



Communities of Enterprise

Future Strategies for the Business Enterprise Centres Network
of Western Australia



Prepared by

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Executive Summary & Recommendations

The following report outlines the findings of the review into the WA BEC Network undertaken by the Centre for Entrepreneurial Management and Innovation (CEMI), of the University of Western Australia during July-September 2003. This BEC Network comprises 37 independent; community owned organisations located throughout the State, that provide a range of counselling, information and referral services to small business clients and new venture start-ups. The WA Government under the BEC Network Scheme, which is managed by the Small Business Development Corporation (SBDC), sponsors these organisations.

Established in the 1980s, the WA BEC Network is today one of the largest and geographically dispersed small business advisory and support services in the world. Each of the BEC organisations within the network operates as an incorporated, non-profit agency managed by a volunteer committee who employ a full time Centre Manager who usually provides the enterprise facilitation services to the community. An administrative assistant and other support staff will be employed where the BEC organisation has sufficient financial resources.

The review involved consultations with all 37 BEC plus a wide cross-section of stakeholders, as well as receipt of a large number of public submissions. In the following document the findings of the review are outlined in detail. Section 1 overviews the characteristics of the existing Network as well as the review's Terms of Reference and methodology. Sections 2 to 5 provide background and context to the operations of the BEC Network. Sections 6 to 12 address the review's Terms of Reference and end with a series of recommendations for future action.

It is noted that the existing operations of the BEC Network provide many examples of excellence that demonstrate the value of these centres. Recent developments that are strategically important are the creation of the BEC Managers Association (BMA), the development of a support manual for BEC Committees and a range of other systems improvements emanating from the 2001 BEC Conference held in Albany.

However, the Network remains restricted in its growth by a lack of funding, inconsistent performance, inadequate levels of cooperation between individual BEC, insufficient integration of the Network into wider industry and economic development strategies and inappropriate performance measures. There is also a need for stronger strategic leadership within the BEC Network that can alleviate the need for the SBDC to become engaged in operational management of centres.

A Future Vision for the BEC Network

The future that the review team sees for the BEC Network of Western Australia is one in which the centres are substantially more entrepreneurial and independent of State Government funding than is currently the case. This would see the centres delivering a common core service focusing on direct assistance to small business owner-managers and start up ventures through quality enterprise facilitation. This would be undertaken under the BEC brand name, but with a much greater level of consistency and accountability than is currently evident.

Manager / Facilitators delivering this core enterprise facilitation service will be trained and accredited to a common standard. Further, the services they provide will be more clearly benchmarked and measured to ensure quality is maintained across the Network.

In addition to the provision of core enterprise facilitation, the BEC Network would be more adequately integrated into the industry, economic and regional development processes of the State. As outlined in this report, the achievement of this vision is likely to require the BEC demonstrating that they can integrate into strategic planning frameworks of such key stakeholders as Local Government Agencies (LGA), Regional Development Commissions (RDC) and State Government Departments.

The Process for Strategic Change

Any funding of the Network should be contingent on the ability of the BEC organisations to demonstrate that they can integrate effectively into the industry, economic and regional development frameworks of their communities. The key to achieving such integration will be the development of 3-yearly strategic plans, supported by evidence of the need for the BEC services, a financially sustainable business model, and enhanced collaboration between Centres within regions.

The review considers that it will require a period of between 12 and 18 months to prepare such plans, and up to 2 years to upgrade the professional training and development of all BEC Manager / Facilitators.

Leading this change process will be the responsibility of BEC W.A. Incorporated (BECWA) with the assistance of the SBDC BEC Support Unit. BECWA is the peak body comprising representatives of the chairs of the 37 BEC. Established in 1998, BECWA has six regional chairpersons encompassing both the metropolitan and regional areas of the State. It also has representatives from the BEC Managers. BECWA has evolved over recent years to become the body responsible for representing the position of the BEC Network to State Government. It is therefore the most appropriate group to adopt a leadership role within the BEC Network.

While each BEC organisation will be responsible for its own future strategy, the planning process will be facilitated via six Regional Strategy Groups led by BECWA through its Regional Chairs. This will require additional resources to be provided to BECWA to enable them to undertake this role. The amount of funding required by BECWA for this purpose is difficult to fully assess, however, it will need to support additional administrative staff within BECWA, travel and associated costs.

The six BECWA Regional Strategy Groups should be tasked to undertake a process of consultation with their constituent members and prepare a draft strategic plan outlining the future direction of their region's BEC organisations over the next 3 years. Assuming this process can commence in January 2004, it would be realistic to expect that the 6 Regional Strategy Groups, in conjunction with the SBDC BEC Support Unit, could oversee the completion of local level strategic planning by end 2004. A suggested timeframe for the completion of this planning cycle would be:

- January 2004 Commencement of the planning process and formation of Regional Strategy Groups;

- 30 June 2004 completion of regional level strategies for each of the six BEC regions to be supported by a clear statement of strategic intent from the SBDC as to the Corporation's vision and expectations for the network and the level of strategic support that might be provided in seeking to fulfil this strategic direction;
- 31 October 2004 completion of individual BEC 3-year strategic business plans under the coordination of the six Regional Strategy Groups;

Funding the Process of Change

The strategic agenda outlined in this report will require the additional funding of BECWA to enable that organisation to undertake a more active leadership role within the network. Additional funding is also likely to be required to support the strategic change process and long-term development of the BEC Network. However, while the financial position of many BEC remains weak the review seeks greater systems of accountability and performance measurement prior to any additional funding be provided to individual Centres.

It is also the position of the review that future growth in the funding available to the BEC Network should be sourced increasingly from outside the core sponsorship currently supplied via the SBDC. This will require the BEC to adopt a more entrepreneurial orientation and establish stronger linkages with industry and other stakeholders who can assist with financial or in-kind support.

While the total budget available to support the WA BEC Network Scheme has not been substantially increased for many years, it has fortunately not been significantly reduced. It is the understanding of this review that despite the obvious lack of funding within the Network, the prospects of any significant increase in Network sponsorship funding by the State Government are limited. This suggests that if additional revenues are required to maintain and develop the BEC Network, they will either have to come from some rationalisation of existing operations, or through a third party sponsorship or funding model.

This remains a critical issue within the future planning and development of the WA BEC Network Scheme. Given the current levels of funding it is difficult to envisage any substantial growth of the Network or enhancement of its existing services. If the State Government wishes to expand the scale and scope of the BEC Network even within the parameters of the core enterprise facilitation services, it will need to increase the level of funding. Alternative sources of funding may be found but if they are not, some degree of amalgamation and rationalisation of the existing network of 37 centres appears inevitable. In subsequent sections of this report the review will address the issues of geographic boundaries and 'hub-and-spoke' models. However, the issue of increased State budget funding for the Network is one that the Government should consider.

Recommendations

The future challenges facing the BEC Network can be addressed through a process of improved strategic planning, collaboration, accreditation and accountability. The following recommendations are made by the review:

Recommendation – Develop the Strategic Capacity of BECWA:

That the process of strategic capacity building of the kind that was commenced at the 2001 BEC Conference in Albany be continued. In achieving this BECWA should be strengthened through additional funding and support to allow it to provide an enhanced leadership role within the BEC Network; and thereby increase the level of managerial separation between the individual BEC organisations and the SBDC.
(See Section 7 for the context of this recommendation)

Recommendation – BECWA develop a Strategic Plan for the BEC Network:

That BECWA, in conjunction with the SBDC, develop a 5-year strategic plan designed to integrate the WA BEC Network into the wider economic and industry development frameworks of the State, and provide a structure to guide the individual strategic planning of individual BEC organisations. This 5-year plan should be developed concurrently with a series of 3-year plans to be developed by individual BEC organisations within the 6 BECWA-led Regional Strategy Groups. Further, a clear statement of strategic intent from the SBDC as to the Corporation's vision and expectations for the network and the level of strategic support that might be provided in seeking to fulfil this strategic direction should support this.
(See Section 7 for the context of this recommendation)

Recommendation – Retain the SBDC as the Sponsorship Scheme Coordinator:

That the SBDC continue to manage and coordinate the WA BEC Network Scheme on behalf of the State Government but with greater responsibility for strategic planning delegated to BECWA and the 37 BEC organisations with appropriate assistance provided by the BEC Support Unit to BECWA to enable it to provide strategic leadership to the individual BEC organisations.
(See Section 7 for the context of this recommendation)

Recommendation – Increase Network Funding:

That the level of funding for the BEC Network Scheme be increased to allow for the enhancement of BECWA in a future role of leadership and coordination, but also to facilitate expansion of small business support services within Western Australia. Sufficient funding should be provided to ensure the delivery of core enterprise facilitation services to a consistently high standard at each BEC regardless of its location. However, funding formulas should be designed to encourage increased self-sufficiency among BEC sponsoring organisations and with incentives for Centres that demonstrate their ability to secure cash or in-kind support from community stakeholders.
(See Section 8 for the context of this recommendation)

Recommendation – Focus on Micro-enterprises and Business Start Ups:

That the BEC Network focuses primarily on small business start-up and micro-enterprises within its core enterprise facilitation service delivery. However, subject to the need for the BEC to ensure that they observe the conditions of competitive

neutrality as specified in the Sponsorship Agreement, there should be no limitation on the range of services that can be delivered by the BEC Network with the needs of the market determining the ultimate service configuration.
(See Sections 8 & 11 for the context of this recommendation)

Recommendation – Implement a Strategic Planning Framework:

That BECWA, with assistance from the BEC Support Unit, develop a strategic planning framework based on 6 Regional Strategy Groups led by the current BEC Regional Chairpersons. These groups should comprise:

- The BECWA Regional Chair;
- The Chairpersons for each of the BEC sponsoring organisations within the region;
- A representative from the SBDC BEC Support Unit, and;
- A representative from the BMA drawn from within the region.

Furthermore:

- 1) These Regional Strategy Groups should ensure that each of the BEC in their region generate business plans with a 3-yearly horizon, which are focused on measurable outcomes that integrate into the wider regional economic and industry development strategies of key regional stakeholders.
- 2) The BECWA Regional Strategy Groups should oversee the strategic planning process of the BEC sponsoring organisations within their region and provide advice to the SBDC in support of any application for sponsorship under the WA BEC Network Scheme. It should be the responsibility of these Regional Strategy Groups to ensure that prior to any future funding being approved that all BEC business plans:
 - a) Have a 3-year horizon;
 - b) Make a sound case that the BEC services meet well defined needs within its target community;
 - c) Are developed in consultation with regional stakeholders and demonstrate that they have support from these stakeholder in the form of:
 - i) Resource commitments – both cash and in-kind;
 - ii) Cooperative agreements for mutually beneficial relationships;
 - iii) Letters of support stating the need for the BEC service;
 - d) Are supported by clearly defined objectives and performance benchmarks to ensure quality service delivery within the resources that are likely to be available from various sources, with objectives focused on measurable outcomes targeting the enhancement of the small business community within the target community; and
 - e) Can demonstrate the capacity of the BEC to remain financially sustainable over the planning period.
- 3) It should be the responsibility of these Regional Strategy Groups to use this strategic planning process to enhance the formation of strategic alliances and partnerships between the BEC Network and third parties that can enhance the overall level of sponsorship and related funding. In doing this there should be a focus on encouraging Network facilitation designed to achieve greater sharing of

resources and collaboration between Centres. Such collaboration, cost sharing and alliance development should be determined within the six BECWA Regional Strategy Groups and should be assisted by supplementary funding from the SBDC where possible.

(See Section 9 for the context of this recommendation)

Recommendation – Coordinate Funding Through the Regional Strategy Groups:

That the allocation of funding to individual BEC organisations be coordinated via the six Regional Strategy Groups coordinated by the BECWA Regional Chairs. Approval of BEC organisations as recipients of future sponsorship funding under the BEC Network Scheme should be contingent on the endorsement of the BEC Regional Chair. It should be the responsibility of the Regional Strategy Group to ensure that:

1. Each BEC organisation within their area is financially viable and has a business plan that is able to clearly demonstrate the Centre is delivering services that are required by the local community and fit within the wider economic and industry development planning frameworks of the region;
2. Additional support in the form of cash and in-kind assistance from local stakeholders should be a key element to the future endorsement of such plans;
3. Evidence of collaboration between BEC organisations within the region to assist in enhanced utilisation of resources or cost sharing should also be a criterion for future sponsorship endorsement.

(See Section 10 for the context of this recommendation)

Recommendation – Review Performance Measures:

That existing performance measures used under the WA BEC Network Scheme sponsorship be re-examined to provide greater levels of accuracy and outcomes-based performance measurement. In developing such performance measures greater consideration should be given to accurate measurement of time spent by BEC Manager / Facilitators in service delivery and the outcomes such services have achieved within the target community. As part of the strategic planning process described earlier, BECWA, in conjunction with the BMA and supported by the SBDC, should ensure that each BEC develop a set of Key Performance Indicators (KPI) to measure performance as part of the development of its 3-year strategic planning process. Such KPI should be outcomes focused and linked to the achievement of objectives designed to fulfil the strategies developed under the 3-year planning cycle.

(See Section 12 for the context of this recommendation)

Recommendation – Define the Core Enterprise Facilitation Service:

That the BEC Support Unit in conjunction with BECWA and the BMA reach agreement over the definition of core enterprise facilitation services which would appear to be broadly:

- First line counselling and referral provided to persons seeking to establish a new business venture or who have an established business venture;
- Provided free-to-the-client;
- Designed to identify and diagnose problems and develop future actions;
- In which the client understands that they are to accept responsibility for any decisions taken and their consequences; and
- To assist the client to develop the capacity to assist themselves through a process of self-learning.

(See Section 11 for the context of this recommendation)

Recommendation – Examine the feasibility for enhanced links with Telecentres:

That the BEC Support Unit and BECWA conduct a feasibility study in conjunction with the Telecentre Support Branch to assess the benefits of collocating regional BEC with Telecentres with a view to enhancing economies of scale and scope.

(See Section 8 for the context of this recommendation)

Recommendation – Promote the “BEC Service”:

BEC sponsoring organisations should be required to display the “BEC” brand name and logo on buildings, publications and other materials with the wording “Delivering BEC Services” prominently displayed. In response the SBDC BEC Support Unit should more precisely define the parameters of the core enterprise facilitation service and actively promote this as a discrete program of free-to-the-client first line counselling and referral.

Recommendation – Enhance Professional Development of BEC Managers:

That the SBDC BEC Support Unit, in conjunction with BECWA and the BMA, develop a process of professional development for BEC Managers/Facilitators that is able to enhance the competencies of the Network. Further, this professional development process should be capable of being supported within existing funding resources. Key elements of this process should be:

- 1) That BEC Manager / Facilitators be required to complete a Certificate IV in Small Business Facilitation or equivalent;
- 2) In addition to the basic qualification, each BEC Manager / Facilitator should undertake a minimum of 20 hours professional development training of a kind to be approved by mutual agreement between BECWA, the BMA and the SBDC;
- 3) That this process of professional education be implemented over a period of 2 years with future sponsorship funding to individual BEC remaining contingent on their Manager / Facilitator becoming fully qualified;

(See Section 12 for the context of this recommendation)

Recommendation – Encourage Membership of the BMA:

That all BEC Manager / Facilitators should be encouraged to become members of the BMA and that the BMA focus on assisting members to gain professional accreditation. In doing this, the BMA should consider affiliation with national or international bodies such as the Australian Institute of Enterprise Facilitators (AIEF) or the Institute of Business Advisors (IBA) (UK), to provide enhanced recognition of their members' professional standards and to access national or international benchmarks in education and professional development.
(See Section 12 for the context of this recommendation)

SECTION 1

Introduction, Terms of Reference and Methodology

The following report examines the future strategic directions for the Business Enterprise Centres (BEC) Network in Western Australia. It draws together the views of a wide range of contributors including the members of the BEC Network, their stakeholders and a cross-section of the community who responded to a call for public submissions to the review process.

Overview of the WA BEC Network

The BEC Network of WA was established in 1985 with the pioneering work of Ernesto Sirolli, who introduced the concept of ‘enterprise facilitation’ to Western Australia with a pilot enterprise centre in Esperance. In 1987 the first BEC was established followed by several more over the period to 1993 when the creation of a large-scale BEC Network was initiated. In 1995 the BEC Network was reviewed and subsequently transferred under the Small Business Development Corporation (SBDC) in terms of its primary sponsorship and reporting.^[1] Currently there are 37 BEC located throughout the State with 10 metro and 27 regional centres. These centres are listed below:

Regional BEC:	Metropolitan BEC:	
Albany BEC	Jerramungup BEC	Belmont BEC
Broome BEC	Karratha BEC	Coastal BEC
Busselton Dunsborough BEC	Leschenault BEC	Malaga BEC
Central Coastal Districts BEC	Margaret River BEC	North West Metro BEC
Central Great Southern BEC	Midwest BEC	Rockingham BEC
Central Midland BEC	Narrogin BEC	South East Metro BEC
Central Wheatbelt BEC	North Eastern Wheatbelt BEC	Stirling BEC
Collie and Districts BEC	North Midlands BEC	Subiaco BEC
Derby BEC	Northam Districts BEC	Swan Region BEC
Eastern Districts BEC	Peel BEC	
East Kimberley BEC	Port Hedland BEC	
Esperance BEC	Southern Avon BEC	
Gascoyne BEC	Warren Blackwood BEC	
Goldfields BEC		

Structure and Governance

While the structure and tasking of each BEC is slightly different, the typical model is a community-owned enterprise run by a volunteer Management Committee and employing a full-time Manager / Facilitator usually with a full or part-time administrative assistant. Some BEC have Business Incubators associated with them or are responsible for the management of such incubators.

The 'mission' of each BEC is typically to facilitate the creation of new business ventures within their community catchment area by providing individual counselling and referral services to prospective small business owners (nascent entrepreneurs) or small business operators who are in the early years of developing their venture (novice entrepreneurs).

BEC W.A. Incorporated

BECWA is the peak body that represents the Chairpersons of the 37 BEC of the Network. Established in 1998, the aims of BECWA are:

- To promote, nurture and develop the Network of BEC Committees throughout Western Australia;
- To provide a forum for discussion and representation between the BEC Committees, the SBDC and the State Government;
- To cooperate and where possible, affiliate with BEC Committees and other like minded organisations in all States and Territories; and
- To attract sponsorship and funding from all available sources to assist BEC.

The BECWA Management Committee comprises nine members drawn from BEC Committees and three BEC Managers. BECWA provides regional coverage with members representing the Central, North West, Southern and South-West Regions of the state, plus two members representing Perth metropolitan north and south. This provides BECWA with a state wide network of representatives, drawing together both the Committee members who comprise the BEC Network and representatives from the BEC Managers. Since its establishment BECWA has evolved into the key body responsible for liaising with the State Government on behalf of the BEC Network.

Business Managers Association

The BEC Business Managers Association (BMA) was formed in 2001 to assist in the development of the network, particularly the professional development of the Managers and the enhancement of service delivery to the community. A formally incorporated body, the BMA constitution seeks to achieve the following:

- To promote the continued professional development and support of BEC Managers in the application of best practice services to clients;
- To provide a collective, unified and organised voice to represent the views of BEC Managers in WA;
- To provide a professional forum for informed discussion on issues affecting BEC Managers;

- To provide a formal link between BEC Managers and other relevant organisations, groups and individuals.

While it is not an industrial union the BMA seeks to provide a unified voice for the Managers employed within the Network. In September 2003 it had enrolled 25 of the 37 BEC Managers operating in WA.

Funding of the Network

The primary funding for the BEC Network has been sourced from the WA Government under a Sponsorship Agreement coordinated by the Small Business Development Corporation (SBDC). This Agreement is between the SBDC acting on behalf of the State Government and the various organisations (sponsors) that agree to provide the BEC core services. Under this Agreement the 'sponsor' must be an approved, non-profit organisation incorporated under the Associations Incorporations Act 1987.

During the period 1999 to 2001 this sponsorship was around \$3.2 million per annum. This comprises both direct operating grants and indirect support programs including professional indemnity insurance, marketing and information and communications technology systems and services. In the 2003/2004 Financial Year the budget for the sponsorship of the BEC Network was around \$3.6 million. Figure 1 illustrates a typical break down of the funding model provided under this sponsorship.

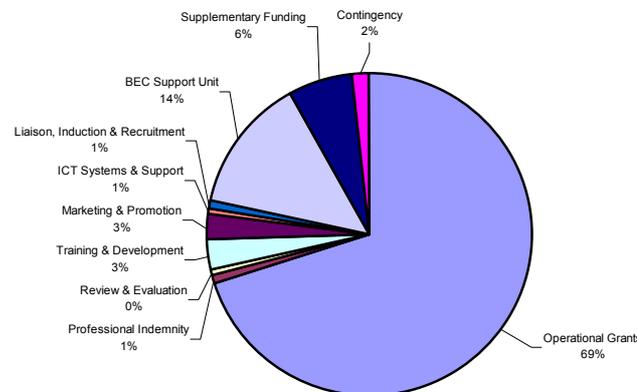


Figure 1: Funding Model for the WA Government Sponsorship to the BEC Network

It can be seen from Figure 1 that the majority of the funding under the sponsorship is passed directly to the BEC in the form of direct operating grants, which is usually in the form of a sum of \$60,000 for each BEC to cover the cost of providing the core services. Under the Sponsorship Agreement the BEC are required to provide all core facilitation services free of charge to their clients. These core facilitation services are defined under the Sponsorship Agreement as:

The provision of enterprise development services that have the potential to generate employment opportunities or retention of employment to people establishing a small business or operating an existing small business.^[2]

Under this Agreement these core facilitation services are to be delivered by a ‘Facilitator’ who is defined as:

The person who is employed by the Sponsor to facilitate business and employment generating projects in the geographical catchment area of the Business Enterprise Centre in accordance with this Agreement.

In addition to this sponsorship via the SBDC the BEC Network receives additional funding from Local Governments and industry associations. Local Government Agencies (LGA) make a significant contribution to the overall funding of the BEC Network. For example, in FY2001/2002 the BEC Network received cash and in-kind support valued at \$521,135.^[3] Table 1 shows the total funding received from both regional and metropolitan LGA in both cash and in-kind support for the period. It can be seen that BEC in regional areas receive slightly less cash and more in-kind contributions from LGA. This is likely to reflect the relative lack of financial resources available to regional LGA in comparison with their metropolitan counterparts.

Table 1: Local Government Support for the WA BEC Network 2001/2002

Type of Support	Cash	In-Kind	Total
Metro BEC	52%	10%	42%
Regional BEC	48%	90%	58%
Total dollars	\$395,145	\$125,990	\$521,135
Average:			
Metro BEC	\$22,822	\$1,389	\$24,211
Regional BEC	\$6,598	\$6,460	\$13,058

Source: BECWA-SBDC, 2002

In addition, the BEC organisation is free to raise additional revenue for other small business development services. This can include grants from the State and Federal Governments as well as Local Government support for enterprise creation or support schemes, training services, business incubation and employment counselling. BEC tasking and structures vary in response to the needs of their community catchment areas. They are frequently involved in alliances with local business groups, chambers of commerce, industry associations and economic development programs.

Although the primary function of the BEC remains individual counselling / facilitation of people seeking to start-up a new small business venture or operating an existing small business, the range of services offered by the Network is diverse. Rather than a standardised, state-wide small business advisory and support service, the WA BEC Network is a more decentralised, community-based system with a high degree of differentiation between the various Centres.

Terms of Reference for the Review

This review has addressed three primary Terms of Reference outlined by the SBDC. These Terms of Reference and the various questions that flow from them are as follows:

Defining an appropriate model for the BEC and BEC Network as a whole for the next five years. Specifically but not exclusively:

- a. Where BEC should be strategically positioned in the wider configuration of economic development and [small] business support to ensure maximum impact and return on investment?
- b. What should be the role for the State Government funding body, (currently the SBDC) in future BEC models?
- c. Where should BEC add value, and to whom?
- d. How best the BEC Network can be configured to build local capacity and achieve maximum gearing from funds available from a diverse range of sources?
- e. What is the potential for building further local alliances and partnership arrangements with key stakeholders; and
- f. What mechanisms need to be put in place to develop the Network and make it sustainable in the longer term?

Articulating an optimum distribution network. Specifically, but not exclusively:

- g. What is the optimum number of BEC given the likely funds available?
- a. What is the preferred geographical distribution of the Centres in consideration of local needs, conditions and population density?
- b. What alternative models exist for service delivery [e.g. distributed independent network, centrally managed out-reach centres, 'hub and spoke' model etc.] and what is the preferred option for key stakeholders; and
- c. If applicable, how could a transition be managed and over what time period?

Reviewing critical aspects of service delivery. Specifically, but not exclusively:

- d. What are the primary target markets and their core support requirements?
- e. What do small businesses want from a BEC?
- f. What competencies and services do BEC need to acquire in order to meet the needs of the primary target market?

- g. How can Managers / Facilitators be developed further with a view to building their professional competence?
- h. How should BEC and the Network as a whole organize itself to meet these changing circumstances?
- i. What should be done to extend market reach and build brand image?
- j. What mechanisms need to be introduced to develop the role of the Committee in respect of both strategic decision making and governance?
- k. What mechanisms need to be introduced to help recruit and maintain appropriately skilled Managers / Facilitators and staff?
- l. How can BEC mobilise additional resources at the local level?
- m. How can BEC strengthen their links with businesses and the commercial environment; and
- n. How should BEC and their stakeholders evaluate the effectiveness of their work in the future?

Methodology Used in this Review

The methodology employed within this review process involved the preparation of a review of relevant literature examining the small business advisory service models operating in other states and countries as well as the wider context of regional economic and enterprise development. In seeking to gather a wide cross-section of opinions a series of consultative meetings were held across the state with BEC Chairpersons and Managers as well as key stakeholders drawn from the local communities supporting the Centres.

In the selection of the stakeholder lists, a decision was made to identify and invite such groups as Regional Development Commissions (RDC), Area Consultative Committees (ACC), Local Government Agencies (LGA) and Chambers of Commerce and Industry (CCI), Answers Officers, Aboriginal Enterprise Agencies, Telecentre Managers, Tourist Bureau and marketing staff, bankers, accountants and other small business support professionals as well as owners of small firms and representatives from such groups as Apex and Rotary and representatives from local media outlets.

A total of 407 calls were made to stakeholders with confirmations from 71 persons who agreed to attend one of the consultative meetings held throughout the State. If a person was unable to attend they were invited to send a proxy or to make a formal submission against the Terms of Reference. In most cases CEMI then supplied them with a copy of the Terms of Reference. For example, a further 85 persons sought copies of the Terms of Reference in order to make a written submission.

A total of 23 meetings were convened, either in a specific location or via telephone conferences. Face-to-face meetings were held in Albany, Bunbury, Karratha, Midland, Fremantle, Northam, Karratha and Kalgoorlie with BEC representatives and stakeholders. Telephone conferences were also held with similar groups from the Kimberley and Northern Wheatbelt regions. At each meeting location two separate meetings were held that were facilitated by members of the CEMI review team.

The meetings lasted approximately three hours each with the review team conducting a total of 6-7 hours of meetings on each day. A lead facilitator who was supported by a second researcher who took notes coordinated each meeting. The meetings commenced with an explanation of the purpose of the review and overview of the Terms of Reference and an outline – particularly for the stakeholder meetings – of the current structure of the BEC Network in WA. All efforts were taken to ensure all participants had time to contribute their views. The framework used for each meeting was similar with the Terms of Reference providing the structure for the discussion guide and participants were asked to consider and make comment on each question under the three Terms of Reference.

Additional meetings were held with selected groups or individuals as required, including a meeting with representatives from Federal, State, regional and Local Government Agencies and professional business agencies (e.g. Institute of Chartered Accountants). This latter meeting examined the wider policy environment in which the BEC Network operates. Further meetings were held with representatives from the BMA, SBDC and BECWA to take evidence from these organisations.

In addition to the meetings described above, the review process involved a public call for submissions against the Terms of Reference. An advertisement was placed in the *West Australian* newspaper announcing the review and outlining its Terms of Reference. A total of 55 submissions were received from across the community including small business operators, Local Government Agencies, Regional Development Commissions, professional and business associations and the BEC Network itself. Some of these submissions were provided on a confidential basis and have not been published. The others are provided in full in the appendix to this report.

SECTION 2

Small Business and SME Support in WA

Within Western Australia the Small to Medium Enterprise (SME) sector contributes approximately 75 percent of all private sector employment and as much as a quarter of the State's total industry gross product.^[1] The concentration of small businesses into industry sectors tends to follow the general trends within the wider economy. For example, the highest concentrations of small firms were in the property and business services area (22% of all SME), followed by the construction industry (18% of all SME), and the retail trade (16% of all SME).^[2] Outside the mining and resources sector, property, construction and retailing have been the main areas of economic activity within the State. During period 1990 to 2001 the major areas of growth within the small business sector in WA were transport and storage, health and community services and finance and insurance.^[3]

Small firms are generally less likely to export than their larger counterparts. For example, around 2 to 3 percent of small and 14 percent of medium sized businesses in WA were engaged in exporting during the late 1990s. This compared to 33 percent of large firms.^[4] However, the contribution of small businesses to the value of exports was substantial and although small firms are much less likely to export, their numbers are growing faster than either medium or large firms. For instance, for the period 1994-95 to 1997-98, the average annual rate of change was 11 percent for micro exporters and 9 percent for small exporters. This contrasted to medium sized exporters which grew by 4 percent and large exporters which fell by 5 percent. The proportion of small firms exporting is expected to continue to increase, with the Federal government announcing a goal of doubling the number of exporters in Australia by 2006.^[5]

The Economic Importance of Small Business

Within Australia the small business sector comprises around 97 percent of all private sector businesses and employs 49 percent of the total work force or some 3.3 million people.^[6] In Western Australia this pattern is similar. The overwhelming majority (99.8%) of all business ventures in the State are small to medium, with 84 percent being micro-enterprises (e.g. with less than 5 employees). It is important to note that the majority of firms in Australia and, WA more specifically, are non-employed micro-enterprises in which the only employee is the owner-manager.

Figure 2 illustrates the composition of the SME sector in Australia. As shown, just over half the total number of businesses operating in the private sector is independently owned micro-enterprises that employ only their owner-managers. Micro-enterprises that employ between one and four persons comprise 31 percent of all firms, followed by small firms (e.g. employing 5-19 persons) at 13 percent of the total. Australian industry is therefore heavily dependent on the small to very small business community. This is also true for Western Australia. For example, in 2000-2001 there were 126,000 non-agricultural private sector small businesses and 130,300 small to medium non-agricultural private sector businesses in operation across the State. This represented an 8.6 percent growth in the number of small

businesses and an 8.8 percent growth in the number of small to medium size businesses over the past 12 months.^[7]

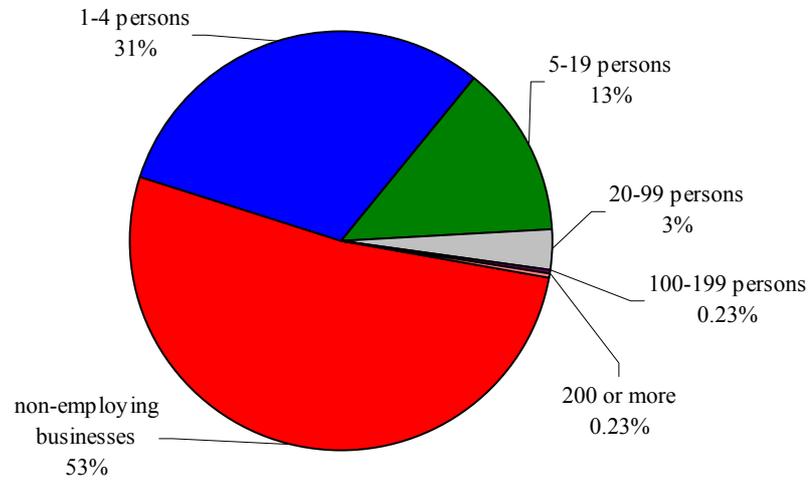


Figure 2: Composition of the Australian Business Sector by Size of Employment Base

The importance of the small business sector to regional economic and employment growth is internationally well recognised. In developing countries micro-enterprise comprises the main vehicle of economic advancement for socially disadvantaged groups such as ethnic minorities, women, the less educated and youth.^[8] Within the APEC region SME comprise 98 percent of all enterprises and contribute to over 60 percent of all private sector employment. The average small firm in the APEC region has around 6 to 7 employees and micro-enterprises represent 75 percent of all SME within the region. During the period 1990-2000 the majority of SME in the APEC region shifted from the agriculture and manufacturing sectors to the services sector with increasing focus on knowledge intensive operations.^[9]

Government policy targeting small business has tended to concentrate on the capacity of such firms to offer enhanced employment growth, particularly as many larger firms have continued to downsize. Research undertaken in the United States suggested that firms with less than 20 employees generated 88 percent of all employment growth during the period 1981-1985.^[10] Comparable findings in other countries served as an incentive to governments throughout the world to focus on building up their small business sector in order to alleviate unemployment and stimulate economic growth. These sentiments were expressed in the European Commission's *Green Paper - Entrepreneurship in Europe* published in 2003, which highlighted the decline of the large firm sector as a provider of employment and looked to the formation of small firms as a vehicle of future economic growth.^[11]

Small Business Contribution to Employment

Despite the significant contribution of small businesses to the economy and employment growth, difficulties remain. At least three factors are important here. The first is the rate of employment turnover and business start up and mortality within the small firm sector. The second is the quality of the jobs created and the third is the nature of the firm at start up.

With respect to the first factor, the relatively high rate of failure or abandonment among small businesses, particularly within their early years of formation is of particular concern. Survival rates among small business start-ups are commonly predicted at around 5 to 10 per cent, although it should be noted that reliable information to confirm such mortality rates is difficult to obtain.^[12] However, during the 1990s it was estimated that the net employment gain within the Australian small business sector was 266,000 jobs, against a total job turnover of 151,300 jobs.^[13] This provides a churn over factor of 5.7 for the period and suggests that there must be a continuous rate of new venture start-ups in order to maintain a steady level of businesses and employment creation throughout a particular region.^[14] Within the APEC region the average annual death rate of small firms has been estimated at around 7 percent, although only 0.7 percent actually suffer bankruptcy.^[15]

Further, the high rate of non-employing firms within the small business sector serves to reduce its overall impact on employment levels. For most small firms, the only persons employed are the owners and even where additional jobs are created, the type of work generated is frequently less durable than within larger firms. Many small business start-ups are 'lifestyle' firms, in which the owner is seeking to create a modest income and with limited growth aspirations.^[16] For example, longitudinal research into the employment contribution of small and large manufacturing firms in the United States over the period 1973-1988 indicated that the greatest impact on job generation was from the larger companies, which also offered more durable employment.^[17]

The nature of the small firm at time of start-up is therefore of importance. If the business has been created with strong resources and its founders have a desire for significant growth, the impact such a business can have on job creation is likely to be high. Further, there appears to be an enhanced level of survivability and growth among new ventures that have been formed by teams of individuals rather than single persons.^[18] Thus the issue is not the quantity of small business start-ups but their quality. For those seeking regional development the challenge is to encourage sufficient new venture creation to stimulate employment growth. Small businesses appear to offer benefits if the business is durable.

Faced with the need to create 100 new jobs a regional development agency may need to make a choice between attracting perhaps one large firm with the capacity to generate all the employment, four small firms with 25 employees or 20 micro-firms with 5 employees. Analysis of small business survival rates suggests that the best options are either the single large firm or the 20 micro-firms. This is due to the higher mortality rates among the slightly larger firms. However, the large firm option is inherently more risky as any failure would remove all employment from the region.^[19]

Despite the inherent risk associated with the creation of micro-enterprises the trend in many countries has been toward increasing levels of self-employment. For example, in Canada over three-quarters of new employment growth during the 1990s was attributed to self-employment.^[20] A major issue for many economies has been the demise of medium size firms in relation to micro-enterprises and small firms. This 'missing middle' has been observed throughout the APEC region countries.^[21] Of concern is that the lack of medium sized enterprises deprives the economy of the more dynamic and internationally competitive firms within the SME sector. Such firms have provided countries such as Italy and Germany with much of their competitive export performance during the past twenty years.^[22]

Government SME Support Programs

In general, governments have two broad mechanisms to assist businesses:

- i. Macroeconomic policies that include interest rates, regulations, taxation, the legal environment and national infrastructure; and
- ii. Direct intervention, by designing policy and programs that directly assist businesses to achieve set policy objectives.

