

## **GOVERNMENT FUNDED BUSINESS PROGRAMS: ADVISORY HELP OR HINDRANCE?**

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**ABSTRACT:** This study seeks, through the perspective of Professional Business Advisors (PBAs), to understand how government business programs help and/or hinder the provision of small business advisory services in a regional (non-metropolitan) Australian setting. An emergent theme identifies such programs as significant conduits for regional business knowledge transmission. However, those programs are also perceived by PBAs, who deliver such programs, as imposing substantial constraints for the provision of such services. The identified constraining factors include issues of PBAs' financial viability, ineligibility of businesses to access such programs, capriciousness of programs, and a clash between technology utilisation and infrastructure reliability in some non-metropolitan regional areas. Regional Australian PBAs service a heterogeneous collection of businesses across large geographic areas. Yet, the potential for PBAs to support the process of knowledge transmission is severely constrained by current government programs aimed at start-up businesses, but ignoring organisational growth. Such constraints raise concerns that have regional policy implications.

**KEY WORDS:** advisory services, knowledge transmission, start-ups, business growth, regional knowledge isolation

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### **1. INTRODUCTION**

There is a long-held principle that knowledge is a critical, strategically important, resource for businesses (Grant, 1996; Nag and Gioia, 2012).

Specifically, the resource limitations of managerial knowledge are an inherent understanding required by all businesses that are small in size (Hall, 1992). These inherent shortcomings emphasise the need for small business owners, or managers, to continually improve their knowledge in respect of both managerial education (Peterson *et al.*, 1983) and managerial skills (Laitinen and Chong, 1999).

Small business size hinders the knowledge transference normally associated with larger corporate environments. To address the resource limitations associated with business size and to overcome organisational knowledge isolation, small businesses often seek the use of external professional business advisors (Gibb, 1993; Kent *et al.*, 2003). This study focuses on professionals whose actions are directed towards providing general business advice to small regional Australian businesses, as directed by the needs of their clientele. For this paper, the external advisors who are the focus of this study will be denoted as Professional Business Advisors (PBAs).

A range of small business benefits are associated with PBAs, including the procurement of specialised knowledge and skills (Chrisman *et al.*, 2005; Viljamaa, 2011), access to financial information related to taxation (Holmes and Smith, 1997), operational planning and systems reviews (Carey *et al.*, 2005), future trends and fresh ideas (Hurmerinta-Peltomäki and Nummela, 2004), innovation strategy (Bessant and Rush, 1995), or simply as the source of valuable industry contacts (Chrisman and McMullan, 2000).

In most countries, including Australia, governments seek to address the significant knowledge gap in small businesses through the provision of advisory services or subsidised assistance (Sawang *et al.*, 2016). In New Zealand, the government assisted in establishing small business support agencies that provide advice and training services (Massey, 1994). The United Kingdom (UK) government helped establish Business Links where business advisors work with small businesses as “helper, facilitator and consultant” (Sear and Agar, 1996, p. 8), and in Australia, small businesses are supported through a range of government support programs, including “tax benefits, finance assistance and paid-for advice” (Xiang and Worthington, 2017, pp. 461-462). Howard and Hine (2000) comment that it is logical for governments to provide small business support to minimise the potential for small business failure. However, they also state that “Government regulation and red tape is also suggested as a significant factor inhibiting small business development” (Howard and Hine, 2000, p. 3). This is supported by Peters and Naicker (2013) who identify red tape

as a primary factor for the limited usage of South African government support initiatives. Thus, while the importance of government support for small businesses is evident with studies emphasising the economic benefits of such support (Breen and Bergin-Seers, 2002; Lowe and Talbot, 2000; Massey, 1994), there are limited studies specifically examining efforts of small business government support through the provision of advisory services.

In Australia, a significant number of small businesses are located in regional (non-metropolitan) locations in each State (Nicholls and Orsmond, 2015). Similarly, the importance of small businesses to regional and rural communities in the UK is acknowledged by Lowe and Talbot (2000) who mention that rural economies in the UK are dominated by small businesses. For many regional economies, small businesses are regarded as the main wealth creators (Lowe and Henson, 2005), with their support for local communities being crucial to the economic and social viability of the region in which they operate (Hettihewa and Wright, 2018; Robbins and Murphy, 2005).

