



Australian Government

Australian
Small Business
Commissioner

AUSTRALIAN BUSINESS LEADERS

A Study of Model
Business Behaviours

December 2014

prepared by
Deloitte Private



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A Study of Model
Business Behaviours

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Manager
Office of the Australian Small Business Commissioner
GPO Box 1791
Canberra ACT 2601
Email: enquiries@asbc.gov.au

Deloitte Private

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Mr Mark Brennan
Australian Small Business Commissioner
Office of the Australian Small Business Commissioner
Level 2, 15 Moore Street
Canberra City ACT 2601

8th September 2014

Dear Mark

We are pleased to present this study of model business behaviour to the Commissioner.

This study presents a synthesis of the views and perspectives gathered from leaders of Australian businesses, professional associations and peak industry bodies. Leaders consulted were representative of both big and small business.

A key objective of this study was to understand the expected behaviours of a 'model' business, the outcomes from adopting these behaviours and the potential application of these behaviours for Government agencies.

The Commissioner maintains the view that by taking a leadership role in acting as an exemplar business, Government agencies will strengthen their relationship with Australian businesses as well as champion the competitiveness, efficiency and effectiveness of the Australian business environment.

It is anticipated that the findings of this study will be used to engage with leaders of Government agencies to determine how the behaviours identified by Australian business leaders may be adapted or adopted for use in Government agencies.

We have enjoyed the challenge of distilling the insights contained within this study and believe that the findings provide a strong foundation for initiating a meaningful conversation with leaders of Government agencies.

Kind regards,



Mark Allsop
Partner
Deloitte Touche Tohmatsu

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EXECUTIVE SUMMARY

The Office of the Australian Small Business Commissioner (ASBC) has appointed Deloitte Touche Tohmatsu (Deloitte) to engage with Australian business leaders to gather their perspectives on the behaviours of a 'model' business, and the outcomes which accrue from adherence to these behaviours.

Australian businesses, by their nature and environment, are expected to operate as exemplar organisations—with effective and sophisticated leadership. The ASBC believes that insights from Australian business leaders in respect of expectations of a 'model' business will be valuable to Government agencies and support improved relations and interactions with businesses.

The concept of model behaviour is not unfamiliar to Government agencies as there is an expectation across jurisdictions, that when engaged in litigation a Government agency is expected to behave as a model litigant. So, in business behaviour, it is not unreasonable to expect Government agencies to be a model business.

The key objective of this engagement process will be to understand how the 'model' leadership behaviours, practices and principles identified by Australian business leaders might be adopted or adapted by Government agencies to strengthen business behaviour and relationships between Government and Australian businesses.

If Government agencies are an exemplar of good business behaviour, the benefits to all participants in the Australian business community, including small business and the economy can be expected to be substantial.

Expecting 'model' behaviour from the Australian business community

The ASBC supports the Australian Government's commitment to creating an efficient business environment that reduces unnecessary burden and creates opportunities for businesses.

In pursuit of this commitment, the ASBC places an expectation on businesses to adopt 'model' behaviours and commercial practices when engaging with other businesses. However, it also recognises that Government agencies, in addition to their policy and regulatory roles, act as businesses too—interacting with businesses in a variety of commercial roles, including purchaser of goods and services, tenant, landlord and funding provider.

Consequently, the ASBC regards it as reasonable and fair for Government agencies, in their business activities, to also strive to adopt 'model' business behaviours. As a participant in the business community, it believes that the Government ought to adhere to model behaviours and be an exemplar in this regard.

Determining what behaviours are expected from a 'model' business

This study, the first phase of a multi-phase project, captures Australian business leaders' views of the behaviours that define a 'model' business. These views have been encapsulated within a draft framework giving specific regard to:

- The commitments a 'model' business should aspire to achieve;
- The leadership behaviours that instil a 'model' culture;
- The values and principles that influence 'model' business behaviour and practices; and
- The outcomes or motivations of a 'model' business meeting these commitments.

Government agencies have a number of unique characteristics that arguably increase their need to exhibit 'model' business behaviours. It is, however, recognised that these characteristics may potentially constrain the application of the 'model' behaviours, practices and principles identified by Australian business leaders. For example; Government agencies must ensure that policies and practices are competitively neutral and do not favour some business partners over others.

Consequently, it is recommended that the findings from this study be explored with leaders from Government agencies to determine how they might be adapted and adopted.

Consulting with Australian business leaders

To help inform and shape this study, a number of public reports, educational materials and published thought leadership on the subject of business behaviour have been accessed. This background research was then applied to support consultations with leaders of large Australian businesses, professional associations and peak industry bodies—representing the interests of small businesses, to gather their perspectives regarding what constitutes model business behaviour. The leaders consulted were representative of big and small business.

The perspectives of Australian business leaders have been gathered from:

1. Over forty written responses to the ASBC, outlining the drivers, and responsibilities of a 'model' business as well as the mechanisms used to influence business behaviour; and
2. Thirty-two extensive individual interviews discussing thoughts and opinions regarding what constitutes 'model' business behaviour.

Summarising findings

Australian business leaders revealed some clear and consistent insights regarding what constitutes 'model' business behaviour, and what influences this behaviour:

- Australian business leaders expect that a business should commit to:
 - Establish a clear direction and robust **Strategy**;
 - Develop and sustain relationships with **Stakeholders**;
 - Put people first and engage with its **Staff**; and
 - Measure outcomes and evaluate **Success**.
- In endeavouring to meet these commitments, it is also expected that a business engages in responsible and ethical conduct—endorsed by leaders and embraced by employees.
- It is the unequivocal view that the personality, philosophy and experience of leaders have the greatest impact on the culture and therefore behaviour(s) of those working within a business. Leaders should establish an appropriate standard of behaviour through 'leading by example'—this means endorsing the core values a business operates by and adopting these values in their own conduct. A business is not able to be 'model' if it does not have effective and 'model' leadership.
- The core values of a business play a critical role in signalling, both to the market and staff, how business will be conducted. Values should accurately reflect the culture of a business—however values will have no meaning unless embedded into business practices. A strategy sets out what a business does, however values establish a code by which all people within a business are expected to operate.

- Australian business leaders also made some observations about Government agencies contracting with the business community.
- When Government agencies focus too much on managing risk—innovation can be stifled and strategic decision-making can be inhibited. There has to be an appropriate balance between risk management and innovation.
- Government agencies and businesses they engage with need to make effective communication a joint strategic priority—ensuring the intent, purpose and objectives of each party are well understood and practiced.
- By committing to ‘walk in the shoes’ of each other—Government agencies and the business community will be able to better align both their intent and their actions. For Government agencies this means being more sensitive to commercial interests—for businesses this means being more aware of some of the complexities that Government agencies have to navigate.
- An important performance metric of leaders within Government agencies should be how they inspire their staff to adopt appropriate model business behaviours—an effective leader understands how to motivate and bring the best out of their staff.
- Just like a ‘model’ business, Government agencies need to be open and honest about communicating performance against their commitments—and using performance objectives as important benchmarks in setting future goals and targets.

Although, not the focus of this first phase, these observations (and others detailed in the body of this study) provide an interesting insight about the perceived challenges and opportunities (in the eyes of Australian business leaders) for Government agencies acting as a ‘model’ business.

Realising outcomes from ‘model’ business behaviour

Australian business leaders held a clear view that a ‘model’ business aligns the behaviours of leaders, with the values of an organisation and the principles and practices of employees.

The framework, developed for this study, demonstrates that a ‘model’ business is expected to achieve this alignment, whilst meeting its commitments to ‘strategy, stakeholders, staff and success’. When a business is able to adopt alignment of behaviours around these commitments, it will realise clear and tangible benefits.

- A considered and appropriate **strategy** is essential for any business to have a clear line of sight on what is required to achieve its objectives. Of equal importance is how effective a business executes its strategy to deliver value to key stakeholders and staff. A business that sets out a firm direction and implements actions in line with this direction is able to:
 - Instil confidence in its ability to attain its goals;
 - Achieve and sustain a point of difference in the market; and
 - Allocate and apply resources efficiently and effectively and successfully execute the strategy.

- By placing **stakeholders**—customers, shareholders or business partners—at the forefront of all strategy and operations, businesses are able to foster mutually beneficial, long term relationships. A business that builds strong stakeholder relationships is able to:
 - Sustain valuable and repeatable business transactions;
 - Realise mutual benefit from a ‘win/win’ situation; and
 - Avoid costly and damaging disputes.
- Hiring the right people and motivating them to believe in the business to deliver results—requires a business to invest in the engagement of its **staff**. When a business provides a working environment that develops and supports the diverse needs of its people it is able to:
 - Achieve high levels of productivity and enthusiasm;
 - Attract and retain good and reliable people; and
 - Cement a unique brand as an ‘employer of choice’.
- When a business measures **success** based on outcomes rather than process, the focus shifts to how to most practically deliver quality and value to the market today and what is required to sustain (and improve) this level of performance in the future. A business that measures outcomes is able to:
 - Grow sustainably in line with expectations;
 - Achieve a commercial, social and environmental return;
 - Augment reputation as an industry and market leader; and
 - Execute strategy.

Explaining the ‘model’ business framework

The ‘model’ business behaviour framework developed in response to the views gathered from Australian business leaders is depicted in **Figure 1**.

