



THE  
COMMUNITY  
OF BUSINESS

THE ROLE OF BIG BUSINESS IN AUSTRALIA

Business  
Council of  
Australia



**THE BUSINESS COUNCIL OF AUSTRALIA  
IS AN ASSOCIATION OF CHIEF EXECUTIVES OF  
LEADING AUSTRALIAN CORPORATIONS WITH  
A COMBINED NATIONAL WORK FORCE OF 900,000  
PEOPLE. IT WAS ESTABLISHED IN 1983 TO PROVIDE  
A FORUM FOR AUSTRALIAN BUSINESS LEADERSHIP  
TO CONTRIBUTE DIRECTLY TO PUBLIC POLICY  
DEBATES IN ORDER TO BUILD A BETTER AND MORE  
PROSPEROUS AUSTRALIAN SOCIETY.**



# THE COMMUNITY OF BUSINESS

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# FOREWORD

DR JOHN SCHUBERT, PRESIDENT

The 'business of business' is to achieve sound returns as well as remaining competitive.

In recent years, the forces of globalisation, together with increased competition and the growing complexity of Australia's economy, have made this focus even more singular.

We also live in a shareholder society. More than half of Australians have a direct or indirect stake in the performance of business through investments in listed companies, managed funds or super schemes.

As a result, the demands, perceptions and expectations many have of business are tied directly to their investment portfolios.

It is not surprising the role and function of business is defined largely in terms of projected profits, market share, earnings and dividends.

Within this environment however, the importance of business to Australia's overall economy and society can be easily overlooked.

Though the 'business of business' is about combining financial resources with the work and skills of individuals to produce goods and services for consumers here and overseas, there are significant by-products of this process.

Taxes paid, employment provided and investment made in social, research and educational areas – as well as wealth created for investors and shareholders – are also significant outcomes.

While the main function of the 'business of business' is to create and share investment value among small and large investors, the by-products of what might be called the 'community of business' are more widely shared.

In fact, much of the wealth and economic well-being of Australian society is dependent on this 'community of business'.

This study aims to define and explain the role that Member Companies of the Business Council of Australia play in this process.

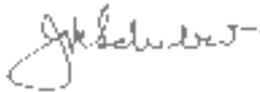
The BCA's Members are the Chief Executives of the leading corporations in Australia. The Companies they run, and the products and services these Companies provide are often household names.

Yet, because they are large and complex organisations and operate predominantly in a 'business of business' mode, their contribution to Australia's overall community is not readily understood.

BCA Members participated in this study to explore:

- the role they play in generating wealth;
- the broader contribution they make to the community;
- the linkages they establish between Australia and the rest of the world; and
- the issues they wrestle with as they shape strategies to create wealth for Australia into the future.

The BCA trusts this study will promote a greater clarity and understanding of the far-reaching role of big business in Australian economic and social life.



Dr John Schubert  
President, Business Council of Australia

# THE COMMUNITY OF BUSINESS

**GROW  
CHOICE**

**GROW  
KNOWLEDGE**

**GROW  
VALUE**

## SPREADING VALUE

BCA Companies have annual total revenues of \$338 billion and employ 900,000 people in Australia.

The Member Companies of the Business Council of Australia (BCA) represent most of the largest companies in Australia, and include many of the largest Australian-owned companies.

Many of these Companies are listed on the Australian Stock Exchange, or are the Australian subsidiaries of major international corporations.

Between them, BCA Companies:

- have annual total revenues of \$338 billion. To put this into context, Australia's total economic output is \$713 billion a year;
- have a direct business relationship with hundreds of thousands of suppliers, distributors and service providers. Approximately half of the revenue of ASX listed BCA Companies responding to the survey is paid to suppliers in other, mostly smaller, businesses;
- employ 900,000 people throughout Australia, including in many regional and rural communities;
- are among the largest private sector providers of training and undertake significant investment in research and development;

- account for one-third of Australia's total export revenue;
- play a major role in the financing of government and the provision of government services and infrastructure through payment of taxes and charges; and
- invest in infrastructure for use by both their business operations and local communities, and undertake programs to support communities and to enhance the local environment.

# BIG BUSINESS IN THE AUSTRALIAN ECONOMY

Suppliers, consumers, employees, and governments all participate and share the value generated by a single company.

The larger the company, the broader the impact of its activities, that is the greater the number of organisations and individuals that share in the value of these activities.

BCA Companies operate in many sectors of the economy. Yet, they play a unique role in the value chain of economic activity throughout Australia because of the scale and reach of their operations.

