

Chapter 5

Skills Development for Small Business

Compelling evidence exists, world-wide, to support the view that building managerial competence is the key ingredient in unlocking the potential of the SME sector.¹

If this Senate inquiry achieves nothing else it will have succeeded if it helps create a climate and the environment for small business employment development. This will mean training and educational opportunities, the only route which will lead to increased small business prosperity and employment opportunities.²

5.1 Strategies to improve the business management skills of small business owners and the skill level of the small business workforce were identified during the inquiry as one of the most important measures that governments could take to enhance the capacity of the sector to employ more people. Appropriate strategies can include measures to promote the value and importance of business management skills and skills development of the workforce, and to develop the capacity of the formal and informal education sector to meet the training needs of small business owners and employees.

5.2 That business management skills in small business could be better is not a new finding. It has been the theme of reports on small business issues at least since the Bolton Committee in 1971 identified a lack of training and information on finance, marketing, personnel management, technological change and production scheduling. In the intervening years governments have become more active in investing in programs to support business management training, but the investment has been uneven and falls short of providing an effective framework for business management development.

The importance of business management skills

5.3 Managing a successful small business generally requires a combination of technical skills, entrepreneurial skills and management skills. Technical skills are those required to produce goods or services, whether manufactured goods, or professional, trade, business or personal services. Entrepreneurial skills include vision, drive and the capacity to identify and exploit an economic opportunity. Core business management skills include financial management skills, the capacity to implement systems to support the production of goods or services (such as stock control systems), marketing skills, an understanding of any relevant legal or compliance obligations and the capacity for effective business planning, including strategic

1 Submission No. 93, Dr Tim Atterton, p. 3

2 Submission No. 67, Motor Trades Association of Western Australia, pp. 1–2

planning. Employing businesses require skills in human resources management and an understanding of the regulatory framework relating to employment. Specialised business management skills include those necessary to manage growth and to successfully export. In most small businesses, these skills must reside in the owner/manager.

5.4 The lack of business management skills is regarded as one of the main causes of small business failure. Less visibly, but no less importantly, it can also result in an erosion of the owner's equity in a business, a problem which may only be realised at the time of sale, perhaps in preparation for retirement.³ The costs of this failure go beyond the individual to the community at large:

Small businesses continue to suffer a high percentage of failure and in doing so, add to the burden of other businesses and community social services. These costs to our society remain hidden and immeasurable. Statistics of small business failure seem to be accepted as a given and an acceptable casualty of life. This same thinking used to be applied to child mortality.⁴

5.5 This problem has been recognised for at least 25 years and while there have been constructive efforts made at all levels of government to address it, these have been piecemeal and uncoordinated. And yet in today's more competitive environment, effective management skills are more essential than ever. As one witness told the Committee:

I think it was a lot easier postwar to get a foothold into a small business in Australia, because you just seemed to need to sacrifice a lot of things for your children by working very hard and long hours...But today, we are having to caution people that you need more than that now. You need a fair bit of cash, a fair bit of money, behind you. You need to know the rules of the game, which are much tougher today. It is not just about competition, although competition is a lot fiercer. In Victoria, until recently, our corner stores—our once ubiquitous milk bars—had an advantage in that there were restricted trading hours and the big end of town closed up at the weekends and late in the day. That is all out the door now, so that segment has taken a shock. You cannot, any more, just walk into a milk bar type operation and hope to make a living; you have to be a skilled operator.⁵

5.6 The growing complexity and sophistication of the regulatory environment also demands greater management skills. The implementation of the Goods and Services Tax (GST) is a case in point. The reporting requirements and training programs for the GST clearly assumed a level of record-keeping and financial management capability that many small businesses currently lack. Evidence to the committee suggests that, without additional support in developing basic business

3 Mr David Russell, *Hansard*, Roundtable, Melbourne, 25 July 2002, p. 375

4 Submission No.38, Far North Queensland Area Consultative Committee, p. 2

5 Mr Allen Roberts, *Hansard*, Roundtable Melbourne, 25 July 2002, p. 365

management skills, including financial management, and arguably some improvements to the current compliance requirements, many small businesses will continue to struggle with the complexities of the tax system.

5.7 Inadequate business management skills can also result in significant business under-performance, representing an opportunity cost not only for the individual business, but also for the broader economy and society. The Karpin task force into enterprise management highlighted the importance of management skills, including strategic management skills, in improving the productivity of Australian enterprises, large and small. Effective business management skills also underpin the capacity to innovate, successfully adopt new technologies such as e-commerce, and to export successfully. The SETEL report on e-commerce found that strategies to promote the adoption of e-commerce must include an emphasis on broader business planning and strategy.⁶ Austrade identified the financial and human resource management skills of small business as critical to the government's strategy of doubling the number of small business exporters.⁷

5.8 While most witnesses strongly support the proposition that sound business skills are essential to business survival and success, not all agree that the relationship is so simple. Mr Brian Gibson of the University of Newcastle advised the Committee that:

...we do not know that, simply because a person does not have that mix of skills we think is important, they will necessarily run a business poorly—or, alternatively, that they will run a business well because they have those skills. There is very little evidence to go one way or the other. I have been involved in areas which are associated with this. In the managerial skills area there are constant requests for small businesses to be more involved in developing good, solid business plans because that captures the essence of good management practices. I have conducted some research recently which suggests that successful, continuing small businesses that plan are no more likely to succeed or have better performance over time than those that do not. There is simply no correlation.⁸

5.9 In the committee's view, however, the weight of evidence suggests that there is a strong and positive relationship between business management skills and business performance and profitability.

5.10 It has long been recognised that, while most small business people have excellent technical skills, many lack strong entrepreneurial and management skills. This phenomenon is the basis for a well-known guide to small business management,

6 SETEL, *Australian SME E-Commerce Forum Taskforce Accelerating the Uptake of E-Commerce by Small and Medium Enterprises*, July 2002, compiled by E. Brown Small Enterprise Telecommunication Centre, p. 23

7 Austrade, *Knowing and Growing the Australian Exporter Community*, p. 55

8 Mr Brian Gibson, *Hansard*, Sydney, 14 August 2002, p. 576

‘The E–Myth’ by Michael Gerber. According to Gerber, there are two aspects to the ‘E-Myth’. First is the ‘entrepreneurial myth’ that most people who start small businesses are entrepreneurs; and the fatal assumption that an individual who understands the technical work of a business can successfully run a business that does that technical work.

