



Department of
**Education
and Training**

Overcoming "I'm too busy"

An audit of small business training in Western Australia

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Executive summary

The expression “I’m too busy (to undertake training) because of the boom” was used regularly by interviewees in this study, to describe the attitude of many people in small business in Western Australia (WA). This attitude is of deep concern to many different stakeholders in WA involved in small business training, as these stakeholders believe that many more skills are needed in small business immediately. Stakeholders also believe that many small businesses will not have the skills to adjust if or when the resources boom plateaus or ends.

Hence this report provides a range of reasons why the view that “I’m too busy” needs to be challenged and overcome, and why more training needs to be provided to small business. The report also discusses which approaches to the current provision of training are ineffective and which ones are succeeding.

This report specifically aims to achieve the following:

- to clarify the small business skills development issues that need to be addressed in WA; and
- to identify areas that the committee could productively target in order to raise awareness of the benefits of small business training within the small business sector in WA.

Methods and definition of audit

The research methods included a review of documentation and the conducting of interviews and focus groups. The use of two or more methods of data collection is called triangulation. The focus groups were critical for triangulation and for validating the emerging findings.

The full brief for this project is set out in Appendix 1, the research questions are set out in Appendix 2, the list of interviewees in Appendix 3 and participants in the focus groups in Appendix 4.

This report is an audit of business training. The term audit is taken to mean an examination and a verification of accounts of small business training in WA, provided by a wide range of stakeholders, from small business operators to training providers, business advisors, researchers and government administrators.

Major findings

Priority small business skills development issues that need to be addressed in WA include:

- countering the view that skill development can be postponed till after the resources boom subsides, to avoid a future crisis of skill shortages in small business;
- developing learning delivery and support systems that cater for the skill development needs of the majority of small business owners who are mostly the sole employee of their company, work from home, are time poor and increasingly use the internet;
- developing learning delivery and support systems that cater for the skill development needs of the even larger numbers of independent contractors and other self-employed people who have the same need for business knowledge and skills as incorporated small businesses, but are often overlooked because they are not classified as “small business”;
- developing learning delivery and support systems that rely less on regular attendance in a classroom with an instructor and instead engage small business people in active learning based on current challenges, and which use facilitators, mentors, networks and advisory services; and
- developing learning delivery and support systems that assist with the development of the following priority skill needs: human resource (HR) management skills to attract and retain staff, business managements skills such as managing finance, business planning and risk management skills instead of reacting to crises, marketing skills including a customer focus, people management skills to supervise different generations of staff, customer service skills, technology management skills and entrepreneurial skills.

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Key areas that could be productively targeted in order to raise the awareness of the benefits of small business training within the small business sector include:

- creating a comprehensive information resource for small businesses in WA, including information about training programs, and ensuring the programs are offered by quality providers;
- leveraging off existing partners in the field of small business to stimulate and support development of networks of provider groups; and
- promoting good practice in learning within small businesses, such as the mentoring model, and promoting case studies of successful initiatives and evidence about the return on investment from training.

Detailed findings

Factors influencing the growth of small business, micro businesses and independent contracting within Australia and Western Australia (based on chapter 1)

A raft of factors influences the growth of small business, micro businesses and independent contracting within Australia and Western Australia. These factors can be divided into hot factors, meaning those factors at the front of the mind of the media and interviewees, such as the resources boom, and underpinning factors, such as the global economy and technology advances, which exist regardless of the current turbulence in the environment of WA small business.

Hot factors identified by contemporary commentators and industry leaders include skill shortages, the resources boom, the drought, government regulation and unpredictable interest rates. Hot factors identified in the field research for this study are mostly related to the resources boom and associated factors: skill shortages, the rise in property prices and the pressure on the time of business operators.

Underpinning factors include the following: the impact of industry restructuring creating an increase in outsourcing to small business; the rise of the self-employed, whether incorporated businesses of one person or independent contractors; and the increase in home-based businesses. These underpinning factors potentially will have more long-term impact on the growth and training needs of WA small businesses than the current resources boom.

Overall, emerging and immediate training needs required to develop small business skills (chapter 2)

The pressure on small business to undertake training is rising for multiple reasons: because of opportunities provided by the increase in the number of industries; from the availability of new technology; and from new practices such as involving customers in product design or improvement.

Small businesses need training to identify and optimise outsourcing opportunities. To compete with overseas providers, small businesses need training to ensure they are more efficient and offer higher value-added products than overseas providers.

Statistics confirm that the owner/operator of small businesses in Australia is, in the majority of cases, the only employee, so that person needs ongoing training to become and remain multi-skilled and adaptable.

Reasons for the lack of uptake of training by small business personnel in WA (chapter 3)

Two core reasons for the lack of uptake of formal training are: the preference of small business to learn informally, on the job; and the tension between the time needed to undertake an accredited course and the preference of small business for just-in-time training to satisfy immediate needs. Many small businesses are dissuaded from committing to formal, accredited training because of the need to attend conventional classes on a regular, routine basis, especially as some businesses have peak seasons of demand during the year. The rhythms of accredited training on the one hand and the way small businesses like to learn – just-in-time, just-for-me – on the other, are discordant.

Present provision of training services in WA (chapter 4)

The provision of training for small business is traditionally characterised by a curriculum that suited a previous age of small business, when the majority of small businesses were located in the high street, in shops and offices. Nowadays much small business is home based, involving only one employee, and training provision needs to cater better for this majority.

Fortunately an increasing number of providers understand these factors and have developed flexible, customised approaches that satisfy the needs of small business owners and staff. Successful small businesses commonly access formal, accredited training on a limited basis, preferring to use strategies such as mentoring and networking, to continually learn and adjust.

Gaps in current training services provision in WA (chapter 5)

A major gap in the provision of small business training is the regular ignoring of two key groups: micro businesses that are most often home-based, and independent contractors who operate in the same business-like way as incorporated businesses. Many people have become contractors in the last few years but do not have business training. Given the large numbers of contractors – around two million out of a workforce of ten million – this lack of business training is a massive gap in the current provision of small business training in Australia.

In delving further and examining sub-categories of home-based businesses, it is clear that a raft of skills in areas such as negotiation and promotion are required, if the small business is to succeed. Interviewees for this subject added other gaps in current training provision, including the lack of personalised services by providers and the lack of focus on specific skill sets.

Current and future trends that will need to be addressed (chapter 6)

Trends highlighted in this report include the increase in the number of home-based businesses, the growth in opportunities from outsourcing by larger companies, and the need for small businesses to compete by developing world-class products and services. Other trends include the ageing of owners of small businesses and the challenges of recruiting and retaining staff where staff can easily obtain another job due to widespread labour shortages.

A macro trend is the recent growth in the number of self-employed people in Australia, including both micro businesses and contractors. Due partly to recent legislation, many people find themselves self-employed but often do not have previous experience in business or the necessary skills. It is critical for Australia’s economic development that they develop skills quickly, so they can be productive and successful.

Best practice and initiatives outside WA in small business training programs for possible uptake in WA (chapter 7)

Researchers’ guidelines for best practice in assisting small business learning include: acknowledging the independence and creativity of the small business; seeking to engage small business people in active learning; relying less on the trainer’s capacity and more on the capacities within the workplace; and using local support systems such as industry advisory services.

Initiatives around Australia that fit these guidelines have focused on small businesses within skill ecosystems. Working inside these ecosystems, training providers have sought to acknowledge the common interests uniting organisations in the cluster or supply chain.

In the UK and the USA there is strong support from governments for small businesses, ranging from the provision of information to tools, consultancies and grants. Training is just one of the many services provided to small businesses. This holistic approach recognises the many different aspects of running a small business.

Raising awareness of the benefits of small business training (chapter 8)

There is a large role to be played by the state government in providing leadership, support and services for small business in WA. The view was expressed by many interviewees that only the government has the resources to perform this leadership role, especially given the large size of the state and its thinly distributed population. The role of government in supporting small business is essential given the criticality of small business for the WA economy.

Practical initiatives that could be undertaken include: developing a branded, coherent and coordinated source of information about small business training which ensures the providers meet quality standards. Other possible initiatives include creating networks of small businesses and encouraging them to negotiate collectively with training providers, and extending and enhancing popular strategies such as the “Small Business Smart Business” voucher system.



Key points:

- Hot factors identified by contemporary commentators and industry leaders include skill shortages, the resources boom, the drought, government regulation and unpredictable interest rates.
- Hot factors identified in the field research for this study are mostly related to the resources boom and associated factors: skill shortages, the rise in property prices and the pressure on the time of business operators.
- Underpinning factors identified in the literature include the restructuring of industry, with a trend towards large companies creating a multitude of outsourcing opportunities for small businesses, especially home-based businesses, and generally leading to an increase in the numbers of self-employed.
- Underpinning factors identified in the field research include the ageing workforce and the business attitudes of baby boomer owners which often collide with the attitudes of staff from younger generations.

1. Factors influencing growth

This chapter provides a summary of the factors influencing the growth of small business, micro businesses and independent contracting within Australia and Western Australia. These broad factors are important to highlight at this stage of the report, as they impact significantly on training needs. These factors also provide the backdrop for the remainder of the report.

In the discussion below, the factors are divided into hot factors, meaning those factors at the front of the mind of the media and interviewees, such as the resources boom, and underpinning factors, such as the global economy and technology advances, which exist regardless of the current turbulence in the environment of Western Australian (WA) small business.

This device of separating hot factors from underpinning factors was used in order to encourage interviewees and focus group participants to look beyond the current hot issues.

Hot factors identified in the media and current literature

In the early months of 2007, in relation to small business, the hot factors at the front of the mind of industry leaders, the media and other commentators include the following: interest rates, inflation, government regulation, the resources boom, skill shortages, drought, the federal election later in the year, interest rates and inflation.

For instance, the Council of Small Business Organisations (COSBOA) identifies interest rates as the major concern for small to medium sized businesses in 2007, although it is unsure in which direction interest rates might move. COSBOA's Chairman Bob Stanton commented:

At this stage the prospects look pretty good, with the prospects of rates going up not likely until later in the year.

"That gives us some degree of comfort."

He is concerned, however, about the federal election, likely to be held late this year. (McCombie, *The Sydney Morning Herald (SMH)*, 21 February 2007, p.6)

Stanton cites as other issues the uncertainty about what will happen with the Work Choices legislation if there is a change of government, and the skills shortage, which he believes can be addressed by additional training. Stanton describes the skills shortage as being "bloody horrendous" for small business and he believes governments need to do more in terms of training:

Five to seven years ago there was so much training going on – there was training of small business people, there was training of employees for small business people, there were training packages coming out of the Federal Government left, right and centre and out of each and every state. (McCombie, *SMH*, 21 February 2007, p.6)

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The Australian Chamber of Commerce and Industry (ACCI) survey of investor confidence released in January 2007 identifies the following areas of concern for small business:

- Business taxes and government charges
- Availability of suitably qualified employees
- State government regulations
- Federal government regulations
- Non-wage labour costs
- Wage costs
- Local competition
- Level of interest rates
- Insufficient demand
- Local government regulations. (McCombie, *SMH*, 21 February 2007, p.7)

Michael Potter, Director of Economics and Taxation, ACCI, adds: “More taxation reform is the catchcry for 2007”. He also notes: “What’s critical for small business for 2007, according to the Chamber, is for governments to get serious about reducing red tape.”

However, the factors currently affecting or likely to affect small business in the near future are not all negative. Commentator Helen McCombie highlights the new opportunities for business created by the boom:

Mining-led exports are helping to keep the Australian economy growing despite a drop in business investment and the worst drought in a century.

The federal Treasury, in its midyear review of the budget last December, forecast growth for 2006-07 to come in at a respectable 2.5 per cent.

It appears to be a positive scenario for small to medium-sized businesses. (McCombie, *SMH*, 21 February 2007, p.6)

The term “appears to be” seems to typify the views of various commentators: forces such as interest rates could change from positive to negative, and there is uncertainty about the future environment for small business.

Underpinning factors identified in the literature

Underpinning factors are taken to mean factors that exist whether or not there is a resources boom or any other recent fluctuation in the environment for small business. A set of prominent underpinning factors is discussed below, including:

- the opportunities created by industry restructuring;
- the increase in outsourcing;
- the rise of the self-employed and micro businesses;
- the rise of home-based businesses; and
- the ageing of small business owners.