Both the Australian Federal Government and the WA State Government acknowledge the importance of the small business sector. A variety of programs and assistance schemes have been developed specifically for SME that seek to provide direct support to such firms. Government direct support programs may be grouped into three broad categories. The first of these is targeted toward small business start up activity and includes training and financial assistance. The second focuses on business incubator development that seeks to foster successful business operations through the provision of subsidised rental and on-site business support or advice. Finally, there is small business advisory services offered either directly via government agencies or through Government sponsored agencies such as the WA BEC Network.^[23]

Start Up Support Services

At both federal and state level, Australian Governments have created programs to provide information and support to start-up businesses, develop management skills, and encourage exports, innovation and access finance. At time of writing a wide range of programs was being delivered by State and Federal Government agencies covering start up, exporting, innovation and commercialisation and other enterprise initiation or development. Table 2 shows those most relevant to this review.

Table 2: Government Start Up Support Programs

Department/Agency	Program(s)	Form of Assistance
SBDC (WA)	Small Business Workshops Small Business Mentor Scheme On-line advisor	Training workshops Mentor support Assistance and guidance
Department of Employment and Workplace Relations (Federal)	The New Enterprise Incentives Scheme Indigenous Small Business Fund	Training, business advice and mentoring Funding for business plans, financing and support services
Australian Taxation Office	Bizstart Seminars	Seminars related to taxation
General Information Sources	Business Entry Point (Federal) Business Licence Information Service	Government information on-line Business licensing requirements

Business Incubator Development

Business Incubators are designed to assist new and growing businesses to become established and profitable by providing premises, advice, services and support. The Small Business Incubator Program is part of the Small Business Assistance Program provided through the Federal Government agency – AusIndustry. There are 12 Small Business Incubators established in Western Australia. There are three located within regional Australia - Albany, Kalgoorlie-Boulder and Tambellup, and nine located in the Perth metropolitan area - Bassendean, Ellenbrook, Fremantle, Joondalup, Midland, Perth, Rockingham, Stafford Plaza-Midland, and Welshpool. In November 2001 the WA Minister for Small Business introduced a partnering program between the SBDC and the Business Incubator Association of WA (BIAWA).^[24]

The Building on IT Strengths Incubator Program provided through the Department of Communications, Information Technology and The Arts has also established at least one Incubator Centre in each mainland state and territory to improve the rate of commercialisation of information and communication technology ideas and R&D. The Incubator Centres provide new firms with start-up capital, technical assistance and business development services and help develop them to a point where they are attractive vehicles for investment by the finance industry. Western Australia's incubator was established in June 2000 at Bentley.¹

Small Business Advisory Services – Federal Government

To operate, an SME requires a range of skills and expertise. Small business operators are generally skilled in the function of the business and not in the business management. Such business owners frequently require help from external

¹ This is called Entrepreneurs in Residence Pty Ltd.

management advisory services. A range of services is provided by Federal and State Government agencies. The major assistance measure provided by the Federal Government has been the *Small Business Assistance Program*, which is delivered by AusIndustry. Two of the components of the *Small Business Assistance Program* are the *Small Business Enterprise Culture* and the *Small Business Answers*, both of which encourage or act as an external business advisory service.

Small Business Enterprise Culture Program

The Small Business Enterprise Culture Program objective is to foster the growth of small businesses by improving the capacity of small business owner-managers to access skills development and mentoring services which meet their needs. The program focuses on developing the business skills of women business managers and owner-managers in regional areas. Organisations such as industry associations, Business Enterprise Centres, women's professional and business organisations, community bodies and educational institutions are eligible to receive this funding.

Small Business Answers Officers

Following the success of the Small Business Assistance Officer initiative (which enabled 46 regional and rural Area Consultative Committees (ACC) to employ 47 assistance officers) was the creation of the Small Business Answers Program in July 2001. Small Business Answers Program is another part of the Small Business Assistance Program provided through the Federal Government agency – AusIndustry.

The objective of the Small Business Answers Program is to foster the growth of small businesses by improving the capacity of small business owners and managers to access information and advice on relevant small business issues such as regulatory requirements. Federal Government small business programs and initiatives such as export initiatives and research and commercialisation assistance, e-commerce issues, options for reporting and paying taxation and how to register a company.

The Small Business Answers Program provides financial grants to organisations to deliver advisory services to small business owners and managers across Australia, particularly in regional areas not already serviced by existing advisory bodies. Organisations such as industry associations, Business Enterprise Centres, Area Consultative Committees, community bodies and educational institutions are all eligible for funding. Of the seven regional recipients of the Small Business Answers Program in Western Australia, six were ACC.

Small Business Advisory Services – Western Australian Government

The State Government currently has a target of creating 125,000 jobs over the next five years. The primary advisory support given by State Government to small business in Western Australia has been via the SBDC and the BEC Network. The SBDC is a statutory Government agency, instrumentally charged with the task of providing policy and representation on small business matters to Government while the BEC Network comprises independent incorporated organisations created to deliver services to the small business sector.

Small Business Development Corporation

The SBDC was the first SME-focused government agency in Australia. It was created in 1983 in recognition of the growing importance of small business to the Western Australian economy. The SBDC “mission” is to *create opportunity and wealth for small to medium sized businesses in Western Australia*. The SBDC delivers a range of services and programs to SME including information on business licences and regulations, information regarding specific business issues such as commercial leases, franchising and contract law, a range of assistance programs such as the Small Business Innovation Scheme and the Mentor Scheme. Another aspect of the commitment by the SBDC to SME is their sponsorship of the BEC Network.

Business Enterprise Centres

As outlined earlier, the BEC Network comprises 37 centres within Western Australia that are not-for-profit, community-owned organisations. The BEC Network provides an important first place of call to people thinking of commencing their own business and for those already established. The BEC Network is the largest provider of programs and services to the small and micro-enterprise business community in Australia, with the majority of clients being micro-businesses. At the national level there are 137 BEC located across Australia. In 2001 these centres were estimated to have handled over 260,000 client contacts in 300 communities.^[25] Throughout Australia the BEC Network has been a major provider of assistance to start-up and micro-enterprises offering counselling, mentoring, training, information and referrals.

The Office of Aboriginal Economic Development

The Office of Aboriginal Economic Development (OAED) is an office of the Department of Industry and Resources (WA) tasked with the promotion and development of indigenous business enterprises. The Office funds development programs including training and publications. The Office additionally runs a Business Facilitation Network and regional Indigenous Economic Development Officers through the Regional Development Commissions (RDC).

The aim of the Indigenous Economic Development Officers (IEDO) Program is to increase the extent to which each participating Regional Development Commission’s overall program (currently seven of the nine RDC are participating) of regional development work contributes to Aboriginal economic outcomes through activities that complement the work of OAED. Indigenous Economic Development Officers offer information support on the type of government assistance that can be accessed.

The Role of Industry in Small Business Support

In addition to Government sponsored small business advisory and support programs there is a significant role for private sector consultants and professional associations in the support of SME.

Accountants

The most common external support accessed by small business proprietors is that of the Accountant. This is due primarily to the need for taxation compliance. The two

major professional accounting bodies are the Australian Society of Certified Practising Accountants (CPA), and the Institute of Chartered Accountants (ICA). Both groups have specific requirements for membership and require their members to undertake ongoing professional development education. The CPA Society is Australia's largest professional association. The CPA mission is "to be leaders in finance, accounting and business advice". It has more than 97,000 members in finance accounting and business. Around 18,000 of its members are in public practice providing advice predominantly to SME. A CPA can assist with a wide range of business needs, including tax returns and developing comprehensive business plans. Established in 1928 under a Royal Charter, the ICA comprises many of the largest Accounting firms and seeks to promote its members as representing the leading edge in professional business assistance. ICA members are required to have postgraduate qualifications and complete a 3-year probation period.

Banking sector

The banking sector also plays a role in providing training, information and advice to SME, however, the level and type of assistance varies substantially between banks. Westpac provides two-day workshops for businesses and agricultural businesses to provide knowledge and tools to better understand areas including financial statements. Other banks including Westpac and ANZ have a wide array of information including information on starting and running a business and industry information. ANZ has a small business specialist, which allows you to contact them via e-mail with your query for free. The National Australian Bank has links to government assistant sources which include small business assistance; whereas the Commonwealth has very little to offer small and medium businesses.

Chamber of Commerce and Industry of Western Australia

The Chamber of Commerce and Industry (CCI) of WA is the State's strongest and most influential business organisation with more than 6000 members. Owned by industry, CCI is a not-for-profit organisation with membership open to businesses of any size across all industries. The CCI provides business training networking events and seminars. Additionally the CCI has trade specialists that can provide advice on all aspects of international trade including but not limited to, advice on starting up an import or export business, market information and export assistance programs. The CCI also has a Business and Financial Consultancy section which is designed to specifically assist small and medium businesses by offering a range of practical help and advice including free telephone advice, advice on CCI training and educational programs and access to a range of free printed and electronic information.

Local Chamber of Commerce Western Australia

The Local Chambers of Commerce (LCC) Western Australia is also a not-for-profit business organisation. The products provided by the LCC are designed to improve and enhance the services provided to their members by Western Australia's regional and local Chambers of Commerce & Industry. As a member, small business owners can promote their business, meet potential customers and have access to free advice. LCC can arrange formal and informal information on a wide range of subjects including exporting and business taxation. Additionally some have provided mentoring services.

AIM and TAFE

Training for SME operators is available through a number of different sources such as TAFE or with private Registered Training Organisations (RTO) such as AIM. There are many TAFE Colleges in the Perth metropolitan area and regional areas of Western Australia. The West Coast College of TAFE co-ordinates The Small Business Institute. The Small Business Institute provides specialised small business training, by providing clients with the skills training necessary to be successful in small business. There are seven major TAFE Colleges in regional Australia, which each have a main campus accompanied by many regional campuses. The Small Business Taskforce (2003) identified some of these regional TAFE Colleges as being particularly successful at targeting small business operators.

The Australian Institute of Management in Western Australia is a private not-for-profit membership organisation, which provides courses in small business management, including Certificate IV in Business and Writing Successful Business Plans.

SECTION 3

National and International Models of Small Business Support

Given the importance of the SME sector, the Australian Government and many other OECD countries have developed support mechanisms to assist small businesses. The cost of such programs has been significant with several billions of dollars per annum being spent on enterprise development programs across the United States and hundreds of millions of pounds spent on similar programs within the United Kingdom by central and local governments.^[1] While enhanced economic outcomes can be stimulated by government sponsored enterprise support programs, the rising cost of such programs has led many governments in North America and Europe to seek greater private sector participation.^[2] Within the APEC region, small business support programs vary from country to country. Most government programs targeting SME within the APEC region have focused on either small business financing, human resource development or technology (e.g. ICT adoption).^[3]

Research by the OECD into local economic development and the role of entrepreneurship suggests that enterprise support programs should be commercially oriented in their service provision and based on clearly articulated policy goals. Micro-enterprises should be a focus for such programs and such firms should be encouraged to make use of properly configured management training and the use of information and communications technologies (ICT). There is also a clear role for local government agencies in such programs. However, governments should not expect such programs to result in short-term employment growth and must be allowed to develop over time.^[4]

Small Business Support Networks Elsewhere in Australia

Each state in Australia has its own distinctive small business support services and programs. The following sections provide a brief overview of these schemes to provide a national context in which to place the WA BEC Network.

New South Wales

The NSW Department's Small Business Development Division (DSRD) plays a similar role to that of SBDC in WA by providing a range of services to help small and medium size businesses in NSW. The DSRD provides programs and workshops targeting the needs of Aboriginal business people, home-based business operators, firms in biotechnology industry sectors, women in business and for export-ready companies. The DSRD also provides seminars and forums to small businesses on topical issues and recent management practices.

The DSRD additionally supports small businesses by providing funding to 50 Business Advisory Service Centres across the state to deliver business information

services to start-up and micro businesses in New South Wales. Forty-eight of the Business Advisory Service Centres are Business Enterprise Centres (BEC) with similar structure and services to those in WA. The mission of each Business Enterprise Centre is based on provision of free independent, confidential and competent business counselling and other practical assistance to foster viable local enterprises and businesses in order to boost sustainable economic development and employment.

Victoria

The Victorian Government plays a key role in delivering advice and assistance to small business, both in metropolitan Melbourne and regional Victoria. *The Business Channel* provides a good place for businesses starting a business as it offers electronic information from State, Commonwealth and Local Government on topics such as starting and managing a business, licensing and regulations, business assistance, industry background. Workshops and seminars are also available on a range of topics.

Business Access provides information and referral services to existing and potential small business operators. The business referral service provides Victorian small business operators with access to around 900 professional accountants, solicitors and consultants. *Business Access* has negotiated with these advisers to provide up to one hour of consultation free of charge to small business operators.

The Small Business Counselling Service (SBCS) provides a low-cost mentoring service to existing and potential small business operators in Victoria. The counsellors are semi-retired or active business people in a wide range of industries. The SBCS is an independent non-profit organisation providing experienced volunteer business counsellors, mentors and coaches to Victorian business. SBCS counsellors give their time for free and the costs relate to their 'out of pocket expenses'. Programs are designed for growth businesses that cannot yet fully afford full commercial consultant fees, with the cost of programs ranging from \$95 (1 session with 1 counsellor) to \$600 (4 sessions with 2 counsellors).

Victorian Business Centres are a business resource established with other organisations such as TAFE and Local Government. The Victorian Business Centres offer a centralised range of business services from all levels of government and the private sector. There are eleven Victorian Business Centres, with three located in the metropolitan area and eight in regional Victoria.

South Australia

Business Enterprise Centres SA Inc. (BECSA) is the governing body for BEC in South Australia. This network consists of seven BEC. Over 20,000 metropolitan micro and small businesses access BEC services in South Australia each year. This represents over 30 percent of small businesses in South Australia.^[5]

Business Enterprise Centres SA Inc. (BESCA) centrally governs the seven BEC throughout South Australia. They operate under a tri-partite partnership arrangement which links State Government, Local Government and business. State and Local Government and the private sector fund the BEC with strong support from each group. For instance the number of businesses financially supporting BEC in the

2000-2001 financial year increased 57 percent during the year (833 to 1,309). The State Government currently contributes \$77,200 to each BEC, which is significantly less in total than WA, but individually the BEC receive more. BESCO requires each BEC to receive cash and/or in-kind support from Local Governments at least matching contributions of the State Government. As a result half the BEC received substantially more funding from Local Government than from the State Government during the 2000-2001 financial year.

Annual membership, via paying a fee provides members with a range of benefits that may include, but not limited to discounted networking events, workshops and seminars, free advertising on web page and free information newsletters. Many BEC have different levels of membership e.g. platinum, gold and silver.

Additionally Federal and State Government agencies contract BESCO to deliver programs including GST training, Business Activity Statements, financial benchmarking courses and a Human Resources Advisory Service.

Overseas Business Support Networks

To further place the WA BEC Network into context the following brief illustrations are provided that outline the approach taken to small business advisory and support services in selected overseas countries.

United Kingdom

In the 1990s the UK Government developed a network of advice centres called *Business Links*, which provided a one-stop-shop for small business advice. They provided local information, advice and consultancy services to SME. The *Business Links* model sought to create a decentralised small business advisory network based on the existing training or enterprise agencies, but achieving greater synergy between them. A key element of the model was the Personal Business Advisor (PBA), who was envisaged to work as a 'facilitator'. Each PBA maintained a portfolio of small business clients with whom they provided personalised service and developed long-term relationships. This system focused less on start-ups and more on SME of 10-200 employees 'with growth potential'.^[6]

Until 1999 *Business Links* attracted considerable criticism for not providing satisfactory services, not satisfying customer demand, not attracting enough clients and actually increasing the level of confusion of services available to small business.^[7] In response the new government redesigned the business link network within the *Small Business Service* (SBS).

The SBS was launched in April 2000 to provide a single organisation in government dedicated to helping small firms, and representing them within government. Its 'mission' is to build an enterprise society in which small firms of all kinds thrive and achieve their potential. The SBS abandoned the more targeted approach and widened its assistance to all SME including start-ups. With less emphasis on PBA and locally owned agencies, the SBS in the UK focused on a more centralised system offering greater uniformity and using local agencies as specialists for referral. Analysis of the take up rate and satisfaction with the small business advisory services

in operation in the UK during 1990s suggests that a more centralised system delivered superior quality of services, with high levels of satisfaction but lower overall take up amongst small firms.^[8]

Despite the apparent advantage of the centralised system, research into the effectiveness of business advisory services in the UK has suggested that there is a 'missing middle' between the small business community and the advisory service.^[34] This suggests that centralised advisory services such as the SBS have limitations in their ability to bridge the gap between government agencies and individual small firms. Locally based networks are more likely to create enhanced outcomes for regional industries.

New Zealand

In New Zealand the shift in governments has impacted the type of assistance given to SME over the years. Recently there has been a sharp decrease in the level of direct government funding and consequently there has been a reliance on the free market to fill this role. This has provided an opportunity for private businesses in New Zealand to step in and take over this role.

Business Development Program

The *Business Development Program* administered by twenty-one BDB was the main government service to SME during the 1990s.^[9] Their function was to co-ordinate government programs. As a consequence of the BDB not being sufficiently efficient and not being responsive to local needs, at the end of 1998 funding to the BDB network ceased.^[10] The funding is now allocated to a range of 'Business Development Service Providers' – forty six organisations that have been contracted to provide information and training services to SME under the brand name of 'BIZ'.

BIZ Program

Launched June 1999, BIZ is made up various components including BIZinfo, BIZtraining and BIZinvestment ready. The program endeavours to deliver assistance of an informational, training and mentoring nature, in contrast to the previous small business strategy. New Zealand Trade and Industry fund the program.

BIZinfo is managed by NBIS Limited under contract to the New Zealand Trade and Industry BIZ Program. The twenty-nine BIZinfo Centres located throughout New Zealand provide a free information and referral service, which identifies organisations, people, training programs and resources to assist individuals and small and medium businesses. This is delivered via a free call number as well from individually listed numbers for most provincial centres. It is also accessible by personal visits at the 'shop fronts' and via the Internet. Local Chambers of Commerce run many of the BIZinfo Centres.

The BIZ Lead Providers are sixteen organisations that have expertise in a variety of fields that are contracted to manage the delivery of BIZtraining services across New Zealand. The services are available to owners, operators or managers of SME. The aim of the free Enterprise Training Program is to provide businesses with the additional business skills to succeed and to develop their business successfully. BIZ training offers a range of free management capability up-skilling seminars,

workshops and courses on the following core topics of interest to small and medium businesses: Business Planning, Compliance, Marketing Strategies, Financial, E-commerce, Running a Business, Systems and Set-up, Managing Resources, Business and Operational Excellence and Customer Service. Capability assessments and follow up coaching are also provided. The workshops are short (maximum three hours) and are designed to work in conjunction with free optional follow-on services such as mentoring and networking.

NZ BEC Network

There are seventeen Business Enterprise Centres (BEC) located throughout New Zealand. These centres are community-based organisations, which have a management team that runs the centre and are supported by a community elected Board. The BEC Network is centrally co-ordinated by Small Business Enterprise Centres of New Zealand Inc (SBECNZ). Clients, the public and private sectors in partnerships with National Government, Local Government and local industry fund the NZ BEC Network.

The NZ BEC aim to foster viable local economic enterprise and employment development. They respond to local needs and are therefore customer driven. They offer support to new and existing business enterprises via a range of services including practical business facilitation, providing referrals to other agencies, providing business courses, seminars and workshops (many of which are free through BIZ training), mentoring and ongoing support and networking.

Local Chambers of Commerce provide their members with discounted Chamber training, which is delivered in partnership with *Training Point.net*. There are savings of NZ\$55 on half day courses, NZ\$100 on full day courses and NZ\$200 on three day courses. Prices for a half day course start at NZ\$195.

The New Zealand Trade and Industry also provides the BIZinvestment ready scheme. This program is aimed at innovative businesses and entrepreneurs seeking equity funds to expand, diversify or commercialise a new concept and is contracted out to vcapital.co.nz. This company offers businesses deal broking services to raise capital and workshops and resources.

United States

At a national level the U.S. Small Business Administration (SBA) provides seminars, individual counselling and a free resource centre through the Small Business Development Centres (SBDC), the Service Corps of Retired Executives (SCORE) and Business Information Centres (BIC). In 2002, the SBA provided more than US\$12.3 billion in loans to small businesses. Further, more than US\$1 billion was made available for disaster loans and more than US\$40 billion in federal contracts were secured by small businesses with the help of the SBA.

Small Business Development Centres

The SBDC provide education, training and consulting at over 1,000 locations across the US with at least one in every state. Their assistance is available to anyone interested in starting or expanding a small business that cannot afford the services of a private consultant. In each state a lead organisation sponsors the SBDC and

manages the program. The lead organisation coordinates the services through a network of sub-centre and satellite locations. Sub-centres are located at colleges, universities, community colleges, vocational schools, chambers of commerce and economic development corporations. Each sub-centre develops services in cooperation with local SBA district offices.

SBDC services include but are not limited to, assisting small business with financial, marketing, production, organisation, engineering and technical problems and feasibility studies. Many SBDC centres specialise in a particular area of business such as international trade, finance, marketing, technology transfer or accounting. SBDC can provide assistance to small businesses applying for Small Business Innovation and Research grants from federal agencies. Additionally some SBDC have incubators.

Service Corps of Retired Executives

The Service Corps of Retired Executives (SCORE) is a volunteer group, which is able to provide a business counselling and advice service free to the community by way of SBA grants. There are over 10,000 SCORE volunteers who are retired and working business professionals. SCORE counselling is available through its chapters around the country and additionally through the e-mail.

SCORE chapters also offer low-cost, pre-business workshops designed for people who are thinking about starting a business. Topics such as: assessing entrepreneurial potential, developing a start-up checklist, selecting a legal entity, creating business plans and securing funding are available. Other workshops offer experienced business owners information on growing a home-based business, maximising profits in a franchise, defining a marketing strategy, implementing a waste-reduction plan, setting merchandise prices and beginning an exporting venture.

Business Information Centres

The SBA also supports Business Information Centres (BIC). These centres provide a one-stop location where current and future small business owners can receive assistance and advice. There are 42 BIC with many more in development plus 18 Tribal BIC located on Indian reservations across the country. SCORE volunteers or SBDC personnel staff them. Completely free to use, the BIC network can be described as a library that focuses solely on small business. BIC provide computer and internet access, hardware and software, an extensive small business reference library of hard copy books and publications and current management videotapes.

BIC have on-site counselling provided by SCORE. Some BIC also have established linkages with SBDC and together they offer not only general but specialised counselling and training.

SECTION 4

Use of Small Business Advisory Services

As outlined in the previous section, both government and private agencies supply a wide range of sources of external advice available to small business owners. Research undertaken into Australian small business use of business advisory support services suggests that those firms which used both accountants and non-accountants within their advisory network obtained significantly higher levels of profitability and sales growth than firms that used only accountants.^[1]

The two most common advisory services used by small businesses tend to be accountants and banks with their use increasing with increasing employee size. Other commonly used advisory services included solicitors, the Australian Tax Office (ATO) and others in business. Government-sponsored small business agencies and business consultants were used less frequently by small businesses, for example government small business agencies were used by small businesses between 5 and 12 percent of the time.^[2] Just over three-quarters of small businesses in Australia have been found to make use of at least one source of external advice. However non-employed small businesses are the least likely to use advisory services with around 67 percent utilising advisory services compared to 88 percent of businesses with 5 to 19 employees.^[3]

Table 3 shows the proportion of SME within Australia who reported use of different types of advisory services during the mid-1990s.

Advisory service used	ABS (1996)				BLS (1996)	
	Non-employing businesses	Businesses with 1 to 4 employees	Businesses with 5 to 19 employees	Total Small Businesses	Businesses with 1 to 4 employees	Businesses with 5 to 19 employees
Businesses which used advisory services	%	%	%	%		
External accountants	67.5	82.0	88.4	76.1	N.A.	N.A.
Banks	54.8	72.5	81.2	65.5	75.2	82.6
Solicitors	31.3	49.9	60.9	42.8	48.4	62.9
Business associations	13.1	26.6	45.7	23.5	34.6	50.6
Suppliers of machinery/equipment	9.5	15.6	28.3	14.9	13.2	28.4
Business consultants/lecturers	11.2	23.2	37.2	19.9	N.A.	N.A.
Government small business agencies	7.0	8.3	15.7	9.0	12.8	16.7
ABS	7.2	5.2	6.3	6.4	10.8	12.0
ATO	2.2	4.5	7.2	3.9	N.A.	N.A.
Friends/family	19.3	24.7	28.9	22.9	30.9	32.6
Others in business	N.A.	N.A.	N.A.	N.A.	37.6	41.7
Local business	N.A.	N.A.	N.A.	N.A.	48.0	56.8
Other	N.A.	N.A.	N.A.	N.A.	18.6	29.2
	2.9	3.0	3.2	3.0	N.A.	N.A.

Note: Firms could use more than one advisory service

Source: ABS 1996; DE and WRSB 1998

Use of Advisory Services in Western Australia

The 1995 review of the BEC Network in WA comprised a survey of 360 small businesses in order to gauge the level of awareness and use of the Network. This study found 29 percent of respondents were aware of the existence of the BEC Network but only 9 percent claimed having made use of its services. Of those small business owners who had used a BEC, 32 percent did so due to a referral from a friend or colleague, 25 percent following a referral from a Government agency and 19 percent as a result of media information or advertising.^[4]

A more recent investigation into the usage of advisory services by home based businesses in the municipality of Swan in Perth, Western Australia revealed that accountants, banks, other business operators and family and friends were the most commonly used business advisory services. Accountants were perceived as being the most valuable source of advice, followed by family and friends, lawyers, business consultants and other business operators. Government sponsored advisory services were used infrequently and were amongst the lowest ranked in the perceived value they offered.^[5] Table 4 shows these findings.

Table 4: Use of Small Business Advisory Services in Swan Region WA

Type of Business Advisor	Businesses which used advisory services (%)	Perceived Value (Ranking)
Accountants	94	1
Banks	90	8
Other business operators	72	2
Family or friends	68	3
Lawyers	31	4
Other Government agencies	29	9
Industry Assoc./Chambers of Commerce	24	6
Business consultant	19	5
SBDC	19	9
BEC	12	7

Source: Jay and Schaper (2003)

Such findings are consistent with those from the United Kingdom where a study into the use of advisory services by owner-managers prior to the start-up of their new business ventures found 45 percent sought no external help. Of those that did seek advice 34 percent consulted friends and family, 18 percent some other source, 15 percent an Accountant, 13 percent a Business Enterprise Agency, 11 percent their Bank, and 2 percent a Solicitor.^[6] Other studies in the UK have supported this view that small business owners are frequently unaware of their local business support agencies with only 13 percent of micro-enterprises seeking assistance from them.^[7]

Why Such Low Use of SME Advisory Services?

The relatively low awareness and use of BEC services noted above is likely to be less a reflection of their quality than the general lack of use of such assistance programs by small business owners whether publicly or privately provided. The reasons for a relatively low level of use of SME advisory services has been explained by some researchers as motivated by the small business proprietor's desire to avoid admitting that they need such help and to preserve their sense of independence.^[8] It has also been suggested that the low take up rate of small business advisory services may be due to poor marketing, inappropriate configuration of services and a lack of confidence in the supplier or incorrect pricing strategies.^[9]

The experience in New Zealand has been little better than Australia. For example, 14 months after the launch of that country's "BIZ service" SME assistance program, fewer than 4 percent of small business owners were found to be aware of it. This was despite a substantial level of promotion. Most small business owners who were aware of the BIZ service did so as a result of television, print advertising or mailings. There was little use or awareness of the program's website, with many SME reporting that they did not see any need to visit the site.^[10]

Personal Contact, Timeliness and Perceived Value are Key

Small businesses, particularly micro-enterprises, are frequently closely associated with the life and professional activities of their owner-managers. As a result the small business proprietor is frequently reluctant to seek advice from persons whom they don't know or whom they feel may lack sufficient empathy and understanding for their situation. Business advisory services that make first contact with small business owners as a result of site visits have been found to enjoy a higher response rate than those that are less proactive.^[11]

In addition to the need for small business advisory services to be approachable, is the need for them to be accessible at the time when specific assistance is required. Many small business owners are reactive in their planning, responding to problems as they arise and seeking assistance after a problem has manifested itself and may have become greater than they can cope with alone. Under such circumstances it is more appropriate for business advisory services to engage with the owner-manager and conduct a diagnostic assessment helping them understand their specific needs and the type of support opportunities available to them. This is more likely to be effective than generic advertising or brochures that may lack personal contact and can be easily ignored by busy owner-managers otherwise focused on their immediate business problems.^[12]

It has also been suggested that small business advisory services should be seen as offering genuine value in order to attract clients. If advisory services are perceived to be government agencies, this may serve to reduce their attractiveness to SME owners who may view them as lacking in empathy or 'real world' understanding.^[13] Although public servants do not staff BEC, the general public often perceives them as so and BEC as being Government agencies. Additionally BEC are predominantly focused on the pre-start and start-up firms and may therefore be less attractive to larger, more established firms.

Quality of Advisors

Another factor that is critical in the adoption of small business advisory services is the quality and professional development of the advisors or facilitators who staff them. Recruitment and selection of high quality advisors was found to be a critical factor in the success or failure of the Personal Business Advisor (PBA) network in the U.K. Not only were PBAs selected on the basis of their past business experience but they were also required to undertake a minimum of 60 hours per year of professional development training to ensure their skills were maintained.^[14] British experience suggests that by training advisors to a certain standard the overall quality of small business assistance is improved.

Current Performance Measures for the WA BEC Network

The WA BEC Network is currently measured using statistics gathered against six key performance measures: 1) number of new clients; 2) number of casual enquiries; 3) number of client assists; 4) estimated number of new business start-ups; 5) estimated number of full-time jobs created; and 6) estimated number of part-time and casual jobs created. In addition to these performance measures an annual survey of BEC clients is undertaken that examines levels of satisfaction with service.

Each year these statistics are reported in the *BEC Operational Summary of the Business Enterprise Centre Network in Western Australia*, a document sponsored by the SBDC and the Government of Western Australia. The following sub-sections examine each of these performance measures and provide an overview of the performance of the BEC Network over the period 1999-2002.

Number of New Clients

According to the existing performance measures a new client is deemed to exist “when a person or established business utilises the BEC services for the first time”.^[15] It is the responsibility of the BEC to record the contact details of each new client for future reporting against the Sponsorship Agreement with the SBDC.

Table 5 outlines the number of new clients serviced by the BEC Network over the period 1999 to 2002. It can be seen that while the total number of new clients has increased over this period, the rate of annual increase has been falling. Across the entire State Network there are significant variations in the number of new clients assisted by each BEC. This variation can range from over 600 to less than 10 new clients per year depending on the centre concerned. The average across the State has been around 200 new clients each year over the past 4 years.

Table 5: Number of New Clients Serviced by the BEC Network 1999-2002

Annual Statistics	1999	2000	2001	2002
Total	7,118	7,636	8,148	8,282
% Change	-	6.8%	6.3%	1.6%
Highest number	576	632	633	671
Lowest number	33	6	9	28
Average per BEC	198	206	220	230
Metro average	363	353	407	495
Regional average	143	152	151	142
% of Metro ERP*	0.03%	0.03%	0.03%	0.04%
% of Regional ERP	0.03%	0.03%	0.03%	0.03%

*ERP=estimated resident population

Source: BEC Operational Summary Reports 1999-2002

A comparison of metropolitan and regional BEC shows a substantial difference in the total number of new clients received by these Centres. As shown in Table 4, the metropolitan BEC have substantially greater overall numbers of new clients enrolled each year than their regional counterparts. This difference is not surprising given the larger population base enjoyed by the metropolitan Centres.

To obtain a better measure of the relative activity of the regional and metropolitan BEC their new client enrolments were compared as a proportion of the estimated resident population (ERP) for the metropolitan and regional areas of the state.^[16] The ERP for the Perth metropolitan area was around 1.4 million in 2001 with that of the regional areas of WA estimated at 520,818 during the same year. It can be seen from Table 4 that the performance of the various BEC is, on average, quite similar when proportionality of their respective population bases is taken into consideration.

Number of Casual Enquiries

A casual enquiry or contact within the BEC performance measures is defined as a “when a BEC has any formal, purposeful contact with a member of the community seeking business related information”.^[17] Table 6 shows the number of casual enquiries or contacts handled by the BEC Network over the period 1999-2002.

Table 6: Number of Casual Contacts Handled by the BEC Network 1999-2002

Annual Statistics	1999	2000	2001	2002
Total	52,601	65,968	66,252	76,187
% Change		20.3%	0.4%	13.0%
Highest number	6,892	9,446	10,513	13,134
Lowest number	967	1,015	1,064	1,204
Average per BEC	1,461	1,783	1,840	2,116
Metro average	2,945	3,857	3,860	4,852
Regional average	967	1,015	1,064	1,204
% of Metro ERP*	0.21%	0.28%	0.28%	0.35%
% of Regional ERP	0.19%	0.19%	0.20%	0.23%

*ERP=estimated resident population

Source: BEC Operational Summary Reports 1999-2002

From Table 6 it can be seen that the total number of casual contacts handled by the BEC Network has averaged at around 1,000 to 2,000 per year with some BEC handling a significantly larger number. The relative performance of the metropolitan and regional BEC again shows that despite the small overall population base the regional Centres' performance is comparable to that of their metropolitan counterparts.

Number of Client Assists

A client assist is determined to have taken place "when a new or existing client utilises the broad array of services provided by a BEC. This includes business counselling of any kind, the exchange of ideas, offering of information by the BEC or referrals by the BEC to other organisations".^[18] Table 7 shows the number of client assists undertaken by the BEC Network over the time period 1999-2002.

It can be seen from Table 7 that the annual growth rate in client assists across the BEC Network over the past four years has grown strongly until 2001-2002 when a noticeable slowing down appears to have taken place. There is also a substantial variation between the highest and lowest performing Centres. Given the broad definition of the term 'client assist' it is difficult to make reliable comparisons of the performances of individual BEC using this performance measure.

Table 7: Number of Client Assists Handled by the BEC Network 1999-2002

Annual Statistics	1999	2000	2001	2002
Total	17,920	23,782	30,019	31,411
% Change	-	24.6%	20.8%	4.4%
Highest number	1,475	2,316	6,831	10,668
Lowest number	44	105	51	80
Average per BEC	498	643	811	873
Metro average	663	862	1,331	1,861
Regional average	443	562	619	543
% of Metro ERP*	0.05%	0.06%	0.10%	0.13%
% of Regional ERP	0.08%	0.11%	0.12%	0.10%

*ERP=estimated resident population

Source: BEC Operational Summary Reports 1999-2002

BEC Annual Client Survey

As noted the BEC Network performance is also measured each year with a survey of clients undertaken by an independent research provider. The methodology used in this survey is for the BEC to provide the names of clients who are then contacted and asked a series of questions relating to the usefulness of the assistance provided and the overall satisfaction with the assistance. These surveys usually involve a sample of around 400 BEC clients drawn from across the State.

Over the period from 1998/99 to 2001/02 the responses to these surveys show a uniformly high level of satisfaction. For example, the usefulness of the advice and

information provided by the BEC Network has been consistently received an approval rating in excess of 90 percent. Similar results have been found for satisfaction with the service, ease of use of the service and willingness to make further use of the service. Lower levels of satisfaction or approval were found for the extent to which the advice or information was perceived to be contributing to the improved performance of the small business or the decision to actually start the new venture. Nevertheless, the satisfaction levels with these issues were still in the order of 60 to 75 percent.^[19]

Despite the apparent high levels of satisfaction and approval found in these surveys some caution should be taken with interpreting these results. There is a high risk of sample response bias associated with the methodology used in developing the sample for this survey. Each BEC is asked to provide names for client follow up. While there is no evidence of the BEC not adopting a random process of identifying such names for inclusion in the study, the methodology remains open to criticism.

Estimated Number of New Business Start-Ups

One of the more important measures of the performance of a small business advisory and support service is the number of new venture start-ups that are generated within the economy over time. Table 8 shows the estimated number of new business start-ups recorded by the BEC Network over the period 1999-2002.

Table 8: Number of New Business Start-ups Created by the BEC Network 1999-2002

Annual Statistics	1999	2000	2001	2002
Total	1,786	1,755	1,879	1,812
% Change	-	-1.8%	6.6%	-3.7%
Highest number	214	251	259	234
Lowest number	1	6	4	2
Average per BEC	50	47	51	50
Metro average	112	106	114	124
Regional average	29	26	28	26

Source: BEC Operational Summary Reports 1999-2002

It can be seen from Table 8 that the average BEC in WA is estimated to have assisted around 50 new small business start-ups each year with substantial differences appearing between Centres and across regions. Despite the smaller overall number of business starts in the regional areas, the relative impact of such start-ups is likely to be greater, as the overall stock of business ventures in many regional areas is low.

Some caution needs to be taken in the use of these figures as they are generally an estimate only by the BEC, without direct follow up in all cases, to determine the actual business start has taken place. Further, there is no information about the nature of the new venture that has been started (e.g. which industry, general prospects etc).

