



Small Business: Big Vision

In early September, the Institute of Public Accountants and Deakin University held a major conference focusing on Australia's flagging productivity

ASIDE FROM addressing the current dire economic predicament, the Small Business: Big Vision event, run by the IPA Deakin SME Research Centre on 4 and 5 September 2019, pushed for a more concerted effort to boost SME productivity.

The event brought together Australian and international experts to explore the creation of a sustainable ecosystem for SMEs, based on the five integral pillars – financial capital, innovation, regulation, trade and internationalisation, and human capital.

“While some say that small business is the engine room of the economy, we believe that is an understatement; we believe that small business is the whole factory, plant and equipment. Unless we stoke the fire beneath it, our future generations will suffer the consequences,” the IPA CEO, Andrew Conway, said in announcing the event.

Keynote speakers included Michael Sukkar, Minister for Housing and Assistant Treasurer, and Kate Carnell, the Australian Small Business and Family Enterprise Ombudsman.

The full auditorium of policy makers, business people and accountants also heard from Eugene Cornelius jnr, senior adviser to the US Office of International Trade at the Small Business Administration; Dr Winslow Sargeant, former chief counsel for advocacy appointed by and reporting direct to president Barack Obama; and Charles Matthews, Fulbright Scholar from the University of Cincinnati.

Declining productivity calls for urgent action

Kicking off the event, Mr Conway revealed that Australia has been suffering a long-term decline in productivity growth which must urgently be addressed to protect the quality of life for current and future generations.

“The productivity growth rate in Australia has declined dramatically over the past 20 years, so we need to fix this if we are to protect Australia’s standard of living,” warned Mr Conway.

“We need to take some of the burden away; to support small business to achieve the best that they can.”



IPA CEO Andrew Conway (left), Assistant Treasurer Michael Sukkar (centre) and former minister for small business Bruce Billson (right)



Kate Carnell
The Australian Small Business and Family Enterprise Ombudsman discussed barriers to small business growth in Australia.

to capital still remains the biggest barrier to small business growth.

Ms Carnell noted that despite the government’s efforts and the rapidly increasing presence of fintechs, a huge gap in the small business lending space still exists.

She explained that while small business has been at the front and centre of US policy for over 50 years through the Small Business Administration (SBA), Australia is still struggling to prioritise this sector.

“They understood that you need to create an environment for small business with some support mechanisms a very long time ago,” she said. “And it’s something that Australia needs to do. While we’re starting to realise that, we’re still a mile off to the game.”

Speaking to the room, Mr Conway explained that while the IPA has had some successes along the way, including establishing the SME Research Centre with Deakin, it still has much work to do.

“We still have much work to do to address Australia’s productivity crisis; we need government, regulators and policy setters to think ‘small’ first when it comes to forming policy,” he said.

Access to capital main barrier

During her presentation at the IPA Deakin conference, Ms Carnell said that access



Dr Winslow Sargeant
Winslow Sargeant was chief counsel for advocacy for the Small Business Administration (SBA), appointed by and reporting directly to president Barack Obama. Currently, Mr Sargeant is ICSB's president elect and managing director of S&T.

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Ms Carnell also raised an interesting point around government tenders, revealing that while the US government is obliged to grant contracts under \$10 million to an SME, in Australia government procurement to small business doesn't extend beyond "paperclips and sandwiches".

Acknowledging Ms Carnell's argument, Mr Sukkar said that although there is attractiveness to it, "I would have to look at it much more closely".

Mr Sukkar clarified that the decision ultimately comes down to risk-aversion because, "quite understandably, the public expects the least risk possible with taxpayer dollars".

Exploiting US-China trade war
Speaking about boosting productivity, the Assistant Treasurer told *Public*

Accountant that small firms should be looking to exploit the opportunities arising from the US-China trade war. While Australia's relationship with the US "takes precedence over everything else", we would be silly not to take advantage of the opportunities arising from the tension between it and China, particularly in a trading capacity with the latter, said Mr Sukkar.

"I think those sorts of opportunities arise when two big gorillas, so to speak, are placing tariffs on each other's goods; you don't need to be a Rhodes scholar to work out that there is going to be great opportunities for you," he said.

Mr Sukkar expressed that Australia can simultaneously be a great ally to the US, but also a great trading partner to China.

Advice for ATO

Touching on the vital role of an accountant, particularly in the small business community, Mr Sukkar hinted that regulators such as the ATO should be showing more gratitude and doing everything possible to assist practitioners in doing their critical work.