Separate chapters in the body of this study detail how the relevant leadership behaviours, organisational values, employee principles and practices can be employed to achieve the four commitments expected from a business—‘**strategy, stakeholders, staff and success**’.

Figure 1: 'Model' business behaviour framework

	Establish a clear direction and robust STRATEGY	Develop and sustain relationships with STAKEHOLDERS	Put people first and engage with STAFF	Measure outcomes and evaluate SUCCESS
LEADERS ARE	<ol style="list-style-type: none"> Courageous and able to communicate a vision In touch and conscious of current and future operating environment Forward thinking and confident in challenging status quo 	<ol style="list-style-type: none"> Customer-driven and connected with broader industry eco-system Reasonable, fair and practical in negotiation Aware of conflicting interests and the importance of compliance 	<ol style="list-style-type: none"> Consultative and constructive when building consensus Attentive and supportive of staff development needs Open-minded and embracing of diversity 	<ol style="list-style-type: none"> Focused on performance, excellence and risk Plain spoken and direct in communicating results Prudent and objective when responding to a crisis
VALUES SIGNAL A CULTURE THAT IS	<ol style="list-style-type: none"> Purposeful Agile Innovative 	<ol style="list-style-type: none"> Empathetic Consistent Responsible 	<ol style="list-style-type: none"> Collaborative Capable Inclusive 	<ol style="list-style-type: none"> Effective Transparent Accountable
PRINCIPLES GUIDE EVERYONE TO	<ol style="list-style-type: none"> Operate by a clear vision and charter Sense, respond and deliver value to the market Exercise creativity and make defensible decisions 	<ol style="list-style-type: none"> Understand needs of all parties—customers, suppliers, partners Articulate a position and agree goals that deliver mutual benefit Meet obligations and act ethically and early to resolve disputes 	<ol style="list-style-type: none"> Demonstrate a collegiate and respectful work ethic Pursue opportunities for professional growth Celebrate difference and appreciate work/life balance 	<ol style="list-style-type: none"> Operate efficiently without compromising quality Report achievements regularly based on value not process Identify, own and learn from failures
OUTCOMES	<ol style="list-style-type: none"> Instil confidence in ability to achieve goals Achieve and sustain a point of difference in the market Allocate and apply resources efficiently and effectively 	<ol style="list-style-type: none"> Sustain valuable and repeatable business transactions Realise mutual benefit from a 'win/win' situation Avoid costly and damaging disputes 	<ol style="list-style-type: none"> Achieve high levels of productivity and enthusiasm Attract and retain good and reliable people Cement a unique brand as an 'employer of choice' 	<ol style="list-style-type: none"> Grow sustainably and in line with expectations Achieve a commercial, social and environmental return Augment reputation as an industry and market leader

INTRODUCTION

The ASBC appointed Deloitte Touche Tohmatsu (Deloitte) to engage with Australian business leaders to understand their experience and perspectives on 'model' business behaviours and the outcomes attributable from engaging in this conduct. A 'model' business is expected to contribute to an efficient and effective Australian business operating environment.

Office of the Australian Small Business Commissioner (ASBC)

The ASBC provides advocacy and representation of small business interests to the Australian Government, and works with Government agencies to help ensure that policies and initiatives take into account the needs of small business.

Part of this responsibility extends to supporting the Australian Government's commitment to creating an efficient business environment that reduces unnecessary burden and creates opportunities for businesses. The ASBC is particularly concerned with increasing the efficiency in the way in which Government agencies engage in business relationships, specifically with small businesses.

The ASBC places a certain expectation on small businesses to adopt 'model' commercial practices when contracting other businesses. As such, the ASBC considers it reasonable and fair for Government agencies, in their business activities, to adopt 'model' business behaviours.

It recognises that a critical success factor for adoption of effective business behaviours by Australian Government agencies is identifying the right types of 'model' business behaviours then building key stakeholder support for successful adoption and application of these.

If Government agencies are an exemplar of good business behaviour, the benefits to all participants in the Australian business community, including small business and the economy can be expected to be substantial.

Objectives of the study

This study documents the first phase of a multi-phase project—having the core objective of capturing Australian business leaders' views of the behaviours and practices that define a 'model' business—with specific regard to:

- The commitments a 'model' business should aspire to achieve;
- The leadership behaviours that instil a 'model' culture;
- The values and principles that influence 'model' business behaviour and practices; and
- The outcomes or motivations of a 'model' business meeting these commitments.

Approach taken

The findings established in this study have been developed based on:

1. Thirty-two interviews with Australian business leaders, representing core industry sectors (see **Appendix A** for a list of businesses);
2. A comparison of findings from these interviews with a larger sample of over 40 written responses from Australian business leaders, addressed to the ASBC, detailing views of 'model' business behaviour; and
3. A high-level analysis of public frameworks and literature that relate to business behaviour.

About this study

The views and opinions of Australian business leaders have been synthesised into a practical framework that articulates:

- Four universal commitments that 'model' businesses aspire to achieve;
- Supporting organisational values that signal this commitment; and
- Expected conduct of leaders and employees that strengthen a business's capacity to meet these commitments.

This study has been structured around each of the identified four 'model' business commitments. **Table 1** outlines the structure of the study.

Table 1: Outline of study

AREAS OF ANALYSIS	SECTION
Framework and summary of findings	Section 2
Commitment 1. Establish and execute a clear direction and robust STRATEGY	Section 3
Commitment 2. Develop and sustain relationships with STAKEHOLDERS	Section 3
Commitment 3. Put people first and engage with STAFF	Section 4
Commitment 4. Measure outcomes and evaluate SUCCESS	Section 5

Gathering the views of leaders of Government agencies (phase two)

It is the view of the ASBC that lessons learned from this study should be of interest to Government agencies, who, in addition to their policy and regulatory roles, act as businesses too—interacting with businesses in a variety of commercial roles, including purchaser of goods and services, tenant, landlord and funding provider.

As a participant of this business community, the ASBC believes that the Government ought to practice 'model' business behaviour to be viewed as an exemplar, particularly in their interactions with businesses.

Government agencies have a number of unique characteristics that arguably increase their need to exhibit 'model' business behaviours and also guide (or potentially constrain) operating principles and practices. For example, compared to businesses, Government agencies need to:

- Work within strategic and funding parameters that are influenced by political and budgetary cycles;
- Adopt procurement and reporting practices that are in line with their accountability for appropriate spending of public funds. This imposes a greater level of scrutiny and transparency on procurement practices. This can also constrain the level of risk that can be taken with procurement and investment decisions;
- Ensure that policies and practices are competitively neutral and do not favour some business partners over others; and
- Deal with businesses that often have entrenched perceptions of Government as a business partner, including their ability to be a flexible and responsive business partner.

It is recommended that the findings from this study be explored with leaders from Government agencies. The objective of this will be to understand how findings might be adopted or adapted, in order to strengthen business behaviour and relationships between Government and the business community. This would include engagement of department leaders and senior executives responsible for agencies' commercial relationships with the private sector.

FRAMEWORK AND SUMMARY OF FINDINGS

It is acknowledged that there are a number of public reports, education materials and published thought leadership on the subject of business behaviour. Topics include (but are not limited to) effective and 'values based' leadership; responsible and ethical business practices; 'business excellence' and high-performance frameworks; and employee engagement.

This significant bank of knowledge has been used to inform and shape consultations with Australian business leaders—with the perspectives of these business leaders, gathered in 2014, providing the primary analysis material for the development of a 'model' business behaviour framework.

The perspectives of Australian business leaders have been gathered and synthesised from:

1. Over 40 written responses to the ASBC, outlining the drivers, and responsibilities of a 'model' business as well as the mechanisms used to influence business behaviour; and
2. Thirty-two extensive individual interviews discussing thoughts and opinions regarding what constitutes 'model' business behaviour.

The responses provided clear and consistent insights—which have been applied to develop a 'model' business framework. Detailed analysis and application of this framework is explained in the body of this study however some general observations are summarised below:

- The market has certain expectations of a 'model' business. It is generally expected that a business should commit to operating with a defined **strategy** that aligns with its environment; grow and sustain relationships with its **stakeholders**; provide working conditions that meet the needs of **staff**; and continually strive for measuring and evaluating **success**;
- The Australian business community understands, in endeavouring to meet these expectations, it is also expected that a business engages in responsible and ethical conduct—endorsed by leaders and embraced by employees;
- It is the unequivocal view of respondents that the personality, philosophy and experience of leaders have the greatest impact on the culture and therefore behaviour(s) of those working within a business. Leaders should establish an appropriate standard of behaviour through 'leading by example'—this means endorsing the core values a business operates by and adopting these values in their own conduct. A business is not able to be 'model' if it does not have effective and 'model' leadership; and
- The core values of a business play a critical role in signalling a code, both to the market and staff, on how business will be conducted. Values should accurately reflect the culture of a business—however values will have no meaning unless embedded into business practices. A strategy sets out what a business does, however values establish a code by which all people within a business are expected to operate.

A 'model' business behaviour framework

The views and opinions of Australian business leaders have been synthesised into a practical framework that articulates four universal commitments that a 'model' business should aspire to achieve (see **Figure 2**). The ability of a business to meet these commitments in a 'model' way, is dependent on how unified the behaviour of leaders and practices of employees are around the values of an organisation.