5.11 Evidence to the inquiry confirmed that many, and perhaps the majority, of small business proprietors in Australia lack basic enterprise management skills, including an understanding of financial fundamentals. Many examples of limited financial understanding were cited to the committee:

- poor financial management has been one of the top three reasons for small business failure over [...the past 17 years];⁹
- a recent survey in a small town in NSW revealed that 85 per cent of businesses were not keeping records and so had no idea whether their revenue would increase or decrease;¹⁰
- small business people attending information seminars on the New Tax System in regional Western Australia were often unable to benefit from the information because ‘they didn’t even know what a profit and loss statement was...or what a profit margin was’;¹¹
- some small businesses do not know their financial position until the end-of-the-year financial statements and most do not undertake any long-term business planning;¹² and
- CPA Australia reported that many small businesses seem to lack a fundamental understanding of whether they are making a profit and of how to manage their cash flow.¹³

5.12 More general management skills, including strategic management, are also lacking. The committee heard a range of examples:

- representatives of the housing industry told the committee that management training is almost non-existent in the housing industry: ‘It is not a good ethic with regard to training and we do not know how we fix that; we do everything we can to get people trained’;¹⁴

9 Mr George Etrelezis, Managing Director, Western Australia Small Business Development Corporation, *Hansard*, Perth, 17 July 2002, p. 19

10 Ms Linda Hailey, *Hansard*, Roundtable, Sydney, 14 August 2002, p. 645

11 Mrs Beverley Nowotny Ford, *Hansard*, Roundtable, Albany, 18 July 2002, p. 151

12 Ms Vicki Brown, Small Business Assistance Officer, Great Southern Area Consultative Committee, *Hansard*, Albany, 18 July, 2002, p. 88

13 Ms Judith Hartcher, Business Policy Advisor, CPA Australia, *Hansard*, Melbourne, 24 July 2002, p. 204

14 Mr John Gaffney, *Hansard*, Roundtable, Melbourne, 25 July 2002, p. 366

- small business people in regional Western Australia told the committee that the sector operates in ‘an atmosphere of salvage rather than of strategic planning’ and businesses tend not to seek help unless and until in dire straits;¹⁵
- a Gold Coast City Council identified a paucity of ‘higher order’ management skills amongst small business owner–operators in the marine industry, especially in business planning (less than a quarter of small businesses on the Gold Coast have a business plan), marketing, financial and human resources management;¹⁶ and
- the Melbourne Development Board advised that, of the approximately 45,000 small businesses in their district, many are:

excellent widget makers or whatever the specific skill of the business involves, but they invariably lack the planning, entrepreneurial, new technology and training skills that go hand in hand with running a successful business in today’s market.¹⁷

5.13 The most recent report on Australia’s comparative performance regarding entrepreneurship found that, while Australia rates highly on some entrepreneurial dimensions, including the number of business start-ups, our small businesses often lack meticulous planning, acquisition of necessary skills, knowledge intensity and focus on export from the outset. As a result, the businesses we create are small, ‘getting smaller and dying younger’.¹⁸

5.14 The majority of witnesses argued that, in this context, developing the management skills of small business is one of the best investments that governments can make in building a more dynamic and prosperous small business sector:

In terms of education, I think we do no favours to people who want to invest money in small business with the amount of education that is around at the moment. I do not believe that really tells the truth about the demands upon small business...education in my view is the most important area which is lacking for small business. I do not know how to solve it. I have no great answers for you, other than to say that somewhere along the line there has to be a partnership between government and business, and not big business but small business and maybe through the associations.¹⁹

15 Mrs Vicki Brown, Small Business Assistance Officer, Great Southern Area Consultative Committee, *Hansard*, Albany, 18 July 2002, p. 86

16 Submission No. 86, Gold Coast City Council, pp. 1–2

17 Mr John Macdonald, Executive Officer, Melbourne Development Board, *Hansard*, Melbourne, 24 July 2002, p. 253

18 K. Hindle and S. Rushworth, *Global Entrepreneurship Monitor Australia 2001*, Yellow Pages, p. 22

19 Mr Richard Evans, *Hansard*, Roundtable, Melbourne 25 July 2002, p. 373

5.15 The committee agrees that governments need to provide improved opportunities for developing the skills of small business owners and employees. More effective ways of promoting to small business owners the value of a greater investment in their own management development and the skills development of their employees should also be found.

Current arrangements for business skills training

5.16 While it is possible to identify the ‘core competencies’ of effective small business management, small businesses have varying needs for business management development and support. A person proposing to open a small business with no business experience and no employees has different needs from the manager of an established business of several years’ duration, or the manager of an employing business or a business that begins with a complement of staff and a high growth and or export focus. Support needs also vary at different stages in the business life cycle, and in some cases, with the industry in which the business operates. A range of different training products or services has been developed in response. These include business counselling, particularly initial advice for business intenders on the viability of a business proposal, training courses on business fundamentals, business diagnostics or one-on-one assessments, mentoring and coaching, advisory and referral services and support for the formation of business networks and clusters.

5.17 Several agencies and organisations are involved in providing management support to small business, with some specialising in different types of support. The main providers are:

- Business Enterprise Centres (BECs) which provide one-on-one counselling and training courses with a particular focus on business intenders and start-up businesses in most states. (State Development Centres provide this form of assistance in Queensland and the Victorian government provides this service through its own agencies in Victoria);
- Business incubators which provide intensive assistance and mentoring to a segment of newly established or growing businesses;
- State government agencies which may fund a range of business assistance programs including mentoring programs, programs for women in small business and other specialised or general business programs. In some cases these are delivered by BECs or other agencies. Some state governments also provide more intensive and tailored assistance to high growth or high growth potential small businesses;
- ACCs, local councils, regional development organisations and other organisations may draw on Commonwealth and state and territory funding under programs such as the Small Business Enterprise Cultures Program and the Regional Assistance Program to develop and deliver support programs for local businesses; and

- the Vocational Education and Training sector (VET) conducts training courses for small business, based on the Business Services Training Package. Courses provided by Technical and Further Education (TAFE) institutes usually lead to the awarding of certificate and diploma level qualifications. Private providers or registered training organisations (RTOs) may also draw on the training package to provide smaller modules of training and some of these, along with the BECs, may be contracted to provide training under the New Enterprise Incentive Scheme (NEIS).

5.18 The introduction of the Business Skills Training Package in late 2001 under the Australian National Training Authority (ANTA) framework, has the potential to promote a more consistent and flexible approach to small business management training. The package outlines the competency standards for business management, provides a framework of qualifications for occupations or occupational levels, and sets out assessment guidelines for competency measures. Elements of the package can be provided as separate components or modules, or in combinations of modules to meet a specified need, including for award of certificate or diploma qualifications. The committee suggests that the package be evaluated after the first eighteen months, with input from BECs and NEIS managing agents and other providers of small business training, as well as from the VET sector, accountants and small business people.

5.19 Proposals for increased investment in small business management training raise a number of questions including: how the assistance should be targeted; what type of development support should be provided; and, which organisations or agencies should be responsible. The committee heard both that there is a need for a greater focus on training for new business owners and that the current arrangements over emphasise assistance for business start-ups at the expense of support for established business. There were also arguments for greater investment in business skills training for the small proportion of businesses that have the desire and capacity to grow significantly.

New entrants

5.20 There is a view that much of Australia's current investment in business skills training targets new businesses, either 'intenders' or 'start-ups' (new firms). As noted, the BECs, and in some cases state government agencies, assist intenders and start-ups by providing counselling on the feasibility of proposals, business planning advice, and in some cases introductory training programs. In the VET sector, many TAFEs and some RTOs also provide small business management courses for business owners or intenders. Unemployed people who meet certain criteria can obtain management training and mentoring support as well as income support under the NEIS.