Estimated Number of Full and Part-Time Jobs Created

In addition to the estimates of new ventures launched with the assistance of the BEC Network, there is also an estimate made of the number of new full-time and part-time jobs that have been created as result the Network's activities. For example, during 2001/2002 it was estimated that a total of 1,812 new small business ventures were created. In turn these firms were estimated to have created 2,727 full-time and 1,725 part-time jobs. It should be noted that the data collection process used for these statistics does not allow for direct measurement of the number of such jobs created.

Economic Impact of the BEC Network

The overall economic impact of the BEC Network on the State's economy is also estimated using a model produced by the WA Department of Treasury that uses a measure of the average annual turnover for business operators in the State. For example, in the 2002 Annual Report it was estimated that:

<i>Number of new businesses assisted to start</i>	=	1,812
<i>Estimated average total turnover per business</i>	=	\$249,939
<i>Approximate economic value to the state</i>	=	\$452,887,973

A similar estimate was made from the number of new full-time and part-time jobs created as a result of the BEC Network activities. In the 2002 period this was estimated to be \$190,243,500.^[20]

The Overall Performance of the BEC Network

As discussed in the previous sections, measurement of the performance of the BEC Network and its overall benefit to the WA economy is complex and currently subject to a relatively high degree of imprecision due to the cost of data collection and the difficulties associated with providing agreed measures of centre performance. Despite these data collection and measurement issues, the pattern of activity that emerges from the existing performance data suggests the Network that is operating actively within its respective communities and is quite busy given the relatively modest resources available to most BEC.

A Busy Network

Table 9 shows the average daily client assists and casual enquiries handled by the BEC Network over the period 1999-2002. It suggests that most BEC are dealing with around 3 client assists and 7 casual enquiries each day with some of the metropolitan BEC handling substantially more casual enquiries than the regional BEC.

Table 9: Client Assists & Casual Enquiries per day Handled by the BEC Network over the Period 1999-2002

Daily Averages*	Client Assists	Casual Enquiries
Highest daily average	21	40
Lowest daily average	0	4
General daily average	3	7
Metro daily average	5	15
Regional daily average	2	4

*Based on an estimated 251 days per year following the removal of public holidays and weekends.

Source: BEC Operational Summary Reports 1999-2002

It is important to note that the range of activities undertaken by BEC Managers and staff during the year is frequently wide and the process of direct assistance to small business owners or prospective start-ups as measured in these figures is only a part of the total activity. Many BEC are engaged in the operation of Business Incubators and the delivery of a range of training workshops provided under such schemes as the *Small Business Smart Business* program provided by the Department of Training, and the *Marketing Today* and *Ca\$hflow Today* workshops funded through the SBDC.

In addition to such training programs, the BEC Network has also been engaged in the coordination, delivery and management of additional programs such as the *Small Business Improvement Program* (SBIP), *Small Business Initiatives Fund* (SBIF), *Regional Smart Start* and the *Small Business Mentor Service*. Such programs require the BEC to undertake a range of tasks including local marketing, organisation and administration, with some BEC Managers also delivering training workshops.

Client Feedback

Direct feedback in relation to the beneficial outcomes experienced by small business operators who have made use of the BEC Network's services suggests that the activities of the BEC throughout the State are generally appreciated. For example, several small business proprietors made submissions to the review to express their support and gratitude for the valuable assistance they had received from their local BEC. The following extracts from these submissions illustrate these perspectives:

I have often taken advantage of the Small Business \$200 Training Vouchers to assist with the costs of training staff members and myself. These are very important, as the costs of training in the country are often prohibitive. The BEC organises training in many cases for business in our area. The training days/evenings that are organised by the BEC are very beneficial to my business. The BEC is important to me by being a reference centre for journals, magazines, books that are of interest to businesses. (Corrigin Pharmacy submission)

We are a small business located in Kalgoorlie-Boulder and welcome the opportunity to comment on the existing Network and future potential of the program. We first worked with the BEC in Maddington which assisted us to develop our first business plan and introduced us to training and advisory groups to assist us in business.

In recent years we have regularly sought advice and assistance from the Kalgoorlie-Boulder BEC representative. We are currently developing a 3 year business plan through the Small Business Improvement Program and have found the Centre Manager's input invaluable.

I feel that the needs of small businesses are well serviced by the current Centre. Business owners, managers and persons interested in engaging in private enterprise have an opportunity to meet a BEC rep. for reliable and concise information with advice on services and assistance available to them. Unlike the CCI, the BEC specialises in small businesses, has no membership requirements and no alliances or interests in particular business operations.

As you will perceive, we are delighted with the service and advice we have received to date from our local BEC and look forward to developing our relationship as our business grows. (Elite Skin & Body Care Pty Ltd submission)

The benefits I have gained over my 4 years contact with the BEC

** I have completed several training courses that I would not have considered if it wasn't for the BEC newsletter and \$200 training voucher.*

** I was a recipient for the Goldfields BEC Encouragement Award in 2001, which was instrumental in the growth of my business as a result of receiving the award.*

** The assistance of the Manager, Nicole Mitchell has been vital, as I can always rely on her for accurate and up-to-date information for my enquiries.*

** The motivational support I have had over the years has kept me excited about new possibilities within my business.*

** The formation of the women in business monthly meetings, by Nicole at the Goldfields BEC. I greatly value the support and encouragement these meetings bring, as there is no other support network like it, for women.*

** The Goldfields BEC is the one place I can rely upon for personal assistance with my enquiries.*

(Amanda McCubben, Matrix Investments Pty Ltd submission)

SECTION 5

The BEC within an Economic Development Context

The Government of Western Australia has identified its goals for industry development to include a strong, diversified economic base able to offer sustainable employment opportunities; an internationally competitive business and investment environment; an attractive lifestyle that is culturally diverse and environmentally sustainable; and one that offers equitable access to all members of the community.^[1]

As exemplified in the industry policy of the Government of WA, the primary objective for most economic development policy is the generation of sustainable employment opportunities and the creation and growth of industries capable of offering such employment. Further, sustained economic and employment growth is contingent on the initiation or enhancement of business ventures, the majority of which are SME. The Government – at both state and federal levels – has been motivated to provide assistance to small businesses to increase employment opportunities and economic development.^[2]

Within the context of regional economic policy, the WA State Government has expressed a desire to create more diversified regional economies in which employment opportunities are enhanced along with new business ventures and new industries. There is a focus on export activity and the encouragement of more employment and enterprise development and wealth creation for regional and remote indigenous people within the State. Specifically the BEC Network is mentioned as playing a key role in this:

Business Enterprise Centres will continue to be supported to build on local strengths, and aid the development of new and niche market opportunities for regional businesses, and assist in building alliances between local enterprises and enterprises elsewhere.^[3]

In assessing the economic development of the State's regions, the Department of Local Government and Regional Development (DLGRD) has created a framework of economic performance indicators. These comprise a series of *drivers* and *catalytic factors* designed to generate the economic conditions that can enhance the overall economic environment with a particular region. The major *drivers* of economic activity comprise both internal and external factors that stimulate economic growth. They may include such things as natural resources, human capital, investment and availability of financial capital and levels of extra-regional trade (e.g. exporting).^[4]

In addition to these *drivers*, the framework recognises important *catalytic factors* that can assist the level of economic growth by building on the key *drivers*. Important *catalytic factors* include regional investment in research and development, infrastructure (e.g. telecommunications and transportation), direct Government support for industry and business development, local procurement activities and capacity building such as training and education.^[5]

The application of this framework across the nine regions of WA highlights the wide variation that exists within the State. It also indicates that there may be different levels of Government and private sector participation within the overall economic development process within different regions. As noted by DLGRD:

Taking action on these factors is mainly the responsibility of governments, although large corporate operations can also be significant investors. This is most obviously seen in the Pilbara, where much of the rail and port infrastructure and the newer inland towns were built by corporate mining companies. At the other end of the scale, in the Wheatbelt region, where economic activity occurs mainly in small businesses, Government has provided virtually all of the infrastructure and planning support for the regional economy.^[6]

Seeking to develop the level of diversification in the State's regional economies is a primary goal of the WA Government. It is measurable by such indicators as growth in employment levels, increasing participation rates within the workforce of women, youth and indigenous community members and a general diversification of the industry base within the region. Each region has its own Gross Regional Product (GRP) measure and positive trends in GRP per capita indices are a tangible sign of economic progress.

It is within this regional economic development framework that the WA BEC Network operates. While its role can be described as predominately *enterprise development* rather than *economic development*, it plays a significant part in the overall process. In recent research undertaken by the OECD the importance of well-designed self-employment and micro-enterprise support programs was highlighted. Of equal importance was the need for local enterprises to have access to high-quality advisory services targeting pre-start-up business activities. However, it was also recognised that government business advisory services were expensive and should provide a clear point of referral to professional advisors as part of their design.^[7]

Regional Economic Development Agencies

The WA BEC Network operates within the context of a regional economic development framework comprising both Federal and State Government agencies. While its role is targeted primarily at the small business community, its role and service configuration is likely to be shaped by the larger economic development policies of the region in which it operates. Within Western Australia the primary responsibility for regional economic development is the Department of Local Government and Regional Development (DLGRD). However, DLGRD delivers regional development policy and programs via the State Regional Development Council and the Regional Development Commissions representing the nine regions of WA.

Regional Development Council and the Regional Development Commissions

The Regional Development Council is the peak advisory body to the Western Australian Government on all regional development issues. The Council is represented by the chairpersons of the nine Regional Development Commissions,

which are located across regional Western Australia, two Local Government representatives and an independent chairperson. The purpose of the Council is to promote development in all regions, develop policy proposals on development issues affecting regional areas and to facilitate liaison and coordination between Local, State and Commonwealth bodies with respect to regional issues.

All nine Regional Development Commissions have the same objectives, one of which is to 'Provide information and advice to promote business development'. The nine commissions meet this objective in varying ways. The Mid West and South West RDC provide examples of Development Commissions that provide strong services in this area and are currently providing business services, which may be seen to overlap with services provided by BEC. A reason for these two RDC being particularly strong in providing information and advice to promote business development could be a result of these two Commissions having TradeStart offices located within them (4 of the nine RDC have TradeStart offices).

Mid West Development Commission

The Mid West Development Commission has a strong emphasis on supporting businesses within its region and provides help with new business ideas, business expansion and exporting. It currently provides this service to businesses by redirecting businesses to the right people, providing information on Government programs for business improvement and expansion, providing information resources on the region, providing export advice and assistance, working with local business and organisations to promote regional trade and assisting Aboriginal people and organisations to identify and pursue enterprise opportunities. The Industry Assistance Centre and Export Resource Centre help them to deliver these services.

South West Development Commission

The South West Commission's Industry and Business Services offers 'a one-stop support and advisory service for business and industry'. The Commission provides assistance with information regarding statutory procedures, available sites, infrastructure and business assistance programs to investors and businesses wanting to relocate to the South West Region, information regarding State and Federal Government business assistance packages and advice in preparation of funding submissions. Additionally its TradeStart advisor provides SME within the South West access to increased assistance to help them enter overseas markets.

The Role of Other Agencies

In addition to the key state agencies mentioned above there are several others funded either by the Federal Government or through Local Government agencies (LGA). These are outlined in the sections that follow.

Area Consultative Committees

There are 56 Area Consultative Committees (ACC) throughout Australia with nine in Western Australia – one in Perth and eight throughout regional Western Australia.

The Federal Government under the *Regional Assistance Program* funds them. Their purpose is to provide a strong link between local communities and the Commonwealth and to build networks and partnerships to find local solutions to local problems. Each ACC develops a three-year Strategic Regional Plan for its region. It does this by bringing together community stakeholders to identify opportunities, priorities and growth strategies for the region.

Community owned organisations such as BEC that wish to access funding through Regional Partnerships are required to liaise with their local ACC, which will assist in developing the application. The ACC are the key providers of independent advice to the Department of Transport and Regional Services (DOTARS) on all applications.

Community Development Employment Projects

CDEP was introduced in 1977 as a work-related response to concerns over potential problems, which might arise from the payment of unemployment benefits to Aboriginal and Torres Strait Islanders. To meet these concerns, its original role was to assist in the development of communities through work programs. It has since evolved into a scheme in which more than 32,000 Indigenous Australians voluntarily forego their rights to Newstart Allowance (NSA) or Youth Training Allowance (YTA) to participate in over 280 CDEP programs throughout Australia.

ATSIC offers a grant to the CDEP community organisation to enable it to undertake community-managed activities and pay wages to participants. Community organisations responsible for the management of projects also receive funding to cover the costs of administration and capital items required to conduct work projects. The CDEP has the potential to play a vital role in supporting the commercial viability of Indigenous owned and operated small enterprises in Indigenous communities. There are many examples where CDEP schemes have made significant progress in establishing businesses that have the potential to become self-sufficient.^[8]

An independent review of the CDEP highlighted the general lack of knowledge among such program participants about where to go to obtain advice to assist them in their decision-making. Where there was some knowledge of where to go, the CDEP venture groups felt that there was a lack of confidence on the part of CDEP participants to approach them. The review recommended that ATSIC needs to identify organisations to which CDEP groups could go to for advice and to ensure those bodies have undergone culturally appropriate training and are recognised as competent in their field of activity.^[9] In regions such as the Kimberley where 20 percent of all employees are through CDEP schemes, the BEC Network should be in a position to play a significant role in providing advice and assistance to these projects.

Regional Councils

In recent years there has been a trend toward the establishment of regional councils comprising multiple Local Governments which group together to form umbrella agencies to undertake collective economic, environmental and social development projects beyond the capacity of individual Councils. Two of the more prominent within the Perth metropolitan region have been the Eastern Metropolitan Regional Council (EMRC) and the South West Group.

Eastern Metropolitan Regional Council

The Eastern Metropolitan Regional Council (EMRC) is a peak regional body representing the six local municipalities of the Cities of Bayswater, Belmont and Swan, the Town of Bassendean and the Shires of Kalamunda and Mundaring. With a jurisdiction encompassing 2,100 square kilometres (approximately two-thirds of the Perth metropolitan area) and a population catchment of around 280,000 people, the EMRC is the leading metropolitan regional agency. Its mission statement reads:

To facilitate the development and implementation of Regional strategies and the provision of services and facilities for the benefit of the Region.^[10]

One priority of the EMRC is to focus on regional business development. The EMRC initiated a partnership with the North East Metropolitan Chamber of Commerce in 2001, to focus on facilitating business development in the region. It brings together local Chambers of Commerce based in the eastern metropolitan area to encourage and develop economic stability and business growth within the region. The partnership was to focus on encouraging suitable conditions for sustainable economic growth, encourage the exchange and sharing of information and knowledge to support business growth, encourage trade and investment and promote networking and business learning.

South West Group

The South West Group is a voluntary regional organisation of councils comprising the Cities of Melville, Cockburn and Rockingham and the Towns of East Fremantle and Kwinana. The Group's core objective is to:

Broker cooperative relationships and joint ventures that provide opportunities for sustainable development that will foster economic activity and regional growth in South West Metropolitan Perth.^[11]

Industry Direct is a free service that has been established by the SW Group. It provides a free online business register designed specifically to help small businesses in the South West Metropolitan Region access new business and employment opportunities generated by the Australian Marine Complex - a multi-million dollar offshore marine construction facility at Cockburn Sound. The emphasis is on connecting all local small businesses, not only those in the oil, gas and shipbuilding industries, to share the in the opportunities offered by the Marine Complex. Furthermore, *Industry Direct* delivers events such as workshops and business breakfasts.

Local Government Agencies

The level of support from Local Government to the BEC Network varies considerably. Some are extremely supportive of small business growth within their boundaries and provide significant support to the BEC Network either via direct cash contributions or in-kind support in the form of accommodation, vehicles and administration services. During 2002 the total contribution to the BEC Network by Local Government was

estimated to be \$395,145 in direct cash payments and a further \$125,990 as 'in-kind' payments.^[12]

In addition to this important financial support, the BEC Network is also supported by LGA through the participation of Councillors and Council officials in the Management Committees of many BEC. Many BEC within the Network have an area of responsibility that encompasses multiple Local Government areas. When one or more LGA decides to not support their local BEC this can create a situation where the LGA that are supporting their BEC reduce or stop their support due to feelings of unfairness. Funding support to BEC from one Centre to the next varies but has involved cash contributions worth tens of thousands of dollars. Within the regional areas of the State such cash contributions represent a significant amount from the budgets of small municipalities.

A recent development within the State's LGA is the appointment of dedicated Economic Development Officers (EDO). The role of these EDO is not meant to be identical to that of the BEC Manager / Facilitator but some overlap with the role of BEC has been claimed, especially in smaller remote communities.

The Western Australian Telecentres Network

The Telecentre Network comprises 94 community-owned, managed and incorporated Telecentres throughout regional Western Australia. One of the Network's main purposes is to provide a medium for the delivery of education and training services, such as TAFE, university and other adult education courses. According to the Small Business Taskforce (2003) online training delivery is growing in importance but does not currently appear to be well known by small businesses.

A typical Telecentre provides computers, access to the internet, two-way 128kb videoconferencing, photocopiers, facsimile machines, printers, TV-Video machines, decoders and scanners. All Telecentres have satellite receiver dishes, which enable them to participate in one-way video and two-way audio conferences on a state, national or international basis.

Collaboration between the Telecentres network and that of the BEC has not been high, despite some examples where strong alliances have emerged. The WA Telecentres network which made the following comments in its submission has noted this:

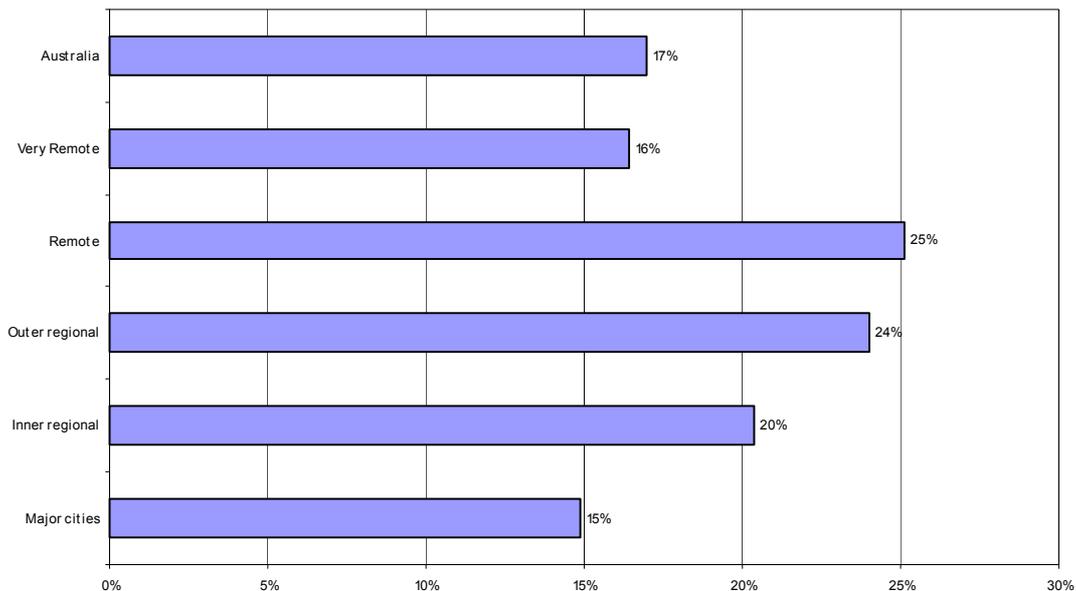
There has not been a suitable amount of collaboration at the local level between BEC and the Telecentres. This lack of collaboration is due to both the BEC and Telecentres not seeing where the benefit might really lie. More seamless access by businesses to IT & T training could be achieved if BEC clients that require this service were directed to access Telecentre services. The success of this would naturally depend on the ability of the Telecentre to deliver the services, the range of training they could offer and the quality of the service. The Telecentres are a natural access point or "practice pad" for the follow up service that is so often required after someone undergoes 3-4 hours of training in a particular software package and can't find the time during working hours to improve their skill level.

The Role of BEC in Regional Economic Development

The BEC Network is not tasked with the responsibility for economic development, a process that implies a macro-level perspective with the capacity to integrate a wide-range of stakeholders. As discussed, in WA this responsibility is primarily held at the regional level by the nine-RDC, with contributions from LGA, ACC and other agencies. However, the creation, sustainability and growth of businesses within a region remain the key element in the overall economic wellbeing of the local economy. The need for locally based enterprise development agencies such as the BEC has been recognised as important, particularly within regional communities where access to professional and business services is frequently difficult.^[13]

Problems facing Regional and Rural Small Business

Research into the problems facing small business operators in regional and rural areas suggests that such firms experience difficulties not encountered to the same extent as their counterparts in metropolitan areas. For example, a study undertaken by the US Small Business Administration found that rural and regional small businesses were more likely to have difficulties accessing technology and transportation services. Compared to city-based firms, the rural and regional companies had higher fixed costs making it more difficult to remain competitive.^[14] Another study undertaken in Australia by the Department of Transport and Regional Services (DOTARS) produced similar findings. This study concluded that Australia's regional businesses faced special problems associated with greater distances, lack of access to financing, skilled labour, services, transportation and communications infrastructure.^[15]



Source BTRE, 2003

Figure 3: Composition of the Australian Business Sector by Size of Employment Base

In addition to the specific challenges facing small firms in regional and rural areas, it is important to note the relative size of firms in the regions compared to urban areas. While small businesses are common across both metropolitan and regional communities, the proportion of self-employed people as a proportion of the total workforce is frequently higher in regional communities. Figure 3 illustrates this pattern. It can be seen that while the proportion of self-employed is around 15 percent in the major cities, this proportion is usually above 20 percent in regional areas.

Table 10: Australian Business Locations with Paid Employees by Remoteness

Employees	1-4	5-19	20+
Major cities	71%	22%	7%
Inner regional	75%	20%	5%
Outer regional	77%	19%	4%
Remote	74%	21%	5%
Very Remote	69%	23%	7%
Australia	73%	21%	6%

Source: BTRE, 2003

Table 10 shows the pattern of micro, small and medium size enterprises by remoteness within Australia. It can be seen that the proportion of micro-enterprises is generally higher in the regional areas than the major cities. The relatively higher proportion of micro-enterprises within the regional areas, coupled with the specific challenges facing regional business, highlights the need for business support and advisory services to be located in regional communities. Micro-enterprises frequently require greater assistance than larger ones and often lack resources to fund professional consultancies to make up short falls in their management skills

Regionally Based Enterprise Development Agencies

Small business advisory agencies can play a substantial role in the enhancement of regional economies by providing assistance and information, but more importantly serving as a coordination and delivery point for programs or schemes developed at a State or national level and targeted at small businesses. This process has been identified in research undertaken by UNIDO in relation to cluster formation among small firms in developing countries, where intervention in assisting them to form collaborative networks, or gain access to external markets proves highly beneficial.^[16]

The experience of the Business Retention and Expansion (BR&E) program in the United States also supports the need for locally based business support services but suggests that such services need to be coordinated within a strategic plan that is regularly reviewed against performance objectives.^[17]

WA has a Network of 27 BEC located throughout the regional areas. As noted above, the Department of Local Government and Regional Development (DLGRD) in the

2002 *Draft Regional Policy Statement for Western Australia* has acknowledged the role of these BEC within the State's regional economic development policy. The same policy statement also noted the role of the SBDC within this process:

The Small Business Development Corporation (SBDC) is encouraging young people to consider the choice of running their own business as a career. Regional youth can access the programs offered by the SBDC via the Internet and gain assistance from the statewide Network of Business Enterprise Centres.^[18]

SECTION 6

Strategic Configuration of the BEC Network

The first Term of Reference examined under the review was related to the strategic configuration of the BEC Network. As outlined earlier in this document this initial Term of Reference stated:

Where should BEC be positioned strategically in the wider configuration of economic development and [small] business support to ensure maximum impact and return on investment?

In addressing this issue the review took the position that there is unlikely to be a single overall model that would apply to the entire BEC Network. Rather, it is more appropriate for the BEC Network to develop a series of service delivery models tailored to the needs and requirements of the different communities in which the BEC are located. However, the review also takes the position that there should be standardisation of the core enterprise facilitation services across the entire Network.

Strategic Positioning Model for the BEC Network

The experience of small business advisory services both in Australia and overseas suggests a need consider whether the network is to be a centralised or decentralised model, and whether it is to focus on micro-level enterprise development issues or macro-level economic development issues. Figure 4 illustrates this by providing a matrix framework comprising two continuums. The horizontal axis represents the range from a centralised to a decentralised system. Centralisation refers not to geographic location, but to control and management of the network or service providers. For example, a government owned and operated small business advisory and support network in which all centres and their respective managers were employed by the government and trained to a common standard would be a centralised model. By contrast, a decentralised model would involve devolution of management and control. On the vertical axis is the continuum from micro-level 'enterprise development' to macro-level 'economic development'.

The current positioning of the BEC Network within this framework is that of a decentralised-micro-level 'enterprise development' agency. This local ownership was a key feature of the original "Sirolli Model" developed in the 1980s. By comparison the SBDC is a centralised agency with a micro-macro-level focus due to its role in both service delivery to SME and its policy development function. While the BEC Network is primarily focused on the micro-level, it can move through a range of activity as shown in Figure 4 that move it closer to the centre of the model.

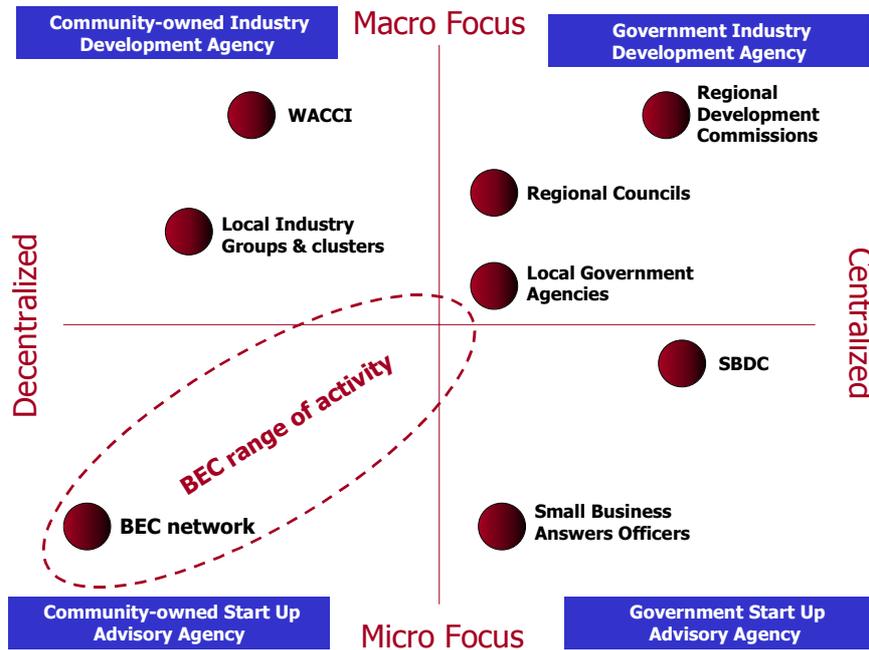


Figure 4: Strategic Positioning Model for Enterprise Development and Support Frameworks

Throughout WA there is a high degree of duplication of effort among small business and industry support activities with schemes offered by a range of Federal, State and Local Government agencies as well as private sector groups. The BEC Network is seeking to operate within this environment, sometimes operating as a complementary agency to other agencies, sometimes as a competitor or rival. Discussions with both members of the BEC Network and members of the stakeholder community undertaken as part of this review process suggest that the primary focus for the BEC should be at the micro-level. However, the BEC Network will need to engage actively with the other key enterprise and economic development agencies located within their respective communities.

Benefits of Centralisation versus Decentralisation

A highly centralised system offers the benefits of higher level of standardisation and overall quality of service delivery. However, a more decentralised network, with greater community ownership, has the potential for enhanced responsiveness to local needs and superior take up by small firms. In assessing the relative merits of this continuum the experience of the United Kingdom is instructive.

Over the course of the 1980s small business support services in the UK proliferated with a variety of agencies offering various contributions e.g. *Enterprise Agencies, Training and Enterprise Councils, Local Enterprise Companies*. In the 1990s the *Business Links* network emerged, designed as a ‘one-stop-shop’ the system aimed to reduce a somewhat chaotic situation and achieve greater efficiencies. These changes led to the amalgamation of many agencies and an increased focus on cost-

efficiency and output targets.^[1] In 2000 the UK Government replaced the *Business Links* network with a *Small Business Service*.^[2]

The *Business Links* model sought to create a decentralised small business advisory network based on the existing training or enterprise agencies but achieving greater synergy between them. A key element of the model was the *Personal Business Advisor* (PBA), designed as a core service provider located within the system and able to maintain a portfolio of small business clients with whom they provided a personalised service. This system focused less on start-ups and more on established firms with growth potential.^[3]

By contrast the *Small Business Service* abandoned the more targeted approach of the system that it replaced and sought to assist all small firms including start-ups. With less emphasis on PBA and locally owned agencies, the *Small Business Service* in the UK has focused on a more centralised system offering greater uniformity and using local agencies as specialists for referral. Analysis of the take up rate and satisfaction with the small business advisory services in operation in the UK during the 1990s suggests that a more centralised system delivered superior quality of services, with high levels of satisfaction, but lower overall take up among small firms.^[4]

Despite the apparent advantages of the centralised system, research into the effectiveness of business advisory services in the UK has found that there is a 'missing middle' between the small business community and the advisory service.^[5] This suggests that centralised advisory services such as the *Small Business Service* have limitations in their ability to bridge the gap between government agencies and individual small firms. Locally based networks are more likely to create enhanced outcomes for regional industries.

Enterprise Development versus Economic Development

Within the model illustrated in Figure 4 the micro level focus is on the individual owner-manager of a small firm or the nascent entrepreneur seeking to establish one and who has limited experience of self-employment. This end of the continuum is strongly associated with enterprise development. By contrast the macro-level focus is concerned more with industry or economic development work. In seeking to achieve this any agency will need to spend more time with policy issues and the creation of infrastructure and industry networks rather than 'hands-on' one-to-one counselling.

Historically the BEC Network in WA was created to be a community owned and operated small business advisory agency with a focus on new venture creation. This has positioned it firmly in the micro-level enterprise development arena, although several BEC have become involved in undertaking more macro-level work, particularly in relation to assisting the development of industry groups.

It is likely that the BEC Network will not find itself located in any one quadrant as shown in Figure 4. Given the diversity of economic and industry activities found across WA, it is anticipated that a variety of models will be needed, with BEC positioned at different places within this model. However, given the resources that are likely to be available to the BEC Network it is unlikely that they will be able to move much beyond the boundaries of the circular dotted line illustrated in Figure 4.

The BEC Network's Role in the Economic Development Process

The majority of respondents to this review acknowledged that the BEC Network serves a valuable purpose and is able to make an important contribution to the economic well being of the small business community of WA. This was summarised by the Regional Chambers of Commerce and Industry of WA (RCCWA):

The general indications throughout regional WA are that the BEC Network is critical to the regions' financial wellbeing.

At the micro level, BEC play an important role in the establishment of businesses, but equally important is the role of the BEC in actually assisting businesses who face financial difficulties through growth or viability. (RCCWA submission)

However, the role and function of the BEC Network is poorly understood and frequently unappreciated. While the primary focus for the BEC Network was considered to be on the micro-level of small business support, there was recognition that more integration was needed to bring the BEC into alignment with the various economic development agencies located throughout the State.

The key strengths of the BEC Network were identified as being its community-ownership and local 'on-the-ground' network and presence. The need for a personalised, face-to-face counselling and advisory service for small business operators was recognised as an important feature of the existing Network, along with its relative autonomy and flexibility. This view was reflected in the views expressed by the BMA submission:

The first and most obvious point is that the Network is currently a loose affiliation of intensely independent and locally driven people with the single agenda of enhancing the enterprise development of their region or local area. Changing this to anything more centrally managed will inevitably lose some of the current Network diversity, which is seen as a singular strength. (BMA submission)

It was also acknowledged that the role of the BEC Network was 'enterprise development' rather than 'economic development' and that this distinction should be considered in any attempts to determine the issue of duplication of services within different agencies.

A recent trend in WA has been the emergence within regional and Local Government of economic development specialists and the creation of regional councils with dedicated economic and industry development agendas. It will be important for the BEC Network to become more integrated into the wider economic and regional development processes within their respective communities. This is likely to require the BEC developing their strategic plans in concert with those of such economic development agencies as RDC, ACC, LGA and regional councils. While problems of coordination between these various agencies and the BEC Network need to be addressed, the review found a general recognition by many RDC, ACC and LGA

respondents of the value of the BEC within their wider economic development activities. The Gascoyne Development Commission (GDC) was typical of these sentiments:

In terms of business development, the Commission concentrates on creating the macro-economic conditions conducive to economic development in the region, and the advancement of large-scale industry projects that deliver substantial regional development outcomes. Included in this role is the promotion of export development. The Commission perceives that this macro-economic role complements the micro-economic role of the BEC, which provides specific business planning, corporate governance and financial control assistance to small businesses. (GDC submission)

'Bottom Up' not 'Top Down' Planning

Any future strategic positioning of the BEC Network must adopt a market orientation with a clear and demonstrable response to the needs of the target community or communities within which the BEC operates. This was described as a 'bottom up' rather than a 'top down' approach. This view was expressed by the following submissions:

"Delivery of business development services therefore should not be based upon what a BEC can do within the region, but on what services are required and what is the most effective means of delivering these services. Regions that address the issues in this manner may or may not determine that a separate independent service delivery mechanism (that is, a BEC) is required...the EMRC and member Councils do not have a clear understanding of the primary target markets of the BEC." (EMRC submission)

Any new model needs to be based on 'bottom up' planning, not a centralist 'top down' model.

The primacy of the freedom of local BEC to set and implement local plans is paramount.

There needs to be a thorough integration of BEC into all State Industry Plans. (BMA submission)

A clear message from the review was that there is not likely to be any single model that will satisfy the needs for all BEC in all parts of the State. Given the diversity of Western Australia's regions, the most appropriate general structure for the BEC Network is likely to be one of multiple models, with each BEC developing a service model appropriate to the specific needs of its stakeholder community.

The Need for Small Business Facilitation Services and Better Coordination

While there is a range of private sector advisory services (e.g. accountants, coaching services) now available, the primary function of the BEC small business facilitation service as originally envisaged in the 1980s remains valid. Given the substantial proportion of SME within WA, particularly in the regional areas there is a need for a dedicated small business advisory service of the kind currently offered by the BEC Network. As a 'free' or subsidised counselling and advisory service the BEC remains both unique and necessary in its ability to fill a gap in the market that is found at the pre-start and early-stage venture level.

A concern for many respondents to the review was the perception of significant duplication of services provided by Local, State and Federal Government agencies seeking to support or assist SME. The following comment is indicative:

There appears to be an overlap in the objectives of the BEC, Regional Development Commissions, ACC, some Chambers of Commerce and Local Government. All should be working towards establishing a one-stop-shop assistance point for potential investors with the view to making it easier rather than difficult for potential investors to enter the region. (Ian Bodhill, CEO Shire of August-Margaret River).

The provision of federally funded Small Business "Answers" Officers in the regional areas was a topic of comment by many, as was the existence of small business advisory services provided by SBDC. It needs to be recognised that in most cases the competition and overlap between the BEC and these other agencies is more perception than reality, however, some duplication does appear to exist on the margins. Greater cooperation and alignment, particularly among State Government controlled agencies, was recognised as a desirable aim.

Strategic Planning with the BEC Network

A key issue that emerged from the review process was the need for enhanced strategic planning within and by the BEC Network. In submissions and the consultative meetings there was reference made to the need for more coordinated strategic planning and some criticism of the apparent lack of collaboration and alignment between the BEC Network and the RDC in regional areas and even the SBDC and the BEC within the metropolitan area.

Respondents to the review commented on the tendency for BEC to be located according to what were perceived to be 'political' decisions rather than a more rational process. An assessment of community needs, using measures such as existing employment self-sufficiency, population growth or lack of access to professional advisory or other business support services should be undertaken prior to deciding to locate a BEC in a given area.

BEC Conference 2001 Albany – Starting the Strategic Planning Process

From 30 October to 1 November 2001 a strategic planning process was undertaken in Albany with support from the SBDC to assist the BEC Network to develop a coordinated action plan for assisting the overall development of the Network. This process involved a forum for BEC Chairpersons, BEC Managers and a general planning workshop. These forums examined the culture and role of the Network, performance measures and funding and wider strategy. The process generated an action plan for the period 2001-2002 with tasks allocated to a variety of parties, principally BECWA and the BMA with SBDC support where required. Among the activities developed under this strategic plan were:

- Establishment of the BMA;
- Development of a formal induction process for BEC Committee members including the creation of a “Guide for Committee Members” and a training program;
- Development of a marketing strategy for the BEC Network to focus on profile, recognition, corporate image and credibility;
- Development of set of core competencies and minimum QA standards as well as qualitative and quantitative assessments for BEC;
- A review of the potential for ‘hubbing’ within the BEC Network and review of BEC boundaries; and
- Development of a strategy for sponsorship including guidelines and protocol.