"As accountants are predominantly doing all the heavy lifting, I want the ATO to be more engaging with the accounting profession and do whatever it takes to better accommodate all their interactions with this government agency," said Mr Sukkar.

"Accountants and advisers are pivotal to the success of small business clients and it's not just tax matters that they are asked to assist with but a plethora of business and non-

business needs. There are few professionals who hold this trusted relationship."

Responding to the Assistant Treasurer's address, Mr Conway emphasised the significant relationship the IPA shares with the government.

"It is pleasing that Minister Sukkar as Assistant Treasurer has sent a strong signal to our profession," Mr Conway said.

"The government genuinely respects the work our members do, and this will be welcomed by all members working day in, day out to maintain the integrity of the tax system as trusted advisers to small business."

Lessons from the US

Taking centre stage and returning to the topic of boosting productivity,



Left to right: Judy O'Connell, Victorian Small Business Commissioner; Julie Abramson Commissioner at Productivity Commission; Tegan Johnson, director, Small Business Wellness and Support, Department of Employment, Skills, Small and Family Business; and Dr Winslow Sargeant



“THE PRODUCTIVITY GROWTH RATE IN AUSTRALIA HAS DECLINED DRAMATICALLY OVER THE PAST 20 YEARS, SO WE NEED TO FIX THIS IF WE ARE TO PROTECT AUSTRALIA’S STANDARD OF LIVING”

Dr Winslow Sargeant suggested that there are several lessons Australia can learn from the US.

Dr Sargeant, part of the SBA from 2010 to 2015, applauded the formation of the ASBFEO in Australia, but judged that although similar to the SBA, it does not quite operate on the same level.

He suggested Australia pay more attention to the three B's – the barriers, best practices and the big ideas – in order to really aid the

small business sector as it battles with big problems.

“Look at what the US have done to be a strong voice for small business, to have forums, to have advocates, not just in the capitals like Canberra or Melbourne or Sydney, but to have those who are around the country so that the small business owner doesn't feel that they are on the other side of the earth from their representatives,” Dr Sargeant advised.

As for bridging the

lending gap, he noted that while access to finance “shouldn't be easy, as there are a lot of ideas that shouldn't be funded”, the SBA's loan guarantees that enable banks to loan to small business is a method Australia could explore. So, while the US government is not directly lending money to small business, it is guaranteeing loans.

Focus on health

Dr Sargeant, however, admitted there is something Australia does better and that is its focus on mental health.

“My first company that I co-founded, I actually took sick. I came down with a bad case of bronchitis and I wasn't treating it because I was so focused on my

Eugene Cornelius jnr
Mr Cornelius was responsible for the establishment of the SBA's Office of International Trade and previously, as deputy associate administrator of that office, overseeing four program divisions.

business. I wasn't exercising, I didn't go to the doctor and it became full blown asthma. I almost died,” he said.

“So, I say to people who are starting companies, I know stress. Make time for your mental health, make time for your physical health, because it's no good to be successful, make money and whatever, and then you're not alive.”

Also discussing the importance of mental health awareness was Deakin's Professor Andrew Noblet, who suggested that accountants are key in helping small



Assistant Treasurer Michael Sukkar



Su McCluskey, director of Australian Unity, the Foundation for Young Australians and the Royal National Capital Agricultural Society



Professor Charles Matthews, University of Cincinnati

business owners to access the help they need.

“Having an accountant who is much more ambidextrous and much more versatile in the services they can provide, and providing general guidance around problem solving, around strategic planning, around even workforce planning, someone who can do more than just the audit and compliance services, is incredibly valuable,” said Professor Noblet.

He explained that it is crucial for accountants to have specific knowledge in this area.

Part of the curriculum

Asked whether mental health first aid should become a part of the

accounting curriculum to ensure accountants are better equipped to respond to mental health issues faced by their clients, Professor Noblet said that anyone executing face-to-face human service work needs to have that sort of schooling.

“In the past we’ve seen human services such as doctors, nurses, police officers, teachers, and certainly those people need that training around mental health literacy...,” he said.

“But I think there is a really urgent need for mental health literacy training to be included in undergraduate and postgraduate accounting courses and law courses, and other courses where you have professionals interacting with the public.”

Progressive entrepreneurial mindset

As day two came to an end, Vicki Stylianou, the executive general manager of advocacy and technical at the IPA, explained that, aside from small business, accountants too must have a “progressive entrepreneurial mindset” to get the ball rolling on boosting productivity.

“I think we need to have a sense of urgency. We just don’t have that hunger to go out there and compete, achieve and be successful,” Ms Stylianou said.