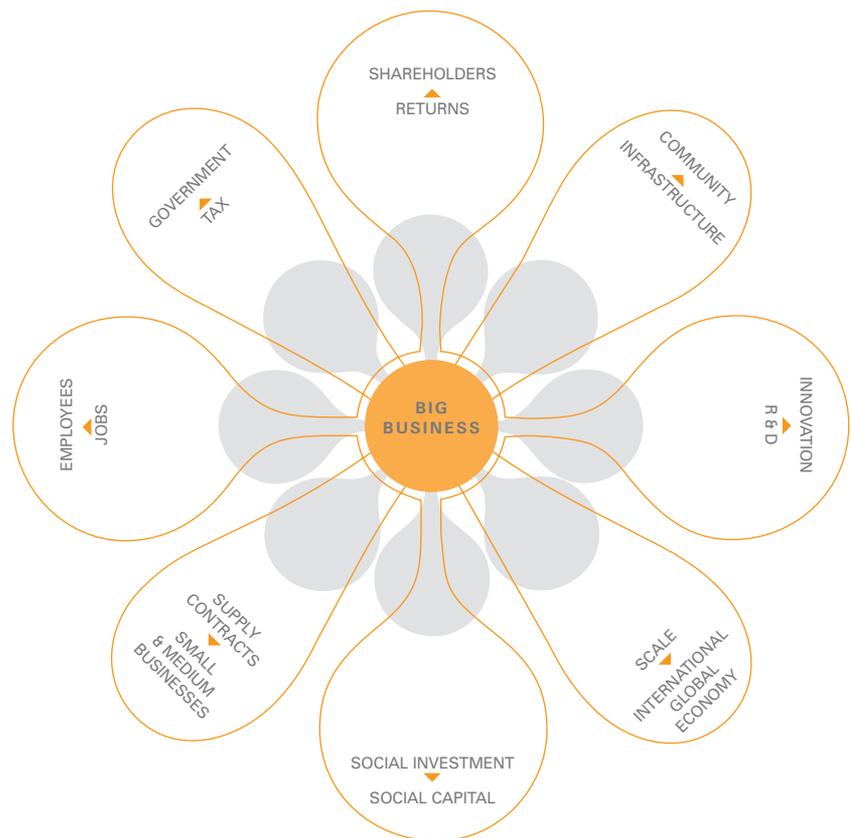
By drawing on these so-called economies of scale, large companies provide a wider range of goods and services with greater value to consumers, suppliers, employees and shareholders, than would otherwise be possible.

And in a globalised world, where one country's economy is interwoven with many others, large companies are an important conduit between Australia and the world.

For example:

- large retailers provide the widest range of goods and obtain the best arrangements from suppliers around the world. This is passed to consumers in the form of choice and competitive prices;
- energy, transport and resources companies marshal the substantial amounts of capital required to undertake large and complex projects that provide the basis for Australia's competitive infrastructure;
- the finance industry has the systems required to extract returns from global capital markets on behalf of large numbers of Australians now actively participating in the investment market;
- communications companies deploy the power of networks to connect large numbers of businesses and households with each other; and
- Australia's motor industry has just four large manufacturers but supports several hundred car part suppliers.

## THE ROLE OF BIG BUSINESS



# COMMUNITY WEALTH

## BCA publicly listed Companies paid \$18.4 billion to shareholders in dividends last year.

The value that big business creates underpins Australia's wealth creation.

Business directs a large share of its profits to investors in the form of dividends. It re-invests the balance in improving or creating new operations to enhance future profitability and returns for investors.

The link between wealth creation of ordinary Australians and big business has been deepened by the rise of the shareholder society in the 1990s.

More than half of Australia's adult population participate directly or indirectly in the share market, with the average direct investors' share portfolio now approximately \$36,000 (up by 25 per cent from \$28,500 in 2000). The average share portfolio is now made up of six companies, up from three in 1998.<sup>1</sup>

In addition to long-term growth in the value of their shares, the community also receives a significant amount of investment returns in the form of annual dividends.

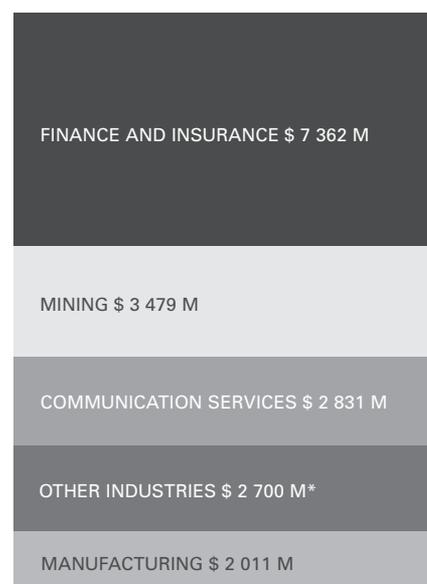
Last year, ASX-listed BCA Companies generated total after-tax profits of \$25.5 billion. These Companies paid \$18.4 billion to shareholders in dividends.<sup>2</sup>

More generally the top 50 companies account for 75 per cent of the total market capitalisation of the ASX.<sup>3</sup> Large companies represent a core component of the many investment funds because they provide a level of security and returns appropriate for long term investment.

Since 1992, when the Federal Government mandated that business contribute to the superannuation investments of their employees, business has taken on a significant responsibility for creating and managing long-term public savings.

The assets of large companies, in the form of equipment, land, infrastructure and property, also represent a significant share of the overall wealth in Australia, and account for around 40 per cent of total private sector wealth in Australia.<sup>4</sup>

### DIVIDENDS PAID BY ASX-LISTED BCA COMPANIES BY INDUSTRY 2001-02



\* INCLUDES THOSE INDUSTRIES WITH ONE OR TWO COMPANIES

<sup>1</sup> ASX 2002 AUSTRALIAN SHARE OWNERSHIP SURVEY.

<sup>2</sup> LISTED BCA COMPANIES WERE ASKED TO REPORT THE AFTER-TAX PROFITS OF THEIR AUSTRALIAN OPERATIONS. DIVIDENDS PAID WOULD ALSO REFLECT EARNINGS FROM OVERSEAS OPERATIONS.

