Building Better Businesses

Education, Judgement and Productivity

A Practitioner's Submission to the Productivity Commission Inquiry – reducing barriers to business dynamism in Australia.

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Purpose

The purpose of this submission is to contribute a practical, commercially informed perspective to the Productivity Commission's Inquiry into Business Dynamism.

This submission is informed by more than thirty-five years advising Australian businesses through periods of growth, succession, restructuring and insolvency. It is not intended to be a technical submission on insolvency law. Rather, it reflects the observations of a Registered Liquidator who has worked alongside Australian business owners to make decisions that determine whether businesses succeed, survive or fail.

About David Levi

David Levi has practised in corporate restructuring and insolvency since 1980, including more than 20-years as a Registered Liquidator.

Prior to establishing Levi Consulting to specialise in corporate restructuring and insolvency, David spent 15-years with KPMG Sydney in the same specialist area.

David is a member of Chartered Accountants Australia and New Zealand (CAANZ), Australian Restructuring Insolvency & Turnaround Association (ARITA) and Association of Independent Insolvency Practitioners (AIIP).

David co-authored AIIP's submission to the Parliamentary Joint Committee on Corporations and Financial Services – Inquiry into Corporate Insolvency in Australia. He appeared before the Committee to give evidence.

The Parliamentary Joint Committee process remains one of the defining experiences of David's professional career. Reading many submissions and transcripts, hearing directly from regulators, government agencies and others, and observing the operation of Australia's insolvency framework through the prism of diverse perspectives. Commercial experience has an essential place in public policy development.

The views expressed in this submission are informed by the above experiences and people and working directly with Australian business owners across a broad range of industries, particularly within the small and medium enterprise sector.

A Different Perspective

The Productivity Commission's Inquiry raises many important questions concerning business dynamism, productivity and economic renewal.

This submission begins with a different question.

“If Australia wishes to materially improve productivity by 2050, where should reform begin today?”

As a Registered Liquidator, I could have prepared a submission on voluntary administration, deeds of company arrangement, safe harbour, phoenix activity, small business restructure or Australia's restructuring and insolvency framework. Equally, I could have focused on industries that dominate corporate failure including construction, hospitality, manufacturing, retail and services.

Those are all important subjects.

Instead, I have chosen to respond to what I believe is the more fundamental question underpinning the Productivity Commission Inquiry.

“If Australia genuinely wishes to strengthen productivity over the next twenty-five years, where should it invest today?”

My conclusion is simple.

Australia should invest in people.

Australia should invest in the education, judgement and entrepreneurial capability of the next two generations of Australians.

This submission proceeds from that simple proposition.

Australia's long-term prosperity will be determined not only by the policies enacted by governments, but by the quality of the business decisions made every day by millions of Australians. Better business decisions build stronger businesses. Stronger businesses improve productivity. Improved productivity strengthens Australia's economy. Those decisions are shaped by education, practical experience, sound judgement and timely professional advice.

I propose that Australia adopt a National Business Capability Strategy as a long-term productivity reform including education, entrepreneurship, financial literacy, leadership, governance, digital capability, Ai capability, and resilience.

This proposition is neither theoretical nor aspirational. Australia has already demonstrated that sustained investment in education can produce benefits extending well beyond a single generation.

The Colombo Plan stands as compelling evidence. Established in 1951, the Colombo Plan enabled thousands of students from across Asia-Pacific to study in Australia while strengthening educational, diplomatic and commercial relationships throughout the region. Many alumni later became leaders in government, commerce, academia and the professions in their home countries. Australia continues to benefit from those relationships through stronger trade, investment, regional cooperation and mutual understanding.

Governments prepared to invest patiently in education can shape a nation's economic future for generations. Australia should apply that same long-term thinking to business education.

If we seek a materially more productive Australia by 2050, we should begin educating tomorrow's business owners today.

Executive Summary

Australia's productivity debate is commonly framed around taxation, regulation, industrial relations, innovation, technology, access to capital, business failure and insolvency.

Each is important.

Australia's long-term productivity also depends upon the quality of business decisions. Every successful enterprise is built upon thousands of decisions. Every insolvency appointment similarly reflects the cumulative effect of decisions made over many months or years. Most business owners are hardworking, ethical and committed people. Most do not fail through lack of effort. Many simply confront increasingly complex commercial decisions without the benefit of structured financial or business education.

Australia expects individuals to become company directors, employ staff, negotiate finance, manage taxation obligations, comply with extensive regulation and lead businesses employing Australians. Yet there is no national expectation that they possess even a basic level of commercial education before assuming those responsibilities.

That represents a significant policy gap.

If Australia is serious about improving productivity over coming decades, education should be recognised not merely as social policy, but as economic policy.

I recommend that the Productivity Commission consider the development of a **National Business Capability Strategy**.

Its objective should not be to eliminate business failure. Business failure will always remain part of a dynamic economy. Rather, the objective should be to improve business judgement, strengthen entrepreneurial capability, encourage earlier engagement with professional advisers and improve the resilience of Australian businesses.

