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## **Report on the Setting up of the Centre of Specialisation for Services to Small and Medium Enterprises ©**

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## **Victoria's Centre of Specialisation for Services to Small and Medium Enterprises**

### **1 Introduction**

The State Government, through the Office of Training and Tertiary Education, has provided funding to Box Hill Institute to establish the Victorian Centre of Specialisation for Services to Small and Medium Enterprises.

This funding was provided in response to studies undertaken showing that small business currently does not access traditional forms of training. (Refer background research pg. 3)

The funding is to allow us to research, design and deliver effective training utilising methodologies suitable for small and medium businesses. Key elements include the building of networks and the dissemination of information to various stakeholders and interested parties.

This Centre's creation stems from a recognition of the economic importance of small business to the State, the need for improved training delivery to small and medium business owners and managers and the difficulties involved in delivering effective training to these people. Small business operators, historically, have been hesitant in taking up the traditional forms of training.

The Centre will use the research and experience of Box Hill Institute's Centre for Management and Small Business as the basis for developing and trialling an effective training delivery model.

This model will be developed to meet the needs of small business operators. The model will then be fine-tuned and packaged so that it can then be offered to other RTOs for their use.

A network of deliverers of services to SMEs will be created and utilised to enable the dissemination of information that is relevant to SMEs.

### **2 Project implementation**

The project will be implemented in 3 broad phases:

#### **Phase 1: Establishment**

This will involve the development of terms of reference, recruiting, development of the business plan and the creation of an administrative base.

#### **Phase 2: Implementation**

Using existing research, a trial of the delivery model will be undertaken, support networks will be built and a centralised database of providers of services to the SME sector created.



### **Phase 3: Dissemination and Consolidation.**

Utilising the networks built in phase 2, the details of the successful trials will be disseminated and assistance in the replication and customisation of the delivery model throughout Victoria and, potentially, Australia will be provided.

A Reference Group representing all the major stakeholders is in the process of being formed to ensure that the dissemination phase proceeds with the involvement of people and organisations that have an interest in the success of small business.

## **3 Background Research**

A recent report said in its conclusion: “This analysis has pointed to the key role of business imperatives in influencing the demand of small business for learning and training. (Kearns, 2002, p. 51)

“The preference of small business, long established in Australian research, for training that is practical, relevant, convenient, low cost and often delivered ‘just in time’ is reflected in this demand.” (Kearns, 2002, p. 51)

This report acknowledged the difficulties for training providers in its statement that “... the traditional barriers to participation by small business in the formal training system remain and are reflected in the preferences of most small businesses for highly relevant, convenient and low cost provision.” (Kearns, 2002, p. 51)

### **3.1 Industry Trends and the Marketing Environment**

A Senate Report on “Small business employment” by the Employment, Workplace Relations and Education References Committee released in February 2003 observed in the preface that

“Small business owners and service providers also told the committee that, despite being highly skilled and capable in many areas, many proprietors lack the business management skills they need to compete effectively in today’s more competitive, deregulated environment. The lack of these skills is a major cause of under-performance, business failure and untapped potential in the small business sector.

“This is not a new finding, or one confined to Australia: the need to improve the business management skills of small business owners has been identified by almost all small business reports and studies over the past twenty-five years in Australia and other OECD countries. Governments at all levels and from both major parties have acknowledged this need to varying degrees and there have been many worthwhile developments and initiatives. But it is clear that current initiatives fall short of providing the level, quality and type of business development support that would allow small business to reach its full potential and the committee has made a number of associated recommendations. There is also need for a greater focus on developing a more skilled small business workforce.” (Commonwealth of Australia, 2003, pp. xix-xx)



The importance of small business to community and to the economy was emphasised when the Committee observed that:

“Small business plays a significant role in the Australian economy and society:

“- it accounts for 96 per cent of all business in the private sector (excluding agriculture): there were 1,122,000 small businesses in the non-agricultural private sector in 2001;

“- it provides employment for over three million people (3,300,000) or 47 per cent of the non-agricultural private sector workforce; 1 and

“- it accounts for approximately one-third of Australia’s GDP.”

On page 6 of the Report the Committee noted that among the Key Issues that emerged during the inquiry was:

“ - the critical role that business management skills play in the survival and growth of small business and the need for many small business operators to upgrade their skills in this area, including their people management skills;”

(Commonwealth of Australia, 2003, p. 2)

They also observed

“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.” (Ibid p. 94)

The specific aim of this program was supported by the statement that “ The committee heard many complaints that training programs currently available are not adequate ...” (ibid p 96)

Another report - “The provision of training and learning services for small business” written by *Peter Kearns* for the Australian National Training Authority and released in 2002 had a number relevant findings.

