

Small Business Victoria Discussion Paper

Submissions due 28 October 2011

SMALL BUSINESS VICTORIA



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Introduction from the Minister

There are more than 495,000 active small businesses in Victoria¹, contributing approximately 30 per cent of the State's production².

Through self-employment and employing others, small businesses are a significant source of job creation, providing nearly half (47 per cent) of the state's private sector jobs - around 1.2 million jobs.

Most (62 per cent) active small businesses are start-ups, independent contractors or sole proprietors, and are increasingly home-based.

A significant strength of the Victorian economy lies in the diversity of the products and services that are provided by small businesses. Small businesses operate in all sectors of the State's economy, particularly construction, professional, scientific and technical services; and rental, hiring and real estate services.

Small businesses are also a vital element of Victoria's regional economy, with 28 per cent of all small businesses based in rural and regional areas.

The Victorian Government recognises the vital contribution that small businesses make to the State's economy. It also recognises that not all businesses face the same competitive pressures. Smaller business owners simply don't have the same resources as larger organisations to manage the challenges associated with starting-up, running, and growing their business.

This discussion paper identifies some of the challenges facing small businesses and asks for feedback on how the Victorian Government may be able to assist.

After considering the various submissions, the Government will release a formal Small Business Statement that will outline the policies, programs and services that it will use to help guide small business development and growth.

This discussion paper is not an exhaustive list of all small business challenges and possible types of support. Please raise any other ideas or views that you see as relevant to the State Government's role in supporting Victorian small businesses.



THE HON LOUISE ASHER MP
Minister for Innovation, Services and Small Business



1 ABS DATA – ONLY ACTIVELY TRADING BUSINESSES ARE INCLUDED IN THIS NUMBER. SMALL BUSINESS DEFINED AS FEWER THAN 20 EMPLOYEES

2 ABS CAT NO 1321.0 SMALL BUSINESS IN AUSTRALIA 2001

Executive Summary

Here is a list of the questions asked in this document. You will find a brief discussion of each question on the following pages.

1. What are the major taxation, regulatory or compliance burdens facing your business? What are the specific issues that impede your business productivity and growth? What effect will a carbon price have on your business?
2. Has your business or industry sector been impacted by policy areas that were traditionally regulated by State Governments now being regulated nationally?
3. As a small business owner, what type(s) of information or advice is hardest to find?
4. How easy or difficult is it for you to access information about Government grants and other assistance programs?
5. How can the Government improve access to information and advice for small businesses?
6. Have you used the services of *business.vic.gov.au*, the Victorian Business Centres or the Small Business Information Centre/Shopfront? Are these services useful for your business?
7. Have you used any of Small Business Victoria's programs and services? How could these programs and services be improved? What types of small business support services would you find most useful?
8. What are the major barriers to accessing business finance and have you found it harder to manage cash flow since the Global Financial Crisis? Are you aware of the *Business Loan Finder* and is it a useful tool?
9. What workforce skills are hardest to find or retain? What are the main barriers to finding and keeping the right staff?
10. What are the significant workplace relations/OHS issues confronting your business? Have these issues risen or fallen in importance in recent years?
11. Are you finding that your workforce is getting older? What opportunities or challenges does this present?
12. As a business owner, are you considering sale or succession of your business? If so, what information or advice do you need?
13. What information or advice would be most valuable for small businesses to help them prepare for and manage risks associated with a natural disaster? What can Government do to assist?
14. What are the major barriers for small businesses engaging with large purchasers – including with Government?
15. Is alternative dispute resolution of the type provided by the Victorian Small Business Commissioner the most effective way for small businesses to resolve their business to business disputes and minimise business disruption?
16. Does your business use the internet extensively? If so, what for? If not, what are the major barriers (e.g. cost, skills, access to reliable services etc.)?
17. What support or information could the Victorian Government provide for your business to help improve its export readiness and competitiveness?
18. What are the major challenges faced by small business franchisors and franchisees? How can Government assist?
19. Do you know of any Government services for small business offered elsewhere that could be considered for Victoria?
20. What Government support would be most valuable to help Victorian small businesses address current challenges and what should be the principal role of a State small business department?

Issues for Discussion

REGULATORY COMPLIANCE AND COSTS

Regulatory and compliance costs impose a disproportionate burden on small businesses, given that they are often constrained by a shortage of time, knowledge, staff, skills and access to finance.

Small businesses, like all businesses, need to keep abreast of relevant Government rules and regulations while also managing core business challenges including gaining and keeping access to markets, managing their workforce, keeping ahead of competitors, currency issues, and import and export competition.