<sup>3</sup> ASX FACT FILE 2003.

<sup>4</sup> TREASURY ECONOMIC ROUNDUP, SUMMER 2003.

# BIG BUSINESS AND THE WORKFORCE

## BCA Companies employ a quarter of a million people in rural and regional Australia.

BCA Companies employ 900,000 people in Australia. This represents one in ten people in the total Australian workforce.<sup>5</sup>

These Companies generate significant employment in traditional industries but are also large employers in new and emerging sectors. Companies involved in the retail sector are the largest employers. Together they provide jobs for over 330,000 Australians. BCA Companies operating in manufacturing and in financial services are the next largest employers – each employing over 130,000 people.

In an economy increasingly dependent on knowledge, skills and expertise to compete in a global environment, large companies invest heavily in training. Half of BCA Companies provided data on their education and training spending. These companies spent \$332 million in the last year on education and training.

BCA Companies operate throughout Australia. As would be expected, 80 per cent of their workforces are based in the three most populous states – NSW (35%), Victoria (28%) and Queensland (17%).

While the bulk of BCA Companies' employment is in cities, they also make a significant contribution to employment in Australia's rural and regional areas. For Companies who provided detail on the location of their employees, around 30 per cent of their workforce are employed in regional and rural areas.<sup>6</sup>

Based on the results obtained from the survey, we estimate conservatively that BCA Companies employ around 250,000 people in rural and regional Australia. Some BCA Companies, particularly in the resources sector, provide the economic and social cornerstones of a number of regional communities.

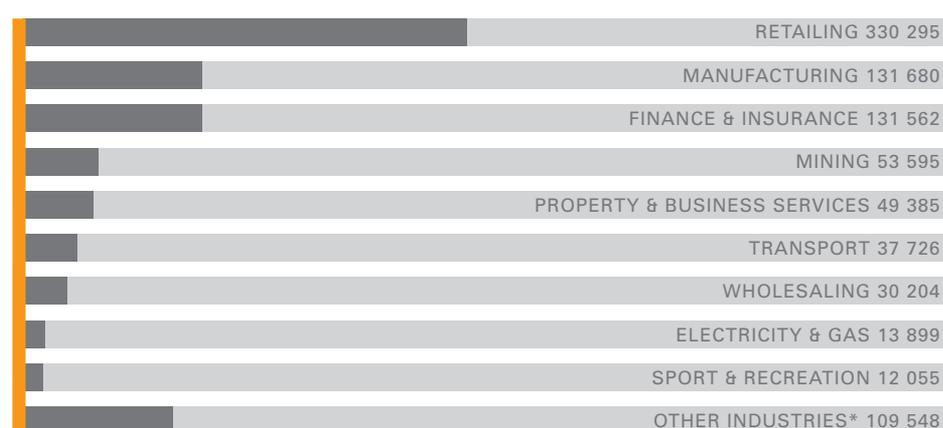
### BCA COMPANIES' EMPLOYMENT BY STATE/TERRITORY <sup>7</sup>

STATE/TERRITORY	NO. OF EMPLOYEES
NSW	263,683
VIC	203,157
QLD	126,830
WA	71,414
SA	47,467
TAS	12,178
ACT	6,994
NT	4,538

### BCA COMPANIES' EMPLOYMENT BY CAPITAL CITY <sup>7</sup>

CITY	NO. OF EMPLOYEES
Sydney	94,722
Melbourne	73,198
Brisbane	44,037
Perth	25,925
Adelaide	19,582
Hobart	4,528
Canberra	6,016
Darwin	1,036

### EMPLOYMENT BY BCA COMPANIES BY INDUSTRY



\* INCLUDES THOSE INDUSTRIES WITH ONE OR TWO COMPANIES

<sup>5</sup> DEPARTMENT OF EMPLOYMENT AND WORKPLACE RELATIONS, SMALL AREA LABOUR MARKETS, JUNE 2002.

<sup>6</sup> 51 PER CENT OF BCA COMPANIES PROVIDED DETAILED REGIONAL EMPLOYMENT DATA. THESE COMPANIES WERE A REPRESENTATIVE SPREAD OF THE MEMBERSHIP.

<sup>7</sup> THESE NUMBERS DO NOT TOTAL 900 000 AS NOT ALL MEMBERS PROVIDED GEOGRAPHICAL BREAKDOWNS OF THEIR EMPLOYEES.

# INVESTMENT

## BCA Companies spent \$16 billion in new business investment last year.

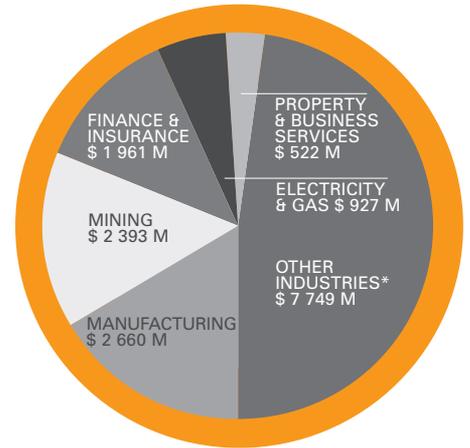
Investment is vital both for creating economic growth and maintaining the competitiveness of the Australian economy. BCA Companies make large and long-term investments in projects, skills development and product innovation that are often beyond the reach of smaller companies.

