



The Latrobe Small Business Network Survey 2002

Report on Small Business Information and Assistance Needs

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EXECUTIVE SUMMARY

In June 2001 the Latrobe Ministerial Taskforce recommended the formation of the Latrobe Small Business Network, with the purpose of providing leadership and support for all small businesses in the Latrobe Valley. In 2002 the Latrobe Small Business Network was awarded a total of \$120,000 from the Department of Innovation Industry and Regional Development (DIIRD) and Latrobe City Council to fund six small business projects:

1. Micro and Home Based Business Network. Contract awarded to Total Marketing Pty Ltd – Gail Robertson.
2. Building Business Links #1. Contract awarded to IPM Pty Ltd: Roy Hardman & Robyn Neeson
3. Building Business Links #2. Contract awarded to IPM Pty Ltd: Roy Hardman & Robyn Neeson.
4. Latrobe Valley Tourism Network. Contract awarded to IPM Pty Ltd: Roy Hardman & Robyn Neeson.
5. Latrobe Valley Community Small Business Seminars. Contract awarded to IPM Pty Ltd: Roy Hardman & Robyn Neeson.
6. Development of the Latrobe Small Business Network. Contract awarded to Monash University: Dr Rowena Barrett, FSBRU.

This report documents and discusses the results of a survey of Latrobe Valley small businesses conducted as part of Project 6. The purpose of the survey was to gather information about the needs of small business in Latrobe City in order to develop a strategy to address those needs as well as ensure that services delivered to small business in the Latrobe City region can be tailored to meet the needs of small business in a timely and beneficial manner.

The report contains action items and questions to be addressed, which are summarised below.

SUMMARY: ACTION ITEMS AND DISCUSSION QUESTIONS

ACTION/QUESTION 1

- Who do we think we are targeting/helping when we deal with ‘small business’?
- What businesses think they are ‘small’ – has implications for targeting and ‘selling’ programs to ‘small businesses’.

ACTION/QUESTION 2

Are small businesses aware of the benefits of employing apprentices and indeed, other government supported/sponsored employment programs?

ACTION/QUESTION 3

- How do we target help to those small businesses in their early and critical years?
- Necessary to keep the business database up to date so that it accurately reflects the Latrobe Valley business population.

ACTION/QUESTION 4

- Need for the industry sectors that dominate the Latrobe Valley to be represented on the LSBN and communication to these industry sectors coordinated. For example construction respondents raised issues with collective bargaining and unions in the open ended responses –the MBA and/or CFMEU may consider organising an information session outlining their

respective roles/purposes/functions and begin to demystify industrial relations in this industry.

- Need for the LSBN to work more closely with industry bodies

ACTION/QUESTION 5

Make sure small businesses are aware of the advantages and disadvantages of different legal forms and communicate where they can get this information.

ACTION/QUESTION 6

It is important the small business advisors understand the motivation for being in business as any assistance/information needs to be consistent with the owners 'emotional agenda' or it will not be accepted. Further male and female business operators have different motivators and these need to be taken into account when giving, or planning to give, advice.

ACTION/QUESTION 7

The presence family members has implications for the management of small business and the flow of information through the business. Advisors need to be aware of the 'special' nature of family businesses and be willing to work with family members. Learning about conflict resolution and succession planning is critical for family businesses.

ACTION/QUESTION 8

Need to impress upon the sector the importance of planning and to demonstrate the correlation between the existence and use of a plan and business success. Publicity about the small business one-on-ones including testimony by the small business owners about the benefit of the program can be used to show the importance of planning.

ACTION/QUESTION 9

- The places/people small businesses go to for information are limited and we need to use those places/people to get across a wider array of information.
- Bring accountants into the small business networks.
- Use multiple channels of advice.
- Get information to family members by sending information to home address.
- Provide information for waiting rooms of accountants, banks, doctors and dentists etc.
- Encourage small businesses to join industry specific networks.

ACTION/QUESTION 10

All small business people need to continue to learn and this message is not getting across to all small businesses. People read the newspaper and have the radio on at work and these need to be more effectively used to raise awareness of events. Develop a calendar of events, publicise this on the Gippsland portal. Campaign for a LV Express Business page where the calendar is published, news, events, best practice stories are reported.

ACTION/QUESTION 11

- Need to work with Accountants/ATO to get tax information to small businesses and use that as a means of providing other advice/assistance.
- Organise a forum on public liability insurance, seek some answers from government about the insurance crisis. Demystify the public liability insurance area – does it affect all businesses or is the level of concern a reflection of the amount of press that has been devoted to the issue?
- Develop a package of information on growing your business (expansion, marketing, staffing, business systems to manage etc) including articles in LV Express on a regular basis.

