The Small Business Assistance Dilemma:

Is the Disparity between the Offerings of Support Agencies and the Needs of Businesses Irreconcilable?

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Abstract

There is a wide range of service providers who have varying motives for supplying assistance to small businesses in Australia. Despite the sizeable numbers of both suppliers and consumers of assistance it is believed that the marketplace for small business assistance operates inefficiently. This inefficiency is described as a disparity or misfit between the learning opportunities offered by service providers to small business and the learning needs of small business owner / operators.

This paper provides an analysis of the learning activity that currently exists in the small enterprise sector. The role of communication in bringing supply and demand closer together is discussed and a proposition is developed to alleviate the learning disparity via a more proactive approach to communication by service providers. Two small enterprise projects are used to test the proposition. The findings provide guidance for the more effective functioning of organisations that serve and support small businesses.
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Introduction

The provision of assistance to small businesses is available from a range of service providers who have varying motives for supplying such assistance. At the same time there are almost one million small businesses in Australia that have a broad range of needs for assistance. Despite the large numbers of both suppliers and consumers of assistance there is strong evidence to suggest that the marketplace for small business assistance still operates inefficiently. On the supply side there are many provider offerings that are not taken up in large numbers while at the same time there are many operator needs that are not being satisfied. Such an inefficiency can best be described as a disparity or misfit between the learning opportunities offered by service providers to small business and the learning needs of small business owner operators.

This paper begins with an analysis of the learning activity that currently exists in the small enterprise sector. The different perspectives of service provider and small business operator are considered and an introduction to the learning disparity follows. The role of communication in bringing supply and demand closer together is discussed and a proposition is developed to alleviate the
learning disparity. The proposition suggests that the learning disparity can be
decreased if there is a more proactive approach to communication taken by the
service providers. Two small enterprise projects are used to test the proposition.
The data suggests that the outcomes from the project support the proposition. The
findings provide guidance for the more effective functioning of organisations
charged with the provision of service to small businesses. Finally some
suggestions for additional research are made.

The Small Business Assistance Landscape

Organisations that provide services to small business include government
agencies and departments, educational institutions, quasi community
organisations, industry associations and private operators such as accountants,
lawyers and consultants. The assistance for small business provided by
government has usually been motivated by economic considerations, notably to
increase employment opportunities and economic development by having better
functioning small businesses. Industry associations are generally trying to meet
the needs of their membership, while the private operators are trying to earn an
economic return.

Gibb (2000) categorises the different types of support offered to small business as
assistance, intervention and training. He explains such support in two contexts.
The first one focuses on small business development policies and is usually within
the context of subsidised programs of public intervention. The other view of
support structures incorporates accountants, bankers, educational institutions, chambers of commerce and business networks, which are commercial services and part of the conduct of normal business activity. Howard and Hine (1997) describe three different forms of government assistance to small business in Australia. They include advisory services offered through quasi government agencies, which they argue, act as a multiplier agency; start-up support including training and financial assistance designed to offset unemployment; and finally business incubator development which aims to foster successful business operations.

On the demand side, the take up of small business assistance offerings by small businesses is inconsistent. Most businesses rely on their accountant for assistance with statutory taxation matters (Peacock 1997, Holmes and Nicholl 1990, Yellow Pages 1995), but are less likely to use accountants for business advice. Participation in government programs is low amongst small businesses, but it is particularly low in the smallest businesses. The government program that is attractive to the smallest businesses is the New Enterprise Incentive Scheme, which is designed for start-ups and attracts some funding subsidy (Industry Commission 1997). Gibb (1997) summarises the literature on small business training by indicating it does not appeal to small firms for a variety of reasons including time and resource concerns. Furthermore he argues that these concerns were first identified over 25 years ago and were still valid in the late 1990’s.
Holmes, Butler and Lennon (1995) reported on similar constraints to the take-up of training in the Australian small enterprise context.

