MYOB survey found that while 29 per cent of SMEs overall had an online presence using social media, female operators were significantly more likely to use social media (42 per cent). This is significant as business operators whose revenue had increased in the previous 12 months were also more likely to use social media.⁴¹ Female business operators were also more likely to use online tools (88 per cent) than overall business operators (84%).⁴²

³⁶ Dana L, Smyrnios K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 27.

³⁷ Dana L, Smyrnios K & MGI, *Surviving Not Thriving: The MGI Australian family and private business survey 2013*, MGI, 2013, p. 26.

³⁸ MYOB, MYOB Business Monitor, February 2014, p. 9.

³⁹ CPA, The CPA Australia Asia Pacific Small Business Survey 2013, p. 45

⁴⁰ MYOB, MYOB Business Monitor, February 2014, p. 30.

⁴¹ MYOB, MYOB Business Monitor, October 2015 Report, p. 16.

⁴² MYOB, MYOB Business Monitor, February 2014, p. 16.

6.3.3 Work-life balance

Attitudes to work-life balance also differ between female and male business operators. Females (54 per cent) are significantly less satisfied than males (47 per cent) with their work-life balance.⁴³ This is despite male business operators reporting that they worked longer hours, an average 42 of hours per week, than their female counterparts, an average of 38 hours per week.⁴⁴

6.4 Trends

The data on women in small business is limited but some general observations can be made. The data from both the ABS and private surveys generally show a slow increase in the involvement of women in the ownership, control and management of businesses. The change is not rapid, but there does appear to be a consistent upward trend for female involvement. These changes are significant. Unlocking more of the potential of women in business may make a significant contribution to Australia's economic growth.

7 Government assistance

While many small businesses would be utilising the low income tax thresholds available for individuals, and some may also be accessing low income assistance, less than 15 per cent of small businesses and only 8 per cent of micro businesses reported receiving any form of formal business assistance from government.

In comparison, 57 per cent of large businesses reported receiving government assistance.

Table 25: Government financial assistance by business size 2013-14

Type of assistance	Micro (0-4 persons) %	Small (5-19 persons) %	Medium (20-199 persons) %	Large (200+ persons) %	Total
Grants	1.9	4.3	10.2	25.3	3.4
Ongoing funding	0.4	2	5.3	14.9	1.3
Subsidies	1.6	2.5	5.7	16	2.3
Tax concessions	1	2.3	5.3	18.7	1.9
Rebates	3.2	5.5	10.8	18.8	4.6
Other assistance	0.8	1.4	1.5	3.3	1.1
Any assistance received	8	14.8	29.6	57.2	12
No assistance received	92	85.2	70.4	42.8	88

Source: ABS cat no. 8167.0 - Selected Characteristics of Australian Business, 2013-14 – Summary table.

⁴³ MYOB, MYOB Business Monitor, September 2013, p. 22.

⁴⁴ MYOB, MYOB Business Monitor, March 2013, p. 13.

Appendix

Data methodology

The underlying data set used in this report is drawn from ATO data. A random sample of 10,000 businesses was collected to produce a representative sample that is aligned to the ABS data to show reliability (degree of confidence) with an employee count of between 0 to 100 employees and turnover of up to \$5 million. The sample includes individuals, companies, partnerships, trusts and self-managed superannuation funds (SMSFs). The data excluded all tax payer identify information (Tax File Number (TFN), Australian Business Number (ABN), names and addresses).

The data set excluded businesses in a category where there were less than five businesses or postcodes where there were less than five businesses. This will lead to an under representation of isolated businesses however this was done to insure anonymity of the businesses selected in the sample.

Basic difference between the ATO data sample and ABS data sets is the inclusion of 'nano' business data in the ATO data sample. The 'nano' sized businesses are entities that report business revenue but have no GST activity and these 'nano' businesses are excluded from the ABS small business counts.

Where a data source is listed as ASBFEO calculation this indicates a calculation has been made based on ABS data to support the analysis (e.g. a new graph). Where 'nano' businesses have been included in the analysis the data source should list 'ATO data set.

The data set uses 2013 financial year information for calculations to align with ABS data though the data set does include 2014 financial year data.

A range of other data sources are used in this report most notably ABS datasets and other publicly available reports. Where a data source has been used it has been referenced appropriately.

The data set was drawn in the first quarter of 2016. Analysis of the data and comparative data sets occurred during the first and second quarter of 2016. The report was finalised over the latter half of 2016.