By September 2003 many of these tasks had been completed, however, despite this strategic planning process and the apparent implementation of its action list, there continues to be a perception among many in the BEC Network that strategic planning continues to be a problem. For example, critical comments were made in relation to how the BEC Network had evolved since the 1980s with little strategic guidance or planning, and less than adequate integration into the wider economic and regional development strategy and policy of the state. The following comments reflect this perception:

The BEC Network was never strategically designed. It was cobbled together to meet short-term political and economic needs. This review is probably the first strategic thought being put into the Network. If there is any doubt about this statement, then the Network would be working to a strategic plan. Such is not the case. There would be a BEC Network five-year plan in every BEC office. There isn't one. This BEC has asked the MD of SBDC for one for years, without success. (Swan Region BEC submission)

The 'top down' approach to small business development that appears to have been implemented to date has resulted in the State Government developing a policy and service delivery structure which dictates that a BEC will be established in an area, that a new entity will be created to manage the BEC, with the State Government providing minimal resources to establish and operate each BEC. In many cases the BEC have been created regardless of real need, with little articulation to broader regional strategies, leading in some cases to competition between government agencies and private business support structures (such as accountants). The SBDC should be adopting a flexible approach that actively encourages collaboration between government agencies, government funded service providers and regional stakeholders, which aims to provide resources to communities to achieve business development outcomes. This approach may result in an existing BEC being funded, or, for resources to be provided to another agency that has either the resources or the capacity to provide services. (EMRC submission)

Even the BMA, which participated actively in the 2001 Albany Conference that developed the strategic action plan mentioned above, continued to identify weaknesses in the strategic planning of the Network:

At this point, there is no clear and coherent strategic network plan for the growth and development of the Network. The BMA sees this situation as one that needs to be remedied. The logical process would be to work with the relevant WA Government Departments, Small Business Development Corporation, Education and Training, Agriculture, State Training Task Force, DOCEP plus BECWA and the ATO. This is a major task in terms of resources and time, but with the proper consultative processes in place it can be achieved. (BMA submission)

Strategic Configuration of the Network – Conclusions & Recommendations

It is important to note that the WA BEC Network is the largest in Australia and one of the most geographically dispersed in the world. Further, in the view of the SBDC, the WA BEC Network also enjoys a relatively higher level of State Government support than many of its counterparts in other Australian states. However, a view that was widely held by both BEC and stakeholders was that the BEC Network is under-resourced and that many problems associated with the operation of the network was due to a paucity of funding.

Strengths of a Decentralised, Community-Owned Network

In addressing this first Term of Reference it needs to be recognised that the BEC Network is not a systematic, centralised model that is operated by the SBDC. The reality is one of 37 independent, community-based, non-profit organisations that are comprised of volunteer committees. Under the Sponsorship Agreement that the SBDC coordinates, the BEC receive core funding, but additional support is required if the full potential of this state-wide Network is to be realised.

In relation to the issue of the strategic positioning of the BEC Network in the wider context of state economic development and small business support, it is the view of this review that the BEC continue to play a valuable role in focusing primarily on small business start-ups and assisting the owner-managers of micro-enterprises with basic counselling and referral services. The strength of the Network lies in its capacity to offer a face-to-face counselling service that is both accessible, due to its geographic distribution and responsive to need, due to its community ownership.

Need for Strategic Planning and Coordination

The review acknowledges that there has been a process of strategic planning over the past three years since the 2001 Albany Conference and that this has generated many beneficial outcomes. However, there continues to be a problem with the overall level of strategic integration of the BEC Network into the wider State economic development machinery. While there is recognition within the State Government of the importance of the BEC Network, particularly in relation to regional economic development, this does not always translate into reality at the local level.

While some BEC appear to work closely with their relevant RDC, ACC, LGA and CCI to deliver appropriate services to their communities, this is not the case for all. It was apparent from the consultations and submissions to this review that more work needs to be undertaken to enhance the alignment of the BEC into the wider state economic and industry development framework. Further strategic planning activity is required to better align the services provided by the BEC Network into the economic and industry development goals of the various local, State and Federal government agencies that operate within WA.

While strategic planning is required at the individual BEC level, there is also a need for a statewide strategy for the integration of the BEC enterprise facilitation and development services into the wider economic and industry development frameworks of the State. This is not a task that can be undertaken by the 37 individual BEC organisations currently delivering the BEC Network Scheme services. It is the opinion of this review that such a task is best undertaken by a strengthened BECWA working in conjunction with the SBDC. In subsequent sections of this report we will discuss the role for BECWA and how this body may be enhanced to allow it to undertake a more strategic role.

Such a strategy should seek to engage the other State Government agencies currently responsible for economic and industry development as well as other key strategic stakeholders. This process of strategy development should be undertaken simultaneously with the creation of 3-yearly strategic plans to be developed by individual BEC working through the six BECWA Regional Chairpersons who will lead Regional Strategy Groups. The proposed organisation of these Regional Strategy

Groups is discussed in greater detail in Section 10 of this report along with details of the nature of the 3-year strategic plans suggested as necessary for each BEC organisation.

The review considers that a state-level strategic development plan for the BEC Network with a 5-year time frame is necessary to compliment the shorter and more localised 3-year strategic business plans that each BEC organisation will prepare. BECWA is viewed as the most appropriate group to coordinate such a strategy given its role as the peak body for the BEC Network responsible for liaising with the State Government.

Recommendation – BECWA develop a Strategic Plan for the BEC Network:

That BECWA, in conjunction with the SBDC, develop a 5-year strategic plan designed to integrate the WA BEC Network into the wider economic and industry development frameworks of the State, and provide a structure to guide the individual strategic planning of individual BEC organisations. This 5-year plan should be developed concurrently with a series of 3-year plans to be developed by individual BEC organisations within the 6 BECWA-led Regional Strategy Groups. Further, a clear statement of strategic intent from the SBDC as to the Corporation's vision and expectations for the network and the level of strategic support that might be provided in seeking to fulfil this strategic direction should support this.

SECTION 7

What is the Role of the Funding Body?

The second Term of Reference examined under the review was related to the role of the State Government agency tasks to provide funding to the BEC Network. As outlined earlier in this document this Term of Reference stated:

What should be the role for the State Government funding body, (currently the SBDC) in future BEC models?

The 1995 BEC Review and the Role of the SBDC

Since the last major review of the BEC Network was undertaken in 1995 the SBDC has been the agency tasked with the coordination and administration of the State Government's funding to BEC. The 1995 review identified the need for increased central support to the BEC Network but also made the following observations:

The central support bodies of the BEC Network, the SBDC and the Ministry for Commerce & Trade, should be just that – agencies that create a supportive environment and offer appropriate services. They should not, in our opinion, seek to control decision-making and to force support services on to the BEC.^[6]

The 1995 review also argued for a 'more robust and dependable funding' formula, enhanced 'marketing promotions support', 'greater empowerment of BEC' and 'better access to client service contacts and information'. In providing greater empowerment there was a call for improved management information, network communications and access to training and development for BEC facilitators and committee members. A list of 15 recommendations specifically addressing the role of the SBDC in its relationship with the BEC Network was proposed.

Table 11 outlines these recommendations and the issues associated with their implementation. Over the past eight years these recommendations have been addressed with either full or partial success. For example, the requirement for each BEC to provide the SBDC with a strategic plan and an annual report of activities against key performance indicators (KPI) has been a feature of the BEC Sponsorship Agreement. Around \$10,000 of the annual sponsorship is devoted to review and evaluation of the BEC yearly reports while the BEC Support Unit is frequently engaged in assisting individual BEC with planning and reporting tasks. However, since 2001 the SBDC has not required the BEC to develop strategic plans due to the pressures that this work was placing on Managers.

Table 11: 1995 BEC Review Recommendations for SBDC

Recommendation
1. SBDC should develop a policy statement to allow autonomy in day-to-day management of BEC
2. SBDC to require all BEC to develop strategic plans with KPI and quantified objectives, with SBDC support provided to BEC
3. SBDC to require all BEC to submit annual reports against strategic plans and KPI as main means of performance measure
4. SBDC should not seek further reporting from BEC
5. SBDC to have full unlimited access to BEC client bases for research purposes subject to confidentiality of information
6. SBDC should initiate a longitudinal study of BEC clients to measure their survival rate over time
7. SBDC to assist with development of integrated computerised communications network throughout the BEC Network
8. SBDC to link BEC Network into its own internal communications network to provide online databases and research resources
9. SBDC to initiate a corporate marketing program for the BEC Network aimed at securing additional support from LGA and private sector
10. SBDC to initiate public awareness campaign aimed at small business owners and those planning to start-up new ventures outlining BEC services
11. SBDC to offer BEC small business management training packages to be delivered via TAFE satellite telecommunications network small business clients
12. SBDC to initiate a Professional Development Program for BEC facilitators to improve technical business and interpersonal skills
13. SBDC to initiate a Professional Development Program for BEC committees
14. SBDC to introduce two short regional conferences per annum of BEC facilitators per region and reduce annual state-wide conference to one per year
15. Establish a steering committee comprised of SBDC officers and Network representatives to conduct an annual review of perceived value and satisfaction with SBDC services provided to BEC Network

Source: Review of the BEC Network, 1995, AIM(WA)

ICT Support and Extranet

The SBDC has also been involved in establishing a communications and information system for the BEC Network that provides each BEC with access to the internet and video-conferencing in regional areas as well as on-line access to SBDC resources and information. During FY1999/2000 around \$40,000 was spent on Information and Communications Technology (ICT) support, development and maintenance, with around half that spent in the following two years.

In 2003 the BEC Network was able access online via the *Extranet* system, business and CCH legal publications, IBIS World data on industry statistics and financial benchmarks for various industries based on models prepared by the Financial Management Research Centre. This ICT support was supplemented in the 27 regional BEC with an internet camera facility to allow on-line remote interviews with clients. According to the SBDC difficulties had been experienced with the implementation of the internet camera systems due to poor telecommunications infrastructure in many parts of WA. However, they also noted that the utilisation rate of the *Extranet* system had been low despite it having been in operation for several years.

Marketing and Professional Development Training

The SBDC also assists the BEC Network with marketing and promotions as well as professional development through training, travel and conferences. Over past years these items have absorbed around 6 percent of the sponsorship budget. Training via the TAFE satellite system was not fully implemented, but alternative training programs were offered. For example, funding was allocated to the professional development of the BEC Managers. Each BEC received \$500 to assist Managers to complete the Certificate IV in Small Business Facilitation program delivered by the Australian Institute of Management. This course is recognised by the Australian Institute of Enterprise Facilitators (AIEF) and has been available since April 2001. Despite the passage of time and the incentives offered, by 2003 only 15 of the 37 BEC facilitators had completed this course.

Recommendations not Implemented

Discussions with the SBDC confirm that the only recommendations that were not fulfilled from this 1995 review were those relating to research, training and the professional development of the BEC Committees. The proposal for the SBDC to access BEC client data for research purposes, including a longitudinal study was not followed up due to a combination of cost and privacy issues.

The annual state wide BEC Conference was reduced to only one per year, although the recommendation was for two short regional conferences. This was not implemented as the cost was considered to be too prohibitive. In a similar way the cost of supporting the BEC Committee members in professional development was also felt to be too costly to implement.

Although the majority of these recommendations was implemented concerns over the SBDC-BEC Network relationship continued to be raised during this recent review process. The views of individual BEC varied from highly supportive of the SBDC to comments that suggested the SBDC should be removed from its intermediary role with the BEC Network.

Greater Separation of the BEC Network from the SBDC

Although many respondents to the review expressed strong support for the SBDC to continue as the primary coordination point for State Government funding to the BEC Network, there was a variety of concerns raised about the relationship between the

SBDC and the BEC Network. These comments suggested that the former has been an appropriate choice within the State Government's range of agencies but that there should be more separation between the two and that the SBDC could improve.

Finding a Balance between Leadership and Interference

It was felt by some that the SBDC, as the State's policy arm in relation to small business, should be providing more leadership in identifying the way in which the BEC Network might complement the role of LGA and RDC to enhance the support environment for small business. Part of this process would be for the SBDC to assist BEC to secure commitments from other government agencies and regional stakeholders to assist the funding of the Network.

There was also a view, held mostly by BEC rather than stakeholders, that the SBDC was inclined to interfere in the running of the BEC and that this was inappropriate given the independent status of the BEC. However, it should also be noted that this view was countered by other BEC who considered the SBDC to be highly supportive and offering no recognisable interference in their operations.

The SBDC Gives the BEC a Public Service Image

One concern that was raised by numerous respondents was the tendency for the BEC to be viewed as 'government agencies' due to the close association they enjoy with the SBDC. This was seen as leading other potential stakeholders and sources of revenue to conclude that the BEC did not deserve funding as it was already a part of the SBDC and well funded by the State.

There was much comment on the establishment of the Small Business Answers Officers program and how it should have been better aligned within and through the existing BEC Network rather than being created as a separate and in the view of some a competing, agency. The perception held by many – rightly or wrongly – was that the reason the BEC Network did not win the Answers program was that it was viewed as an arm of the WA State Government.

The view that the SBDC should be removed from the role of coordinator of the BEC Network with greater autonomy granted to the BEC was typified by the following comment:

The role of the SBDC should be as a support unit only and the BEC Network should run its own affairs and budget etc with minimal cost to the SBDC. I see no reason why SBDC should be our intermediary with the funding body, which is the State Government. (Esperance BEC submission)

This comment illustrates the perception that the SBDC was controlling the BEC Network and running it like an arm of the Corporation. Such a view appeared to be widely held among both BEC representatives and community stakeholders. However, not all respondents were critical of the SBDC in this role. For example the following comments illustrate this range of views:

*Headland BEC considers the SBDC is critical to their mission.
(Hedland BEC submission)*

There were many BEC representatives who praised the SBDC for its support, describing their relationship with it as mutually beneficial. Several BEC Managers described how they found the SBDC a valuable source of information and additional skills to draw upon when required. However, there were others who indicated that they had a somewhat adversarial relationship with the SBDC, suggesting that their strategic directions in the management of their Centres were sometimes at variance with what the SBDC appeared to want them to do.

Potential Conflicts of Interest

One area of concern was the allegation that there was an ongoing conflict between the SBDC as a policy agency while also being a service delivery agency. This conflict meant that the SBDC was responsible for primary funding and coordination of the BEC Network, but also competed with the BEC in service delivery (at least within the metropolitan region). There was a view that the SBDC used the staff of the BEC Support Unit to undertake work that was not directly related to the Network and that this reduced their ability to provide support to the Network. Some reorganisation of the model of funding support with the SBDC and the BEC becoming more distinctively separate from each other was seen as desirable. The following comments from BEC are indicative of this:

The recent SBDC review found that a divide between SBDC and the BEC was a major impediment to success. In reality, the two organisations are in competition, but one holds the funding control over the other. Where the Network is charged with a responsibility to deliver best practice to clients, our administrative network is operating without a strategic plan and in a vertically structured manner.

*SBDC has a range of products and personnel that have much to offer business clients – either direct or through the BEC Network. If SBDC ceases to be the reporting authority, none of that has to change. We have recently seen the removal of REFS, Smart Start and SBIP and some uses of the SBIF funding that really was not put to good use. It can be argued that a close link to SBDC is desirable but not essential.
(Central Great Southern BEC submission)*

The Western Australian Government funding body should be reorganised...and part of the Small Business Support Team of SBDC separated under a new board. This Board is the only vestigial element of SBDC required in a reorganised Network. The current cumbersome model with SBDC sponsoring 37 separate entities should be replaced by the SBDC successor organisation sponsoring just one entity the State of WA Small Business Support Centre (SSBSC), which in turn would control all the BEC. Strategic entrepreneurial support planning and administrative support of the operational grant would be the task of the SSBSC. (Swan Regional BEC submission)

Such calls for a separation of the BEC Network from the SBDC were addressed in greater detail in other discussions during this review with suggestions for the formation of a BEC Corporation along the lines of the Business in the Community Limited (BICL) model that had operated in the pre-1995 period. This is examined later in this section. Such comments assume that there are, or should be, two separate organisations (e.g. SBDC and the BEC Network) when in reality the BEC Network does not constitute a uniform legal entity but 37 independent organisations that serve as sponsors for the BEC Network Scheme. Separation of the BEC Network from the SBDC would require either the creation of a new entity capable of undertaking the existing role of the BEC Support Unit within the SBDC or transfer of the existing unit or its functions to another agency.

Discussions with the SBDC about these issues suggest that while the funding for the BEC Network is managed through the BEC Support Unit, which is staffed with SBDC personnel, there is a conscious effort being made to avoid any conflicts of interest. Despite perceptions of some within the BEC Network, the SBDC has maintained a strict quarantine of funding provided from the State Government to support the BEC Network. While acknowledging the independence of the BEC Network, the SBDC has sought to enhance the operations of the Network through encouraging strategic initiatives such as the 2001 strategic planning Conference in Albany.

Alternatives to the SBDC as the Funding Agency

The SBDC was widely acknowledged throughout this review, as an appropriate agency for the management of the BEC Sponsorship Agreement. The review could find little support for the transfer of the BEC sponsorship to another State Government agency. However, there was a call for more participation and involvement by other State Government agencies. The overlap or potential for overlap between such groups as RDC, LGA and CCI with the BEC was viewed as an impediment in the development of a 'one-stop-shop' or single entry point for the small business community. Two agencies that were identified as having a greater potential role in the operations of the BEC Network were the RDC and LGA.

Return to the Business in the Community Limited model

It was suggested that the most appropriate model for the future management of the BEC Network was to re-establish a separate entity to represent the BEC and serve as the conduit for State Government funding. This would also seek a separation of the BEC Network from the SBDC as noted above. Some respondents described this as a return to the Business in the Community Limited (BICL) model that had existed prior to the mid-1990s.

In favour of this proposal was the view that the BEC Network would benefit from being more independent and having greater control over its resources. Discussions with BECWA confirmed this desire for the BEC to have greater control over the way the Network is managed. It was noted that there had been models such as the BICL and the Chairman's Advisory Group (CAG) and the view was expressed that it had served to provide a strong voice for the BEC.

While it was acknowledged that the SBDC did not wish to run the BEC Network, there was a need for the BEC Support Unit to take a more proactive role given the relative difficulty of coordination among 37 independent non-profit agencies. Ideally, BECWA would take a more proactive role in the coordination of the Network, but it could not do this without additional resources as it lacked capacity for executive operations and was largely symbolic.

This idea for the BEC Network to be separated from the SBDC and placed under its own management was also the subject of comment in submissions from BEC as the following comments testify:

There can be a good case to go back to a previous model of reporting, where a stand-alone support unit could represent the Government position, give ongoing support to the Network and yet be seen as an independent. Any perceived problems with that model would appear to have been with the individual who controlled the unit rather than with the structure itself. An experienced BEC Manager could be a good choice. Any structure such as this would not mean that the valuable support offered currently by SBDC would have to cease. It can be argued that some of the funding currently spent as "BEC Network support" such as advertising, SBIF, training, etc, would be more cost effective if the Network was able to influence its dissemination. (CGSBEC submission)

The Western Australian Government funding body should be reorganised...and part of the Small Business Support Team of SBDC separated under a new board. This Board is the only vestigial element of SBDC required in a reorganised Network. The current cumbersome model with SBDC sponsoring 37 separate entities should be replaced by the SBDC successor organisation sponsoring just one entity the State of WA Small Business Support Centre (SSBSC), which in turn would control all the BEC. Strategic entrepreneurial support planning and administrative support of the operational grant would be the task of the SSBSC. (Swan Region BEC submission)

During consultations with BEC representatives in the north metropolitan area the suggestion was made for the creation of a new entity that would represent the entire 37 BEC and provide strategic leadership for the Network. This entity would be established as a non-profit corporation with its own board of management and small executive. The board of this proposed entity would comprise both representatives from the BEC and SBDC as well as individuals selected from industry and Government and Shareholders comprising the 37 existing BEC within the WA Network and would see all BEC receive equal share holding on a non-cash contribution basis.

The purpose of the BEC Corporation would be to advance the role of small business facilitation within the State and coordinate the BEC Network. This would be undertaken via a small executive and two committees representing metropolitan and regional BEC. Figure 5 provides an approximate structure for this proposed entity.

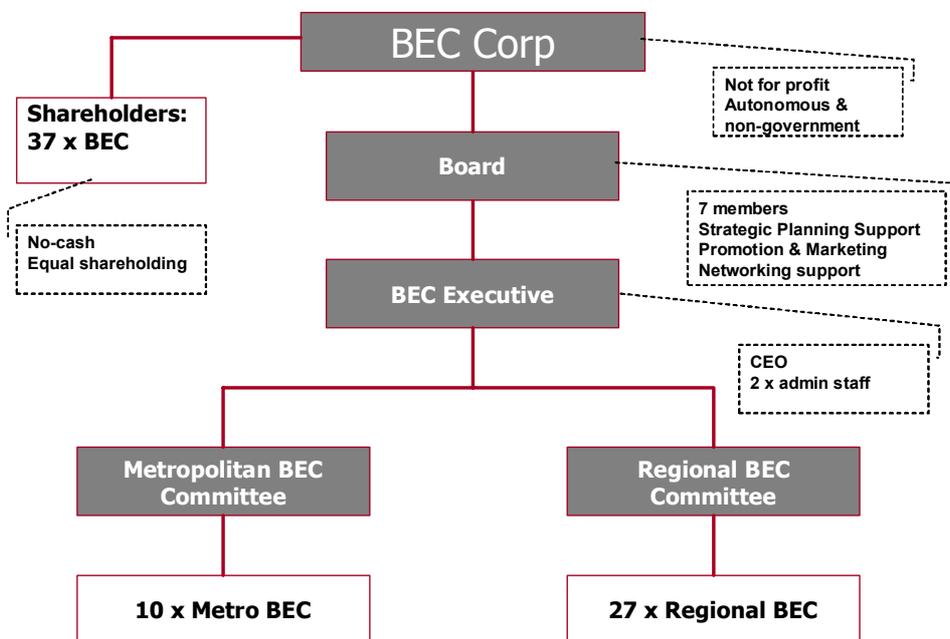


Figure 5: Proposed Model for BEC Corporation

Such an entity was viewed as offering greater independence for the BEC Network and a stronger voice in the community. It was also felt that such an entity would be more likely to perform as a business activity rather than a government agency. The aim of having shareholders was to see any funding or resources provided to the Network to be treated not as donations, but as investments that should be grown and returned with interest, even if such interest was not paid in the form of a financial dividend.

How such an entity might be funded was considered and it was suggested that the current \$3.6 million provided via the SBDC would be adequate to run the operation with the current SBDC BEC Support Unit transferred to the new entity.

Despite the enthusiasm shown for this model not all with whom the idea was canvassed accepted the concept. It was considered to be little more than a return to the unsuccessful BICL model that had already failed. It was also likely to create a further layer of bureaucracy, which was not desired by anyone. The sustainability of the concept in the face of what might become a future tightening of WA State Government funding to the BEC Network was also a concern. However, this proposal highlights the existence of an ongoing tension that exists between the BEC Network and the SBDC within its role as manager of the sponsorship program. The basis of this tension appears to be the inter-relationship between the SBDC and the Network of 37 BEC that are both independent entities responsible for their own operations, but frequently highly dependent on the State Government sponsorship funding and support programs.

Regional Development Commissions

It was suggested by some respondents that the nine RDC might be a more suitable coordinator for BEC within the regional areas. Placing the 27 regional BEC under their respective RDC would offer the potential for enhanced alignment of the BEC with the regional economic development strategies of the RDC. This proposal argued that a closer alignment between the BEC and the RDC might also assist the Network to source local funding support from regional stakeholders.

Discussions with representatives of RDC indicated a rather mixed response to this suggestion. While it could be seen that the RDC might assist the BEC Network to play a stronger role in regional economic development, the question of how the actual administration might work was a concern. At one level, the RDC could play a more active role in assisting BEC within their regions to develop services that would address particular industry or employment development strategies. At another, level the RDC might actually assume some control over the BEC located in their jurisdictions. With respect to the first, the RDC would be seeking evidence that any input or recommendations they gave to BEC in relation to strategic planning would be listened to and adopted. Otherwise they would see any participation in assisting the BEC Network as a potential waste of time. However, if the RDC took more control over the BEC there would be some expectation that they could call upon them to assist with policy work.

Further discussions with BEC representatives over the possibility of giving the RDC a coordination role for the Network was equally mixed. Many BEC explained that they already enjoyed a close working relationship with their RDC. Others expressed a contrary view with little apparent collaboration between them and their local RDC.

There was also a concern that the RDC were not well equipped to deal with the micro-level enterprise development function that was the role of the BEC. This was viewed by many as something that the SBDC was better structured to do.

Table 12 shows the general distribution of the BEC Network within the nine regional areas of the State. Also shown are the land area, population and economic statistics for each region as a means of comparing the relative concentration of BEC against regional population and economic growth rates. It can be seen from an examination of Table 12 that on a per capital basis the current distribution of BEC across the nine regional areas of the State (except the Peel Region) is fairly even with between 10,000 and 25,000 people per BEC in most cases. This compares to the metropolitan distribution of 138,530 people per BEC.

Table 12: Regional BEC within RDC Jurisdictions

Regions in WA	Regional statistics (2002)	BEC (location)
Gascoyne region	Area 140,912 sq km Population 10,000 Population growth rate 1.8% Unemployment rate 7.8%	Gascoyne BEC (Carnarvon)
Goldfields- Esperance region	Annual economic growth rate 5.2% Area 771,276 sq km Population 55,000 Population growth rate -1.4% Unemployment rate 5.2%	Population per BEC 10,000 Goldfields BEC (Kalgoorlie- Boulder) Esperance BEC
Great Southern region	Annual economic growth rate 8.1% Area 38,917 sq km Population 53,000 Population growth rate 1.0% Unemployment rate 5.8%	Population per BEC 27,500 Albany BEC Jerramungup BEC Central Great Southern BEC (Tambellup)
Kimberley region	Population growth rate 4.1% Area 421,451 sq km Population 32,700 Population growth rate 4.4% Unemployment rate 14.3%	Population per BEC 17,667 Broome BEC Derby BEC East Kimberley BEC (Wyndham)
Mid-West region	Annual economic growth rate 6.3% Area 470,000 sq km Population 50,463 Population growth rate 1.0% Unemployment rate 8.3%	Population per BEC 10,900 Mid West BEC (Geraldton) North Midlands BEC (Perenjori)
Peel region	Annual economic growth rate 6.8% Area 5,500 sq km Population 76,734 Population growth rate 3.2% Unemployment rate 7.2%	Population per BEC 25,232 Peel BEC (Mandurah)
Pilbara region	Annual economic growth rate 6.5% Area 505,000 sq km Population 39,676 Population growth rate -1.3% Unemployment rate 4.3%	Population per BEC 76,734 Karratha BEC Hedland BEC (Port Hedland)
South West region	Annual economic growth rate 8.4% Area 23,970 sq km Population 129,925 Population growth rate 2.4% Unemployment rate 5.3%	Population per BEC 19,838 Leschenault BEC (Bunbury) Busselton-Dunsborough BEC Margaret River BEC Collie and Districts BEC (Collie) Warren Blackwood BEC (Manjimup)
Wheat Belt region	Annual economic growth rate 6.0% Area 154,862 sq km Population 72,407 Population growth rate -0.1% Unemployment rate 4.4% Annual economic growth rate 4.4%	Population per BEC 25,985 Central Coastal BEC (Lancelin) Central Midland BEC (Wongan Hills) Central Wheat Belt BEC (Wyalkatchem) Eastern Districts BEC (Corrigin) Narrogin BEC Northam Districts BEC (Northam) Southern Avon BEC (Beverley) North East Wheat Belt BEC (Mukinbudin) Population per BEC 9,051

Source: DLGRD, 2003 Indicators of Regional Development in WA.

Local Government Agencies

As outlined in Section 1 of this report (see Table 1), the BEC Network already receives a substantial level of cash and in-kind support from Local Government. However, this support is uneven with many BEC receiving no funding, although the average in 2002 was \$10,654 in cash and \$5,193 in-kind.^[7] However, suggestions that the BEC Network might receive additional support and funding from Local Governments was met with issues of concern from some regional LGA who felt that it would lead to cost shifting by State Government agencies onto already stretched municipal budgets.

Despite these reservations there was a call within the review for a greater role for Local Government agencies (LGA) to be more actively involved in the coordination of the BEC Network. It was noted that many BEC receive relatively high levels of financial and non-financial support from LGA, including cooperation over the development of business incubators. The following comments from the Eastern Metropolitan Regional Council reflect the views of its six LGA constituents, suggesting that the SBDC, on behalf of the State Government, should be consulting with Local Government in the operation of the BEC Network:

Local Governments have supported BEC in the past; however, ongoing support can no longer be taken for granted. Councils are investing more heavily in economic development initiatives, whilst also being confronted with ever increasing demands from the community for improved services. In general, neither the Commonwealth nor State Government provides resources to Councils to implement economic development initiatives. The Commonwealth Grants Program (FAG) does not recognise Councils broader role or contribution to economic development. The little funding that is available from Government is limited to competitive 'grants' or 'project' funding for specific purposes, which in many cases excludes metropolitan Councils. Funds for economic development strategies are provided through rate revenues and as such must be justified by Councils and considered against a range of other competing priorities...The SBDC should therefore be consulting with Local Government and other regional stakeholders to initially determine the need for small business support services and then secure commitments from regional stakeholders to support/contribute resources to a service delivery mechanism in the region. (EMRC submission)

This call for greater involvement of LGA in the operations of the BEC Network was also echoed in the submission from the Waroona Shire Council:

The Council has a very good working relationship with the Peel BEC, however, to ensure there regional focus is maintained and enhanced we would recommend that each Local Government covered by a BEC region be requested to provide an elected member representative on the Committee. (Waroona Shire Council submission)

A more specific proposal was made by the City of Wanneroo in relation to the future strategic configuration of the BEC Network in the northern suburbs of Perth. This suggested the creation of a 'hub-and-spoke' model for the area with the City of Wanneroo serving as the centre for this hub.

The City of Wanneroo favours a BEC Network that includes Major Service Hubs incorporating satellite outreach points managed by business facilitators. We believe this model would apportion the resources of the BEC Network most effectively and proportionately...We believe that the rejuvenation of the valuable BEC service would be most effective with a Major Service Hub being located in the City of Wanneroo. This BEC could then apportion services to the key business areas that include Malaga, Joondalup and parts of Stirling. This proposal has the full support of the Wanneroo Business Association (WBA), the Suncity Business and Technology Association (SCBTA) and the Malaga BEC. (City of Wanneroo submission)

A submission from the South East Metropolitan BEC suggested that the Local Government Act 1995 (Section 5.9(2)c allows LGA or RDC to establish committees comprising Council members, employees and other persons to allow for the management of the operations of BEC to the Management Committee, as detailed in the BEC Sponsor Agreement as set by SBDC. Section 5.16 of Local Government Act 1995 allows LGA to delegate the powers and duties relating to the management and operations of a BEC to the Management Committee. This implies that there is a legal basis for an increased involvement of LGA in the operations of the BEC Network.

Strengthening the Role of BECWA

Despite the criticism of the BEC Corporation model, the review considers that there is a need for enhanced leadership within the BEC Network. One of the problems experienced by the existing system is the relative weakness of the 37 individual BEC organisations in dealing with more powerful agencies such as the SBDC or such regional stakeholders as LGA and RDC. Furthermore, the role that BECWA has adopted in recent years as the spokes group for the BEC Network enables it to secure a position as an advocate and leader within the scheme.

It should be noted that BECWA currently lacks adequate resources to allow it to undertake a meaningful role as the strategic leadership group for the BEC Network. Discussions conducted by the review with BECWA suggest that there is willingness by that organisation to undertake this role and further discussions with the SBDC indicate that the reinforcement of BECWA is achievable through the allocation of existing resources within the BEC Support Unit. However, it is the opinion of the

review that additional funding will need to be found to fully support BECWA to provide for support staffing, administration and associated travel costs.

The review is aware that a sum of up to \$400,000 has been earmarked for potential release to the BEC Network following completion of this report. While the precise budget required to adequately reinforce BECWA could not be completed during this review, it is anticipated that much of this amount (perhaps as much as \$300,000) may be required to enable BECWA and its six Regional Chairs to undertake the strategic leadership role envisioned. Assistance to BECWA from the SBDC BEC Support Unit is also likely to be required, particularly in the area of administrative assistance. Further, it will be necessary to consider increasing the overall level of funding to the BEC Network to allow for ongoing growth of the strategic management capacity of BECWA. This funding structure is dealt with in more detail in Section 8.

The Role of the State Government Funding Body – Conclusions & Recommendations

The review found no case for the transfer of the role of managing the Sponsorship Agreement to the BEC Network away from the SBDC to another State Government agency. Since 1995 the SBDC has acquitted its role as coordinator agency for the Government's funding of the BEC professionally and with evidence of a strong desire to see the Network strengthen. Although there is some potential for the roles of the SBDC to conflict with those of the BEC Network, the two are highly complementary in their strategic purpose. Further, the relationship that has developed between the SBDC and BEC Network, while not without its tensions, has begun to mature and demonstrates a strong level of mutual understanding. The BEC Support Unit within the SBDC has developed a substantial knowledge of the operations of the BEC Network, which may be difficult to readily transfer to another Government agency.

Maintain the SBDC as Funding Agency

While there is considerable scope for greater participation of other agencies such as RDC, LGA and other State Government departments in the operations of the BEC Network, the overall coordination of the Sponsorship Agreement is best placed with the SBDC. To place the regional BEC under the control of the RDC might have some merit from the perspective of enhancing their alignment with regional economic development strategies, but it risks creating a dual system of BEC at the regional and metropolitan levels with the prospects of competition over resources.

The review recognises the significant contribution of Local Government to the BEC Network and would encourage enhanced involvement by LGA in BEC operations along with greater aligning of BEC and LGA strategic interests where possible. For practical purposes it would seem inappropriate to place the BEC Network under the control of LGA or the Department of Local Government and Regional Development (DLGA).

Separate the "BEC Network" from the BEC Sponsors

In determining a future role for the SBDC as the State Government funding body the review suggests that an important distinction be drawn between the BEC service and

the existing network of non-profit agencies that comprise the “BEC Network”. Under the existing Sponsorship Agreement the distinct differences between “The Corporation”, “the Sponsor” and the “Business Enterprise Centre” are clearly defined. The first is the SBDC; the second is an incorporated non-profit organisation that receives funds to deliver services under the State’s BEC scheme. The BEC is an operation established under the Agreement to deliver ‘core facilitation services’ targeting small business start-ups and established firms with free personalised counselling and information support.

Although these distinctions should be obvious the review found that there was confusion over the nature of the relationship between these various actors within the Network. This confusion ranged from the perception that the SBDC and BEC Network should be treated as separate and equal agencies (as exemplified in the BEC corporation model outlined above), to the view that the BEC was an arm of the SBDC and its Manager a public official. Both the BEC and their community stakeholders held these perceptions.

Maintaining a Uniform Standard of BEC Services

In reality the BEC Network Scheme is a program of enterprise facilitation delivered under the SBDC administered sponsorship that currently places these services via a group of 37 sponsor organisations. The responsibility of the SBDC under this program should be to ensure that small business facilitation services of the highest standard are delivered throughout the State to meet the needs of all communities, particularly in areas where there is greatest need. In its selection and monitoring of sponsor organisations, the SBDC should ensure that a uniform standard of facilitation service is provided across the Network.

Enhance the Alignment of the BEC Network with State Economic Development Policy

It is the view of the review that the role of the SBDC as the management agency of the BEC Network Scheme should be to ensure that it is closely aligned with the wider economic development objectives of the State Government, particularly in relation to industry and regional development. As outlined in the last section, this is a process that should be guided by a statewide strategy to support the individual strategies of BEC organisations. This process is likely to require the SBDC to provide support to the BEC Network in strategic planning, professional development of designated enterprise facilitators, plus the design and development of facilitation services.

Separate the Management of the Sponsor Agencies from the Funding Agency

Further, the review considers that the SBDC should not be responsible for the financial or managerial activities of the non-profit organisations that are selected as sponsors, nor should it be committed to the perpetual support of the existing network of BEC organisations. There should be recognition by these BEC agencies that they have no innate right to ongoing receipt of funding under the BEC Network Scheme and must justify this support through the effective delivery of high quality enterprise facilitation services that are benchmarked against recognised best practice standards.

Recommendation – Retain the SBDC as the Sponsorship Scheme Coordinator:

That the SBDC continue to manage and coordinate the WA BEC Network Scheme on behalf of the State Government but with greater responsibility for strategic planning delegated to BECWA and the 37 BEC organisations with appropriate assistance provided by the BEC Support Unit to BECWA to enable it to provide strategic leadership to the individual BEC organisations.