Two-thirds of BCA Companies provided information on their new capital spending. Together they invested \$16 billion in 2001-02 – equivalent to 36.5 per cent of all new business investment in Australia.<sup>8</sup>

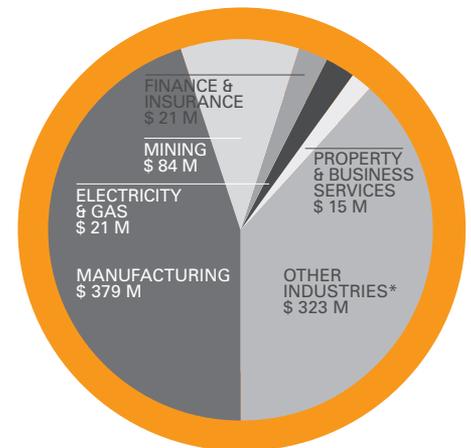
As well as investing in new operations and improving the efficiency of existing ones, big business also invests in innovation to develop future goods and services. This innovation is fundamental to sustaining Australia's competitiveness and opportunities for future growth and employment in an increasingly global knowledge and skills-based economy.

Just over half of the BCA Companies identified their research and development expenditure. These Companies invested \$844 million in 2001-02 – equivalent to 15.2 per cent of national private sector R&D spending.<sup>9</sup>

### CAPITAL EXPENDITURE BY BCA COMPANIES BY INDUSTRY 2001-02



### R&D EXPENDITURE BY BCA COMPANIES BY INDUSTRY 2001-02



\* INCLUDES THOSE INDUSTRIES WITH ONE OR TWO COMPANIES.

<sup>8</sup> AUSTRALIAN BUREAU OF STATISTICS (ABS), PRIVATE NEW CAPITAL EXPENDITURE AND EXPECTED EXPENDITURE, DECEMBER 2002.

<sup>9</sup> ABS, RESEARCH AND EXPERIENTIAL DEVELOPMENT, BUSINESSES AUSTRALIA, 2001-02.

# BIG BUSINESS & GOVERNMENT

## Just five BCA Companies collect 21 per cent of total GST receipts.

The returns generated by business play a major role in supporting government and financing government services provided to the community.

Companies pay income tax on their profits as well as payroll taxes, royalties, customs duties and a multitude of other government charges.

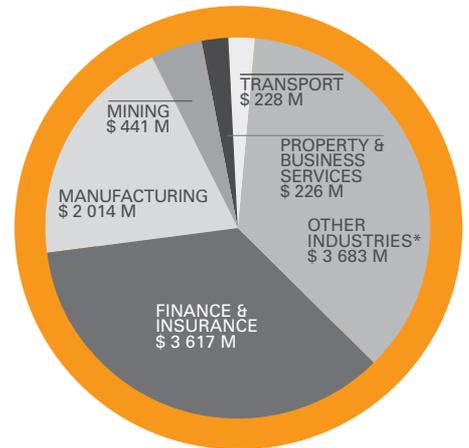
In 2001-2002, BCA Companies responding to the survey paid \$22.8 billion in tax to Federal and State Governments.

BCA Companies also collect significant levels of taxation revenue on behalf of governments, particularly good and services tax (GST) revenue and pay-as-you-go (PAYG) tax from their employees.

Around 60 per cent of BCA Companies provided tax information. Even based on these conservative figures, BCA Companies paid over a third of all company income tax<sup>10</sup> and collected a third of the Government's total GST receipts.<sup>11</sup> In 2001-02 these Companies:

- Paid \$10.2 billion to the Federal Government in taxes on corporate earnings;
- Paid a further \$12.6 billion to both Federal and State governments in other taxes, royalties and duties;
- Collected over \$10 billion in GST; and
- As major employers collected approximately \$6.6 billion in PAYG income tax on behalf of the Federal Government.

### COMPANY INCOME TAX PAID BY BCA COMPANIES BY INDUSTRY 2001-02



\* INCLUDES THOSE INDUSTRIES WITH ONE OR TWO COMPANIES.

## THE INTERNATIONAL STAGE

BCA Companies exported goods and services worth \$47.7 billion in 2001-02, representing 31 per cent of Australia's total exports.

As Australia's economy becomes increasingly linked to the global market, BCA Companies play a major role in forging linkages between Australia and the rest of the world.

Although companies of all sizes are involved in world trade, there are many export markets that can only be serviced by large companies. These include the car manufacturing industry, mineral commodities and processed metals sectors. And in some cases the initial entry by large Australian companies into overseas markets provides opportunities for smaller exporters by helping to establish the 'brand' or 'reputation' of Australian products and services.

Between them, BCA Companies exported goods and services worth \$47.7 billion in 2001-02, which represents 31 per cent of Australia's total exports.<sup>12</sup>

Trade links rural and regional areas to global wealth. Exports are responsible for one in four jobs, and around a quarter of the income, in rural and regional Australia.<sup>13</sup> Big business underpins this – while 4 per cent of Australia's businesses export, over 60 per cent of BCA Companies export.

Australia's largest companies also build links with the global economy through direct investment and employment in other nations.

Last year Australian-domiciled companies spent \$4.7 billion on new investments overseas. The spread of locations was diverse – although dominated by investments in the Asia Pacific region.

Three-quarters of Australian-domiciled BCA Companies have operations in other countries. Based on the results obtained from the survey we estimate conservatively that BCA Companies have a total international workforce of around 150,000 people, with Asia being the major focus.