5.21 Tens of thousands of new businesses are established each year in Australia. There is no way of knowing how many of the owners obtain some form of business skills training from BECs, TAFEs or private providers, in part because not all TAFEs keep statistics on business owners or intenders attending their courses. It is reasonable to assume from the evidence to the inquiry, however, that the greater majority of new entrants do not undertake any significant training, partly because they do not

recognise the need and also because they are not aware of the available assistance. As one small business adviser told the committee:

...they do not know what they do not know. In other words, they do not know anything about cash flow, bank recs and all those sorts of things. Therefore, they do not ask and they do not look. I am saying that somewhere along the line they need to be informed about these issues so they can actually say: 'Hang on, there's a problem here. Can I afford to go into this?' I think that needs to start before they go too far down the track into the business, because they do not know that they do not know.²⁰

5.22 Various suggestions were proposed as a means of ensuring a better take-up of business management training by new starters. One proposal was to require licensing of all new entrants, as occurs in some European countries. The Holiday Coast Area Consultative Committee put the argument this way:

Only 20 per cent of business start-ups survive past year five (ABS figures). In part this is due to a lack of management skill provided by the business operator. If business operators were better able to reach business sustainability then the prospects for better use of the community's financial and human capital and for employment growth would be considerably enhanced. One simple mechanism to assist in this regard would be the introduction of a license to operate a business, required by all those starting a new business. The license would require passing a short operators course covering legal, finance and management information and skills.²¹

5.23 A compelling argument for compulsory pre-start-up training is that once a business is in operation, it is extremely difficult for the owner/manager to find the time or opportunity to undertake training. One small business operator commented that:

I think that the horse has bolted once you have gone into business and are finding it hard. Whatever help you get after that, you are only ever going to get a small percentage of the benefit you could have had if there were rules in place to say, 'You must do a course before you start.' Then you would think twice before you went into business.²²

5.24 Responses to the licencing proposal were mixed. Many, including small business owners were in favour, but there were also many others opposed in principle or believing that such a 'regulatory approach' would not be successful in Australia. The following sample of responses provides a flavour of the reaction. From a supporter of the concept:

20 Mr Harold Handley, *Hansard*, Roundtable, Adelaide, 10 October 2002, p. 1001

21 Submission No. 27, Australia's Holiday Coast Area Consultative Committee, p. 2

22 Mr Paolo Lionetti, *Hansard*, Roundtable, Albany, 18 July 2002, p. 136

I am a long-time, laissez-faire, right-wing entrepreneur—somewhat less so now—and I have thought a lot about the business licence idea. I must say I have come to the conclusion that, yes, it would be a great thing—well, a good thing. You could say it is like licensing a gun so that somebody can shoot themselves in the foot, but at least you know that the gun is bloody well there.²³

From a small business person opposed to the concept:

If I wanted to start a new business—and I would not want to lose my equity and I would not like to lose my money or whatever—if I had a dream, and I had to fill in a form and get an official okay for my dream, I would start to feel confined. I would be so regulated that I could not even have my dream. I would like us to leave people alone. I would like us to be intelligent enough to pick up a course if we need one...I want to do my business. I do not want to be getting a licence for a dream.²⁴

And in response:

I understand what you are saying, but I do not necessarily agree with that point...If I had had a specific level of knowledge that I had to achieve before I started my business, I know I would have achieved my dream a lot more easily and a lot sooner than I did...you need help not only to protect yourself and make sure that you achieve the dream but also to protect other people like your employees or those who are using your business and your facilities—to protect everyone involved. It would be not another complicated thing but a helping thing.²⁵

5.25 Some witnesses suggested a less prescriptive approach could be effective, without some of the drawbacks of a mandatory program. Key elements of such an approach would be a mechanism to prompt intenders to assess their skills against those needed to run a business and identify available training and similar support services. Participants in roundtables in Sydney and Adelaide suggested that those seeking to register a business with the Australian Taxation Office (ATO) should be required to complete a checklist or questionnaire identifying the skills required to operate a small business successfully. Contacts for suitable training programs and information on compliance requirements should also be included.²⁶ In a similar vein, one witness suggested that there should be some incentive to undertake a ‘NEIS based program’ before starting a business.²⁷

23 Mr Kit Peters, *Hansard*, Roundtable, Sydney, 14 August 2002, p. 641

24 Ms Elizabeth-Anne Gervay, *Hansard*, Roundtable, Sydney, 15 August 2002, p. 688

25 Ms Narelle Whyte, *Hansard*, Roundtable, Sydney, 15 August 2002, pp. 688–89

26 Mr Luke Torrevillas, *Hansard*, Roundtable, Sydney, 15 August 2002, p. 688; Mrs Susanne Gibbs, *Hansard*, Roundtable, Adelaide, 10 October 2002, p. 993; Ms Susan Lee, *Hansard*, Roundtable, Adelaide, 10 October 2002, p. 1001

27 Ms Katrina Drake-Mundy, *Hansard*, Roundtable, Launceston, 26 July 2002, p. 453

5.26 Incentives to undertake start-up training could include an accreditation system, under which those completing an approved program or being assessed as having basic management skills are officially recognised or certified. A marketing program could also highlight the benefits of training and access to any government sponsored finance scheme could also be tied to achievement of agreed competencies.

5.27 Proposals for a licencing or accreditation arrangement raise the question of whether the current 'supply' of management training programs for new businesses is sufficient to meet the current level of demand, let alone any increase that would follow the introduction of a licencing/accreditation regime. The evidence to the inquiry on this matter was inconclusive. Small business training programs that may be suitable for start-ups are available through TAFEs and private providers, from BECs and equivalents, and also through the NEIS program. The number of training programs provided by BECs depends not only on demand, but also on available funding, which is often limited. Training under NEIS is limited to eligible unemployed people and has a set number of places each year. A common message throughout the inquiry was that the NEIS program should be expanded and made available to a broader range of people beyond the unemployed, implying that there is an unmet demand for this form of initial training. For example, a witness from the Micro Business Network advised the committee that:

A number of people have told me that they have made out that they are unemployed to be able to qualify for [NEIS] because they recognise that they need the training. I guess if you want to improve the success rate of small businesses, you do need to educate them in proper management techniques and you need them to understand how to work with government, local people and the media et cetera. The NEIS program is an excellent way of doing that...That is an example of a federal scheme that really does work.²⁸

5.28 The NEIS program, with its combination of structured training program, mentoring and support, appears to be widely viewed within the small business community as an excellent model for training those starting a business. Training programs provided through TAFEs and the BECs may include some of the same general skills and principles, but without the benefit of the personalised support and mentoring through NEIS. The National NEIS Association supports the extension of the training, and possibly mentoring components of the program beyond the unemployed and has estimated up to 22,000 people annually could benefit from an expanded program.²⁹ This compares with current program numbers of 7,500,³⁰ for eligible unemployed people. When asked about the case for an expanded program, officials from the Department of Employment and Workplace Relations suggested that

