



**SMALL BUSINESS
ORGANISATIONS
AUSTRALIA**

2024



THE SMALL BUSINESS PERSPECTIVE REPORT

Challenges & opportunities facing
Australia's small business community

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**Commonwealth
Bank**

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EXECUTIVE SUMMARY

Small businesses continue to endure a cost-of-doing-business crisis in Australia. Operating conditions are arguably the most challenging in living memory. The twin challenges of increasing living and business expenses are impacting the wellbeing of Australia's 2.5 million small business owners.

COSBOA continues to advocate for targeted policy interventions that will alleviate business costs, bolster small business sustainability, and contribute to a thriving economic environment where both businesses and consumers benefit.

This report highlights several critical challenges facing Australia's small business sector

 <p>Workforce and Training:</p> <p>Skill shortages and regulatory complexities can be addressed through targeted training and flexible work arrangements.</p>	 <p>Energy Transition:</p> <p>The shift towards renewable energy presents upfront costs but offers potential long-term savings and environmental benefits.</p>	 <p>Artificial Intelligence:</p> <p>Although AI promises substantial efficiency gains and competitive advantages, more training and regulation are needed for safe and effective usage.</p>
 <p>Industrial Relations:</p> <p>The landscape has undergone major changes and requires clear, industry-specific policy input and guidance to navigate legal complexities.</p>	 <p>Commonwealth Procurement Contracts:</p> <p>Streamlining procurement processes could enhance small business access to government contracts.</p>	 <p>Cost of Doing Business:</p> <p>High operational and living costs are a central challenge for small business.</p>

Through initiatives like Enterprising ME, Cyber Wardens, and strategic government advocacy, COSBOA is working to strengthen small business resilience and create a national economic ecosystem where small business can thrive.

CEO FOREWORD

On the Precipice

Small businesses are the engine room of the Australian economy, accounting for one-third of the nation's GDP. They're at the heart of every community, employing more than 5 million Australians and contributing to Australia's prosperity.

Yet small businesses are under colossal pressure, managing spiralling business costs, including rises in energy, rent, insurance, interest rates and complex industrial relations changes.

Statistics from the Australian Securities Investment Commission show monthly insolvencies have been at their highest levels across the construction, hospitality and retail sectors in almost a decade. Small business has been the hardest hit, with nearly half not even breaking even.

“ When a small business isn't breaking even, the last person to get paid is the owners themselves, and that means the cost of doing business crisis compounds the cost of living crisis for small business owners and their families.

The Australian small business community is doing its best to keep its heads above water in a sea of economic and regulatory uncertainty.

This year, small businesses will face implementing legislative changes made to the Fair Work Act and Sex Discrimination Act, revisions in skilled migration policies impacting skill shortages, and potential revocation of the small business exemption from the Privacy Act.

Meanwhile, a new and insidious threat looms over every Australian small business. Nearly half of all cyber attacks target small businesses, with cyber criminals emboldened by increasingly sophisticated methods.

COSBOA is acutely aware of the challenges facing the small business community. We actively lobby for policies to alleviate the current economic and regulatory burden. Small business needs a future of stability, growth and success for the benefit of every Australian.



Luke Achterstraat
COSBOA Chief Executive Officer



SPONSOR MESSAGE

As Australia's leading business bank, we bank one in four businesses and work closely with the small business sector.

Small businesses play a critical role not only in Australia's economy, but in what makes our country so special.

It's the family-owned cafes and sandwich shops, the bakeries and dry cleaners that make up the social fabric of our country and serve as the glue of our everyday experience.

Small businesses are the lifeblood of our economy. They account for 97.3% of all businesses, employ 1 in 5 Australians and generate a third of the GDP.

But leading a small business today is tough, even if you're successful.

This COSBOA Small Business perspectives report provides an opportunity to explore the current state of small businesses in Australia, exploring their vital role in promoting economic diversity and resilience.

Small businesses are facing into a difficult external environment posed by high inflation and interest rates as well as workforce challenges.

Additionally, the rapidly evolving digital landscape demands increased investment in technology and cybersecurity, while rising costs of goods, wages, and regulatory compliance continue to squeeze profit margins.

Access to capital remains a critical hurdle, with many female small business owners finding it difficult to secure funding for growth and development.

This report sheds light on these challenges and provides insights into how small businesses can overcome them.

By fostering a supportive business environment and ensuring that small businesses have the resources and opportunities to thrive, we can ensure a resilient and diverse Australian economy for years to come.

With this report, we aim to spark meaningful conversations among policymakers, business leaders, and the broader community to champion the needs of Australia's small businesses and unlock their full potential.

Rebecca Warren

CBA Executive General Manager,
Small Business Banking

COST OF DOING BUSINESS

The Australian small businesses community faces a significant cash flow crunch, fueled by soaring business and living costs and exacerbated by unpaid debt from the high number of business insolvencies nationwide.

Recent Australian Securities and Investment Commission statistics showed almost 1000 Australian businesses went broke in February alone. The stress for small businesses balancing dangerously close to the tipping point for insolvency is real.

The combined cost of living and the cost of doing business is taking a severe financial and emotional toll on individual business owners and the entire small business ecosystem. The flow-on effects impact the wider economy and, in turn, all Australians.

According to almost 2100 small to medium business owners surveyed by COSBOA and Cyber Wardens, the top three concerns for 2024 were energy prices, the cost of staff and cyber security threats.

A recent study from MYOB found one-third of small business owners cannot pay themselves due to cash flow challenges, and a quarter have resorted to using their personal savings to keep their businesses running.

It's not surprising that other research from Xero showed the increasing cost of doing business is taking a toll on the physical and mental wellbeing of small business owners, with 57% of respondents in the survey feeling stressed, 50% experiencing anxiety, and 48% having trouble sleeping over the past year. These figures highlight the urgent need for support and solutions to alleviate business costs in today's economic landscape.

