

## **How to Lead a Micro Business to Water They WANT to Drink**

### **By Barbara Gabogrecan**

It is the goal of key supporters of the Micro business sector to encourage operators to increase their skills, grow their businesses and ultimately increase employment. This attitude has been fostered, encouraged and often funded by Government.

#### **SUPPORT ORGANISATIONS AND PROGRAMMES**

Regional Assistance Programmes (RAP) and Small Business Enterprise Cultural Programs in particular, encouraged programmes to specifically support women in business, provide mentors, develop skills and increase employment. There are also Export and Research and Development grants available. But it is much more difficult for the Micro sector to access these grants as the onerous guidelines are designed to target the small business and SME's, rather than the Micro operators.

NEIS programmes encourage the unemployed to be enterprising and develop skills on how to run a business, while Business Incubators have been set up around the country to offer affordable office space, shared resources and mentoring for start up businesses and for Home Based Businesses (HBB) wanting to take on a more professional profile.

Business Enterprise Centres were originally established as a channel to deliver Government programmes for business. However their role in business support has become a much more competitive one in the last few years.

Together with these well known providers of business support are the numerous registered training organisations (RTO's); local Government established networking groups; associations and private organisations. All have one main objective – to assist and support the Micro and small business operator to succeed in and grow their business. But are the solutions being offered what the sector want?

I have been on the board of an incubator and part time managed one when it was in such financial difficulties that it could not afford a full time manager. When an Incubator is undertaking its feasibility study they do not take into account that many business operators they are targeting will say they want to participate – but when the final decision has to be made they are just as likely to back away. There is confusion between the lifestyle they want and the business benefits and responsibilities that come with becoming an incubator resident.

In the report 'Under the Microscope' (presented to the then Minister, the Hon. Peter Reith in 1998) there was discussion as to why there isn't any support offered for 'start up' businesses (similar to NEIS programmes) where participants do not come from the unemployment line. The Consultative Group who prepared the report felt that support (eg. assistance with preparing a business plan and providing mentoring) could be offered to businesses that had a solid idea plus the added advantage of high self esteem (because they were not unemployed). Such a support programme could result in many more successful businesses and ultimately employment.

All of the above make claim to success, but the question remains, just how successful are these projects and programmes to participants – in other words, do they address their perceived needs?

## **SURVEYS**

In a survey titled ‘The Importance of Training and Employment to Business Growth’ (referred to as the ‘Survey’) which I ran in September, I asked 43 Micro businesses a series of questions relating to their business. This was designed to gather ‘up to date’ responses to support (or otherwise) the findings of the Casey study on HBB which I was involved with in 1998 and was conducted on behalf of 6 Councils; plus the CREEDA study titled ‘Frontrunners or Backyarders’ which looked at HBB in the ACT and the Gold Coast. I found very little attitudinal changes amongst the sector from those studies to now.

In the Casey study and the Survey, it was obvious that the majority of the HBB sector work from home because they want to, not because they have to. In fact only 2% in the Survey indicated that they would anticipate the growth of their business would be impeded by lack of space. Does this mean that HBB operators do not necessarily want to access what a Business Incubator offers? Perhaps this in part, accounts for so many incubators ‘going under’ or accepting 75% occupancy as adequate.

In the Survey, these operators made some startling revelations which suggest to me that a larger quantitative and qualitative research should be undertaken to discover just what makes the sector ‘tick’. We need to know just what their perceived needs are and just what they are prepared to do to be successful. Indeed, we need to understand what they perceive ‘success’ to be!

## **LIFESTYLE**

If it is important for this sector to provide themselves with a living, it is equally important for them to provide themselves with a lifestyle. Thirty eight percent of the respondents to the Survey indicated that they were in business to provide themselves with a job, while 35% said they wanted to change their lifestyle. Further on in the Survey they were asked “What is more important to you” and were given a choice of 5 to list in preference. Increasing your customer base; Improving your skill base; Increasing the ‘bottom line’ and being your own boss were placed well below the 35% who indicated that ‘increasing profitability’ and ‘leading a better life style’ were equally the most important.

I doubt that Government and the business support agencies really understand the importance of ‘lifestyle’ to this sector when they are preparing programmes as it is difficult to factor in such a subjective consideration. However if the ‘lifestyle’ issue is ignored by providers, then I question that the programme being offered will ever fulfil the perceived needs of the sector.

## **TRAINING AND EMPLOYMENT**

Two issues that the Government and providers stress in all programmes are training and employment. I don’t think anyone really questions the importance of both to business success and ultimately growth. So it may surprise you to know what the Micro operators intend to do about these two very important issues.