The exchange of investment and workers between Australia and other countries brings benefits to both. International companies investing in Australia import their expertise to the benefit of local operations and the broader economy and community. For example, several of the world's major information technology companies have substantial operations in Australia. This has helped Australia to become one of the most sophisticated users of information technology in the world.

### AUSTRALIAN-DOMICILED BCA COMPANIES' INTERNATIONAL EMPLOYMENT BY REGION <sup>14</sup>

	No. of employees	% of BCA Companies' international employment
Asia (inc NZ)	48,841	37.8%
Europe	25,591	19.8%
North America	12,617	9.8%
South America	6,337	4.9%
Africa	18,129	14.0%
Other/not specified	17,776	13.7%
Total international employment	129,291	100.0%

### AUSTRALIAN-DOMICILED BCA COMPANIES' INTERNATIONAL INVESTMENT BY REGION

	Value of assets	% of BCA Companies' international investment
Asia (inc NZ)	\$14,031 M	20.2%
Europe	\$14,958 M	21.5%
North America	\$17,313 M	24.9%
South America	\$12,850 M	18.5%
Africa	\$9,859 M	14.2%
Other/not specified	\$427 M	0.6%
Total international investment	\$69,436 M	100.0%

NOTE: THE SAME MEMBERS DID NOT RESPOND TO BOTH QUESTIONS.

<sup>12</sup> ABS AUSTRALIAN ECONOMIC INDICATORS, JUNE 2003.

<sup>13</sup> DEPARTMENT OF FOREIGN AFFAIRS AND TRADE, "TRADE AND THE AUSTRALIAN WAY OF LIFE".

<sup>14</sup> THESE NUMBERS DO NOT TOTAL 150 000 AS NOT ALL MEMBERS PROVIDED GEOGRAPHIC BREAKDOWNS OF THEIR EMPLOYEES.

## SOCIAL CAPITAL

BCA companies contributed \$195 million and 219,000 staff hours to social and community programs. They also contributed \$292 million and 425,000 staff hours to environmental projects.

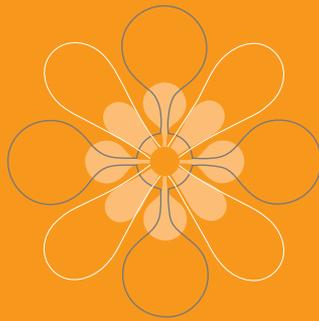
BCA Companies invest substantially in the communities in which they operate. More than half of BCA Companies provided direct information on their contributions of either funds or employee hours to community programs.

Their total commitment to social and community programs was \$195 million last year. One in five respondents fund annual programs in excess of \$4 million with six investing \$10 million or more.

Many Companies also track the time they make available for staff volunteer work. Over the course of 2001-02, employees of these Companies contributed 219,100 staff hours to volunteer and community groups.

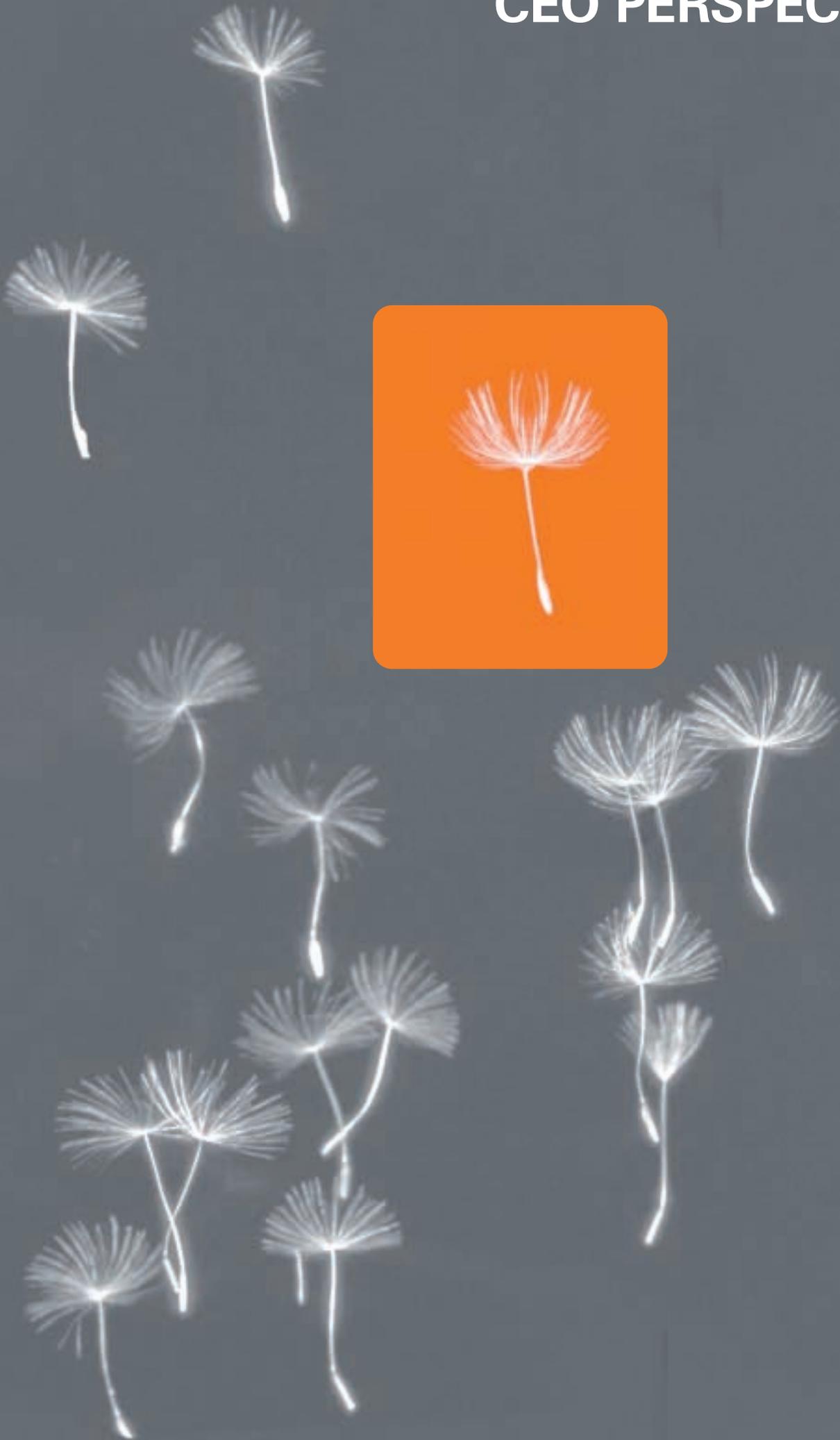
BCA Companies also invest in environmental programs with total spending last year reaching \$292 million.<sup>15</sup>

