

# Australian Institute of Management – News Release

## GFC Lesson is Business Should Shun ‘Short-termism’

**Melbourne, Wednesday July 22**

A survey of more than 1,200 executives has revealed that achieving ‘short-term financial goals’ is influencing the business direction of almost half of Australia’s corporations.

The survey by the Australian Institute of Management discovered that 44 per cent of participants believed attaining short term profit goals was impacting on their organisation’s approach to business. Furthermore, 51 per cent of respondents working with public companies said seeking short term profit goals was affecting their organisation’s performance. (public company respondents totalled 33% of those surveyed)

Titled, ‘Corporate Endurance’, the survey sought executives’ views on what were the threats to a company’s long term survival in the marketplace. Those surveyed were drawn from the broad cross section of industry and included all levels of management from business owners, board members and CEOs, to senior executives and middle managers.

Fifteen per cent of board members and CEOs surveyed said they were not confident their organisations would be in existence in five years’ time.

“The global financial crisis is the time when companies should show they’ve learnt from the mistakes of the past, shun short-termism and focus on building long term competitive advantage,” the CEO of the Australian Institute of Management (Vic/Tas), Ms Susan Heron said

“Companies should ensure they have the business basics right – strategy, cash flow, debt management and investing in their people to build and retain the critical skill sets necessary for long term growth.”

Ms Heron said AIM was concerned by the persistent high failure rate of corporations in Australia and overseas. Data from the Australian Bureau of Statistics reveals that between 2003 and 2007, the survival rate of businesses across all industry divisions in Australia was just 58 per cent. In the United States, of those companies listed on the original Dow Jones index, just one remains in business today – GE.

Respondents to AIM VT’s corporate endurance survey identified three critical success factors to best ensure a company’s long term survival – ‘ability to adapt to change’, ‘leadership and management’ and ‘business strategy, processes and financial plans’.

“A positive survey finding is that 76 per cent of respondents said their organisations are now attempting to achieve business outcomes based on the triple bottom line factors of economic, social and environmental,” Ms Heron said.

“This gives cause for optimism that the vast majority of companies recognise that a sole focus on profits at the expense of all else is no longer acceptable to the market.

“Of relevance to this is that 23 per cent of respondents said their organisation had shown an increased focus on environmental factors during the downturn and that 57 per cent of participants rated their organisation’s environmental management performance as excellent or good.

“Companies that survive and become strong business entities are the ones best able to offer stable employment opportunities and to have the capacity to reinvest some of their profits back into programs to benefit the community. That’s why the relatively high failure rate of corporations has such widespread implications,” Ms Heron said.

Eighty five per cent of survey respondents said the business sector had an obligation to invest money in programs that advantaged the community.

Other key survey findings were:

- 64 % of board members and CEOs said it was not possible for an organisation to have effective relations with its employees if its environmental credentials were poor.
- 62% of respondents believed that an outstanding environmental management reputation delivered a competitive advantage in the marketplace.
- Respondents who named three currently listed Australian companies that had been operating for 50+ years, identified the following in order of preference: 1. BHP (selected by 63 % of respondents) 2. CBA (24 %) 3. NAB (21 %) 4. Qantas (18 %) 5. ANZ (17 %) 6. Westpac (15 %) 7. Telstra (11 %) 8. Myer (9 %) 9. Woolworths (8 %) 10. Coles (7 %).

***For further information please contact***

Leigh Funston AIMM

Head, Stakeholder Relations

Australian Institute of Management - Vic & Tas

181 Fitzroy St, St Kilda Victoria 3182

T 61 3 9534 8181 F 61 3 9534 5050

M 0414 866 697

W [www.aimvic.com.au](http://www.aimvic.com.au)

E [lfunston@aimvic.com.au](mailto:lfunston@aimvic.com.au)



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