Bearing in mind the importance of small businesses to regional communities, any failure by governments to help businesses overcome their difficulties may potentially impact on the overall region's economic performance (Australian Chamber of Commerce and Industry [ACCI], 2004). This presents challenges because Australian small businesses are considered prone to high failure rates (Ahmad and Seet, 2009; Watson, 2003) and substantial annual churn (Australian Bureau of Statistics [ABS], 2013). The propensity for small business churn can be exacerbated by location remoteness, with the influence of resource access limitations considered a significant barrier for non-metropolitan small businesses (Henderson, 2002).

The theory of outsider assistance as a knowledge resource suggests that the creation of knowledge can be acquired from external advisors to develop a long term competitive advantage (Chrisman, 1999; Chrisman and McMullan, 2004; Hurmerinta-Peltomäki and Nummela, 2004). Thus, appropriate professional external business advisors can address the limited management knowledge of regional small businesses (Chrisman, 1999; Chrisman and McMullan, 2004). These small business advisors are considered "...able to provide knowledge resources for firms with limited access" (Łobacz *et al.*, 2016, p. 120). Considering that regional small businesses (SBs) "...tend to have attributes, behaviour, and needs that differ significantly from urban-SBs" (Hettihewa and Wright, 2018), this paper identifies that the use of regional PBAs may address the unique

knowledge needs and potential knowledge isolation, experienced by regional small businesses.

Through the theory of outsider assistance, this study seeks to understand the mechanisms that affect the provision of small business advisory services, by PBAs, in a regional Australian setting. As such, an emergent theme in the extant literature identifies government business programs and initiatives as significant conduits for regional business knowledge transmission. Supporting this premise, Hulpke and Byrnes (1994) argue that governments in many countries encourage the creation and continuance of small businesses through the support of business assistance programs. Within Australia, all levels of government recognise the importance of small business for regional prosperity and actively fund business support initiatives (Hefferan and Fern, 2018). The investment by governments into business support programs is not new. The late 1990s saw the introduction of programs by the Australian Federal Government intended to improve small and medium-sized enterprise (SME) efficiencies and increase utilisation of PBAs through the provision of government subsidised advice (Holmes and Smith, 1997).

Across many countries, government subsidised advice aims to tackle the knowledge gap of small businesses through the provision of advisory services or subsidised assistance (Sawang *et al.*, 2016). Within a regional Australian context, this paper investigates how government funded initiatives are perceived by PBAs who are the vehicles for providing the required advisory services. This paper addresses the research question: Do government funded business programs help or hinder regional Australian Professional Business Advisor (PBA) knowledge services?

To address this question, this paper presents a literature review, methodology and findings. After which a discussion arises on adding to the theoretical understanding of knowledge management, as related to the perceived effectiveness of government funded business programs by those professionals who deliver them. The paper concludes by presenting policy implications within a regional Australian context.

## **2. LITERATURE REVIEW**

Most governments support innovation at a regional level in some way (Bessant and Rush, 1995), however, governments are faced with the dilemma of how to allocate funds for providing this support (Everett and Watson, 1998). Assistance provided by the government for small businesses is usually motivated by 'external' economic concerns; mainly

the stimulation of economic development and increased employment through improved small business operations (Breen and Bergin-Seers, 2002). Research indicates that businesses want governments to create an appropriate macroeconomic environment in which businesses can succeed (Storey, 2000). This view aligns with Hettihewa and Wright (2018) who claim that government policies directed towards strengthening regional small businesses need to improve the socio-economic viability of the region.