Figure 2: 'Model' business behaviour framework

	Establish a clear direction and robust STRATEGY	Develop and sustain relationships with STAKEHOLDERS	Put people first and engage with STAFF	Measure outcomes and evaluate SUCCESS
LEADERS ARE	<ol style="list-style-type: none"> Courageous and able to communicate a vision In touch and conscious of current and future operating environment Forward thinking and confident in challenging status quo 	<ol style="list-style-type: none"> Customer-driven and connected with broader industry eco-system Reasonable, fair and practical in negotiation Aware of conflicting interests and the importance of compliance 	<ol style="list-style-type: none"> Consultative and constructive when building consensus Attentive and supportive of staff development needs Open-minded and embracing of diversity 	<ol style="list-style-type: none"> Focused on performance, excellence and risk Plain spoken and direct in communicating results Prudent and objective when responding to a crisis
VALUES SIGNAL A CULTURE THAT IS	<ol style="list-style-type: none"> Purposeful Agile Innovative 	<ol style="list-style-type: none"> Empathetic Consistent Responsible 	<ol style="list-style-type: none"> Collaborative Capable Inclusive 	<ol style="list-style-type: none"> Effective Transparent Accountable
PRINCIPLES GUIDE EVERYONE TO	<ol style="list-style-type: none"> Operate by a clear vision and charter Sense, respond and deliver value to the market Exercise creativity and make defensible decisions 	<ol style="list-style-type: none"> Understand needs of all parties—customers, suppliers, partners Articulate a position and agree goals that deliver mutual benefit Meet obligations and act ethically and early to resolve disputes 	<ol style="list-style-type: none"> Demonstrate a collegiate and respectful work ethic Pursue opportunities for professional growth Celebrate difference and appreciate work/life balance 	<ol style="list-style-type: none"> Operate efficiently without compromising quality Report achievements regularly based on value not process Identify, own and learn from failures
OUTCOMES	<ol style="list-style-type: none"> Instil confidence in ability to achieve goals Achieve and sustain a point of difference in the market Allocate and apply resources efficiently and effectively 	<ol style="list-style-type: none"> Sustain valuable and repeatable business transactions Realise mutual benefit from a 'win/win' situation Avoid costly and damaging disputes 	<ol style="list-style-type: none"> Achieve high levels of productivity and enthusiasm Attract and retain good and reliable people Cement a unique brand as an 'employer of choice' 	<ol style="list-style-type: none"> Grow sustainably and in line with expectations Achieve a commercial, social and environmental return Augment reputation as an industry and market leader

ESTABLISH A CLEAR DIRECTION AND ROBUST STRATEGY

AUSTRALIAN BUSINESS LEADERS BELIEVE THAT A 'MODEL' BUSINESS SHOULD COMMIT TO ESTABLISHING A CLEAR DIRECTION AND ROBUST STRATEGY.

A business is able to demonstrate its capacity to meet this commitment when the behaviours of the leadership team and practices of employees are aligned. That is:

- **Leaders'** behaviours instil and reinforce a 'model' culture;
- Organisational **values** effectively signal this 'model' culture; and
- **Principles** reflect organisational values and encourage 'model' practices.

“ LEADERS DEFINE WHAT IS THE DIRECTION, STRATEGY AND OPERATING VALUES OF A BUSINESS. ”

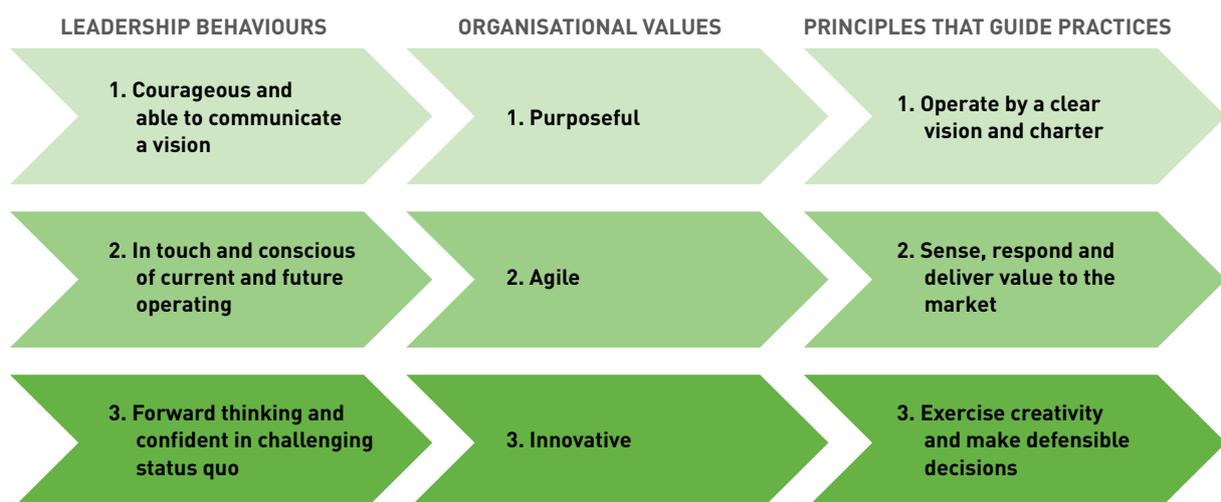
[Greg Hywood, Fairfax Media]

Australian business leaders hold a clear view that a 'model' business aligns the behaviours of leaders with the values of an organisation and the principles and practices of employees.

There is agreement that if a business is able to develop and strengthen these connections across the organisation—the result will be an aligned 'model' set of responses.

'Model' leadership behaviours, organisational values and principles that align to a commitment to **STRATEGY** are represented in **Figure 3** below.

Figure 3: 'Model' STRATEGY framework



Targeted outcomes

A considered and appropriate **strategy** is essential for any business to have a clear line of sight on what is required to achieve their objectives. Of equal importance is how effectively a business executes its strategy to provide value to the market. When a business is able to communicate a purpose and implement actions in line with this purpose, it increases its capacity to deliver outcomes that meet the expectations of its stakeholders and staff.

Business' commit to establishing a clear direction and robust strategy to:

- Instil confidence in their ability to attain their goals;
- Achieve and sustain a point of difference in the market; and
- Allocate and apply resources efficiently and effectively.

“ ONE TEAM WITH ONE VISION. MAKE SURE THE VISION,
MISSION AND STRATEGIC BUSINESS PLAN ARE CLEAR AND SIMPLE. ”

(John Papadimitriou, Jayco)

Leadership behaviours

To fulfil this commitment, business leaders need to be:

1. Courageous and able to communicate a vision

A 'model' business is able to articulate a vision that sets out the aspirational intent of the business. However, leaders recognise that the effectiveness of this vision will be limited if it is inconsistent with their own conduct and the actions of employees.

Business leaders need to:

- Clearly articulate a compelling intention and business case, based on sound evidence;
- Understand that perception is just as important as the message; and
- Be intuitive and pro-active—clearly linking actions to the market.

“ VALUES AND MISSION OFTEN GET CONFLATED.
MISSION SETS OUT WHAT WE DO, VALUES SET OUT HOW WE DO IT. ”

(Innes Willox, Australian Industry Group)

2. In touch and conscious of the current and future operating environment

A 'model' business is proactive in setting a business plan and organisational targets that are practical and well connected to market expectations. The business plan should be specific and action-orientated; outlining activities, responsibilities and performance criteria to provide focus, motivation and measurability.

Business leaders need to:

- Inspire confidence from stakeholders through a strong track record of business success;
- Be proactive in responding and adapting to changing market conditions; and
- “Stay connected”—be an active member of industry peak bodies or professional associations and contribute to thought leadership.

“ A NON-MODEL BUSINESS IS UNRESPONSIVE AND FAILS TO SET ORGANISATIONAL TARGETS THAT ARE PRACTICAL AND CONNECTED TO MARKET NEEDS. ”

(Luke Aitken, NSW Business Chamber)

3. Forward-thinking and confident in challenging the status quo

A 'model' business is guided by a leader who is able to articulate a clear focus for the organisation that is defensible and based on sound evidence. A good strategy is well thought out, challenges assumptions, and is created with input from key internal and external stakeholders.

Business leaders need to:

- Be able to identify and realise opportunities to gain a first mover advantage;
- Have an open mind and be receptive to investigating new ideas; and
- Encourage others to bring a “point of view” and test current operating assumptions.

“ BUSINESSES MUST PRESENT A 'CAN DO' APPROACH. ”

(John Papadimitriou, Jayco)

Organisational values

Australian business leaders believe a 'model' business should, through its organisational values, signal a culture that encourages everyone to commit to a strategy that reflects the needs of the market in which it operates.

This means establishing and promoting values that are:

- **PURPOSEFUL**, clear and directive;
- **AGILE**, flexible and responsive; and
- **INNOVATIVE**, tactical and creative

“ IT IS EASIER FOR LEADERS TO BUILD A BAD BUSINESS THAN A GOOD ONE. ”

(Giam Swiegers, Deloitte)

To inspire this 'model' culture, it is imperative that leaders are able to walk the talk, demonstrating alignment to these values through their own conduct.