ACTION/QUESTION 12

- To assist with the problems with staffing a hands-on session with groups of small businesses who are considering employing to develop job and person specifications, assess different recruitment methods and channels: this would have some tangible practical outcomes. TAFE, Job Network and other employment agencies could be involved.
- On the Government policy issue we need to be using influence on government to change the amount of regulation that affects small business.
- On the profitability and growth issue mentoring/one-one-one sessions/counselling may be of assistance.
- Encourage and/or promote the use of small business mentors/counsellors.

ACTION/QUESTION 13

The Marketing Advisory Panel (MAP) needs to include a coordinated strategy of publicising what each levels of government can, has and will do for small business. The MAP needs to publicise the work so far undertaken by the LSBN.

INTRODUCTION

Small businesses are important: not only do they account for 96% of Australian private sector, non-agricultural businesses but they also employ 47% of the private sector, non-agricultural workforce (ABS, 2002).¹ Small businesses dominate all private sector industries and, most importantly, they play a significant role in rural and regional economies and communities.

While there are many ways of defining a ‘small’ business, the Australian Bureau of Statistics (ABS) (2002) uses employment size and sets an upper limit of 20 employees. In the Latrobe Valley there is a total of 2,835 businesses with some 2,632 small businesses (employing less than 20 people) and an additional 161 medium sized businesses employing between 20-99 people (Snell, D’Urbano and Cunningham, 2001). The Latrobe small business sector is dominated by micro businesses (0-4 people) and they represent 73.4% of all businesses or 79% small businesses in Latrobe City. This can be compared to national figures where micro-businesses account for 89% of small businesses. In terms of employment the Latrobe small business sector employs less than a third (32.4%) of all Latrobe Valley workers and this can be compared with national figures where small businesses employ 42.5% of the total Australian workforce.

SURVEY SAMPLE

This survey was sent to 842 businesses listed on the Latrobe Business List 2001 on 26th November 2002. Businesses were chosen on the following basis:

- Employee range = 0-5; 6-10; 11-20; 21-50
- Title = Owner (all); Owner/Manager (all); Partner (all); Proprietor (all); Principal (all); Sole operator (all); Dentist (all); Doctor (all); Licencee (all); Operator (all); Co-owner (all) Manager or Director (random selection and where the business name corresponded to the manager or director’s name) and there was a name and address for that person.

The total sample size dropped when 54 surveys were either returned as Address unknown or the person to whom the survey was addressed rang to say the business no longer existed, making the effective sample size 788.

A total of 276 surveys were returned, representing a response rate of 35%.

SAMPLE CHARACTERISTICS

Of the 276 respondents to the LSBN survey, 21 businesses are not ‘small’ in that they do not conform to the ABS definition of having less than 20 people. Respondents ranged in size from 1 to 85 people employed. Average business size was 6.2 persons.

Table 1: Business size and employment

| | Number businesses | Percent | Total No. people |
|--------------|-------------------|---------|------------------|
| 1-4 people | 165 | 60 | 387 |
| 5-9 people | 71 | 26 | 443 |
| 10-19 people | 19 | 6.8 | 241 |
| 20-49 people | 18 | 6.5 | 498 |
| 50+ | 2 | 0.7 | 139 |
| Total | 275 | 100 | 1708 |

Although the size ranges of 21-50 and 50+ are not ‘officially’ considered to be those of small businesses, crosstabulating Question 4 with Question 9 shows that the 7 business that did not think they were a small businesses had the following total number of people working in the business: 1 person (1), 2 people (2), 3 people (2), 35 people (1), 42 people (1). In other words only 2 of the businesses in the 21-50 and 50+ categories did not think they were small businesses, meaning that the majority of those with more than 20 people considered themselves to be ‘small businesses’. Perhaps the 5 with less than 20 who did not think they were a small business thought they were micro-businesses?

ACTION/QUESTION 1

- ***Who do we think we are targeting/helping when we deal with ‘small business’?***
- ***What businesses think they are ‘small’ – has implications for targeting and ‘selling’ programs to ‘small businesses’.***

In terms of employment, Table 1 above indicates that across the 276 respondents to the business size questions there were 1708 people employed as either employees, managers or working owners. One hundred and five businesses had no employees (but one or more working owner). The use of apprentices (Table 2 below) is interesting in light of many comments later in the survey about the inability to employ the ‘right’ people. Around three quarters of the apprentices were employed in service sector businesses. Further, three quarters of the total of 80 apprentices employed worked in the small businesses in the sample.