In summary, the supply side of small business assistance consists of numerous players in both the government and private sector who offer a broad range of activities designed to help business operators carry out their business activities more effectively. On the demand side there is a large number of small businesses, with varying needs but with little inclination to participate in small business learning. There is clearly a disparity between the learning opportunities offered by service providers and those taken up by the small business operators. It is this mis-match that indicates the inefficiencies in the market and the need for greater compatibility among all involved.

Learning is important to small business survival, innovation and profitability (Chaston et al, 1999; Massey & Walker 1999). Small business has many of the characteristics of an effective business learning organisation (Gibb 1997), however, it has often been assumed that small business learning takes place in the same way as in large business. Service providers need to be aware of the influence of the small business founder in defining the business concept and mode of operation (Watson, 1998; Penn et al. 1998; Kerr & McDougall, 1999). The owner/operator has a key role in shaping the culture of the business, which is important as culture acts as a filter through which learning occurs (Guglielmi, 2000). Learning occurs as a result of critical reflection on one’s own experiences
and through active experimentation, not just through formal training (Drejer, 2000; Gibb, 1997). All businesses do not learn in the same way nor need support in the form that it is often interpreted by educators and support service providers (Kearney, 1998; Hawke, 1999).

In an ideal world the demand for small business support and the supply of such support should be matched, however that is rarely the case. Many service providers are inflexible in their offerings because of organisational constraints such as the time they have available for the delivery of services and the resources they have available for activities such as training. There is also a lack of understanding of small business learning needs.

On the demand side the learning needs of small business operators tend to be difficult to categorise because the needs are associated with the current status of the business and usually involve an immediate problem that needs to be solved. At a more strategic level, most small business operators don’t realise they have a need for learning. They are generally too busy to go looking for support or are cynical about the impact of such support. Finally there is also a lack of awareness of what learning opportunities are available.

Therefore this disparity between the offerings of support agencies and the needs of small business operators is caused mainly by an awareness gap. That is, each side lacks an awareness of what the other has to offer or is seeking. It may be
argued that if the communication between the two parties is improved, then the awareness of what learning opportunities are available will improve and lessen the disparity between offerings and needs.

**Literature**

The level of understanding about effective learning practices amongst service providers is often limited because of their narrow views about what constitutes learning. It is not generally understood that many small business owner/operators are often actively involved in informal learning. In the workplace, staff are regularly involved in activities that are not always viewed as learning, for example discussions with product representatives, attending seminars organised by suppliers, gleaning knowledge from new staff or borrowing approaches learned from their business competitors (Kerr & McDougall, 1999). Small business owner/operators learn in a variety of contexts. They learn from peers, learn by doing, learn by feedback from customers and suppliers, learn by coping, learn by experiment, learn by problem solving and opportunity taking and learn by mistakes (Gibb, 1997; Kearney, 1998).

Gibb (2000) identified a range of economic, product and knowledge factors, which inhibit small business service providers in the delivery of appropriate support. With respect to economic inhibitors the most appropriate delivery mechanism for small business support requires flexibility to suit the business operator, however such delivery is costly and often not economical for service
providers (Kearney, 1998). Furthermore dealing with small business involves considerable investment in terms of establishing reputation, financing and customisation. Finally many support agencies are dependent on government funds for their existence and a shift in government policy can undermine their efforts and the returns available (Gibb, 1997).

The product related inhibitor refers to the fact that the support activity often lacks flexibility and relevance to the small business. The delivery is usually designed to suit the agency rather than the business. There are frequent complaints about the lack of understanding of the particular industry area and that the work tends to be content focused rather than process focused. Other criticisms include the use of generic programs rather than tailored activities, and the complicated bureaucratic procedures necessary to enable participation (Kerr & McDougall, 1999).

The knowledge obstacle refers to the lack of understanding of the culture of small business and their learning needs (Gibb, 1997; Kearney, 1998; Sparrow, 1999). Additionally, support services and agencies tend to assume that all small businesses need assistance. They often do not fully understand that an informal, somewhat ad-hoc approach to change and development by businesses through on-the-job learning and use of business networks may adequately satisfy their needs and should not be underestimated (Kearney, 1998; Gibb, 1997; Gibb, 2000).
A number of factors influence the approach that small business operators take to support services. Small business operators are very cost conscious and will make a decision about utilising support by comparing the benefit of gaining the information against the cost of not accessing the information. Their attraction to support can also depend on the learning focus of the business operator, that is, do they operate their business as a learning organisation? Small businesses are usually attracted to learning when it aids in solving problems and enables the seizing of opportunities (Gibb, 2000). They tend to be very focused on their immediate problems.