It is incumbent on leaders to convey a sense of purpose—connecting all decisions with the strategy, goals and objectives of the business. By leading by example, leaders will gain the confidence of all stakeholders in their decisions as stakeholders will be able to personally relate to how a business intends to operate.

Principles and practice

A commitment to working to a clear and robust strategy has implications for the principles and practices of everyone within a business. This means, establishing principles that guide everyone to:

1. Operate in accordance with a clear vision and charter

- Use the business strategy to develop and set a yearly performance plan;
- Prioritise tasks and responsibilities to focus on organisational outcomes; and
- Identify and act on changing market needs and expectations.

2. Sense, respond and deliver value to the market

- Maintain professional networks and connections with industry peers;
- Approach tasks and responsibilities with a sense of urgency and prioritisation; and
- Be aware of market trends, including subscribing to relevant industry publications and data sources.

3. Exercise creativity, but make defensible decisions

- Seek out new and innovative approaches to solving problems and issues;
- Set ambitious but realistic performance metrics to guide how tasks are implemented; and
- Commit to identifying and pursuing new and relevant market information.

“ THE ONLY SUSTAINABLE COMPETITIVE ADVANTAGE THAT A BUSINESS HAS IS ITS CULTURE. THAT IS, YOU NEED A STRONG CULTURE TO IMPLEMENT A BUSINESS STRATEGY, OR OPERATE AS A 'MODEL' BUSINESS. THE SAME IS TRUE OF GOVERNMENT. ”

[Julian Segal, Caltex]

CASE STUDY

NEWS CORP AUSTRALIA

News Corp Australia considers that it is committed to setting a clear direction and responding to market needs. Adam Suckling, Director Corporate Affairs, believes that “**Leaders are critical to business functions and outcomes—they set the tone of how a business works**”.

News Corp Australia practices this through:

- **Unified business conduct.** Leaders and staff are responsible for conducting all business engagement with integrity and addressing ‘non-model’ business behaviour swiftly. Everyone is required to adhere to the News Corp Standards of Business Conduct which set forth the general principles that underlie ‘a culture of trust that is at the heart of News’.
- **Being customer focussed.** In defining in why they exist, News Corp Australia believe that ‘delivering extraordinary experiences’ for their customers and consumers is at the heart of who they are.
- **Ethical conduct of leaders.** News Corp Australia have developed and adopted a Code of Ethics applicable to its Chief Executive Officer and senior financial officers to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure; and compliance with applicable laws, rules and regulations.

Observations regarding Government and strategy

Australian business leaders made the following observations about Government agencies and their commitment to strategy:

- Fear of public exposure of failure encourages a risk-averse culture with Government agencies that, in a lot of cases, leads to decisions that are based on avoidance rather than conviction; and
- There has to be an appropriate balance between risk management and growth. When Government agencies focus too much on managing risks—innovation can be stifled and strategic decision-making can be inhibited.

“ THE GOVERNMENT CANNOT ELIMINATE RISK, HOWEVER RECOGNISING AND APPROPRIATELY MANAGING RISK IS IMPORTANT. THE PERCEPTION OF RISK SHOULD NOT PROMPT INDECISION BUT FACILITATE EFFECTIVE DECISION-MAKING. ”

(Will Irving, Telstra)

- There is a perception that strategic communication and transparency between the public and private sector is difficult and a source of ongoing tension.
- Government agencies and businesses need to make effective communication a joint strategic priority—ensuring the intent, purpose and objectives of each sector are well understood and practiced.

“ PRIVATE SECTOR LEADERS TYPICALLY UNDERSTAND THAT GOVERNMENT BUSINESSES WORK IN A COMPLEX AND AUTHORISING ENVIRONMENT. THEY JUST WANT COMMUNICATION LINES TO BE OPEN—TO UNDERSTAND THE STATUS OF PROCUREMENT DECISIONS AND OPPORTUNITIES. ”

(Innes Willox, Australian Industry Group)

- Strategic misalignment between the priorities of Government agencies and business—particularly regarding drivers of industry investment—can inhibit mutually beneficial outcomes.
- By committing to ‘walk in the shoes’ of each other—Government agencies and the business community will be able to better align both their intent and their activities. For Government agencies this means being more sensitive to commercial interests—for businesses this means being more aware of some of the complexities that Government agencies have to navigate.

“ IT IS INCUMBENT UPON GOVERNMENT TO BE COMMERCIAL WHEN SETTING THEIR STRATEGIC PRIORITIES. ”

(Anne Flanagan, RACV)

DEVELOP AND SUSTAIN RELATIONSHIPS WITH STAKEHOLDERS

AUSTRALIAN BUSINESS LEADERS BELIEVE THAT A 'MODEL' BUSINESS SHOULD COMMIT TO DEVELOPING AND SUSTAINING RELATIONSHIPS WITH ITS STAKEHOLDERS.

A business is able to demonstrate its capacity to meet this commitment when the behaviours of the leadership team and practices of employees are aligned. That is:

- **Leaders'** behaviours instil and reinforce a 'model' culture;
- Organisational **values** effectively signal this 'model' culture; and
- **Principles** reflect organisational values and encourage 'model' practices.

“ MODEL BUSINESSES HAVE A DEEP UNDERSTANDING OF THEIR STAKEHOLDERS AND WHAT MOTIVATES THEM. A 'MODEL' BUSINESS HAS A STRONG SENSE OF SOCIETY AND PLAYS AN ACTIVE ROLE IN SUPPORTING THE COMMUNITIES IN WHICH IT OPERATES. ”

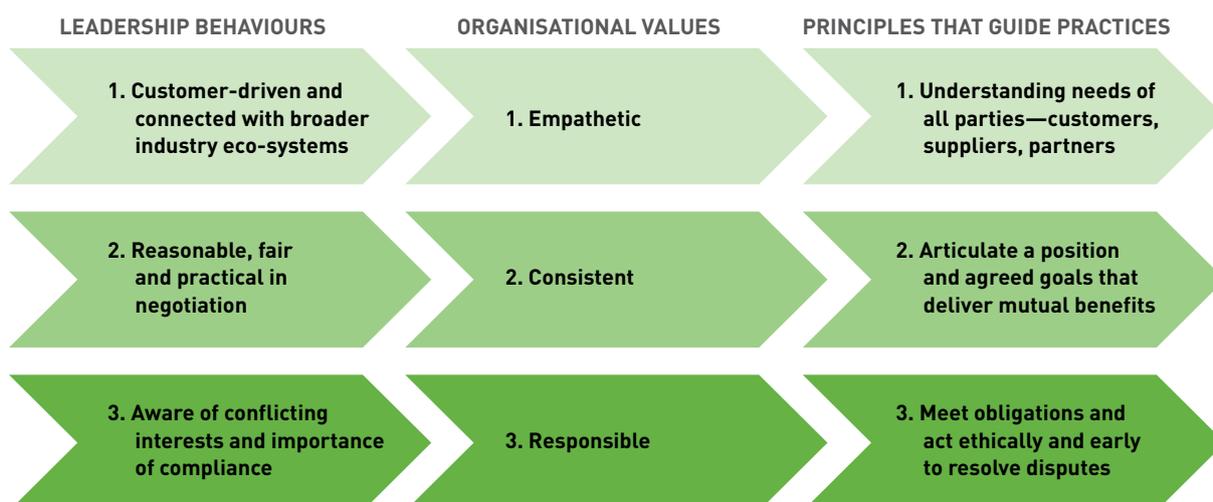
[David Attenborough, Tabcorp]

Australian business leaders hold a clear view that a 'model' business aligns the behaviours of leaders with the values of an organisation and the principles and practices of employees.

There is agreement that, if a business is able to develop and strengthen these connections across the business, the result will be an aligned and 'model' set of responses.

'Model' leadership behaviours, organisational values and principles that align to a commitment to **STAKEHOLDERS** are represented below in **Figure 4**.

Figure 4: 'Model' STAKEHOLDER framework



Targeted outcomes

By placing stakeholders—customers, shareholders, business partners or staff—at the forefront of all strategy and operations, businesses are able to foster mutually beneficial and long term relationships. Any conflicts that arise are met with a sense of urgency; ensuring matters are dealt with swiftly but diligently.

Businesses commit to developing and maintaining relationships with stakeholders to:

- Sustain valuable and repeatable business transactions;
- Realise mutual benefit from a 'win/win' situation; and
- Avoid costly and damaging disputes.

**“ DON'T FORGET WHY YOUR BUSINESS EXISTS—PUT CUSTOMER SATISFACTION FIRST.
THE KEY TO THIS IS TO UNDERSTAND WHAT YOUR CUSTOMER WANTS—
WHICH IS NOT NECESSARILY THE SAME AS WHAT THEY SAY THEY WANT. ”**

[David Attenborough, Tabcorp]

Leadership behaviours

To fulfil this commitment, business leaders need to be:

1. Customer-driven and connected with the broader industry eco-system

A 'model' business recognises the needs and expectations of stakeholders are critical to a business' success. To develop and maintain quality relationships, 'model' businesses focus on medium to long term outcomes as opposed to 'sharp practice' which may illicit short term success.