Table 2: Apprentices employed

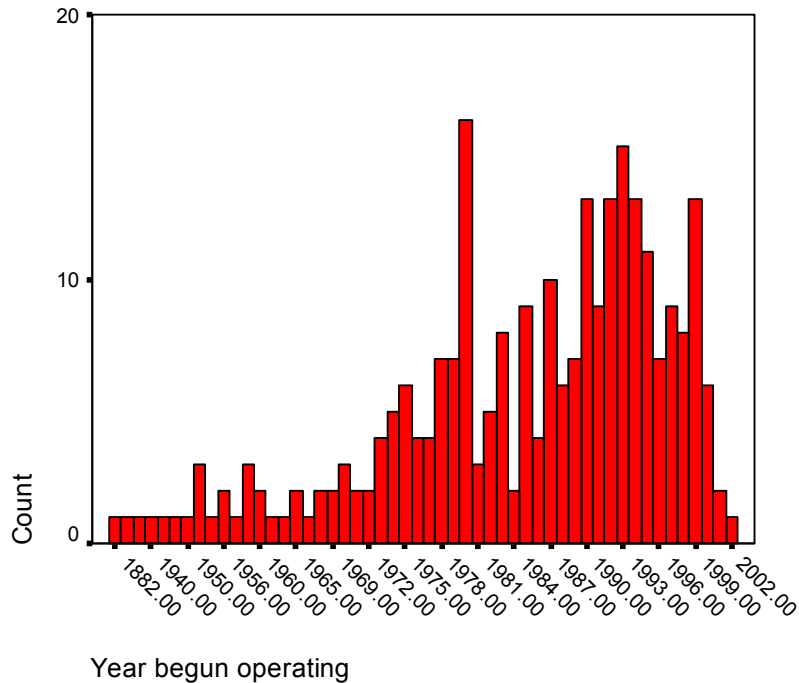
| | Number | Percent |
|-------|--------|---------|
| 0 | 229 | 83 |
| 1 | 28 | 10 |
| 2 | 11 | 4 |
| 3 | 4 | 1.4 |
| 4 | 2 | 0.7 |
| 5 | 2 | 0.7 |
| Total | 275 | 100.0 |

ACTION/QUESTION 2

Are small businesses aware of the benefits of employing apprentices and indeed, other government supported/sponsored employment programs?

The majority of respondents (89%) operated from a single location, although the range was from 1-5 sites. In terms of the length the business had been operating, two thirds of the businesses had been started in the past 20 years. One business had begun operating in 1882, although the average business age was around 18 years. ABS figures focus on how long the current owner/manager has been operating the business, rather than the business age, so it is not possible to make any meaningful comparison with national figures. The data does indicate that only 30 of the small businesses were established in the last 5 years and therefore that the majority are past their critical early years. Research on small business failure suggests that the longer you are in business the less likely you are to fail.

Figure 1: Year Business began operating



ACTION/QUESTION 3

- *How do we target help to those small businesses in their early and critical years?*
- *Necessary to keep the business database up to date so that it accurately reflects the Latrobe Valley business population.*

Across the Latrobe Valley small businesses represent the majority of businesses in each industry sector (with the exceptions of Electricity, Gas and Water). Clearly the retail and construction industries dominate in the Latrobe Valley and this is reflected in the numbers of small firms surveyed for the LSBN. Very few women (3) operated businesses in the manufacturing sector and this reflects the gender segmentation of the Latrobe Valley and national workforce generally.

Table 3: Industry Sectors#

| | 2001 Employment Survey | | 2002 LSBN Survey | |
|---|------------------------|-------------------|------------------|-------------------|
| | All Bus | SB (% All Bus) | All Bus | SB (% All Bus) |
| Agriculture, Forestry and Fishing (Goods) | 27 | 24 (89%) | 6 | 5 (83%) |
| Mining (Goods) | 10 | 10 (100%) | 0 | 0 |
| Manufacturing (Goods) | 156 | 144 (92%) | 18 | 18 (100%) |
| Electricity, Gas and Water Supply (Goods) | 9 | 3 (33%) | 0 | 0 (0) |
| Construction (Goods) | 421 | 405 (96%) | 43 | 41 (95%) |
| Wholesale Trade (Services) | 140 | 136 (97%) | 16 | 12 (75%) |
| Retail Trade (Services) | 813 | 786 (97%) | 79 | 75 (95%) |
| Accommodation, cafes and Restaurants (Services) | 147 | 129 (88%) | 23 | 21 (91%) |
| Transport and Storage (Services) | 91 | 85 (93%) | 7 | 5 (71%) |
| Communication Services (Services) | 27 | 22 (82%) | 1 | 1 (100%) |
| Finance and Insurance (Services) | 74 | 68 (92%) | 1 | 1 (100%) |
| Property and Business Services (Services) | 307 | 285 (93%) | 27 | 23 (82%) |
| Education (Services) | 95 | 66 (69%) | 3 | 3 (100%) |
| Health and Community Services (Services) | 177 | 148 (84%) | 18 | 17 (94%) |
| Cultural and Recreational Services (Services) | 99 | 92 (93%) | 6 | 6 (100%) |
| Personal and Other Services (Services) | 226 | 219 (97%) | 28 | 28 (100%) |
| Total | 2,835 | 2,632 | 275 | 255 |