“Small business operators are only interested in assistance which contributes to the solution of today’s problems, as they simply do not have the time to engage in generic support, with a potential pay-off in the future”


Gibb (2000) found that small business operators report on a series of obstacles that inhibit their involvement in support activities. These obstacles have been classified as economic, structural and attitudinal factors.

Economic factors, which are seen as obstacles to small business involvement in support activities include the general lack of resources among small business operators and also their priorities whereby the most pressing priority takes
precedence. Small business operators also find that time and resources used in chasing support or in implementing change tend to disrupt their productivity. With respect to structural obstacles, small businesses lack sufficient personnel and in particular specialty staff to follow-up support opportunities or to sustain an informed effort.

The small business attitudinal factors that inhibit involvement in support activities include the fact that training and outside support is not valued in the same way as learning on the job. Business operators are busy and often have a limited understanding of the small business support sector and the support options available to them. Furthermore the autocratic, individualistic behavioural traits of owner/operators often lead to rejection of a critical assessment of their management abilities. Some operators are also deterred because of previous unsuccessful experiences, which causes apprehension about becoming involved again. Finally, some operators have a distrust and resentment of officialdom and prefer to avoid dealings with government agencies.

The communication effort of the support providers usually depends on their drive to offer successful services and their degree of business familiarity. For small business operators the level of their communication effort usually depends on the urgency of their information need. It is feasible that improved communication may provide a better level of understanding of each party’s views and should therefore improve the efficiency of small business support provision. However,
there is less likelihood of the average small business operator changing their behaviour as they usually only react to urgent needs. Therefore there is only likely to be less disparity between supplier offerings and operator needs in the longer term if service providers are able to change their behaviour and communicate more with small business operators. Such an observation suggests the following proposition.

*The disparity between the offerings of support agencies and the needs of small business operators can be decreased if there is a more pro-active communication focus undertaken by the service providers.*

The remainder of this paper outlines two projects that involved a pro-active communication strategy among small business service providers. These two projects are used to assess the above proposition within a real world context.

**Methodology**

*Project 1*

The first project as described by Bergin (2000) was designed to help prevent injuries in small business. The service provision involved a partnership between a local municipal council and the state work safety regulating body. A project officer was appointed to take specific responsibility for the delivery of the project. He was supported by a steering group of stakeholders from the two partnering
organisations. The project objective was to work with small businesses to help them improve their safety practices.

A number of services were developed by the provider to help achieve this objective. Firstly information about injury risks and safety practices was available in print form through brochures and the project officer was available in person to discuss the material with small business operators. Secondly, display posters that promoted the safety message to employers and their employees were made available and a press campaign was undertaken to announce this fact.

A further stage of the project involved workplace visits. The project officer door knocked businesses in industrial estates where it was determined that industries with poorer safety records were more likely to be located. An analysis of workplace injury data helped identify those industries with a poor safety record. The project officer was skilled in conducting workplace risk assessments and offering this service was an important part of the workplace visits. Furthermore, the project officer was available to arrange for the provision of training designed to deal with injury prevention.

This project represented a good example of the scenario described in the introduction, a service provider with an array of services that could be supplied to small business and a community of small businesses that have been identified with a problem – injuries in the workplace. The impact of such injuries include
expensive insurance claims, potential legal battles and costs to the community in terms of an additional drain on health resources, as well as injured workers unable to carry out their normal work duties. This project provided an excellent opportunity to assess the different strategies used by the service provider to attempt to engage the small business operators.