She explained that in the US there is more of a sense of urgency, a dominant ‘yes, I can do this’ spirit.

“To me, that’s what’s lacking here. So, there is a

role for accountants and advisers to really start changing that mindset,” Ms Stylianou concluded.

“I really think that if we don’t get on with it in this country, then we’re just going to keep falling further behind.”

Dr Sargeant agreed. He explained that what he has seen in the SME community in Australia is “yes, we will do it, we are teachable, but it’s not on the forefront”.

They need to say, “we’re going to be on the forefront, not just to be part of the pack, but to be on the forefront.”

“Yes, some of us may not make it, but we’re going to go ahead and see where things will go.”



WS

Dr Winslow Sargeant
president elect,
International Council for
Small Business

EC

Eugene Cornelius jnr
senior adviser to the Office
of International Trade, Small
Business Administration



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ALL THE PRESIDENTS' MEN

Q&A with Dr Winslow Sargeant

and Eugene Cornelius jnr

'Fail fast, fail often and move on'

The Institute of Public Accountants (IPA) Deakin SME Research Centre hosted a major conference, Small Business: Big Vision, focusing on Australia's flagging productivity in September, bringing together US and local experts in the small business space

| by Maja Garaca Djurdjevic |

Among the distinguished guests and presenters at the conference, hosted at Deakin Downtown in Melbourne, were senior adviser to the Office of International Trade at the US Small Business Administration (SBA), Eugene Cornelius jnr, and the International Council for Small Business (ICSB) president elect and president Barack Obama's chief counsel for advocacy, Dr Winslow Sargeant.

The team at *Public Accountant* had the pleasure to sit down with Mr Cornelius and Dr Sargeant to discuss small business productivity. They revealed how

Australia measures up to the US and why we need to adopt the 'fail fast' mentality in order to thrive.

Q. How do you think we rate as a nation when it comes to promoting and supporting small business here in Australia, versus what you see in America?

EC I think what you're seeing currently is a really good interest in promoting small business and developing them ... They [the government] are beginning to understand the value of small businesses and the impact of small businesses on the

GDP and they're taking actions towards breaking down the barriers of entry. They are looking at the access to capital issue. They're looking at what Australia can do outside of Australia ... What could be passed and what could be done is yet to be seen ... But one thing I think that is different is that Australia has a reputation of being laid-back. It doesn't promote just how progressive it is. I think that when you look at the 80 countries that we deal with in the ICSB and when we look at US, and where we are and what we're doing, Australia is very progressive and



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I don't think Australia has branded themselves well in that regard as far as communicating that progress.

Q. Australians believe in the tall poppy syndrome. They don't want to put their head up too high for fear of having it cut off...

EC That's exactly what I'm getting at and I understand it is cultural, and I understand it is something that is a part of the identity of Australia. But here we're talking about a global economy. Here we're talking about the perimeters beyond our home. What we do in our home and what we do when we're elsewhere should be different. I think that Australians have to embrace the pride of success and they have to embrace the pride of being progressive and they have to demonstrate that in a competitive market.

Q. So, what we're talking about here is the mechanisms for shaping how SMEs operate and become prosperous versus the psychology of how SMEs run their businesses. How do we shape the mindsets of SME owners in Australia, using the American experience, to help them see the world in a different light?

EC Australia does not have the philosophy that the rest of the world has, particularly the United States. We have a different value system of failure. You hold failure as a regard and hold it high. We say fail fast, fail often and move on. Take the learning and the best practices out of that and move to the next venture, and we reward that.

That's not necessarily done here in Australia. It's not a part of the Australian business ecosystem. If you are going to hold your head high, you're going to have to have a conversation internally with yourselves about the idea of failing fast and often, and about being a serial entrepreneur. When we look at US entrepreneurs, they've failed two or three times before they got it right.

Q. It's a badge of honour...

EC It's a badge of honour and here it's a weight, it's an anchor and you've got to flip that.

Q. Winslow, what is your view on this? You were able to work with the Obama administration. Does this conversation, around shaping the behaviours and attitudes towards embracing change and failure, happen in the corridors of power in the US? Or is this an inherent part of the American story?

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countries are represented in the International Council for Small Business (ICSB)

WS Well, this is something that is discussed a lot and within America. Because if you look at the coast for example, whether in Boston or in Washington, DC, or in Silicon Valley, they tend to embrace this entrepreneurship, this fail fast and let's take chances.