Business leaders need to:

- Demonstrate an acute awareness of the micro and macro business environment;
- Display 'ego-less' leadership, seeking input and involvement of stakeholders; and
- Be well-connected and networked to and remain "in touch" with the market.

**“ A CRITICAL CHARACTERISTIC OF A SUCCESSFUL LEADER IS THE ABILITY
TO 'SHIFT THE LENS'—UNDERSTANDING HOW TO SPEAK WITH AND EMPATHISE
WITH DIFFERENT STAKEHOLDER GROUPS ABOUT ISSUES FACING THEM. ”**

[Robin Buckham, Family Business Australia]

2. Reasonable, fair and practical in negotiation

A model business views partnerships with stakeholders as mutually beneficial or 'win/win' situations as opposed to purely transactional interactions. Partnerships are developed on a foundation of trust and transparency, with confidence that neither party will renege on its commitment.

Business leaders need to:

- Communicate simply and successfully to engage as broad an audience as possible;
- Be consistent in conveying and delivering messaging; and
- Set a standard of fairness in approaching all transactions.

“ DEVELOP A QUALITY RELATIONSHIP WITH THE CUSTOMER—
PROVIDE A VALUE ADDED SERVICE. ”

(Mathew Kaley, Allianz Insurance)

3. Aware of conflicting interest and the importance of compliance

A 'model' business negotiates with stakeholders based on mutual trust, integrity and ethics. Good leaders recognise that integrity often requires courage, and a conviction of values and ethics. Successful business relationships, with both internal and external stakeholders require honesty and confidence.

Business leaders need to:

- Assume accountability for key organisational decisions and stakeholder actions;
- Take a calculated risk to support the development of new stakeholder relationships; and
- Be active listeners, genuinely considering others viewpoints and not pre-judging.

Organisational values

Australian business leaders believe a 'model' business should, through its organisational values, signal a culture that encourages everyone to commit to being stakeholder focussed and in touch with market needs and requirements.

This means establishing and promoting values that are:

- **EMPATHETIC**, attentive and externally focussed;
- **CONSISTENT**, dependable and reliable; and
- **RESPONSIBLE**, honourable and fair.

To inspire this 'model' culture, it is imperative that leaders are able to walk the talk, demonstrating alignment to these values through their own conduct.

It is incumbent on leaders to show empathy—inspiring actions to be focused on meeting and exceeding the requirements of stakeholders. By leading by example, leaders will give stakeholders comfort that their interests are being heard and that any terms of engagement will be negotiated in a fair and reasonable manner.

Principles and practice

A commitment to developing and maintaining relationships with stakeholders has implications for the principles and practices of everyone within a business. This means, establishing principles that guide everyone to:

1. Understand the needs of all parties—customers, suppliers, partners

- Engage respectfully and fairly with existing and potential customers;
- Accept advice on how to improve the engagement of the business with the market; and
- Regularly talk with customers to take “health checks” on the relationship.

2. Articulate a position and agree goals that deliver mutual benefit

- Communicate with stakeholders regularly on a face-to-face basis;
- Honour all operating conditions, guided by an appropriately binding contract; and
- Avoid entering stakeholder agreements that are not based on mutual trust or benefit.

3. Meet obligations and act ethically and early to resolve disputes

- Be aware of and abide by all relevant regulatory and legislative requirements;
- Follow through on commitments and promises without hesitation, particularly making payments promptly; and
- Consider the long-term, when choosing between competing actions.

**“ A ‘MODEL’ BUSINESS ACTIVELY ENGAGES WITH ITS CUSTOMERS.
THE BEST BUSINESSES ARE THOSE THAT USE THESE CHANNELS TO
PROACTIVELY ENGAGE WITH THEIR CUSTOMERS TO BUILD RAPPORT AND TRUST. ”**

(Stephen Cartwright, NSW Business Chamber)

CASE STUDY

ALDI

Aldi considers it is committed to developing and sustaining mutually beneficial relationships with all stakeholders. Tom Daunt, CEO of Aldi encourages staff and management to **'Not go back on deals'** and **'follow through on what you say'**.

At Aldi, this is evident through:

- **Consistency and transparency in all business dealings.** Aldi fosters a culture throughout all levels of the organisation where staff and leaders follow through on their promises and do not renege on their commitments.
- **Clear and fairly negotiated agreements with suppliers.** For example, Aldi incorporates the policy standards outlined in their Corporate Social Responsibility policy when negotiating agreements with suppliers.
- **A motivation to succeed and an understanding of failure.** Aldi encourage staff to take calculated and responsible risks, and learn from the outcomes.

Observations regarding Government and Stakeholders

Australian business leaders made the following observations about Government agencies and their commitment to stakeholders:

- In considering the four commitments expected from a business—strategy, stakeholders, staff and success—Australian business leaders generally indicated that it was in the area of stakeholders where there is most scope for Government agencies to improve;
- A more responsive public sector could ease tensions between Government and business, with a focus on flexibility, transparency and communication to solve issues and challenges; and
- In many cases, a business needs to have a direct contact within Government agencies to obtain effective engagement, otherwise it takes too long for a response.

“ AS IS THE CASE FOR BUSINESS, GOVERNMENT AGENCIES SHOULD BE CONCERNED WITH UNDERSTANDING AND MEETING THE NEEDS OF THEIR CUSTOMERS AND ATTAINING CONSISTENTLY HIGH LEVELS OF CUSTOMER SATISFACTION. ”

[Simon Pryor, Business Council of Australia]

- When Government agencies and businesses speak a different language to one another the result is each feel that their requests and concerns are misunderstood, causing unnecessary conflict and tension.
- The Government tendering process is considered by most businesses as complicated and drawn out. The language used in tender documents meets necessary policy requirements however it can be daunting for businesses.

“ DIVERGENCE BETWEEN BUSINESS AND GOVERNMENT IS FUNDAMENTALLY A CULTURAL ISSUE. BOTH SIDES BLAME EACH OTHER WHEN THERE ARE ISSUES, CHALLENGES AND PROBLEMS—I.E. BUREAUCRATS THINK THAT BUSINESSES DON'T UNDERSTAND THEIR ISSUES, AND BUSINESSES DON'T THINK THAT BUREAUCRATS UNDERSTAND THEIR ISSUES. ”

[Greg Hywood, Fairfax Media]

- Contract negotiations between the public and private sectors can be complex and slow. Some businesses are not cognisant of the internal administrative and bureaucratic processes of Government agencies and there is a perception that they are not concerned with the cost and time that is transferred to businesses.
- The approach to problem solving in Government agencies is different to that in the private sector—there appears to be layers of bureaucracy required to solve issues and challenges. This can limit the ability of Government agencies to negotiate quickly (but responsibly) with businesses.

PUT PEOPLE FIRST AND ENGAGE STAFF

AUSTRALIAN BUSINESS LEADERS BELIEVE THAT A 'MODEL' BUSINESS SHOULD COMMIT TO PUTTING ITS PEOPLE FIRST AND ENGAGING WITH STAFF.

A business is able to demonstrate its capacity to meet this commitment when the behaviours of the leadership team and practices of employees are aligned. That is:

- **Leaders'** behaviours instil and reinforce a 'model' culture;
- Organisational **values** effectively signal this 'model' culture; and
- **Principles** reflect organisational values and encourage 'model' practices.

“ ORGANISATIONAL CULTURE HELPS PEOPLE UNDERSTAND 'WHAT THEY NEED TO DO TO GET AHEAD'. ”

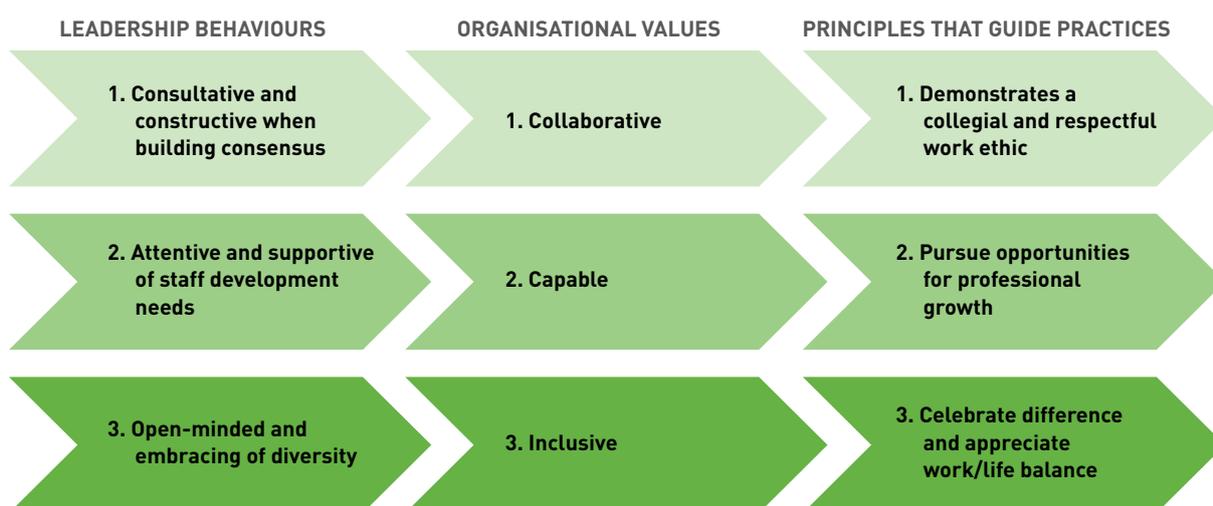
(Giam Swiegers, Deloitte)

Australian business leaders hold a clear view that a 'model' business aligns the behaviours of leaders with the values of an organisation and the principles and practices of employees.