This is largely concentrated among the minerals and resources companies. Several of these Companies funded environmental programs worth more than \$15 million last year, with one spending more than \$60 million.



**MAINTAINING AND GROWING VALUE FOR INVESTORS  
REQUIRES BIG BUSINESS TO ANTICIPATE & MANAGE  
AN INCREASINGLY COMPLEX RANGE OF ISSUES.**

# CEO PERSPECTIVES



## PAST – THE YEAR IN RETROSPECT

The 'business of business' has become increasingly complex against the background of globalisation and technological advance. Both drive opportunities in terms of new markets, but also pose threats as a result of new and wider competition.

These threats and opportunities change over time and differ across industries. Nonetheless, maintaining and growing value for investors in this environment, requires businesses to anticipate and manage an increasingly complex range of issues.

Within this context, BCA Member CEOs were asked a range of questions about the factors that have driven recent performance, and will drive future opportunities.

They were also asked about potential threats or challenges as well as the key issues that they see as having a major influence on their businesses over the next three to five years.

The factors impacting on BCA Companies' performance over the previous financial year are varied. CEO perceptions of the issues that have affected performance were shaped as much, or more so, by the challenges of managing specific industry developments and internal issues, as by broad economic trends.

While the Australian economy continued to perform well, the sources and momentum of growth across the domestic economy were not evenly spread. As a result, there were divergent views on the impact of the domestic economy on Company performance. On the whole, however, Members generally reflected positively on the impact of the Australian economy on their performance. Seventy five per cent of those who cited the domestic economy as a key driver of performance indicated that this impact was positive.

In stark contrast, the international economy was overwhelmingly seen as a negative influence for over 90 per cent of those companies whose fortunes were impacted significantly by international development noted their adverse influence. Specific issues such as SARS and terrorism were cited in addition to generally weak demand, low and softening prices.

Not surprisingly, those involved in resources, agriculture or tourism say they have felt the impact of a weak international economy and drought. Conversely, many areas of retail and banking reported continued solid growth.

While global and domestic economic developments and their impact attract significant press coverage, BCA Members placed greater emphasis on internal company factors and industry factors as the key drivers of their Company's performance over the past year.

Of the industry issues which BCA Members say have shaped their Company's performance over the past year, 40 per cent related to aggressive competition, lack of customer demand or extreme pricing pressures. The key factor impacting performance was the capacity of their company to respond by protecting or increasing their market share and margins. This translated into pressure on Companies and CEOs to continue to focus closely on improving efficiencies and reducing costs.

ISSUES AFFECTING PERFORMANCE	% OF RESPONDENTS
Industry factors	38
Internal factors	30
Australian economy	15
International economy/\$A	12
Regulation	5
Total	100

## PRESENT – WHAT ARE THE ISSUES FOR CEOs

In terms of the present issues, CEOs are not surprisingly focussed on specific business objectives and goals.

At the top of the list is a wide array of internal issues, the diversity of which illustrates the complexity of the role of CEO. These include:

- Managing credit and risk policies;
- Shareholder relations;
- Reducing the complexity of decision making;
- Capital management;
- Creating new businesses; and
- Integrating local and global operations.

CEOs are particularly preoccupied by human resources issues such as motivating staff, developing and retaining talent, building the management team, managing succession, and broader issues related to organisation culture. Although industry issues rate highest as a medium term threat they are not the biggest issues when it comes to managing the here and now.

The general consensus is that industry threats are best managed if the company has the right strategy combined with good execution.

As responses to potential future threats highlighted, regulatory issues are also cited as a serious cause of concern at the moment by around one in ten CEOs.

Personal issues are also close to the surface, with a number of CEOs citing managing the pressures of time and achieving balance between work and family.