Opportunities created by industry restructuring

The restructuring of Australian industry reflects world-wide trends, especially the trend for large companies to outsource their non-core functions. This creates opportunities for many more self-employed people servicing large companies, as noted by Gome and James (2005):

Australia is an open economy, subject to the forces of globalisation, and dominated domestically by oligopolies... Global companies are developing a network of relationships, mostly with smaller operators ... (Gome and James, *Business Review Weekly (BRW)*, 28 July–3 August 2005, p.4)

Gome and James explain that in most industries, a few Australian corporations dominate the local market, creating nodes at the centre of networks of smaller firms:

In most industries, a few Australian corporations dominate the local market...outsourcing and reconfiguring their operations to make their firms like nodes at the centre of the network. Connected to those nodes will be many self-employed people. (Gome and James, *BRW*, 28 July–3 August 2005, p.46)

Featherstone (2005) notes that in the self-employed revolution, "big companies keep shedding workers and hundreds of thousands of one-person, home based businesses spring to life" (*BRW*, 28 July–3 August 2005, p.4). Featherstone emphasises the opportunities for small business: "Opportunities are emerging for nimble, creative companies as big companies focus on re-engineering and innovating their core business models." (*BRW*, 28 July–3 August 2005, p.4)

The increase in outsourcing

Outsourcing is a major result of industry restructuring, says Bernard Salt from KPMG: "the business models for the next decade will be based around who is outsourcing what" (Gome & James, 2005, p.49). Phil Ruthven from IBISWorld estimates that work valued at about \$404 billion that used to be done internally is now carried out for businesses by outsourcers: "accounting, bookkeeping, legal services and communications and transport (many small businesses used to own their own truck)". More importantly, Ruthven believes there is "another \$400 billion, maybe \$500 billion" worth of services still to be outsourced. (Wasiliev, *The Weekend Australian Financial Review*, 17–18 October 2005, p.36)

Outsourcing opportunities will be concentrated in the service industries, says Ruthven, which "research suggests are likely to offer 95 out of 100 opportunities for new business ventures over the next decade", particularly services for households (Wasiliev, 2005, p.35). Household service industries have developed into a \$99 billion sector since 1964, but in the near future "that level will almost certainly quadruple to \$365 billion a year in outsourced services":

Forty years ago, virtually everyone cooked their own meals, minded their own children, looked after their own investments and organised their own holidays and entertainment. Today, those services are significantly outsourced, with considerable scope for more outsourcing in areas such as home laundry services, home and garden maintenance, pet care, education, leisure sports and fitness coaching. (Wasiliev, 2005, p.36)

Consequently, outsourced household services are "catching up to outsourcing in business sectors". The two types of outsourcing create very substantial numbers of opportunities for small business.

The outsourcing by organisations of their non-core functions benefits both the organisation and the small business provider, however there are risks for the small business provider. "One reason corporations are thinning down is to pass on risk to the individual", say Gome and James. "At the same time, it provides enormous opportunities for the self-employed to start up innovative enterprises." (Gome and James, *BRW*, 28 July–3 August 2005, p.49)

Not all of these outsourcing opportunities flow smoothly to Australian small businesses, as there is often competition from overseas for this outsourcing work. Some large Australian companies, such as banks with their back office work or telecommunication companies with call centre operations, are outsourcing to countries with lower costs, such as India, cutting out Australian small businesses.

To compete with cheaper overseas providers, Australian small businesses need to offer superior service. Billett et al. (2003) stress this need for small businesses to be competitive: "Small businesses need to develop their capacities to be effective in competitive economic environments." They also note that, like larger enterprises, "small businesses need to be able to adjust to changing demands for their goods and services".

Rise of self-employed and micro business

One of the themes identified in the discussion above is the increased numbers of self-employed and one-person micro businesses arising because of the trend to outsourcing. Gome and James (2005, p.49) point out that with 450 000 Australians on Australian Workplace Agreements (AWAs) by mid-2005 means that now "you have more than two million people self-employed in a workforce of 10 million". This two million consists of the existing 1.66 million small businesses identified by the Australian Bureau of Statistics (ABS) and the 450 000 on AWAs. To that two million need to be added the 1.9–2.0 million independent contractors who are not incorporated but are more and more likely to see themselves as self-employed. Forecaster Phil Ruthven adds:

Now we are moving to the self-employed: contractors and contracted employees. When you sign an AWA you are contracting yourself to a company. Everyone is becoming their own business in one way or another. (Gome & James, 2005, p.49)

The clear demarcation line is starting to blur between, on the one hand, an incorporated company employing one person, the owner, and, on the other hand, the solo contractor. Each of these people needs to operate in a business-like manner, marketing, negotiating, providing a service, managing clients, managing the cash flow. The training needs of the two groups are similar even if the official nomenclature suggests they are two distinct groups.

Rise of home-based small businesses

In addition to the rise of one-person incorporated businesses ("Me Inc.") and self-employed contractors, another major feature of small business is the large number of home-based small businesses. These businesses make up a large proportion of the total small business population in Australia. According to the ABS (2004):

- It was estimated that 67.5% of all small businesses were home-based, compared to 58.3% in February 1997
- These businesses were operated by 1 040 000 people, representing 62.6% of all small business operators.

The following table provides further statistics about the scale and features of home-based businesses.

Table 1: Scale and features of home-based business in Australia (ABS 2004)

- 856,000 home based small businesses were operating at June 2004, of which the majority (68.8%) were non-employing businesses
- of the remainder, 240,000 (28.1%) businesses employed 1-4 people and 26,000 (3.1%) employed 5-19 people
- in terms of length of business operation, home based businesses followed a similar distribution pattern to that of total small business with:
 - 16.9% in operation for less than one year old
 - 36.2% in operation for one year to less than five years
 - 17.6% in operation for five years to less than ten years
 - 29.3% in operation for ten years or more
- the most significant annual increase occurred in the proportion of home based businesses in operation for less than one year which rose by 2.1 percentage points to 16.9%
- the majority (79.8%) of home based small businesses were single operator businesses. This proportion was higher than that recorded for small businesses overall, where 72.6% were single operator businesses
- 70.7% (736,000) of all home based business operators were male, this represented a proportional increase of 2.9 percentage points

The WA Small Business Taskforce Report (2003) noted that, according to information from the ABS:

- Micro businesses (those employing fewer than five people) represent 86% of all small businesses.
- Home-based businesses account for 66% of all small businesses in Western Australia.
- Many of these home-based businesses are operated by a single owner.

These Australia-wide and WA statistics clearly show that the majority of small businesses are not sited in the high street in a shop as a butcher or baker or in a suburban office block as the local dentist or accountant. Most are more likely to be working from their dining room tables or at a desk in the bedroom or on a bench in the garage.

Ageing small business owners

Another major feature of small business in Australia is the ageing of small business owners. According to the ABS (2004), the majority of small business operators (59.4%) were aged between 30 and 50 years as at June 2004.

Dr Michael Schaper, adjunct professor at the Graduate School of Business, Curtin University, commented in *BRW* that there may have been a spurt of business development by baby boomers in the period 1983–2002, but that "may have been a one-off spurt". (*BRW*, 17–23 August 2006, p.51)

In a separate article in *BRW*, Schaper, now at Bond University, extols the benefits of baby boomers establishing businesses:

The over-50s who set up businesses often bring substantial business knowledge and experience, a solid financial base and an entrepreneurial spirit. The wealth older ventures create will help fund their own lifestyles, and partially offset the effect of a smaller (younger) workforce. These changes have been largely ignored or overlooked by policymakers. (*BRW*, 8–14 February 2007, p.61)

Other commentators are less confident about the skills of baby boomers setting up in business. Dr Beth Walker from Edith Cowan University in Perth conducted a survey of 279 small business owners and found the following:

Walker says: "Older business owners hit the ground running. They think years in the workforce qualify them to run a business but they trip because they don't know what they are doing." (Le Mesurier, *BRW*, 23 February–1 March 2006, p.58)

Le Mesurier comments further:

Walker's results paint an alarming picture of the over-50s: only 25% started businesses with budgeting and cashflow-management skills, 15% knew how to manage debtors, 28% had business-planning skills and 32% had been trained in bookkeeping. (Le Mesurier, *BRW*, 23 February–1 March 2006, p.58)

While commentators agree about the ageing of the owners of small businesses, views differ about the training needs of this cohort. However, Walker's research deserves more attention and weight than media commentators, whose source of evidence is often unclear.

Factors identified in the field research

Interviewees for this study were invited to talk separately about the hot factors and the underlying factors affecting small business in WA. Please note that for brevity the term "interviewees" is used to describe both those people interviewed for this study and those people who participated in focus groups.

Hot factors identified in the field research

The top three hot issues, as opposed to underlying structural changes in industry, identified by interviewees were as follows:

1. **The resources boom and related skills shortages** – creating the sense of two categories of small business, those benefiting from the resources wave and those left behind. The resources boom has not been a positive force for planning long-term skill development. “Everyone is trying to take advantage of the boom” was mentioned by a large number of interviewees, with many interviewees expressing the view that it is a bubble that will definitely burst.

One said: “It’s feast to famine, boom to bust. I was three years out of work before this boom and now the work is massive.” Another said: “When the construction industry comes off the boil, what happens when we get a downturn?” Another commented: “It is all economic growth in WA. The key factor for small business is staff availability.”

Some small businesses are simply closing down because the principal can profit better on a wage: “We see lots of small businesses closing their doors. Say it’s an electrician: he can earn \$90,000 per annum as an employee, so why run a small business?” Another said: “Why start your own business when you can earn \$200,000 doing manual work in the mining industry?”

A further interviewee commented that “the resources boom is only a bonus when you can service your own clients better. From a small business perspective, the big issue is to attract staff to their regular locations.”

A number of interviewees queried whether many people were better off because of the resources boom. One said: “Some small businesses are no wealthier because of the boom. In fact they are struggling.” He added that many of the jobs created in small business by the boom are “dead end” jobs so “people drift from job to job”. Another said there are “downsides to the boom” like the extra pressure to achieve huge incomes.

Another interviewee commented on the impact on small registered training organisations (RTOs): “The resources boom and the rapid growth in industry impact on small RTOs. We get low enrolments because students can earn such huge dollars and so they don’t enrol.”

Some interviewees challenged the use of the term skill shortages. One commented: “It is a labour shortage not a skills shortage.”

2. **The resources boom and related rises in property prices** – providing a crisis for small businesses trying to attract staff, with affordable housing in short supply both in Perth and many regional areas.

One interviewee commented: “In regional areas there is an acute skill shortage and the housing is not available. I know of a financial business owner in Broome who wanted to take leave but he had to shut down because he couldn’t attract replacement staff. The problem for staff is it is \$1000 per week for a four-bedroom, two-bathroom house. Places like Kununurra can’t house people.” Another said “Small business owners can’t pay wages for people to rent. Where air-conditioned accommodation does exist, it is \$600 per week to rent in our town.”

A related issue raised by a number of interviewees is the shortage of commercial office space.

3. **The resources boom and the consequent lack of time** – a prevailing view of many small businesses about training is “I’m too busy”. This is especially the view in the construction industry. A typical comment was: “They are too busy because of the boom, even though they are only on the fringes of the boom.” Another said: “The resources boom is driving issues. People are too busy to concentrate on education. Then when the boom dies they will have no money for it.”

The following quote by one interviewee combined all three of the above ideas: “The mining boom and property prices. People have a lot more equity to go and do new things.”

Underpinning structural factors identified in the field research

Structural factors are taken to mean underpinning factors, such as the global economy or industry restructuring, which exist regardless of the current mining boom and the turbulent environment for WA small business.

The top two structural factors expressed in the interviews for this study were:

1. **The ageing workforce** and succession planning: there is a looming crisis for WA small business, with growing number of examples of retiring owners not being able to sell or pass on the small business to others, such as younger family members or longstanding staff. This inability to sustain a business has negative impacts for the retiring owner as well as for the community, which loses a service.
2. **Attitudes of baby boomer owners of small business:** for example, the view of baby boomers that young staff need to be punctual sometimes clashes with the attitudes of generation X and Y staff, that work needs to be stimulating and challenging. The intransigence of some baby boomer owners led one interviewee to comment: "There is often an ego problem with the founders of small business."

