

31 May 2002

To the:
Senate Employment, Workplace Relations and Education Committee

Inquiry into Small Business Employment

SUBMISSION

Terms of Reference – *The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people*

Notes on author – I am employed as a Small Business Assistance Officer for two Area Consultative Committees in Far North Queensland and the Torres Strait region. I deal with small businesses and their issues on a daily basis. Predominantly my work covers small towns and hamlets in rural and remote areas, the only large centre in my region is Cairns (pop approx 110,000).

Since the inception of the SBAO programme 11 months ago I have had personal contact with more than 400 small businesses across Far North Queensland and Torres Strait region.

Submission - The key factor that prevents small businesses from employing more people is simply the lack of ability of small businesses to reach their true potential in production and profitability.

This lack of ability stems from small business owners and managers lacking the skills and discipline to manage the more administrative side of their business as distinct from the technical side.

Strategic thinking and strategic planning are the most fundamental shortfalls in small businesses, such as practical business plans, cash flow management/forecasts, budgets, or even a vision of where the business needs to go in the next few years.

Out of 400 business people counselled an estimated 90% of these were struggling with their businesses because of a lack of strategic planning. Most of these businesses were employing 10 or less people with an estimated 40% of those being sole operators.

“Find out what the customer wants and give it to them” – Most of my customers (small businesses) ask for counselling and personal guidance in managing their businesses better and improving profits. They ideally seek a mentor to provide ongoing assistance with strategic planning.

Current Government Assistance for Small Business - There is a plethora of assistance for developing businesses at the top end. That means businesses developing new technology, exports, significant community benefits, etc. There is very little advice or guidance immediately available for a small business that is simply struggling.

In my region some Government agencies (predominantly State) offer training sessions, mainly in larger town centres. Some one-to-one counselling is offered, but this is limited to larger centres and is usually for a limited period.

My observation is that many Government agencies are reluctant to promote small business counselling or extended one-on-one contact and I am informed that this is due to lack of resources.

Most of the Government assistance is in the form of brochures, books and Web sites. The quality of many of these products is excellent.

This downside to this information is that the applicant needs to have a clear grasp of the issues affecting them and a specific set of questions.

The criticism of this assistance from my customers is that it is impersonal and that they would prefer to talk face-to-face with a knowledgeable person.

In larger city centres (such as Melbourne) small business mentoring programs are available and have been very successful for decades. Mentoring is recognised as a key issue in developing successful enterprises.

Mentoring programmes such as these do not exist in most of regional Australia.

The value of Small Business –Members of Parliament frequently acknowledge that Small businesses are one of the most valued sources of economic wellbeing in Australia. They provide not only an essential economic component to this country, but provide enormous intrinsic value to the fabric of our communities. This is more so evident in small regional communities where the life-blood of small towns is totally dependant on small enterprises.

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 addition 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.

Small businesses are a worthy investment of Government resources if the outcome provides healthier businesses and fewer casualties, it will in turn provide a stable platform for increased employment.

Recommendations – Progress employment opportunities in small business by reducing levels of poor performance, through education:

- Provide resources to develop business mentoring at an affordable level for new and existing small businesses throughout regional Australia.
- Develop small business awareness programs as part of all school and university careers curricula.

Thank you for this opportunity to make this submission.

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