28 Ms Sue Vitnell, Newcomers Network, *Hansard*, Melbourne, 24 July 2002, p. 246

29 Ms Irene Dewsbery, Treasurer, National NEIS Association, *Hansard*, Brisbane, 12 September 2002, p. 710

30 *ibid.*

any expansion beyond current levels could lead to problems, including a decline in the quality of business proposals and concerns from existing businesses about additional competition.³¹ In the committee's view, while these concerns might apply to the expansion of places in the 'fully-funded' version of NEIS, that is including income support, they are not persuasive arguments against extending the availability of the training and mentoring components of NEIS. It is difficult to see how a greater availability of this form of training would, in itself, lead to greater competition: the great majority of people who wish to start a business will do so anyway, irrespective of whether they are trained. Moreover, as the committee heard from representatives of Restaurant and Catering Australia, unskilled new entrants can have a very significant negative impact on an industry by driving down prices to unsustainable levels.³²

5.29 Any strategies to increase small business participation in training will need to involve the small business network. Small businesses often look to their trusted advisers, including accountants, and industry or similar associations for advice and information. These networks are important channels for both promoting the value of training and the availability of training programs, as well as, in some cases, providing training using centrally developed materials. The GST training model, under which core materials are developed and then distributed freely through a multitude of different avenues and channels to the small business community, was identified as an ideal way to reach small business. A representative of CPA Australia commented that:

There is no one perfect way for every person coming into business to learn those skills. For some, TAFE is appropriate. For some, industry associations are more effective. Others want to know neither of those bodies; they might get the information from their local council or from a business enterprise centre or from a local accountant who is running sessions in their own community. Developing the core modules and then disseminating them through as many channels as possible is probably the most appropriate way to go.³³

5.30 Technology related skills, including internet use and an understanding of the principles and potential of e-commerce, are arguably now core competencies for small business proprietors. Training for new starters should include the fundamentals of these technology skills.

Comment

5.31 While some witnesses question the value of a focus on training for start-up businesses, the committee believes that it is fundamental to any strategy to improve the performance and profitability of the small business sector. Investment in basic business training at this point is likely to reduce business failures, resulting in a net

31 Mr Ken Douglas, Group Manager, Department of Employment and Workplace Relations, *Hansard*, 6 August 2002, p. 559

32 Submission No. 19, Restaurant and Catering Australia, p. 18

33 Mrs Judith Hartcher, *op. cit.*, p. 211

employment benefit and provide a sound foundation for new businesses to develop a learning culture and orientation. It will also provide an opportunity to develop better channels of communication between small business and government, through establishing contacts with service providers at an early stage.

5.32 The committee is attracted to the licencing proposal as a means of ensuring that small business owners undertake some minimum standard of training before starting a business. A licence would have the added benefit of providing an opportunity to ensure that intenders are made aware of the regulatory requirements associated with starting and opening a business, and of the range of government information and assistance resources and contact points. The committee recognises, however, that despite the merits of a mandatory licencing regime, some significant cultural and attitudinal barriers would need to be overcome before it would gain the acceptance of the small business community. It also has a concern, given the evidence on the unmet demand for new start training along the NEIS lines, as to whether the current availability of training places is sufficient to meet the any increased demand that would result from a licencing requirement.

5.33 There is, however, the need to improve on the current situation. As a first step, those registering a new business with the ATO should be provided with a 'Business Start-up kit' comprising a checklist of the skills required to successfully run a business and contact points for training courses and information, including on licensing and regulatory requirements in their state or territory. There may be scope, as part of this process, for small business people to choose to undergo some brief, informal assessment process, such as a referral to a BEC for a competency assessment using an interview or on-line quiz. As a related measure, consideration could be given to the introduction of an accreditation system for people who complete the required training or possess the relevant skills.

5.34 An assessment also needs to be made of whether the supply of training programs for business start-ups cross Australia can meet the demand associated with an accreditation or licensing program. Extension of the training and mentoring elements of the NEIS program to all new starters or, given the cost of that model, those new starts assessed as having the desire and capacity to grow employment or develop an export orientation, should form part of the assessment. In the longer term, the effectiveness of the voluntary system should be reviewed and the feasibility or appropriateness of a mandatory system be evaluated.

Recommendation Twelve

The committee recommends that the Small Business Ministers Council examines the feasibility of introducing a small business training and accreditation program with the following components:

- **a start-up kit, including a checklist of the skills required to run a business, contact details for training course providers, and advice on regulation requirements, to be provided to all those registering a new business;**

- **a system of accreditation in business management for those who have successfully completed an approved business management skills course and are able to demonstrate appropriate competencies; and**
- **an analysis of the availability of training programs for start-ups across Australia against current and future needs, with a view to developing an expanded range of opportunities if required.**

Consideration should be given to the introduction of a mandatory licencing regime once the voluntary program has been in operation for two years.

Business incubators

5.35 One means of supporting newly established, or ‘fledgling’, businesses is through the program of business incubators. Business incubators can assist new and growing businesses to become established and profitable by providing premises, access to shared equipment and services and business advice and other support. They also provide access to a ready-made business network. The Commonwealth, state and territory governments support incubators by the provision of facilities at peppercorn rentals and funding establishment costs and business and management development support.³⁴ Incubators are expected to be financially viable, taking account of government support, occupant charges and other sources of income. The ‘incubation period’ for an individual business is normally from one to three years.

5.36 One criticism of incubators is that they are based on erroneous assumptions about the demand from those in home-based businesses to move into office accommodation, in some cases to overcome local government regulations restricting the numbers of employees or types of business operations. The Micro Business Network argued this view, noting that home-based business is a lifestyle choice for many and is an ultimate goal, not simply a step along the path to becoming a larger and employing business.³⁵

5.37 While a number of incubators have failed, the committee heard that these are a minority that did not conform to the principles of good incubator policy and practice. A review of incubators undertaken on behalf of the Commonwealth in late 1999 found that they are a worthwhile concept, contribute to the achievement of employment outcomes and can be effective in assisting in the development and survival of new small businesses around Australia. Changes were recommended to the administration and design of the incubator program to improve its overall effectiveness and the committee understands that these have subsequently been implemented. Representatives of the Capital Region Enterprise and Employment

34 Mr Julian Webb, Chief Executive Officer, Capital Region Enterprise and Employment Development Association (CREEDA), *Developing Incubation Policy—A Discussion Paper*, July 2002, p. 5

35 Ms Barbara Gabogrecan, Managing Director, Micro Business Network, *Hansard*, Melbourne, 24 July 2002, p. 248

Development Association (CREEDA) submitted that incubator support and management policies have been refined over the past few years and that there is a view in the industry that the current policy settings are about right. In support of the value of incubators, they cited survival rates for their graduates of 80 per cent after several years compared with an average new business survival rate of approximately 20 per cent.³⁶

5.38 CREEDA argued that the time has now come for the business incubation program to be integrated with other Commonwealth, state and local government programs and targeted more closely at those businesses that want to grow and have the capacity to employ. It also identified a need for a clear agreement between state and Commonwealth governments on funding and support principles for incubators and for a program to develop the capacity of business incubator managers. Incubation management is a specialised skill and CREEDA argued that Australia needs access to the professional, specialised training now available in other countries, so that incubator managers can provide more effective support. The committee agrees that this form of professional development and capacity building is an appropriate area for the Commonwealth to support.