A typical comment from an interviewee was: "The majority of small businesses are owned by baby boomers. Their rigid attitudes and work habits are now an issue." Another said: "The attitudes of some owners are based on the fact they have been the only local supplier. They need to change their attitudes because they don't realise we can now buy online." Another said "The attitude of baby boomers has a dramatic effect, as they are getting to the end of their business lives."

One interviewee suggested that small business owners needed to review their workplaces and practices, in response to the tightening of the employment market. "Small businesses need to review their practice, for example their family-friendly strategies."

Other factors mentioned less often included:

3. Industry restructuring and related business **outsourcing:** there is a new awareness that the outsourcing by large companies, plus new workforce legislation, creates many small business opportunities. One interviewee commented: "Companies want people off their balance sheets. I find workers love being contractors because of the flexibility and they are prepared to trade off their entitlements for more freedom."
4. The emergence of the **networked micro business**, with fewer than 5 staff, who are networked to other suppliers and peers, creating numerous cobwebs of networks. One interviewee noted how one person employed in a larger organisation often taps into a network of 3–10 contractors. Another commented: "The new model is the cobweb. If you're not a networker you won't survive."
5. The **solo contractor** who is fully booked out and has little or no time for new training, which creates an impending problem because this contractor might progressively become deskilled by not updating his/her skills. Many interviewees commented that this lack of skills will become an overnight crisis when the resources boom tapers off.
6. **New technology:** the use of new technology by large companies (e.g. banks and mining companies) demands that small business (e.g. mortgage brokers and mining company suppliers) keep their technology up to date. One interviewee commented that small businesses are often reactive in their response to technology: "Small businesses tend to say: what technology's popped up now? There is not a lot of strategic focus."

One interviewee added that technology is always a factor: "New technology is also a factor: it is the nature of the business we are in and the way we are paid and the way we provide our services. New technology means more and more of our sub-contractors lodge online applications with us."

7. Global markets and the emergence of the Chinese and Indian markets mean that small businesses have to know what represents **world best practice** for the large companies they supply, and meet that standard. One interviewee in an agricultural area commented: "Small businesses in my area need globally competitive products. It is unsustainable to rely simply on farming. They have to diversify and broaden their markets."
8. **Legislation.** Structural factors included industry-specific legislation, requiring continual professional development, as in the following case: "In my case there are industry restrictions which are affecting my business such as new legislation, and my industry association is requiring more onerous tasks, such as continuing professional development."

Summary comment

Factors affecting the growth of small business were sourced from the literature and from interviewees. There was some overlap in the views expressed, as both sources emphasised the significant impact of the current resources boom. However, the commentators were more focused on ongoing, underpinning factors such as the following: the impact of industry restructuring creating an increase in outsourcing to small business; the rise of the self-employed, whether incorporated businesses of one person or independent contractors; and the increase in home-based businesses. These underpinning factors potentially will have more long-term impact on the growth and training needs of WA small businesses than the current resources boom.

Key points:

- Statistics confirm that the owner/operator of small businesses in Australia is, in the majority of cases, the only employee, so that person needs ongoing training to become and remain multi-skilled and adaptable.
- Small businesses need training to identify and optimise outsourcing opportunities.
- To compete with overseas providers, small businesses need training to ensure they are more efficient and offer higher value-added products than overseas providers.
- The pressure on small business to undertake training is rising for multiple reasons: because of opportunities provided by the increase in the number of industries; from the availability of new technology; and from new practices such as involving customers in product design or improvement.
- Emerging skill needs identified in the interviews include management and leadership skills and enhanced customer service skills.
- Immediate skill needs identified in the interviews include human resource (HR) skills, particularly in attracting and retaining staff, and fundamental business management and planning skills.

2. Overall training needs, emerging needs and areas of most immediate need

This chapter provides an overview of the training needs of small business, as well as the immediate and top training needs and new and emerging training needs.

Training needs identified in the literature

To identify the overall training needs of small business it is useful to consider the basic characteristics of small business in Australia. Data in the following table was provided by the Australian Bureau of Statistics in 2004 and it highlights a number of key points:

- Most (56.3%) of small businesses in Australia do not have employees.
- Most owner/operators work full time, 100% work at least 35 hours per week and 35% work more than 50 hours per week.

Hence, small business owners working on their own need skills in performing the wide range of tasks required in business, from marketing to service delivery and client management. But because these same people need to find the time in their busy schedules for training, the return on investment in the training needs to be compelling.

Data in Table 2 provides further information about the scale and characteristics of small business.

Three immediate issues are raised by the statistics following, in relation to training needs:

- Small business operators work long hours and have limited spare time for training.
- Training for small business operators needs to accommodate these time restrictions.
- Training for small business operators needs to cater for their need to be multi-skilled.

These training needs exist whether or not there is a resources boom.

Turning to Western Australia in particular, the WA Small Business Taskforce Report (2003) noted the following features and importance of small business in WA:

The small business sector has been described as the engine of the Western Australian economy. Small business produces a significant proportion of the State’s Gross State Product, employs nearly half of the private sector workforce and is a major provider of goods and services to Government, corporations and the public.

Other aspects of small business in WA are summarised in Table 3.

Table 2: Scale and characteristics of small business in Australia (ABS 2004)

- there were 1,660,000 operators of the 1,269,000 non-agricultural small businesses in Australia in June 2004
- small businesses with only one operator accounted for 72.6% of all small businesses, up from 68.5% in 2003
- the proportion of small businesses with two operators was 25.1%, down from 29.0% at June 2003.
- the majority of small business operators were involved in one business only (92.5%), a proportion which remained relatively unchanged from the June 2003 estimate.
- males comprised 1,131,000 (68.1%) of all non-agricultural small business operators. There were 529,000 (31.9%) female small business operators. These proportions have remained relatively unchanged since 1995.
- the majority of small business operators (59.4%) were aged between 30 and 50 years at June 2004, an increase of 1.8 percentage points.
- 1,660,000 non-agricultural small business operators in Australia at June 2004 included 1,114,000 (67.1%) full-time operators.
- the 1.1 million full-time small business operators comprised:
 - 65.1% who usually worked between 35 and 50 hours each week
 - 30.2% who usually worked between 51 and 75 hours each week
 - 4.7% who usually worked more than 75 hours each week.
- part-time operators constituted 32.9% (546,000) of the 1,660,000 small business operators in Australia.
- 30.2% (500,900) of all small business operators were born overseas, a rise of 0.8 percentage points from June 2003.

Table 3: Scale and characteristics of small business in WA (WA Small Business Taskforce Report 2003, based on ABS figures)

- 96.5% of all Western Australian businesses are small (employing less than 20 people)
- an estimated 126,000 small businesses were trading in Western Australia in 2001
- they were distributed across most industry divisions and accounted for an estimated 364,000 workers or 49.4% of total private sector employment in the State
- of the estimated 186,000 small business owner/operators in Western Australia, about 35% or 64,000 were women
- across Australia, the small business sector represents 96.4% of all businesses and accounts for 47.2% of total national private sector employment
- between 1983-84 and 2000-01, the average annual growth rate in the number of small businesses in Western Australia has been 4.8%, higher than any other State and above the national average of 3.5%
- Western Australia recorded an average annual employment growth rate of 3.9% in the small business sector in the period 1983-84 to 2000-01. This compares to the national rate of 2.9%
- more than half of all small businesses in the State are concentrated in the property and business services, construction and retail industries
- these three industry sectors accounted for over 53% of total small business employment
- over 28,000 businesses or 22% of all small businesses in Western Australia are in the property and business services sector

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The data in Table 3 shows only minor variations between WA and the rest of Australia. The data indicates the importance of small business to WA, with a concentration in a small number of industries and sectors: the property and business services, construction and retail industries.

When the WA data is considered in conjunction with the Australian-wide data in Table 1, the following points emerge about overall training needs:

- Most small businesses are independently owned and operated and are closely controlled by owners/managers, so these owners deserve significant attention from training providers
- Training providers need to give more of their attention to the majority of small businesses which are non-employing (56.3%) and operated by single operators (72.6%).

While the above data helps training providers clarify general training needs within small business, when this data is added to the discussion in the first chapter, for instance about the growth of outsourcing, it can be generalised that all small businesses will require more and new skills in the near future for a number of reasons. These reasons include:

- Small businesses need to be able to identify and optimise outsourcing opportunities, for both business and household outsourcing.
- To prevent outsourcing being given to overseas providers, local small businesses need to make sure they are as efficient and offer higher value.
- Those people newly entering small business, such as recent superannuants, often need new skills in order to be successful in small business.

Emerging skill requirements identified in the literature

It has always been difficult to operate a small business because the owner needs such a breadth of business skills. Some new developments mean that the owner and staff will need even more. For instance, the creation of new industries provides opportunities for small business, but requires new skills. Phil Ruthven finds that there were 120 industries in Australia in 1900 and now there are 465 and “we will keep creating new industries through outsourcing” (Gome & James, 2005, p.49). People establishing small businesses in any new industries require additional skills, even if it is a matter of blending skills used in several pre-existing industries.

The continual development of new technologies also requires the small business operator and staff to develop additional skills. For instance, the rise of e-business requires many small businesses to acquire skills in areas as diverse as digital marketing, electronic record keeping and online ordering. One of the interviewees for this study commented on technology capacity and capability:

We need more capacity to use technology: we need more access to the Internet and more online capability, so we can retrieve forms and information more quickly, online.

Customers can change their preferences, sometimes driven by the new services provided by large companies. In response, a new strategy that some small businesses are developing is to get closer to some customers, so the customer actually provides input into the features of a new product or service. This strategy requires high-level customer relationship skills. Small business operators and staff need new skills to keep up with these changing relationships with customers.

Emerging skill requirements identified in the field research

The top needs identified are:

1. **Management and leadership skills** for owners who need new skills in managing in a tight market of employees especially in “attracting and retaining staff”. One interviewee commented: “Many people are not very good at dealing with others. Tensions and conflicts often arise, partly because of the casual way people are employed in small business.”
2. **Preparing for the end of the boom**: there is a growing acceptance that there will be a large wave of demands for training when the resources boom declines, as people have put aside current training needs to pursue opportunities created by the boom. Currently, as one interviewee reflected, “the times are good and small businesses are distracted from skill development”.
3. **Ageing owners**: for baby boomers, there are new needs for retirement and succession planning and assistance with self-managed superannuation. One interviewee said: “They sometimes think that MYOB is all they need to know about finances.”
4. **Customer service**: the loss of key staff has revealed a new issue – a heightened need to develop customer relationships because small businesses may or do lose staff and customers will buy from other sources if the local service provider is not consistently on the pace.

One interview noted an important new development, in response to staff shortages: “Some small business operators are creating new business models that improve efficiency and growth, without the need for new staff, while building customer relationships and keeping their point of differentiation. They have to do this because they are competing with Perth and interstate businesses.”

5. **Technology skills**: One interviewee commented: “Small businesses invest a lot of money in new technologies and are trying to work out whether it is relevant to their business. The Internet is a huge issue for a lot of people. Their technology skills need to be developed.” Another interviewee noted: “Small businesses need to be e-enabled. Technology is pervasive.”
6. **Entrepreneurship**: People need entrepreneurial skills now, to create new options: “They need to develop entrepreneurial approaches to business.” Another commented: “Small businesses need entrepreneurship; the need to be smarter.” One interviewee noted that most small business owners are “in it for lifestyle reasons and are not interested in employing people and growing. They are potterers. Only 10% will seek out advice.”

Immediate and top training needs identified in the field research

The top three immediate and top training needs are as follows:

1. **HR skills**, particularly how to attract and retain staff. For example, it is a seller’s market for labour, with staff in some industries such as hospitality able to be selective about who they work for, what conditions they require and how long they stay.
2. **Business management skills**: some people, for example new/superannuated retirees, enter small business without training in basics such as cash flow management. An interviewee said: “They know about their special field but not about controlling finances. They don’t know how to market or sell.” They also need “to be aware of who their competitors are and to understand what others are charging and what their defining features are”.

Summary comment

This overview of the training needs of small business highlighted needs such as the need for the broad range of skills needed by the majority group, the solo owner/operator who has no staff. Immediate and top training needs include skills in attracting and retaining staff and basic business management skills, such as cash flow management. New and emerging needs include management and leadership skills and improved strategies for customer service.