Gnyawali and Fogel (1994, p. 57) contend that the main role of government small business policy is "...to increase opportunities, to develop the motivation of potential entrepreneurs to go into business, and to enhance potential entrepreneurs' ability to start a business". However, Blackburn and Schaper (2012) contend that there is a shift, by policy makers, from focusing on start-up small businesses to entrepreneurship and growth. Before a policy is developed, however, governments need to identify "...the extent of the opportunity, propensity to enterprise, and ability to enterprise" and then formulate policies that address the weakest areas (Gnyawali and Fogel, 1994, p. 58). Whilst there appears to be a policy shift from start-ups to entrepreneurial ventures, the tools used by governments to assist this small business sector continue to be based on start-ups with related advisory and counselling services, basic business training, initial financial assistance and locating in business incubators (Blackburn and Schaper, 2012).

At a systemic level, in times of crises like bushfires and pandemics, governments need to work towards economic recovery with initiatives tailored towards specific communities and sectors. Government funds supporting such initiatives focus on providing loans and grants, provision of advice and mentoring services, and training and upskilling programs (Mannakkara and Wilkinson, 2012). In Australia, rural financial counsellors are partially government funded and are often the first contact for rural businesses in crisis. Counsellors provide free financial advice and assistance to rural businesses experiencing financial hardships and faced with making "the toughest decisions of their lives" (Fuller and Broadbent, 2006, p. 80). Another example of a needs-based partially government funded advisory service is the Small Business Bus. The Small Business Bus is a traveling mentoring program provided through collaboration between Small Business Victoria and the Small Business Mentoring Service (SBMS) (SMBS, 2020). It provides free business mentoring across both metropolitan and regional Victorian communities. The importance of business mentors providing contextualised individual assistance to emergent entrepreneurs is identified by Cope and Watts (2000). They

identify that mentors can assist small businesses to address a diverse range of critical episodes.

The highly volatile nature of the small business segment is well documented (Conolly *et al.*, 2012) with Australian small businesses having a high turnover of businesses, or “churn rate” (ABS, 2017; DIISRTE, 2012), and considered risky (Ahmad and Seet, 2009; Watson, 2003). Everett and Watson (1998, p. 371) assert that if the primary reason for small business failure is internal, then government policy should be targeted towards individual businesses; but if the primary reason for failure is external, then funds should be allocated towards “changing the economic environment in which small business operates.” Indicating that if governments seek to reduce the rate of small business failure that policy, and support, needs to ascertain reasons for failure before directing efforts to the microeconomic (internal) level of small firms or the macroeconomic (external) level in which these small firms exist.

When addressing the external small business failure issue, Hefferan and Fern (2018) find that governments tend to adopt two strategic approaches: (i) “transitional assistance” is used to address crisis situations in which there is an immediate need to develop economic activity and employment within a region; or, (ii) “transformational assistance” which is a longer-term strategy aimed at capturing new opportunities and future proofing regions so they can meet new challenges. An example of transitional assistance is illustrated by the Victorian government’s response to high levels of unemployment in the Latrobe Valley, a consequence of the privatisation and restructuring of the power industry. The aim was to deliver hands-on assistance aimed to support and grow specifically 30 small businesses in the Latrobe Valley (Barrett *et al.*, 2004). Alternatively, the establishment of the National Industry Extension Scheme (NIES) in 1986 by the Australian Federal Government is a good example of ‘transformational assistance’. The aim was to future proof the Australian SME sector through subsidised business advice with “a real desire for improvement and change” (Holmes and Smith, 1997, p. 65).

When addressing the internal small business failure issue, Peterson (1988) identifies three public policy models implemented by governments. The first is denoted as the “laissez-faire approach” in which governments are not concerned with high failure rates but rather allow the process of start-up, survival, growth or decline to happen naturally. The second approach is the “limited-environmental policy approach” in which government involvement is considered appropriate but limited to fostering a good economic climate for small business growth and development. The

third is the “strategic interventionist approach”, in which the government is perceived as advocating and assisting small business interests by providing direct support in the form of financial aid and advisory services. Along this third approach, Howard and Hine (1997) identify three forms of government small business assistance: (i) establishment of a small business advisory department which provides advisory services inclusive of market opportunities, referrals for professional services and regulatory requirements; (ii) provision of business training or financial support, for example, the New Enterprise Incentive Scheme (NEIS) in Australia that provides support for unemployed who wish to start-up a business; and (iii) the business incubator which can provide subsidised rent, administrative support, business advice and other development support. PBAs can be engaged in the transmission of needed knowledge to businesses through any aspect of the above three forms of assistance (Howard and Hine, 1997).