#Government Administration and Defence excluded

ACTION/QUESTION 4

- *Need for the industry sectors that dominate the Latrobe Valley to be represented on the LSBN and communication to these industry sectors coordinated. For example construction respondents raised issues with collective bargaining and unions in the open ended responses –the MBA and/or CFMEU may consider organising an information session outlining their respective roles/purposes/functions and begin to demystify industrial relations in this industry.*
- *Need for the LSBN to work more closely with industry bodies*

The respondent small businesses adopted the legal forms as shown in Table 4. The legal form has implications for who is personally responsible for debts and other liabilities, taxation, ability to attract capital and compliance amongst others. There are advantages and disadvantages of each legal form and information can be found at <http://www.business.channel.vic.gov.au>.

Table 4: Small Business Legal Form

| | Number | Percent |
|-----------------|--------|---------|
| Partnership | 87 | 34 |
| Private company | 79 | 31 |
| Sole trader | 74 | 28 |
| Trust | 10 | 4 |
| Other | 2 | 0.8 |
| Franchise | 2 | 0.8 |
| Public company | 1 | 0.4 |
| Total | 254 | 100 |

ACTION/QUESTION 5

Make sure small businesses are aware of the advantages and disadvantages of different legal forms and communicate where they can get this information.

MOTIVATIONS FOR BUSINESS

The motivation for people to go into business has an impact on the type of business goals they set, in particular whether they are interested in growth or not. This will then affect the type of business assistance needed or indeed whether or not people accept advice/information and then how the advice/information is interpreted. The general finding in research is that people are primarily motivated by independence ('being my own boss') and that financial security/gain is of lesser importance. The desire for independence can affect the management of the business, for example the owner may feel important/powerful by having people under their control and may therefore bestow favours at the expense of profit. Alternatively the desire for independence may manifest itself in the desire to be debt free and therefore the owner may not be willing to borrow and invest in the business to grow it.

In the Latrobe Valley the motivations to start business (Table 5) are consistent with previous research, which is independence is the most likely reason to start or buy a business.

Table 5: Motivation to buy/start a business

| | Percent* |
|------------------------------------|----------|
| To be my own boss | 40 |
| Saw an opportunity | 38 |
| For personal satisfaction | 36 |
| For job satisfaction | 32 |
| To control my destiny | 25 |
| For financial security | 20 |
| Wanted a challenge | 18 |
| Better lifestyle | 16 |
| To spend time with my family | 11 |
| Other | 10 |
| Needed a job | 9 |
| To leave something for my children | 7 |

*Percentages greater than 100 as respondents could tick as many boxes as applicable. N=170

Of those 170 people who responded to this question some 80% were male and 20% female. For women 'needing a job' and 'personal satisfaction' were the top motivators, while for men it was 'to control my destiny' and 'wanted a challenge'.

ACTION/QUESTION 6

It is important the small business advisors understand the motivation for being in business as any assistance/information needs to be consistent with the owners 'emotional agenda' or it will not be accepted. Further male and female business operators have different motivators and these need to be taken into account when giving or planning to give advice.

The business operator's highest qualification reflects the industrial heritage of the Latrobe Valley: 38% has a trade qualification, 32% high school and 29% tertiary. Male business operators were more likely to have a trade qualification while about 50% of the female operators had only completed high school. Those with trade qualifications were more likely to operate a manufacturing sector business.

Fifty six per cent of the businesses had family members present, while 64% of all respondents described their business as a 'family business'. While research shows there is no difference between the performance of family and non-family businesses, the addition of 'family' to small businesses does increase tension and contradiction in their management because of the social and emotional relations that exist. In some cases these relations may lead to greater closeness in the business and therefore a greater sharing of information about the business between family members, but in others, as some research can demonstrate, family members can be less well informed about the performance of the business: not all families are a unified, cohesive group.

ACTION/QUESTION 7

The presence of family members has implications for the management of small business and the flow of information through the business. Advisors need to be aware of the 'special' nature of family businesses and be willing to work with family members. Learning about conflict resolution and succession planning is critical for family businesses.