COSBOA has put forward targeted policy interventions to alleviate business costs. These interventions will support small business sustainability, enhance business resilience and lead to a reduced cost of living and an environment where both businesses and consumers thrive.

“It's been a perfect storm: high inflation, rising interest rates, chronic labour shortages, industrial relations changes and high material costs.”

— Denita Wawn, CEO Master Builders Australia

“It's hard to find a way forward. Keeping the business going and paying my staff keeps small business owners in our industry up at night.”

— Wes Lambert COSBOA Deputy Chair, Hospitality sector



1. Energy Prices

Small business energy efficiency programs, including group buying programs, to negotiate better energy rates.



2. Rental Costs

Government-backed rent relief programs and tax incentives to landlords who offer affordable rent to small businesses.



3. Insurance Premiums

Government-backed risk assessment, risk reduction and mitigation programs to promote small business resilience.



4. Least Cost Routing (LCR)

Mandatory LCR and Government-funded education campaign to inform small businesses about LCR.



5. Payment Times

Legislation for large companies to pay small business suppliers within 14 days.



6. Barriers to Entry and Exit

Expanded financial support and mentorship for new entrepreneurs. Streamlined Australian Business Registry Services (ABRS).



7. Regulatory Burdens

Consultation and impact assessment for minimal, effective policy interventions and regulations.



8. Instant Asset Write-Offs (IAWO)

Increase the IAWO limit to \$150,000 for three years and extend it to businesses with up to \$50 million turnover.



1/3

of small business owners **do not pay themselves** due to cash flow issues.



1/4

use **personal savings** to support their business.



57%

report **feeling stressed** due to financial pressures.



46%

of businesses experienced **increases in their operating expenses**

Source: [ABS Business Conditions and Sentiments, June 2022](#)



WORKFORCE AND TRAINING

Australian small businesses continue to face significant workforce challenges, including a critical shortage of both skilled and unskilled workers.

This shortage limits business growth, compelling business owners to concentrate on day-to-day operations rather than on strategic development. A recent analysis showed more than a third of occupations nationwide are experiencing shortages, with a notable 50% of technicians and trades worker groups affected.¹

The situation is further complicated by competition from larger firms for skilled employees and the constraints of the recent rise in the Temporary Skilled Migration Income Threshold (TSMIT).

It's also worth noting that skills shortages are more pronounced outside major cities. More than 80% of employers in very remote areas cite job location as a significant hurdle to recruitment.¹

A comprehensive and strategic approach is needed to support and foster growth in Australia's small businesses. This approach should include

targeted migration policies, enhanced support systems, and integration of small businesses' needs into national workforce planning.

COSBOA approves the proposed reforms to Australia's Migration Strategy to support small businesses, including:

- ▶ Reducing employer sponsorship fees
- ▶ Establishing a local outreach network within the Department of Home Affairs for better communication
- ▶ Simplifying visa processing, especially for businesses in regional Australia
- ▶ Easing labour market testing requirements

It is vital to ensure that small businesses are considered in national workforce strategies. Establishing a Small Business Commissioner within Jobs and Skills Australia (JSA) is one step toward addressing small businesses' unique challenges and requirements, fostering a more inclusive and effective planning process.

The lack of training and educational pathways to develop the necessary skills and qualifications is a critical issue.

Prioritising training and skills development, active participation in and consultation with small businesses in creating the Core Skills Priority List, and overcoming the workforce shortage are imperative.

Tackling the workforce challenges Australian small businesses face requires a multifaceted strategy that includes targeted migration, enhanced financial and operational support, and a focus on skills development. Unless labour and training issues are addressed, the sustainability and growth of the Australian small business sector are at risk, with severe consequences for the nation's economy.

Workforce and skills shortages are a handbrake on the economy. For Australia to stay competitive in a global economy, urgent solutions and future-proofing are required so businesses can contribute to boosting productivity and innovation in the Australian economy.

Small businesses play a crucial role in the economy. Given the complexities of the current operating environment, including migration and industrial relations challenges, government support in these areas is critical.

By alleviating these pressures, small businesses can devote more resources to enhancing productivity, fostering innovation, and expanding their output.

“The difficulty of recruiting employees with the necessary technical skills impacts our chance of developing competitive products to export. It means small business owners feel like we're just treading water, instead of reaching our business goals.”

– Dominic Schipano, National Executive Officer (NEO), CITT

“It's difficult to innovate, invest and expand without skilled workers. It's frustrating to miss opportunities because we don't have the right workers.”