There is agreement that if a business is able to develop and strengthen these connections across the business—the result will be an aligned and 'model' set of responses.

'Model' leadership behaviours and principles that align to a commitment to **STAFF** are represented below in **Figure 5**.

Figure 5: 'Model' STAFF framework



Targeted outcomes

Hiring the right people and motivating them to believe in the business to deliver results—requires a business to invest in the engagement of its staff. When a business provides a working environment that develops and supports the diverse needs of its people—its people will have a greater level of empathy with the goals of the businesses and be encouraged to contribute to its success.

Businesses commit to putting people first and engaging with staff:

- Achieve high levels of productivity and enthusiasm;
- Attract and retain good and reliable people; and
- Cement a unique brand as an ‘employer of choice’.

“ CONTINUE TO INVEST IN PEOPLE, AND MOSTLY ON THE ‘SOFT’ STUFF. TECHNICAL TRAINING IS NECESSARY FOR SPECIFIC NEEDS BUT LEAVES WHEN EMPLOYEES LEAVE. SOFT TRAINING CHANGES CULTURE AND CULTURE STAYS WITH THE BUSINESS. ”

(John Papadimitriou, Jayco)

Leadership behaviours

To fulfil this commitment, business leaders need to be:

1. Consultative and constructive when building consensus

A ‘model’ business has a leader who is able to relate and communicate effectively with everyone within the business. This should foster an environment where employees have a sense of purpose when they come to work and genuinely feel that their views are sought and considered when setting the direction of the business.

Business leaders need to:

- View seeking input as a critical success factor not a process to decision-making;
- Regularly communicate with employees and be approachable and accessible; and
- Act as a mentor by sharing their knowledge and experience.

“ FREEDOM WITHIN BOUNDARIES ENCOURAGES PEOPLE TO BE ENTREPRENEURIAL WITHIN A RISK-BASED FRAMEWORK. ”

(Trevor Burns, Macquarie Group)

2. Attentive and supportive of staff development needs

A model business is able to provide employees with a broad range of training, working options and tools specific to the demand of their job and the market. Appropriate support systems and conditions should help staff to maintain a work/life balance without compromising job performance or career aspirations.

Business leaders need to:

- Recruit passionate people and empower them to perform to their potential;
- Invest in technical and professional advancement of employees at all levels; and
- Regularly assess and respond to the engagement levels of employees.

“ A BUSINESS’ AGILITY CAN HELP ATTRACT STAFF WHO ARE MOTIVATED BY AN OUTCOME FOCUSED CULTURE—THIS CULTURE NEEDS TO DRIVE AND SUPPORT STAFF TO ACHIEVE KPI’S AND PERFORMANCE BENCHMARKS. ”

(Lee White, Institute of Chartered Accountants)

3. Open-minded and embracing of diversity

A ‘model’ business recognises that employees are its most important asset—requiring a business to focus on attracting and retaining ‘the best people for the job’. This means investing significant time and resources into recruiting people who understand the strategy of the business, are able to align with the values and culture of the organisation and, most importantly, can bring a unique set of skills, experience and outlook to their job.

Business leaders need to:

- Draw on the best skills regardless of race, gender and other personal factors;
- Provide working conditions that allow flexibility without compromising productivity; and
- Inspire people to be themselves and reward distinctive talent.

“ A BUSINESS IS NOT A ‘MODEL’ BUSINESS IF IT HAS HAD TO LET GO, GOOD AND CAPABLE STAFF. ASKING GOOD PEOPLE TO LEAVE IS OFTEN A RESULT OF POOR LEADERSHIP. ”

(Giam Swiegers, Deloitte)

Organisational values

Australian business leaders believe a ‘model’ business should, through its organisational values, signal a culture that provides a working environment that rewards performance and celebrates difference.

This means establishing and promoting values that are:

- **COLLABORATIVE**, team-orientated and partnership-focussed;
- **CAPABLE**, equitable and merit-based; and
- **INCLUSIVE**, diverse and supportive of difference.

“ STAFF NEED TO BE MOTIVATED TO DISPLAY ‘MODEL’ BEHAVIOURS— ORGANISATIONAL PRINCIPLES CAN BE ‘NEBULOUS’. ”

(Milton Cockburn, Shopping Centre Council Australia)

To inspire this 'model' culture, it is imperative that leaders are able to walk the talk, demonstrating alignment to these values through their own conduct.

It is incumbent on leaders to instil a sense of belonging in the workplace—encouraging positive engagement and interaction across the business. By leading by example, leaders will gain confidence from their staff that the business is looking after their needs, skills and welfare. In turn, staff will be more invested in the success of the business and their personal ability to achieve results.

“ STAFF MUST SHARE THE VISION OF THE BUSINESS AND BE ABLE TO ALIGN THEIR PURPOSE WITH THE VALUES OF THE BUSINESS. ”

(Lyn Goodear, Australian Human Resources Institute)

Principles and practice

A commitment to put people first has implications for the principles and practices of everyone within a business. This means, establishing principles that guide everyone to:

1. Demonstrate a collegiate and respectful work ethic

- Communicate with peers using positive, direct and straightforward language;
- Use meetings and forums to share challenges, successes and opportunities; and
- Establish networks and relationships with colleagues outside of the team.

2. Pursue opportunities for professional growth

- Seek out formal training and education courses that will assist with professional growth;
- Be receptive to formal and informal feedback and able to learn from mistakes; and
- Shadow peers and colleagues to understand expectations of 'how to get ahead'.

3. Celebrate difference and appreciate work/life balance

- Participate in diversity training and embrace uniqueness;
- Be open and fair with managers when negotiating flexible work arrangements; and
- Use appropriate channels to report instances of discrimination.

“ BUSINESS' MUST INVEST IN NURTURING THEIR STAFF. THIS MEANS ATTRACTING PEOPLE WHO ARE PASSIONATE ABOUT WHY THEY ARE DOING WHAT THEY ARE DOING AND PROVIDING AN ENVIRONMENT THAT SUPPORTS THIS PASSION. ”

(Will Irving, Telstra)

CASE STUDY

COSTCO

Costco Australia considers it is committed to providing a collaborative, capable and inclusive working environment for its staff. Patrick Noone, Managing Director said **“it is vital that people in positions of authority ‘walk the talk’ to encourage ethical conduct across an organisation”**.

At Costco, this is practiced through:

- **An ‘open door policy’**. Every employee is encouraged to email the Managing Director on any issue with a guaranteed response from the Managing Director or nominated representative.
- **‘Costco U’**. Every new manager is required to undertake a 16–20 hour culture training course to encourage consistent use of language and messaging with employees.
- **‘Ethics point’**. Each employee has access to an internal website where they can post a question as well as report breaches of conduct anonymously.

Observations regarding Government and staff

Australian business leaders made the following observations about Government agencies and their commitment to staff:

- Employees enter the public service with ‘a purpose to serve’—Government agencies need to capitalise on this—providing a working environment where staff feel their jobs are relevant and that they will make an impact on the community in which they live.
- ‘Cultural capability’ requires all Government agencies to:
 - Be aware of the needs of their operating environment and stakeholders;
 - Align operating values to this operating environment; and
 - Attract staff and talent with a purpose that aligns with both the operating and environment and the values of the agency.

**“ WHAT IS THE RIGHT ‘CULTURAL CAPABILITY’ OF GOVERNMENT?
IT SHOULD BE THE SAME AS FOR ANY BUSINESS, IN TERMS OF NEEDING TO BE BUILT
TO MATCH THE NEEDS OF THE ORGANISATION AND ITS STAKEHOLDERS. ”**

(Lyn Goodear, Australian Human Resources Institute)

- Government agencies need to promote people based on performance and recognition rather than length of tenure—this will attract the best skills set for the job at hand.
- Attracting people with private sector experience into Government will naturally enable a deeper appreciation and understanding of challenges facing business. Agility can help attract staff—as this helps to create an ‘outcome’ focus culture which drives and supports staff achieving KPIs and performance benchmarks.

**“ A BUSINESS NEEDS TO INVEST IN TEACHING MANAGERS
HOW TO MOTIVATE AND ENGAGE WITH THEIR STAFF. ”**

(John Papadimitriou, Jayco)

- There is a perception that, in some Government agencies, a disconnection between senior bureaucrats and staff exists. The impact of this is often a misalignment between the intent of the executive and the actions of staff.
- An important performance metric of leaders within Government agencies should be how they inspire their staff—an effective leader understands how to motivate and bring the best out of their staff.

MEASURE OUTCOMES AND EVALUATE SUCCESS

AUSTRALIAN BUSINESS LEADERS BELIEVE THAT A 'MODEL' BUSINESS SHOULD COMMIT TO MEASURING OUTCOMES AND EVALUATING SUCCESS.