In recent years, many areas traditionally regulated by State Government have moved, or are moving, to national regulation, such as energy, work health and safety, business names and aspects of consumer law.

New national regulatory measures, such as a price on carbon, can also impact on the ability of a small business to compete.

FOR DISCUSSION:

1. What are the major taxation, regulatory or compliance burdens facing your business? What are the specific issues that impede your business productivity and growth? What effect will a carbon price have on your business?
2. Has your business or industry sector been impacted by policy areas that were traditionally regulated by State Governments now being regulated nationally?

IMPROVING ACCESS TO INFORMATION AND ADVICE

Access to business information and advice is often not affordable for small businesses.

Information that is freely available can be difficult to find, may not be relevant to small businesses, and may not be up-to-date or reliable.

Small businesses need to be able to find relevant information quickly and trust that it is accurate.

FOR DISCUSSION:

3. As a small business owner, what type(s) of information or advice is hardest to find?
4. How easy or difficult is it for you to access information about Government grants and other assistance programs?
5. How can the Government improve access to information and advice for small businesses?
6. Have you used the services of business.vic.gov.au, the Victorian Business Centres or the Small Business Information Centre/Shopfront? Are these services useful for your business?

SMALL BUSINESS VICTORIA'S PROGRAMS AND SERVICES

Small Business Victoria currently provides a range of programs and services to support and advise small businesses around the State. These programs and services include:

- > *Small Business Workshops and Seminars* which equip business operators with the information and tools for developing their financial, marketing and human resource management skills, so as to achieve productivity improvements;

- > *Small Business Mentoring* which provides low cost one-on-one mentoring for small business owners, operators and intenders;
- > *Victoria's Small Business Festival* which offers hundreds of events that enhance business skills, provide networking opportunities, and celebrate small business success and the sector's contribution to the Victorian economy. Small Business Victoria coordinates this event in collaboration with industry groups, private organisations and agencies across all levels of Government;
- > the *13 22 15 Victorian Business Line* which is often a first point of contact for small businesses wanting help on matters ranging from starting a business, licences and permits, business name registration, wages and employee entitlements, grants, finance and programs;
- > the *Mobile Business Centre* which operates in regional Victoria and metropolitan Melbourne providing free, face-to-face business mentoring and information;
- > the *business.vic.gov.au* website which helps small businesses save time and money through online regulatory information and tools to start, plan and grow a business;
- > the *Skills for Growth* program which helps small and medium sized businesses to meet their skills development needs by providing direct assistance through specialist workforce planning and training solutions;
- > the *Grow Your Business* program which provides grants to help Victorian small businesses develop and implement strategies to become internationally competitive; and
- > the *MasterClass for Growth* program which gives participating business owners information on business trends, expert advice from industry leaders and tailored business coaching and advice, to assist small businesses to grow and move to the next phase in their business life cycle.

FOR DISCUSSION:

7. Have you used any of Small Business Victoria's programs and services? How could these programs and services be improved? What types of small business support services would you find most useful?

BARRIERS TO ACCESSING FINANCE

The Global Financial Crisis changed the way many financial institutions approach the provision of credit to small business. Many small businesses are now finding it tougher to source finance and manage cash flow.

The *Business Loan Finder* at *business.vic.gov.au* is an online financial management tool developed by Small Business Victoria that allows small businesses to conduct online customised searches that compare the costs of loan products across major banks.

FOR DISCUSSION:

8. What are the major barriers to accessing business finance and have you found it harder to manage cash flow since the Global Financial Crisis? Are you aware of the *Business Loan Finder* and is it a useful tool?

WORKFORCE AND BUSINESS MANAGEMENT

Skills shortages are re-emerging as one of the major concerns for small businesses, with many small businesses struggling to recruit and retain the staff they need in a highly competitive market.

Many businesses find it difficult to stay on top of changing workplace relations and occupational health and safety issues.

Australia's ageing population means that up to one third of the current workforce will reach retirement age in the next 3-5 years. Some of the issues that small businesses will face include:

- > the need to accommodate a significantly higher percentage of older employees and potential changes in their work arrangements; and
- > the need to plan for retirement and business succession. Many of these experienced business owners and managers are also looking for opportunities to remain engaged in the workforce on a part-time basis.

FOR DISCUSSION:

9. What workforce skills are hardest to find or retain? What are the main barriers to finding and keeping the right staff?
10. What are the significant workplace relations/OHS issues confronting your business? Have these issues risen or fallen in importance in recent years?
11. Are you finding that your workforce is getting older? What opportunities or challenges does this present?
12. As a business owner, are you considering sale or succession of your business? If so, what information or advice do you need?