BUSINESS PRACTICES

The survey asked about the existence of a range of business practices, shown in Table 6. A major cause of business failure is lack of planning. Studies of small businesses consistently show that those owners who take time to develop a plan, which is then followed, are likely to improve their chances of future success. In the Latrobe Valley this message is not getting across, especially if there is a group who believe that a plan (strategic or operation) is not applicable. The incidence of a business plan increases with increasing firm size and decreases with firm age, the latter point may be of some assistance in explaining why so many Latrobe Valley small businesses do not have a plan. The GST is most likely responsible for the high proportion of businesses that use regular income/expenditure reports.

Table 6: Use of Business Practices by small business

| | Not Applicable (%) | No (%) | Yes (%) |
|--|--------------------|--------|---------|
| Regular income/expenditure reports | 7 | 36 | 57 |
| Budget forecasting | 11 | 50 | 39 |
| Electronic commerce (excluding banking) | 12 | 62 | 26 |
| A formal business plan | 15 | 65 | 20 |
| Formal networking with other businesses | 13 | 65 | 22 |
| Compared performance to other businesses | 12 | 66 | 22 |
| Written formal strategic plan | 17 | 75 | 8 |
| Export market planning | 32 | 68 | 0 |

N=255

ACTION/QUESTION 8

Need to impress upon the sector the importance of planning and to demonstrate the correlation between the existence and use of a plan and business success. Publicity about the small business one-on-ones including testimony by the small business owners about the benefit of the program can be used to show the importance of planning.

Table 7 shows to whom business owners are likely to listen. This is important in terms of getting assistance to small businesses and as means of providing other information. Accountants top the list as the most likely group small business people are going to go to for advice, while government agencies at all levels of government are least likely.

Table 7: How often in the last 12 months did this business seek business information or advice from the following sources?

| | Never (%) | 1-3 times (%) | 4+ times (%) |
|--|-----------|---------------|--------------|
| External accountant(s) | 15 | 56 | 29 |
| Other people in your industry | 39 | 47 | 14 |
| Family | 54 | 28 | 18 |
| Bank(s) | 54 | 37 | 9 |
| Industry Association(s) | 63 | 28 | 9 |
| Australian Tax Office | 65 | 29 | 6 |
| Friend(s) | 66 | 25 | 9 |
| Other local businesses | 72 | 22 | 6 |
| Solicitor(s) | 73 | 23 | 4 |
| Other non-local businesses | 77 | 19 | 4 |
| State government departments or agencies | 80 | 17 | 3 |
| Business consultant(s) | 82 | 13 | 5 |
| Federal government departments or agencies | 85 | 12 | 3 |
| Chamber of Commerce | 88 | 10 | 2 |
| Latrobe City (Invest Latrobe) | 88 | 10 | 2 |

N=255

ACTION/QUESTION 9

- *The places/people small businesses go to for information are limited and we need to use those places/people to get across a wider array of information.*
- *Bring accountants into the small business networks.*
- *Use multiple channels of advice.*
- *Get information to family members by sending information to home address.*
- *Provide information for waiting rooms of accountants, banks, doctors and dentists etc.*

- *Encourage small businesses to join industry specific networks.*

Table 8 indicates some of the information needs for small businesses as a result of their activities over the past 12 months. People often seek assistance as and when they need it and therefore this table should suggest the types of information small business people were looking for over the last 12 months.

Table 8: Changes in the business in the past 12 months

| | Not applicable (%) | No major change (%) | More (%) | Less (%) |
|---|--------------------|---------------------|----------|----------|
| Range of products or services | 12 | 63 | 24 | 1 |
| Staff training | 19 | 56 | 23 | 2 |
| Marketing or advertising | 12 | 62 | 21 | 5 |
| Administrative/accounting computer system | 19 | 60 | 20 | 1 |
| Markets targeted | 26 | 56 | 17 | 1 |
| Employment practices | 19 | 63 | 15 | 3 |
| Management training | 24 | 62 | 12 | 2 |
| Production technology | 35 | 54 | 10 | 1 |
| E-commerce/internet sales | 48 | 45 | 6 | 1 |
| Distribution | 37 | 57 | 5 | 1 |
| Number of locations | 38 | 59 | 1 | 2 |

N=255

PARTICIPATION IN BUSINESS INFORMATION SESSIONS

Table 9 shows the types of information services small businesses were using. Marketing seminars and Product/Service training seminars were well attended and indicate business growth intentions.