– Sandy Chong – CEO Australia Hairdressing Council, Personal Care sector

SMALL BUSINESS ADVOCACY

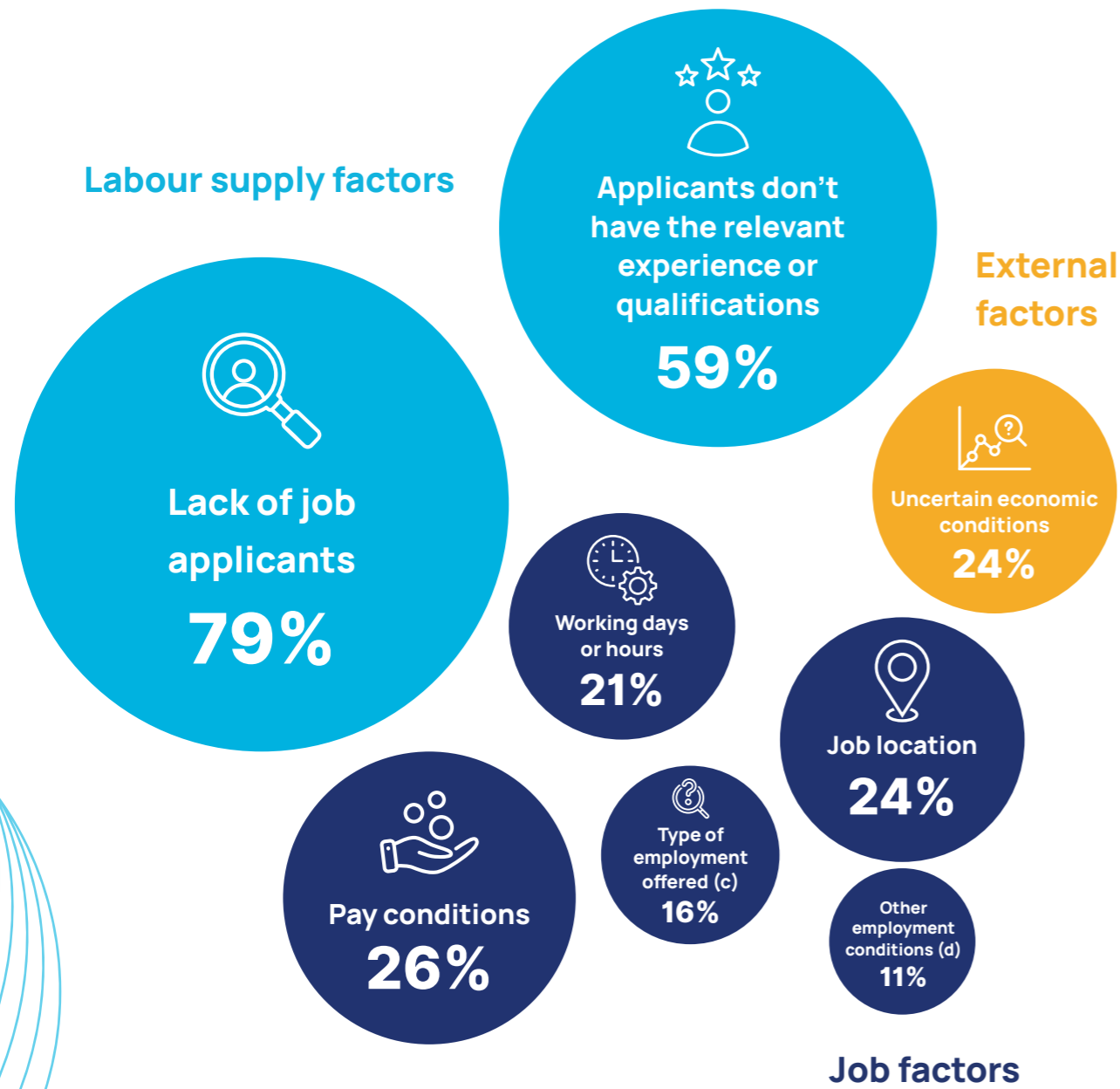


COSBOA has been appointed to the **Jobs and Skills Board** by the Department of Employment and Workplace Relations.

COSBOA appreciates the opportunity to represent our members and is the only organisation that solely represents small businesses and speaks for their distinct experiences, struggles, and needs.

1. [Jobs and Skills Australia Annual Report 2023](#)

FACTORS IMPACTING ABILITY TO FIND SUITABLE STAFF (a), (b)



(a) Proportions are of employing businesses that are having difficulty finding suitable staff to fill jobs

(b) Businesses could select more than one response

(c) For example, permanent, casual, full-time, part0time.

(d) For example, working conditions of the job, leave entitlements, flexible working arrangements, superannuation.

Source: [ABS Business Conditions and Sentiments, June 2022](#)





SPOTLIGHT

Closing the Entrepreneurial Gap



As the Australian government’s 10-year plan to unleash women’s full capacity and contribution to the Australian economy reflects, only about 22 per cent of Australian start-ups are founded by women.

In the 2022 financial year, only 0.7 per cent of private sector funding secured by start-ups went to solely women-founded companies.²

The Australian government has unveiled the Working for Women Strategy, aiming to create an environment where safety, respect, choice, and equal access to resources and outcomes are afforded to individuals, irrespective of gender.

The strategy has been well welcomed by COSBOA, which has successfully obtained Federal government funding for the Future Female Entrepreneurs Program, which aims to bolster female entrepreneurship.

There is a notable gender gap in entrepreneurship, with nearly twice as many male entrepreneurs as females. Closing this gap by increasing the number of female entrepreneurs to match that of males could potentially boost the economy by an additional \$400 billion.³

This gap begins in school and continues onwards, affecting the development of skills crucial for future business opportunities and success.

Funding emerges as a critical issue, with 83% of women perceiving their gender as a disadvantage in raising capital.⁴

Uncertainty about how to start and fear of failure are major obstacles for almost 70% of women interested in entrepreneurship.⁴

2: Deloitte Access Economics Accelerating women founders: The untapped investment opportunity SBE Australia 2022

3: Australian Small Business and Family Enterprise Ombudsman COVID-19 Recovery Plan 2020.

4: The State of Australian Startup Funding Report 2023

To address these concerns COSBOA, with support from Commonwealth funding, has developed Enterprising ME.

This initiative builds on the success of the Accelerator for Enterprising Women program by providing resources to assist women in exploring and learning about entrepreneurship.

Enterprising ME aims to be inclusive, catering to women at various stages of their lives, whether they are entering the workforce, managing family commitments, or exploring entrepreneurship.

Enterprising ME offers online education on fundamental business principles, branding, and financial management, and provides a platform for networking and virtual mentorship.

ENTERPRISING



enterprisingme.com.au

“Having an idea or an invention that would help others is something I would love to do and share.”

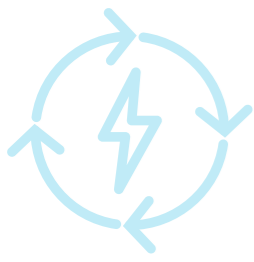
— Aspiring female business person, regional NSW

“The fear of failure and putting yourself out there and financial impacts. With most small businesses failing within the first year, it’s quite daunting to take a leap of faith.”

