



The Social Role of Small Businesses

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As I write thousands of people across Australia have experienced unthinkable losses in the aftermath of the bush fires. So far, the media has understandably mostly reported on the loss of the homes of many. People are now confronted with the task of rebuilding their homes and are in urgent need of a range of services to survive and rebuild their shattered communities. Most of the services vital for the successful rebuild of these communities are provided by small businesses - also victims of the devastation wrought across the Australian continent.

The perception of the role of small business is constantly evolving, and this latest natural disaster may prompt a further rethink. Once small business policy

was focussed on helping firms become big businesses. This morphed into a focus on policies that might facilitate a shift to becoming a high-growth enterprise. Throughout this journey the generation of employment has remained a focus, but the small business sector is now also gaining recognition as a contributor to social wellbeing.

In [Australia](#) and [New Zealand](#) small businesses account for approximately 97% of all businesses and contribute to at least a third of GDP and employment. However, economic indicators are only one way of measuring the contribution of small businesses, and the over reliance by governments on these measurements has been a feature of public policy. Much of the focus of public policy to support small business to expand was set in the context of seeking to lift the latter indicators. However, such economic indicators are only one way of measuring the contribution of small businesses. The over-reliance by governments on such measures has been a feature of public policy. Half a century ago, if governments considered small businesses at all, it was as ‘little big businesses’ who aspired to grow and become (and operate as) a big business. This perspective, challenged by many at the time, was increasingly discredited as research showed that small business actually contributed significantly to overall [employment](#). Further research highlighted the agile, flexible, innovative practices of small business and at the dawn of this century these factors were widely touted as justifying their status as the [‘the engine of the economy’](#).

The rise of Silicon Valley further improved public perceptions of small business, and in particular of start-ups. Small businesses were no longer striving to be enterprises that were big, they were now portrayed as dynamic and flexible,

focussed on high-growth and productive entrepreneurial activity. Governments around the world recognised the importance of these so-called '[gazelles](#)' in generating high growth and the focus of public policy was to encourage small business owner-managers to behave like those in the hi-tech sector. The aim was to build aspiration to innovate, be more productive and generate high growth.

However, this approach presented some issues: First, not all small businesses appear to want to be high [growth](#) enterprises. This continues to be a conundrum for those who enact small business policy. It is well documented that after setting up a business, owner-managers have different and diverse goals – not all aspire to become a ‘unicorn’, a superstar entrepreneur, or a high-flying global venture. Second, accessing the financial means to grow and be successful has always been a challenge for anyone trying to start and grow a new venture. Other than bootstrapping finance, owner-managers have typically found the hurdle of securing finance a difficult one to overcome. This is starting to change as the financial landscape is altering and alternatives such as crowd funding become more accessible. However, the significant financial risk that most owner-managers take affects their business decision making and could help explain why they remain small.

Lastly, many new small business owner-managers did not have the capabilities to achieve these goals. Government policies have been introduced time and again to address this lack of capability, with the overarching goal of diversifying the economy away from the primary sector, increase exports and increase competitiveness and productivity. The success of these policies has been varied.

As our understanding of the role of small businesses gained more depth and complexity public policies to support them have also evolved. [Entrepreneurship researchers](#) point out that context is important and challenge the notion that the Silicon Valley model is a one size fits all. Instead researchers have made the diversity of small business and entrepreneurs as their starting point. Policies to support small businesses reflect this, and so-called ‘capability policies’ are increasingly tailored to specific sectors, disadvantaged groups (such as women), minorities and Indigenous peoples. Even trade policy has recently included special consideration to SMEs. The New Zealand Trade for All Advisory Board’s [report](#) to the New Zealand government at the end of last year proposes SME policy as one of the five focus elements that could help ensure that the benefits of trade are better and ‘more inclusively’ distributed across New Zealand society. And lending support to this changing focus, the [APEC 2019 SME Productivity and Performance Forum](#) discussed the barriers in accessing finance, the experiences of successful women business owners, and the importance of supporting small businesses to deal with mental health issues. Along these lines, Xero’s managing director called for more capability support to help lift wellbeing and pledged to continue their work in this area. Meanwhile, [Kate Carnell, the Australian Small Business and Family Enterprise Ombudsman](#), highlighted her organisation’s work on the mental health of small business owners and suggested that policies needed to consider this challenge if it was to ensure greater wellbeing and small business performance.

Today most of us no longer need convincing that small businesses play a significant social role. In the regions small business literally are the backbone of

regional socio-economic make-up, and the cross-Australian impacts of the bushfires will require an unprecedented focus on this dimension of small business policy. Urgent calls have been made to support the business owners who lost everything in the fires not least given the attendant impact on their livelihoods and their communities.

The urgency of the shift in thinking required is clear. In the short term it will be interesting to observe how small business policies are recalibrated and adjusted to address the unprecedented scale of this challenge. The even more interesting question perhaps will be whether this accelerates a long term change in the ongoing adjustment of small business policies that has been underway for some time already, and thereby help ensure that these small firms can continue doing what they do best: delivering wellbeing through employment and social inclusion.

This is part of a series of pieces on issues that affect small business by the [Small Enterprise Association of Australia and New Zealand](#).