Table 9: Did this business participate in any of the following local, State or Federal government programs in the past 12 months?

| | Not applicable to us % | No we did not participate % | Yes we participated % (number) |
|---|------------------------|-----------------------------|--------------------------------|
| Marketing or business promotion seminar | 22 | 59 | 19 (47) |
| Product/service training session | 24 | 59 | 17 (43) |
| Australian tax office information session | 25 | 62 | 13 (34) |
| Business development seminar | 22 | 65 | 13 (32) |
| Formal networking session | 30 | 60 | 10 (25) |
| New apprenticeships scheme | 29 | 61 | 10 (25) |
| Counselling, mentoring or coaching session | 33 | 58 | 9 (22) |
| Small business expo | 23 | 70 | 7 (17) |
| How to develop a business plan | 24 | 69 | 7 (17) |
| E-commerce information session | 27 | 67 | 6 (15) |
| Business awards presentation | 25 | 69 | 6 (15) |
| Business briefing/ business breakfast session | 25 | 69 | 6 (16) |
| Succession planning seminar/workshop | 26 | 70 | 4 (10) |
| Pre-business workshop | 41 | 56 | 3 (8) |
| Export facilitation programme | 47 | 50 | 3 (8) |
| New enterprise improvement scheme (NEIS) | 33 | 64 | 3 (7) |
| Buying a business seminar | 42 | 56 | 2 (6) |

N=255

Reasons for not attending sessions were various but predominantly were given to be ‘don’t know about it’, ‘not enough time’ and ‘no reason to seek assistance’.

ACTION/QUESTION 10

All small business people need to continue to learn and this message is not getting across to all small businesses. People read the newspaper and have the radio on at work and these need to be more effectively used to raise awareness of events. Develop a calendar of events, publicise this on the Gippsland portal. Campaign for a LV Express Business page where the calendar is published, news, events, best practice stories are reported.

INFORMATION NEEDS IN NEXT 12 MONTHS

Table 10 below shows the types of information small business people might be seeking over the next 12 months, given their business intentions. These business intentions indicate a reasonable amount of growth for Latrobe Valley small businesses in general. In particular nearly a quarter of the small businesses indicated that they planned to ‘increase staffing levels’ in the next 12 months, which is repeated across the whole Latrobe small business sector suggests strong job growth. However it must be noted that research also indicates that of a cohort of 100 small businesses at the end of 10 years only the 4 fastest growing businesses will create 50% of the jobs.

Table 10: Business intentions for the next 12 months?

| | Percentages* |
|------------------------------------|--------------|
| Increase market share | 42 |
| Expand range of products/services | 27 |
| Increase staffing levels | 24 |
| Invest in new technology | 17 |
| Sell the whole business | 11 |
| Other | 6 |
| Open locations | 6 |
| Retire and let successor take over | 4 |
| Decrease staffing level | 3 |
| Move the whole business elsewhere | 2 |
| Sell equity in the business | 2 |
| Close locations | 1 |
| Commence exporting | 0 |

*Percentages greater than 100 as respondents could tick as many boxes as applicable. N=255

Table 11 lists the specific areas of information small businesses said they needed.

Table 11: Assistance or advice needed over the next 12 months

| | Percentages* |
|--|--------------|
| Insurance | 35 |
| Taxation | 33 |
| Staff training | 25 |
| Business planning | 23 |
| Marketing/Advertising | 21 |
| Management training | 15 |
| Succession planning | 9 |
| Electronic commerce | 9 |
| How to access finance | 8 |
| Human resources management or industrial relations | 8 |
| Counselling, mentoring or coaching | 7 |
| Franchising | 4 |
| Importing/Exporting | 3 |
| Other | 3 |

*Percentages greater than 100 as respondents could tick as many boxes as applicable. N=255

Table 12 shows the levels of concern about a range of issues which either directly impact on the business or impact on the environment in which business is done. The general concern about public liability insurance is shown in Table 12. In addition there is concern about finding the right employee for the business. These concerns are not restricted to Latrobe Valley businesses – the recent Senate Inquiry into Small Business Employment showed that they are repeated across the country.

Table 12: How concerned is this business about...

| | Mean* | SD |
|---|-------|------|
| Cost of public liability insurance | 2.62 | 0.59 |
| Finding the 'right' employees | 2.17 | 0.87 |
| Performance of the local economy (over last 12 months) | 2.12 | 0.77 |
| Global instability | 2.02 | 0.77 |
| Increasing labour costs | 2.00 | 0.78 |
| Impact of the GST and the new tax system | 1.97 | 0.83 |
| Ability to dismiss employees | 1.95 | 0.88 |
| Performance of the national economy (over last 12 months) | 1.95 | 0.76 |
| Increasing interest rates | 1.89 | 0.79 |
| Ability to borrow money | 1.56 | 0.73 |