—Potential female entrepreneur, Brisbane



Source: Enterprising ME The Untapped Potential of Entrepreneurial Women Report, June 2023



ENERGY TRANSITION

Straddling the frontline of the energy transition, Australia's small businesses find themselves in a precarious position. They strive for green energy adoption while grappling with the sting of rising energy costs. Over a third have faced energy hardship in the past year, outpacing the financial distress experienced during the COVID-19 pandemic.

Backed by Energy Consumers Australia, COSBOA's Small Steps. Bright Future. Report 2024 research project illuminates this underexplored territory. Nearly half of small businesses have yet to embark on their green transition, hindered by financial barriers and a lack of knowledge.

To facilitate the transition, COSBOA is leveraging its research to contribute to better government policies, craft practical tools, and pioneer tech-based advice services that align with small business needs.

Supporting small businesses toward Net Zero is not just about safeguarding jobs and livelihoods. It is about bolstering the backbone of the Australian economy as it steps towards a brighter, more sustainable future.

Almost half of small businesses are yet to take steps towards the energy transition. The most common actions taken by small businesses are installing solar panels (21%) and implementing energy efficiency practices (21%).

Small businesses are looking for energy solutions that help reduce costs and contribute to a low-emissions economy. The key barrier to the transition is the financial outlay.

Most small businesses (63%) say it will be difficult to fund the transition to renewable energy.

There is high interest in resources, advice and support to help small businesses in the energy transition. Small businesses have limited knowledge about what is required to transition to renewable energy, with 36% reporting low knowledge.

COSBOA would like the government to support targeted education, advice, and financial resources to help small businesses through the energy transition.

“Whilst I agree large manufacturers/ mining companies need to work towards lowering emissions, it is not a practical solution for small businesses running in rented premises. Apart from energy-efficient lighting and appliances, there are limits to what else we can do.”

– Small business owner, retailer sector, Melbourne

“Having an information package provided to all businesses would be a good way to start and a dedicated local government department for businesses to help with access to information on the process of transitioning to renewables would also be helpful.”

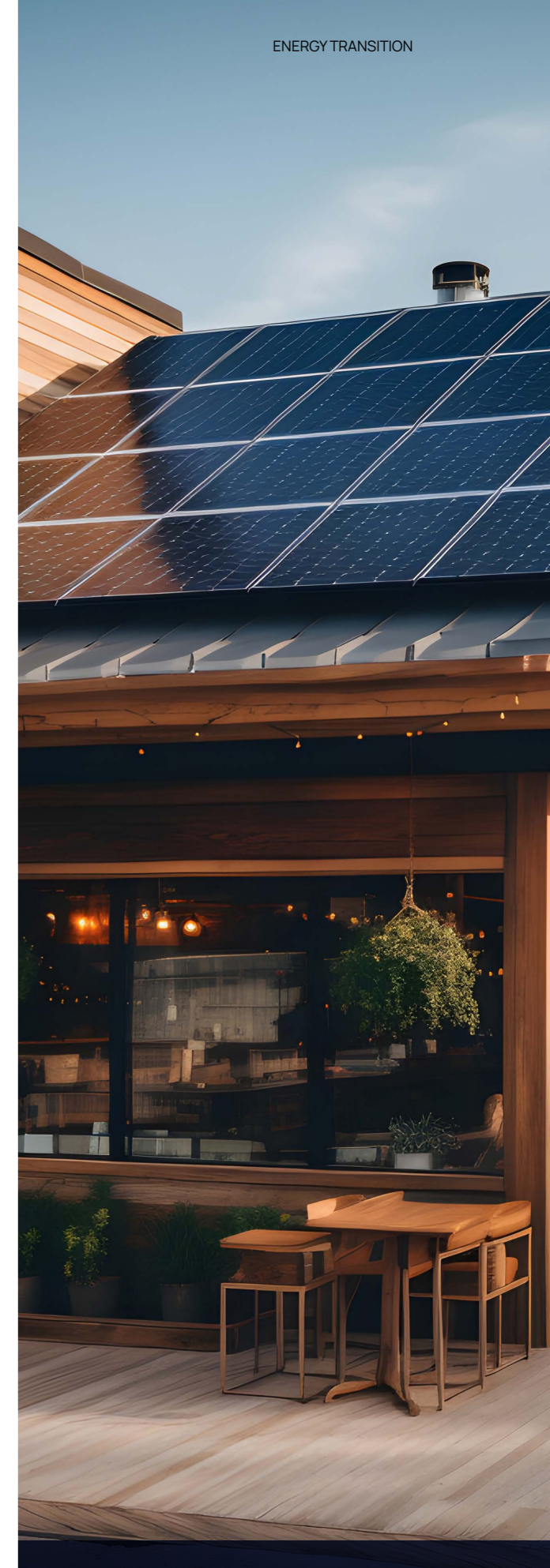
– Industry leader, Business Association

“We assessed installing solar panels but it was uneconomic due to capital cost, we are now considering non-gas hot water, electric cooking and heating water.”

– Small business owner, Melbourne

“Transitioning to renewables is very expensive and time-consuming, and the benefits are negligible.”

– Micro business owner, Sydney





34% of small businesses have experienced **energy hardship** in the last 12 months.

51% report a **negative financial impact** over the same period.



1 in 5 small businesses reported **difficulty paying their energy bills** on time and in full over the last 12 months.



Rising energy costs are the **#1 factor** impacting business finance in the last 12 months

55% impacted by rising energy costs.



1 in 2 small businesses are **yet to take steps towards the energy transition**. Most small businesses reported that they have not yet taken any steps towards the energy transition (**49%**),

66% for micro small businesses with 1-4 employees.



Small businesses with 1-4 employees were **most likely to have not taken any action yet (66%)**.

The most common actions taken by small businesses are installing solar panels (21%) and implementing energy efficiency practices (21%).



The **biggest barrier to transitioning to renewable energy is cost**.

63% of small businesses say it will be difficult to fund the transition to renewable energy.



More established businesses (in business for 6-10 years) were more likely to say that **switching to renewable energy would help their business financially** by reducing energy costs (**56%**).