## **1. Training**

Let's look at training first – 61% of the Survey said that they had undertaken formal training to produce the product or service they now sell, with 19% having undertaken a minimum 4year course (40% said they completed training at University and 21% went to TAFE). Fifty percent considered that this training was helpful. This training was to help them get a job – to be employees. They were trained to be technicians.

However, when it came to running a business, 42% said they undertook formal training on how to run a business, with 14% completing a NEIS course and 12% completing a Small Business Certificate. Thirty five percent of participants considered this training was helpful in running their business.

Other methods of training included undertaking courses run by industry associations, professional organisations and mentor programmes. Thirty three percent indicated that they considered their life spent in another industry was 'on the job' training. They considered their experience was an outcome of years of training and was of great value.

When looking at ongoing training as a business operator, 73% said they undertook regular training and skill development, with 85% indicating that the training was informal. The most common form of training was via seminars (76%); Business books (62%); Business magazines (47%) and newspapers (21%). Radio, TV, Internet and networking were all listed as alternative ways to gain skills.

It was encouraging to note that 64% thought that further training or acquiring of skills would increase their bottom line. However, later in the survey only 9% thought increasing their skill base was of importance to them! This indicates to me that intellectually the sector are aware of the importance of training and building on their skills, but in the reality of running their business, skill acquisition is not a high priority.

We have to change the perception. A paradigm shift is required to make the sector place skill acquisition higher on their list of priorities. We can lead a horse to water, but can't make it drink. Our challenge is how to lead a Micro business to water that they want to drink.

## **2. Employment**

If the Government's key priority is to increase employment and they are looking to this massive sector to do it, I am afraid they are sadly misinformed. With 88% of all small business being Micro (ie employing less than 5) and with 67% of all small business being home based (and growing at 16% per annum) – sheer numbers suggest that an increase in employment in this sector could solve the employment situation.

However the sector rightly feels that legislation disadvantages the individual employer in favour of the individual employee. In the Survey, even though 71% wanted their business to grow, 12% indicated they would prefer their business not to grow rather than having to face the problems they perceive they would have with employment (26% did not want the extra costs and associated problems and 12% were worried about unfair dismissal).

Of those who do employ, 21% employed one or two people and 16% employed 3-5 people. Twenty six percent employ on a casual basis, 14% had part timers and the same percentage had full time employees. However 33% used contractors in an attempt to avoid some of the perceived problems and on costs associated with employing.

In a further attempt to avoid the perceived employment problems, 54% have unpaid support from their family, usually a spouse (28%), with 31% having this support for under 10 hours a week, but 16% accept this assistance for over 20 hours per week.

### **Self Employment**

When discussing employment we cannot ignore the fact that this sector is employing themselves. Thirty eight percent indicated they were in business to provide themselves with a job. Only 21% were running a business because they consider they are an entrepreneur. It is important to take into consideration that if the business only brings in a wage and there is no separately calculated profit, we have to question whether they are in fact running a business.

So where is the support for the 'self employed' within the packages made available to encourage employment by the Government? If we could recognise the importance of self employment and position it differently (rather than putting it into the small business melting pot), we might begin to understand this sector. This group of operators are perfectly positioned to learn the skills of running a business, but initially we have to treat them differently and understand and accept that this is an employment issue, until they decide they are ready to take the next step and acquire the skills to run and grow a business.

### **LEGISLATION**

If Government wants the sector to employ, there are a number of issues they must address. One is where local Governments restrict employment for HBB – some not allowing any employment and others allowing only one employee. There are a number of cases that illustrate that legislation is out of touch with the new world of technology and new ways of doing business.

#### **Case Study 1**

A travel agent in Victoria had a large home on acreage. He set up five computers and had five employees. They parked their cars behind the property so as not to cause a problem on the street. However a neighbour 'dobbled them in' and Council closed them down.

#### **Case Study 2**

In another case a family of parents and an adult son ran a business from their home. He married and purchased a property next door to the family home so that he did not have to waste time travelling to and from work. Council had a policy that only members of the family living in a residence could work on/in the HBB, so the son was not allowed to work in the business, of which he was a partner!

Government must carefully think through legislation they put in place to catch the business operator deliberately rorting the system, to ensure they do not catch the

innocents in the same net. They must have a policy of making it easier to run a Micro/HBB, not more difficult.

## **MANAGEMENT**

Australia is quite low on the scale of World Best Practise for management skills and is it any wonder! Once a Micro/HBB has grown to a small business or an SME it may decide to invest in employing a manager, but as most managers simply move up through the ranks and have not undertaken any formal training they are not as highly skilled as they should be. Due to this culture, Micro businesses rate management skills quite low on their list of priorities.