3. **Business planning and risk management:** these fundamentals are sometimes overlooked and only when a crisis occurs do owners seek training. One interviewee, a small business advisor, said: “They don’t know how to think about their business, for example how time and price relate to counting hours, not dollars. They are not interested in time management.” Another said “Some people are under huge pressure to increase their income. They need to know how to work smarter rather than harder.”

Related training needs that were raised, but not mentioned as frequently, were:

4. An understanding that a **market orientation** for the business and the related marketing skills are needed by many small businesses, particularly businesses that are product-centric not customer-centric. One interviewee noted that some businesses in her town were used to being the only supplier of lines of goods and services, so had stopped trying to improve their customer responsiveness.
5. **Regulatory compliance training** is consistently needed, for example to comply with OH&S and privacy laws and for industry-specific requirements such as those for financial advisors. Another area mentioned by some interviewees was directors’ responsibilities and generally the “legislative environment”.

A typical quote about regulatory compliance training from an interviewee was: “Our top training needs are meeting the requirements of (regulatory) legislation and meeting the requirements of our industry association for ongoing professional development.”

3. Lack of uptake of training

This chapter discusses reasons for the lack of uptake of training by small business personnel in WA.

Reasons for the lack of uptake of training identified in the literature

A key reason for the lack of uptake of training, as identified in the literature, is that training providers prefer to deliver to groups of people in classrooms, in class sizes of say fifteen, while many people in small business prefer to learn informally, on the job. Kearns (2002) noted that informal learning is significant:

While barriers to participation by small business in formal training have been well documented, there is also research evidence on the significance of informal learning which occurs in the workplaces of small firms.

Kearns added that informal learning is not well linked to the Vocational Education and Training (VET) system:

Informal workplace learning is a key element in the way small business learns and develops skills, and up to now informal workplace learning has not been well linked to the formal VET system except through apprenticeship training and provision for recognition of prior learning (RPL).

The formal VET system has found it difficult to adjust to informal, workplace learning, but other providers have made considerable progress in identifying “collaborative self-help models” that support the development of learning and skill in small business. For instance, the Small Business Professional Development Program (SBPD) trialed such strategies between 1996 and 2000 in a large number of projects:

These collaborative self-help strategies were seen as well suited to the small business environment and culture, and were usually effective with special project funding. They were identified as including the following: ... building networks and clusters, mentoring, workplace coaching, action learning and benchmarking. (Kearns, 2002)

A number of these strategies were subsequently applied in both State and Commonwealth business programs such as Information Technology Online (ITOL) and Commercialising Emerging Technologies (COMET).

In concert with Kearns, Billett et al. (2003) found that small business operators learn mainly from sources other than formal VET programs:

The research confirmed that small business operators learn mainly from other small businesses, networks, community groups, local affiliations, local experts and family members. Small business operators want advice and information that is based on familiarity with the enterprise and an understanding of the potential of the small business. Furthermore, the advice should be timely and pertinent and come from someone the small business operator trusts.

Key points:

- Research shows that small business people prefer to learn informally, on the job, not in conventional classrooms.
- Research also shows that small business people find it hard to conform to the requirements of formal accredited training, such as regular attendance in classes, over extended periods of time.
- The field interviews reinforced these findings, emphasising the disinclination of small business people to commit to protracted training in order to gain a qualification, when they are mainly looking for immediate skill development.

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Kearns (2002) acknowledges that the small business training market is hard to service and expensive for training providers, compared to other markets, so small business is not likely to receive primary attention:

Small business by its nature is a difficult market for VET providers without the immediate market rewards from such markets as servicing larger firms and the overseas student market.

This gap between the delivery preferences of many existing VET providers and the learning preferences of small business personnel suggests that many VET providers need to reshape their strategies to more effectively support small business skill development.

Other barriers to participation by small business in structured, accredited training include the “preference of small business for training that is short, sharp and specific, convenient, low-cost and of immediate relevance to practical business issues” (Kearns, 2002). Kearns subsequently identifies the “dual systems” which are serving learning and skill development in small business:

- the formal VET system of accredited provision and qualifications; and
- the informal sector comprising business short courses, advisory and support services and workplace learning.

He finds a considerable expansion of the informal sector “driven by a mix of contextual influences, new technologies, government regulation and market opportunities such as export”. He predicts an expansion of the informal sector “with e-learning in the workplace a likely further stimulus to expansion”. There are few incentives for people in small business to cross the bridge from informal learning to embrace formal, structured, accredited learning:

There are at present few bridges between the two systems and few incentives for people in small business to move from the informal sector, which meets their needs in a practical low cost way, into the formal VET system. (Kearns, 2002)

However, there are some limitations of the informal approach:

While the informal sector has a necessary focus on meeting immediate business imperatives, the result of this situation is an orientation towards the short-term ‘here-and-now’ and ‘just-in-time’. This orientation towards the short-term means that necessary longer-term developmental objectives involved in building an enterprise culture and entrepreneurship, that fosters innovation and adapting to changing conditions and opportunities, is neglected. (Kearns, 2002)

Billett et al. (2003) reported on recent research in Australia which shows that participation by small businesses in structured vocational education and training remains limited and that there is a mismatch between VET policy and small business needs:

Courses, particularly those currently taught through the national VET frameworks, have largely failed to attract the interest and participation of small business. It would appear that there is a mismatch between current VET policy and small business needs. In particular taught courses are considered to be:

- focussed on the needs of large enterprises
- based on national curriculum prescriptions rather than those relevant to small businesses
- delivered in ways often inconsistent with small enterprise needs
- based on market principles that fail to cater for small businesses.

The concerns of Kearns (2002) and Billett et al. (2003) are confirmed by the low number of enrolments in the Certificate IV in Business (Small Business Management) in 2002–2004, especially given that this qualification is the one most targeted at the 1.66 million operators of small business in Australia. The enrolments were: 2002: 3 190; 2003: 7 971; 2004: 8 368. The 19 529 enrolments over three years represents just over 1% of the 1.66 million operators.

Billett et al. (2003) provides a way forward in concluding that the VET sector needs to move beyond nationally accredited courses:

The central message of the research project is that, while short courses which develop specific kinds of skills are valuable and useful for small business operators, the VET sector needs to move beyond offering nationally accredited courses and adopt an approach that is facilitative and involves working collaboratively with small business to meet their learning needs.

Providers plainly need to be more flexible in their delivery approaches to meet the informal training needs of the small business sector.

Reasons for the lack of uptake of training identified in the field research

The main reasons expressed were:

1. **Lack of time**, right now. The common refrain is “we’re doing OK, we don’t need training just now”. Another comment was: “There is an over-confidence in small business, who say ‘we’re doing OK’.” Another said: “Everyone’s too busy. They haven’t got time to develop skills. They don’t spend the time, so they don’t get the skills.”

One interviewee said that there were no issues with the cost or value of training, but there was an issue about the lack of time: “We do some training through TAFE, because we have to. Cost is not an issue, but lack of time is. There is no doubt about the value.”

2. **Opportunity cost**. The time taken for study is time lost from building the business, which is a factor particularly in a boom period. One interviewee commented: “With skill shortages, companies can’t afford to release staff.” Another said: “It’s a time value.” Another interviewee added that small businesses use the expression: “Every time I put the tools down I am losing money.”
3. **Doubts about the value** of training. Training providers often promote students’ achievement of qualifications and often don’t promote the potential bottom-line benefits of training.

A representative interviewee comment was: “Small businesses want a good, positive outcome. If they’re going to invest they want a return.” Another comment was: “Companies are looking at exactly what they want. I customise for them. Some RTOs are flying in from Perth and to repeat their programs here: they are not relevant and are boring.” Another commented: “A lot of people are offering training but there is a lack of consistency and clarity.”

Another commented that business owners “don’t know what they don’t know” and need to be encouraged to fund the undertaking of training needs analyses. “Unless they know the importance of training, and unless they know they should be thinking about it, they are not going to see training as important.”

4. **Low interest in the product**. The length of time required to complete nationally accredited training reduces interest. Small business owners and operators and employees want skills and knowledge immediately, for specific topics.

A typical comment was: “Small businesses are not interested in nationally accredited training. They want skills and knowledge that are immediately useful, without attending classrooms or undertaking assessment. They want short, sharp customised courses.”

Another said: “They don’t come because it’s boring. Unless it’s lively and they’re having fun, why bother?”

One comment was especially frank: “Reason for lack of uptake? That is an easy one: TAFE colleges are very bureaucratic, often out of touch and they want to teach what they want to teach, regardless of what the employer wants. The TAFE system is bureaucracy constipated.”

Summary comment

Two core reasons for the lack of uptake of formal training, identified in the literature and discussed in this chapter, are the preference of small business to learn informally, on the job, and the tension between the time needed to undertake an accredited course and the preference of small business for just-in-time training to satisfy immediate needs. The comments from interviewees support these two core reasons and add some further clarification. For example, many small businesses are dissuaded from committing to formal, accredited training because of the need to attend conventional classes on a regular, routine basis, especially as some businesses have peak seasons of demand during the year. The rhythms of accredited training on the one hand and the way small businesses like to learn – just-in-time, just-for-me – on the other, are discordant.

Another interviewee added: “The focused ones have determination and are competitive in business and are the fastest growers. They see the value of training and will pay for AIM or uni courses. The focused ones wouldn’t go to the VET sector. There is a stigma attached to VET. They will pay top dollar elsewhere and get the best.”

5. **Lack of knowledge about skills needed.** Many people enter small business without knowing enough about all the dimensions of small business. One interviewee noted: “Many people in small business are good technicians and poor managers. They have no management training. They didn’t realise how hard it would be. What they really know is the technical competence they were trained for. The key issue is getting them to realise they don’t know it all.”

The same interviewee added: “They don’t want to do training. There is no will. They will use excuses like they are too busy or they can’t afford it. They don’t see the relevance. Their business is running OK in the usual crisis mode and they have always done that. The crisis has to be extreme for them to want to do training.”

Secondary reasons tabled were:

6. **Anti-routine.** Small business personnel are uninterested in attending conventional classrooms for regular weekly slots, where it feels routine, and designed for the convenience of the training provider. However, if it feels customised for local business, small business people will attend on a regular basis.

One interviewee commented: “Trainers need an awareness of the region and its issues. They need to sniff around to work out what is really needed.”

7. **Mismatch.** The majority of small businesses are micro businesses, and many are home-based, while training providers traditionally look elsewhere, such as larger companies, for students.
8. **Lack of accessible information.** A number of small business interviewees commented that there is no compelling single or high-profile point of reference for lists of training programs, and if there was they would look to their industry to provide it, not training providers.
9. **Cost.** As one interviewee put it, “the people in small business who need skills the most don’t earn much”.

4. Present provision of training

This chapter provides a summary of the present successful provision of training services and training strategies used by successful small businesses in WA.

Summary of training provision identified in the literature

The discussion of current training provision in this chapter is provided with reference to the Certificate IV in Business (Small Business), which is the flagship qualification on the VET sector for small business. This certificate, as noted earlier, is spectacularly unpopular, attracting the interest of less than 1% annually of the total number of small businesses in Australia. Plainly, this primary VET qualification is not meeting adequately the needs of the small business sector.

An outline of the Certificate is provided in Table 4.

The names of the units set out on the following page show that the certificate is pitched at a generic small business. The certificate is a one-size-fits all approach to small business training, in treating all small businesses as the same. This study has highlighted one-person businesses that operate from home as the majority group of small businesses, but neither their identity nor their needs are acknowledged in the generic units set out below.

Drawing on research cited in the previous sections, particularly by Kearns (2002) and Billett et al. (2003) and recent analyses of the nature of small business by the ABS (2004) and by commentators such as Gome and James (2005) and Ruthven (2005), key features of the current provision of training for small business are as follows:

- The majority of small businesses are non-employing (56.3%) and operated by single operators (72.6%). Training providers in the small business training market need to target and meet the needs of this majority cohort, instead of regularly pitching to a broad market.
- The current provision of small business training by the VET sector does not cater sufficiently for the large and increasing number of Australians who are independent contractors and who, although not recognised as small business in current definitions used by the Australian Bureau of Statistics, need all the same training as micro business owners.
- Statistics show that most small businesses use computers and the Internet, so training providers need to update their IT training programs to keep abreast of small business training needs in this area. Instead of needing a qualification in IT, small businesses may have a specific need to use a small portion of the capability of a new software program.
- Statistics also show that, contrary to common belief, most small businesses do not fail in the first three years, but survive beyond five years. Training programs for small business have commonly focused on helping small businesses grow in size. In future, training programs could focus on helping small businesses age and become sustainable, beyond five to ten years.