A business is able to demonstrate its capacity to meet this commitment when the behaviours of the leadership team and practices of employees are aligned. That is:

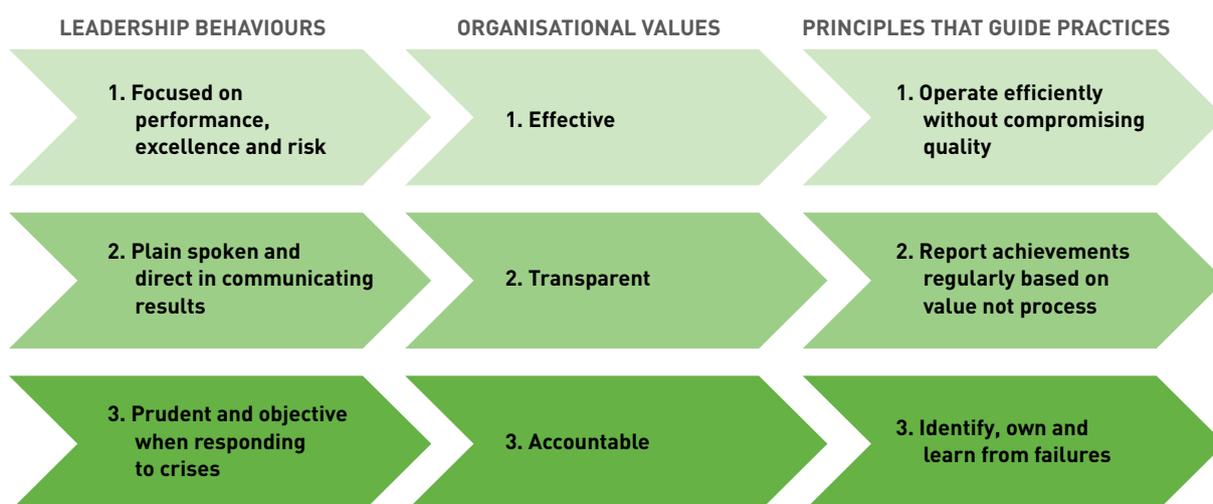
- **Leaders'** behaviours instil and reinforce a 'model' culture;
- Organisational **values** effectively signal this 'model' culture; and
- **Principles** reflect organisational values and encourage 'model' practices.

“ A 'MODEL' BUSINESS IS OUTCOME-DRIVEN AND PREPARED TO FACE THE BRUTAL FACTS. 'MODEL' BUSINESSES ARE NOT SATISFIED WITH BUSINESS AS USUAL AND STRIVE TO CONTINUOUSLY IMPROVE PROCESSES TO ENSURE THAT THEY ARE DELIVERING SERVICES AS EFFICIENTLY AND AS EFFECTIVELY AS POSSIBLE. ”

(Stephen Cartwright, NSW Business Chamber)

- Australian business leaders hold a clear view that a 'model' business aligns the behaviours of leaders with the values of an organisation and the principles and practices of employees.
- There is agreement that if a business is able to develop and strengthen these connections across the business—the result will be an aligned and 'model' set of responses.
- 'Model' leadership behaviours, organisational values and principles that align to a commitment to **SUCCESS** are represented below in **Figure 6**.

Figure 6: 'Model' SUCCESS framework



Targeted outcomes

When a business measures success based on outcomes rather than process, the focus shifts away from increasing output. The focus shifts toward how to most practically deliver quality and value to the market today and what is required to sustain (and improve) this level of performance in the future. A successful business can perform in both good and poor operating conditions.

Businesses commit to measuring outcomes and evaluating success to:

- Grow sustainably in line with expectations;
- Achieve a commercial, social and environmental return; and
- Augment reputation as an industry and market leader.

“ A ‘MODEL’ BUSINESS IS COMMITTED TO CONTINUOUS IMPROVEMENT AND HAS THE REQUISITE INNOVATION PROCESSES IN PLACE TO SUPPORT THAT OBJECTIVE. ”

(David Attenborough, Tabcorp)

Leadership behaviours

To fulfil this commitment, business leaders need to be:

1. Focused on performance excellence and risk

A ‘model’ business is concerned with performance, measuring outcomes and responding to feedback. Stakeholders expect a business to deliver certain outcomes (e.g. return to investors, quality services to clients and certainty in contracts with suppliers) and a business needs to be able to respond appropriately if and when these expectations change.

Business leaders need to:

- Be willing and confident at being held accountable for outcomes;
- Be able to identify with strategic and tactical drivers of performance; and
- Look to find the balance between stability, control and efficiency.

2. Plain spoken and direct when communicating results

A ‘model’ business seeks to continuously improve without compromising the integrity of how it operates. It is incumbent on the leadership team to set an example by being open, clear and honest when reporting on performance as well as acting swiftly to resolve performance issues, if and when they arise.

Business leaders need to:

- Set and evaluate outcomes against clear and enforceable key performance indicators;
- Use all forms of media (including social media) to engage with and report to stakeholders; and
- Participate in industry conferences and seminars to engage with industry peers.

“ LEADERS WILL BE JUDGED ON HOW THEY HANDLE THEMSELVES IN TOUGH TIMES— WHERE PERFORMANCE HAS SLUMPED OR WHEN THEY ARE EXITING THE BUSINESS. ”

(Richard Berriman, Australian Mines and Metals Association)

3. Prudent and objective when responding to a crisis

A 'model' business views short cuts as unacceptable if they result in behaviours that are ethically and morally indefensible. In instances such as these, a 'model' business will be judged by how they respond, what checks and balances are in place and how quickly issues are communicated and addressed.

Business leaders need to:

- Use the right tone—take charge, maintain control and be positive;
- Establish realistic criteria and requirements for solving problems and issues; and
- Take professional advice and be fully informed before making a decision.

“ A MODEL BUSINESS IS ONE THAT WILL RESPOND TO NON-MODEL ACTIONS IN A MODEL WAY—
BEING PROACTIVE, HAVING A PURPOSE AND HAVING MEASURABLE TARGETS
THAT ARE ALIGNED TO THE CULTURAL VALUES OF THE ORGANISATION. ”

(Adam Suckling, News Corp Australia)

Organisational values

Australian business leaders believe a 'model' business should, through its organisational values, signal a culture that measures outcomes and effectively reports performance to stakeholders.

This means establishing and promoting values that are:

- **EFFECTIVE**, outcome-orientated and impact-driven;
- **TRANSPARENT**, visible and open; and
- **ACCOUNTABLE**, ethical and aware of risks.

“ ALL BUSINESSES CAN BE SUMMED UP IN MEASURES. MEASURES ALLOW
IMPROVEMENTS TO BE INITIALLY QUANTIFIED AND THEN MONITORED.
DON'T HAVE TOO MANY. DON'T HAVE TOO FEW. MEASURE THE THINGS THAT MATTER.
CHANGE THEM OVER TIME AS YOUR BUSINESS PLANS CHANGE. ”

(John Papadimitriou, Jayco)

To inspire this 'model' culture, it is imperative that leaders are able to walk the talk, demonstrating alignment to these values through their own conduct.

It is incumbent on leaders to be transparent about what good performance means, by providing a clear guide as to how results should be measured and communicated. By leading by example, a leader will strengthen the capacity of the business to change direction (where necessary) to continue to perform at a standard, in line with the expectations of the market.

Principles and practice

A commitment to measuring outcomes and evaluating success has implications for the principles and practices of everyone within the business. This means, establishing principles that guide everyone to:

1. Operate efficiently without compromising quality

- Clarify outcome(s) to ensure appropriate application and expenditure of effort;
- Use standard working processes and procedures appropriately to complete tasks; and
- Where practical, connect technology and systems with core job functions.

2. Report achievements regularly based on value not process

- Employ tools such as surveys and service quality reviews to collect business intelligence;
- See annual reviews as an effective way to judge success and measure against goals; and
- Use industry benchmarks to compare progress and performance against the market.

3. Identify, own and learn from failures

- Demonstrate an enquiring mind and be able to answer 'so what' for all critical actions;
- Follow best practice risk management standards to document and mitigate key risks; and
- Record reasons for not achieving goals and re-visit these before making future decisions.

“ BUSINESSES TODAY HAVE TO INCLUDE SOCIAL MEDIA AS A MEANS TO ENGAGE WITH CLIENTS, SUPPLIERS AND PARTNERS. THEY ALSO NEED TO UNDERSTAND THAT THIS DEMANDS ADDITIONAL RESOURCES TO BE SUCCESSFUL— AND AN IMPLICIT RELAXING OF CONTROL OVER WHAT’S COMMUNICATED. ”

(Innes Willox, Australian Industry Group)

CASE STUDY

OBSERVATIONS BY THE AUSTRALIAN SMALL BUSINESS COMMISSIONER (ASBC)

The ASBC regularly engages with small and large businesses throughout Australia. This includes engaging with businesses in difficult times—when their relationships and performance are under stress and their behaviour is under close examination.

Successful businesses are:

- **Clear about what motivates success and how it will be measured.** The definition of success is fluid—success for one organisation may not necessarily be the same for another. In many cases, disputes arise through misunderstandings rather than questionable conduct. Successful businesses define what constitutes success for each other and what that means for a business relationship.
- **Commit to deal with issues as soon as they emerge.** Successful conflict management requires businesses to be structured and objective in diagnosing a problem and to be honest in articulating why or why not expectations have been met in a business relationship.
- **Make allowances for failure but be accountable for their response.** Successful businesses are led by individuals who evaluate their own behaviour when responding to a crisis, by how consistent they have been with the values of the organisation and the values of their most important stakeholders.