Observing Australian Businesses

One advantage of practising in restructuring and insolvency and for so many years is the opportunity to observe businesses throughout their entire commercial journey. Some expand rapidly. Others are planning succession. Some require restructuring. Others have reached the end of their commercial life. Collectively, these experiences provide insights unavailable from financial statements alone.

After more than three decades working alongside Australian businesses, several observations remain constant.

First, the overwhelming majority of directors are genuine people striving to build successful businesses, support their families and create employment.

Secondly, business failure rarely results from one catastrophic decision. More commonly, it reflects the cumulative effect of numerous commercial decisions made over time or uncontrollable macro-economic events that were not foreseeable.

Thirdly, businesses that seek professional advice early almost always retain more options than those that seek assistance only when financial distress has become critical.

Finally, education matters.

Better informed business owners generally make better commercial decisions. Those decisions influence employment, investment, innovation, taxation revenue and ultimately national productivity. Australia does not simply need more successful businesses. Australia needs more people equipped to build successful businesses.

Businesses do not create themselves. People create businesses. If Australia seeks stronger businesses in 2050, it should first consider how it prepares the people who will establish, lead and grow them.

Listening to Business

One of the privileges of practising as a restructuring and insolvency professional is the opportunity to spend time with business owners.

Some of the most valuable insights into the Australian economy are gained not from reports or statistics, but from conversations with the people who make commercial decisions every day.

Recently I visited a suburban wine bar.

I asked the owner how business was going.

His response was immediate.

"It's the start of winter. Fewer people are coming. And when they do, they're not buying a second drink. Customers who used to come twice a week now come once."

In less than a minute that conversation revealed changing consumer confidence, declining discretionary spending and the pressures confronting many small businesses—well before those conditions become evident in official economic data.

We did not discuss productivity. We did not discuss economic theory. We discussed customers, cash flow, rising costs and survival. That brief conversation reinforced an important lesson. Economists explain economies. Practitioners observe businesses. Public policy is strongest when informed by both perspectives.

Good policy should be evidence-based, but evidence should include not only statistical analysis, but also the practical experience of those who work with businesses every day.

Better Business Decisions Build Better Businesses

Productivity is often discussed as though it were an abstract economic measure. In reality, productivity is the cumulative outcome of millions of individual business decisions. Every business owner decides whether to employ another person. Every entrepreneur decides whether to establish a business. Every manufacturer decides whether to invest in new equipment. Every retailer decides whether to expand. Every farmer decides whether to purchase another piece of machinery.

Collectively, these decisions determine Australia's economic performance.

After many years working with Australian businesses, I have reached one enduring conclusion. Better businesses are built by better decisions. Those decisions are strengthened by education. They are refined through experience. They improve through timely professional advice. Judgement is rarely inherited. It is learned.

If Australia wishes to improve productivity over the next two generations through to 2050, improving education around business judgement should itself become a national productivity objective.

Education as Economic Infrastructure

Australia has long recognised that investment in infrastructure improves productivity. Roads, ports, rail, energy and telecommunications enable commerce to flourish. Education deserves to be viewed through the same lens. Education is not simply social policy. It is economic infrastructure.

Every improvement in financial literacy, commercial understanding and entrepreneurial capability improves the quality of decisions made throughout the economy. Australia's future competitiveness will not depend solely upon technology, regulation or taxation. It will depend upon the capability of the people establishing, managing and growing Australian businesses. That capability should not be left to chance. It should be developed deliberately.

Australia has demonstrated previously that sustained investment in education produces benefits lasting generations.

The Colombo Plan remains one of Australia's most successful nation-building initiatives. Its influence extended far beyond education. It strengthened diplomatic relationships, encouraged trade and investment, developed regional leadership and enhanced Australia's international standing for decades.

Long-term investment in education can transform a nation's future.

Business education deserves to be regarded in exactly the same way.

A National Business Capability Strategy

I recommend that Australia develop a National Business Capability Strategy as a long-term productivity initiative. The objective is straightforward. To improve business judgement across every stage of the business lifecycle.

Such a strategy should extend beyond schools and universities.

It should become a lifelong framework that equips Australians with the knowledge and confidence to establish, manage and grow successful enterprises.

The strategy could include practical financial literacy throughout secondary education; greater emphasis on entrepreneurship, innovation and commercial problem-solving; practical education in budgeting, cash flow management, business structures and taxation; introductory education concerning directors' duties, governance and ethical leadership; stronger pathways between schools, vocational education, universities and industry; continuing education for first-time directors, business owners and entrepreneurs; greater awareness of business restructuring, succession planning and early intervention; governance; digital capability; AI capability.

Education leads to awareness. Awareness leads to commitment. Commitment leads to better decisions. Better decisions build stronger businesses.

Education should therefore become the centrepiece of Australia's long-term productivity strategy.