Recommendation Thirteen

The committee recommends that the Commonwealth Government supports the establishment of a professional development program for incubator managers across Australia.

Established businesses

5.39 A common refrain throughout the inquiry was the relative lack of training and management support for established businesses. One witness told the inquiry that, while there are many courses for businesses starting up, there are few for those who, several years after commencement, have a greater appreciation of the importance of business plans, cash flow issues and regulations.³⁷ Representatives from the WA Department of Training endorsed this view, noting that once someone is in business, there is an expectation that they ‘look after their own development.’³⁸ A similar view was put by a small business management training expert with extensive experience in the United Kingdom, Europe and more recently Australia. He observed that the small business support industry in Australia appears to have ‘stalled’ at the business start-up stage:

36 Mr Ian Davis, Deputy Chair, Canberra Business Council, *Hansard*, Canberra, 6 August 2002, p. 482

37 Mrs Mary Storch, *Hansard*, Roundtable, Sydney, 15 August 2002, p. 684

38 Mr Richard Strickland, WA Department of Training, *Hansard*, Perth, 17 July 2002, p. 77

it has not made the evolution that other developed countries have made about trying now to develop the stock that has already been established.³⁹

5.40 One consequence is that the sector is not able to realise its growth and employment potential. The Western Australian Business Enterprise Managers' Association suggested that a greater emphasis on support for established businesses might lead to a better return on the training investment:

Too often government assistance programs are targeted at novice entrepreneurs with an aim to encourage more small business start-ups. However, the high 'churn over' rate among small businesses means that such new venture creation may have limited sustainable impact on employment growth and that established businesses might offer greater potential for development and thus employment.⁴⁰

5.41 A possible explanation for this relative neglect is that established business requires a more sophisticated, customised, flexible response than current structures can easily support. Generic training courses, with a set 'curriculum' or menu of management issues are often of little interest or relevance. The ideal training for an established business is that which addresses the businesses' individual needs and circumstances,⁴¹ and can be delivered in the workplace, on a one-one-one basis, both for practical reasons⁴² and out of 'privacy' concerns. One witness explained:

...they are time poor, so people need to be taught before they go to work or after they finish work and they need to have their training in pieces. They do not want to do a course. They have an immediate issue that needs to be addressed, so there needs to be a module that can address that issue.⁴³

Mentoring and business advisory programs

5.42 In practice this means an extensive range of business advisory, counselling, coaching and mentoring services, as well as a broad menu of short, sharp training programs on specific issues such as e-commerce or marketing, to address a specific need. At this point it is necessary to define what we mean by a mentor. One witness described a mentor as an experienced business person who:

39 Dr Tim Atterton, Director Entrepreneurship and Business Development Unit, Curtin University, *Hansard*, Adelaide, 10 October 2002, p. 961

40 Submission No. 40, Western Australia A BEC Managers Association, p. 7

41 Ms Linda Hailey, op. cit., p. 624

42 Ms Mary Dean, Vice President, Business and Professional Women's Association, *Hansard*, Launceston, 26 July 2002, p. 410

43 Mr Euan Miller, Executive Officer, Business Enterprise Centres SA Inc, *Hansard*, Adelaide, 10 October 2002, p. 955

can facilitate information, contacts and other...needs...and be a reflective counsel...The most effective mentors are those who can help open a door somewhere when you need it and get you to think the right way.⁴⁴

5.43 While there has been an increase in the number and range of mentoring programs in recent years, including under the Small Business Enterprise Culture Program, the committee heard that the demand still falls well short of supply, particularly in regional areas. Representatives from the ACC in Far North Queensland identified mentoring support as the greatest need in their region, particularly for those businesses that are outside the larger towns and are struggling.⁴⁵ Established businesses would also benefit from assistance in the form of ‘diagnostics’ or business counselling and advice: ‘That is where that third person comes in, sits around the table and says, ‘Hey, what do you need?’⁴⁶ A variation on this would be visits from an experienced small business person who could assess a small business’ bookkeeping arrangements, for example, and suggest practical improvements.

5.44 A case was also made for additional mentoring assistance for graduates of the NEIS program to help them manage the early phase and, ideally, expansion of their business.⁴⁷ A representative of a Queensland ACC told the committee that:

It is okay to get a person to the point of understanding how to fill out a business plan and do a cash flow projection and get them to the point where they have identified their market—that is great. But when they are ready to rock and roll and get into business they are out on their own. They walk out of that NEIS program and there is nothing to flow on from that. The coaching and mentoring is required to take them on from that NEIS step...Coaching and mentoring is also required for businesses that are ready to expand. Many of the successful businesses tend to stay where they are, in their comfort zone. I think quite often we have an opportunity to grow our regional areas through the existing businesses that are already working well and we need to coach and mentor them into export markets et cetera.⁴⁸

5.45 NEISA also acknowledged the need for more training or support for NEIS graduates but suggested that this be confined to the small percentage that are likely to grow employment, even to a modest extent.⁴⁹

44 Dr Timothy Mazzarol, Chairman, Centre for Regional Innovation and Enterprise, *Hansard*, Albany, 18 July 2002, p. 107

45 Submission No. 38, op. cit., pp. 1–2

46 Mr Robert Griffith, Secretary, Centre for Regional Innovation and Enterprise, *Hansard*, Albany, 18 July 2002, p. 102

47 Submission No. 85, Ipswich and Region Area Consultative Committee, pp. 1–2

48 Ms Cindy Ford, Executive Officer, Ipswich and Regional Area Consultative Committee, *Hansard*, Brisbane, 12 September 2002, p. 759

49 Submission No. 80, National NEIS Association, p. 32

5.46 Industry organisations also supported the value of mentoring as the best, and perhaps only, way to upgrade some of the management skills of their small business members. This was regarded as being particularly important in times of significant change, such as during the introduction of de-regulated trading hours in Tasmania:

We believe that there is a need for innovative approaches to the skilling and training of people. Getting people away from small business is a challenge. We spent time earlier this morning talking about a couple of initiatives we are working on with our training partner to develop a fairly targeted mentoring arrangement to help small business to look at not only how they develop their product or service but also how they manage, market and administer themselves. At the moment it is going to be an area of some considerable challenge—when do seven-day-a-week operators running a small business get the time? Forget getting them to come out into a formal class environment. At the end of the day it almost has to be a one-on-one mentoring arrangement.⁵⁰

5.47 There are two main constraints on the expansion of mentoring services to meet the demand: limited funding by Commonwealth, state and local governments and the supply of suitable mentors.⁵¹ The latter problem may be more a manifestation of the fragmented nature of small business support programs than a genuine shortage of mentors: the National NEIS Association indicated that they have a large network of qualified mentors who could be available to contribute to other programs if agreed.⁵² Other mentor programs currently operating, including Mentor Resources Tasmania and the e-mentoring program introduced by the Association of Professional Engineers and Managers of Australia (APESMA), also draw on the resources of small business mentors.