Michael Gerber author of the E Myth defines a manager as someone who “ *plans, is organised and predictable.....The manager lives in the past and invariably sees problems.*” He describes an entrepreneur as someone who is a “*visionary and lives in the future.....They crave control and like change. They are opportunistic.*”

It is obvious that the skills of an entrepreneur and a manager are poles apart, yet when an individual starts a business they are the ‘business’ and take on all roles. But if an operator is entrepreneurial they should look for a good manager as soon as possible. However while the sector has this attitude towards management, they will remain poorly skilled in the eyes of the world and their businesses will suffer.

## **PERCEIVED NEEDS**

So what is it the sector wants? What are their needs? Obviously lifestyle is of great importance. They also said they want to be in charge of their destiny, they want freedom and flexibility and they want satisfied customers. Above all, **56% said they want to be recognised for their achievements.**

They are not egotistical. Only 12% thought it important to be seen as a ‘leader in their field’ and only 26% thought management or organisational skills would lead to success in their business. The skill acquisition they want could be quite different to what the Government and providers think they should have.

## **ACCREDITATION – A SOLUTION**

But there could be an easy solution. As 59% indicated it was important to be recognised for their achievements, if providers use reverse psychology, it might be possible to lead the sector to water that they **want** to drink. If we can offer the sector a solution that not only recognises their achievements, but shows them how to use a visual tool to give them a leading edge against their competitors and help them stand out in the crowd, they may decide that it would benefit them to have the right strategies and procedures in place that can lead to a more successful business, which in turn could lead to growth and employment.

## **Marketing Tool**

To encourage the sector to not only recognise the importance of training, but to have them prepared to include training and skill acquisition as a valued part of their business development, we have to provide them with a tool that will first of all offer them a marketing solution which in turn will make them want to increase their skills and make their business more successful.

If we use reverse psychology so that the sector believe the action is coming from their own wishes rather than having providers and Government direct them to the water, they just might drink!

### **Recognition**

Navigator is an accreditation programme designed to recognise the strategies and procedures put in place by Micro businesses that can lead to a business being successful. It does not claim that a business is in fact successful.

### **Star Rating**

It is designed to give credit for procedures that are already in place and the point system allows business operators to get the first 'star accreditation' fairly easily. In the process of them checking a list of what can be accredited, they are likely to see other areas where they could complete procedures to increase their 'star rating'. Many of the topics would require skill building and training.

The business operator is encouraged to increase their 'star rating' to give them a point of difference, allowing them to stand out in the crowd and supplying them with a leading edge against their competitors. Because they need to have increased skills to improve on their star rating, they are more likely to make the effort because they see a direct correlation between improved business and training.

### **Cost and Income Stream**

The whole process is cost effective and affordable. It provides a marketing tool for the business operators and for providers. Providers can encourage their clients to become accredited and will be seen to be 'adding value' to what is currently being offered. And it offers a lucrative revenue stream for providers. Just by promoting Navigator providers will receive income for each person who decides to become accredited. However, if they decide to also become assessors/markers, they will receive an even higher level of income.

### **Technology and Assessment**

The programme will be available via the web and participants would send hard copies of all material that they wish to present as proof of the strategies and procedures they have in place. Assessment will be conducted under the auspices of Certificate IV trained assessors. Audits will also take place to ensure that the quality of assessment remains fair and transparent.

A number of Government departments are keenly awaiting the programme and I would expect them to promote it and provide links from their web sites.

### **This is to be a 'win win' situation;**

- Government will be happy as the sector will be more prepared to undertake training;
- Providers will be happy as they receive an additional income stream and have the opportunity to be listed on the web site so that the sector can be directed to the assistance they want, in suitable geographic areas;
- The Micro sector will have a cost effective, affordable marketing tool which could increase their bottom line.

**Conclusion**

There are many ways we can encourage the sector to be more involved in training if only we coat it with the 'sugar' of increased profit for them. But if we want them to be successful and to grow we must make it easier for them to employ. Government must remove some of the legislative impediments that are currently acting as a disincentive.

If Government can decide to change major legislation like the unfair dismissal law to better suit the smaller business, then they can make other onerous legislation change to suit the size of the Micro and HBB. 'One size does not fit all' and unless our leaders show some understanding of this then the perceived needs of this sector will not be met, businesses will not grow and operators will not employ. They will continue to go 'underground' when possible and run their business using innovative survival methods that are not necessarily in the best interest of their business or the economic welfare of this country.