*Responses are measured on a 3-point scale from 1 (not concerned) to 3 (very concerned) N=255

ACTION/QUESTION 11

- *Need to work with Accountants/ATO to get tax information to small businesses and use that as a means of proving other advice/assistance.*
- *Organise a forum on public liability insurance, seek some answers from government about the insurance crisis. Demystify the public liability insurance area – does it affect all businesses or is the level of concern a reflection of the amount of press that has been devoted to the issue?*
- *Develop a package of information on growing your business (expansion, marketing, staffing, business systems to manage etc) including articles in LV Express and on Radio 3GG on a regular basis.*

Respondents were asked to nominate the three biggest issues for their business at this point in time. Responses cover the following issues:

| | | |
|--------------------|-------------------|----------------------|
| Bad debt | Government policy | Premises |
| Business planning | and regulations | Pricing |
| Cash flow | Growth | Profitability |
| Competition | GST | Public liability |
| Consumer loyalty | Insurance | insurance |
| Cooperation | Local economy | Rent |
| Economy | Location | Sale of the business |
| Environment | Management | Staffing |
| Family | Market share | Stock control |
| Finance | Marketing | Technology |
| Fuel | Parking | Time/workload |
| Global instability | Paperwork | Unions |

Table 13 shows the issues that were mentioned 10 times or more as 1st, 2nd and 3rd levels of importance. The table shows that staffing, government policy, profitability and growth are all issues of concern to small businesses. Practical, hands-on assistance in dealing with these issues is required.

Table 13: Importance of issue to business

| 1 st (number) | 2 nd (number) | 3 rd (number) |
|--|--|--|
| Staffing (28) | Staffing (30) | Government policy and regulations (27) |
| Profitability (25) | Government policy and regulations (23) | Profitability (16) |
| Growth (20) | Profitability (19) | Local economy (10) Staffing (10) Growth (10) |
| Government policy and regulations (16) Local Economy (16) | Growth (15) | |
| Workload/time (12) | GST (11) | |
| Insurance (11) | | |
| GST (10) Competition (10) | | |
| N=195 | N=179 | N=144 |

ACTION/QUESTION 12

- *To assist with the problems with staffing a hands-on session with groups of small businesses who are considering employing to develop job and person specifications, assess different recruitment methods and channels: this would have some tangible practical outcomes. TAFE, Job Network and other employment agencies could be involved.*
- *On the Government policy issue we need to be using influence on government to change the amount of regulation that affects small business.*
- *On the profitability and growth issue mentoring/one-one-one sessions/counselling may be of assistance.*
- *Encourage and/or promote the use of small business mentors/counsellors.*

WHAT CAN GOVERNMENT DO TO HELP?

An open ended question was asked about what the three levels of government can do to help small businesses. Many people took this opportunity to make some comment. While it is difficult to do justice the variety of responses, in Table 14 they are organised into Federal, State, Local and then any/all. In some cases the respondents were asking for support and assistance which is already provided throughout the Latrobe Valley and therefore suggests a more coordinated publicity campaign is required.

Table 14: What can government do to help small business

| Federal | State | Local | Any/All |
|---|---|--|--|
| Act on fuel prices | Payroll tax exemptions | Deal with/support/promote local businesses | Support/promote small businesses |
| Address public liability insurance issues and provide assistance | Changes to Workcover | Offer incentives to local businesses to grow | Provide seminars, mentors, business planning, networking, on-site consulting, infrastructure, newsletters, tax support, hands-on seminars to help with form filling, help with staffing, |
| Lower/abolish array of taxes | Simplify VCAT applications | Improve planning processes | Improve employment opportunities in LV |
| Reduce paperwork burden | Improve highway signage to promote towns | Promote area as tourist destination/Work with other Gipps councils | Encourage apprenticeships |
| Incentives for employment (Vets, health pros, apprentices, to get people off the dole) | Simplify retail tenancy requirements/laws | Act united | Provide low interest loans to small business |
| Improve mobile phone coverage | | Encourage big business to relocate in LV | Encourage people to shop/buy local |
| Enforce building regulations | | Attract young people to the area | Information about small business contacts and how they can help |
| | | Promote Invest Latrobe services | |
| | | Review cost of permits/rates | |

ACTION/QUESTION 13

The Marketing Advisory Panel needs to include a coordinated strategy of publicising what each levels of government can, has and will do for small business. The MAP needs to publicise the work so far undertaken by the LSBN.

OPEN COMMENTS

Respondents were given the opportunity to make open comment about anything to do with the issues raised in the questionnaire. A selection of the responses is included.