Recommendation – Develop the Strategic Capacity of BECWA:

That the process of strategic capacity building of the kind that was commenced at the 2001 BEC Conference in Albany be continued. In achieving this BECWA should be strengthened through additional funding and support to allow it to provide an enhanced leadership role within the BEC Network, and thereby increase the level of managerial separation between the individual BEC organisations and the SBDC.

SECTION 8

Where, how and to whom should BEC add value?

The third Term of Reference examined under the review was related to the capacity of the BEC to add value and to whom such value should be added? As outlined earlier in this document this Term of Reference stated:

Where should BEC add value, and to whom?

The fourth Term of Reference examined under the review was related to the most appropriate way to configure the BEC Network to assist in enhancing its growth and sustainability. As outlined earlier in this document this Term of Reference stated:

How best can the BEC Network be configured to build local capacity and achieve maximum gearing from funds available from a diverse range of sources?

A Continuum of Services Model

As outlined Section 6 the choice of how to configure the BEC Network was between the four extreme options of a decentralised-micro-focused model, centralised-micro-focused model, centralised-macro-focused model or decentralised-macro-focused model. While none of these four extremes is ideally suited to the BEC Network, the current configuration of a community-owned and operated non-profit organisation that is well established and supported by its local industry and Government stakeholders was identified as the most appropriate model for individual centres. This, as shown in Figure 4, is predominately that of the decentralised-micro-focused model, but with the ability to extend its services beyond the core enterprise facilitation activities where appropriate.

It was widely acknowledged that the primary function and focus of the BEC Network should remain in the area of enterprise facilitation and support for start-ups, micro-enterprises and early stage ventures. The rising importance of home-based businesses within the state was identified as an area that BEC should be focused on, as well as business retention and expansion program work within the regional areas. This was viewed as particularly important in rural communities where the non-farm business sector was under severe strain and was able to benefit from the type of support available through the BEC Network. However, the problem of duplication of small business advisory and support services provided by Government funded agencies was a concern. It was felt that small businesses required a 'one-stop-shop' and that this was made more difficult with the degree of duplication and overlap

among State agencies. As one respondent who wished to remain anonymous expressed it:

The Small Business Development Corporation, the Regional Development Commissions and Area Consultative Committees are doing similar things. State and Federal Governments could save money by eliminating some of them.

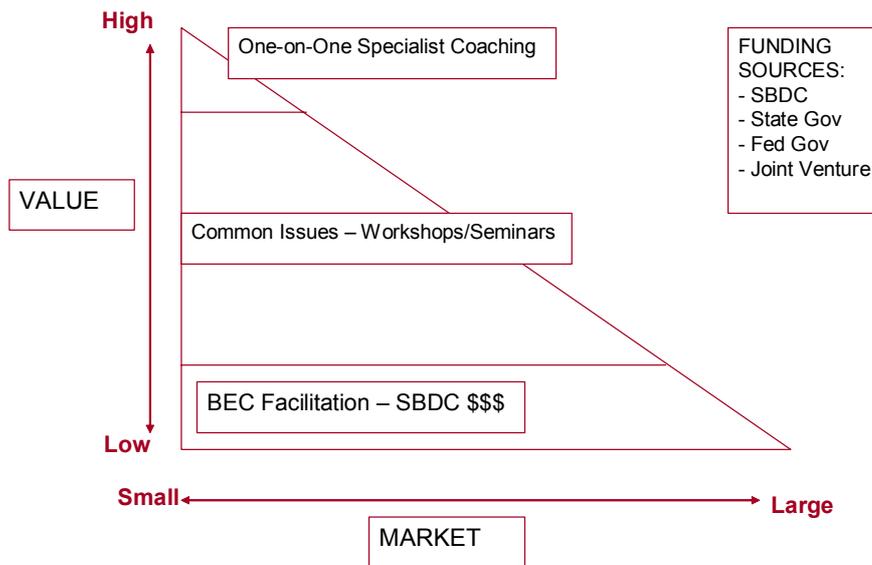


Figure 6: SEMBEC Model for BEC Service Delivery Process

The role of the BEC was described as being a continuum in which it provided services to a range of clients commencing with start-up entrepreneurs and micro-enterprises, and moving up to larger, more established firms. Figure 6 illustrates a model provided by the Manager of the South East Metropolitan BEC (SEMBEC) that suggests the role of a BEC should be primarily to provide core enterprise facilitation services under the sponsorship with the SBDC, servicing a large market with a relatively low value added service delivered free to clients. However, the BEC could also add value to other clients via such activities as training workshops or seminars or one-to-one specialist coaching on a fee-for-service basis. The model also recognises that the BEC could and should seek alternative funding from sources other than the SBDC.

Delivering a Wide Range of Services

While there were numerous suggestions in relation to the role of the BEC, with the issue of charging for services a contentious issue for some, the need to offer a wide range of services was generally acknowledged by most respondents. The diversity of the services and activities of the BEC Network was highlighted in the evidence

received by the review, suggesting that the range of potential clients for whom the BEC might add value is substantial.

It was the view of many respondents that the BEC Network, particularly in the regional areas, offered an opportunity for both State and Federal Government agencies to deliver a wide range of programs and services. As noted in the comments from the SBEC submission, there are a number of State and Federal Government agencies, as well as industry associations that benefit from the activities of the BEC Network, but who do not appear to fully appreciate the potential it offers as a delivery mechanism for their programs.

As the following submission from the Stirling Business Enterprise Centre points out, the range of potential clients to whom the BEC might direct its activities is wide:

BEC should also add value to other stakeholders. These include: SBDC, Local Government, Department of Training and Education, DOCEP, Department of Industry and Resources, Austrade, Department of Industry, Tourism and Resources, AusIndustry, ATO, accountants, lawyers, banks, business consultants, small business training providers, industry associations, business associations and Chambers of Commerce. If value is added to these organisations compensation must be forthcoming. For too long BEC have added value to these organisations for inadequate or no return. These organisations must be pursued for funding to broaden the BEC funding base. (SBEC submission)

The success of the “Small Business, Smart Business” training program delivered on behalf of the WA Department of Training was noted by many as an example of how the BEC might be used as a service delivery point for other State Government agencies to assist SME. Additional comments were also made in relation to the other programs offered via the BEC Network including:

- Small Business Improvement Program (SBIP)
- Small Business Initiatives Fund (SBIF)
- Regional Smart Start (start up assistance program)
- Business Innovation Development Scheme (BIDS)
- Small Business Mentor Service (mentor matching program), and the
- Marketing Today and Ca\$hflow Today training programs.

Both Centre Managers and stakeholders identified the collocation of BEC with Business Incubators as a valuable additional service or facility that could be provided. There was also support for greater collaboration between BEC and such groups as Telecentres and TAFE Colleges, particularly in regional areas, to form alliances for the joint delivery of programs focusing on information, education and training.

Should all BEC be Equal?

An issue that emerged from the review in relation to the reconfiguration of the Network was the question of whether all BEC should be treated equally in relation to the receipt of SBDC sponsorship funding? There was a view expressed and widely accepted by many (although not all) that there should not be a continuation of the situation where all BEC receive the same level of funding regardless of their location, cost of operations or activity level. The following comment is indicative:

The main issue we hope to raise through this review is the inequity of funding where a BEC that cover areas with many thousands of businesses receive the same level of funding as those that service very small communities. (Leschenault Enterprise Centre submission)

As discussed above, the range of activities undertaken by the various Centres that comprise the BEC Network is diverse, with different costs of operation depending on the geographic distances that the Centre needs to cover and whether they have a relatively large or small population base to service. It will be recalled from Section 4 of this report that the activity levels of the different BEC can vary significantly. For those BEC that consider they have been more active or more entrepreneurial than average, the allocation of virtually identical amounts of core funding under the Sponsorship Agreement is frustrating.

The Justification of Uniform Funding

However, this perspective ignores the fact that the funding allocation (approximately \$60,000 per year) provided to each BEC organisation under the WA BEC Network Scheme, is for the provision of core enterprise facilitation services to be delivered free to the public. It is not a salary for the facilitator or guaranteed revenue for the centre sponsoring the BEC operations.

The relative differences in activity levels between various sponsoring organisations comprising the Network is noted by this review, however, the purpose of the BEC Network Scheme is to provide a consistent level of publicly subsidised enterprise facilitation services throughout the State. To this end the need for a uniform level of core funding seems justified.

Entrepreneurial versus Bureaucratic Model

The need for BEC to be more like the entrepreneurial clients that they seek to assist was a matter of some discussion within the review process. One of the key recommendations from the 1998 study of service standards and performance benchmarks for the WA BEC Network was for the creation of a more entrepreneurial BEC with the capacity for more entrepreneurial leadership.^[4] Most respondents viewed the need for the BEC to be widely networked and able to access resources and funding from a diverse range of sources as a key objective. However, there was a noticeable division of opinion within the network as to whether the BEC should be an entrepreneurial or bureaucratic model.

The Entrepreneurial Case

The case for an entrepreneurial approach saw the BEC as needing to be more like the SME community that they are seeking to support. This also saw an entrepreneurial approach as a means of growing the available resources of the network. Collaboration between entrepreneurial BEC and various Government and non-government partners to deliver SME support services was considered a desirable goal:

*Gearing and leveraging can be achieved by:
Partnering with a tripartite funding agreement
Getting all the advantages of the Government purchasing umbrella
Selling sponsorship, and
Charging for non-core service. (Swan Region BEC submission)*

The Argument Against

In contrast to the entrepreneurial approach, a significant number of BEC and many of their stakeholders viewed their role as a free service provided by the Government and largely outside the boundaries of the private sector. As noted in the discussion of the previous Term of Reference, suggestions of BEC charging fees for services or seeking commercial sponsorships to enhance funding were strongly rejected on the grounds that this would 'bias' their advice and taint their image as place where client could come to seek fair and honest support. Under this perspective the State Government was seen as needing to do more to support the small business community and that the solution was to supply the BEC with additional public funds.

Case Studies of Entrepreneurial Orientations among BEC

To illustrate the opportunities an entrepreneurial orientation can provide for a BEC, the review prepared two case studies. The first of the Central Midlands BEC located in Wongan Hills, the second of the Albany Business Centre. The selection of these two cases was undertaken not to suggest that these centres were superior to their counterparts in the network, but to highlight the entrepreneurial approach taken by their committees and managers.

Central Midlands BEC – An Innovative Way of Operating

This case study illustrates the opportunities available to a BEC located in a relatively isolated community. A major challenge facing the centre is the distance that must be covered to service clients. According to the BEC Manager, it is not uncommon for him to have to travel 2 hours to attend a client meeting lasting 2-3 hours and then travel 2 hours on the return journey. The Central Midlands BEC has previously enjoyed financial and non-financial support from the Shires of Dalwallinu, Dowerin, Moora, Victoria Plains and Wongan-Ballidu as well as additional assistance from Australia Post and the WA Lotteries Commission. As with many BEC located in the Wheatbelt, the local economy is frequently affected by fluctuating commodity prices

and extremes of weather bringing floods or drought. Assisting local businesses to survive such conditions and to maintain or grow the level of services to the numerous small towns that comprise the community are key goals.

Case Study 1

An Innovative Way of Operating: The Central Midlands Business Enterprise Centre

John Lysaught, Manager of the Central Midlands BEC demonstrates entrepreneurial thinking in the way he manages this Business Enterprise Centre. John has explored and harnessed a multitude of fee-for-service activities including:

- Providing administration and development functions for local business associations
- Project management for the local housing project
- Business planning and financials for established businesses
- Additional funding through links with the RDC
- Developing performance management systems for clients

An awareness of the need to find and develop fee-paying customers encourages John to target specific groups/businesses, offering a free or subsidised service to prospective clients. Exemplifying this was the decision by the Central Midlands BEC to assist the Heartlands Branding Group with their drive to access \$100,000 worth of funding, an initiative aimed at promoting tourism in the 'Heartlands' of the Wheatbelt. The BEC was directly responsible for the positive outcome of this funding opportunity, preparing the business plan and funding application documentation at a heavily subsidised rate (\$2,300 instead of \$13,000). The BEC is now positioned to benefit in that the Heartlands Branding Group will be able to pay full fees for services over the years to come.

In line with a private business model, this BEC operates its committee as if it were a Board and a sound corporate governance model is followed. Strategic planning is an integral part of the East Midlands BEC operations. Completed annually with the Committee, a set of initiatives is crafted and used throughout the year as a benchmark for tracking and improving the BEC performance.

Albany Business Centre – Running Like a Business

Compared to the Central Midlands BEC, the Albany Business Centre operates within a larger population base and a greater diversity of economic activities. Nevertheless, the community of Albany remains geographically isolated from Perth and the local economy remains dependent on agriculture and retailing. The approach taken by the Albany Business Centre has been to view the sponsorship with the SBDC as but one of a range of services that the centre can deliver. While the core facilitation service is delivered free to clients, the Centre offers a range of fee-for-service programs that assist it to remain financially viable and grow its operations.

Case Study 2

Run It Like a Business: The Albany Business Centre

Robert Siegel is the longest serving BEC Manager. He has successfully managed the Albany Business Centre (ABC) for 15 years and he runs it along private enterprise principles. According to Robert;

"We are the Albany Enterprise Group Inc. I run it like a business, I like to make a profit, I like to see the balance sheet improve. We have 4 basic contracts of which BEC is just one. Our brand is The Albany Business Centre."

The ABC is a business currently operating with four contracts: BEC, NEIS scheme, Aussie Host & the lease for the Incubator in which the ABC is housed. Robert sees himself as a fellow business owner whom other small business owners can 'kick their problem around with'. The ABC operates a fee-for-service model;

"We are a free business advisory service available on a casual basis. From time to time you get a free hour, but you won't get in-depth information for free, we sell it through a workshop. I operate much the same as a consultant operates his consultancy; I'm going to get a paying customer out of it."

Robert believes that to be successful, Managers must run their operations like private businesses, seeing themselves as business owners, not employees of the Government. It is critical that the Manager has an entrepreneurial mindset and Robert asserts:

"I am the SBDC local area rep. We have a funding relationship. I act as a referral service to SBDC (For example, there's a leasing expert at the SBDC. I refer local clients to him as he's the expert in this area.). I also act as a business coach; I talk to client while they play the game. I DON'T think for them. I have guys locally too whom I send clients to. If a client wants something done for them, that is fee paying private sector stuff."

The ABC has operated with up to 7 contracts at one time, and the key to its success is the way in which this business is structured and managed. The ABC is not a BEC, it is an independent business that carries the BEC contract and acts as a representative for the SBDC while in receipt of this funding. The ABC is structured so that it is not wholly dependent on any one source of funding, the aim being that if one source of funding was cut tomorrow, the ABC could survive.

Several submissions were received by the review from small business operators praising the assistance that they had obtained from their local BEC. Among them were some from clients of the Albany Business Centre. The following comments are drawn from one of these submissions prepared by the proprietors of the Chemdry Great Southern dry-cleaning franchise:

We are also highly indebted to "Robert Siegel" (Manager for the Albany Business Centre), for his ongoing business advice & assistance. We have a very high esteem of his opinions and entrepreneurial skills. We have also noticed that Robert has helped many other "start-up" businesses to expand and move on. Soon, we will do the same & operation from our new residence closer to town. (Chemdry Great Southern Pty Ltd submission)

Free Service or Fee-for-Service?

The need to widen the scope of the BEC from a free to the client service for start-ups and early stage micro-enterprises was acknowledged by most respondents. It was the view of many BEC that the existing funding model did not permit sufficient growth without the Centre seeking to undertake additional operations and programs. However, there was a relatively strong difference of opinion between the BEC and their respective stakeholders over the role that the Network should play and the type of clients it should service. For example, some argued in favour of a BEC model that was highly entrepreneurial, with the Centre offering free-enterprise facilitation services to start-ups and micro-enterprises (traditional BEC clients), but also engaging in a range of additional services such as the management of business incubators, delivery of training programs, coordination of industry development initiatives and fee-for-service business coaching.

In contrast to the more entrepreneurial model describe above, there was an equally strong view that the BEC Network should remain a publicly subsidised service to ensure maximum accessibility to all members of the community. Further, this view also saw no role for any commercial sponsorship on the grounds that it might bias the advice that could be delivered by the BEC facilitators, or place the Centre at legal risk if the advice was deemed to have damaged the client's interests. Charging fees for services was also viewed as putting the BEC into competition with other professionals such as accountants.

The argument in favour of charging fees for services rendered was articulated by the BMA in their submission that stated:

The concept of fee-for-service should be incorporated in the triennial Sponsorship Agreement. Not only to produce revenue for the BEC, but to address the last listed perception and to bring some business discipline to the client accessing the service. It has been suggested within the BMA that a period of free service (say 5 hours maximum) should be allowed. Any additional consultation requested by the client would be charged out at a commercial rate. (BMA submission)

The 'last listed perception' referred to in this statement was the view, allegedly held by many in the community, that if a service is free it is unlikely to be of high quality. In response to this view was the counter argument that:

I really do feel that this is one of the most crucial issues to deal with as part of the review - I am totally against such a move, fearing that not only will we in Broome suddenly find that our clients will no longer access our services due to their lack of financial capacity, but that we are also immediately held legally liable for all advice provided. (Broome Enterprise Centre submission)

As the above two statements serve to illustrate, the issue of BEC charging for their services is highly contentious. In an attempt to find a resolution of this argument it is perhaps worth recalling that there is a legal distinction between the BEC and its sponsor organisation. While the existing Sponsorship Agreement specifies the need

for BEC core services to be delivered free to the client, this does not restrict the sponsoring organisation from engaging in a range of other activities from which it can secure additional sources of revenue. The Sponsorship Agreement specifically states that the BEC is not restricted from tendering for fee-for-service contracts, with the only proviso that in doing so it does not compete unfairly with the private sector.

As illustrated in the case studies of the Central Midlands BEC and Albany Business Centre, there is an opportunity for sponsoring organisations to deliver core enterprise facilitation services to start-up and micro-enterprises on a free-to-the-client basis, while also offering fee-for-service activities that will enable the sponsoring Centre to increase its resources.

Collocation in Regional Areas of BEC and Telecentres

As already noted, a major concern for many respondents to this review was the perception that there was too much overlap and duplication of activities among the various agencies tasked with delivery of information and support to the small business community. The review found that many BECs expressed a lack of resources to fully service what they saw as the needs within their communities. In recognition of the need for greater specialisation and economies of scale the issue of collocation between the BEC and Telecentre networks was examined.

Collocation of BEC with other community-based agencies was seen as offering advantages in reducing overhead costs and enhancing the administrative resources of both the Centre and its accommodation partners. The need for collocation was seen as being greatest within the regional areas and the opportunity for combining the BEC Network with the State Telecentre Network was identified as one that might be highly appropriate. The Telecentre Support Branch (TSB) of the Department of Local Government and Regional Development (DLGRD) put this proposal forward in their submission. Key aspects of this proposal are worth examining.

An Alliance between the TSB and BEC Support Unit

According to the TSB, there are potential synergies between the role it plays and that of the BEC Support Unit within the SBDC. It was suggested that an alliance between the two agencies would assist in the expansion and delivery of services to regional WA. The following comments outline these views:

In the future there may be opportunities for the Telecentre Support Unit to provide services that add value to that of the BEC Support Unit. This would particularly apply if BEC Management Committees were to amalgamate with Telecentre Committees of Management in rural areas. Both support units could collaborate to deliver services that are of relevance to each Network, particularly in the areas of business planning/development and marketing. This would minimise duplication of effort.

This collaboration would provide for training and development services to be designed for delivery through the use of technology, such as point-to-point and multi-point videoconferencing and Westlink. This allows the benefit to be delivered simultaneously to a wider audience, and for the information to be targeted to particular audiences. (Telecentre Support Unit submission)

The Advantages and Disadvantages of Collocation

This issue of collocating BEC with Telecentres was discussed through the review with differing arguments for and against. Some who saw an opportunity to leverage mutual administrative and physical resources as well as providing BEC clients with enhanced ICT support highlighted the benefits of collocation. The capacity to deliver information and educational materials online to small business and start-up clients was also highlighted. Reduced costs of accommodation and the potential of an enhanced 'one-stop-shop' were also suggested as benefits from collocation. These views were expressed in the following submission from the Bruce Rock Telecentre:

We submit that BEC should be located within Telecentres. The reasons for this are: 1) There is a need for support for businesses within rural and regional Australia due to the remoteness of these businesses in relation to support networks available in metropolitan areas; 2) Telecentres (including us) already serve the needs of both the business community and individuals including information relating to BEC. It is submitted that it would be a natural progression therefore that our function be extended to include a part or full-time BEC consultant or to provide office space for a BEC consultant as required; 3) A number of Telecentres (including us) have video conferencing capabilities that would facilitate face-to-face communication if required; 4) As a Telecentre we are part of a Network that shares information and ideas. If BEC were to become a part of the Telecentre Network, BEC information would be shared and this would in turn strengthen the opportunity for businesses to access the services that BEC provide; 5) Telecentres already have an administration and technology infrastructure that could be used e.g. phones, fax, email, secretarial and office space so this would not have to be duplicated. (Bruce Rock Telecentre submission)

Those who expressed opposition to collocation of BEC and Telecentres suggested that the two organisations were substantially different in their operations and activities. Concerns were voiced about the possibility of BEC clients not wishing to visit the Centre if they felt it was also a Telecentre. The need for a secure environment in which confidential business information could be discussed was raised as a reason for the two Centres to be kept strictly separated.

The Sponsorship Agreement underlying the WA BEC Network Scheme does not preclude collocation. However, it does require that where collocation occurs the core activities of the BEC are not eroded or the Centre's role diminished as a result.

A Case Study of Collocation

To illustrate the possibilities of such collocation the follow case study was prepared on the East Kimberley BEC and the Wyndham Telecentre. This case demonstrates that successful collocation and collaboration between the BEC and the Telecentre Networks can be achieved. It also highlights the potential, via such collaboration and collocation, for enhanced resource sharing and economies of scale.

Case Study 3

Collocation and Working Together for the Community: The East Kimberley BEC and the Wyndham Telecentre

The East Kimberley BEC and the Wyndham Telecentre represent a working example of the benefits of collocation and professional collaboration. Located in Wyndham, these two organisations work together to improve their service offerings to the local communities.

The previous BEC Manager led the collocation initiative in Wyndham, inviting the Telecentre into the BEC offices. For the three years that Diana Spyker has managed the East Kimberley BEC, a successful model of collaboration has been in operation with the Wyndham Telecentre. Natika Hawes-Wright is employed for 20 hours per week to operate the Telecentre and together, Natika and Diana have structured the office, the hours they work and their activities to provide optimum levels of service to all BEC and Telecentre clients.

The pair also work together to produce the monthly community newspaper, *The Bastion*, an activity that relies on their collaborative efforts and shared resources. Diana believes that *The Bastion* has allowed the BEC to raise its profile considerably and uses this paper as the main communication medium for the BEC. In contributing to the production of the paper, the BEC is entitled to free advertisement and article space.

Diana states, “We work together as a team. We are like one big resource centre.” The BEC/Telecentre also provides office space to a range of visiting specialists (ATO, Centrelink, New Employment Directions etc...). The aim is to be a ‘one stop shop’ or hub for services that are applicable to small business owners and prospective small business people.

Natika and Diana also structure their hours so that one of them is always available at the BEC/Telecentre office. Diana travels to Kununurra once a week to work out of that Telecentre and for this day Natika is available in Wyndham to help both Telecentre and BEC clients. Diana reciprocates when Natika is not in the office by assisting the Telecentre clients. Collocation and collaborative planning has enhanced the effectiveness of the East Kimberley BEC.

Creating “Hubs of Expertise”

The TSB submission also suggested the creation of a “Hubs of Expertise” model in which the BEC Network would be reconfigured through a process of collocation of BEC with Telecentres. Following such a reorganisation the service delivery model would allow a single entry point for small business clients to both face-to-face

enterprise facilitation, online and hard copy information, ICT services and training, both online and offline. According to the TSB:

At present each of the BEC Managers quite often has to straddle many different business development issues with clients in their area. Drawing the Network into hubs of expertise and combining this with the use of technology could distribute the load of managing these demands across the whole Network. In many cases people could discuss and learn about starting or developing their business through the use of technology with the same level of success as a face-to-face situation. There would be no need to leave people out of the loop if they did not happen to be in an established BEC service loop. (Telecentre Support Branch submission)

Tender Out the BEC Service

Finally, suggestions were also made to tender out the enterprise facilitation service currently provided to the existing sponsor organisations, thereby shaking up the current Network and seeking a fresh approach to the management of the BEC services. This suggestion was outlined in the following submission that also argued for a greater involvement by LGA:

The SBDC should therefore consider two funding/service delivery models:

Seek expressions of interest from suitably qualified organisations to deliver small business advisory services

Develop partnerships to manage and deliver business advisory services in cooperation with local/regional or other government agencies that have appropriate infrastructure. (EMRC submission)

The argument for closer linkages between the BEC and LGA was that Local Government was able to support the BEC with funding and resources, as well as enhanced corporate governance. Such an alliance would permit BEC to leverage LGA joint services, marketing and databases.

Under the current Sponsorship Agreement the sponsor must be an incorporated non-profit organisation. This would exclude LGA or private sector accounting firms or other consultancies from tendering for these contracts. However, there would be an opportunity for CCI and other business associations to do so.

The advantages of tendering out the BEC Network Scheme would be the prospects for introducing new and potentially more capable sponsors to the Network. There would be some synergies in collocating a BEC within a CCI. Such an arrangement could strengthen the voice of the BEC within its business community and assist in marketing, recruitment and accessing sponsorships.

Where, How and to Whom should the BEC Add Value - Conclusions

The need for the BEC Network to become a focal point for the delivery of a wide range of small business advisory and support services was highlighted in this review. With such a large and geographically dispersed network, WA has the opportunity to fully leverage the BEC for the enhancement of regional communities and economies. While the core service offered via the BEC Network is likely to remain a subsidised facilitation or counselling service, these Centres should be developed to provide additional services and programs as required within their communities.

The review recognises the need for the BEC Network to secure additional funding and support from a wide range of sources and to seek such resources so as to build the capacity to deliver enhanced services within local communities. It is acknowledged that the current operating grant under the existing Sponsorship Agreement is insufficient to allow the delivery of more than the core enterprise facilitation services.

Focus on Core Enterprise Facilitation Services

It is the opinion of this review that the BEC Network should concentrate primarily on delivery of the core enterprise facilitation services targeted at small business start-ups and micro-enterprises and subsidised under the Sponsorship Agreement. However, the individual BEC within the Network should seek to develop a range of services to meet the needs of their respective communities.

Maintain Equal Funding for Core Facilitation Services

The review recognises that the activity levels and focus of individual BEC within the Network will differ and that the encouragement of a more entrepreneurial orientation will require some incentives or rewards for enterprise. However, the primary purpose of the WA BEC Network Scheme is to offer a statewide system of publicly funded enterprise facilitation services to the community. It is the opinion of the review that the funding of this core enterprise facilitation service should remain consistent across the Network at a uniform rate per sponsoring organisation, at least at a base level.

Encourage an Entrepreneurial Orientation

It is review's opinion that the BEC Network should continue to provide a high quality core enterprise facilitation service to the community on a free to the client basis. However, the BEC Network should also be encouraged to adopt a more entrepreneurial orientation, which allows Centres to generate additional sources of revenue from the delivery of fee-for-service and to assist the BEC to develop additional services to meet community needs. To this end, the review supports the creation of a system of financial incentives to encourage local capacity building.

Currently the SBDC funds a variety of programs that can enhance the operations of the BEC Network. For example, in FY2001/02 the BEC Network received a total of \$643,988 under the various supplementary funding schemes administered by the SBDC.^[2] While not all BEC organisations received equal amounts these supplementary funding programs illustrate the means by which entrepreneurial

activity by individual BEC can be rewarded. It is acknowledged that the availability of such programs cannot be guaranteed, but these types of schemes – whether administered directly by the SBDC or by other State Government agencies – can be channelled via the BEC Network to meet identified needs among small business clients.

Develop Additional Services to Meet Community Needs

The BEC Network should identify areas of local need within the small business community and respond by preparing and delivering appropriate services to meet these needs. In developing these additional services the BEC Network is likely to need to access additional funding from those agencies that share a common interest in addressing the needs of small businesses and their respective industries. Additional funding is likely to be required to assist the BEC to develop these additional services and some reallocation of the existing budget may be required to support such activity. As noted above, the past experience of BEC serving as a delivery point for SBDC and Department of Training (Small Business Smart Business) programs, which together amounted to around \$1.2 million in FY2001/02. It is anticipated that the BEC organisations will require assistance from the SBDC in the development and delivery of such schemes.

Encourage Collocation in Regional Areas

While the argument for or against collocation is likely to be determined best on a case-by-case basis, the review can see merit in regional BEC being collocated with Telecentres. It is the review's understanding that the State Government has an established funding scheme to encourage collocation initiatives. We understand that the Regional Development Council promotes development within the nine Development Commission regions by assisting regional communities to participate in collocation projects, via a \$7.3 million capital works grant program. This is part of the Collocation Initiative, put forward by the Western Australian Government. It is a set of strategies designed to encourage Government agencies and regional communities to look at opportunities to share their resources and deliver broadly compatible services from one location. The collocation of Government agencies is seen as an important means of improving whole-of-government arrangements in regional Western Australia. The Regional Collocation Scheme was understood to be available to regional communities over four years from the 2000/2001 to the 2004/2005 financial years.

Recommendation – Focus on Micro-enterprises and Business Start Ups:

That the BEC Network focuses primarily on small business start-up and micro-enterprises within its core enterprise facilitation service delivery. However, subject to the need for the BEC to ensure that they observe the conditions of competitive neutrality as specified in the Sponsorship Agreement, there should be no limitation on the range of services that can be delivered by the BEC Network with the needs of the market determining the ultimate service configuration.

Recommendation – Increase Network Funding:

That the level of funding for the BEC Network Scheme be increased to allow for the enhancement of BECWA in a future role of leadership and coordination, but also to facilitate expansion of small business support services within Western Australia.

Sufficient funding should be provided to ensure the delivery of core enterprise facilitation services to a consistently high standard at each BEC regardless of its location. However, funding formulas should be designed to encourage increased self-sufficiency among BEC sponsoring organisations and with incentives for Centres that demonstrate their ability to secure cash or in-kind support from community stakeholders.

Recommendation – Examine the feasibility for enhanced links with Telecentres:

That the BEC Support Unit and BECWA conduct a feasibility study in conjunction with the Telecentre Support Branch to assess the benefits of collocating regional BEC with Telecentres with a view to enhancing economies of scale and scope.

SECTION 9

Alliance Building and Sustainability

The fifth and sixth Terms of Reference examined under the review were related to the potential for developing local alliances and partnerships, and how to create mechanisms to enhance the sustainability of the BEC Network. As outlined earlier in this document these Terms of Reference stated:

What potential is there for building further local alliances and partnership arrangements with key stakeholders; and

What mechanisms need to be put in place to develop the network and make it sustainable in the longer term?

The general view of many respondents was that there was substantial potential for the BEC Network to enhance its local alliances and partnerships with various stakeholders. Already many BEC have excellent linkages with a wide range of key stakeholders including such agencies as LGA, RDC, CCI and ACC. However, not all BEC are so well networked.

Existing Stakeholder Alliances

To understand the potential within the BEC Network for developing local alliances and partnerships the review examined the annual reports for the FY2001/02 of 12 BEC organisations. These included a cross-section of metropolitan and regional centres, with the latter selected to represent various parts of the State and both large and small population catchments.

The Importance of Government Support

The pattern that emerges from these case studies is the relatively high level of dependency that currently exists within the BEC Network on funding support from either State or Local Government. In most cases annual reports reflected a high level of activity by the BEC organisations with the Centre Managers actively engaged in networking with a wide range of local community stakeholders. However, in most cases this did not translate into substantial additional support for the Centres

There were examples of BEC securing significant additional income streams from a range of sponsors drawn from RDC, LGA, CCI and industry partners as well as earnings from delivery of fee-for-service programs. For example, the Leschenault BEC reported obtaining in excess of \$100,000 in additional funding from such sources to supplement that provided under the WA BEC Network Scheme sponsorship. In addition to direct cash sponsorships or revenues from fee-for-service

programs there were many BEC that received a range of in-kind support in the form of accommodation or administration or marketing assistance.

Despite such examples of alliance building and partnering with local stakeholders, many BEC were found to remain dependent on the Sponsorship Agreement with the SBDC, additional sponsorship from LGA and supplementary funding programs provided via the SBDC. As the comments of the Hedland BEC suggest, the main additional source of funding is LGA, but additional opportunities are being canvassed:

Probably the most important source of external funding is Local Governments, although the Town of Port Hedland and the Shire of East Pilbara do not see small business assistance as a priority for the respective Councils. HBIC for example have a partnership with Austindustry to deliver Small Business Answers in the Pilbara, while some of the Wheatbelt and Goldfields BEC have a strategic alliance with their Area Consultative Committees to deliver Small Business Answers. Generally, our operating style has been to establish working relationships with other local agencies, we have recently embarked on an operational partnership with the Pilbara TAFE, to develop and deliver a training program. This will be supported by SBIF funding, and the SBSB voucher scheme. Another opportunity is the possibility of Pilbara Development Commission co-funding of a full-time PDC/BEC/Small Business Answers office in Newman. (Hedland BEC submission)

The reasons for this relative dependency on Government agencies are likely to be explained as a combination of the lack of capacity in the local business community to support the operations of the BEC and the willingness of the BEC to engage in entrepreneurial activities. Some respondents, particularly those in the regional areas, considered that there was a limited level of funding support likely to be found in both the LGA and business community. This was a point made by the Regional CCI:

Most regional Chambers would not be in a position to give their local BEC financial support. They often rely on the same community support to survive, but as can be seen, the majority are enthusiastic supporters of their local BEC and are prepared to work together. (RCCWA submission)

Other respondents laid the blame on personalities, with the inability to collaborate a function of who was staffing both the BEC and its related stakeholders.

Creating Communities of Interest

Concern was expressed that local stakeholder communities were becoming harder to collaborate with due to the decision by many LGA to appoint Economic Development Officers, or for ACC to recruit Small Business Answers Officers. It was the view of

some BEC that such positions were competing with them and a less efficient use of public funds, even though the job description may be dissimilar. In other discussions some BEC considered that their capacity to develop such alliances was limited by their relative lack of resources.

Based on the evidence received by this review the prospects for enhancing alliances and partnership, which can assist in strengthening the capabilities of the BEC Network seem good. However, the ability to successfully develop such alliances and maintain a sustainable relationship is likely to depend on a combination of personal and strategic processes.

At the personal level, BEC staff – both Managers and Committee Members – must recognise the importance of strategic networking to build the capacity of their Centres. While few would argue with this suggestion, the actual execution of this is more problematic. The review found evidence of territoriality and the pursuit of what one respondent (who wished to remain anonymous) described as a process by which “vested interest diluting the likelihood of success”. Addressing these personality issues will not be easy and involves participants within both the BEC Network and the various agencies that define its community.

With respect to the strategic processes required it is the opinion of this review that the key to developing alliances and partnerships is the creation of *communities of interest*, or strategic projects around which various parties can collaborate. The following comments from the Peel Development Commission provide an example of how this might be achieved:

In the past agencies tended to operate independent of each other and many opportunities created through collaborative effort were lost. A strategic development in the Peel Region has been the forging of closer working relationships between regional partners in servicing the interests of small businesses in the region. The partnership involves the Mandurah Peel Region Chamber of Commerce, five Peel Local Governments, Peel Region Tourism Association and the Peel Development Commission through its Business Development Manager.

This has seen many joint initiatives in providing training, seminars, workshops, networking and resource sharing in which the Peel BEC plays an important and expanding role which the Commission fully supports. Through its collaborative arrangements the Peel BEC is now better placed to support and provide a service to small and medium sized businesses. The Peel BEC works in close consultation with the Commission in the promotion and support of new business opportunities and the expansion of existing businesses. (Peel DC submission)

The BEC as an Institution of Collaboration

The creation of communities of interest around which various stakeholders can form networks and alliances is a key principle of economic development based on collaborative behaviour.^[1] It suggests the creation of projects that can produce

outcome that are commercially beneficial to all participants. Organisations, whether publicly or privately owned, are motivated by their own objectives and are unlikely to engage for long with others if they see not advantage in doing so.

The role of BEC in this process can be either one of leadership or minor participant. In our examination of the annual reports and strategic plans of the 12 BEC from FY2001/02, was apparent that these Centres were able to serve as a focal point for many stakeholders through their relative neutrality in both commercial and political terms. As non-profit, community owned and operated organisations, the BEC were well placed to provide a focal point and local delivery channel for programs and activities developed by Governmental, industry and educational agencies.