Small businesses have **limited knowledge** about **what is required to transition to renewable energy**.

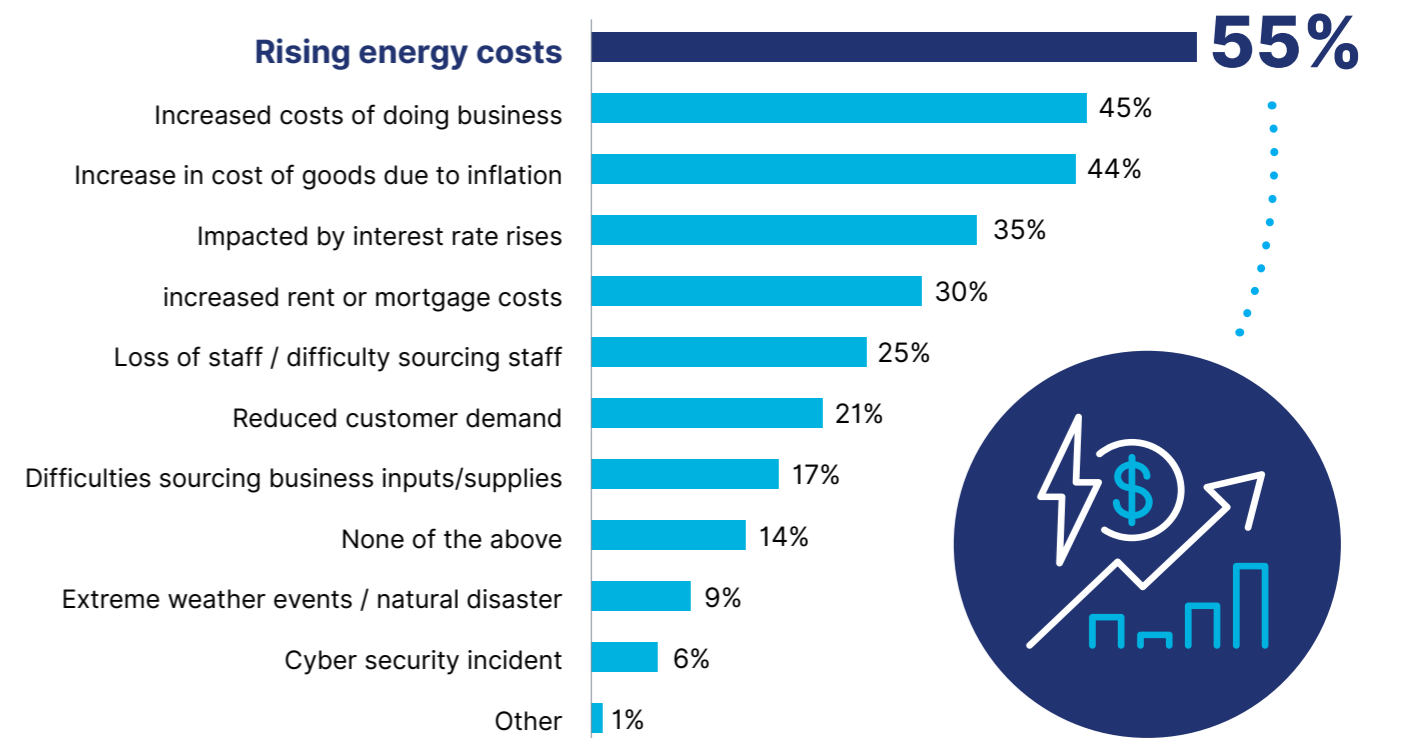
36% report **low knowledge**.

52% **medium** level of knowledge.

Only 12% report having high knowledge.

Source: Small Steps. Bright Future. Report 2024

RISING ENERGY COSTS IS THE NUMBER ONE IMPACT ON SMES FINANCIAL SITUATION.





ARTIFICIAL INTELLIGENCE

Australians are early adopters of new technology and the Australian small business community is no exception.

Small businesses already incorporate Artificial Intelligence (AI) technology into their service offerings and business systems.

From new business ideas and customer service to writing proposals, contracts and social media posts, AI is being explored by small businesses across the country.

A recent CSIRO report⁵ shows that 68% of Australian businesses have already implemented AI technologies, and 23% plan to implement them in the next 12 months.

AI has the potential to transform productivity and innovation, increase profits and position small businesses to solve Australia's productivity crisis.

Despite the rapid uptake in some parts of the small business community, many business owners are concerned at the astonishing speed of AI growth and capabilities, as well as the potential risks they present.

5: CSIRO Australia's AI Ecosystem Momentum Report, March 2023

COSBOA and other industry leaders are calling on the government to collaborate on a comprehensive framework to ensure Australia and the small business community benefit from AI's transformative opportunities.

The major industry bodies, including COSBOA, regulators and unions, have offered to collaborate with the government and AI technology experts to develop a national response to AI's potential and challenges.

AI is an exciting and rapidly changing revolution. Australian small businesses have already started seeing the benefits.

National leadership and collaboration are needed for Australia to effectively utilise, regulate and benefit from this complex, brave new technology.

COSBOA recognises the powerful way AI can benefit the small business community and the potential pitfalls.

To fully realise this potential and help protect against known and unknown risks, COSBOA advocates for a comprehensive national plan, including education, training and appropriate

regulatory framework for the safe and responsible adoption of AI across the small business community.

Australian small businesses need access to training and affordable, responsible, and practical artificial intelligence products, as well as clear guidance and ethical regulation, if we are to harness the potential and drive productivity gains.

“Big companies are investing in AI research and implementation. Without support, small businesses risk being left behind, with devastating consequences.”