But there are other parts, the more inward parts, say in some parts of the Midwest, where it's more conservative. In areas where there's lots of transition, and especially within the urban areas, there's that different type of vibe that is more competitive and so it's incumbent that you move fast. That means that you cannot just wait, that you have to be active. But yes, we are trying to

find a way to [instil that] in other parts within the country, because America has 350 million people.

It's a continent and so there are different parts that haven't embraced the fail fast philosophy or embraced that curiosity. So, those are some of the challenges we have.

EC Winslow is right, and you see the disparity in innovation. You see the disparity in employment. You see the disparity in wage growth and quality of life in those places that don't embrace it.

If we are to take that Silicon Valley example that Winslow just pointed out and we looked at Australia and we look at Queensland, it's there and we see what's going on there ... You don't have to look at the US. You can look here internally at Australia and what is being done in Queensland. That is how you start. But the main thing you're going to have to do is look at your own laws.



“WE SAY FAIL FAST, FAIL OFTEN AND MOVE ON. TAKE THE LEARNING AND THE BEST PRACTICES OUT OF THAT AND MOVE TO THE NEXT VENTURE, AND WE REWARD THAT. THAT’S NOT NECESSARILY DONE HERE IN AUSTRALIA”

One of the laws that you’re going to have to look at is the bankruptcy law and how it’s implemented. If you look at that and you look at the premise of fail fast and fail often, they fight each other, they’re contradictive of each other. I think that that would be one of the things that Australia has to look at.



One Voice

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Q. Is there a role for accountants and advisers to start changing that mindset?

WS I think it has to do with leadership as well. I was just talking to someone. He asked me, “When president John F. Kennedy had the vision to go to the moon by the end of the decade of the ’60s, was that being braggadocious, or did he really think that it could happen?”

And I thought about it and it is about setting visions. If you go to the US, it’s always pushing forward. There are

plans for what’s going to happen in 2030, 2050, it is always pushing. But also, because you have these plans to create these big things.

You look at Elon Musk, he wants to dig these tunnels, he wants to do a Hyperloop, and he wants to send people to Mars, and he wants to do this. It’s not just him, it’s the whole mindset of, “I’m not waiting, I’m not asking for permission. I’m going to move ahead and I’m going to make something big and I’m going to solve these problems. But also, there’s a



< Eugene Cornelius jnr
Speaking at the IPA Deakin SME Research Centre Small Business: Big Vision conference.

recognition that I might fail,” because when you’re on the forefront, there’s a chance that you’re going to fail.

When I heard what’s going on in the SME community in Australia, it’s more of, “Yes, we’ll do it and we’re teachable”, but it’s not on the forefront, not setting a vision. I did read that there’s the Australia 2030 vision, so the government does have a vision of where prosperity and productivity wants to go, but that needs to filter down more into working with the entrepreneurs and working with the small business owners and it needs to be embraced by the society to say that we’re going to be on the forefront, not just be part of the pack, but be on the forefront. Yes, some of us may not make it and some companies may not make it, but we’re going to go ahead to see where things will go.

EC I’m glad Winslow just said that. What I was looking at is with the small businesses having this access to the accountants.

You asked about the role of the accountant and that role may be to teach or



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L-R
Dr Winslow Sargeant,
Dr Gianni La Cava,
Bruce Billson,
Eugene Cornelius jnr

educate them or guide them to the business acumen. The accountants then themselves have to be the innovators, but they also have to be certified. The accountants can't all be generalist. They have to get certified in certain aspects and certain areas, be it finance, be it taxes, be it corporate law or whatever.

They need to have that specialisation or certification that would allow them to have more credibility so that when these risk takers come to them, they're more secure in what they're hearing and what they can embrace.

Then I think you will find those people on the front line. We call them the unicorns. That culture is embraced in the US, because we know we have those specialties. We will say, "I'm going to be the best hat maker in the world", and then we will go and get the specialised services, be

it free or paid, and find those people. And if these small businesses here in Australia are connected, like I'm hearing, to their accountant, then the accountant is that door for that.

Q. Do you think Americans dream bigger than Australians?

WS I'm still learning more about what's going on in Australia, but with the American dream ... It permeates, and I watch a lot of different films and series from around the world, but it permeates everything that is produced in America.

Like for shows where you see someone who might be a refugee or someone who might be born into a disadvantaged situation. But by the end of that show, or by the end of that series, they've gone to college or

they've made it somehow. And so, within the American dream, it's always kind of the rags to riches story, and you will be rewarded. It's never that you're stuck within that certain class.

No, it's always, "You're going to make it somehow." And so, you see that in business and that's why someone... You look at the Zuckerbergs and the Gates and the unicorns. It's always, "It's my turn, I'm next, I'm going to hit the lottery somehow. I'm going to hit it big and I just need to keep on keeping on."