In the development of industry networks and clusters, a role has been identified for locally based *institutions of collaboration* that can serve as facilitative mechanisms within the region to encourage networking among companies and public agencies.^[2] Although such institutions can be universities, Local Government agencies or CCI, they are more likely to succeed if they have an organisational structure that is non-profit and community owned. Such institutions tend to be public-private partnerships created specifically for enhancing industry-clustering behaviour.

The BEC Network offers a potential source of such institutions of collaboration due to the organisational structure and community ownership model currently employed. While the focus of the BEC Network should be on enterprise development rather than economic development, there would appear to be scope for encouraging the BEC to play a greater role as institutions of collaboration within their respective small business communities.

Facilitating Networking and Clustering among Small Firms

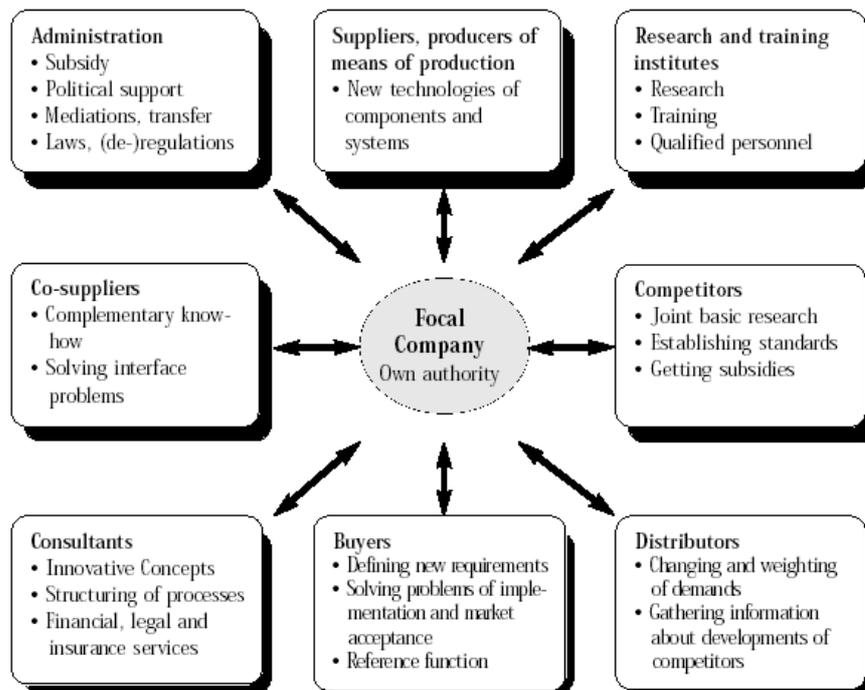
Research into the networking behaviour of small business owner-managers suggests that collaborative alliances can be beneficial to their success but that their decision to engage in such activities is contingent on their strategic orientation.^[3] Factors such as the owner-manager's education level, years of business experience and growth orientation are likely to influence their willingness to engage in strategic networking.^[4] The benefits of collaborative behaviour can take the form of enhanced market access, improved benchmarking, development of capacity through resource sharing and the ability to defend market position via collective action.^[5]

For many small business owner-managers the benefits of networking and strategic alliance formation are poorly understood, with many apparently fearful that such behaviour will lead to loss of intellectual property, individual identity, control of business operations or customers.^[6] The owners of micro-enterprises are more likely to seek the advice and support of family and friends than other business owners or third party advisors. While substantial benefits can be derived from their networking with other owner-managers and third party advisors, there is a tendency for micro-enterprises to remain suspicious of government promoted interventions.^[7]

The BEC Network would appear to be well placed to serve as the focal point for strategic networking activities designed to bring together small business owner-managers, particularly those in micro-enterprises, to form communities of interest aimed at enhancing local business capacity. Such behaviour is already inherent in many of the programs and activities currently run by the BEC Network. For example,

the Small Business Initiatives Fund (SBIF) provided financial support for several BEC led projects that enhanced local industry and business networking and capacity building.

In seeking to develop the capabilities and market access of their firms, small business owner-managers are likely to benefit from assistance delivered via BEC in the form of information, training and networking. Figure 7 illustrates the range of potential network partners that a small business may need to access or engage with. Key resources the owner-manager may require via such a network are information on legal and regulatory issues, industry benchmarking, market intelligence, training, research and staffing, also referrals to consultants and specialist professionals. Properly configured, the BEC Network would be able to assist small business clients to build relationships to such sources of information and support. In addition to offering the one-to-one enterprise facilitation services, the BEC can provide *network facilitation services*. While this is currently undertaken by many BEC organisations, the importance of network facilitation is not yet fully recognised on an official level.



Source: Gemunden & Heydebreck (1995)^[8]

Figure 7: Network & Cluster Partners for Small Firms

Participating in Regional Industry and Economic Development Programs

The trend within RDC and LGA to recruit economic planning and development staff should not be viewed as a threat to the BEC Network, but as an opportunity. As discussed earlier in the report, the BEC Network has a clearly defined and generally well-accepted function in micro-level enterprise development. This is not an area that is targeted by these Local or State Government agencies.

There is opportunity for the BEC Network to participate more actively with local industry and Government partners to deliver services that support wider industry or regional economic development plans. The review's examination of submissions and the 12 BEC annual reports and strategic plans described earlier suggests that this is already taking place as part of the initiative of individual BEC Managers. Further, the development of BEC as institutions of collaboration, focusing on the strategic networking of small businesses, offers the potential for the Network to become a focal point for the delivery of a range of services targeting SME developed by Government and industry groups.

To take full advantage of this opportunity the BEC Network should undertake a process of regular strategic planning designed to integrate its services into the wider industry and economic development planning frameworks of regional stakeholders. As noted in Section 6, there needs to be state-wide strategy led by BECWA and supported by the SBDC, that aims to provide a framework for the integration of the BEC core enterprise facilitation services into the broader economic and industry development policies of the State. However, this must be accompanied by individual strategic plans prepared by the various BEC organisations. In the following section the process of such strategic planning is discussed. It should be noted that this process will require the assistance of the SBDC and its BEC Support Unit as suggested in the recommendations relating to the retention of the SBDC as coordinator of the BEC Network Scheme, and the need to develop the strategic role of BECWA.

Developing BEC Strategic Plans

The ability for the BEC Network to take full advantage of their local community networks and build sustainable alliances requires that it will be necessary for each BEC organisation to develop well-structured and adequately funded strategic business plans that demonstrate there is a need for their services within their designated regional communities. Such plans will need to be developed with clear and measurable objectives and the ability for the BEC organisations to secure additional funding beyond that supplied via the sponsorship coordinated by the SBDC.

The Current State of Strategic Planning in the BEC Network

As noted in Section 7 of this report, the 1995 review undertaken into the operations of the BEC Network recommended that the "SBDC should require each BEC organisation to produce a strategic plan with key performance indicators and quantifiable objectives".^[9] In addition each BEC was required to submit an annual report against this strategic plan.

Discussions with the SBDC indicate that while these recommendations were initially implemented, and annual reporting continues as part of the Sponsorship Agreement. However, the requirement for regular strategic planning to be included in the annual reporting by BEC organisations was dropped in response to complaints from the Network that the task was too demanding. During this review numerous respondents suggested that a concern over inadequate strategic planning and guidance. As outlined in Section 6 of this report the call for more coherent strategic planning was

voiced by many within the BEC Network, despite the fact that a major strategic planning activity took place at the 2001 BEC Conference in Albany.

An examination of the annual reports and strategic plans of a representative sample of 12 BEC organisations suggests that strategic planning activity with the Network is highly variable and somewhat ad hoc. While some BEC have apparently well developed strategic plans with clear reference to future income sources and the engagement of stakeholders, many others do not appear to have any coherent strategic plans.

Planning in a Financial Crisis

Any strategic planning assumes that the organisation concerned will possess the financial resources to fulfil its objectives. Of concern to the review were discussions with BEC representatives who indicated that they could not make adequate long-term plans due to the parlous state of their centre's finances. One BEC Chairperson told the review that their centre made only six monthly plans as they were frequently anticipating having to close their doors due to concerns over possible insolvency.

A discussion with the BMA confirmed that many BEC are either experiencing financial short falls against budget or potentially failing to break even. An examination by the review of the annual reports and financial statements for FY 2001/02 for 12 BEC selected randomly by the SBDC revealed that half had generated a surplus over the previous two financial years, while the other half had experienced a loss during either one or both of the previous two financial years.

At the request of this review the BMA prepared an analysis of the typical financial circumstances of their members. According to this analysis the typical operating cost of a BEC is around \$150,000 per annum of which the majority of costs is the wages of the Manager / Facilitator and their administrative assistant. As shown in Table 13, the sponsorship provided to the BEC under the WA BEC Network Scheme is usually around \$60,000 with additional sponsorships received from LGA and Lotterywest. The implication from this analysis is that the level of funding currently received by the BEC Network is inadequate to permit operational development and growth.

Table 13: Typical BEC Annual Funding Situation

BEC Income & Expenditure	\$
Income:	
BEC income from SBDC (including support)	63,000
Indemnity Insurance	1,200
Other sources (LGA, Lotteries etc)	<u>5,000</u>
TOTAL INCOME	69,200
Expenses:	
Wages for Manager (including on costs)	66,000
Wages for assistant (including on costs)	40,000
Rental	18,000
General Operating expenses (including FBT)	10,000
Vehicle & running costs	<u>16,000</u>
TOTAL EXPENSES	150,000
Profit or Loss	(80,800)

Source: BMA Submission

As stated by the BMA in their submission:

At present there is a mismatch between the service specified in the Sponsor Agreement and the funding provided by the SBDC to provide for that service.

It is simply impossible to meet the obligations of the present Sponsor Agreement within the funding provided solely by SBDC. It is acknowledged that all BEC and their Managers are actively seeking partnership/sponsorship and grant funding to maintain their service at its current levels. BEC Managers are torn between the provision of a superior business facilitation service and fund raising. At present the demand on the Network services exceeds supply and rather than reducing or rationalising greater resources need to be directed to existing BEC. (BMA submission)

Following an examination of the actual financial statements of 12 BEC the review concluded that the figures presented in Table 13, while somewhat pessimistic in relation to income, were reasonably representative of the financial situation facing many BEC. As explained in Section 1 of this report (see Table 1), the average cash sponsorship provided to BEC from LGA is around \$22,822 for metropolitan BEC and \$6,598 for regional BEC. Additional income is received from supplementary funding through SBDC administered schemes, but many BEC organisations are struggling to maintain basic services and have limited capacity to grow or develop new services without accessing additional sources of revenue.

The review acknowledges that a lack of adequate funding is a major constraint on the operational capacity of the BEC Network. Further, it is likely that many of the problems associated with the lack of strategic planning within the Network are due primarily to inadequate resources and the stress this places on BEC staff. However, the question that must be addressed is not whether additional funding is required, but who is responsible for providing it?

Sourcing Additional Revenues for Growth – Who’s Responsible?

The need for additional financial resources to enhance capacity building and allow the BEC Network to grow is acknowledged by this review. Who is to supply this extra revenue is a more complex matter that requires consideration of the nature and strategic purpose of the WA BEC Network Scheme. Under this scheme the State Government has provided a budget of around \$3.2 million to fund the BEC Network.

As discussed in Section 7, the role of the SBDC is to administer the Sponsorship Agreement that funds the WA BEC Network Scheme. In doing so the SBDC, via the BEC Support Unit has distributed this funding across the 37 BEC organisations with roughly equal apportionment of budget to each centre. In addition to this funding, the SBDC has sought to allocate supplementary funding to the BEC Network with savings from efficiencies within the operation of the core sponsorship scheme. It also has additional funds from within the SBDC budget for a range of schemes (e.g. SBIF, SBIP). The SBDC has also assisted the BEC Network to secure additional funding from the WA Lotteries Commission and Australia Post. Finally, the BEC Support Unit aims to return any savings back to the Network as supplementary funding. For example, in FY 2001/02 the total savings was \$203,500 or \$5,500 per Centre.^[10]

Despite the apparent financial difficulties experienced by many of the BEC organisations, it could be argued that the responsibility for securing additional funding does not lie with the SBDC. Despite some criticism of the way the Sponsorship Agreement has been managed, the review found no substantial failures by the SBDC in relation to the role it plays in the coordination of the WA BEC Network Scheme. If any criticism can be levelled at the SBDC it is its tendency to become too closely involved in the management of the Network, something that has led many to view the BEC organisations as extensions of the Corporation, which they are not.

As discussed in Section 8, there is a need for greater entrepreneurial orientation within individual BEC. Alternative sources of revenue can be found if the sponsor organisations are willing to embrace change and adopt a commercial approach to their operations. This will require willingness to charge fees for some services and collaborate both with other BEC and the SBDC in developing strategies to secure Network wide sponsorships in return for delivery of services for both public and private sector sponsors.

While the total budget available to support the WA BEC Network Scheme has not been substantially increased for many years, it has fortunately not been significantly reduced. It is the understanding of this review that despite the obvious lack of funding within the Network, the prospects of any significant increase in Network sponsorship funding by the State Government are limited. This suggests that if additional revenues are required to maintain and develop the BEC Network, they will

either have to come from some rationalisation of existing operations, or through a third party sponsorship or funding model.

This remains a critical issue within the future planning and development of the WA BEC Network Scheme. Given the current levels of funding it is difficult to envisage any substantial growth of the Network or enhancement of its existing services. If the State Government wishes to expand the scale and scope of the BEC Network even within the parameters of the core enterprise facilitation services, it will need to increase the level of funding. Alternative sources of funding may be found but if they are not, some degree of amalgamation and rationalisation of the existing Network of 37 Centres appears inevitable. In subsequent sections of this report the review will address the issues of geographic boundaries and 'hub-and-spoke' models. However, the issue of increased State budget funding for the Network is one that the Government should consider.

Developing a Strategic Planning Process

In developing an effective strategic planning framework for the BEC Network it must be recognised that resources to undertake such a process are limited. As noted above, the previous experience of requiring regular strategic plans from BEC was abandoned on the grounds of time and cost. The review acknowledges these issues and suggests that any future strategic planning will need to involve assistance from the BEC Support Unit. However, there remains a need for additional and ongoing strategic planning if the BEC Network is to be sustained.

A proposed framework for any future strategic planning process was well articulated by the submission received from the Eastern Metropolitan Regional Council (EMRC), which outlined the following five criteria as a pre-requisite to any future funding of the BEC organisations:

1. That a 3-year strategic plan is developed that clearly articulates the objectives of the organisation, the outcomes it will achieve and how these will be measured;
2. That the BEC Strategic Plan clearly indicates how the BEC supports a broader regional development strategy;
3. That the Strategic Plan has been developed in consultation with, and is endorsed by, regional stakeholders;
4. That an annual business plan is developed clearly articulating the goals of the BEC for the following 12-month period, the actions that will be implemented to achieve those goals, the resources required to undertake these actions, the funding sources for each action, measurable outcomes and appropriate evaluation mechanisms;
5. That each BEC can demonstrate that it has developed income streams or secured financial and/or in-kind support from key regional stakeholders to ensure its ongoing viability.

In conclusion the EMRC submission stated:

Unless a BEC can meet these five 'criteria' then the SBDC should not provide funding support. Such a practice is not unreasonable and has been adopted by other Government agencies across a range of portfolios. (EMRC)

It is the opinion of this review that these five criteria provide a sound framework for any future strategic planning process undertaken by the BEC Network. As noted earlier, it is recognised that BEC organisations are likely to need assistance in developing such plans. Furthermore, as outlined in Section 6 this strategic planning at the individual BEC level should be complemented by a state wide 5-year strategy developed by BECWA with support from the SBDC.

A Strategic Role for BECWA

In addressing this strategic planning process it is suggested that BECWA be engaged actively. Discussions with BECWA indicate that they are willing to participate in this on the condition that they receive assistance or additional resources from the BEC Support Unit. BECWA has six regional chairs and it was suggested by their representatives that these be made responsible for coordinating the strategic planning activities of BEC organisations within their jurisdictions. This would provide the following planning structure:

- | | | | |
|-----------------------|----------|------------------------|---------|
| • Central Region – | 10 x BEC | • South-West Region – | 6 x BEC |
| • North West Region – | 6 x BEC | • Metro North Region – | 5 x BEC |
| • Southern Region – | 5 x BEC | • Metro South Region – | 5 x BEC |

Under this structure each BECWA Chairperson would be tasked to form a strategic planning task force comprising representatives from each BEC, ideally comprising the respective BEC Committee Chairs and the Manager / Facilitators of their constituent BEC. The BEC Support Unit would also provide planning support. This type of structure would see six planning task force groups consisting of the BECWA Regional Chair and up to 9 BEC representatives.

It should be noted that this planning process would need to be undertaken once in a cycle of three years. The objectives of this strategic planning process would be to get the various BEC in each region to examine how they could meet the five criteria outlined above, and collaborate to secure support from key regional stakeholders and sponsors such as RDC, LGA and CCI. Discussions with BECWA as part of this review suggest that it is willing to take on this challenging task subject to receipt of additional resources. Discussions with the SBDC over this strategic planning suggest that additional funding to support this process may be secured by BECWA from the Small Business Initiatives Fund (SBIF), but direct funding targeted specifically at enhancing BECWA should be considered within the State budget.

A key focus of such a strategic planning process should be for BECWA, with support from the SBDC BEC Support Unit, to develop appropriate regional planning committees that can serve as a basis for future collaborative networks. These committees, as part of their 3-year planning process, would be tasked to implement any collocation and 'hub-and-spoke' strategies arising from within the Network.

Alliance Building and Sustainability - Conclusions

It is the preference of this review team that each BEC should have strategic plans of at least a 3-year timeframe with annual reporting cycles. Such plans should demonstrate clearly that they have been developed in response to local community needs and with the active support of local community stakeholders. These stakeholders should include such groups as LGA, RDC, ACC and CCI as well as other potential sources of additional financial and 'in-kind' support.

In the development of any strategic plans the BEC Network should demonstrate that it is responding to the needs of its local community or region. There is an established regional economic development infrastructure within WA comprising the nine RDC and various LGA as well as regional councils in many areas. State Government Departments and agencies also provide a range of programs targeting economic and enterprise development that might include a role for the BEC Network.

Recommendation – Implement a Strategic Planning Framework:

That BECWA, with assistance from the BEC Support Unit, develop a strategic planning framework based on 6 Regional Strategy Groups led by the current BEC Regional Chairpersons. These groups should comprise:

- The BECWA Regional Chair;
- The Chairpersons for each of the BEC sponsoring organisations within the region;
- A representative from the SBDC BEC Support Unit, and;
- A representative from the BMA drawn from within the region.

Furthermore:

- 4) These Regional Strategy Groups should ensure that each of the BEC in their region generate business plans with a 3-yearly horizon, which are focused on measurable outcomes that integrate into the wider regional economic and industry development strategies of key regional stakeholders.
- 5) The BECWA Regional Strategy Groups should oversee the strategic planning process of the BEC sponsoring organisations within their region and provide advice to the SBDC in support of any application for sponsorship under the WA BEC Network Scheme. It should be the responsibility of these Regional Strategy Groups to ensure that prior to any future funding being approved that all BEC business plans:
 - a) Have a 3-year horizon;
 - b) Make a sound case that the BEC services meet well defined needs within its target community;
 - c) Are developed in consultation with regional stakeholders and demonstrate that they have support from these stakeholder in the form of:
 - i) Resource commitments – both cash and in-kind;

- ii) Cooperative agreements for mutually beneficial relationships;
 - iii) Letters of support stating the need for the BEC service;
 - d) Are supported by clearly defined objectives and performance benchmarks to ensure quality service delivery within the resources that are likely to be available from various sources, with objectives focused on measurable outcomes targeting the enhancement of the small business community within the target community; and
 - e) Can demonstrate the capacity of the BEC to remain financially sustainable over the planning period.
- 6) It should be the responsibility of these Regional Strategy Groups to use this strategic planning process to enhance the formation of strategic alliances and partnerships between the BEC Network and third parties that can enhance the overall level of sponsorship and related funding. In doing this there should be a focus on encouraging network facilitation designed to achieve greater sharing of resources and collaboration between centres. Such collaboration, cost sharing and alliance development should be determined within the six BECWA Regional Strategy Groups and should be assisted by supplementary funding from the SBDC where possible.

SECTION 10

Articulating an Optimum Distribution Network

The next four Terms of Reference examined under the review were related to the issue of how best to articulate an optimum distribution network for the BEC within WA. As outlined earlier in this document these Terms of Reference stated:

What is the optimum number of BEC given the likely funds available?

What is the preferred geographical distribution of the centres in consideration of local needs, conditions and population density?

What alternative models for service delivery exist (e.g. distributed independent network, centrally managed out-reach centres, “hub and spoke” model etc) and what is the preferred option for key stakeholders? and

If applicable, how could a transition be managed, and over what time period?

These four Terms of Reference are closely related and will therefore be dealt with together. However, with respect to the first, this review has already made comment on the financial situation facing the BEC Network. It was noted that while funding levels have been consistently maintained over recent years, there would appear to be insufficient funding to maintain and grow the entire Network of 37 BEC purely under the sponsorship provided by the WA BEC Network Scheme. Additional funding is required and may be available from a range of sources including all tiers of government, industry sponsorship and fee-for-service contracts.

The question of what might be an optimum number of Centres for the BEC Network given the likely available funds was difficult to answer as the review was not provided with any clear indication of the potential funding that might be expected. The review was informed that the FY 2003/04 budget was \$3.6 million and that no reduction in funding was anticipated. In addressing this question, the review took the position that the Network would need to plan within this existing core sponsorship budget with only modest increases from the State Government’s sponsorship and that any additional funding would need to be provided by alternative sources.

Finding an Optimum Number

The current distribution of the 37 BEC in WA owes more to historical accident and political lobbying by local communities than rational planning. As discussed in Section 9, the existing funding provided under the WA BEC Network Scheme

sponsorship is spread thinly across a large number of BEC organisations and seems inadequate to allow more than the provision of a basic enterprise facilitation services. Although the level of support provided to the BEC Network is probably generous in comparison to other Australian states, any substantial growth in either the number of Centres or the range of services provided by the existing network is likely to need additional funding if all current sponsoring organisations are to be retained within the Network.

Rural versus Metropolitan Divisions

Consultations with BEC representatives and stakeholders over this issue during the review process highlighted an urban-rural division between centres located in the metropolitan area and those in the rural and regional areas. Many regional BEC and their supporters considered the closure of the 10 metropolitan BEC was an appropriate means of rationalisation with the funding resources from these closures distributed to the regional BEC. Justification of this proposal was that the city had sufficient accountants and associated business advisory and support professionals, as well as the existence of the SBDC staff the Perth CBD.

By contrast some of the BEC located in the metropolitan area and larger regional centres considered that they should receive additional resources at the expense of the rural BEC as they were servicing more clients. The following comment illustrates this sentiment:

The Leschenault BEC Management Committee has no defined policy nor set formula but we believe bigger centres need greater funds to service more clients. This can be achieved by allocating additional core funding from Government to BEC or a reduction in the number of BEC in the State. While we urge the Government to give priority to better funding the Network, a compromise may be achieved by reducing the number of BEC in smaller communities to adequately fund areas with greater demand. We do not favour the "Hub and Spoke" model in country areas as this would diminish the strong contribution given by the volunteer boards of management so vital to the strategic direction of each individual BEC. (Leschenault BEC submission)

Numerous options and combinations were presented to the review in terms of the most appropriate number of BEC that would be suitable for the State. Most respondents acknowledged that the relatively large number of Centres, given the existing level of State Government funding, spread the budget too thinly. However, few wished to see the closure of any particular Centres. While the argument in favour of distribution of more funds to BEC in higher density population areas was recognised as having some merit, the need for special needs targeting of smaller communities in regional, rural and remote areas was also acknowledged.

Focus on the Needs of the Market and Sustainability

In seeking to reach a position on this matter the review adhered to the principle of building any future Network model around the needs of the small business community of WA, rather than attempting to justify the existence of specific BEC on

the grounds of their prior track record or perceived value. It is important to remember that the overall strategic purpose of the WA BEC Network Scheme is to enhance economic and employment growth through the delivery of enterprise facilitation services designed to assist small businesses and those seeking to establish such firms. Any determination of the number of BEC that might be required should be guided by a well-considered assessment of the level of need within a given community for such services, and the capacity for the sponsor organisation that is to house the BEC to sustain its operations over the long term.

The review has already suggested the need for a process of strategic planning over 3-yearly cycles, with coordination to be undertaken by BECWA in conjunction with the SBDC BEC Support Unit. Further, this process of strategic planning must engage with regional community stakeholders, particularly those strategic stakeholders who possess the capacity to provide the BEC Network with additional funding and resources. In the preparation of such strategic plans the dual issues of market need and sustainability should be addressed.

Prior to any BEC sponsoring organisation receiving future sponsorship funding it should be able – via its 3-year strategic business plan – to demonstrate that its services are required within its target community, and that they can be sustained over this time period to an acceptable level of quality, from the resources that are likely to be available from various sources.

Currently the sponsorship model employed within the WA BEC Network Scheme involves a core grant allocation of around \$60,000 plus supplementaries on an annual basis regardless of whether or not the sponsoring organisation has secured, or is likely to secure, additional support from third parties. It is the opinion of this review that the model should be reversed. The onus should be on the BEC organisations to demonstrate that they have secured appropriate levels of third-party support prior to receiving any sponsorship funding from the BEC Network Scheme.

Support could be in cash or in-kind and should be able to produce sufficient income to ensure, once combined with the sponsorship under the BEC Network Scheme, that the centre has a budget adequate to deliver the services identified as required under its business plan. As noted in Section 8, it is possible for BEC to be entrepreneurial and to develop economic self-sufficiency through developing a wide range of programs of which the core enterprise facilitation service is only one. The review has already suggested that adjustments to the funding formulas might be used to reward those BEC that are seeking to increase their capacity and develop self-sufficiency. The State Government should seek to encourage such self-sufficiency by funding BEC against resources already secured from third parties.

Seeking a Preferred Geographic Distribution

Many respondents to the review considered as unworkable, attempts to predict the optimum geographic location of BEC based on population density or some other formula. This was due to the recognition that outside the Perth metropolitan area and some major regional centres, the population density of WA is very low. It was also noted that in the metropolitan area there are substantially more private sector

business consultants and accountants than in the regional areas. Therefore, despite the higher population density in the metropolitan area, the level of need for business support services is potentially greater in the regional areas. These sentiments were expressed in the following comment from the Regional CCI:

The metropolitan area is fortunate to have consultants, financial planners, accountants and financial institutions such as banks etc. In regional areas it is not unusual for none of this infrastructure to be available. (RCCWA submission)

Numerous submissions provided suggestions for the most appropriate geographic distributions. These offered different combinations of metropolitan and regional configuration with reduced numbers of centres brought about by amalgamations or hub-and-spoke models. However, the preference for many respondents was to base any future decisions as to the physical location of BEC on recognised market or community need rather than abstract formulas of population density. This was particularly felt among respondents from the regional areas. These comments from the Central Great Southern BEC and Hedland BEC provide examples:

Population densities should not be an important factor. It is arguable that there is a greater need for a BEC for Ravensthorpe/Lake Grace/Jerramungup than there is for any locality in the metropolitan area or for Bunbury or Geraldton or Kalgoorlie as individual Shires. Distance has its own needs as does the challenge of economic development and business servicing where the nation's wealth is created. (CGSBEC submission)

The Committee believes any extra funding to the BEC service should be available State-wide and that new BEC should be established in communities in particular need, such as timber towns and the declining inland particularly Newman. We are of the view that public infrastructure should not respond to a simplistic, economically 'rationalist' approach based on population figures. While this may be a suitable methodology to determine the location of a branch of McDonald's, the Government should move to counteract the over-centralisation of the State's population and services in the metropolitan area. The provision of a basic level of service to all West Australians should be the Government's benchmark. (Hedland BEC submission)

Other respondents considered that any decision on the location of a BEC should be determined by its capacity to demonstrate that it was serving community needs and delivering outcomes of benefit to that community. These sentiments are illustrated by the following comments from the East Kimberley BEC:

The preferred geographic distribution of the Centres should be determined on the results achieved in their annual reports and their statistical records and taken into account the population density of the area the BEC services. (EKBE submission)

Using the Strategic Planning Process to Determine Geographic Distribution

The review considers that the most appropriate way to determine the optimum distribution of the BEC Network is to address this question via the strategic planning process outlined in Section 9. Furthermore, this should be enhanced if BECWA, in conjunction with the SBDC, is able to develop a complimentary 5-year strategy for the integration of the BEC Network into the state economic and industry development frameworks as suggested.

If the strategic planning process outlined in Section 9 is undertaken, it should be possible to consider the geographic distribution of BEC as part of the development of a series of regional BEC strategies. Table 14 outlines five BECWA regional chairs and allocates to them a series of BEC and their respective RDC and LGA regional stakeholders.

Table 14: Proposed BECWA Regional Strategy Groups

BECWA Regions	Existing BEC (locations)	Regional Stakeholders (Population)
Metro North Region	5 x BEC; Balcatta, Joondalup, Malaga, Midland, Subiaco	Regional Council; EMRC 12 x LGA: Bassendean, Bayswater, Cambridge, Claremont, Kalamunda, Nedlands, Peppermint Grove, Perth, Stirling, Subiaco, Swan, Wanneroo Population estimate: 755,000
Metro South Region	5 x BEC: Belmont, Fremantle, Rockingham, Welshpool, Mandurah	RDC; Peel Regional Councils; SWMRC 17 x LGA: Armadale, Canning, Cockburn, Cottesloe, East Fremantle, Fremantle, Gosnells, Kwinana, Mandurah, Melville, Mosman Park, Mundaring, Murray, Rockingham, Serpentine-Jarrahdale, South Perth, Victoria Park Population estimate: 707,060
North West Region	6 x BEC; Broome, Carnarvon, Derby, Karratha, Port Hedland, Wyndham-Kununurra	3 x RDC; Gascoyne, Kimberley, Pilbara 12 x LGA: Carnarvon, Upper Gascoyne, Exmouth, Shark Bay, Broome, West Kimberley, Halls Creek, Wyndham-East Kimberley, Ashburton, Roebourne, Port Hedland, East Pilbara Population estimate: 82,376
Central Region	10 x BEC; Beverley, Corrigin, Geraldton, Lancelin, Mukinbudin, Narrogin, Northam, Perenjori, Wongan Hills, Wyalkatchem	2 x RDC; Mid-West, Wheat Belt 60 x LGA: Coorow, Carnamah, Perenjori, Yalgoo, Three Springs, Mingenew, Greenough, Morawa, Mullewa, Chapman Valley, Northampton, Geraldton, Cue, Murchison, Mt Magnet, Meekatharra, Wiluna, Sandstone, Dandaragan, Moora, Dalwallinu, Mt Marshall, Gingin, Victoria Plains, Wongan Ballidu, Koorda, Mukinbudin, Westonia, Chittering, Toodyay, Goomalling, Dowerin, Wyalkatchem, Trayning, Nungarin, Yilgarn, Northam, Cunderdin, Tammin, Kellerberrin, Merredin, York, Quairading, Bruce Rock, Narembeen, Beverley, Brookton, Corrigin, Kondinin, Wandering, Pingelly, Cuballing, Wickiepin, Kulin, Williams, Narrogin, West Arthur, Wagin, Dumbleyung, Lake Grace Population estimate: 122,870
South West Region	6 x BEC; Bunbury, Busselton, Collie, Manjimup-Bridgetown, Margaret River, Narrogin	1 x RDC; South West 12 x LGA: Harvey, Collie, Dardanup, Capel, Bunbury, Busselton, Donnybrook-Balingup, Boyup Brook, Bridgetown-Greenbushes, Manjimup, Nannup, Augusta-Margaret River Population estimate: 129,925
Southern Region	5 x BEC; Albany, Esperance, Kalgoorlie- Boulder, Jerramungup, Tambellup	2 x RDC; Goldfields-Esperance, Great Southern 21 x LGA: Ngaanyat Jarraku, Laverton, Leonora, Menzies, Dundas, Kalgoorlie-Boulder, Coolgardie, Ravensthorpe, Esperance, Woodanilling, Katanning, Kent, Kojonup, Broomehill, Tambellup, Gnowangerup, Jerramungup, Cranbrook, Plantaganet, Denmark, Albany Population estimate: 108,000

It will be seen that most of these regional areas encompasses 1 or 2 RDC and 10 to 20 LGA with around 5 to 6 BEC. Within the non-metropolitan area the population base in each of these BECWA regions is approximately 100,000. The Central Region

encompasses both the largest number of BEC and about 60 LGA within the Mid West and Wheat Belt regions, although its population base is equivalent to that of other regions.

The opportunity exists for the BEC Network, led by BECWA with SBDC assistance; to conduct regionally based strategic planning activities that draw together the various BEC in each region along with their respective stakeholders. It would be the objective of these regional planning activities to identify how the BEC Network could develop appropriate service packages designed to integrate into the industry and economic development frameworks of their communities.

A strategic planning process undertaken within these BECWA regions would consult with the major Government and industry stakeholders based within their area (e.g. RDC, LGA, CCI, TAFE, Telecentres, tourism groups etc), to identify the role that the BEC Network could play in enhancing the industry and economic development objectives of these stakeholders. Although each BEC organisation would be tasked to develop its own 3-year strategic plan, this would be facilitated via the regional planning group to ensure that maximum synergies were obtained from collaboration and resource sharing among the respective BEC within each BECWA region.

Alternative Models for Service Delivery

Of all the Terms of Reference this item provided the most debate and evoked the most concerns. In favour of 'hub-and-spoke' models was the view that it would enhance the overall level of administration and efficiency in management for the BEC. However, the opposing view was that the process of 'hub-and-spoke' models would result in the loss of services and infrastructure in the smaller towns, already a sensitive issue:

The BEC offices appear to be well centred where they are at present situated. If those in the smaller towns were to be closed and centralisation on the larger towns took place, the small towns are sure to miss out, particularly if there are less funds made available, resulting in less total staffing, mileage travelled and other facilities...Also, more co-operation between businesses within towns as well as between towns should be encouraged. (H.F. Proud, Tin Horse Highway Store submission)

If the distribution of BEC centres is going to be based purely on population then the areas that have the greatest need are going to be the most under serviced. The rural community has suffered an immense downturn over the last three years, which has resulted in extreme pressure on local businesses. It has been a real battle for the existing businesses to survive, with little chance of attracting new businesses. (Jerramungup BEC submission)

The small size of most BEC and their modest funding resources makes it difficult for them to support more than a single Manager and administrative assistant (the latter is often part time or even absent). Enhanced collaboration between the BEC over administration and associated management systems was accepted as a desirable objective. The sustainability of the existing BEC Network was viewed by some as contingent on the creation of some form of “hub-and-spoke” model:

“Hubbing is about the only way to do this. All BEC need Manager support and many can not afford it, hubbing will give them support by only having one administration centre for up to 4 BEC or maybe in some cases, 2. Some BEC will have to remain solo because of the tyranny of distance. They should get more financial support for office, staff, rent, plant etc. This would require very careful consideration by the main body (BECWA). To encourage hubbing, some BEC would not welcome the process, perhaps some weaker BEC need to be suspended. Seriously BEC are grossly under funded... (Esperance BEC submission)

Fear of Losing Committee Support

However, there was strong concern, not just from the BEC, that ‘hub-and-spoke’ models would result in the loss of support at the local level. This would risk the existing Management Committees abandoning the local BEC and such abandonment could include LGA, which might reduce the level of funding available within the region. This view was echoed by several LGA respondents and suggests that any decision to undertake a ‘hub-and-spoke’ approach would need to closely involve LGA participants. However, the need to ensure the sustainability of the BEC given the limited funding resources available remained a concern for many:

There needs to be a mechanism to determine a minimum critical mass of population to justify the implementation of a BEC for a particular area. The largest problem the Network now faces is the burgeoning number of BEC offices that were developed in areas where there was not enough opportunity to develop business growth past the first couple of years. Once started these things are always difficult to shut down. (Mid West BEC submission)

Allow the Market to Determine the Service Delivery Model

The review could identify no single agreed model for service delivery. As noted above, “hub-and-spoke” models were recognised as offering enhanced economies of scale from an administrative perspective but threatened to lose local community support if they led to the loss of control or influence by existing BEC Committees.

In seeking to address this issue the review notes that the desire to keep the BEC Network under community control and ownership is viewed as highly desirable. As a result the option of developing administrative structures that involve smaller “spoke” centres, centrally managed from a larger regional “hub” is problematic without a significant alteration of the managerial structure of the BEC Network.

The strategic planning process outlined earlier is likely to be the most appropriate way to determine the configuration of the BEC Network. If this planning involves the input and coordination of all BEC within the BECWA regional formations suggested, it provides the opportunity for the participating BEC to consider administrative sharing and collaboration in the delivery of services. The review considers it appropriate for the SBDC to use its supplementary funding programs to encourage enhanced collaboration among BEC organisations.