Additionally, when addressing small business internal issues, government support can be labelled in terms of being soft or hard schemes: soft schemes focus on the provision of education, business advice and business opportunity awareness; hard schemes focus on the provision of direct financial assistance (Rotger *et al.*, 2012). Thus, specifically governments’ use of PBAs is associated with soft schemes.

The provision of government soft schemes, specifically PBA knowledge services, is dynamic and interactive, meaning the transference of knowledge is an activity that benefits from collaborative one-on-one interactions (Feldman, 1994). Such interactions underscore the belief that external business advisors are an important source of information for developing small business knowledge (Chrisman, 1999; Robinson Jr, 1982). This belief is underpinned by the theory of outsider assistance (Chrisman, 1999), which provides the framework in this study for appreciating the role of PBAs in government funded support for small business knowledge. As such, this study follows in the footsteps of specific program support studies discussed in the remaining part of this literature review.

Chrisman and McMullan (2004) present evidence from the United States (US) that PBA assistance has a causal link with small business survival. They identify that survival rates were higher for businesses that received government supported business advisory services at an early stage in their development. The importance of PBAs to small businesses, especially start-ups, is similarly conveyed by Mazzarol and Reboud (2020) who assert the failure rate is higher for businesses that do not utilise PBAs.

Small regional Australian communities are depicted as being vulnerable to exogenous forces (Courvisanos and Martin, 2005), so it is important to

acknowledge that Australian governments endeavour to assist small businesses across broad geographic regions, especially from fast encroaching global competition. This sentiment is expressed by Hefferan and Fern (2018) who acknowledge Garnaut (2013) as identifying the impact of globalisation in Australia on the development of national economic policy. As a result, all levels of government in Australia provide small business support. There is a tendency for the Federal government to invest at the sector level, whilst States focus on addressing areas of specific importance to the State, and local governments focus on businesses within their particular region. Because of different political philosophies and different regional priorities, governments face difficulties coordinating and integrating assistance programs across these different jurisdictions (Hefferan and Fern, 2018). Although differing political philosophies exist across political parties, the general neo-liberal (market dominance) approach exercised in policy development, and “the ad hoc nature of state and federal government policies towards Regional Australia”, can marginalise some regional communities (Courvisanos and Martin, 2005, p. 3). Additionally, the heterogenous nature of small businesses makes the development of publicly funded assistance programs complex and often controversial (Howard and Hine, 2000).

Much of the literature related to government funded small business assistance programs is dated, with the 1980s and 1990s being the significant period of scholarly research both in Australia and internationally. Massey (1994, p. 57) identifies that a potential reason for this is that following the release of the 1971 Bolton committee “report on the small firm in the United Kingdom”, governments in the advanced economies invested strongly in the development of small business support infrastructure, and subsequent research followed this government initiative. Similarly, in Australia, the Wilshire enquiry (1971) is credited for stimulating the establishment of a number of government funded small business support policies (Blackburn and Schaper, 2012), which have then been the subject for Australian researchers. Examples of global research that followed these policy initiatives are; in the USA, Chrisman, Nelson, Hoy, and Robinson Jr (1985) investigated the impact of the Small Business Development Center (SBDC), a program which started in 1977; Holmes and Smith (1997) researched the impact of the Australian NIES program introduced in 1986; and in the mid 1990s, Sear and Agar (1996) undertook a survey of the UK Business Link PBAs, identifying key issues they faced operating through a government funded program.