CEO ISSUES	% OF RESPONDENTS
Internal operational factors	28
Human resources & organisational culture	25
Strategy development & growth	22
Regulation & reform	7
Industry factors	7
Economic conditions	6
Other	5
Total	100

## ...AND THEIR BOARDS

Asked about current issues facing their Boards, CEOs cited issues similar to theirs. These focussed on internal issues including immediate operational challenges, corporate governance and human resource management.

Internal operational factors that rate highly among Directors include financial management, controlling risks, customer relationship management, operational performance and structural changes in the business.

Not surprisingly, corporate governance is a major issue, reflecting growing attention by regulators and calls for more robust standards. In particular, responding to the new ASX Corporate Governance Guidelines and regulatory change are cited as key issues on Board agendas.

Reflecting the responsibilities of boards, strategy development and growth issues are a major focus.

BOARD ISSUES	% OF RESPONDENTS
Internal factors	39
Strategy development and growth	18
Corporate governance	15
Human resources & organisational culture	13
Industry factors	10
International expansion	2
Regulation	2
Economic	1
Total	100

# THE ROLE OF GOVERNMENT

Tax reform remains the single most pressing issue for CEOs in terms of the Government's agenda.

CEOs were asked what they considered the most important issues for the Federal Government to address.

Thirty per cent of CEOs cited specific reform issues as their highest priority. Longer term issues such as addressing ageing population, the environment and quality of education were cited by one in five CEOs.

In terms of specific measures tax remains by far the most pressing concern, above macro economic and workplace reform. Many cited further improvements to Australia's international taxation arrangements, simplification of the tax system and a reduction in the overall tax burden as the key issues for Government.

More than a third of CEOs cited measures to improve the current business environment.

Many of these concerned industry issues, such as rationalising legislation or achieving consistency in Commonwealth and state regulation.

<b>FEDERAL GOVERNMENT</b>	<b>% OF RESPONDENTS</b>
Business environment	35
Specific reforms	31
Demographic change	10
International relations	6
Education	6
Environment	5
Social equity	5
Security	2
Total	100

#### **SPECIFIC REFORM ISSUES:**

Tax	54
Economic	21
Workplace	17
Industry	8
Total	100

# THE FUTURE – OUTLOOK, THREATS AND OPPORTUNITIES

Two thirds of BCA Members plan to increase investment expenditure in the next 3 years. All BCA Members plan to maintain or increase their spending on R&D.

## OUTLOOK

On balance, BCA Members are positive about their Companies' prospects. Sixty five per cent of Members are planning to increase capital spending over the next three years. A total of 36 per cent project increases in their employee numbers.

All respondents said they were either planning to maintain or increase spending on research and development.

In addition, 54 per cent of Members plan increases in spending on environmental programs while over half of all respondents projected increases in their contribution to community and philanthropic programs.

## BUSINESS INTENTIONS OVER NEXT THREE YEARS

<b>% OF BCA MEMBERS</b>	<b>SUBSTANTIAL INCREASE</b>	<b>MODEST INCREASE</b>	<b>NO CHANGE</b>	<b>MODEST DECREASE</b>	<b>SUBSTANTIAL DECREASE</b>
Employment	3%	33%	41%	19%	5%
Investment expenditure	13%	52%	25%	11%	0%
R&D expenditure	0%	30%	70%	0%	0%
Environment program expenditure	5%	49%	46%	0%	0%
Social/community program expenditure	5%	49%	44%	2%	0%

# Thirty-six per cent of BCA Members plan to increase employment. Over 50 per cent plan to increase spending on their environmental or social and community programs.

### THREATS

While generally optimistic about the future of their companies, there remains significant uncertainty about the economic outlook. More than a third of BCA Members perceive a downturn in markets at either an industry, Australian or international level as a potential major threat.

Industry concerns rate highest. Many concerns are of a structural nature, such as industry rationalisation, increased competition and the increasing commoditisation (ie homogenisation) of products driving prices down. All of these pressures would be magnified further if demand weakened.

Global economic uncertainties and the prospect of weak growth, particularly in Asia, is cited as a major concern. Some Members raised the potential danger of political disruption in key markets. The ongoing divergence in the strength of the Australian economy relative to the rest of the world (including the US) and the rapid appreciation of the \$A is also a fundamental concern for those CEOs selling into international markets.

One in five CEOs see the potential for Government regulation to hinder future growth. A number of these concerns are industry specific, such as price controls, the regulation of distribution and the introduction of new taxes. However, others are wider and relate to broader taxation issues, industrial relations and other barriers to international competitiveness.

In managing a complex environment, not all threats are external. A significant number of CEOs cite internal factors, such as operational risks, the loss of clients or key staff to the competition and difficulties associated with developing a robust organisational culture.

% OF THREATS	RESPONDENTS
Industry factors	37
Regulation	20
International economy/\$A	20
Internal factors	13
Australian economy	10
Total	100

### OPPORTUNITIES

Ten per cent of CEOs are relying on opportunities within Australia to expand existing operations and establish new operations.

Despite concerns that CEOs hold about the international economy, more CEOs see company growth prospects tied to international expansion than in Australia. Almost without exception the CEOs looking for significant overseas expansion opportunities are looking to China, North Asia and South East Asia. Only one specifically cited the US and none cited Europe as a source of future growth.

Close to half of CEOs are looking to internal factors to drive performance and enhance value over the next three to five years. These internal factors fall into three main groups – product innovation, leveraging technology to gain business advantage and broadening their products or services.