Time Frame for Transition

Few respondents commented on how long any transition from the existing model to an alternative might take. However, it was generally agreed that some change – if appropriately supported – could take place over a period of between 12 and 18 months. The strategic planning process outlined in this review would be likely to take require this length of time to fully complete across the entire State assuming that BECWA and the BEC Support Unit would not be able to undertake a comprehensive strategic planning process with all BECWA regions simultaneously.

The six BECWA Regional Strategy Groups should be tasked to undertake a process of consultation with their constituent members and prepare a draft strategic plan outlining the future direction of their region's BEC organisations over the next 3 years. Assuming this process can commence in January 2004, it would be realistic to expect that the 6 Regional Strategy Groups, in conjunction with the SBDC BEC Support Unit, could oversee the completion of local level strategic planning by end 2004. A suggested timeframe for the completion of this planning cycle would be:

January 2004 Commencement of the planning process and formation of Regional Strategy Groups;

30 June 2004 completion of regional level strategies for each of the six BEC regions to be supported by a clear statement of strategic intent from the SBDC as to the Corporation's vision and expectations for the network and the level of strategic support that might be provided in seeking to fulfil this strategic direction;

31 October 2004 completion of individual BEC 3-year strategic business plans under the coordination of the six Regional Strategy Groups;

Articulating an Optimum Distribution Network - Conclusions

The geographic distribution and configuration of the BEC Network should be determined by a clear demonstration that each centre is responding to a well defined need and is financially sustainable over the life of its 3-year strategic plan. These strategic plans should demonstrate that the Network it is responding to the needs of its local community or region.

There is an established regional economic development infrastructure within WA comprising the nine RDC and various LGA as well as regional councils in many areas. State Government Departments and agencies also provide a range of programs

targeting economic and enterprise development that might include a role for the BEC Network. The current BECWA regional model of six regional chairs can be configured to align with this existing regional development infrastructure with several BEC drawn together into the strategic planning process to leverage each others resources and identify ways to collaborate in both administration and service delivery.

The BEC Network has the potential to contribute strongly to this economic development process through its local, 'on-the-ground' contact with the small business community. However, for the BEC Network to adequately respond to the needs of its local community in providing enterprise development services it will need guidance from a state wide small business development strategy as suggested earlier, and reliable information (market intelligence) on the needs of its target communities. This latter requirement should be sought through the strategic planning process via dialogue with such regional stakeholders as ACC, RDC, LGA and CCI, leading to the determination of the most appropriate configuration of BEC services for its particular region.

Empower the Regional Strategy Groups

The six Regional Strategy Groups described in this section provide a potential platform upon which to coordinate future strategic planning within the BEC Network. Each has sufficient size to allow a degree of economies of scale and scope. Future opportunities for integrating the BEC organisations into the regional industry and economic development frameworks of their local RDC and LGA are likely to be enhanced through such regional coordination.

However, to enable the Regional Strategy Groups to have adequate authority to coordinate such regional strategic planning, it will be necessary for additional funding and control over funding to be provided to the Regional BECWA Chair. As discussed in Section 7, it will be necessary to provide additional funding to BECWA to enable the organisation to carry out this role. In addition to such direct funding to support the administrative tasks of the planning process, it would seem appropriate to provide the BECWA Regional Chairs with the authority to endorse funding applications made by individual BEC organisations as part of their 3-year business plans.

Recommendation – Coordinate Funding Through the Regional Strategy Groups:

That the allocation of funding to individual BEC organisations be coordinated via the six Regional Strategy Groups coordinated by the BECWA Regional Chairs. Approval of BEC organisations as recipients of future sponsorship funding under the BEC Network Scheme should be contingent on the endorsement of the BEC Regional Chair. It should be the responsibility of the Regional Strategy Group to ensure that:

Each BEC organisation within their area is financial viable and has a business plan that is able to clearly demonstrate the Centre is delivering services that are required by the local community and fit within the wider economic and industry development planning frameworks of the region;

Additional support in the form of cash and in-kind assistance from local stakeholders should be a key element to the future endorsement of such plans;

Evidence of collaboration between BEC organisations within the region to assist in enhanced utilisation of resources or cost sharing should also be a criterion for future sponsorship endorsement.

SECTION 11

Target Markets and Service Delivery Issues

The next four Terms of Reference examined under the review were related to what might be termed demand side issues. As outlined earlier in this document these Terms of Reference stated:

What are the primary target markets and their core support requirements?

What do small businesses want from a BEC?

What competencies and services do BEC need to acquire in order to meet the needs of the primary target market? and

These three of Terms of Reference are closely related and will be addressed together. However, prior to examining the service provision of the BEC Network it is necessary to first understand the characteristics and needs of small business.

Characteristics of Small Business Owner-Managers

Australia had an estimated 1.6 million small business owner-managers operating within some 1.2 million small businesses as at June 2001. This represented an average annual growth rate of 9 percent in the number of small business operators since November 1999. Western Australia has an estimated 186,300 small business owner-managers (12 percent of Australia's total) operating within some 132,000 small businesses as of at June 2001. Western Australia experienced a 13 percent average annual growth rate in small business operators between 1999 and June 2001, which was well above the Australian average.^[1]

Demographic Profiles

Western Australia has higher proportions of both women and overseas owner-managers in comparison to all others states and territories. In many OECD countries, the number of women entrepreneurs is rising. Australia is no exception to this trend. The proportion of female and male small business operators across Australia and Western Australia were approximately identical. Of the small business owner-managers in Australia and Western Australia, men, with the remaining 33 and 34 percent run by women, respectively ran 67 and 66 percent. This is consistent with statistics from the OECD, which reported that females now make up one-quarter to one-third of the total business population worldwide.^[2]

The number of Australian women owner-managers between November 1999 and June 2001 experienced a higher annual growth rate (10%) in comparison to the number of male owners (8%). This trend was even stronger in Western Australia, which experienced the highest annual growth rate in the number of female small business proprietors (17%) in comparison to all states and territories.

As at June 2001, an estimated 29 percent of Australian small business operators were born overseas. Western Australia had the highest proportion (37%) of small business operators who were born overseas in comparison to all others states and territories.

In terms of the length of time small businesses had been in operation, Table 15 highlights that this trend was very similar between Australia and Western Australia. Approximately 15 percent had been in operation for less than one year, 34 percent between 1 and 5 years, 20 percent between 5 and 10 years, and 31 percent had been in operation more than 10 years.

Table 15: Length of time (years) small businesses have been in operation

	< 1 year	1 – 5 years	5 – 10 years	> 10 years
Australia	14%	35%	19%	32%
Western Australia	16%	33%	21%	30%

Home based businesses

Home based businesses make up a very large proportion (87,700 or 66.4%) of the total number of small businesses in WA operating in June 2001. These businesses were operated by 114,300 people, which represent 61.4 percent of all small business operators. Breaking this down further, 83,100 (94.8% of all home based small businesses) were operated from home by 108,400 operators.^[3]

The size of the home based business sector has grown rapidly in recent years facilitated by the desire of people to work from home and the ability of many business activities to be undertaken using the Internet. Low cost home office equipment has also assisted this trend.

Education Levels of Owner-Managers

As at June 2001, the highest educational attainment most commonly held by Australian small business operators was school education (41%), followed by non-school qualifications at the certificate level (38%), and non-school qualifications of advanced diploma or above accounting (21%). This trend was very similar for Western Australian small business operators.^[4]

Information drawn from the Small Business Longitudinal Study (BLS) suggests that a much greater proportion of major decision makers in small business have lower educational attainments than their equivalents in larger businesses. For example, the 1994/95 BLS showed that about 33 percent of major decision makers in enterprises employing one to nineteen persons had tertiary qualifications (and 42

percent of these have business management training).^[5] In comparison, about 43 percent of major decision makers in businesses employing between 20 to 100 and more employees have tertiary training (and about 52% of these have business management training).^[6]

Such statistics of Australian small business owner-managers are consistent with those found among studies of their counterparts in other countries. For example, a study of small business proprietors in the U.K. found most had few formal business qualifications and worked long hours due to a lack of systems and an unwillingness to seek external assistance or advice.^[7]

Training Needs of Small Business Owners

The level of training that the small business owner-manager undertakes is extremely important, as the performance of a small business depends ultimately on their business capability. There are many formal training options available for the small business including formal programs provided by industry associations, TAFE or VET training colleges and even university courses. Informal learning can also be achieved via use of consultants or simply on-the-job experience.

Despite all these options, small business proprietors and employees continue to participate in training at a much lower rate than their counterparts in middle to large sized businesses.^[8] According to the June 2001 Small Business Opinion Survey, undertaken by the Small Business Development Corporation, 36 percent of all the small business operators had not undertaken any training during the previous 12 months. This was despite small business operators indicating that their business would benefit if they were to undertake further training in marketing (34%); computing (29%); financial management (21%); and business planning (20%).^[9]

Computer and Internet Use

The Western Australian statistics for computer and internet access were identical to the whole of Australian. Approximately 67 percent of small businesses reported they were using computers in their business operations, whilst 53 percent of small businesses had access to the Internet. The most common usage of the internet was for e-mail (44%), followed by research (40%), e-commerce (18%) and other (44%). For both Australia and Western Australia, as the size of the business increased the likelihood that a business would have a computer and accessed the internet correspondingly increased. The lower uptake by smaller sized businesses could be due to a limited understanding of the complexity of electronic operations, inadequate skills and the high initial investment required developing a viable e-commerce strategy.^[10]

Industry and Business Associations

The BLS showed that larger and older Australian businesses were much more likely to belong to an industry or business association. Small businesses were 26 percent likely to belong to an association, with the proportion of medium and large businesses belonging to an association being 2.4 and 2.7 times more likely respectively. Additionally it the BLS revealed that the older the business, the more likely that it was to belong to an association. This correlation was not as strong as business size however. Approximately 23 percent of businesses less than five years

old belonged to an association, with this increasing to approximately 32 percent for businesses older than 5 years old.^[11]

Western Australia had the highest proportion of businesses belonging to an industry or business association in comparison to all states and territories, with 37.5 percent of small businesses holding a membership to an industry or business association. Western Australians were also the most frequent users of industry and business associations as training providers, with approximately 34 percent of small businesses using professional and industry associations for this purpose.^[12]

Business Intentions

The BLS revealed that a small proportion of small firms in Australia had an intention to either maintain or commence exporting (between 1994-95 and 1997-98 was around 2 to 4 percent). The intention to either maintain or commence export was substantially higher for medium businesses (7 to 15 percent). According to the BLS small businesses are much more likely to exit their business than medium or large businesses. The BLS conducted in 1997/98, showed that approximately 9 percent of small businesses were either intending to close or sell their businesses. The corresponding proportion for medium and large businesses was 5.4 and 2.3 percent respectively.^[13]

The 2003 *Sensis Business Index* found that the confidence of small business owner-managers in WA, while largely positive over past years, had begun to weaken despite expectations of positive trends in sales and profitability.^[14]

Primary Target Markets and their Support Requirements

As noted earlier in this report, the primary target market for the BEC Network was widely acknowledged as being new business start-ups, micro-enterprises and small firms (e.g. with less than 20 employees). Although some BEC were engaged in supporting or interacting with firms of a larger size, the core enterprise facilitation function was viewed as being less relevant to the medium size firm.

Respondents placed particular emphasis on home-based businesses that were seen as both a growing sector and one most likely to obtain benefit from BEC services. The Peel Development Commission (PDC) in their submission to the review expressed these sentiments:

The Peel Region's business community has a high proportion of small, micro and home based businesses. The Peel BEC influence in these areas is strategically significant not only in its traditional role with start up businesses but also with support to existing micro and home based businesses. (PDC submission)

In addition to direct counselling of start-ups and micro-enterprises, there was recognition that the BEC could also perform a useful function as the Managers of Business Incubators. Those BEC that were already engaged in operating incubators indicated that this was of benefit to their financial circumstances and offered them

enhanced profile. Incubators also offered opportunities for LGA to engage more with the BEC and to encourage some enhanced collaboration between BEC.

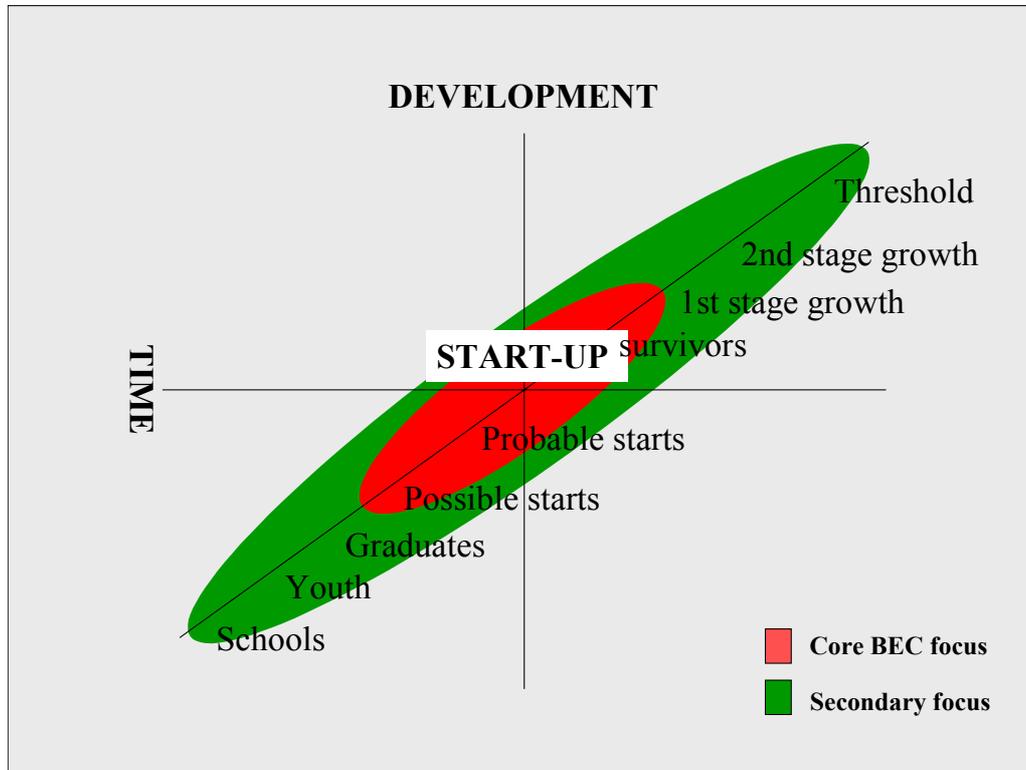


Figure 8: Consultant & Counsellor Routes to Small Business Problem Solving

The potential range of target markets that might be serviced by the BEC Network includes the schools where entrepreneurship programs can be targeted, to well-established companies of up to 200 employees. Figure 8 illustrates this range of potential markets but it should be noted that the core focus of the BEC is the start-up and early stage micro-enterprise.

Main Support Requirements – Start Up Firms

BEC seeking to assist the small business start up process need to understand that the basic components of success are the motivation and commitment of the founder, their ability to manage the venture, the idea and the market potential it offers and the resources needed to successfully launch the business.^[16]

Most small firms launch without the owner-manager undertaking adequate market research or feasibility assessment. Most also lack adequate capital and fail to retain control over their cash flow. However, the lack of suitable motivation and commitment is likely to be the greatest cause of small firms being abandoned during the start up phase.

The level of support the owner-manager can expect from their family is also likely to be of importance to their future success. A small business is as much a social phenomenon as it is an economic one. Owners who have family support and

encouragement are more likely to survive than those who don't have it are. Long hours, stress, financial risk and some periods of earning only limited income are all common experiences for small business owners in the early years. Such pressures can strain even the best family relationships.

Most small businesses need to focus their attentions on niches within the market as they lack adequate resources to target all segments at once. As a general rule of thumb, the more saturated a market becomes, the more a business needs to seek niches where it can dominate or at least maintain its competitive edge. Segmentation of the market requires careful research in which the owner-manager seeks to identify where they make their most sales and/or obtain the best margins.

Research into the barrier and trigger factors likely to impede or enhance the creation of new business ventures has found a combination of factors some internal and some external to the individual.^[17] However while some personal and demographic characteristics may be important in influencing the decision to launch a new business, it is difficult to clearly demonstrate that such variables make a significant impact.^[18] A potentially powerful motivation for those seeking to launch a new venture may be the desire such individuals have to pursue a personal ambition or realise a dream.^[19]

Additional research conducted in regional communities within WA suggests that similar forces apply to people regardless of their geographic location, but that there may be some differences in the relative influences such factors might have.^[20] The major factors likely to trigger the creation of a new venture appear to be the desire to increase the income of the person concerned and their sense of a market opportunity that might be followed. The opportunity or desire to invest personal savings or money received from a redundancy payout may also be potential triggers.

On a personal level the individual is likely to be influenced by a desire to follow a dream and create something new that would allow them greater freedom or autonomy over how, when and where they worked. For some people there seems to be a desire to enhance their status within their community through self-employment.

Working as potential barriers are such things as the overall risks and costs of establishing the new business venture and the lack of resources, skills and support to the prospective entrepreneur to get started. Also serving, as a potential barrier is the hard reality of actually getting the new venture started which encompasses a fear of failure and the need to convince others of the merits of the idea.

The type of support required by new start up ventures might involve assistance in finding suitable premises and skilled labour, securing start up financing, finding partners and getting support from family and friends. A lack of skills in management or marketing may also serve as a potential barrier, along with difficulties in understanding compliance costs and other regulatory information.

Overcoming Barriers to New Venture Creation

Locally based, small business advisory and support programs, such as that provided by the BEC Network offer a potentially useful means for stimulating entrepreneurship and new venture creation. Business Incubators can be a means of assisting new ventures in securing suitable factory or office space and a lack of information about

how to get started can be alleviated with appropriate information and referral services. The need for direct support or a lack of adequate partnering can be assisted through business mentoring schemes and network facilitation activities.

Training programs, delivered in conjunction with TAFE/VET, or through schemes such as the *Small Business Smart Business*, *Marketing Today* and *Ca\$hflow Today* offer the chance to overcome a lack of skills in these areas. However, such services need to be effectively resourced and supported by Government and local industry.

Table 16: Barriers to New Venture Creation & Possible Strategies for their Alleviation

Barriers	Suggested Strategies
Support & Information: Lack of suitable business premises Lack of information about start up No one to help with start up assistance Lack of support from family & friends Difficulty finding right partner Difficulty finding suitable labour	Creation of: Local business incubators Local business registration and start up centre Small business advisory services Programs promoting enterprise and local entrepreneurship Business mentoring/networking service Local job placement and training programs targeted at local industry needs
Finance & Skills: Lack of start up capital and difficulty in obtaining finance Lack of managerial and financial skills Lack of marketing skills	Creation of: Pooled funds for seed capital and micro-financing via incubators Small business management education programs Regional marketing programs designed to assist local industry
Hard Reality: Fear of failure/uncertainty of future Task more difficult than expected Problems convincing others of the merits of the idea	Creation of: Business mentoring/networking/coaching services Small business management education programs Programs promoting enterprise and local entrepreneurship

Source: Mazzarol (2003)^[24]

As shown in Table 16, a service designed to address many of the key barriers to new venture creation is likely to need a high level of resources. While the design of such a service will depend on the needs of the local community, the range of activities that it might engage in could include: small business facilitation and counselling, incubation, education and training, networking and mentoring, regional marketing, micro-financing and the wider promotion of entrepreneurship among the general community.

Such a range of services are currently being offered in various ways by the BEC Network, but as already noted, many are under-resourced and do not always have a coherent strategy supported by Government and industry stakeholders. The level of funding provided to the BEC directly under the core Sponsorship Agreement is inadequate to address all these needs but additional funding for some of these services could be secured via SBDC programs and those of other State and Federal Government agencies.

Stimulating Triggers to New Venture Creation

In conjunction with the need to address the barriers to new venture creation, the stimulation of enterprise and entrepreneurship activity also requires attention to be given to enhancing the factors likely to trigger entrepreneurial behaviour. These triggers and possible strategies to enhance them are outlined in Table 17. Unlike many of the barriers, these triggers are less easy to address via direct skills development or counselling services. For example, one of the strongest triggers is the creativity drive that underlies the entrepreneurial process.^[22]

Table 17: Triggers to New Venture Creation & Possible Strategies for their Enhancement

Triggers	Suggested Strategies
<p>Creativity Drive: Realise my dreams and create something Take advantage of my talents and have an interesting job</p> <p>Market Opportunity: Take advantage of market opportunity Positive economic outlook Desire to invest and provide for long term financial security</p> <p>Desire for Autonomy: Make my own hours, be my own boss and work at location of choice</p> <p>Enhancement of Status: Increase my status and prestige</p>	<p>Creation of: Starters' clubs or networking forums to foster ideas generation and mutual support Counselling services designed to profile individual talents and guide future venture targeting within employment services</p> <p>Creation of: Local industry marketing and opportunity identification programs Industry database and performance benchmarks Programs promoting enterprise and local entrepreneurship using local success stories</p> <p>Creation of: Business mentoring/networking services targeting ideas exchange among local nascent entrepreneurs</p> <p>Creation of: Programs promoting enterprise and local entrepreneurship, plus local small business networking groups</p>

Source: Mazzarol (2003)

Stimulating this is likely to be a more indirect activity, potentially enhanced by the creation of small business starters' clubs where nascent entrepreneurs can meet to discuss the options of establishing a business, exchange ideas and obtain mutual support. It may also be worthwhile creating counselling services that offer nascent entrepreneurs the opportunity to profile their individual talents and determine whether self-employment is a viable option for them. Regional job and career counselling services need to comprise an enterprise creation focus that highlights the merits of self-employment as opposed to more conventional job seeking. This is

particularly relevant within regional communities where employment growth may have reached a plateau or even commenced a decline.

To effectively achieve this level of service within the BEC Network is likely to require a greater alignment of the activities of BEC with employment services such as CENTRELINK. Frequently these two services are delivered via different agencies and the culture and orientation of each is at odds with the strategic direction of the other. Bringing such services together may be problematic due to there being under the responsibility of different Government agencies. However, in broad terms the benefits of enhanced synergies at the local level for such services are significant.

Main Support Requirements – Established Firms

Most small firms, regardless of where they are located face challenges in at least five key areas. The first of these is financial management and the ability to secure sufficient cash flow to cover operating costs. The second relates to their ability to effectively market their goods and services and generate new sales, particularly within local markets. A third problem is their capacity to control production operations and manage quality. Fourth is their ability to find, recruit and retain suitable employees and manage such staff as the business grows and expands. Finally, small firms face problems with finding and securing physical resources and fixed assets, particularly those items that require substantial capital investment, requiring the business to take on either substantial debts or find external equity financing.^[23]

The August 2003 *Sensis Business Index* survey of small business in Australia found that the main concerns facing owner-managers were first problems relating to cash flow, followed closely by a lack of sales. In third place was the issue of finding staff of suitable quality. Other problems identified by small business owner-managers were rising costs, bad debts, competition, lack of time, drought, Government regulations, the GST and paperwork or red tape compliance issues.^[24]

Within regional areas small firms have similar problems but must also deal with additional challenges due to their remoteness or other factors. Research by the U.S. Small Business Administration found that rural and regional small businesses were confronted with specific challenges in accessing technology, transportation and services. Such firms faced higher fixed costs than their counterparts in urban areas making it more difficult for them to remain competitive.^[25] A study undertaken in Australia by the Department of Transport and Regional Services produced similar findings. Its conclusions were that Australian regional business faced unique challenges associated with greater distances, lack of access to finance, skilled labour, services and transport and communications infrastructure.^[26]

Main Support Requirements – Micro-Enterprises and Early-Stage Ventures

Whether a small business venture is founded from scratch or purchased as a going concern the new owner-manager will face a difficult period in establishing their company and securing its long-term survival. Professional and Government agencies seeking to assist small business owner-managers survive their early years need to focus attention on four key areas: 1) foreseeable problems; 2) problems that can not be easily foreseen; 3) problems arising from a lack of business systems; and 4) inadequate strategic thinking.^[27]

Financial stress is probably the most likely issue that must be overcome by firms in their early years. Unfortunately too many small firms are founded with inadequate working capital and poor financial controls. If sales forecasts or profit projections do not meet expectations the business is likely to find itself in difficulties. Other common mistakes made by novice owner-managers are under pricing, poor cash flow management and excessive drawings. Further there is the management style of the owner-manager.

For many owner-managers the workload associated with launching a new business venture can place strain upon their family life, undermining the vital support needed in this area. Small firms managed by partners or joint directors can become vulnerable to disputes between such individuals over strategy, rewards for effort, functions and management style.

In addition to those problems that should be foreseeable, the small firm must also focus on those problems that are less predictable. Some of these problems include downturns in the economy, customers or suppliers suddenly adjusting their contracts, Government regulations being changed, shifts in the market and illness or accidents affecting the owner or their staff.

Realistically there is little that the average small business owner can do about economic swings or Government policy changes. However, by careful monitoring and forecasting they can better prepare themselves from such external shocks. Regular consultations with suppliers and customers can serve to provide early warning of future changes in demand or supply and participation in industry networking groups can assist the owner-manager to be better informed of market trends.

A major weakness of small firms in the early stages of their lifecycle is their lack of managerial and administrative systems necessary for basic control and reporting. The most common areas for early attention are in the areas of cash flow management and planning, sales and profit forecasting and budgeting, planning for liabilities (e.g. tax planning), and production control systems designed to monitor utilization, wastage and rework rates and quality.

Additional systems are required to monitor sales trends and gather regular feedback from customers with respect to satisfaction and future requirements. Further, as the business grows in scale and scope, it is likely to require increasingly sophisticated systems of office and human resources management. Developing systems of this kind require the input of a wide range of experts and it will be important for owner-managers to identify a well-qualified network of advisors upon whom they can call for assisting them to implement such systems. Helping them to identify such an expert network is an important role that might be provided by the BEC through a process of referral and advocacy.

What do Small Businesses Want from a BEC?

As discussed above, despite their diversity, small businesses face common problems, which impair both their performance and survival rate. These problems include: lack of managerial competence, under capitalisation, disadvantages of scale

and failure to update market knowledge or adapt to new technologies. However, there is also a tremendous diversity among small and medium businesses, which is important to consider when considering the support they require. For example, the size of the business, in addition to whether the business is innovative, rapidly growing or in a mature market will all impact on the businesses required funds from outside sources, their skill levels and future training needs of their staff and the likelihood of exporting.^[28] Therefore it is important that policy makers do not view the small business sector as a coherent group.

The needs of small firms and new ventures at start up were discussed in general terms by the review team with most respondents. It was acknowledged that the needs of small firms were reasonably well understood by BEC Managers but that the same might not be true of the owner-managers of small firms. While this review did not survey small firms, most research – either in Australia or overseas – suggests that small firms make less use of small business advisory services than they do of their own personal and family networks.

No Clear Consensus but a Regional Need

No clear consensus was found among the BEC as to this question other than a general acceptance that BEC were a useful source of information on business start up or access to Government support grants, training and mentoring and advice or guidance. Further, many BEC emphasized their role as a source of referral to other professionals able to assist small business owners with specialist issues (e.g. lawyers and accountants).

The problems facing small business proprietors in the regional areas were acknowledged to be different from those facing their metropolitan or urban counterparts. This was due to the relative lack of business advisory and support services in these areas. The Gascoyne Development Commission (GDC) made this point in their following comments:

The Gascoyne is particularly in need of the BEC services given the relative isolation of its population centres and the lack of access to professional business services. These factors have contributed in part to what may be termed the lack of a sophisticated approach to business development relative to other regions of the State. A Business Audit conducted by the Commission revealed that many local businesses are demanding greater professional advice and assistance and believe their businesses are not optimally performing owing to the absence of these services.

The Commission considers that BEC need to be appropriately resourced to make active in-rounds into small business development issues. The Commission also considers that BEC need a greater regional profile and full promotion of their services, given that there is limited awareness of the role and services of the BEC Network in the Gascoyne. Other roles in which BEC may increase activities are the facilitation of professional training or business development courses in conjunction with other stakeholders, including Development Commissions and Chambers of Commerce. (GDC submission)

A concern for some respondents was the focus of the BEC Network on the client seeking free advice and thereby creating a form of “welfare” mentality. The tensions between those within the Network favouring fee-for-service entrepreneurial models and those seeking to maintain a free-to-the-client system were highlighted. It was argued by the entrepreneurial perspective that offering a free service led to the Network attracting too many clients with limited financial capacity, which created an image problem when seeking to attract clients who could afford to pay for services.

What Competencies and Services do BEC Need?

As a general comment it was noticeable that across the BEC Network there appeared to be little standardisation in relation to the approach taken to counselling or assisting small business clients. Despite the perception that the BEC Network represents a state wide, publicly funded, small business support service, the reality appears to be quite different. Managers did not seem to have a standard method of dealing with client inquiries or facilitating small business problems.

In discussions with BEC staff about this issue there was a noticeable variability in the approach taken by different BEC Managers to handling small business inquiries. Further, this was more than a case of minor variation in personal style between Managers. There was a substantial difference in how Managers viewed their role and therefore the type of competencies or services required.

Discussions over the issue of the competencies required by Managers, and submissions relating to such competencies, suggested that Managers needed good interpersonal skills, sound business acumen, effective networks and appropriate skills in business management, administration, finance and information technology. However, it was acknowledged that not all Managers had such skills.

Attributes of Good Small Business Facilitation

The process of effective small business facilitation or counselling has been the subject of past research and analysis in academic circles and it is beyond the scope of this review to address this matter in any depth. It is generally accepted that the role and function of the small business facilitator is different from that of the consultant. While the consultant is generally contracted to perform a specific service or give advice on a specialist area, the facilitator is tasked to work through issues with the client more in the way of a tutor or reflective counsel.^[29]

Effective small business facilitators provide a sounding board to their clients, serving to check the owner-manager’s own thinking and decision making prior to them making further decisions. Although the facilitator does not need to be an expert in any particular field, they should be able to understand how to diagnose the problems facing small business owners and offer a referral service to a range of third party experts. The two different routes to solving the problems of small business clients are illustrated in Figure 8.

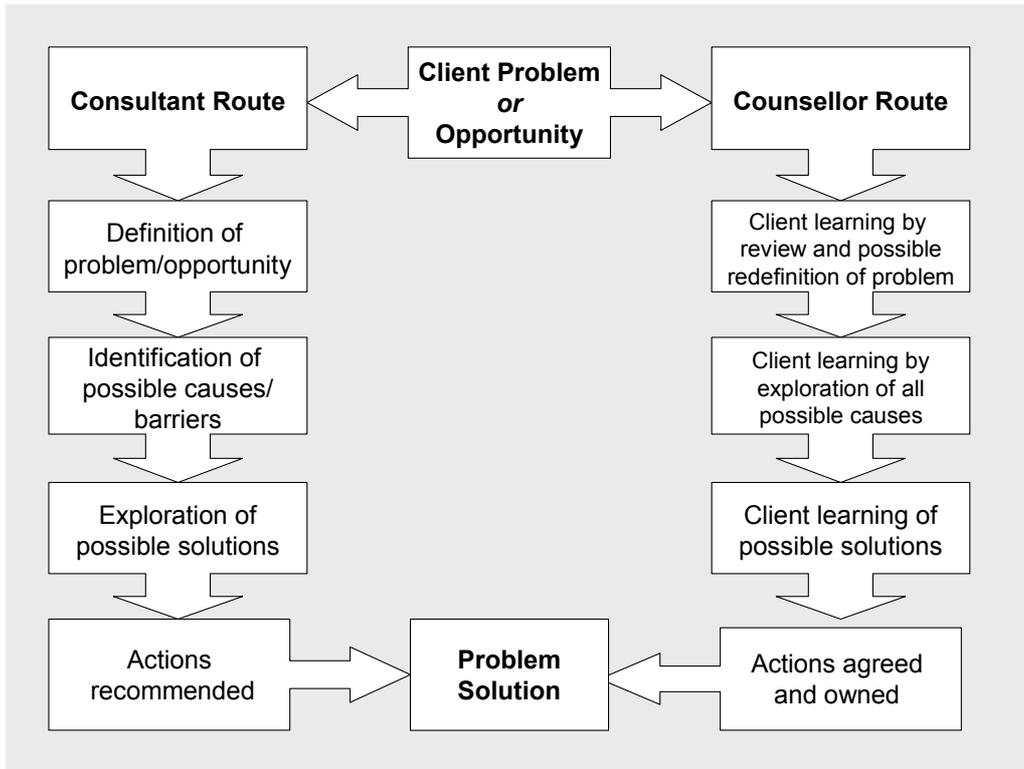


Figure 9: Consultant & Counsellor Routes to Small Business Problem Solving

It can be seen from the illustration in Figure 9 that the facilitation function is a collaborative process in which the ownership of the outcome is more with the client than the facilitator. Unlike the consultant who is paid to deliver advice or services, the facilitator is more appropriately placed as a subsidised or free-to-the-client service as is the model followed within the WA BEC Network Scheme.

The qualities of an effective small business counsellor are sound interpersonal and analytical skills, plus good general business knowledge, able to understand financial, marketing or managerial issues in sufficient depth to provide useful support. Finally, the competent facilitator should possess a strong network of specialists and related contacts to which they can refer clients in need of further assistance.^[31]

Effective small business facilitation or counselling services tend to operate as first line problem solvers and are generally valued for this assistance. Although they are not inclined to provide direct consultancy support to all clients, they do become more involved with such assistance if required. As noted earlier, such facilitators are not specialists in any particular area, but possess a broad general knowledge of business and excellent referral networks. On a personal level the effective facilitator is able to communicate well and quickly gain the trust of their small business clients through empathy and understanding of their circumstances. In undertaking their role, the effective facilitator sets the expectation that the client is to do most of the work and is able to make timely judgements of the needs of the client. Finally, they are skilled at moving the client from operational to strategic concerns over time to assist with business growth.^[32]

Current Services Provided by BEC

The BEC Network Scheme Sponsorship Agreement requires the BEC organisations to “obtain access to any or all of the following” services or support:

- Business Planning Advice
- Access to commercial sources of finance
- Marketing advice
- Electronic Commerce
- Legal, accounting and other professional advice and assistance
- Technical assistance and product development
- Training
- Ongoing support after business start-up
- Government regulations, requirements and programs
- Research and development.
- Any other advice assistance or guidance the Corporation and the sponsor shall mutually agree

While this range of services is fairly comprehensive and can be found as part of the services currently offered and delivered by the BEC Network the review is concerned over the interpretation that might be placed on the role to be played by the BEC organisations. For example, not all BEC Manager / Facilitators have the skills or ability to deliver this range of services directly and some of these services shift the BEC from the role of a facilitation agency to that of a consultancy if they were to do so.

Discussions with respondents as part of this review indicate that some BEC are seeking to supply these services directly, while others are serving as referral agents to third-party sources. Given the funding provided to the BEC organisations under the BEC Network Scheme and the skills and resources available, it seems unreasonable to expect the delivery of this range of services without input from third parties. The review considers that while the overall aim of the BEC Network should be to make such a range of services available to small businesses via BEC, there should be no requirement under the Sponsorship Agreement for the delivery of this wide range of services. Instead the requirement should only be for delivery of core enterprise facilitation services.

Target Markets and Service Delivery Issues - Conclusions

Despite its diversity the small business community is frequently faced with common problems associated with the challenges of different stages of small business development. The primary focus for any small business advisory and support agency should be on the owner-manager and their individual needs. At the start up phase the BEC can provide the owner-manager with information, counselling and referrals to overcome barriers and enhance triggers to new venture creation. As the business becomes established the BEC can continue to facilitate its growth through provision of core enterprise facilitation but increasingly additional services such as training, mentoring and networking.

The existing range of services that is targeted under the WA BEC Network Scheme Sponsorship Agreement is comprehensive and it would be desirable for each BEC to be able to offer them. However, there would appear to be limitations on the capacity of the Network to do so in a consistent and uniform way without significant additional funding, and with the involvement of third parties.

There appears to be no consensus within the BEC Network over what range of services it should deliver and no consistency across the Network in the current level of service delivery. The only consistent service opportunity within existing sponsorship funding levels would appear to be that of the core enterprise facilitation services. These core services should focus on free-to-the-client first line counselling and referral primarily for start up and early-stage micro-enterprises. A consistent standard of service delivery for this core enterprise facilitation should be maintained across the Network despite the need for there to be a degree of diversity in the range of services delivered via the BEC Network.

Recommendation – Focus on Micro-enterprises and Business Start Ups:

That the BEC Network focuses primarily on small business start-up and micro-enterprises within its core enterprise facilitation service delivery. However, subject to the need for the BEC to ensure that they observe the conditions of competitive neutrality as specified in the Sponsorship Agreement, there should be no limitation on the range of services that can be delivered by the BEC Network with the needs of the market determining the ultimate service configuration.