Key points:

- If enrolments in the main VET qualification for small business are taken as a guide, the current provision of training for small business by VET across Australia is not meeting the needs of the majority of small business.
- Current provision needs to take more into account that most small businesses have one employee, the owner, are home based, use the internet, have survived five years, are regularly disrupted by technology changes and, where there are staff, can involve an odd mix of different generations with different attitudes to work, life and rewards.
- Future provision of training needs to place a stronger emphasis on assisting small business to use technology better, develop globally competitive products, and gain an increasing amount of new business from outsourcing by large companies.

Table 4: Training Package rules for BSB40401 Certificate IV in Business (Small Business Management)

Requiring 10 units for the qualification.	
<ul style="list-style-type: none"> • A minimum of 4 units from the Small Business Management domain listed below. • A minimum of 3 Common Business units at Certificate IV, listed below. • And 3 units from the Business Services Training Package or any other endorsed Training Package, of which a minimum of 2 units must be from a Certificate IV qualification and 1 unit may be included from a Certificate III or Diploma qualification. • Units from other Training Packages must not duplicate units selected from the Business Services Training Package. • All units selected must contribute to and combine to form a work outcome. 	
Small Business Management units:	
BSBSBM301A	Research business opportunities
BSBSBM401A	Establish business and legal requirements
BSBSBM402A	Undertake financial planning
BSBSBM403A	Promote the business
BSBSBM404A	Undertake business planning
BSBSBM405A	Monitor and manage business operations
BSBSBM406A	Manage finances
BSBSBM407A	Manage a small team
Common Business Units at Certificate IV:	
BSBCMN402A	Develop work priorities
BSBCMN403A	Establish business networks
BSBCMN404A	Develop teams and individuals
BSBCMN405A	Analyse and present research information
BSBCMN406A	Maintain business technology
BSBCMN407A	Coordinate business resources
BSBCMN408A	Report on financial activity
BSBCMN409A	Promote products and services
BSBCMN410A	Coordinate implementation of customer service strategies
BSBCMN411A	Monitor a safe workplace
BSBCMN412A	Promote innovation and change
BSBCMN413A	Implement and monitor environmental policies
BSBCMN414A	Undertake marketing activities
BSBCMN415A	Manage first aid policy
BSBCMN416A	Identify risk and apply risk management processes
BSBCMN417A	Coordinate customer service activities
BSBCMN418A	Address customer needs
BSBCMN419A	Manage projects
BSBCMN420A	Write complex documents
BSBFLM412A	Promote team effectiveness
BSBCMN421A	Assist with compliance with OHS and other relevant laws

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- Some current provision of small business training may be based on the erroneous assumption that most small businesses are operating in the high street, in shops or commercial offices. Most are home-based, with only one person employed. This requires different approaches to training provision, in areas such as supply chain management, marketing, servicing customers and managing office systems.
- The location of many small businesses has shifted, out of public view. Historically, training for small businesses included learning about renting premises, shop-fitting and window dressing. In future, training could focus more profitably on, say, health and safety issues of working in the home, and installing and maintaining effective electronic systems at home for connecting with customers and suppliers.
- The conventional provision of training has provided a balanced and steady diet of subjects such as bookkeeping, marketing, sales and service, based on comprehensive text books on the subject of small business. Meanwhile the life of the small business operator is often disrupted by continual changes to technology and related business practices. In future, the provision of training could focus more on helping small business people with these immediate skill gaps, when they occur.
- The conventional provision of small business training does not highlight the significance of outsourcing by both businesses and households and how it will create most opportunities for small businesses in the next decade or so. More small business training needs to focus on these opportunities.
- For a growing number of small businesses competing with overseas providers for these outsourcing opportunities, operators need to know how to develop unique services that are globally competitive. Traditionally, much small business training has focused on the basics and start-up skills. The future provision of small business training needs to give more focus to developing world-class products and services.
- Traditionally small business training has not distinguished between the generations of small business people. Future small business training could acknowledge and cater for Generation X portfolio workers who work as independent contractors; Generation Y workers who eschew the traditional long-term employee role, preferring to move on when they wish; and baby boomers seeking to invest superannuation payments in small businesses such as franchises.

The descriptions of small business provided in the literature and by recent commentators – for example, that it is commonly home-based, has only one employee, is dependent on electronic communications and has survived more than five years – require a substantial overhaul of traditional curricula for small business training.

While the literature mostly stresses the inadequacies of current provision of small business training, there are examples of successful training for small business. For instance, Kearney (1998; 2000) in reporting on the Commonwealth’s Small Business Professional Development Program, described the successful use of business mentors and networks and the refocusing of small business training on the immediate needs of small business, not on a generic curriculum. Similarly, Mitchell, Chappell, Bateman and Roy (2007) describe examples from VET where providers modelled good practice in engaging with business owners and crafting training that suited the specific business. A fuller discussion is provided in chapter seven of best practice provision of small business training.

Summary of successful training provision identified in the field research

Interviewees were asked to describe examples of the successful provision of small business training. They identified a range of different examples in WA of the successful provision of small business training. The following examples are not in any order, reflecting the variety of points raised by interviewees:

1. **Flexibly delivered** programs: at times such as weekends that do not clash with opening times; unexpectedly sometimes businesses like nights such as Monday. “Some training providers recognise the importance of flexibility in timing.” Another said: “They like flexible delivery, that is external study; they get sent stuff and staff do it at their own time. Anything web based is the way to go.”

2. **Customised and relevant** training programs: for example in regional areas, popular programs are aligned with local needs and participants. “We help them learn things they can use tomorrow,” said one provider. “We’ve got to make it interesting, with practical outcomes and low cost. And relate it to the bottom line.”

One interviewee, a training provider, commented: “If it isn’t at the right place and time and immediately relevant, they won’t come. We need to make it topic-specific, so the participants can network with like minds.”
3. **Relationship-based:** small businesses value their relationship with training organisations and do not want to feel they are just an “enrolment”. “We get enrolments from word of mouth endorsements, that it is quality content.” One provider effectively uses the methodology of professional conversations in the college café as part of the small business program.
4. **Peer-based:** small business owners also look to training programs for relationships with peers and to learn from recent “war stories”.
5. **Industry networks** that provide training: small businesses identify with their industry associations, not necessarily with TAFE or other providers. “We tap into networks.”
6. **Partnerships** that provide training: for example, between small business centres and a large business such as a bank; or training based on a collaboration between a small business centre and TAFE or between a centre and a university.
7. **Government sponsored** training: for example, there is a high level of support for “Small Business Smart Business”.
8. **Formal but unaccredited** training: “Small business will enrol for formal training but not the RTO type. Corporate training.”
9. **Interesting and entertaining.** One provider called his organisation’s Certificate IV program in Small Business “The Joy of Business”: “Our program doesn’t remotely compare with how TAFE delivers it. We gave our course a kinky little name and we deliver it in a kinky manner. The normal way it is delivered, the material is dead dry.” One interviewee commented on his preference that the training provider market their programs face-to-face: “Providers send us their literature, but it doesn’t have an impact. I’m too busy. There has to be a face-to-face sell for me to be interested.”

Summary of skill development strategies used by successful small businesses

The top two ways are:

1. **Using mentors**, where the owner is normally the mentor. One interviewee commented: “We use mentors, me – I’m doing it. And we used on-the-job learning. And we learn through our networking.”
2. **Learning informally** on the job, particularly from more experienced staff. “Some small businesses have a culture of training”, said one interviewee. Another commented: “Informal training is meeting their needs. Why try to make formal training meet the small business market?” Sometimes the learning is the result of coaching by the employee of the employer, as one interviewer noted: “I learn from my staff, they tell me.”

Another interviewee added: “The focused ones do a lot of reading and emulating. They will network. The VET sector misses out because it is too structured.”

While many of the interviewees stressed the primacy of mentoring and learning on the job, a number of interviewees noted that potentially there were downsides to this methodology. One commented: “If people are only learning on the job, they might be assuming that what they learn is always right.”

Two other main ways operators of small businesses help their staff to develop skills are:

3. **Networking**, encouraging staff to learn within their networks. One interviewee commented: “I notice the way businesses, like say printing and web design firms, develop networks of small businesses feeding off each other. Businesses are forming little networks of complementary businesses, with a core group of five to six businesses. They are forming little alliances of complementary businesses. Sometimes they go against the tide and attend regular courses, such as master classes. These networks engage in action learning.”
4. **Formal programs**: enrolling staff in formal training courses, but not necessarily accredited programs and not always offered by TAFE. A number of interviewees highlighted the popularity among small businesses of formal programs offered by their particular industry; say retail, finance or engineering.

Summary comment

The provision of training for small business is traditionally characterised by a curriculum that suited a previous age of small business, when the majority of small businesses were located in the high street, in shops and offices. Nowadays much small business is home based, involving only one employee, and training provision needs to cater better for this majority. Fortunately a growing number of providers know these factors well and have developed flexible, customised approaches that satisfy the needs of small business owners and staff. Successful small businesses commonly access formal, accredited training on a limited basis, preferring to use strategies such as mentoring and networking, to continually learn and adjust.

Key points:

- A major gap in the provision of small business training is the regular ignoring of two key groups: micro businesses that are most often home-based, and independent contractors who operate in the same business-like way as incorporated businesses.
- Many people have become contractors in the last few years but do not have business training. Given the large numbers of contractors – around two million out of a workforce of ten million – this lack of business training is a massive gap in the current provision of small business training in Australia.
- In delving further and examining sub-categories of home-based businesses, it is clear that a raft of skills in areas such as negotiation and promotion are required, if the small business is to succeed.
- Interviewees for this subject added other gaps in current training provision, including the lack of personalised services by providers and the lack of focus on specific skill sets.

5. Gaps in current training

This chapter identifies gaps in current training services provision in WA.

Gaps in training services identified in the literature

This study makes the case that, based on the meagre enrolments for the certificate, the flagship of VET training provision, the Certificate IV in Business (Small Business), is missing the mark, and not satisfying the majority of small business.

The study highlights the criticality of servicing the training needs of two major groups: The first is micro businesses, particularly those that are home-based and have no employees, as they are already the dominant proportion (56.3%) of the small business sector and deserve specific support. The second group is the independent contractors, especially given their numbers are already very high (28% of the workforce, according to Independent Contractors of Australia (ICA), 2005) and likely to expand significantly as a result of federal legislation for contractors introduced in 2006 which eases the restrictions on contractors.

In relation to independent contractors, Roberts (*BRW*, 26 – 25 October 2005) found that there are already 1.9 million contractors in Australia and the number is expected to expand. Carruthers suggests the sky is the limit if contractors have the right business skills:

...there's a whole heap of wealthy new tradespeople who are good negotiators and good business people.

That's the main difference. If you can negotiate and a run a business, the sky is suddenly the limit. (Carruthers, *The Weekend Australian Financial Review*, 17–18 December 2005, p.19)

However, small business skills are necessary if these opportunities are to be grasped. For instance, Carruthers (2005) focuses on just one sub-category – electrical contractors:

A study by electrical contractors has found that the average profit margin for electricians is a relatively low 6.4% but this ranges widely from no margin at all to 15 per cent.

The study also points out that the industry's '...heritage of limited business expertise has created a low-margin culture which has not only limited profitability, it has also constrained attempts to invest in business development'.

Home-based micro businesses are in a similar situation to independent contractors: if they have the right skills they can prosper. Ross Cameron, from Cameron Research Group, is keen to emphasise that home-based businesses are not hobby businesses and is quoted as saying:

'This is an extremely poorly understood market – probably one of the last frontiers. The perception is that it is a cottage industry dominated by females running hobby-type businesses, but that could not be more wrong.' (Gome, *BRW*, 23–29 June 2005, p.49)

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Home-based businesses can be subdivided as follows:

Cameron also divides home-based businesses into three categories: business builders; happy hobbyists; and lifestyle seekers. (Gome, *BRW*, 23–29 June 2005, p.49)

Training providers need to assist broad skill development for independent contractors and home-based micro businesses, and also to cater for different sub-categories of these two groups.

Within independent contractors and micro businesses there are other sub-categories that have special training needs, some of which are described below. Flamsteed and Golding (2005) highlight the special needs of Indigenous Australians living in remote areas who seek “enterprise opportunities”:

If an Indigenous Australian is born in a geographically remote Indigenous community, the opportunities for formal education and training and profitable enterprise or employment within that community are most limited.