That's the mentality that is in America, that you are next. You're going to hit it big. You could become president one day. In many societies it's like, "No, you are not serious. There is no way that you can make it out of your situation." But that's part of the American dream.

Q. What do you think we could implement here in Australia without too much pain or angst, politically and also socially, to try to enable SMEs a little more?

EC There are several things you have to do ... What you have to do is really talk on and go on to what Winslow just talked about. You have to go into the universities and the high schools, the pre universities, and you have to change the mindset of what these kids can do coming out.

And not just educate them to take a job, educate them to dream big and to be a boss. Educate them to be an entrepreneur. Make options available to them. Australia is seeing something that is very significant, and you see it already, when you look at your universities and you look at how your universities



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have become businesses. The Asian community comes here, gets an education, and takes it back to Asia. They are not staying in Australia, because they're not seeing the opportunity ... You produce some of the best aerospace pilots in the world and they all work for us.

Q. It's a huge issue and this is the brain drain. How do we keep these smart, bright, talented individuals, and give them the mechanism to create these great businesses here in Australia?

WS One thing that I've seen, and I tie it into the United Nations sustainable development goals because these are 17 goals that have been outlined and their target is 2030. And I mention these goals because technically, what you'll hear from an entrepreneur or someone who is very smart, he or she would say "If I knew this was a problem, I could have solved this a long time ago" ... They'll see a new technology and think "This wasn't hard to do", because they didn't think about it. But now with the SDGs, the 17 goals, I'd make sure that kids in middle

school know that these are the big problems that need to be solved.

Have taskforces that say, "OK, if you can solve these problems, you can really make a dent." Because sometimes young folks ... Some care about money, some don't. They are starting to live out their values. But these SDG goals tie back into values. They tie back into commerce. They tie back into the global condition. And so, I would try to get kids to be more aware of what are some of the things that need to be solved.

EC And particularly here in Australia. That's a very good point, because Australia is talking about productivity and low productivity.

They're equating to quality of life standards. This is the best time to have that conversation about the 17 sustainable development goals. That will give a focus to your youth.

Because we've noticed in the US, that our youth tend to want to be an entrepreneur, they want to have that social impact and so this is a conversation that your guidance teacher

should be having with their high school and it's going to take a generation or two, it's going to take a decade or two to filter it in. But that's the change you want to have, and I think Winslow is absolutely right, you have to set that vision for them.

Q. And lastly, why do you do what you do? You've both had successful careers, you're here in Australia, you're supporting the ICSB, what gets you up in the morning?

EC I can tell you in my 20 years with the Small Business Administration, when you are in the US and you work for the government, you make less money than you do in the private sector.

But the reward of knowing that you helped put that store on that corner, that that store owner is employing people that probably wouldn't have been employed, or that it's providing food in a desert where no one can get food, or it's giving an afternoon play thing to a child.

You are watching every day. I get up every day and I look at the fact that my agency and our programs and our services have created jobs for people who did


not have an opportunity to have jobs. It has increased the quality of life for people and communities. And that trickles down. That comes from leadership ... We have to think entrepreneurial and we have to run our agencies as innovatively as possible ...

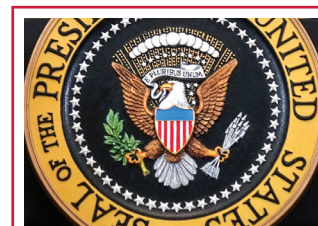
It goes back to what you heard Winslow say. It doesn't take a mega movement. It's something simple. It's something to the point. It resolves an issue.

WS What motivates me is that entrepreneurship in innovation, it's like giving birth, right? You're giving birth to new ideas. You're giving birth to something that ... I liken it to, for example, I've started a number of companies, either being an entrepreneur or being a VC, I just enjoy the conversations we would have.

We would be in a room and we would have to come up with a name for a company, come up with an idea. And I know that in that room there are some who think there's no way this is going to ever take place. But somehow a year down the road, the company's up and running, and everybody's bought in and drank the Kool-Aid.

It's amazing that things have happened, and now there are those who are using the name that you picked, but they don't know the history of how that name came to be, because there could have been another name.

So, I think entrepreneurs are like giving birth to something that's permanent, and so that's what gets me up in the morning. That building aspect of seeing what can be given birth and what can be sustained and what can grow. 



Presidents' men
Both Dr Winslow Sargeant and Eugene Cornelius jnr have been instrumental in shaping small business policy in the US under the Obama and Trump administrations.