We referred to this Report in Section 2.2 “Rationale for this Project” and quoted the Conclusion (Kearns p 51) as stating:

“The preference of small business, long established in Australian research, for training that is practical, relevant, convenient, low cost and often delivered ‘just in time’ is reflected in this demand.”

This report (Kearns p. 51) acknowledged the difficulties for training providers in its statement that “... the traditional barriers to participation by small business in the formal training system remain and are reflected in the preferences of most small businesses for highly relevant, convenient and low cost provision.”

This Report (Kearns p. 14) quoted “a landmark study by the Bureau of Industry Economics in 1991 setting the framework for much subsequent research and analysis (BIE 1991). The 1991 BIE study confirmed the low incidence of formal structured training in small business and identified a broad spectrum of both



demand-side and supply-side barriers and disincentives which limited the incidence of training in small business.

The analysis found the following barriers:

- lack of awareness and understanding by owner/managers of the benefits of training so that there was widespread indifference to training
- cost is seen as a disincentive including time lost from the job
- there is not time, skill, or supporting resources to modify these views
- provision is not sufficiently flexible and is not provided in the forms, times and locations to suit small business
- the diversity of small business and the preferences of owner/managers made this a difficult market for providers to operate on a commercial basis (BIE 1991)

The predominant theme in the conclusions and recommendations of the BIE report was that provision of training for small business, including management training, should be more market driven and responsive to the preferences of small business (BIE 1991, p.xii).

In Kearns' Report (p 52) he sounded a warning about training approaches. He began by noting " ... the dominant mode of learning in small business remains the focus on short-term 'just-in-time' courses supplemented by workplace learning and advisory services.

"This focus on short-term tactical learning, while necessary, is an impediment to the development of a culture in Australian small business that encourages learning, skill, enterprise and innovation. It reflects vestiges of a low skill/low learning culture perhaps relevant to an industrial society, but not appropriate to the high skill/strategic learning requirements of the knowledge society."

## **4 The Role of the Specialist Centre**

### **4.1 AIMS**

- Design new programs utilizing non-traditional training methods to deliver existing courses and if required new courses in a manner that meets the needs of small business;
- Deliver the programs
- Evaluate the programs
- Disseminate and assist other providers to implement similar programs that have been tailored to the needs of their clients
- Network

This initiative aims to:

- Work strategically with local government, small business and relevant State and Federal government departments to identify the knowledge and skill needs of small business owners/managers.



- Exploit existing and create new networks with SMEs, other RTOs and providers of services to small business, other BECs, and Local, State and Federal Government departments.
- Develop new and strengthen existing partnerships with relevant RTOs (e.g. Swinburne, Chisholm, Kangan, Sunraysia etc.), which will assist in researching and servicing the needs of the SME sector.
- Develop and deliver training programs and other services that address identified needs in formats that small business find desirable.
- Conduct research into the needs of the SME sector and based on this research
- Disseminate findings to relevant organisations including other RTO's, Small Business organisations, and Government departments;
- Conduct Professional Development Activities;
- Develop training programs and other services.
- Utilise the Specialist Centre to achieve optimum economic efficiency in providing services to the SME sector by consolidating administration and communication under the one umbrella.
- To provide multiple opportunities for the SMEs to develop skills and create stronger business to business links.
- Customise a proven and tried local delivery model to SMEs for broader application and benefit to all SMEs throughout Victoria.

SME participation in the delivery model will:

- assist SMEs to identify solutions to key operating areas in their business
- provide SMEs with defined strategies and “tools” to deliver results within the program period
- achieve measurable performance improvement during the program period.
- build business growth to create sustainable employment.

## 4.2 Outcomes

- Optimum economic efficiency allowing a greater portion of the funding to be applied directly in assisting small business;
- Development and delivery of training programs and other services that address the needs of specific small businesses in formats that small business will utilise;
- Improved management practices, economic performance and business sustainability in the SME sector;
- Centralised learning on the proposed scale provides multiple opportunities for attending facilitated workshops either in the morning, midday or evening;
- Centralised learning achieved to create additional business to business activity, stronger links with local SMEs and more frequent opportunities to consolidate B2B relationships which foster flow-on developments;



- Links established for SMEs with Government, Industry and Training organisations providing access to additional contacts, support and opportunities;
- Replication of programs developed by the Specialist Centre across Victoria.

#### **4.3 Expected Outcomes related to the implementation of the Delivery Model**

The delivery model is designed to obtain a high level of comprehension in relation to management practices.

- Design practical strategies to strengthen current business practices.
- Establish performance benchmarks and measure actual performance results.
- Increase direct sustainable employment.
- Establish a network of SMEs providing an ongoing support resource.
- Generate increased economic growth through the establishment of improved management practices.
- Increase the retention rate of the localised business community.
- Improved business management skills of SME participants.
- Pilot Program

#### **4.4 An outline of the pilot program**

The pilot program targeted small to medium enterprises within the eastern region of Melbourne. 120 businesses were sought with the selection criteria involving the businesses having been in operation for at least two years, are currently making a profit and have the potential to grow.

