

CEDA Big Issues Discussion Forum: The Biggest Economic and Social Challenges Facing Australia

Phil Ruthven, Chairman, IBISWorld

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Thank you very much indeed and good afternoon to you all. Thank you all for coming and just a special thanks also to the corporate tables, which Susan has already mentioned. In the course of this project we did use an expert panel, which we will touch on during the course of the session today. But it is nice to know that four of the panel are actually here today as well, and I want to thank you for that. That includes Elaine Henry, it includes Neil Warren and myself and one other, which is Catherine Livingstone, of course, who is going to be one of our panelists of course today. Thank you Catherine. It has been a three way effort to reach some sort of an outcome for what we call the Big Issues. CEDA, of course, as the head player and who did by far most of the work, but second would have to be the BRW magazine, for which my own company has had an alliance for a long, long time. So to both Peter Roberts and to Kevin Chinnery, thank you very much indeed for what has been an outstanding support to the CEDA project as well, and to my own company, IBIS, who did figure a little bit as well.

My role really only for a couple of minutes is to give you an introduction to this project, the Big Issues, to give you some background feel for it before handing over to David Byers, the chief executive of CEDA, who will go much further than I will do today. So all I want to talk about very briefly is the why and the how of the Big Issues project, beginning with why CEDA did the survey in the first place, how it was put together, some of the surprises that came out of it and a few words about business success if we have got time.

But why did we put the survey together? Firstly, I think it is important to know that after 47 years CEDA does have a very proud history of some very, very good research. But what, of course, is emerging these days, and thank God for it, there is a lot of competition for research. There are a lot of institutes and associations and universities now doing some really excellent research and it come

become a fairly crowded arena, begging the question: where does CEDA fit amongst all these issues that are important and that may or may not be covered by some of the other players. So that competition meant we had to rethink which direction our research is going to take. So it was thought that CEDA ought to take a longer view, in other words five to ten years out, to avoid being a me too player because there is no question you can get a hot topic and it is done to death within nine months and you wonder how on earth you have made any contribution sometimes. So we wanted to find out what were the most important issues facing Australia and the business world over the next five to ten years. But in any case, as I have already alluded to, CEDA needed to prioritise its own research. We are an outfit of fairly limited means of course, so we can't do everything. So we deemed it to prioritise what we were going to do as well, rather than perhaps coming up with ideas that sound like a good idea at the time.

Further, because CEDA is probably well known for its conferences, where it does air an enormous number of issues with some really first class speakers around the capital cities of Australia every year, that we thought prioritising issues facing Australia would also help the directions and the topics that our conferences might take as well in the year ahead. We also thought magnanimously that probably governments, both federal and state, would benefit from a survey that said what are the biggest issues facing Australia, because again, governments will forever have more issues than they can possibly cope with, and I am sure the Honourable Nick Griner is going to probably agree with that at some stage. How on earth do you tackle all the things that they want you to tackle? So we thought we might help government to know what are the most important issues in the eyes of business. And finally, we thought that doing a survey like this each year will help the business world again, being inundated with issues all the time by being able to say, "Which one should we worry about anyway, and which ones need we not worry?"

How was it put together? We did form an alliance, which I have already mentioned. My own company, IBIS, agreed to provide the intellectual property and the questions used for the survey; more about that in just a moment. CEDA created an online questionnaire to its members and was able to elicit 300 responses, which I think was pretty good. These days any survey, if it gets more than 5% response is considered a miracle, but we got a lot more than that I can tell you: pretty close to maybe 25% or 30% of the companies that are members. So CEDA was the second and of course, BRW agreed to run it as a special report and you will be interested to know that BRW, thank you Peter and thank you Kevin, have gone to great pains to make sure that you walk out of this room with a copy of the results for the BRW, which normally doesn't hit the stand until tomorrow morning. But you will be able to leave this room with the BRW and its report into the big issue, so again, a special thanks to BRW.

Again, I would just make the point that we do want to try and do this annually to make it a bigger and better and more thorough forum each year because I think it is a very worthwhile thing to do. And for CEDA, with its very limited resources, what we are trying to do, I think, is to be, if you

like, visible in the sense of, maybe owning is too strong a word, but owning the issues of Australia. At least getting together the biggest issues, knowing full well we can't tackle every one of them but we think that is a contribution to the nation.

Now, what paradigm did we use? Don't you love this word "paradigm" or "model". It has probably been done to death but I can't think of another word at the moment. What we tried to do to find the issues was to use something we have used in my firm for many, many years, and that is sort of a model or a paradigm of just how business works in this day and age. I am going to take you through this a little more slowly in a moment, but if we can envisage your own firm, anybody in this room as having your own firm and treating it as being at the centre of a very big and sometimes complex universe outside out of which are all the issues that are going to emerge that might affect your firm.