% OF OPPORTUNITIES	RESPONDENTS
Internal	44
Industry	21
International expansion	13
Australian expansion	10
Australian economy	8
Regulation & reform	4
Total	100

# SURVEY METHODOLOGY

The survey comprises the aggregate findings of responses provided by 71 BCA Companies.

For reasons of data availability or company policies, some respondents were not able to complete all questions. Survey data was supplemented by data from the IBIS database<sup>16</sup> and/or derived from publicly available information.

Where annual comparisons were made, the 2001-02 financial year was used. To ensure confidentiality, data for industries with less than three companies are included in the 'other industries' category.

## COMMUNITY WEALTH

After-tax profit and dividend data applies to companies listed on the Australian Stock Exchange, which comprises about 50 per cent of BCA Companies.

## BIG BUSINESS AND THE WORKFORCE

Employment data by State/Territory was provided by 70 per cent of BCA Companies. As breakdown by city/region can be more difficult, especially for diversified companies with a number of autonomous operations, city/region data was provided by about 50 per cent of Companies.

## INVESTMENT

Data for education and training, and R&D is based on responses by almost 60 per cent of BCA Companies. New capital expenditure figures were provided by 63 per cent of Member Companies. As a result, both figures are likely to be a conservative estimate for the total BCA.

## BIG BUSINESS AND GOVERNMENT

Taxation data was provided by around 60 per cent of BCA Companies, so the contribution of the BCA membership is understated. For some BCA Companies, company tax is not applicable as they are partnerships and taxation is paid personally.

## THE INTERNATIONAL STAGE

International data relates to the operations of Australian-domiciled companies. These are generally companies with their headquarters in Australia, though they also include information from a small number of foreign companies whose local subsidiaries have international operations. New international investment expenditure data relates to spending by approximately one-third of all BCA Companies. For employment, the figures represent responses from just over 40 per cent of BCA Companies.

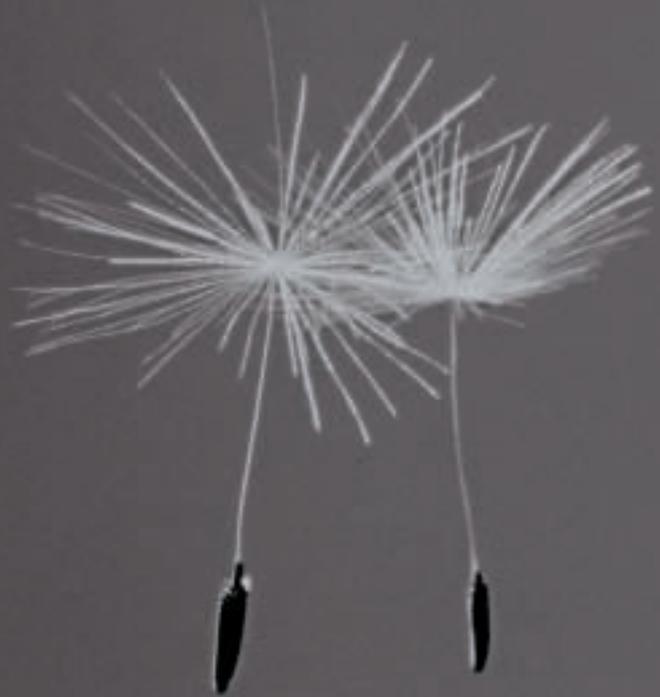
## SOCIAL CAPITAL

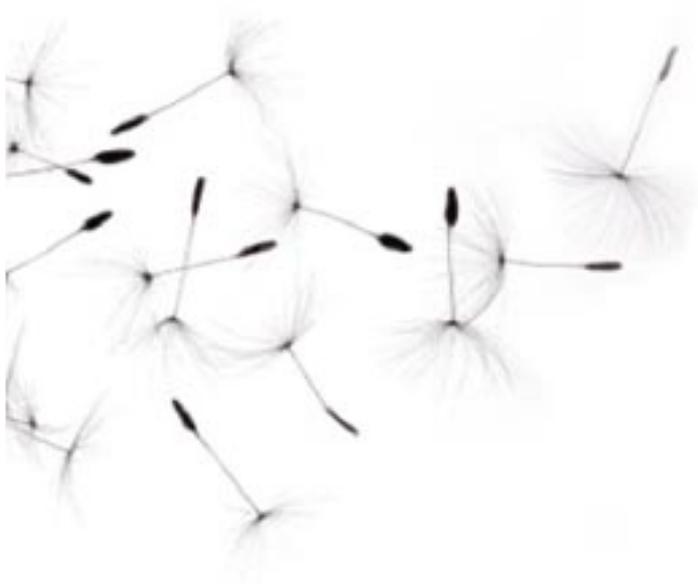
The outlook for employment, and expenditure on investment, R&D, and environmental and social/community programs, reflects the responses of around 65 per cent of all BCA Companies.

## CEO PERSPECTIVES

The various CEO perspectives represent responses from approximately 60 per cent of BCA Members.

**WHILE THE MAIN FUNCTION OF THE 'BUSINESS OF BUSINESS' IS TO CREATE AND SHARE INVESTMENT VALUE AMONG INDIVIDUAL SHAREHOLDERS OR FUND MANAGERS, THE BY-PRODUCTS OF WHAT MIGHT BE CALLED THE 'COMMUNITY OF BUSINESS' ARE MORE WIDELY SHARED.**





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