Recommendation – Define the Core Enterprise Facilitation Service:

That the BEC Support Unit in conjunction with BECWA and the BMA reach agreement over the definition of core enterprise facilitation services which would appear to be broadly:

- First line counselling and referral provided to persons seeking to establish a new business venture or who have an established business venture;
- Provided free-to-the-client;
- Designed to identify and diagnose problems and develop future actions;
- In which the client understands that they are to accept responsibility for any decisions taken and their consequences; and
- To assist the client to develop the capacity to assist themselves through a process of self-learning.

SECTION 12

Marketing, Competence & Corporate Governance

The final seven Terms of Reference examined under the review were related to the marketing and branding of the Network, the professional development of BEC staff, corporate governance, and local community support and performance measurement. As outlined earlier in this document these Terms of Reference stated:

What should be done to extend market reach and build brand image?

How can Managers / Facilitators be developed further with a view to building their professional competence?

What mechanisms need to be introduced to help recruit and maintain appropriately skilled Managers / Facilitators and staff?

What mechanisms need to be introduced to develop the role of the Committee in respect of both strategic decision-making and governance?

How can BEC mobilize additional resources at the local level?

How can BEC strengthen their links with businesses and the commercial environment? and

How should BEC and their stakeholders evaluate the effectiveness of their work in the future?

This rather diverse range of issues will be examined in four parts. The first will deal with the marketing and branding issues, the second will address the BEC staffing issues, the third the BEC Committee and corporate governance issues and the fourth the performance measures and benchmarking.

Marketing and Branding Issues

It will be recalled from Section 4 of this report that there was some evidence of BEC having a relatively low profile. The issue of branding and brand image generated a clear division between those who felt that the current “BEC” brand name had merit and those that wished to replace it. The arguments in favour of retaining the existing brand centred on the length of time that it had been in existence and the recognition that it was felt to have among the small business community.

Those opposed to retention of the “BEC” brand name pointed to the low level of awareness and recognition among small businesses of the name and a belief that it was frequently seen as too closely linked to a Government agency (e.g. SBDC). This group were in favour of each centre strengthening its own identity among its local community. As one respondent put it:

*All BEC to be XXXXX Business Enterprise Centres, not variations of SBDC. Regional radio advertising to refer to **LOCAL BEC**.*

The regional BEC and their stakeholders were concerned over the spending of money on advertising in the *West Australian* newspaper by the SBDC to promote the Network. It was pointed out that in some parts of the state the *West Australian* was only received infrequently and (it was claimed) rarely read. These respondents were in favour of allocating the promotional budget to the BEC and allowing them to promote themselves via local community-based media. For example:

The marketing task in the regions for individual programs has tended to be better achieved when it is carried out by individual offices, where local knowledge can be used.

Word of Mouth the Best Form of Promotion

The most effective promotion for a small business advisory and facilitation service such as the BEC Network is word of mouth referral from satisfied clients and community stakeholder agencies with whom the BEC integrates.^[1] This network of stakeholders should include RDC, LGA, CCI, local banks, accountants and other consulting agencies.

It is difficult to plan for such referrals but the strategic planning process suggested in this review should provide a basis for developing appropriate networks and alliances to enhance such activity. The success of this is likely to be contingent on the BEC being able to develop a professional rapport with these other stakeholders, and demonstrate to them that it can be a mutually beneficial relationship for the two agencies to collaborate.

Further, it will be important for the BEC Network to more precisely define and delineate its core enterprise facilitation services so as make a clear, unequivocal offer to the public as to what it stands for and what they can expect to receive from BEC when making use of them. A high quality, facilitation service delivered uniformly across the Network would do much to enhance its reputation and image.

Protecting the BEC Brand

The “BEC” brand, despite the reservations raised earlier, remains a useful and well-recognised symbol across both WA and Australia. Given the limited funding available to directly promote the Network brand it is unlikely that any campaign to significantly change to the brand name would be effective in the short to medium term. It is therefore the opinion of the review that the name “Business Enterprise Centres” be retained as the brand name for describing the core facilitation services delivered through the Network. However, there should be greater recognition of the BEC Network Scheme as a specialist facilitation program delivered via the BEC sponsor agencies.

As discussed in Section 7, there needs to be greater separation between the SBDC and the BEC organisations in relation to managerial issues (as suggested in relation to the recommendation to strengthen the strategic role of BECWA). This should be complimented by a greater separation of the BEC brand from the BEC organisations. One of the issues highlighted in this review was the difficulty many respondents had in clearly identifying the role of the BEC. While some viewed the role of the BEC to be supplying a free counselling or advisory service based largely on the funding provided under the SBDC sponsorship, others imaged a more diverse and entrepreneurial centre offering a wide range of services.

It will be recalled from Section 6 that the need for the Network to adopt a range of service delivery configurations was deemed to be a key strength. This need for the BEC organisations to adapt to their respective environments and develop services to satisfy local industry and community requirements should be accepted. However, while the diversity of the Network is to be viewed as a positive, the need for consistency across the Network in relation to the core enterprise facilitation service remains important.

The review considers it appropriate for the BEC brand to be more closely associated with the core enterprise facilitation service and promoted as representing this service. BEC organisations should be required to display the “BEC” brand name on buildings, publications and other materials. In response the SBDC BEC Support Unit, in conjunction with BECWA and the BMA, should more precisely define the parameters of the core enterprise facilitation service and actively promote this as a discrete program of free-to-the-client first line counselling and referral.

BEC Staffing Issues

The issue of BEC Manager / Facilitator professional competence was a subject that evoked a wide range of discussion within the review process. It was recognised that the current group of BEC Managers differed in terms of age, experience, education and ability. Manager / Facilitators were seen as requiring good interpersonal skills, sound business acumen, competence in basic accounting and bookkeeping, ICT and office administration skills and the capacity to establish and maintain a wide range of networks. In addition, there was a call for Managers to have the capacity to undertake strategic planning and even rudimentary economic development work.

Many respondents noted the problems of attracting and retaining BEC Managers and staff. It was common for respondents to view the problem as one of scarce resources. Relatively low pay and conditions were seen as impediments for the securing of good Managers, and the high turn over in such personnel was seen as partially due to this.

The pay of the BEC Managers was felt by some respondents to be too low and in need of increasing, however, there was a clear difference of opinion as to where this additional money was to be sourced. While some BEC Managers felt that the SBDC was the provider of their 'base salary', others were of the view that their 'package' was comprised of a range of funding of which the SBDC sponsorship was only a part (sometimes a small part).

With existing funding levels providing Manager salaries at levels varying between \$40,000 and \$66,000 per annum (plus car allowance), the Network can be compared favourably against such professions as teachers, police or the public service. Unlike these professional groups the BEC Manager / Facilitators are not required to have any minimum education or training standards and there is considerably less monitoring of their activities. However, better pay and conditions are likely to attract and retain high quality people.

In discussions with the review, the BEC Managers were frequently more concerned by a lack of administrative support to allow them to do their work and not become overburdened than with salary levels. When the full range of services identified under the existing Sponsorship Agreement is taken into consideration, the range of competencies required by the BEC Manager is potentially large. This can place a heavy burden on the Manager who seeks to implement a wide range of services within their centre. Additional funding was required to ensure that BEC could employ administrative assistants to work with the Managers.

Manager Selection and Induction Training

The review found that there was a noticeably high level of diversity not only in the backgrounds, skills and education levels of the BEC Managers, but also their employment contracts. While some BEC Managers were employed under contracts that closely resembled public-service agreements, others had a sub-contractor relationship with the BEC organisation that employed them. This is reflective of a Network comprising 37 independent organisations and should be taken into account when seeking to impose Network-wide standards of professional competency and development.

According to the BMA the most successful BEC Managers tend to be people with experience in operating their own business, who understand the enterprise facilitation process and who seek long-term job satisfaction from the role. It was suggested that BEC Committees should be given greater assistance and support when recruiting Managers and suggested that the BMA be involved in this process. It should be noted that the SBDC BEC Support Unit already provides support to the BEC Committees in the recruitment and selection of Managers, and seeks to do so as a condition of its Sponsorship Agreement.

It was acknowledged by many BEC Managers that the small business facilitation function, while important, might be only a part of the overall role undertaken by the

BEC. More emphasis was likely to be needed on strategic planning and regional economic development skills and awareness for some BEC, particularly in regional areas. There was also a call for more professional and continuing education for Managers to ensure that they were able to keep up to date on business trends. However, the distance that some of the more remote BEC Managers had to travel to attend courses and conferences was substantial and increased the overall cost for such centres. As one comment suggests:

To further develop professional competence continual training programs being provided would clearly be the most beneficial way for Managers to build on their expertise. As training providers are limited in this remote region it entails vast amounts of travelling, which interrupts the daily activities of the BEC. For example, to attend a two-day training program in Perth can often involve up to five days away from their centre. Air travel is particularly difficult to obtain flights and costly. As the BEC funding is minimal often attending sessions is unaffordable. (East Kimberley BEC submission)

As an outcome of the 2001 Albany Conference the BMA, in consultation with the SBDC, developed an induction program for new BEC Managers and provides a foundation for future development of the Network. The review welcomes this development and encourages the continuation of such measures to assist in the overall professional growth of the Network. Further, as noted by the BMA:

There has been debate between the Network Managers and the BMA Executive regarding an 'entry level' or minimum standard for all new Managers being appointed. (BMA submission)

The review considers it important for BEC Manager / Facilitators to be selected against a well-defined set of basic criteria including appropriate educational, skills and professional competencies. It is acknowledged that this is not a view shared by all existing BEC Managers, but the review supports the call by the BMA for minimum entry level standards for all facilitators employed under the BEC Network Scheme.

Education and Training Standards

With respect to formal qualifications and training there was some focus on the merits of the AIM Certificate IV in Small Business Facilitation. Those Managers who had completed the program considered it to be a good course but there was no clear follow on. Not all BEC Managers had undertaken the program and there was no agreement that such a course was necessary to effectively carry out the role of a BEC Manager.

In addition to the Small Business Facilitation course, AIM also provides a Certificate IV in Small Business Management (costing \$1,500) that is offered online through an Internet training program. Such a course requires the completion of modules in accounting and business planning.

As noted in Section 7, the SBDC was offering \$500 to assist BEC Managers to undertake professional development education including these AIM courses if

required. It is disappointing that the take up rate of this training across the Network is low.

The need for professional development has been noted in the past and addressed by annual conferences at which training workshops have been held. According to the BMA this level of professional development needs to be further enhanced:

Continuous and appropriate Professional Development, which enhances each BEC Manager's skills and ability to carry out their primary function of small business facilitation, is required. All Managers should be subject to a competency audit within their peer group at least once every five years. The opportunity for professional development, training courses, conferences etc. should be part of the employment package offered by each Committee. (BMA submission)

The review supports the call for a minimum level of education or professional training for all BEC Manager / Facilitators, and sees significant benefit in adopting a professional standards model akin to that used by the accounting organisations (e.g. CPA or ICA), which require members to have both a minimum level of formal qualifications, and a specified level of professional development education (PDE) each year in order to retain membership.

Although the Australian Institute of Enterprise Facilitators (AIEF) was established in the late 1990s to provide a national body for BEC Managers along the lines of the professional societies enjoyed by Accountants, the recognition of this organisation remains in contention. An alternative professional association is the Institute of Business Advisors (IBA) in the United Kingdom. This organisation maintains a set of standards for the education and professional development of enterprise facilitators, and has developed its networks in several countries outside the UK.

The review makes no judgements as to the benefits of any particular professional association (e.g. AIEF or IBA), but suggests that the BMA consider membership of a particular body as a precondition for its own membership and to use this as a means for enhancing the overall professional development of BEC Managers. Membership of national or international bodies provides access to wider professional benchmarking not readily available within a small WA Network.

Given the independent nature of the BEC organisations the key to ensuring uniform standards of education and training across the Network would appear to lie with the provisions of the Sponsorship Agreement. Currently this agreement makes no specific requirement for enterprise facilitators to be educated or trained to a particular standard. The review considers that this should be addressed and that there should be provision within the agreement to ensure all Manager / Facilitators hold minimum qualifications. A transition period of approximately 2 years would appear to be appropriate to allow all managers to upgrade such qualifications.

Case Study of Formal Performance Appraisal

To illustrate the possibilities for enhanced Manager performance appraisal systems within the BEC Network the following Case Study was prepared by the review of the Central Wheat Belt BEC.

Case Study 4

Instituting a Formal Performance Appraisal System: The Central Wheatbelt Business Enterprise Centre

Michael Keeble, Chair of the Central Wheatbelt BEC, is currently working with his Committee and Cheryl Dimmack, Central Wheatbelt BEC Manager to develop a formal performance appraisal system. Michael has identified the absence of a formal performance appraisal system within the BEC Network to be a serious concern.

Michael is devising what will start as a fairly basic performance appraisal system which will be refined over the next few years. There has been no formal system in place for measuring performance of the BEC Manager against identified key performance indicators (KPIs). Some of the key features of the model being developed by the Central Wheatbelt BEC are as follows:

- Six monthly appraisals conducted by the BEC Chair.
- A circular appraisal and feedback model (360 degree feedback) where the BEC Manager, Chair and Committee are able to provide feedback to each other. Note that not just the Manager is appraised but that the Manager has the opportunity to appraise the Chair and the Committee.
- KPI that are devised by negotiation between the BEC Manger and Chair (who represents the committee).
- A three point rating system for performance against each KPI: 'Satisfactory', 'Needs Attention' and 'Has not been Performed'.
- A system for addressing weak or absent performance against a KPI.

Michael also wants to make the following points:

- If performance appraisals are not done properly, they can be devastating.
- Critical that the Manager has the opportunity to assess and provide feedback on the performance of the Committee and clearly define what is required of Committee Members.
- Committees often do not have a clear understanding of what their function should be and this process can assist in making their role clearer.

The first performance appraisal for Cheryl Dimmack is set to take place by the end of September this year and will be used as a 'test run' for what will be the first real appraisal scheduled for February 2004.

Corporate Governance and Committee Development

Many respondents raised the issue of corporate governance as a key issue in understanding the operation of the BEC Network. The volunteer nature of the BEC Committee structure meant that it was frequently difficult for members of the Committee to fully engage in all the strategic decision-making and governance issues required of a busy centre. It was considered highly desirable to have small business owners represented on the Committee, but such people had to give up a lot of time on an unpaid basis to operate the BEC.

The participation of representatives from LGA or RDC on the BEC Committee was seen as a benefit in that such people were usually well versed in committee procedures and corporate governance matters. However, such individuals were also prone to be 'too bureaucratic' and may not fully understand the needs of small business owners.

The Committee not the Manager is the BEC

This debate over the composition of the Committee was actively pursued in some meetings and submissions. It was widely recognised that the Committee, rather than the manager, was the BEC and that a well-structured Committee offered a BEC the opportunity to fully network with its community and secure additional resources. The role of the Committee of the BEC organisation was seen as vital to the future development of the Network and its ability to secure support from local community stakeholders.

There was a general consensus of opinion that the Committees of BEC needed more support in doing their work and should have enhanced induction and training. As one submission expressed it:

Make sure that the Committee members know their constitution and governance responsibilities. Revise the constitution regularly. Do a strategic plan and keep it up to date by revision. Keep abreast of changes in Committee's governance and responsibility. This can be achieved by the Support Unit, with improved communication channels, such as distributing information to Managers and Committees. A Seminar and Conference to be held each year. Guest speakers at Committee meetings. (Esperance BEC submission)

Support to the BEC Committee

Many respondents viewed as inadequate the level of support from the SBDC that is currently available to the BEC Committees. However, it was acknowledged that this was a potentially costly exercise. The issue of how to enhance the overall level of corporate governance was frequently associated with the need to create an entirely new model for the BEC Network with a more business like approach in which the "Committee" would be viewed as a "Board" and the entire structure operated with greater accountability. At the regional levels this implied fewer, but larger BEC with more professional governance structures:

A regional partnership model could result in the ‘business advisory service’ being overseen by either a Committee of Council or a regional stakeholder group including appropriate expertise. This model ensures a higher level of scrutiny and accountability as Councils are bound by the provisions of the Local Government Act. Alternatively, where a regional entity exists, such as a Regional Development Commission a ‘service delivery agreement’ would ensure relevance of the service to regional strategies and ensure accountability through the RDC reporting structures. (EMRC submission)

The review notes that one of the outcomes from the 2001 BEC Conference in Albany was the production of a BEC Committee Manual designed to assist understanding among members over their roles and obligations. However, while this is a most welcome first step, more needs to be undertaken to assist in the general education of the BEC Committee Members. The review was surprised to find a relatively low level of knowledge among BEC Committee representatives over the composition and structure of the BEC Network. For example, many expressed surprise at the existence of 37 BEC and some were unaware of the existence of 10 metropolitan BEC. The operations of the BEC Network appear to have been left largely to the BEC Managers and the SBDC BEC Support Unit, with active communication taking place between them. By comparison, BECWA and the Committees of the 37 BEC sponsoring organisations remain less engaged with the Network’s operations.

Given the voluntary nature of BEC Committee membership it seems unlikely that any substantial changes can be made to the operations of these Committees along the lines of a more corporate “Board” model. However, the review encourages greater education of Committee Members as to their duties and responsibilities and welcomes the introduction of the BEC Committee Manual. It also sees a potentially greater role for BECWA, working in conjunction with the BEC Support Unit, to develop a process of upgrading the strategic capacity of the BEC Committees. The strategic planning process outlined in Sections 9 and 10 provide an opportunity to more fully engage the Chairpersons from the various BEC organisations through the Regional Strategy Groups. This is expected to have a positive impact on the level of strategic orientation among the BEC Committees overtime.

Mobilisation of Local Support

Most respondents acknowledged securing additional resources at the local level as a key focus for BEC. The most likely source of additional funding or ‘in-kind’ support was LGA. However, there were many BEC who expressed frustration at being unable to secure additional support from LGA. For example:

Hedland BEC has received ‘no’ support from LGA but some funding from BHP Billiton and Dampier Salt although this is usually against ‘projects’ rather than general operating revenues. (Hedland BEC submission)

Discussions with LGA representatives, particularly those in the regional areas, suggested that many were uncomfortable in taking up the financial burden that they

felt should be the responsibility of the State Government. Several submissions from BEC suggested that LGA had recently reduced their level of support to the Network. For example:

The City, like most Local Government authorities, has limited scope to provide funding for a BEC and in most cases support is provided in kind rather than cash funding. For example the City provided \$100,000 in kind (car parking facilities) as part of its support for the Stirling Business Incubator. The City's prime responsibility is providing services and facilities to its ratepayers and the community and not the ongoing funding support for what is seen as a Federal or State function. The City does however contribute \$25,000 to the BEC operating costs. (City of Stirling submission)

Despite this somewhat pessimistic outlook there were also many examples of LGA-BEC alliances that were highly productive and appeared to produce enhanced resources for both parties. For example, the Rockingham Business Development Centre (RBDC) is part of the larger South Coast Business Development Organization (SBDO) that includes the BEC service as well as training programs for Home Based Business and a Micro Business Coaching program. The RBDC/SBDO also provides a management service for the Kwinana Technology Business Incubator (KTBI) securing an additional \$30,000 per annum to the centre. Other services include a fee-for-service training program run in conjunction with the local CCI. The RBDC/SBDO has developed collaborative links with such community stakeholders as Tourism Rockingham, Bridging the Gap Rockingham and Kwinana and SW Regional CCI.

Similar cases were found among other BEC including that of the Leschenault Enterprise Centre (Bunbury), and the Peel Business Enterprise Centre. The Peel Development outlined their support for the integration of the local BEC into the wider context of other industry and economic development initiatives, such as incubators and clusters.

The role of Business Incubators was a key focus for enhancing the links between BEC and their local business and industry stakeholders. Several respondents suggested that BEC-Incubator combinations were an effective means for linking the centres into the business community. For example:

For a number of years the Commission has supported and encouraged the establishment of a small business incubator. An incubator is viewed by many key agencies as being a pivotal piece of regional infrastructure for business development. The Peel BEC commitment to become the Manager of the Mandurah Business Incubator was critical in securing the capital funding for such a facility and ensuring it will be of long-term benefit to small business in the region. The Commission believes there is a synergy in locating the Peel BEC into the proposed incubator. As Manager the BEC is well placed to continue servicing both micro level and home based businesses in their current situations or as small business incubator tenants. (PDC submission)

In addition to the role of incubators, there were suggestions for BEC to engage more with their local or regional CCI, although it was not clear how this might provide much in the way of additional financial resources. Finally, there were suggestions that BEC should offer an enhanced range of services for small businesses that might attract owner-managers to make more use of the centres. Such services included training, coaching/mentoring, market research and local business awards forums.

Making Use of the BECWA Strategic Planning Groups

While the level of corporate governance within the BEC Network varies from excellent to something much less, the overall pattern that emerges is one of fairly weak strategic planning and management. This is not meant to be a criticism of the Network and does not dismiss the commitment and passion that most BEC Committee Members contribute. However, the BEC Network is comprised of 37 volunteer Management Committees that largely lack the time and resources that might be considered ideal.

Amalgamation of the existing 37 BEC into larger units would be one means of potentially strengthening the level of corporate governance. Larger BEC with more resources would have the capacity to develop more professional Boards or Committees. The suggested 'hub-and-spoke' model for regional BEC Networks might also offer enhanced corporate governance through strengthened Management Boards or Committees at the 'hub'. However, the creation of fewer but larger BEC or 'hub and spoke' also risks the abandonment of the Network by existing local Committee Members and the potential loss of valuable community support.

In discussions between the review and BECWA it was suggested that the capacity of BEC to secure additional support from local community stakeholders would be more easily achieved if the Committees rather than the Managers played an active role. It was felt that Managers frequently found themselves dismissed by LGA, RDC and CCI as they did not have sufficient influence within the community. This contrasted with the Committee Members who were frequently prominent local business people or LGA Councillors and other notables. BECWA suggested that it might be possible to secure appropriate levels of support if the various BEC in a region cooperated to apply maximum resources and influence on sources of additional sponsorship.

The review supports this approach and suggests that the strategic planning process suggested in Sections 9 and 10, be undertaken with a view to drawing together collaboration between BEC within the six BECWA regions (see Table 14) to secure maximum mobilisation of additional resources at the local level including the strengthening of links with industry. Further collaboration between BEC organisations also offers the potential for strengthening Committee strategic capacity and enhancing BEC resources through resource sharing at the BECWA regional level.

Performance Measurements and Benchmarking

In addition to corporate governance, many respondents viewed this issue as one of the most important facing the BEC Network. It was widely acknowledged by respondents that the current operational reporting criteria (as published by the State

Government in the annual report) were meaningless. The existing measures that recorded the number of new clients, casual inquiries and client assists were of little value to the BEC and did not provide much accuracy as the definitions of such terms were vague. Further, the claims that a certain number of new business start-ups had occurred, leading to job growth, was viewed with a degree of scepticism. There was little, if any, follow up by the BEC reporting process to accurately determine whether these business starts or jobs actually took place. As the following comments from the BMA suggest:

Historically the data collected for benchmarking the BEC has been flawed, unreliable, inadequate and inappropriate for comparing one BEC with another. This data was gathered not for the purpose of benchmarking or in improving Network service delivery; it was designed to assist the processes of government. Resolving the issue is not difficult, many members are willing to participate and the BMA would consider the encouragement of members to participate. This is one of its pre-eminent Key Performance Indicators. (BMA submission)

This lack of reliable reporting and actual 'cause-effect' made it more difficult for the BEC Network to justify its contribution to the community. While many BEC Managers captured more reliable statistics and had the ability to provide evidence of actual business start-ups and other positive outcomes from their activities, such information was not used in any official reporting. Some Managers had ceased to collect any more information than what was required by SBDC.

The annual BEC Client Survey was also viewed as meaningless and highly suspect as a measure of performance. Both BEC Managers and Chairpersons, and the community stakeholders with whom the review team spoke held this view. This was due to the sampling bias caused by the methodology employed.

Respondents were willing and able to provide alternative lists of performance measures with emphasis placed on financial, service and operational performance. However, the most common point of agreement was that any performance measures should be focused on outcomes. LGA respondents were generally seeking to fund against specific projects with clearly defined outcomes. As the EMRC submission expressed it:

Whatever the form of business advisory services provided the following issues must be addressed in evaluating performance:

- *Strategic plans and business plans must be developed that have measurable outcomes/performance indicators, including detail as to how these outcomes will be measured.*
- *Performance measures and reporting must be clearly transparent – too much of the data provided by BEC is questionable, particularly in regards to job creation.*
- *Quality assurance or customer satisfaction measures must be included to measure whether clients receive the right advice in a timely manner.*

- *Client contact data must be maintained – to identify the types of clients using the service, the industry sector, size of firm, their needs, turnover, etc.*
- *Performance measures developed must be on the business plan – generic indicators, whilst useful to measure BEC Network performance from an SBDC perspective, do not necessarily reflect the local/regional focus of business support services. (EMRC submission)*

A Case Study of Key Performance Indicators in a BEC

The weaknesses of the current performance measurements and benchmarking model used within the BEC Network relate to its focus on Centre activities and with inadequate measures of outcomes. Alternative models were examined by the review and the following case study of the Lake Macquarie BEC in NSW was developed as an example of the range of KPI that might be used to measure a Centre's performance.

Case Study 5

Performance Measures at Lake Macquarie Small Business Centre

The Mission Statement of the Lake Macquarie Small Business Centre (LMSBC) is to “increase economic prosperity and employment in the Lake Macquarie community by facilitating growth in profitable and sustainable small business enterprises”. To achieve this aim and monitor its performance the LMSBC uses a range of KPI covering financial and non-financial indicators.

Indicators of Successful Financial Performance

The extent to which -

- Revenue and profit targets are achieved
- Ongoing costs are minimized (insurance, purchasing, etc.)
- Cash flow meets obligations
- Overhead costs are minimized
- Centre secures funding (government and / or private) to implement its programs
- Centre produces surplus to fund expansion

Indicators of Successful Client Service Performance

The extent to which -

- Programs are known and accessible to relevant client groups
- The centre facilitates the identification of new job and business opportunities
- Knowledge, skills and linkages provided by the centre are relevant to the range of client needs and are provided at an affordable cost
- Employment increases within the local community as a result of the centres activities (individual programs to be assessed).
- Programs lead directly to positive financial returns for business enterprises
- Business failures are corrected and/or prevented

- Business enterprises increase productivity / competitiveness and /or improve industrial relations
- New markets are identified and penetrated for Lake Macquarie enterprises
- Centre is supportive of the broader economic goals / strategies of the Lake Macquarie community
- Centre successfully lobbies government and relevant corporations on behalf of client groups.
- Tender bidding for program delivery is successful versus competitors (i.e. ratio success to total)

Indicators of Successful Operational Performance

The extent to which -

- Programs meet time, cost and quality targets
- The data base covers all client groups and identifies new employment and business opportunities
- Strategic alliances are in place to facilitate the penetration of new markets
- The LMSBC identifies potential threats to client companies e.g. from new entrants, changing legislation etc. and identifies new business trends.
- Centre has access to the necessary knowledge, skills and attitudes to maximize performance and achieve its mission (i.e. centre is successful in areas of recruitment, staff development, succession strategies, outsourcing, etc.)
- Product inputs are purchased at optimum price
- Centres facilities are conducive to learning and development

The weakness of the current performance benchmarks has been discussed earlier and the case study of LMSBC suggests that a more robust system of KPI can be applied across the WA Network. There is a need for more useful performance measures to guide the BEC and ensure that public funding (either State, Local or Federal) is adequately used. BEC Managers would also benefit from such enhanced performance measures. Such measures will need to be incorporated into any future strategic planning and sponsorship funding made contingent on adequate achievement of minimum benchmarks.

The Need for More Commercial Performance Measures

It is the review's opinion that there should be more commercial measures used for assessing the performance of the BEC within the Network. Currently each BEC receives approximately the same level of funding (e.g. \$60,000) for its core sponsorship from SBDC. Many BEC view this as 'salary' for the Manager. There are currently few direct measures of how this money is employed by the BEC.

An alternative approach to the measurement of this sponsorship would be to allocate a nominal hourly rate for the delivery of the small business facilitation service by the BEC manager. Discussions with BEC Managers as part of this review suggest that an hourly rate of \$80 to \$100 is appropriate (with \$80 in variable costs and \$20 in overheads). This would provide each BEC with around \$48,000 to cover the time

spent by a BEC Manager / Facilitator each year delivering the core enterprise facilitation service and a further \$12,000 for general overhead costs.

On an hourly rate of \$80 the BEC would be able to make available 750 hours of core enterprise facilitation time free-to-the-client per annum. Assuming around 251 working days available each year (taking into account weekends and public holidays) the average BEC would be able to provide enterprise facilitation at an average rate of 3 hours per day.

An examination of the level of BEC activity as reported in the annual BEC Operational Summaries for the past four years suggests that the average number of client assists per day across the Network was around 3, which would be consistent with the provision of approximately one hour of face-to-face counselling and referral with each client. While it is true that a few BEC have reported up to 42 client assists per day, some concern must be raised over the quality of such facilitation. Given the other work that must be undertaken by a BEC Manager (e.g. administration, networking, training and operating other separately funded programs), an average of 3 (hour long) client assists would appear reasonable.

The use of a quantifiable measure of performance and valuation of the facilitation service creates a system in which there can be greater levels of accountability, and subsequently more informed decisions as to the operational activities of the BEC. Such a system would require the sponsoring agency (e.g. SBDC) to more clearly define the nature of small business facilitation and to require the BEC to account for their time in a more precise manner than is currently undertaken.

If accurately tracked, the use of a quantifiable hourly rate measure for BEC facilitation services would provide a means for supplementary funding of BEC organisations. While the core funding support for each BEC may remain constant within the initial sponsorship model, as suggested in the recommendations, it can be used to determine whether a centre's activities requires additional funding if activity levels warrant this.

Compliance Costs

Discussions with respondents over the use of a dollar-per-hour rate to measure BEC activity raised concerns over the compliance burden such a system would impose. The SBDC also expressed concerns over the need to enforce such a system and the possible cost of monitoring and auditing it.

The review notes these concerns and recognises that any system must impose as few compliance costs as possible, and should be able to lead to benefits for those that are asked to implement it thereby reducing the need for enforcement. To this end the review notes the existence of such software as *Client 2000*, which has the capacity to record client-facilitator transactions and can include a time measure. The requirement for Manager / Facilitators to make use of such software for all client assists involving face-to-face counselling and to record the time taken in each interview does not seem to be an onerous task. Such data, if collected via a computer-based system, should be relatively easily managed and collated for subsequent reporting.

Developing an Outcomes Based Performance Model

Finally, it should be noted that the review considers performance benchmarks should be both quantitative and qualitative and should comprise outcomes based measures. For example, the existing funding provided by the SBDC for small business facilitation could be focused on client outcomes with both quantitative and qualitative measures collected and reported by BEC Managers. Such data gathering is desirable not just for enhance accountability at the state level, but also to allow the BEC to demonstrate its value to its local community.

As noted above, while care must be taken to avoid excessive compliance costs, the use of computer-based client tracking systems (e.g. *Client 2000*) provide a means of recording and managing such data that should be efficient. Further, as shown in the case study of the LMSBC, there is a substantial range of potential KPI that a BEC might employ to appropriately measure its performance and justify its funding under the WA BEC Network Scheme.

The review has already pointed to the weaknesses of the existing range of measures used within the Network to assess performance; however it considers that the development of a more comprehensive set of KPI should be addressed as part of the strategic planning process described earlier in this report. Appropriate KPI would be focused on outcomes and linked to the achievement of objectives designed to fulfil the strategies developed under the 3-year planning cycle.

With respect to the existing performance measures used under the WA BEC Network Scheme, it is suggested that these be re-examined to provide a greater level of accuracy and outcomes-based performance measurement. The following comments are made by way of illustration:

- Number of Client Assists per annum – should include the average time taken with each client and a general indicator of the nature of the assistance (e.g. counselling for start-up, counselling for other purpose, referral);
- New Clients per annum – to include generic demographic information (e.g. ANZSIC categorisation for industry type, stage of business evolution, postal code or geo-code location, employment base);
- Casual Enquiries – to include information on how they learnt of the BEC (e.g. referral, advertisement, passing by) and nature of enquiry (e.g. information request);
- New Business Starts – this data should not be included if it cannot be verified. One means of cross-checking this is via reference to such databases as *Telstra Sensis* which can provide information on the number of firms in a given area down to ANZSIC level 4 and can track trend data over time to illustrate the growth and decline of businesses in a region or target location.
- Job Creation – this data should also be treated with caution if it cannot be adequately verified.
- BEC client portfolio – in addition to quantifiable data, each BEC should be required to provide a portfolio of client case studies that illustrates its work in fulfilling the objectives of the BEC Network Scheme.

Marketing, Competence & Corporate Governance – Conclusions

Since its emergence in the 1980s the BEC Network has developed into one of the largest, most effective and geographically dispersed small business counselling and support services in Australia. The image of the Network and the brand name “BEC” remain less developed than is desirable, but given the investment that has already been made in the BEC name, the review sees no justification for changing. However, there is a need for the BEC enterprise facilitation service to be more accurately defined and for this service to be promoted more actively as a discrete service delivered by BEC organisations in conjunction with the various other services and programs that they offer. This is currently not happening and appears to be responsible for confusion within both the public and the BEC Network as to the role and function of a BEC.

Require Minimum Standards for Manager / Facilitators

The review notes that there are currently no minimum standards of education and training for Manager / Facilitators employed under the BEC Network Scheme and considers that this is inappropriate if the future development of the Network is to occur. It is appropriate that all Manager / Facilitators achieve a minimum standard of training and accreditation, and that they are supported by an appropriate system of professional development education. This requirement for a minimum standard of qualification is supported by the BMA.

The review also considers that it would be desirable for the BMA to affiliate with a national or international association such as the AIEF or IBA (UK) to enhance its membership’s image and to access national and international best practice benchmarks.

Better Corporate Governance Models

While the voluntary nature of the BEC Committee system is a potential limitation to improving the overall level of corporate governance within the Network, the review welcomes the introduction of the BEC Committee Manual and seeks greater dialogue between the SBDC BEC Support Unit and BECWA over the enhancement of BEC Committee management. The opportunity for building the level of strategic capacity within the BEC Committees can be found via the strategic planning process suggested earlier.

Develop New Performance Measures

The need for enhanced and more commercially focused performance measures and KPI is also noted. These should be developed via the 3-year planning cycle a set of KPI for each BEC and an examination of the measures used by the SBDC to monitor annual performance against sponsorship funding. In achieving this, the review considers it appropriate to revisit the existing performance measures and develop a set that are more outcomes focused and demonstrate the BEC organisation’s ability to achieve its objectives.

Recommendation – Promote the “BEC Service”:

BEC sponsoring organisations should be required to display the “BEC” brand name and logo on buildings, publications and other materials with the wording “Delivering BEC Services” prominently displayed. In response the SBDC BEC Support Unit should more precisely define the parameters of the core enterprise facilitation service and actively promote this as a discrete program of free-to-the-client first line counselling and referral.

Recommendation – Enhance Professional Development of BEC Managers:

That the SBDC BEC Support Unit, in conjunction with BECWA and the BMA, develop a process of professional development for BEC Managers / Facilitators that is able to enhance the competencies of the Network. Further, this professional development process should be capable of being supported within existing funding resources. Key elements of this process should be:

- 1) That BEC Manager / Facilitators be required to complete a Certificate IV in Small Business Facilitation or equivalent;
- 2) In addition to the basic qualification, each BEC Manager / Facilitator should undertake a minimum of 20 hours professional development training of a kind to be approved by mutual agreement between BECWA, the BMA and the SBDC;
- 3) That this process of professional education be implemented over a period of 2 years with future sponsorship funding to individual BEC remaining contingent on their Manager / Facilitator becoming fully qualified;

Recommendation – Encourage Membership of the BMA:

That all BEC Manager / Facilitators should be encouraged to become members of the BMA and that the BMA focus on assisting members to gain professional accreditation. In doing this, the BMA should consider affiliation with national or international bodies such as the Australian Institute of Enterprise Facilitators (AIEF) or the Institute of Business Advisors (IBA) (UK), to provide enhanced recognition of their members’ professional standards and to access national or international benchmarks in education and professional development.

Recommendation – Review Performance Measures:

That existing performance measures used under the WA BEC Network Scheme sponsorship be re-examined to provide greater levels of accuracy and outcomes-based performance measurement. In developing such performance measures greater consideration should be given to accurate measurement of time spent by BEC Manager / Facilitators in service delivery and the outcomes such services have achieved within the target community. As part of the strategic planning process described earlier, BECWA, in conjunction with the BMA and supported by the SBDC, should ensure that each BEC develop a set of KPI to measure performance as part of the development of its 3-year strategic planning process. Such KPI should be outcomes focused and linked to the achievement of objectives designed to fulfil the strategies developed under the 3-year planning cycle.

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