A decision was made to target existing and successful businesses rather than those that are struggling or are at the start up stage. This allows us to deliver the 'training' at a relatively high level and it was found that the program will deliver outcomes at the Advance Diploma level.

It also meant that there was a greater likelihood of 'measurable' success, e.g. increased turnover or profit, increased employment and increased market share. The restriction to businesses operating two or more years meant that there were past performance figures against which the success or otherwise of the program could be measured. This is especially important when reporting back to the State Government.

#### **4.5 Methodology**

It was decided that the program was primarily focussed on the development of the business rather than the skills of the individual and to this end the program delivery model emphasises this point.

The six seminars are based around the participants examining their business and deciding on potential areas of growth and then progresses this to a point where an 'action plan' is put into place allowing them to achieve the growth.



The program provides six seminars and six one-to-one mentoring sessions, the mentoring is provided to assist the participants in implementing into their business, strategies learnt at each of the seminars.

Each of the six seminars is held four times allowing flexibility of attendance for the participants. The lack of flexibility in small business training is one of the reasons that SMEs do not take up traditional forms of delivery. Offering this choice of venues and date allows for this flexibility. All seminars are held in the evening (6.00pm to 9.00pm) the time when the majority of SME operators are available.

The involvement of the local councils is important as it allows for connectivity with the local area. Councils also provide us with information on SME needs within their geographical areas. They also assisted in the marketing of the program through the use of their databases and networks.

The coverage over a relatively large region allowed us to target a high number of participants (120), which allowed for flexibility. This flexibility would not have been possible had we targeted a smaller geographic or client group.

The seminar topics were chosen based on what was needed to assist in growing a small business (i.e. getting them to that next level). The requirements of growing a small business were looked at and the topics then decided upon.

The topics, and a short descriptor, are:

### **Session One: Growth Foundations**

This session is designed to provide participants with the tools to evaluate their current trading profile and to develop a vision of the business in the future. This will include an evaluation of the current business resources, business systems etc. and the recognition of what changes need to be made to accommodate a growth strategy.

### **Session Two: Developing Business Growth Strategies**

In this session participants will explore the various options available to them based on comparative industry examples and/or the development of innovative growth opportunities.

### **Session Three: Resourcing Growth**

This session is designed to develop the correct resource profile for the growth program including financial, physical and human resources.

### **Session Four: Marketing for the Future**

This session provides the participant with the ability to evaluate the “theoretical growth plan” by undertaking a range of activities from market research through to market entry. This section in essence develops the “commercialisation” of the growth plan.



## **Session Five: Managing and Monitoring Growth**

This session prepares the participant for the role of ongoing management at a higher level than has been necessary in their business to date, particularly as the growth strategy will introduce a higher level and more diverse range of functions for them to be responsible.

## **Session Six Financial Management**

As many participants may be expanding their business format to incorporate higher levels of turnover, risk, profit and taxation liability it is important for them to become familiar with the management principals of accounting in a more complex corporate structure.

### **4.6 Where we are up to with the implementation of the pilot program**

120 businesses have been chosen to participate in the pilot

The outline of the pilot has been created

The program content is being developed as the delivery progresses

The Mentors for the pilot have been chosen and allocated to participants. Mentors are all small business consultants with a history of successfully mentoring small businesses and have been doing so for at least 2 years.

The first series of seminars have been held.

Once the pilot is completed evaluation of the delivery model and its successes will be undertaken. Interviews with participants and mentors will be undertaken to determine whether there has been any improvement in business performance and whether any of the indicators of growth have been met (eg employment growth, turnover, profit, etc).

The information gained will then be passed onto the reference committee for comment and input and then the final report, including recommendations, will be forwarded to the State Government.

Once the final has been passed onto the State Government and their acceptance of the report has been gained the findings will then be disseminated via the network created as part of the initiative.

If applicable any recommendation that require the placement or delivery of programs across Victoria will be done via the Specialist Centre as part of the expansion of its role in the second year of its existence.

## **5 Conclusion**

The Centre of Specialisation for Services to Small and Medium Enterprises is an exciting and timely opportunity for SMEs. The State Government is to be congratulated for its foresight in providing the funding for this initiative.

The specialist centre is still in its early stages of development however there has been a high level of interest in its development and success. The need to have a



centralised point of contact for SME related information provision and service delivery is one of the major aims of this initiative.

Our hope is that, in time for next year's conference, we can report on the successful delivery of the model and the creation of the network of SME service providers. The long-term existence of the Centre will be dependent on proving its value to the various stakeholders.



## References

Kearns, A. 2002, Are two worlds colliding? The provision of training and learning resources for small business, NCVET, Leabrook, SA

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