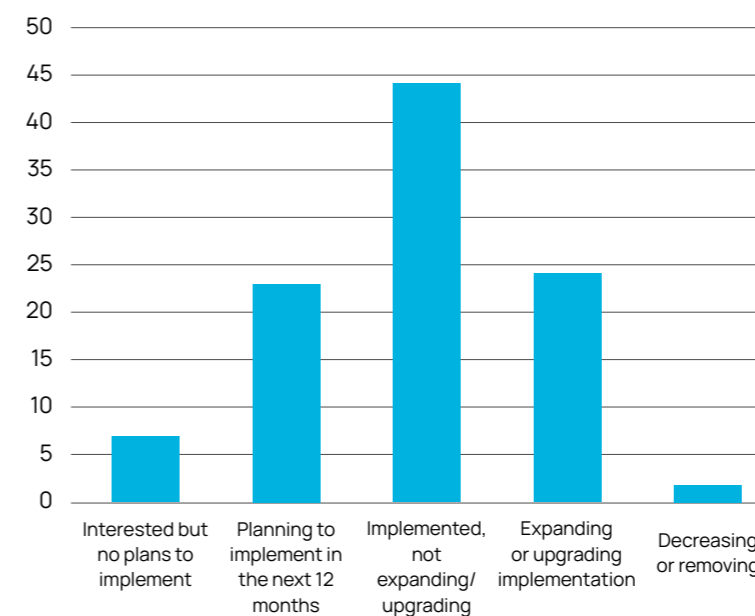
— Ben Kearney - CEO Australia Lotteries Newsagents Association ALNA, Retail sector

“I'd say the small business community, like most of Australia, is both terrified and excited about the possibilities of AI. Some sort of guidance and national leadership would be reassuring.”

— Ian Booth - CEO Newsagents Association of NSW and ACT (NANA), Retail sector

AUSTRALIAN BUSINESSES AI ADOPTION PLANS

% of respondents from over 200 businesses and AI providers



Source: Export Finance Australia: Australia—AI adoption creates benefits and challenges for businesses

Customer service bots have reportedly earned Australian companies an average of **\$500,000** in revenue from improved customer experiences

On average, respondents reported **time savings of 30%** across all AI-related initiatives that were implemented.”

Source: CSIRO Australia's AI Ecosystem Momentum Report, March 2023

INDUSTRIAL RELATIONS

The Australian small business community is navigating a new landscape driven by changes to Industrial Relations (IR). In particular, the Fair Work Legislation Amendment (Closing Loopholes) Act 2023 and the Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2024 have added to an ever more complex industrial relations regime.

COSBOA has voiced concerns over the Federal government's rapid implementation of these reforms, considering the far-reaching burden on small enterprises already struggling under the cost of doing business crisis.

A COSBOA survey of small business owners found the IR changes are causing high uncertainty and apprehension over operational challenges and legal and financial risks.⁶

The sentiment among small business owners is marked by frustration with the existing 1200-page Fair Work Act, while long-standing definitions like employment and contracting have been upended.

Most businesses surveyed reported being less likely to engage workers under the new IR framework and do not feel equipped to interpret and navigate the new IR changes.

Small business owners report uncertainty in interpreting and implementing the significant revision of workplace laws and the serious financial and legal implications.

Slower job growth in Australia's small businesses will reduce employment opportunities for the 2 million casual workers who enjoy flexibility, attractive casual rates and lifestyle, and caring or study opportunities.

For the 2.5 million small businesses in Australia including cafes, hairdressers, bookkeepers, pharmacies and grocers, casual workers are critical to managing risk and changes in labour requirements during peak periods, like Christmas.

COSBOA recommends reviewing the new IR laws and their impact on small businesses and providing clear, accessible, industry-specific guidance and resources to help them adapt to these changes.

“Small businesses do not usually have specialised HR support so the burden and real cost of navigating the increasingly complex legislation falls to the business owners.”

– Wes Lambert - COSBOA Director, Hospitality sector

“The confusion and burden of compliance and operational costs will ultimately lead to increased costs of goods and services, potentially affecting all Australian consumers currently facing challenges due to the cost-of-living crisis.”

– Ian Booth – CEO Newsagents Association of NSW and ACT (NANA), Retail sector

6. COSBOA 2024 Small Business Sector Survey on Industrial Relations



Nearly

7/10

of businesses report not **feeling equipped to interpret the complex IR changes.**

This lack of understanding could lead to compliance and implementation risks.

(46 respondents)



Over

90%

of surveyed businesses (56 in total) indicated a **reduced likelihood of engaging workers** under the new IR framework.

Source: COSBOA 2024 Small Business Sector Survey on Industrial Relations



COMMONWEALTH PROCUREMENT CONTRACTS

Small businesses account for almost all businesses in Australia (97.5 per cent)⁷ and a third of our country's Gross Domestic Product.⁸ Yet, they miss out on most Commonwealth government contracts.

For example, in 2021/22, the Federal government awarded \$80.8 billion in procurement contracts, of which fewer than a third, or less than \$25 billion by value, were awarded to small and medium size enterprises.⁹

Tendering for government contracts is expensive and daunting for small businesses lacking the resources to navigate these systems effectively.

To give small businesses a fair chance, the process must be simplified, with less red tape and complexity.

Barriers to accessing government contracts disadvantage small businesses and have major national economic implications, including reduced competition and innovation, increased prices and

supply chain vulnerabilities due to an overreliance on large suppliers in government supply chains.

The Review of Commonwealth Procurement Rules and subsequent recommendations present a pathway for improving small businesses' access to Commonwealth government contracts.

Key insights from this review highlight the importance of:

- ▶ Increasing awareness among small businesses of Commonwealth procurement opportunities.
- ▶ Simplifying the application process to make it more accessible for small businesses.
- ▶ Reducing red tape that currently hinders small business participation in government contracts.
- ▶ Allocating funding for the Small Business Procurement Roadshow to engage with SMEs nationwide directly.
- ▶ Ensuring the Small Business Ombudsman's involvement in accountability measures for timely payments from government to small businesses.

COSBOA urges the government to act on the Small Business Ombudsman's recommendations to systematically address and remove barriers to Commonwealth procurement contracts.