5.48 BECs may provide mentoring services when they are funded for that purpose by the states or the Commonwealth or they can support provision from their own resources.⁵³ Access under many current programs is often restricted to the ‘target groups’ for which the program was established; for example, the ‘Women in Business Mentors program’ or programs developed under the Small Business Enterprise Cultures Program or Regional Assistance program, usually for businesses in a specific region as part of a broader support strategy.

5.49 Lack of continuity is a related complaint because mentoring is often funded under project-based grants, such as the Small Business Enterprise Culture Program. The National Institute of Accountants attested to the benefits of mentoring programs,

50 Mr Peter Fehre, Executive Director, Retail Traders Association of Tasmania, *Hansard*, Launceston, 26 July 2002, p. 424

51 Mr Andrew Maurice, op. cit., p. 28

52 Ms Irene Dewsbery, op. cit., p. 721

53 Mr Andrew Maurice, op. cit., p. 28

but lamented the lack of follow up: ‘So if there is a mentoring program it needs to be an ongoing program’.⁵⁴

5.50 With the proliferation of mentoring programs, the question arises as to whether there is a need for a more coordinated and professional approach, including quality assurance arrangements and a better use of available resources. Mentor programs are often established and then simply ‘let flow’,⁵⁵ without there necessarily being any evaluation or follow up. BEC Australia also identified this as an issue and recommended that Australia consider establishing a national accredited mentor scheme, similar to the United States’ SCORE (Service Corps of Retired Executives) program, to provide greater consistency and continuity of assistance.⁵⁶ The committee believes that the current range of mentoring programs should be assessed and consideration given to the best way for these services to be provided in future, including the need for professional development and establishing best practice principles for mentors and service providers. The feasibility of establishing a national mentor program based on the US model, with a clear ‘brand’, continuity of service and the capacity for small business people to apply directly for assistance as and when needed, should also be investigated.

5.51 The committee also notes a proposal from CREEDA for the development, in conjunction with CPA Australia, of an online program to provide small business training and information, interactive business assessment tools, business discussion groups and an on-line mentoring and professional referral service.⁵⁷ This may be particularly useful for small businesses in areas where there may be a lack of suitable mentors. The committee considers that an online advisory program of this kind could be a useful complement to a national mentor program and is worthy of further consideration as part of the feasibility study. An examination of the need for and role of a national mentor program should include consideration of the role of current mentoring programs, such as Mentor Resources Tasmania, and government support for these programs, as part of a broader national program.

Recommendation Fourteen

The committee recommends that the Commonwealth Government undertakes a feasibility study of the establishment of a national mentor program that would include training, accreditation and support for business mentors across Australia. The study should also examine the scope for an online advisory and mentoring service. A pilot study should form part of the feasibility study.

54 Mr Gavan Ord, Technical Policy Manager, National Institute of Accountants, *Hansard*, Launceston, 26 July 2002, pp. 441–42

55 Dr Tim Atterton, op. cit., p. 970

56 Submission No. 72, op. cit., p. 10

57 Mr Julian Webb, Chief Executive Officer, Capital Region Enterprise and Employment Development Association (CREEDA), *Hansard*, Canberra, 10 October 2002, pp. 936–37

Training programs

5.52 However mentoring alone is often not enough; the best management development solution often requires a combination of mentoring and formal training,⁵⁸ or mentoring and networking. The committee was told that a program in Western Australia, funded under the Small Business Enterprise Culture Program—based on a combination of mentoring, training and networking—had significantly increased the profitability of participating businesses.⁵⁹ Representatives from the BECs also submitted that many small businesses require a combination of training and mentoring and that the ‘the two dovetail’. A similar view was put by a trainer from the Small Business Centre at Adelaide TAFE, when extolling the virtues of the Young Entrepreneurs program, although he noted that it is a very expensive option.⁶⁰

5.53 As with training for start-up businesses, it is not clear whether the supply of training programs for established small business meets the need, either in terms of availability or relevance. TAFE is probably the largest single provider of business management training in Australia, with more than 22,000 enrolments in units related to small business management in 2000,⁶¹ although many BECs also provide training, often in the form of short courses, workshops or seminars, on specific management issues such as marketing, e-commerce and so on, depending on demand and available funding.

5.54 The committee heard many complaints that training programs currently available are not adequate, particularly for small businesses outside the major metropolitan centres. Typical comments include:

- the complaint that there is ‘very little [training] support...on the financial management of a business’ or...on the technical side of a business...in Albany because the local BEC is only funded to provide marketing training;⁶²
- the submission from the Business and Professional Women in the Northern Territory stated that that there is very little training available for business owners in the territory;⁶³
- while there are government subsidies to provide training courses to industry association members ‘every time you get a good course going and you get some sort of government subsidy to do it, it gets ripped away at the next budget’;⁶⁴ and

58 Dr Timothy Mazzarol, op. cit., p. 107

59 Ms Sally Haigh, Senior Development Officer, Great Southern Development Corporation, *Hansard*, Albany, 18 July 2002, p. 109

60 Mr David Byrne, *Hansard*, Adelaide, 10 October 2002, p. 980

61 Submission No. 84, Australian National Training Authority, p. 5

62 Ms Nowotny Ford, op. cit., p. 135

63 Ms Nowotny Ford, op. cit., p. 135

64 Mr Peter Fitzpatrick, Executive Director, Motor Trades Association of Western Australia, *Hansard*, Perth, 19 July 2002, p. 180

- BECs acknowledge that the programs and services that they can offer vary significantly, are limited by funding and that small business would benefit if BECs could be better resourced to enable a more strategic approach.⁶⁵

The role of VET

5.55 There are differing views on the capacity of TAFE to meet the training needs of established businesses. In many respects, the VET sector, with its broad responsibility for vocational training, is the natural or obvious provider of small business training. However most of the evidence to the inquiry suggested that, under current arrangements, TAFE programs do not meet the needs of established businesses. There are several criticisms. TAFE teachers are said to lack small business experience, and therefore credibility with their small business clients.⁶⁶ Course times and locations are often inflexible or unsuitable.⁶⁷ The emphasis on formal qualifications, which requires completion of a 200 hour program, usually needing three to four years to complete part-time, is at odds with business preferences for short and sharp programs, with qualifications being of secondary importance. There is also a well-recognised aversion by many small business for formal, classroom type training and the TAFE 'banner'.⁶⁸ TAFE is also seen as focusing primarily on school-leavers. The result is that, in the common, although by no means unanimous, view of witnesses to the inquiry, small businesses are not interested in TAFE programs.⁶⁹ Industry associations or other sector support bodies are, it has been argued, more likely to appeal to small business as training providers.