“Along with most small businesses, we have attended many and various sessions and seminars over the years. NONE have told us anything we didn’t already know. Most have led

to approaches from companies wanting to sign us up to expensive programs with their consultants” (Retailer, 7 employees).

“Question: when was the last time a Latrobe City councillor or CEO actually visited a small business to discuss matters in general?” (Property and Business Services, 12 employees).

“The Government and quasi-government business support agencies in this area are well meaning, though how many of their managers or staff have actually established and built a small business in reality. What small businesses need is fewer hindrances, hold-ups and disincentives to progress, grow and employ more people. Everywhere we turn things are getting more complex and time-consuming from getting the simplest piece of information to getting responses to major potential developments” (Property and Business Services, 13 employees).

“We have always found Latrobe to be very supportive - from Day 1. However, their support of businesses in the form of facilitating training programs etc has been amazing in recent times. Their continuing support in this area is a shot in the arm for small business. Keep up the good work!!” (Accommodation, Café and restaurant industry, 6 employees).

“Survey highlights numerous gaps between the ideal and reality. Some issues may have solutions and some may not” (Personal and Other services, 0 employees).

“Sometimes small business is so involved and so busy running the business it’s difficult to raise your head above water to look at future directions of the company to better plan and invest in new technologies and formulate a business plan plus utilise the programs out there run by local, state or federal governments” (Property and Business Services, 0 employees).

“Greater opportunities for professional development and specialist support. There is a greater degree of social and professional isolation in the country” (Health and Community Services, 4 employees).

“It is my experience that it is not sessions, seminars, workshops, presentations, business plans and expos that truly help business, it is local people and loyalty” (Health and Community Service, 6 employees).

“It is extremely difficult for small business proprietors to be able to both ‘work on’ and ‘work in’ their business. Overhead costs, which have increased significantly over past 10 years hinder expansion and development. Small business operators cannot afford to pay fees to attend courses and have to also pay additional staff to cover their time away from business” (Transport and Storage, 8 employees).

“Most courses need to be accessible to everyone. We all have day jobs and work at night in the shop, so somehow information needs to come to us, but not at a cost” (Accommodation, Café and Restaurants, 5 employees).

“Businesses seem to suffer from lack of local support Gippsland vs. metropolitan Melbourne” (Personal and Other Services, 3 employees).

“Let small business know what service/assistance is available and offer it” (Accommodation, Café and Restaurants, 7 employees).

“Having a small business, increasing cost in everything make it so hard. You put all the hours in and don't seem to get any rewards. We have a great annual turnover yet after the expenses and working 100, if not more, hours per week. I don't get anything for the effort. You wonder sometimes if it is worth it” (Manufacturing, 0 employees).

“Am not aware of most programs listed in the questionnaire” (Construction, 0 employees).

“I have had a business for 31 years and have never found it as difficult to manage the financial side of things as now, especially with the G.S.T. super funds, work care etc. The outgoings seem to swallow up all the incomings. The only reason I think I have kept the business going is because I want my children to still have a job. They have worked for me for 15 years and are very loyal. I think I have played my part as I have in these years trained 13 apprentices” (Personal and Other Services, 3 employees).

CONCLUSION

The issues facing Latrobe Valley small businesses are no different to those which face small businesses generally around the country. However what we have in Latrobe City that many other regions do not have, is a recognition of the importance of this sector and a commitment to assisting small businesses. The purpose of the Latrobe Small Business Network is to provide a leadership vehicle for all small businesses in the Latrobe Valley and in doing so work in a positive, strategic and collaborative way to develop a healthy and sustainable small business sector in the Latrobe Valley. The next stage of this project is to establish an appropriate structure in which the Network can undertake this strategy.

References

- Snell D., D'Urbano T. & Cunningham A. (2002) *The State of Employment in the Latrobe Valley: Findings from the 2001 Latrobe Valley Employment and Industry Survey*. Working Paper 2/02, Research Unit in Work and Communications Futures, Monash University.
- Australian Bureau of Statistics (2002) *Small Business in Australia, 2001*. Cat. No. 1321.0. Canberra: ABS.

ⁱ This Australian Bureau of Statistics (ABS) analysis of small business is based upon data collected from 'management units', which control their own productive activities but in doing so may have a number of establishments. The ABS (2002: 2) defines a small business as having a full-time equivalent (FTE) employment of less than 20 persons, a medium-sized business as having between 20 and 200 people and a large business as having 200+ people. It should also be noted that the ABS excludes Agriculture from their analysis because a small Agricultural business is defined in terms of the Estimated Value of Agricultural Operations (EVOA): only if it is between A\$22 500 and A\$400 000 then the business is considered small (ABS 2002: 2).