Indigenous Australians living in remote areas meet major barriers when conducting business enterprises:

There is strong evidence that the combined effect of service inaccessibility of Indigenous people in remote areas and the ‘metro-centrism’ of service ‘delivery’ are at least two of the major barriers experienced by Indigenous people in conducting business enterprises. (Flamsteed & Golding, 2005)

Gome and James find that there are potential losers in the age of self-employment:

Losers in the self-employment revolution will be those who cannot market their businesses, loathe selling, cannot promote themselves, are not well connected and have poor financial skills. Shy people who need interaction and motivation from workmates and feedback, inspiration and mentoring from bosses, will also struggle. (*BRW*, 28 July–3 August 2005, p.51)

In the new workforce environment where negotiation is important for the individual’s self-protection, Horin expresses concern for young people, mothers returning to the workforce, migrants with poor English and people with disabilities:

Individual workers – 14-year-olds selling bread rolls in chain bakeries, mothers returning to the workforce, migrants with poor English, people with disabilities being thrust off welfare – are supposed to be able to sit down at the table with the boss and negotiate fair pay and conditions. (*SMH*, 12–13 November 2005)

Steketee is concerned that individuals will need heightened skill levels in negotiating. This will be the case for individual workers, independent contractors and micro business people:

It will be up to individuals to use the buying power that their skills and commitment offer to employers. Many will be able to negotiate higher pay, but those whose skills are lacking or less in demand will have to settle for less, particularly if a slowing economy puts pressure on business to cut costs. (*The Weekend Australian*, 3–4 December 2005, p.17)

Paul Gollan (Keen, *hrmonthly*, August 2005, p.23) from Macquarie University says that conflict resolution skills will be critical, given the new workforce arrangements: “Greater skills in conflict resolution will be needed, and structures and processes to deal with problems.”

Based on the above discussion, training providers need to cater for the skill development of a range of people in the many sub-categories of self-employed and micro businesses.

Summary comment

There are obvious gaps in the provision of small business training, in not providing enough customised and flexible training for individual businesses. However, the gaps are more like chasms if it is acknowledged that the primary group of micro businesses, the one-person home-based business, commonly is not singled out for attention by many training providers. The gaps are also very deep if the two million or more contractors in Australia are seen as needing similar skill development to micro businesses.

Gaps in training services identified in the field research

In addition to gaps raised in earlier quotes from interviewees, the major gaps in current provision are:

1. **Lack of personalised services:** nationally accredited training seems rigidly tied to training package competencies and often to classroom cohorts of students, for example the comment that “we need 15 enrolments or the class doesn’t run”.

Interviewees criticised Perth-based training providers who travelled to regional areas simply to reproduce the Perth program: “They offer poor quality facilitation and poor design of training for regional areas. They are not doing their needs analysis first.”

2. **Lack of focus on specific skill sets:** skill sets are on the horizon but are not yet in place. Skill sets may be popular because “we don’t want the full qualification”.
3. **Constraints of national system:** “The Australian Quality Training Framework (AQTF) kills creativity. Training Packages are rigid: the auditors will nail you. It is not easy being creative as a trainer with Training Packages.”
4. **Lack of learning resources** available to buy or licence: “We’re institutional; we want to buy off the shelf.” Another wanted “new technology, for example e-learning”.
5. **Uninteresting training.** One interviewee commented on uninteresting training as a cause of gaps: “There are gaps because the training offered is not interesting enough. It doesn’t grab my attention. I was a lecturer for TAFE at one stage and I wasn’t impressed with them. Private RTOs are more flexible.” Another commented: “TAFE does not reflect small business culture. People in it have worked in small business. TAFE is very good at training employees, but training entrepreneurs and owners requires a different approach.”

One interviewee added: “VET is seen as government. It is not thought of as having applied knowledge. Small business people say of TAFE, what do governments know about running small business? TAFE doesn’t understand the punters, and where they come from and what they need.”

6. **Lack of training needs analyses.** “Business owners need to be encouraged to fund the undertaking of training needs analyses.”
7. **Lack of assistance for the low skilled.** One interviewee noted that there is insufficient assistance for “people without skills; the unskilled people; like those coming off unemployment”.

6. Current and future trends to be addressed

This chapter identifies current and future trends that will need to be addressed by training providers servicing small business.

Current and future trends identified in the literature

This chapter builds on a key trend noted earlier in this report, the recent increase in the number of self-employed people. There were around 620 000 small businesses in Australia in 1984, increasing to 800 000 in 1994. The number rose to 1.27 million small businesses by 2004 and most of these are home-based. Gome & James note that "one million of these small business operators work from home, mostly in the service industry. Most work full time and employ no one." (*BRW*, 28 July – 3 August 2005)

Following the macro economic developments described earlier in this report such as industry restructuring and the increase in outsourcing, Gome and James predict that "within half a decade, nearly half of Australia's workforce will be self-employed, many working from home" (*BRW*, 28 July – 3 August 2005). Half of Australia's ten million working adults will be self-employed by around 2010.

Two pieces of legislation have increased the size of small business and expanded training needs: the WorkChoices Bill passed in late 2005 and the Independent Contractors Bill passed in 2006. Elements of the WorkChoices Act include the following: businesses with up to 100 employees will be exempt from unfair dismissal laws; workplace agreements can last for up to five years, from the current three; small businesses will be exempt from making redundancy payments to sacked workers; and four basic conditions will be protected – annual leave, personal and carers' leave, parental leave and maximum ordinary hours of 38 hours per week. It is debatable whether these elements of WorkChoices favour small business owners and will stimulate small business (Roberts, *BRW*, 28 July – 3 August 2005, p.52).

The Independent Contractors Act was introduced into Parliament in early 2006. According to Roberts, part of the motivation of the Government in drafting the Bill was to provide contractors with freedom from third parties who may have "some influence over how the contractor negotiates with clients and conditions they agree to" (Roberts, *BRW*, 22 – 28 September 2005, p.19). Roberts predicted that the Act will prevent federal awards and workplace agreements from restricting the use of independent contractors or labour-hire workers, or prescribing that they have the same conditions as employees. The Act will also prevent state laws from deeming some contractors to be employees for the purposes of regulation. "Moving workers away from collectively agreed wages and conditions and towards more commercial, individually negotiated contracts is central to Howard's plan to reform the labour market." (p.19)

Key points:

- Trends noted in earlier sections of this report include the increase in the number of home-based businesses, the growth in opportunities from outsourcing by larger companies, and the need for small businesses to compete by developing world-class products and services.
- Other trends identified earlier include the ageing of owners of small businesses and challenges of recruiting and retaining staff where staff can easily obtain another job due to widespread labour shortages.
- A macro trend is the recent growth in the number of self-employed people in Australia, including both micro businesses and contractors. Contractors are around 20% of the ten million adult working Australians and deserve heightened attention from training providers.
- Due partly to recent legislation, many people find themselves self-employed but often do not have previous experience in business or the necessary skills. It is critical for Australia's economic development that they develop skills quickly, so they can be productive and successful.

Summary comment

Training providers need to acknowledge more the training needs of self-employed people. The recent development of a large number of self-employed people in Australia is a major trend and requires a substantial repositioning of small business training, to focus on not just the home-based single operators but also on contractors and others now classified as self-employed.

Putting aside the arguments for and against these pieces of legislation, as a result of the two batches of legislation many Australians find themselves self-employed, in contracting, on AWAs or in small business. The key issue for VET is that being self-employed “calls for different skills” from those required of an employee, and these different skills are lacking: “Most Australian workers are ill-prepared, lacking the skills to run their own business.” (Gome & James, *BRW*, 28 July – 3 August 2005, p.47)

Current and future trends identified in the field research

A range of trends were identified in the field research and discussed in earlier chapters. These included:

- an increased interest in management and leadership skills;
- an ageing cohort of owners who are struggling with a new challenge, the lack of staff;
- the ongoing need for technology management skills;
- the need for more entrepreneurship;
- the need for additional human resource management skills, to attract and retain staff;
- the increased need to focus on risk management, given the current turbulent environment; and
- the pressures on small business of compliance requirements.

One of the significant new trends identified in the field research is the growth of the networked micro business. One interviewee described the network he works within, with a small core in the business connected to freelance operators:

I am very small company. There is myself and my wife and 1.5 administrative staff. Then we have seven (sub-contractors).

Another trend identified in the field research is that home-based businesses can get caught up in cycles of booms and busts in demand unless they stay up to date with technology changes and develop skills that are transferable to different industries. For instance, one interviewee recounted how she is now over-worked due to her focus on the mining companies, but a few years earlier was in the opposite situation, short of work, when mining was in a slump.

7. Best practice outside WA

This chapter looks outside Western Australia and identifies best practice in small business training programs and other initiatives, for possible uptake in WA.

Best practice and initiatives identified in the literature

Billett et al. (2003) believe it is important that training providers persevere and find ways to effectively service small business: “Finding an effective means for learning in small business constitutes a worthwhile, yet challenging project, and it remains central to government priorities.” However, small business people “seem to find the existing vocational education system less likely to meet their needs than those who work in larger enterprises.” Additionally, “small business workers are less likely to have funds expended on their skill development by their employer than those who work in larger enterprises”.

Nevertheless, say Billett et al. (2003), given the importance of small business to Australia, ways to improve learning opportunities for small business are needed:

... small businesses in Australia, like their larger counterparts, need the capacity to respond to the changing demands and requirements of the workplace. It follows then that there are important economic as well as equity objectives to be secured in enhancing learning for small business.

Accordingly, Billett et al. (2003) persevered and provided a model of small business learning to guide training providers:

A model of small business learning, constructed through feedback from small business operators, has been developed in this project and is designed to illuminate the learning process and highlight how forms of localised support and active engagement by the enterprise are central to learning. The model, once developed, was validated by small business operators.

Local support

The elements of the model are set out in Table 5. The model provides a checklist which can guide providers.

Local support is a key element in the model in the table on the following page. Billett et al. (2003) examined how small businesses learnt about the goods and services tax (GST) and found that localised support, not accredited training, was the key:

The findings of the research suggest that, to promote small business learning, there is a need to acknowledge, support and enhance the contributions of local support agencies for small business learning, and encourage small business workers and operators to engage in interactions with other small businesses, local expertise and networks. A focus on facilitation and support through existing local associations and organisations can support learning in and for small businesses when it is immediate, opportune and accessible.

Key points:

- Research in Australia has identified clear guidelines for best practice in assisting small business learning. The guidelines include acknowledging the independence and creativity of the small business, seeking to engage the small business people in active learning, relying less on the trainer’s capacity and more on the capacities within the workplace, and using local support systems such as industry advisory services.
- Initiatives around Australia that fit with these guidelines have focused on small businesses within skill ecosystems. Working inside these ecosystems, training providers have sought to acknowledge the common interests uniting organisations in the cluster or supply chain.
- Some training providers interviewed for this study implicitly understand this research and the concept of skill ecosystem, without using that term, and have modelled similar strategies.
- A review of practices in the UK and the USA reveal the strong support from governments for small businesses, ranging from the provision of information to tools, consultancies and grants. Training is just one of the many services provided to small businesses. This approach recognises the many different aspects of running a small business.

Table 5: Key elements of the model of small business learning to guide providers (Billett et al., 2003)

- individuals' motivations for task engagement and learning
- individuals' perceptions of the task
- engagement (energy directed towards the task)
- four-phase process of learning comprising:
 - goal formation, or defining what had to be learnt
 - initial attempts at approximation of the task
 - improvement through practice
 - achieving a capacity for independent practice or maturing capacities
- a shift from a reliance on assistance from outside the workplace to an increasing reliance on capacities within the workplace
- sources of assistance for learning, comprising internal and external localised networks; that is, other small businesses, experts, courses, government support, industry associations.

Billett et al. (2003) also found that the effectiveness of localised support was based on its capacity to provide the following services:

- assist in contextualising the task requirements (for example, making sense of the task in terms of the readiness, capacities and requirements of small business)
- provide a basis for learning to understand what the task means for the particular small business
- provide timely and accessible support for development, improvement and refining the capacity to achieve new tasks
- assist in securing opportunities to share information.