There are lessons here that apply to all businesses and business relationships, large, small or Government businesses.

Observations about Government and Success

Australian business leaders made the following observations about Government agencies and their commitment to success.

- Responding to issues or concerns with more regulation and layers of administration results when Government agencies do not effectively engage with industry.
- Compliance requirements (i.e. policies and processes) should be tested to assess the ability of balancing public policy settings with capacity and constraints of businesses.

“ AS BEST IT CAN, GOVERNMENT AGENCIES SHOULD STRIVE TO CREATE AN OUTCOME DRIVEN ENVIRONMENT, AS OPPOSED TO PROCESS DRIVEN. ”

[John Hart, Restaurant Catering Australia]

- Government agencies need to give businesses the most appropriate advice and guidance—this means even if the news is bad, to provide information in a timely and consistent manner.
- Success for Government is not dissimilar to success for a ‘model’ business. That is to provide a return that meets or exceeds taxpayer (investor) expectations.

“ BEING A GOOD PUBLIC SERVANT IS TO SERVE AND BE ACCOUNTABLE TO ALL TAXPAYERS, INCLUDING BUSINESSES. ”

[Lee White, Institute of Chartered Accountants]

- A consequence of evaluating performance based on ‘processes met rather than impact made’ places Government agencies at risk of losing relevance and influence across all sectors—public, private and not for profit.
- Just like a ‘model’ business, Government agencies need to be open and honest about communicating performance against their commitments—using performance as an important benchmark in setting future goals and targets.

“ BUSINESSES MUST CONTINUALLY COLLECT AND SYNTHESISE MARKET INTELLIGENCE. TO ACT LIKE A ‘MODEL’ BUSINESS’ GOVERNMENT AGENCIES NEED TO DO THE SAME. ”

[Luke Aitken, NSW Business Chamber]

APPENDIX A: PARTICIPATING BUSINESSES AND INDUSTRY SECTORS

Table 2: Australian business leaders and industry sector who participated in interviews for this study

Name	Position	Organisation	Australian Industry Sector (ANZSIC Code)
Mr Julian Segal	Managing Director and Chief Executive Officer	Caltex Australia Group	Automotive Fuel Retailing
Mr Greg Hywood	Chief Executive Officer and Managing Director	Fairfax Media	Communication Services
Mr Adam Suckling	Director, Corporate Affairs	News Corp Australia	
Mr Will Irving	Group Managing Director, Telstra Business	Telstra	
Mr David Attenborough	Managing Director and Chief Executive Officer	Tabcorp	Cultural and Recreational Services
Mr Mathew Kaley	General Counsel	Allianz Australia Limited	Finance and Insurance
Ms Kate Epworth	Head of Communications	Hong Kong Shanghai Banking Corporation Australia (HSBC)	
Mr Trevor Burns	General Manager, Government Relations	Macquarie Group Ltd	
Ms Kate O'Loughlin	Head of Government Relations and Industry Affairs	QBE Insurance	
Ms Anne Flanagan	Chief Financial Officer	RACV	
Mr John Papadimitriou	Corporate Development Manager	Jayco Corporation	Manufacturing
Mr John Gledhill	Managing Director, Australia, New Zealand and Pacific Islands	Philip Morris Limited	
Mr Bede Fennell	General Manager, Government and Industry Relations	Orica Limited	Mining
Ms Lyn Goodear	Chief Executive Officer and Managing Director	Australian Human Resource Institute	Personal and Other Services
Mr Innes Willox	Chief Executive Officer	Australian Industry Group	
Mr Richard Berriman	Executive Director, Consulting	Australian Mines and Metals Association	
Mr Russell Zimmerman	Executive Director	Australian Retailers Association	
Mr Simon Pryor	Acting Chief Economist	Business Council of Australia	
Ms Kerry Lee	Policy Analyst		
Mr Mike Hawkins	Acting Chief Executive Officer	Business Enterprise Centres Australia	
Mr Paul Drum	Head of Policy	CPA Australia	
Ms Robin Buckham	Chief Executive Officer	Family Business Australia	
Mr Michael Paul	Chairman	Franchise Council of Australia	
Mr Lee White	Chief Executive Officer	Institute of Chartered Accountants Australia	
Mr Luke Aitken	Senior Policy Manager	NSW Business Chamber	
Ms Amanda Lynch	Chief Executive Officer	Real Estate Institute of Australia	
Mr John Hart	Chief Executive Officer	Restaurant and Catering Australia	
Mr Milton Cockburn	Adviser	Shopping Centre Council of Australia	
Mr Noel Rowland	Chief Executive Officer	The Tax Institute	

Name	Position	Organisation	Australian Industry Sector (ANZSIC Code)
Mr Giam Swiegers	Chief Executive Officer	Deloitte Touche Tomatsu	Property and Business Services
Mr Tom Daunt	Group Managing Director	Aldi Australia	Retail Trade
Mr Roger Gillespie	Executive Chairman, Joint Chief Executive Officer	Bakers Delight	
Mr Patrick Noone	Managing Director	COSTCO	
Mr Fred Harrison	Chief Executive Officer	Ritchies Stores Pty Ltd	

APPENDIX B: MODEL BUSINESS BEHAVIOUR BRIEFING DOCUMENT

INFLUENCING IMPROVEMENTS IN THE QUALITY OF THE AUSTRALIAN BUSINESS ENVIRONMENT: GOVERNMENT AS A MODEL BUSINESS

The purpose of this paper is to outline in a preliminary way, the benefits of striving to influence improvements in the quality of the Australian business environment, through the business behaviour of Government agencies.

The ASBC was established in January 2013. Observations made by the ASBC indicate substantial scope for improving Australia's business environment, if Australian Government agencies conduct their business activities in accordance with optimum standards of excellence.

Our observations have identified shortcomings in the way Government agencies, at all levels of Government, conduct business activities. A suggested approach to redressing these shortcomings is to encourage Government agencies to behave as a model business when conducting their business activities. The concept of model behaviour is not unfamiliar to Government agencies as there is an expectation across jurisdictions, that when engaged in litigation a Government agency is expected to behave as a model litigant. So, in business behaviour, it is not unreasonable to expect Government agencies to be a model business.

If Government agencies are to be encouraged to behave as a model business, it is necessary to identify the characteristics of a model business operating in the Australian business environment. By way of food for thought, the following three examples may be characteristics of model business behaviour:

1. A model business would pay its bills and pay them on time. A characteristic of this nature should be readily achievable by Government agencies as many jurisdictions currently have payment policies in place.
2. A model business would resolve business disputes early, quickly and inexpensively. Rather than allow disputes to fester and grow into expensive and protracted litigation, a model business would seek to resolve the dispute with little disruption to business continuity and with real prospect of salvaging the business relationship.
3. A model business would be concerned to do business with businesses of like values and principles. By appropriate due diligence, a model business would avoid business relationships with shady or non-law abiding businesses.

These examples are intended to prompt thinking about the characteristics of a model business. In inviting business, Government agencies and industry and professional associations to turn their minds to identifying the characteristics of a model business, an opportunity is afforded to them to demonstrate leadership to the business community with the prospect of effecting meaningful improvement to the quality of the Australian business environment.

APPENDIX C: MODEL BUSINESS BEHAVIOUR INTRODUCTION LETTER



Australian Government

**Australian
Small Business
Commissioner**

Ref: 160114 MOD

16 January 2014

«Title» «Firstname» «Surname»
«Position»
«Organisation»
«Address1»
«Address2»
«Suburb» «State» «Postcode»

Dear «Title» «Surname»

Re: Government as a Model Business

I am writing to seek your in-principle support and leadership in efforts to improve the contribution which Government agencies can make to enhance the quality of the business environment.

It has become evident to my office that all Government agencies, at times behave in a business-like manner. It is also clear that there is scope for Government agencies to improve the way in which they conduct business.

When engaged in litigation, it is expected that Government agencies will behave as a model litigant. Accordingly, when engaged in business activities, it is not unreasonable to expect Government agencies to behave as a model business. If Government agencies are an exemplar of good business behaviour, the benefits to the business community more generally will be substantial.

The threshold challenge to influencing Government agencies to behave as a model business, is to identify the characteristics of a model business.

Accordingly, I am seeking your in-principle support for our commitment to influence improvements in the way in which Government agencies conduct business. In this regard, I would appreciate the opportunity to discuss this matter with you or key personnel from your organisation. In the meantime, I will also welcome any comments you may have on what constitutes the characteristics of a model business operating in Australia.

I have written in similar terms to other selected Australian business leaders as well as to selected heads of Government agencies and industry and professional associations.

I have attached for your information a brief outline of my office's observations on this issue, our expectations and our preliminary thoughts on what might be constructively achieved.

I look forward to receiving your response and if you wish to discuss this matter further, I can be contacted on (02) 6213 7368 or at mark.brennan@asbc.gov.au.

Yours sincerely

Mark Brennan
Australian Small Business Commissioner

www.asbc.gov.au



Australian Government

Australian
Small Business
Commissioner

