

How can business leaders sit at the policy table and ensure their voice is heard?

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As an economic crisis hangs heavy over the nation, governments have indicated they will lead a pro-growth strategy to bring the country out of recession. With a significant reform agenda on the cards, there's an incredible opportunity for not-for-profits, business and government to work closely to rebuild the nation around these fundamental policy shifts.

So how can business leaders engage with government and ensure their voice is heard? Here we offer practical advice on how business leaders and boards can influence policy that is meaningful to them.

Australia is facing the most severe economic challenge since the Great Depression as we enter our first recession since 1991 alongside a globally synchronised contraction in the world economy. Resuscitating the economy will be no easy task — it will require business, not-for-profit and government leaders to work together to develop the nation-building policy responses over the next few years, if not for the long term. Now, more than ever, such leaders will need to have their 'finger on the pulse' of the policy reforms and have strong working relationships with the political class.

The COVID-19 response thus far has been unprecedented in various ways, with the Federal Government softening the blow to businesses and households by pumping more than \$162 billion in financial support in 2019-20 — the largest government stimulus thus far since WWII. And this is alongside the support provided by the central bank, financial institutions and State/Territory governments.

No one knows how long this pandemic may last, how deep it will go and what our society will look like through the pandemic. What is more predictable is that it is unlikely that governments will keep

¹ <https://aicd.companydirectors.com.au/membership/membership-update/how-can-business-leaders-sit-at-the-policy-table-and-ensure-their-voice-is-heard>

financially supporting businesses and households for many years as it will increasingly fall to younger generations to pay the debt back, many of whom are already facing employment challenges.

Governments have indicated that they will lead a pro-growth strategy, rather than debt consolidation or tax increases to bring us back to budget surplus.

So which policies will grow Australia's economy? Economic growth, as measured by GDP, is jointly determined by the three Ps — changes in population, workforce participation and productivity. Looking at each of these in turn.

Unlike WWII, Australia will not be able to rely on a massive post-war immigration policy through higher net migration to drive population and economic growth if a COVID-19 vaccine is not discovered.

Some of the economic engine may come from higher workforce participation rates — such as women and youth re-entering the workforce, and/or older workers staying on in the workforce beyond their retirement years.

But the biggest driver of economic growth will come from a robust productivity agenda. The public discourse on productivity reforms have only just started. Prime Minister Scott Morrison and Treasurer Josh Frydenberg haven't publicly wedded to any specific measures in this space as they're in the "harvesting" phase, but we anticipate that they will be around 'shovel ready' infrastructure, skills and training, tax reform, industrial relations, and other matters.

State Governments will also play a critical role in this reform agenda, especially with National Cabinet, comprising Federal and State leaders, now a permanent fixture moving forward. State Governments, such as NSW have put forward policy reforms such as changing the tax mix by lifting and/or expanding the GST base, and replacing inefficient taxes, such as stamp duty, with broad-based taxes, such as land tax.

The broader Federal Parliament, including the Labor Opposition and Senate crossbenches will also have their views on policy reforms such as an inclusive growth agenda, a secure workforce and a commitment to a climate change.

All of this signals a significant reform agenda moving forward, much of it having a direct impact on an organisation's and industry's success. The Government will be looking to business leaders to anticipate issues, to solve challenging problems and to cut through obstacles. As one former senior Cabinet Minister once stated: "Government is not omniscient — we don't know the answers to everything".

So, where do business leaders sit at the policy table and how can they ensure their voice is heard?

To date, business executives have often kept government relations at arm's length, transactional and engaged only when there is an issue. No better example of this is when Virgin Australia's CEO Paul Scurrah admitted that his organisation did not have the deep ties into Canberra like other parties did, leaving the airline at a disadvantage in seeking a government bailout.

In a post Hayne Royal Commission environment, an [AICD](#) and [KPMG](#) survey of company directors showed that, "Government & Regulators" as a stakeholder group were not seen as a high priority (often lagging behind customer, employee and shareholder interests) with directors concerned about "excessive or burdensome regulation", "political interference" and "divergent legislation". This director sentiment is not surprising given the "revolving door" of political leadership and the perceptions of policy failure in key areas, such as climate change, over the past decade.

But the dynamics of business-government relationships may need to fundamentally change and be more constructive as we reshape our economy with what the Prime Minister calls a “Team Australia” mindset, much like the reforms of the Hawke-Keating and Howard-Costello Government eras.

McKinsey’s recent survey of global leaders showed that CEOs and board directors are increasingly prioritising external engagement and their relationships with government. Nearly 60 per cent of CEOs and 50 per cent of board directors considered external engagement among their top three priorities — this is an increase from the 2013 levels when the rates were 40 per cent and 30 per cent respectively. Many of these leaders have realised that addressing societal issues and stakeholders’ priorities creates long-term value for the organisation.