Project 2
The second project reported by Breen, Bergin, Sims & Ali (2001) was designed to assist businesses that indicated a disposition to growth. The project developed out of a partnership between a local municipal council and a university research unit and had the objective of increasing employment by providing specific support to those businesses identified with a propensity to grow. A survey was used to identify pro-growth businesses and further interviews were used to ascertain their support needs and any impediments that restricted their growth ambitions. An initial model for support was proposed. It involved housing an information officer at one of the local small business enterprise centres and having them available to help any business that sought support. After further discussions with a group of pro-growth businesses this model was modified to provide a more pro-active focus with the information officer being required to make initial contact with identified growth oriented businesses, rather than wait for the business to contact the officer. The project officer was therefore used as a representative of all the service agencies offering support to small business. In the role as a facilitator he was
involved in providing face-to-face contact with selected growth businesses and identifying their growth support needs. The facilitator was responsible for linking the businesses with the most appropriate support agency in accordance with the businesses’ identified needs.

On this occasion there were multiple service providers with many services that were available for small businesses to access. This project involved using a specific matching strategy on the basis of lengthy consultation with small business operators. Furthermore the project was confined to selected businesses – those identified as having growth potential. This scenario provided an opportunity to assess a pro-active facilitation strategy used in an attempt to provide support to small business operators.

**Results**

The broad-brush approach of using brochures, advertising and mail outs as described in the first project was of limited effect. The evaluation of the project indicated that the small business operators showed little recognition of these strategies. In general small business operators were not pro-active, they did not see workplace injuries as an immediate problem, so they had no cause to seek help.

The more specific approach of identifying target groups of small businesses and making direct contact with them through a visit to the workplace was much more
successful. The project officer was seen as knowledgeable and non-threatening and was generally welcomed by the business with comments such as:

‘User friendly’

‘Very good, (we) know some of the problems but the officer gave us more information’

‘Good, realistic recommendations’ (Bergin, 2000)

There was a need to change the focus of the visit from specific falls prevention to more general coverage of occupational health and safety issues.

‘Various approaches were tried with interesting results that shaped the way in which the project was delivered. Generally, small business did not consider falls as a problem in their workplace as other OHS issues were perceived as a bigger problem. This resulted in the initial consultation with small businesses being changed from providing falls prevention advice to providing general OHS advice. This increased the likelihood of getting a foot in the door and involving small business in the project.’ (Quote from the Project Officer, Bergin 2000)

This change in focus was in response to the more pressing need of business operators for advice on safety matters. This need was driven by the increased likelihood of inspections from the work safety regulatory body resulting in
possible fines and increased insurance premiums where poor practices were detected.

The evaluation of the project (Bergin 2000) found that a majority of the firms involved considered the project to be a supportive means of assisting small firms to improve workplace occupational health and safety. Businesses involved wanted to see the project continue as an ongoing service. Bergin (2000) reported that small businesses were accepting of a supportive approach that was one-to-one, industry focused and provided practical information.

The second project was initially going to use the more broad brush or ‘shotgun’ approach of advertising and use of brochures. However, after consultation with business operators it was decided to use a more specific approach of targeted visits to business premises and holding face-to-face interviews with the operator. This communication process was considered essential in order to ensure that the support model truly met the needs of business.

‘The support should provide a human face to assist business operators in their quest for information …Because it may take too long for businesses to find out about this service a person should visit the business.’

(Focus Group Feedback, Breen et al, 2001)
This approach was quite successful in engaging the business operator in
discussion of their business needs and in ultimately being able to provide support
to the business. A total of 55 referrals to different support agencies were made
for the 25 businesses that were visited. Some of the outcomes resulting from
these referrals included four new jobs being created, two businesses entered new
export markets, and eight businesses developed new marketing plans. All of these
outcomes were facilitated by the project and may not have occurred if not for the
strategy developed. The positive feedback on the process included:

‘Will definitely seek support from the department again’
‘Yes, we will use the service again, .. it was the best thing out of the visit’
‘I think it was worthwhile...I may have been able to find the contacts
provided on my own...but probably not. The facilitator gave me direct
names and contacts, which were needed and extremely useful.’ (Breen et
al, 2001)

Both of the projects reported that the business owners improved their knowledge
of the services or agencies available and were able to access the required
assistance. An evaluation of project 1 found that business operators said that they
had learned from the visit and that they were more aware of safety and also had
implemented some improvements as a result of the visit. Similarly with the
second project a majority of the firms indicated that they had improved their
knowledge of what support was available. Additionally, the opportunity to reflect
on their business and to have an objective view of their activities was seen as a valuable learning experience.