It was found that localised support was sourced in diverse ways:

...for example, through interactions with other small businesses; networks (local business networks, professional associations, community groups and regional development authorities); local affiliations (friendships and community groups); local experts; and family members. (Billett et al., 2003)

Effective localised support relates to the capacity to understand what had to be learnt and its relevance to the enterprise, and is characterised by:

- familiarity with the enterprise or understanding the kinds of issues that the enterprises will confront
- understanding the small business' capacities, readiness and potential
- sources of timely and pertinent advice
- trusted relationships. (Billett et al., 2003)

Billett et al. (2003) also identified the need for small business to be proactive: "Ultimately, small business operators themselves need to be proactive in engaging and interacting with others to seek advice, access support and also to contribute to local networks of support."

Practical tools

e-Works (2004) considered the research findings from Kearney (2000), Kearns (2002) and Billett et al. (2003) and investigated how VET providers can “better reach, communicate with and support small to medium enterprises” (p.1). The e-Works project was “designed around developing practical guidelines for VET staff” (p.2). Interviews were conducted with start-up businesses in incubators as well as rural, home-based and biotechnology small businesses.

e-Works (2004) found a general lack of uptake of nationally accredited training in the early stages, in the businesses interviewed:

Replies ranged from no training at all, mentoring 1-1 with a manager, attendance at a Department of Innovation, Industry and Regional Development funded workshop or series of workshops. Some received training from a business advisor or accountant. Previous family experience in running small businesses in the same vocational area was indicated in some cases, as was earlier vocational (apprenticeship) rather than business related courses at TAFE. (p.5)

Further, e-Works (2004) found that there was a general lack of awareness of the formal VET system and what it may have to offer small businesses:

Many businesses were interested in taking on a trainee but did not know how to approach this. They acknowledged that information was available but that locating training needed was largely serendipitous. (p.5)

The e-Works (2004) report resulted in the development of practical tools, checklists and guidelines for VET providers to align their strategies with the nature of small business.

External facilitators

BDO Kendalls was engaged by the Department of Education, Science and Training (DEST) and the Australian National Training Authority (ANTA) in 2003 to investigate the recommendations of the report, *Unlocking Opportunities* (Cotton/Associates Pty Ltd and McDade & Associates Pty Ltd 2002) which provided a model for collaborative, responsive servicing of small to medium enterprises (SMEs). A key component of the model was that a “linker” – that is, a facilitator role normally performed by an industry association body – could perform a key role in helping businesses to diagnose gaps, identify opportunities, help the businesses to access tailored people development solutions and support RTOs to develop flexible services.

The BDO Kendalls (2005) research asked whether the placement of a facilitator in a business service organisation – that is, an organisation that supports SMEs to achieve their aims – leads to higher levels of SME participation in training in general and engagement with the VET sector in particular. Their research conclusions included:

Facilitators lift the engagement of SMEs (therefore leading to increased use of recognised, transferable skills);

The facilitator role adds value in the SME engagement process;

Facilitators aid the engagement of RTOs in delivering flexible training (thereby leading to increased use of VET and associated take-up of recognised, transferable skills); and

The involvement of a Facilitator within a BSO, however, has not overcome all the well-documented problems faced in the SME/accredited training interaction. (p.6)

The focus by BDO Kendalls (2005) on external facilitators is a reminder of the new and flexible strategies that are needed to connect small businesses with training.

Independence and creativity

Plane (2003) agrees with the concerns of Billett et al. (2003) that there is a mismatch between VET and small business. She adds that, for creativity to flourish, small businesses need to be independent and not to feel constrained:

... there is still a mismatch in VET for small business and one of the mismatches centres on the redefinition of creative capital which needs to include the skills, learning and expertise in the skill ecosystems of firms outside the VET system. Small business needs to be independent for its creativity to flourish.

Plane (2003) suggests steps that small business personnel can take to improve their learning and new attitudes that providers can adopt:

... for developing learning partnerships for a sustainable learning community many small businesses are not making the best use of the available learning resources in the region. Conversely VET may not be valuing the creative capital that exists in the small firm skills ecology or could be contributed in learning partnerships by the small business community. (p.13)

She advocates a range of strategies to address this complex environment, as set out in Table 6.

Table 6: Strategies for VET in supporting small business learning (Plane, 2003, pp.13 – 14)

- *Redesigning* easily accessible pathways to skills recognition and accreditation for employers in VET as investors in people already and encouraging those that are not.
- *Re valuing* participation by small business: rethinking how learning is defined in the small firm workplace and how that can be encompassed in the VET asset base in regions.
- *Re addressing* the recognition of current competency for workplace learning in small workplaces – to align with existing VET processes for quality, accreditation and recognition of learning in the least bureaucratic way.
- *Re thinking* how to accredit the difficult to accredit to develop stronger skills pathways for employees full time, part time, transitional and casual for a more inclusive skills pathways to lifelong learning.
- *Resolving* current turf barriers across the sectors between levels of government and VET, valuing the contribution of all sectors to lifelong learning.
- *Resourcing* better local access to industry specific information that is cost effective relevant and pertinent to small firms.
- *Reappraising* recognition of lifewide experiences in learning in small business and supporting the role small firms could play as investors in people for workforce development for the future and skilling people across the life spectrum.
- *Rediscovering* the learning they already do in a strengths based, assets based capabilities way, developing more tolerance for small business as ‘learning enterprises’ outside the formal VET system.
- *Reframing* “lifewide” experience for small workplaces developing international workforce development standards giving small workplaces more flexibility in lifelong learning and status in VET.
- *Reducing* the red tape and burgeoning administrative procedures involved in small business participation in VET. Making VET more responsive.
- *Recognising* information and training alone without the economic contribution from the partners and stakeholders for developing regional infrastructure is not enough.
- *Resounding* the successes of those already participating and contributing to VET whether in a formal or informal capacity. Showcasing best practice.
- *Rejoicing* the creativity and creative ventures, and encouraging capacity building and awareness of the possibilities for learning partnerships for reconciling the sectors.

Skill ecosystems

Another unconventional approach that has been identified by researchers and VET systems is tapping into small businesses via the skill ecosystems that small businesses inhabit. Since 2003 a New South Wales (NSW) Department of Education and Training (DET) project team has tested the theory of skill ecosystems through projects, with support from the Department of Education, Science and Technology (DEST) and the NSW Board of Vocational Education and Training (BVET).

According to NSW DET’s Leslie Loble (2005), a skill ecosystem perspective is as follows: it focuses on industry economics and the workplace context of skill development and use; it sees a set of common interests uniting organisations in the cluster or supply chain; it views the training provider as central but part of a diverse group of workers, employers, researchers, technology suppliers, industry regulators, contractors, consumers or purchasers; and it believes that skill formation strategies must go beyond traditional training responses.

The Queensland Department of Employment and Training (DET) also promotes the concept of skill formation strategies that are based on skill ecosystems:

A variety of stakeholders – including employers, industry associations, unions, government agencies, contractors, training and education providers, businesses and communities – all play a part in the skills ecosystem. It is the role of skill formation strategies to develop relationships and networks within their skill ecosystems to identify the real causes of skills shortages and develop solutions. (*Skills Formation Strategies, Aged Care Sector*, Queensland DET pamphlet)

While the Queensland DET skill formation focus is on skill shortages, not specifically small business, many of the strategies are relevant to small business, as follows:

Although some solutions will be related to training, in many cases strategies will need to address workplace issues that have a direct effect on training needs such as workplace planning, job design, the workplace environment and employment strategies. (*Skills Formation Strategies, Developing community and industry ecosystems*, Queensland DET pamphlet)

Some non-training solutions that have already occurred in Queensland include:

- Mapping potential career pathways in industries
- Exploring school-industry partnerships to provide work experience
- Changing traditional rostering systems
- Introducing new industrial awards
- Designating personnel to mentor apprentices and trainees
- Developing recruitment policies
- Developing workplace planning strategies
- Introducing activities to change community perceptions of industries and career possibilities
- Changing industry culture to value and support workers
- Exploring job redesign. (*Skills Formation Strategies, Developing community and industry ecosystems*, Queensland DET pamphlet)

Plane (2003) explored the concept of the “skills ecology” in small firms in a high growth, peri-urban, predominantly small business region of South Australia:

The traditional Vocational Education and Training (VET) discourse finding (is that) small firms, although the innovator of the Australian economy, lie outside VET with a low participation in formal training. This paper attempts to ‘re-discover’ the ‘skills ecology’ in small business and the enablers and barriers for developing a learning community in the Adelaide Hills region of South Australia. It questions if there is a practical, streetwise culture of lifelong learning in the small firm that is difficult for VET to accredit, quantify and partner with, and how that might impact on capacity building for a sustainable learning region. (Plane, 2003, p.1)

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Plane (2003) found that both small businesses and VET can change their perspectives and do more to stimulate small business learning:

This paper has discussed perceptions of the ‘skills ecology’ in small business. Small business is not making the best possible use of the learning resources available in this region. VET conversely may not appreciate the creative capital that could be contributed by the small business community given a capacity based policy approach and more people brokers on the ground. It suggests these strategies need to be couched in a more flexible adult learning, andragogic way as opposed to the top down pedagogic discourses of skills development and binaries in which this sector of the economy is being framed. (p.14)

Plane (2003) also recommended that:

...encouraging small firm investment in VET needs to begin with revaluing the benefit of small business to VET in the regions and reassessing their participation in learning and skilling in a strengths based, assets based capabilities way. There is a need for tolerance for small business as ‘learning enterprises’ and to build on the existing capability based platforms in firms through encouragement for the role small employers might occupy in learning partnerships in VET and adult community education (ACE). (p.14)

Plane (2003) recommends that there is a need for a new approach, including the following: “*Redefining* existing ‘skills ecosystems’ and developing capabilities-based platforms for recognition of prior learning and workplace capacities in small workplaces to the benefit of both business and the community.” (p.13)

Holistic approach

Gray (2003) finds that it “...is clear that the model for the future needs to incorporate a holistic approach to the problems and opportunities associated with running a successful SME”. She makes a range of useful recommendations about VET and small business training:

Learning should be structured in flexible learning programs, based on skills and knowledge required for the particular business and customised to suit the business context. All stakeholders need to be equipped to understand and perform in both the SME and VET environments, aligning VET outcomes to business outcomes. (p.16)

Gray (2003) suggests a range of learning support strategies:

Learning needs to be facilitated through mentoring, business networks and a suitable blend of delivery strategies including face to face, online and self-paced modes. Mentoring will build relationships between business advisers, VET and SMEs and assist in achieving business success. Peer networks will assist in building learning communities and social capital, particularly in regional areas. The VET provision of blended learning and alternative delivery strategies will assist to build credibility in the SME sector and demonstrate flexibility. (p.16)

VET qualifications need to be more flexible, says Gray (2003): “Qualifications should be flexible enough to be awarded based on the knowledge and skills required to operate in the particular business context but supplemented with some key skills to prepare for business growth, build marketable skills, and contribute to a sustainable skilled workforce.” (p.16)

Gray (2003) points out the value of using professional and industry associations to facilitate learning in small business: “Skills and knowledge development should also be used to support organisational competence. This should be recognised by professional and industry associations and learning facilitated to assist in providing relevant certification to SMEs.” (p.16)

Best practice and initiatives identified in the field research

Interviewees were not asked directly for examples of best practice in small business training from outside WA and their own domains, as this was considered to be outside the framework of many of the busy practitioners interviewed. While none of the interviewees used the term “skill ecosystem”, a number of them implicitly used this framework in the way they viewed clusters of small business people in their regions. They marketed to these clusters and built relationships with them.