DISASTER MANAGEMENT

The impacts of recent bushfires and floods in Victoria have highlighted the degree to which small businesses can be exposed if they do not adequately prepare for a disaster.

Small Business Victoria can help small business owners and managers in post-disaster recovery by leveraging recent experience from recent floods and bushfires, particularly in regional and rural areas.

This assistance can include disaster planning and preparation, understanding insurance options and accessing mentors and support.

FOR DISCUSSION:

13. What information or advice would be most valuable for small businesses to help them prepare for and manage risks associated with a natural disaster? What can Government do to assist?

GOVERNMENT PURCHASING POLICY

Many small businesses are concerned that the purchasing policies of large businesses and Government make it difficult for them to compete.

Payment terms and conditions and the bundling of purchasing contracts can reduce purchase prices, but also make it harder for smaller businesses to tender, negotiate contracts and provide products and services at the necessary scale.

FOR DISCUSSION:

14. What are the major barriers for small businesses engaging with large purchasers – including with Government?

RESOLVING BUSINESS DISPUTES

The Victorian Small Business Commissioner (VSBC) is an Australian-first, statutory office that provides small businesses with low-cost alternative dispute resolution, notably in the area of retail lease disputes, as well as advice on how to avoid disputes.

The VSBC can also investigate complaints regarding unfair market practices, and may mediate between parties involved in a dispute, as well as make representations on behalf of a small business.

Other Governments around Australia are in the process of implementing alternative dispute resolution services in their jurisdictions, based on the Victorian model.

FOR DISCUSSION:

15. Is alternative dispute resolution of the type provided by the Victorian Small Business Commissioner the most effective way for small businesses to resolve their business to business disputes and minimise business disruption?

ONLINE BUSINESS MANAGEMENT

Technological change is continually impacting small business operations.

The internet is increasingly used by small businesses to promote their products and services and access new markets. For example, 76 per cent of small businesses now use the internet to buy goods/services and 58 per cent are equipped to use the internet to sell goods and services³.

Social media applications are increasingly being used as a channel for communication, networking, marketing and learning. 34 per cent of small businesses already use social media and a further 15 per cent intend to use it in the future – particularly Facebook, Twitter and LinkedIn⁴.

FOR DISCUSSION:

16. Does your business use the internet extensively? If so, what for? If not, what are the major barriers (e.g. cost, skills, access to reliable services etc.)?

3 SENSIS EBUSINESS
REPORT, 2010

4 MELBOURNE IT,
SUCCEEDING ONLINE,
2010

SUPPORTING EXPORTERS

Australian Bureau of Statistics (ABS) data shows that around 90 per cent of Australian exporters are either small or medium sized businesses, and that the total number of Australian SMEs that export is around 10 per cent.

Factors that impact exporters include:

- > lack of access to timely and accurate information;
- > exchange rates;
- > transportation costs;
- > regulation and compliance;
- > competition; and
- > interest rates (consumer spending).

Approximately 15% of Victorian SMEs are exporters, which is the highest proportion of any jurisdiction.

FOR DISCUSSION:

17. What support or information could the Victorian Government provide for your business to help improve its export readiness and competitiveness?

SUPPORTING FRANCHISEES

The rapid uptake of franchise business models means that Australia is one of the most franchised nations in the world, with three times as many franchise systems per capita than the USA.

Franchising has a relatively low barrier to entry in particular for business migrants wishing to meet residency visa requirements, leading to growth in the number of franchise businesses of around 7 per cent each year⁵.

FOR DISCUSSION:

18. What are the major challenges faced by small business franchisors and franchisees? How can Government assist?

BEST PRACTICE SERVICES FOR SMALL BUSINESS

The Victorian Government is committed to creating an environment where small businesses can continue to prosper by reducing business costs and compliance, and providing low-cost, accessible information and advice to improve their competitiveness and productivity.

FOR DISCUSSION:

19. Do you know of any Government services for small business offered elsewhere that could be considered for Victoria?
20. What Government support would be most valuable to help Victorian small businesses address current challenges and what should be the principal role of a State small business department?

Have Your Say

The Victorian Government is keen to hear your feedback on these, or any of the other issues facing small business and invites you to write a submission.

Please note the following points to assist the preparation of a submission:

- > there is no specified format or length;
- > evidence to support your submission should be provided wherever possible;
- > submissions may be made public unless clearly marked "in confidence"; and
- > the name and address of the person or organisation making the submission must be provided.

Discussion paper:	September 2011
Public consultation period	September – October 2011
Closing date for submissions	COB 28 October 2011

The Government will release a Small Business Statement after consideration of the issues raised.

Please send your responses in by **close of business 28 October 2011** by mail or email to:

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