“Identifying and winning Commonwealth procurement contracts is complicated, costly and confusing for small and family businesses. Most small businesses don't have the time or financial resources.”

– Ben Kearney – CEO Australia Lotteries Newsagents Association ALNA, Retail sector

“It's hard to determine what procurement opportunities are available. Sometimes it feels like the opportunities always go to the same companies with previous experience, so we can't break in.”

– Construction business owner, Canberra

**Bruce Billson,
Small Business Ombudsman**

“Winning a government contract can be life-changing for a small business. As all businesses know, there is no substitute for good customers.”

“Enabling SMEs to compete for government work fully helps deliver better value, supports innovation and drives stronger Australian-based capability – all worthwhile and important benefits for the taxpayer and our nation.”



97.5%

of Australian businesses are **small businesses**

(ABS Counts on Australian Business, ASBFEO calculations on private sector industry)

Source: [ASBFEO Contribution to Australian Employment Report, August 2022](#)



Small businesses contributed

33%

of **Australia's total GDP in 2020-21**

(ASBFEO calculations on private sector industry and ABS Australian Industry.)

Source: [ASBFEO Contribution to Australia Gross Domestic Product Report, June 2023](#)

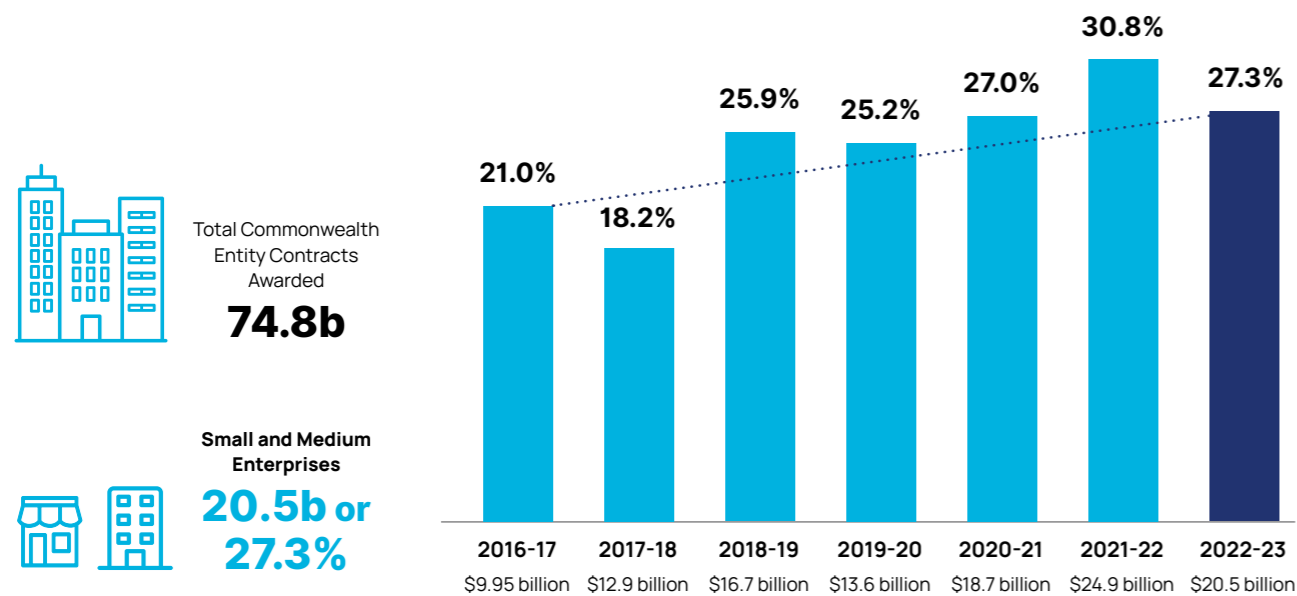
7 [ASBFEO Number of Small Businesses in Australia Report, August 2023.](#)

8 [ASBFEO Contribution to Australia Gross Domestic Product Report, June 2023](#)

9 [Australian Small Business and Family Enterprise Ombudsman Media Release, March 2023](#)

STATISTICS ON AUSTRALIAN GOVERNMENT PROCUREMENT CONTRACTS

Estimated Value of SME Contracts by %



Source: [Statistics on Australian Government Procurement Contracts, Department of Finance November 2023](#)



TOP FIVE SME CATEGORIES

Categories where SME's were estimated to be most competitive



Management and Business Professionals and Administrative Services

15,110 contracts awarded which represents **48.8%** of this category



Engineering and Research and Technology Based Services

6,003 contracts awarded which represents **55.5%** of this category



Commercial and Military and Private Vehicles and their Accessories and Components

2,981 contracts awarded which represents **55.6%** of this category



Information Technology Broadcasting and Telecommunications

2,829 contracts awarded which represents **42.9%** of this category



Education and Training Services

2,627 contracts awarded which represents **62%** of this category

Source: [Statistics on Australian Government Procurement Contracts, Department of Finance November 2023](#)



SPOTLIGHT Cyber Security

HIGHLIGHTS FROM 'BUILDING A CULTURE OF CYBER SAFETY' REPORT¹⁰

Despite the serious rate of attacks on small businesses, research from COSBOA and our cyber-safety education program, **Cyber Wardens**, reveals that many small businesses consider themselves too small to be targeted by cyber criminals leaving them vulnerable to damaging cyber attacks.

High-profile attacks have increased awareness of cyber security issues. Seven in 10 (67%) small business owners claim heightened awareness

after major cyber attacks, but 45% believe cyber crime is of low or no threat to their business. Only a third (35%) feel vulnerable to attack as a small business, and a similar proportion (38%) believe cyber security is much more important for medium and large enterprises.

“I wouldn't think my business would be targeted. I see myself as such a little fish. I'm sure there'd be a shark that would be meatier and would provide cyber criminals with a lot more.”