Whilst it is evident that government initiatives enable small business access to business advisory services (Mazzarol and Reboud, 2020), the prevailing neo-liberal approach to economic policy, in general, reflects political antipathy arising in the 21<sup>st</sup> Century about the role of governments spending public funds on small business support initiatives (Courvisanos, 2012). Chrisman and Katrishen (1994) explain that the Small Business Development Center (SBDC) in the US can be justified from a public policy perspective, when there is continuing evidence that the assistance provided through the program delivers more revenue through taxes than the operating costs of the program. Similarly, in Australia, "...government activities that sustainably broaden the economic base are to be encouraged" (Hefferan and Fern, 2018). Robson Shaw and Bennett (1999) identify that government support schemes with specialised objectives, tight structures, and a focus on addressing gaps in the market work better. However, it is difficult to evaluate the exact impact of government funded small business assistance programs. A program can be measured against its stated objectives, but it is difficult to address whether a particular program is responsible for business improvements "...because it is not possible to know what would have happened to these small businesses in the absence of the program" (Barrett *et al.*, 2004, p. 192). This sentiment is similarly reflected by Holmes and Smith (1997) who identify the dynamic nature of the environment in which government funded programs operate. They argue one cannot rely purely on financial indicators of success.

When investigating business consultants, Holmes and Smith (1997, p. 59) identify that consultants consider one major benefit of government supported small business programs as "SMEs gain[ing] an understanding of the benefits of accessing consultants, and [being] less reluctant to seek out the help of consultants when problems arise in the future". This emphasises the necessity that small business "assistance needs to be 'sold' to potential participants" (Barrett *et al.*, 2004, p. 192). Further, Ehrich and Billett (2004) suggest that government programs aimed at helping small business learning should find ways to develop localised support for such programs. From a small business perspective, Barrett *et al.* (2004) identify that small businesses received a number of benefits when participating in a small business assistance program in the Latrobe Valley, they included gaining confidence, an increase in staff numbers, and business continuation.

Whilst research exists that identifies policy effectiveness from a return on investment perspective, there appears to be limited research into the policy effectiveness of programs to stimulate small business and entrepreneurial activities (Mazzarol and Clark, 2016; Rigby and

Ramlogan, 2013). Additionally, there is a scarcity of research specifically examining the impact of government small business support initiatives on PBAs, who often facilitate the delivery of such programs, and a lacuna of research identifying PBA perceptions about whether government funded business programs support the delivery of advisory services. Using the theory of outsider assistance, this paper focuses on mechanisms that enable professional small business knowledge transmission to be provided through government funded business programs in a regional setting, and whether these programs are perceived as beneficial by PBAs.

### **3. METHODOLOGY**

This study focuses on PBAs who service small businesses operating within both Inner Regional and Outer Regional locations within the State of Victoria: Inner Regional describing minor accessibility limitations to services within the region (ABS, 2004a); Outer Regional describing moderate limitations to services (ABS, 2004b). The focus on both inner and outer localities is founded on the belief that regional towns act as service hubs beyond metropolitan centres (Baum, *et al.*, 2005; Doherty *et al.*, 2013). Such selected towns have a Regional Development Victoria office and consequently are considered to be a central location for regional businesses to access advisory services. The four Inner Regional locations involved in this study are Ballarat, Bendigo, Warrnambool and Shepparton. The two Outer Regional locations in this study are Horsham and Swan Hill.

A qualitative approach was used which consisted of two primary data collection approaches, in-depth interviews and focus groups. These conversational methods allowed the researcher to generate empirical data about the social world by asking individuals and groups to discuss their respective experiences (Holstein and Gubrium, 1997). To identify appropriate PBAs within each location, the study adopted reputational case sampling, allowing the researcher to use local small business experts in each region to identify PBAs that small businesses might be directed towards when seeking information, knowledge, or advice (Roulston, 2010). In each region, local business experts were approached to identify appropriate interview participants. These experts included individuals who worked for Regional Development Victoria (RDV), the Industry Capability Network (ICN), the Small Business Mentoring Service (SBMS), AusIndustry, the Australian Industry Group, local council economic development offices, the Ai Group, community business

networks and local chambers of commerce. It should be noted that the focus group participants were selected from individuals identified as business experts in each region; some of whom had provided recommendations of appropriate interview participants.

A total of 29 face-to-face interviews were conducted across six different regions. This included five in Ballarat, five in Bendigo, five in Shepparton, five in Horsham, six in Warrnambool and three in Swan Hill. Across the six regional Australian locations, there were seven different PBA professions who participated in this research. Participants were identified as being business advisors, consultants, coaches, mentors, legal specialists, accountants, and financial counsellors. Consultants were the dominant profession contributing to this research with nine participants, followed by advisors with six participants, mentors with five, accountants four, counsellors and coaches had two each, and there was one legal specialist.