Insolvency in a Dynamic Economy

Business failure is an inevitable feature of every market economy. Nor should public policy seek to eliminate commercial risk. Innovation requires experimentation. Entrepreneurship requires the willingness to accept uncertainty. Failure will therefore remain part of economic renewal.

An effective restructuring and insolvency framework is essential because it provides confidence that financial distress can be managed fairly, transparently and efficiently. However, my experience suggests that Australia devotes considerably more attention to managing business failure than to preventing avoidable business failure.

The earlier that business owners understand financial information, governance, cash flow and the importance of obtaining professional advice, the greater the prospect that viable businesses can survive financial difficulty.

Education and insolvency reform are therefore complementary.

One strengthens business capability. The other provides an effective framework when businesses encounter financial distress. Both contribute to business dynamism.

Australia has historically regarded genuine business failure differently from many comparable economies. While countries such as the United States often view entrepreneurial failure as an inevitable consequence of innovation and a source of valuable commercial experience, Australian business culture has tended to attach a stigma to insolvency. As a result, honest commercial failure is frequently perceived as a personal failing rather than a normal feature of a dynamic market economy.

This cultural attitude has important economic consequences. Most business failures arise not from dishonesty or incompetence, but from commercial risks inherent in operating a business, including economic downturns, inadequate capital, changing markets, technological disruption and unforeseen external events. If entrepreneurs and directors believe that failure will permanently damage their reputation or financial security, they are more likely to avoid risk, innovation and business investment. In this way, the stigma associated with insolvency may discourage entrepreneurship and reduce productivity across the economy.

One of the fundamental objectives of the Harmer Report reforms, including the introduction of voluntary administration, was to promote a rescue culture rather than a liquidation culture. More than three decades later, Australia has developed a sophisticated insolvency framework, yet the social and commercial perception of business failure has changed more slowly than the law itself. Insolvency policy should continue to distinguish clearly between misconduct, which should be investigated and sanctioned, and genuine commercial failure, which should facilitate restructuring, preserve economic value where possible and allow capable entrepreneurs the opportunity to contribute productively to the economy again.

Recommendations

I respectfully recommend that the Productivity Commission consider the following.

Guiding Principle

Recognise education, business judgement and entrepreneurship as long-term drivers of Australia's productivity and business dynamism.

Recommendation 1

Recommend that the Australian Government develop a National Business Capability Strategy extending from secondary education through vocational education, universities and continuing professional development.

Recommendation 2

Embed practical financial literacy, commercial decision-making and entrepreneurship within Australia's secondary education curriculum.

Recommendation 3

Encourage greater understanding of directors' duties, governance, ethical leadership and financial management before individuals assume responsibility for operating businesses.

Recommendation 4

Promote earlier engagement with trusted professional advisers through education rather than financial crisis.

Recommendation 5

Continue refining Australia's restructuring and insolvency framework to encourage business rescue where viable and efficient market exit where necessary.

Recommendation 6

Ensure that future reviews of productivity and business policy incorporate practical commercial experience alongside academic, economic and regulatory perspectives.

Recommendation 7

Measure the success of productivity reforms not only by legislative change, but by improvements in entrepreneurial confidence, business resilience, sustainable business growth and long-term productivity.

Conclusion

The Productivity Commission has asked how Australia can improve business dynamism.

This submission suggests that the answer begins much earlier than insolvency law, regulation or taxation. It begins with people.

Australia's future prosperity will ultimately be determined by the quality of the decisions made every day by millions of Australians who establish businesses, employ staff, invest capital and accept commercial risk. Governments create policy. Markets allocate capital. Businesses create opportunity. People make decisions.

If Australia wishes to become materially more productive by 2050, it should invest not only in infrastructure, technology and innovation, but also in the judgement of the people who will build Australia's businesses over the next two generations.

That investment begins with education. It continues through practical experience. It is strengthened through timely professional advice. The objective should never be to eliminate business failure. Rather, it should be to increase the number of Australians capable of building resilient, innovative and sustainable businesses.

Education is a foundational driver of productivity. Australia’s challenge is not simply to increase the number of successful businesses, but to expand the pool of individuals equipped with the skills, judgement and capability to establish and sustain them. Productivity growth over the long term depends on the depth of human capital capable of allocating resources, assessing risk and translating ideas into viable commercial activity.

If Australia is to materially improve productivity by 2050, policy attention should extend to the development of entrepreneurial capability across successive generations. This includes strengthening education and experiential pathways that build commercial literacy, decision-making under uncertainty, and an understanding of how businesses are created, scaled and restructured.

Accordingly, consideration should be given to the development of a National Business Capability Strategy. Such a strategy would place structured emphasis on equipping Australians with the knowledge and capabilities required to participate effectively in enterprise creation and growth, thereby strengthening the long-term foundations of productivity.

I make this submission in the hope that it contributes to a broader discussion about how Australia prepares future generations to build stronger businesses, stronger communities and a stronger economy.

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