— Small business leader, retail sector

ATTACKS ARE INCREASING IN COST AND FREQUENCY



43%

of cyber crime targets **small business**



\$46,000

average cost **per cyber attack** on small business



Every **6 MINS**

A cyber crime is reported in Australia, **increased 23%** in 2023



7/10

have received a **suspicious SMS, email or phone call**, making this by far the most common cyber threat.



80%

increase in cyber insurance premiums

\$60,000



\$29 Billion

cost of cyber crime

BENCHING MARKING CYBER BASICS



50%

of small businesses have turned on a virtual alarm using **multi-factor authentication**



52%

of small businesses are able to defend against digital break-ins with **up-to-date software**



53%

of small businesses are **backing up daily** and would be ready to recover from the attack



30%

of small businesses have **strong password practices**



4/5 small business owners (78%) have everyday habits occurring which inadvertently make them more vulnerable to cyber crime.

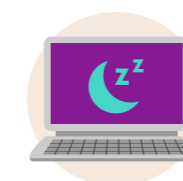
Bad habits are hard to break. Once observed, they become regular everyday behaviours adding risk.

Common risky habits increasing cyber risk in small business

Keeping a password document



'Sleep mode' avoiding software updates and patches



Re-using passwords



Snoozing software updates



10. Building a culture of cyber safety in Australian small businesses. Cyber Wardens Research Report March 2024



DRIVING CULTURAL CHANGE

The COSBOA and Cyber Wardens research found that differences in awareness and cyber resilience among small businesses stem from their cyber security mindset and how cyber safety is embedded into regular team interactions.

In other words, small businesses that make cyber security top-of-mind in their thinking or team culture, are more able to increase their cyber posture. They allocate resources and integrate cyber security into daily operations.

Conversely, the least cyber-safe businesses overlook cyber security, showing minimal concern and lacking a culture of cyber safety. While they may have some basic practices in place, they lack intentionality in their approach.

These findings highlight the importance of investment from the Australian government, Telstra and Commbank in supporting the Cyber Wardens small business cyber safety program.

Designed by small businesses for small businesses, the Cyber Wardens program offers Australia's more than 2.5 million small businesses the information they need to stay safe online and avoid costly cyber attacks.

Further reforms to improve cyber security by design measures that ensure small businesses can access and operate in a cyber-safe ecosystem will offer increased protection for small businesses and their customers.

- “ [Cyber security] is not something I think about, to be honest.
 - Micro business owner – hairdressing salon (woman, 62, metro VIC), P&F
- “ You know, you get those alerts saying ‘Change your password’ and you think, ‘Okay, how am I realistically going to change 50 passwords, and remain sane? And when do I get the time to do that?! [...] Apart from changing all our passwords I really don’t know what other cyber security measures to take at all.’
 - Micro business owner - manufacturing (woman, 54, regional QLD)



61%

of small businesses aren't discussing cyber security regularly.



71%

Agree that cyber security is not just for IT experts but everyone's responsibility.



86%

show interest in a program that simplifies cyber security for all sizes of businesses.

Source: Building a culture of cyber safety in Australian small businesses. Cyber Wardens Research Report March 2024



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MOVING FORWARD

COSBOA is committed to improving the resilience of Australian small businesses. This challenge is inextricably linked to the broader cost of living pressure facing the Australian community.

This report demonstrates the range of cost-related challenges impacting the financial performance of Australia's small business community and the opportunities we see to ensure it thrives.



1. Cost of Doing Business

Challenge: Small businesses often face high operational costs, including rent, utilities, supply chain and staff costs. These expenses can erode profitability and hinder growth.

Opportunity: Providing cost relief to small businesses will allow them to invest in cost-saving measures such as automation technology, negotiate better supplier contracts, and explore shared resources through collaboration with other businesses.



2. Workforce and Training

Challenge: Small businesses struggle to find skilled employees and invest in ongoing training to remain competitive. Additionally, complying with employment regulations adds complexity and costs.

Opportunity: Investing in training programs, apprenticeships, and upskilling initiatives can develop a skilled workforce internally. Furthermore, exploring flexible work arrangements and embracing diversity can attract and retain top talent.



3. Energy Transition

Challenge: Transitioning to renewable energy sources can be costly for small businesses, especially in industries heavily reliant on fossil fuels. Upgrading infrastructure and equipment to meet environmental regulations may require significant investment.

Opportunity: Embracing renewable energy solutions reduces carbon footprint and can lead to long-term cost savings through energy efficiency measures, tax incentives, and grants provided by government initiatives.



4. Artificial Intelligence

Challenge: Small businesses may struggle to adopt and integrate AI technologies due to cost constraints, lack of expertise, and concerns about job displacement.

Opportunity: AI allows small businesses to streamline operations, improve customer service, and gain insights through data analytics. Investing in AI tools tailored to their needs can enhance productivity and competitiveness.



5. Industrial Relations

Challenge: Rapid changes to the industrial relations landscape are causing high uncertainty and apprehension for small business owners nationwide.

Opportunity: Clear, accessible, industry-specific guidance and resources to help small businesses adapt to these changes will ensure they have the confidence to employ staff and meet legal obligations.



6. Commonwealth Procurement Contracts

Challenge: Small businesses often face barriers when competing for government contracts due to complex procurement processes, large-scale competition, and stringent requirements.

Opportunity: Simplifying procurement procedures, supporting small business participation, and promoting subcontracting opportunities within larger contracts can level the playing field and enable small businesses to access government markets.

In summary, while Australian small businesses face various cost-related challenges, there are significant opportunities for improvement and growth. Through programs like Enterprising ME and Cyber Wardens, COSBOA has demonstrated the impact dedicated engagement with small businesses can have on challenges like the entrepreneurial gap and cyber security. Additionally, COSBOA has successfully worked with the government to advocate for the voice of small businesses through reforms to IR, privacy and migration. By proactively addressing the challenges small businesses face and leveraging available opportunities, small businesses can enhance their resilience, ensure long-term success and contribute significantly to the Australian economy.



**For more information
about this report**

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