Best practice overseas

A search of practices overseas, particularly in the UK and the USA, in small business advice, support and training reveals these services:

1. **A national information and advisory service** via telephone and internet (www.sbs.gov.uk) is provided by the Small Business Service in the UK.
2. **Local advice and consultancies** are provided to small businesses through the Business Link network in England (www.businesslink.gov.uk), the Business Shop network in Scotland and the Business Connect service in Wales. These organisations are first-stop shops offering general advice on business and on grant and subsidy availability as well as specialist advice on marketing, exports, innovation and product design.
3. **Advice to start-ups and micro businesses** is also offered from not-for-profit enterprise agencies in the UK. The free advice ranges from topics such as business strategy and planning to finance.
4. **Advice on licences and permits** you might need if you are setting up a business, (www.businesslink.gov.uk/bdotg). This site also provides an interactive tool which tells you which licences and permits your specific business may need.
5. The provision of a **small business research portal** (www.smallbusinessportal.co.uk). This website sets out information on government agencies, publications, other relevant sites and research tools. It also provides information on academics, books, centres and conferences.
6. **Advice on business structures**, for instance for:
 - a. sole traders and partnerships (www.businesslink.gov.uk)
 - b. limited companies (www.companieshouse.gov.uk)
 - c. cooperatives (www.icof.co.uk)
 - d. franchises (www.british-franchise.org)
7. **Advice on tax**, for example on VAT and insurance (www.hmrc.gov.uk).
8. **Advice on health and safety** (www.hse.gov.uk), including advice on the environment (www.environment-agency.gov.uk).
9. **Advice on employees’ rights** (www.dti.gov.uk).
10. **Advice re premises**, particularly on the use of new and existing premises for business (www.startinbusiness.co.uk).
11. **Advice on business licences**, such as:
 - a. waste management (www.environment-agency.gov.uk)
 - b. hire, leasing or renting goods (www.oft.gov.uk/Business/licence)
12. **Information on the market**, including market size, trends, competition and target companies as well as market research reports, from the British Library Business and IP Centre in London (www.bl.uk/bipc).

Summary comment

Research findings by Billett et al. (2003), Plane (2003), Gray (2003), e-Works (2004) and BDO Kendalls (2005) correspond with initiatives in the use of skill ecosystems undertaken by NSW DET and Queensland DET. The research and the initiatives provide clear directions for training providers about how to deliver small business training in ways that are very different to the classroom environment. Elements of the new approach include promoting a sense of independence and creativity in the small businesses about how they go about their learning and using localised support systems to assist small businesses to actively engage in learning. Plane (2003) provides a compelling list of new strategies that can be used by VET in supporting the learning of small businesses, including developing more tolerance for small businesses as “learning enterprises” outside the formal VET system.

In the UK and the US there is strong support from governments for small businesses, ranging from the provision of information to tools, consultancies and grants. Training is just one of the many services provided to small businesses.

13. **Advice on local matters** from business associations such as the local Chamber of Commerce or Trade Associations in the UK. These services are normally low cost and fast. These organisations foster local networking among small businesses.
14. **Training and related advice** from regionally based Learning and Skills Councils in England and Local Enterprise Councils in Scotland which provide business advice, training (such as the “Investors in People” program), diagnostic consultancy and other support for small businesses.

The above search reveals the following trends in good practice support for small business:

- **A focus on entrepreneurship** in small business. See, for instance, the Information Centre for Entrepreneurship (www.bibl.hj.se/ice/), which provides a large collection of items related to entrepreneurship, innovation and small to medium sized businesses. See also the Livewire Young Entrepreneurs site (www.shell-livewire.org) which provides practical advice to young entrepreneurs, including a free start-a-business toolkit. The Prince’s Trust (www.princes-trust.org.uk) offers help and low-interest loans to young entrepreneurs.
- **A focus on advice at two levels**, national and local, for small business. National services range from the UK Small Business Service (www.sbs.gov.uk) and the United States Small Business Administration (www.sba.gov). Local services in the UK include the Business Link network in England (www.businesslink.gov.uk), the Business Shop network in Scotland and the Business Connect service in Wales.
- **A focus on the basics** such as business plans. See for instance, the USA site www.sba.gov and the UK’s www.business-plans.co.uk which provide free sample business plans, help and advice.
- **A focus on achieving quality**, for instance the benchmark performance site (www.benchmarkindex.com).
- **A focus on easy access** to information and help, such as the UK’s Business Help (www.bizhelp24.com) which provides information, news and other services for small businesses.

8. Raising awareness of the benefits of small business training

This chapter identifies areas that could be targeted by the WA Government in order to raise awareness of the benefits of small business training.

Opportunities

Opportunities to raise the awareness of the benefits of training within the small business sector, as suggested by interviewees, include:

1. An opportunity exists to provide a **branded, coherent and coordinated source** of information. Currently there is a lack of clarity about who provides what and there is no central, comprehensive point of information. One interviewee commented: “The current training system is so unresponsive. Make the systems easier to navigate.”

Another interviewee commented: “We don’t have a coordinated approach to training in WA. There is a lot of stuff about but it is difficult to find out about it. There is no one-stop shop. The general public is not familiar with what’s available. TAFE advertises its courses using standard advertisements, listing the times and the locations, but this is not exciting. There is nothing about helping you run your business. The ads don’t grab you.”

A related opportunity is to associate the brand with quality. One commented, in relation to government promotion of small business training: “Quality is everything.” Another interviewee noted: “The Government needs to let people know there are better controls on training.”

2. An opportunity exists to leverage better off **partnerships**. For example, one interviewee commented: “The state Government should leverage better off local governments, particularly staff in economic development areas, because we’re connected on the ground.” Another said: “The Government needs to set up networks of existing provider groups.”
3. An opportunity exists to create **networks of small businesses**. One interviewee noted: “These networks of small businesses could negotiate with training providers.”
4. An opportunity exists to develop a new **model of training**, based on mentoring. One interviewee recommended that government seek to persuade the VET sector to “think outside its small boxes and encourage a new format for RTOs – mentors who can work with small businesses. But if the mentors are not trained it is no good. I don’t want to talk to a mentor just because he has a uni degree. I’d rather talk to other small business owners who are successful.”

Key points:

- An opportunity exists to create a comprehensive point of information for small businesses in WA, including information about training programs, ensuring the programs are offered by quality providers.
- Opportunities exist for the Government to leverage off existing partners in the field of small business and to stimulate and support networks.
- Opportunities exist for the Government to promote good practice in learning within small businesses, such as the mentoring model, and to promote case studies of successful initiatives and the return on investment from training.

Summary comment

Interviewees for this study were almost unanimous in their view that there was a large role to be played by the state government in providing leadership, support and services for small business in WA. The view was expressed that only the government has the resources to perform this leadership role, especially given the large size of the state and its thinly distributed population. The role of government in supporting small business is essential given the criticality of small business to the WA economy.

5. An opportunity exists to promote **successful case studies**. One comment was “we need to change the image of training” so it is seen as enjoyable, creative, profit-related.

A typical comment was: “There has to be better marketing of what small businesses can achieve after training. The Government needs to promote training that has been evaluated as successful. Don’t market programs that are not meeting the needs of small business. Small business people will go to training but if they find out it is not worth it, it is hard to get them back.”

Another commented: “There is lots of scope for training in business management. But it can’t be delivered in the way TAFE is doing it, one day per week. There are lots of different options for providers that are more interesting for small business.”

6. An opportunity exists to continue, promote and **improve popular government strategies** such as the “Small Business Smart Business” voucher scheme. One interviewee commented: “The vouchering scheme is a bit complicated and \$200 is not enough. Access to skill development shouldn’t be so limited.”
7. An opportunity exists to **promote the return on investment** in training. “We should promote that small business training increases the capacity of small businesses to succeed. We need return on investment; hard measures that training is increasing the prosperity of regions.”

Appendix 1: Brief

Assist the Small Business Advisory Committee to:

- 1 clarify the small business skills development issues that need to be addressed in WA; and
- 2 identify areas that the committee could productively target in order to raise the awareness of the benefits of small business training within the small business sector.

Undertake a study that will provide:

- a summary of the factors influencing the growth of small business, micro businesses and independent contracting within Australia and Western Australia;
- an overview of the training needs required to develop small business skills;
- the reasons for the lack of uptake of training by small business personnel in WA;
- identification of emerging skill requirements: both in areas that have the potential for growth and for micro businesses;
- a summary of the present provision of training services in WA;
- identification of gaps in current training services provision in WA;
- identification of areas of most immediate need for small business training in WA;
- identification of current and future trends that will need to be addressed; and
- identification of interstate/international best practice small business training programs/initiatives for possible uptake in Western Australia.

Appendix 2: Interview questions

1. To give me an idea of your experiences and perspective, please discuss some aspects of small business you are most **focused on** (e.g. specific industries; regional or metropolitan small business; employee training or business owner training; formal or informal training)?
2. From your vantage point, please discuss some of the **hot factors** currently influencing the growth of small business in WA (e.g. resources boom; property prices; skills shortages; new legislation).
3. Please discuss how any one-two **structural factors** are influencing the growth of small business in WA (e.g. emergence of China and India markets; industry restructuring; business outsourcing; small business attitudes of baby boomers, generation X and Y; rise of franchising; e-business; new technology; government incentive programs; other factors).
4. In the small businesses you are aware of, what are their immediate and **top training needs** (e.g. how to grow the business; how to retain staff; technology management; new product development)?
5. What are some new or **emerging skill needs** for small business in WA (e.g. develop globally competitive products and services; increase entrepreneurship; improve customer relationships; create new business models)?
6. What do you think are the main reasons for the **lack of uptake** of formal training programs by small business personnel in WA (e.g. lack of information; lack of time; location of training deliverers; cost of training; doubt about value of training)?
7. How do the **successful small businesses** you are aware of develop the skills of staff (e.g. informal learning on the job; with mentors; learning within networks; formal training courses)?
8. What are some examples of the **successful provision** of formal training services for small business in WA (e.g. flexibly delivered programs; customised training programs; training provided by industry networks; government sponsored training)?
9. What are some **major gaps** in the current provision of formal training services for small business in WA (e.g. lack of personalised services; lack of focus on specific skill sets; lack of recognition of prior learning; lack of workplace-based training; low relevance of some topics)?
10. What are some opportunities open to the WA Small Business Advisory Committee to raise the **awareness of the benefits** of training within the small business sector?
11. Please raise any other points not covered in your previous answers.

Appendix 3: List of interviewees

List of interviewees

1. Alan Meagher, TRACMIN
2. Alison Lannin, Small Business Centre Bunbury-Wellington
3. Andrew Maurice, Small Business Centre Stirling
4. Dr Beth Walker, Small and Medium Enterprise Research Centre, Edith Cowan University
5. Christine Johnson, Challenger TAFE
6. Deborah Lamb, WestOne Services
7. Denis McLnerney, McLnerney Ford
8. Elisa Uyen, Pivot Solutions
9. Fran Brolsma, Kimberley TAFE, Kununurra Campus
10. Fran Oates, Central TAFE
11. Frances Parnell, Chamber of Commerce and Industry WA
12. Graeme Atherton, Small Business Centre West Kimberley
13. Kate Guthrie, WA Department of Education and Training
14. Jamie Mackaway, WA Department of Education and Training
15. Janelle Dawson, Stirling Business College
16. Joe O’Brien, Fremantle Learning
17. John Royle, Economic Development, City of Wanneroo
18. Julie Lamberth, Small Business Centre South East Metro
19. Kelly Edwards, Central West TAFE
20. Ken Krachler, Canning College
21. Milan Chetkovich, Essential Financial Services
22. Norm Baker, West Coast TAFE
23. Peter Parlonga, KAPP Engineering
24. Phil Kemp, Coastal Business Centre Inc
25. Robert Seigal, Albany Business Centre
26. Rosalie Saxby, graphic artist, home-based business
27. Ross Woods, Australian Centre for Advanced Studies
28. Stephen Moir, Small Business Development Corporation
29. Zane D’Mello, Geraldton Resource Centre Inc

Appendix 4: List of focus group participants

Focus Group 1 Attendees, 21 March 2007

1. Andrew Maurice, Small Business Centre Stirling
2. Brett Dorney, West Coast TAFE
3. Fran Oates, Central TAFE
4. Frances Parnell, Chamber of Commerce and Industry WA
5. Ross Woods, Australian Centre for Advanced Studies
6. Christine Johnson, Challenger TAFE

Focus Group 2 Attendees, 21 March 2007

7. John Stevenson, Engineering Consultant (small business owner)
8. Milan Chetkovich, Financial Advisor (small business owner)
9. Paul McDowell, JMG Marketing (small business owner)
10. Phil Kemp, Coastal Business Centre Inc (small business advisor)
11. Rosalie Saxby, graphic artist (small business owner)

Video-conference Focus Group Attendees, 22 March 2007

12. Alison Lannin, Small Business Centre Bunbury-Wellington
13. Fran Brotsma, Kimberley TAFE, Kununurra Campus
14. Graeme Atherton, Small Business Centre West Kimberley
15. Kelly Edwards, Central West TAFE
16. Zane D'Mello, Geraldton Resource Centre Inc

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