5.56 The committee heard from the Australian National Training Authority (ANTA) and the National Centre for Vocational Education Research (NCVER) that the VET sector is aware of these criticisms, recognises the need to better orient their training offer to the needs of small business and has introduced several initiatives to achieve that goal. A detailed active research program, the Small Business Professional Development Best Practice Program, was undertaken in the late 1990s to explore effective approaches to promoting small business professional development. The Program identified the value of learning communities and networks and the combination of mentoring and other business-specific approaches to training. A range of 'How to' Manuals, drawing on the program, have been distributed to VET providers.⁷⁰ ANTA has also identified the need for the VET sector to enhance its capacity to meet small business needs, including a greater focus on small bites of training that are directly relevant to a business need. Projects are trialing ways of

65 Mr Andrew Maurice, op. cit., p 16

66 Mr Ian Reid, Business Consultant, *Hansard*, Melbourne, 24 July 2002, p. 278

67 Mr Euan Miller, op. cit., p. 995; Mr Michael Edgecombe, Executive Officer, Regional Development South Australia, *Hansard*, Adelaide, 10 October 2002. p. 956

68 Ms Mary Dean, Vice-President, BPW Australia, *Hansard*, Launceston, 26 July 2002, p. 414

69 Mr Richard Strickland, WA Department of Training, *Hansard*, Perth, 17 July 2002, pp. 68-9

70 Submission No. 84, op. cit., p. 6

developing VET providers' capacity to better those needs.⁷¹ The need to better orient VET to meet small business needs will also be one of the issues considered during the national consultations as part of the process for developing a national strategy for VET for 2004-2010.⁷² ANTA also identified the need to promote the value of the Business Services Training Package to other organisations, such as BECS, which are outside the VET sector but provide advice and training for small business⁷³ as well as to small business networks. The underlying objective is to promote the value of training, the resources that are available and a more consistent approach to small business training, which will ultimately facilitate the integration of formal and informal training.⁷⁴

5.57 There are a number of impediments to the VET sector meeting the training needs of small business. Current funding arrangements are perhaps the most important. As ANTA acknowledges, the current funding, planning and enrolment systems are designed around attainment of qualifications, contrary to the focus of most small business people.⁷⁵ A representative from a regional association told the committee that the state training plans, that are the basis of ANTA funds allocations, do not reflect the needs of regional areas, which are for more flexible, patchwork training arrangements.⁷⁶ Despite these barriers, TAFE programs can meet the needs of small business, if carefully planned. The committee heard that the Small Business Centre at Adelaide TAFE, enrolled 30 per cent of small business people in its classes (with the remainder being business intenders).⁷⁷ Programs at the TAFE are 'short, relevant and gutsy'; have a good selection of subjects and are offered frequently, to enable learning when needed; trainers have small business experience and credibility; price is pitched appropriately; learning materials are small business orientated, assessment tasks are based on participants' own businesses; and delivery is flexible allowing enrolment in any subject on any day of the year.⁷⁸

Comment

5.58 The committee considers that the VET sector has a potentially important role to play in meeting the training needs of small business. It recognises and endorses the efforts that are being made within the sector to provide more flexible ways of meeting those needs and urges Commonwealth and state and territory governments to give priority to these efforts and to ensure that future funding and planning arrangements support more flexible, business-oriented training approaches. The committee also

71 *ibid.*, p. 11

72 *ibid.*, p. 3

73 *ibid.*, p. 10

74 *ibid.*, p. 12

75 *ibid.*, p. 12

76 Mr Michael Edgecombe, *op. cit.*, p. 956

77 Mr David Byrne, *op. cit.*, p. 974

78 *ibid.*

supports efforts to promote the greater involvement of business networks in promoting and delivering training for small business and to better integrate formal and informal training for small business. Better integration is desirable as a means of promoting a more consistent approach and also enhancing the scope for the investment in informal training to count towards award of qualifications, where that is a goal of the business owner.

5.59 The committee also strongly endorses ANTA's view that training needs to be better integrated with other government support services for small business. This could form part of an integrated strategy for small business support as recommended in Chapter 4.

5.60 The committee considers that there is a need for an assessment of the complete range of small business training programs targeting established business, including those offered by the formal and informal sector, complemented by a needs analysis. This should occur in conjunction with the development of the integrated national framework for small business support recommended in Chapter 4 and the analysis of start-up training programs. Particular attention should be given to the need for training programs in the areas of e-commerce and technology, including internet skills in view of the growing importance of the internet in business.

Recommendation Fifteen

The committee recommends that the Small Business Ministers Council commissions a needs analysis of training programs targeting established small business and an assessment of the extent to which the current range of training programs meets the needs. This should occur in conjunction with the development of the integrated national framework for small business support recommended in Chapter 4 and the analysis of training programs for start-ups.

The role of universities

5.61 While universities offer a range of business management programs, it is difficult to determine the extent to which these meet the needs of small business. Courses in entrepreneurship, commercialisation and new venture funding are conducted within the business management schools of a number of universities but these are not specific to small business and no records are kept on the participation by small business people. There are also a number of programs targeting small business people, including two programs at Curtin University, a Growth Program and a Business Improvement Program. Other universities may offer units specialising in aspects of small business management.⁷⁹ The committee gained the impression that universities currently play a marginal role, at best, in developing the business management capacity of the small business sector.

79 Letter from Professor Sandra Harding to Senator Campbell 12 November 2002 (additional information).

5.62 The director of the business training centre at Curtin University, Dr Tim Atterton, told the committee that a major gap in skills training for small business in Australia is in the area of management support for established ‘premium,’ or high growth small businesses. A percentage of these businesses, which he estimated at about 15-20,000 businesses in Australia, stall after three to five years because they lack the management skills for sustainable growth. In his view, the higher and further education sector in Australia is currently ill-equipped to respond to this management training need, partly because they do not understand the need and also because they do not have the capability.⁸⁰ He suggested government could address the current market failure by investing in the development of a management development capacity for small business, particularly growth oriented businesses.⁸¹ Investment could be in the form of pump priming several centres of excellence, based on some key principles; including partnership with small business and staff with real small business experience and a close understanding of contemporary small business issues. The centres would aim to develop a new cadre of small business educators combining real small business experience and an understanding of business issues and to develop best practice training models.⁸² The findings of the Global Entrepreneurship Monitor offer some support for this view: the report found that Australia’s entrepreneurial capacity is low, entrepreneurial skills are not widely taught, we have few experienced entrepreneurs to act as mentors and few managers to work alongside entrepreneurs to bring systematisation to fast-growing ventures.⁸³

5.63 The committee considers that there is value in considering this proposal as another means of promoting improved business management in the small business sector. The diversity of the sector suggests a range of different approaches and strategies may be needed, and that the higher education sector may have a role to play in developing managerial capacity, along with the VET sector and informal training providers, particularly in relation to high growth potential businesses. The role of such centres in a broader strategy of small business management development would need to be clearly defined and appropriate links established.

Recommendation Sixteen

The committee recommends that the Commonwealth Government undertakes a feasibility study of a program to foster the establishment of several centres of excellence in business development for the small business sector, with a focus on the needs of high growth business. The study should examine international experiences with this approach and ways in which any such centres could be integrated with the broader structure of small business development support.