Let's say the starting point for any issues project would have to be your own firm. Not that we are going to attempt to try and understand your firm, but what is the very first issue that surrounds a firm? It has to be the industry in which you are involved. In Australia there are 465 industries you can be in, from growing oats to sewing it if you like. That is actually interesting too, worth 10 times more than growing oats I can tell you, but that's another story. The first environment you are in has to be the industry in which you have decided to play. And knowing things like what is the world's best practice for my industry would be a very logical question to ask these days as well as who are my competitors and everything else. But your own industry is the first one that is surrounding you and has issues of course. Then you and all your competitors face six environments that directly have a cashflow implication. The most important environment when it comes to cashflow is the marketplace because it is the only place you can get revenue from. Understanding therefore the changes taking place in the market, the issues that are in the marketplace, is clearly a very, very important environment and therefore, a very important set of issues.

All the rest of the environments which you deal with with a cheque book involve money going out not coming in, like government, where you are paying taxes and fines; finance, where you are paying interest on your loans; services because you are outsourcing a lot of your own functions; labour because you are employing people and you are paying them; purchasers because you are buying in goods. So there are five environments which you spend cash on or money and one in which it comes in. So there is obviously six other environments which are worth looking for to see what are the issues that might be bearing down on your firm.

But then outside of that again we identify four other environments which we might call influential environments. You don't do business with them with a cheque book but you somehow know that they are going to influence your environments and somehow ultimately affect your own cheque book as well. That includes the economy, which is the rest of the 1.6 million businesses operating

our there as well as yourself and what makes the whole economy tick. There is a community of almost 21 million people as we speak today and what makes them tick. There is the national resources of Australia made of two sorts of resources: the natural resources, which we hear a lot about these days like mineral resources and agricultural, but perhaps even more important are your developed resources like the human skills base you have got for your country, its intellectual property and so forth. And these days, of course, you make far more money out of your developed resources than you do out of your natural ones because our natural ones only produce 7% of our GDP, whereas the developed ones go a lot further than that. Then finally you have got the world of 218 countries and what makes them tick and how they influence us and how we trade with them and so forth. So they are the 12 environments which we decided to have a look at and how they came together in a very logical fashion because they all affect the way our firms operate.

The big question these days, and it is for anybody doing strategy in their own firm: what on earth do we need to know about them? That is probably one of the hardest decisions a firm ever makes: what the hell do we need to know and more importantly, what don't we need to know so we stop worrying about that? So from IBIS's business database we carry 650 variables about those external environments. And to get the 100 questions on which this survey was based we actually went to our database of customers, and I don't know how many customers we have got. Rob Bryant will know in this room, but it must be tens of thousands, maybe hundreds of thousands of users on the end of PCs around Australia. But anyway, we wanted to find out what were the most accessed issues that Australian people worried about. We picked out 100 of the most popular issues in Australia. That is on which the survey was based. We came up with these 100 issues and they are more fully explained, I think, in the notes that are at your table so I am not going to bore you with those. You can see how there wasn't an equal number of issues in each of the 12 environments but this came out of our own consumer database so it is pretty representative of Australia. So that is how we found the issues that were to be looked at.

What were some of the surprises? One of the things we did do was to, in fact, aggregate all the results of these 100 questions into the 12 business environments that I have been just describing a minute ago to see which of them in a very macro sense were the most important. I was quite staggered by these results. They are all scored out of 10 points incidentally in terms of importance. What staggered me was several things. One, that national resources actually topped the list, and bearing in mind that includes developed resources like labour skills and IP as well as natural resources like water and minerals and so forth, but that surprised me a bit. An even greater surprise was how close these scores were. I was very comforted by that because it said to me that the business world seems to have a quite holistic approach to the outside world where they regard all of the environments as being important. Anything scoring more than five out of 10 has to be considered important, but there wasn't a lot dividing each of those up and I think that is a real sign of maturity of the business world in Australia in 2007.

We ended up, of course, ranking the various issues. The CEDA trustees, for their 300 responses, ranked them according to that list. They were the top ten out of 100, being water, and a lot of people might ask and perhaps we will hear a bit more about that from David, but water, was that just a sign that it was a topic of the moment? It will be interesting to see what the panel has to say about that. I am not convinced that the breaking of the drought so-called has changed the water priority at all. In other words, I don't think it is purely topical that it has hit the top of the list because we still haven't got the dams half full anywhere in Australia, although we will have a good wheat crop this year and that is nice. But anyway, water topped the list and then global economy, et cetera, down through there. It is not my role to go through each of those in turn at the moment at all, but what I wanted to highlight is that we did use an expert panel, which I have mentioned four of the people are here today, of some 15 people and their ranking didn't vary all that much for the 300 trustees. I found that somewhat comforting that that was the case. In other words, were we terribly skewed in the CEDA survey or not? These were the three, if you like, the trustees didn't have in the top ten. They were there, but not in the top ten, which the expert panel decided to put them into there and drop three off, which they have done. But as I say, I thought that was fairly comforting to have done that.

So endeth the introduction, which is all my role is at this point in time. Again, I will reiterate that again, courtesy of BRW you are going to be able to walk out with a copy of BRW in advance by at least some 12 hours or more. It now behoves me to move onto our chief executive, David Byers, to the microphone. David has been chief executive for not very long at CEDA. He had to hit the ground with his legs spinning as I recall because he went straight into it with a flat out agenda and hasn't stopped since. I don't know when he has last seen his family but it was some considerable time ago. But David, without any further ado I would like to invite you to the microphone. Thank you.

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