The following section sets out some practical advice about how business leaders can consider how they can influence policy that is meaningful to their organisation and industry.

Prioritise and map stakeholder relations and engagement

The first step for directors to build their relationships with policy makers is to see the political class and regulators as important as other stakeholders (such as customers, staff and suppliers) that their business engages with. Understanding this codependency between business and government is even more important in an ambiguous and fluid policy environment when policies and legislation will materially impact on the performance of organisations and industries, at short notice. It will require a nuanced and targeted stakeholder engagement strategy. Meeting with Ministers will be an important part of the engagement, but it cannot be seen as the “be all and end all” of an organisation’s engagement. The strategy must prioritise and map out those within government, including the bureaucracy and new covid coordination structures, without leaving out the opposition and crossbenches.

Monitor policies as a strategic asset and critical risk

Boardroom discussions will need to assess, monitor and integrate political and policy developments as a strategic asset and critical risk. Such developments will need to be based on strong governance frameworks, including but not limited to CEO and CFO reports, so that policy developments are regularly embedded in the board’s considerations.

Boards and C-suite need to have “finger on the pulse”

Organisations will also need to appoint the appropriate spokesperson in dealing with government. This can’t be left to operational managers — the CEO and C-suite will need to take primary responsibility for building this engagement given the importance of the issues to their organisation’s success. The engagement will also require close coordination between the CEO and Chair in ensuring both have their “finger on the pulse” of the policy developments given the board’s corporate governance oversight. Like any relationship, good business outcomes will only be earned from trust, commitment and a mutual understanding of the policy challenges that lie ahead. These relationships cannot be created overnight but cultivated through a consistent approach to an organisation’s stakeholder and policy engagement.

Consider ‘bold’ initiatives that spark dynamism

While there are many ideas in a policymaker’s top drawer, it’s a good time to consider ‘bold’ initiatives that were previously unviable pre-covid as a way to spark dynamism. The RBA Governor Phil Lowe recently stated that his deepest concern was the “lack of economic dynamism” in Australia — evidenced by slow job switching, low SME growth, low R&D and society’s overall attitude to risk

taking and entrepreneurship. These comments reflect the results from the latest World Economic Forum's (WEF) Global Competitiveness Index. How do we spark dynamism with the ease of starting new businesses? How do we truly innovate and digitise our economy using new IT infrastructure, big data, AI and the cloud to accelerate the fourth industrial revolution? Can Australia overcome the cautious and conservative approach to risk taking, institutional inertia and fear of failure to spark the entrepreneurial dynamism required? These are difficult challenges that require practical and bold approaches.

Bring strong evidence and a case for change

Too often executives appeal through naked rent-seeking solutions that benefit their organisation's bottom line. There will be little tolerance for such an approach. Rather, organisations will be expected not only to bring problems but also a case for change to government. Geoff Allen, doyen of business-government relationships in Australia having been the inaugural CEO of the BCA, former Chair of CEDA and someone at the centre of the 1980s and 1990s economic reform processes, reflected that: "The key to the reform success over recent decades was identifying long-term objectives, demonstrating their potential alignment with public and government interests, and pursuing them with good public policy research and advocacy. It also requires you to maximise alignment with the needs of your traditional issues' opponents. Often this requires behind the scenes cooperation that requires proximity and mutual trust." Solutions will need to be pragmatic and focused on "Team Australia" nation building and job creating outcomes.

Connect with "fellow travellers"

A good starting point is by actively joining your sector's public debate through an industry association or connecting with other "fellow travellers". Broader business groups such as AiG, BCA, ACCI, ARA and COSBOA or economic think tanks such as CEDA are also well-regarded organisations that bring business leaders to the policy table.

Understand the machinery of government

Along the advocacy pathway, there are likely to be bottlenecks, frustrations and mixed progress. This is due to the scale, complexity, and extent of coordination across multiple jurisdictions in the recovery and reform process. The C-suite and directors must invest in understanding the machinery of government, including how Committees, inquiries, and legislative agendas are set, knowing there is no playbook for resolving such a crisis in our lifetimes.

Summary

None of us have a crystal ball to see how Australia's economy and society will look following the COVID-19 crisis. What is crystal clear is that much of it will depend on how closely and effectively not-for-profits, business and government work together to rebuild the nation around these fundamental policy reforms, in that order. This will be an incredibly fast-paced policy environment that will favour boards, CEOs and C-suite leaders who seize the opportunity to engage with external stakeholders, understand the machinery of government and know how to have a seat 'at the policy table'.