80 Dr Tim Atterton, op. cit., p. 961

81 *ibid.*, p. 960

82 *ibid.*, p. 968

83 K. Hindle and S. Rushworth, op. cit., p. 29

Developing a training culture in small business

5.64 There is a widely held view that small business owners do not see the value of training, particularly in something that may seem remote from daily pressures, such as business management. Statistics bear this out to some extent: ANTA surveys identify small business owners as over-represented in the category of those who are ‘not interested’ in formal training and under-represented in attendance at short, sharp training courses conducted within the VET sector, even though the latter are the types of programs that they identify as most appropriate to their needs.⁸⁴ Various reasons were suggested during the inquiry, including the fact that many of those who establish small businesses are ‘fiercely independent and very confident in their own abilities’;⁸⁵ that proprietors ‘want to maximise their time in business as much as possible and sometimes forget that some of the back-end stuff is just as important’⁸⁶; and that proprietors have difficulty in focusing on something that is not an immediate problem.⁸⁷ Negative attitudes to formal training are also said to be common.⁸⁸ Resistance may be more to the idea than the reality and the right marketing is very important: smuggling training to small business in the guise of solving a problem can be effective⁸⁹ and there is likely to be a greater response to a ‘workshop’ or ‘seminar’ than a training program.⁹⁰

5.65 The extent of this lack of interest can, however, be over-stated, particularly with regards to less formal training programs. The committee heard many examples of an active interest in training by small business: a survey of small businesses conducted by a BEC in NSW indicated that many business owners, along with their staff, would be prepared to spend up to two hours a week on learning business related skills and information, provided the time, topics and formats met their needs;⁹¹ there are many instances of night courses or similar programs run by councils and others which are unable to meet the demand, including from outside the local region; a program conducted by Curtin University for small business regularly attracts interest from 500 businesses. The import of this evidence was that ‘getting the training offer right’ can go a long way to stimulate greater demand.

84 Submission No. 84, op. cit. p. 8

85 Mr Robin Taylor, *Hansard*, Roundtable, Sydney, 14 August 2002, p. 626

86 Mr Gavan Ord, op. cit., p. 432

87 Ass Professor John Breen, Head, Small Business Unit, Victoria University, *Hansard*, Melbourne, 25 July 2002. p 303

88 P. Kearney, *Big Pictures from the Small End of Town*, 1998 Small Business Professional Development Programme Evaluation Report, Commonwealth of Australia, 1999, p. 8

89 Ass Professor John Breen, op. cit., p. 310

90 Mr David Baumgarten, *Hansard*, Roundtable, Sydney, 14 August 2002, p. 621

91 *ibid.*

5.66 Small business also invests in less training for its employees, or at least in less formal training, than larger business. Once again several factors come into play: small businesses lack the internal resources to design and deliver structured training programs. They are therefore more reliant on external providers such as TAFEs.⁹² The increasing use of casual and contract labour and a fear that an investment in training will be wasted if the employee leaves, possibly to start their own business in competition,⁹³ also act as deterrents. With approximately 40 per cent of all Australian employees working in the small business sector, this relative under-investment in skills development can seriously undermine Australia's efforts to develop a more productive, competitive and innovative economy. A reluctance to invest in training can also make it more difficult for small businesses to recruit, as there may be a shortage of people with the full complement or combination of skills required. The proposed training programs for small business recommended in Chapter 3 should assist small business to develop the skills and confidence to develop and conduct training programs for new staff or identify suitable external courses.

5.67 At the same time, there is significant training undertaken by the employees of small business. Employees of small businesses enrol themselves in study towards full qualifications at the same rate as employees of other businesses⁹⁴ despite the fact that a smaller percentage of them receive employer support for study. Small business employees are also more heavily represented in VET enrolments than other employees: in 2001 one quarter already held VET qualifications.⁹⁵ Small businesses are also heavy users of the group training scheme.⁹⁶

5.68 Attitudinal factors are also important: proprietors who have undertaken training are more likely to invest in training for their employees. Finding ways to lift the participation of small business owners in training is therefore likely to lead to pay significant dividends. Several states, including Western Australia, have used a system of training vouchers for small business as a means of encouraging greater participation.⁹⁷ The Dusseldorp Foundation suggested that a more coercive approach may be needed and that there could be a case to introduce a variation of the former Training Guarantee Levy scheme, requiring business to spend a minimum amount on training their employees, or pay the equivalent in a levy.⁹⁸ While most small business people and their representatives acknowledged the importance of small business investing in more training for their employees, few were enthusiastic about a levy. There was far greater support for more extensive incentives: one small business

92 Submission No. 84, op. cit., p. 8

93 Mrs Barbara Enright, *Hansard*, Roundtable, Sydney, 15 August 2002, p. 696

94 Education and Training Experience Australia, ABS 2001

95 Submission No. 84, op. cit., pp. 7-8

96 Submission No. 94, Department of Education, Science and Training, p. 7

97 Mr David Strickland. op. cit., p. 68

98 Dr John Spierings, Research Strategist, Dusseldorp Skills Forum, *Hansard*, Melbourne, 25 July 2002, p. 351

person suggested that businesses be able to seek a tax deduction not only for the cost of training programs but also for the value of the employees' time.

5.69 Changing the training culture in small business is likely to be an important part of the solution,⁹⁹ although this is not an easy task. It also requires a change to the culture of the broader society and a public policy framework in which the value of training and development is deeply embedded. In the view of a representative of the ACCI training is:

a cultural issue; it relates to our innovation culture, our entrepreneurial culture. It also relates to the recognition that your own management skills and the skills of your employees go to the very heart of the success of your business. Over time we would hope that businesses recognise how important education and training are. They need to be embodied in the government's policies in terms of vocational education and training and higher education. A need exists to bring together all of those policies with its general policy on innovation. I do not have a simple answer for you. We would not support a training levy; but we recognise that this is an ongoing issue for business to address, together with governments at the state and federal level and, more generally, with the community.¹⁰⁰

5.70 Dr Atterton of Curtin University suggested a range of ways that governments could stimulate demand for management development for premium growth oriented small and medium enterprises (SMEs) as part of a broader strategy for developing small business managerial competence. These include greater links with SME stakeholders and identification of the triggers to management development as part of a national campaign to promote interest in growth-oriented SMEs.

Comment

5.71 The committee considers that there is a role for government in promoting the value of business skills development to small business owners. Promotion of the value of investing in skills development for their workforce should form part of a broader campaign. The small business network should be actively involved in any such campaign.

Summary

5.72 Small business is a critical part of the Australian economy and needs to be included in strategies to develop a more competitive, productive and export-oriented economy. Australia needs to build on past and current efforts to develop business management skills by developing and upgrading training support structures, including professional development programs and sharing best practice approaches. There is a

99 Mr Andrew Maurice, *op. cit.*, p. 17

100 Ms Karen Curtis, Director, Industry Policy, Australian Chamber of Commerce and Industry, *Hansard*, Canberra, 6 August 2002, p. 542

role for government in promoting the value of training to the small business community, in partnership with the networks. Strategies are needed to promote a better takeup of training by new starters and to ensure that there is sufficient training and mentoring support to meet the needs of small business. The ultimate goal is for all components of the formal and informal training sector need to work together as part of an integrated framework for small business management development. This needs to be integrated with the broader program of small business support.