**Discussion**

Both projects spent a great deal of time meeting with the small business operators in order to identify their specific needs. These visits formed part of a communication strategy that was developed as a result of the feedback received from small businesses during the planning and pilot stages of each project. The earlier attempts to use more general approaches through advertising and brochures were found to be lacking in personal contact and were too easily ignored by busy business operators.

The outcomes of the two projects indicated that small business assistance providers involved had developed a better understanding of the needs of small business. They did their homework and by talking to small business operators they developed an understanding of the small business culture and their learning needs. The service provider personnel involved in the projects understood the importance of practical, tailor-made support. As a result of their involvement in the projects they were able to adjust their support offerings or refer businesses to other providers better able to meet the identified needs. The service providers also recognised that not all businesses were ready or able to utilise the support available. They therefore instituted a more targeted approach in order to identify
those firms who could best learn from the experience and then concentrated the support on those firms.

The small business operators involved in the projects had an improved understanding of the support opportunities available to help them. They also reported a better understanding of their own needs as a result of discussions with the more pro-active agencies. The small business operators valued the approach used and found the flexibility of support offerings more to their liking and indicated that they would be interested to hear of other opportunities in future. The outcomes represent a learning partnership between the small business operator and the support agency as Gibb (1997) recommended. Overall it is a much more efficient use of resources.

These results indicate there is support for the proposition espoused earlier in this paper. That is the disparity between offerings of support agencies and the needs of small business operators can be decreased if there is a more pro-active communication stance taken by the service providers. The disparity is not irreconcilable. Where there was dialogue between the two players, then it was possible for the service provider to target their offerings more effectively and to address the needs of the operators more accurately. The implications of this finding is that where there are more targeted offerings by small business assistance providers to the small business operators, there will be greater take up of services and a more efficient use of resources.
Small Business owner/operators do not hold all the answers nor are they able to solve all the problems that their businesses face. There is a part to be played by service providers in facilitating organisational and individual learning within the client’s business context (Massey & Walker, 1999). Support agencies with the right approach are able to reinforce this learning in order to help develop better and more effective firms.

It is only by valuing these natural learning activities that owner/operators can better appreciate the role that learning already plays in their business. Similarly, by reflecting on operational issues, support agencies can gain valuable insights into how small businesses learn (Kearney, 1998). Kerr & McDougall (1999) argue that one-off injections of knowledge are not efficient. They support an approach by service providers which promotes learning at all times, where learning is integrated with work, and where learning is managed by the individual. The challenge for service providers and government agencies is to add value to the owner/operator’s learning from experience, in a way that brings greater meaning to the experience (Hawke, 1999; Gibb, 1997). Failure by service providers to tap into this natural learning focus may help explain why small enterprises are not large users of structured support.
Conclusion

This paper has argued that a more targeted and pro-active communication strategy undertaken by small business service providers results in a better matching of the service availability with the needs of small business operators. The results of the two projects support the arguments of Hull (1987) that there is a role for intermediaries, and Gibb (1997) that publications and guides are of limited use without a process of personal discussion and dialogue. The paper provides a better understanding of what support strategies work and is therefore of assistance to government policy makers in this sector. If other agencies use these strategies and find them successful then it should allow for more efficient use of scarce resources. Finally this paper is of benefit to assistance agencies in that it will help to generate a greater understanding about the dynamics of interaction with small business.

Although this paper found that there is support for the stated proposition, there is a need for further research across more cases to clearly establish the proposition. Furthermore there is also an opportunity to investigate the situation from the supply side. That is by examining the impact of improved communication between the small business and the assistance provider on the supplier agencies. Finally, a follow-up study to determine the longer-term impact of such a pro-active strategy on small businesses and the service provider agencies would also be most useful.
References