Data triangulation was used to enrich, and provide depth to, the data collected from PBAs (Wilson, 2016). At the completion of the individual interviews with PBAs, this study purposively selected a group of regional Victorian small business experts to engage in focused discussion about the emergent themes associated with the perceptions of PBAs in that region. One focus group, in each of the six regions, was conducted with participants from local government economic development departments, local RDV offices, local Registered Training Organisations (RTOs) who provide business mentoring programs, local commerce associations, and other local business networks.

The transcribed data from both interviews and focus groups were imported into NVivo with participant comments coded to thematic nodes keeping in mind the research question. The theory of outsider assistance provided the appropriate framework for this study as it sought to understand the process of knowledge transmission and the mechanisms for the provision of small business advisory services by PBAs in a regional Australian setting. One thematic node classified all comments related to government funded small business advisory support. This thematic node identified both the importance of government initiatives for small business advisory services and also a range of constraining attributes which may hinder the advisory process. Arranged in this format, the views about government funded small business advisory programs are presented in the findings.

#### **4. FINDINGS**

Consistent with the research question, this section provides, first, the findings identified as helpful to the PBAs knowledge services in the regional setting. This is followed by the findings identified as of hindrance to this objective.

##### ***Helpful Aspects of Government Funded Business Programs***

This study identified six positive aspects of government funded advisory support for small businesses, perceived as helpful by PBAs: (i) provision of funding for programs, (ii) support provided from various levels of government, (iii) provision of crisis counselling, (iv) mentoring services for SMEs and start-ups, (v) skill development through business workshops, and (vi) networking opportunities. Each is set out below.

(i) The provision of government funding for small business initiatives is evident in each region included in this research. The funds are considered important to ensure regional small businesses have access to needed support. In this study, unfortunately, a policy shift is identified from governments supporting smaller businesses in the regions to support for larger businesses who can provide the government with more immediate outcomes. This policy shift is reflected in a focus group with a statement that from both state and federal government perspectives, there is a shift from supporting smaller micro-businesses with face-to-face services "...to support[ing] those bigger businesses that [can deliver] quality outcomes quite quickly".

(ii) Support for regional Victorian small businesses was identified across various levels of government. In each locality, focus group participants were representative of a local cross government collaborative network. This was evident in the cooperative engagement between focus group participants, who came from different government departments, government subsidised institutions, business networks and local business associations.

(iii) Across all regions in this study, crisis counselling services are provided for businesses in financial distress through the 'Rural Financial Counselling Service'. This service enables regional farm-related businesses to sort through financial issues, understand their financial position, and have the information required to make critical business decisions. When describing the criticality of their role, one

PBA commented that: “Sometimes we feel like we’re the ambulance at the base of the cliff after they’ve already fallen off, so they’re going through bankruptcy, they’re going through fund debt mediation and they’re at the pointy end of the situation.”

(iv) Mentoring services for SMEs, and start-ups, was also available in all regions via the government provided ‘Small Business Bus’ and regional members of the ‘Small Business Mentoring Service’. In the Swan Hill focus group, the importance of the bus to the region was identified: “When they do [come], they are booked solid.” However, in the Swan Hill focus group, a concern was raised around the frequency of the service to more remote communities, commenting that the bus only visited Swan Hill once a year. Thus, “[i]f the Small Business bus was to be a really useful resource in regional areas, there’d be 20 of them, and we’d have one in Mildura and one in Swan Hill every month.”

(v) All regions provided workshop opportunities for small businesses to develop skills, with many of these being managed or coordinated by local government business development personnel. However, the validity of these services was questioned by a few focus group participants. The first concern was that they were frequently poorly attended. In the Shepparton focus group, recruitment difficulties were observed because “...workshops are always difficult to attract people to...”. It was also noted in a few areas that smaller satellite regions had better attendance than the bigger towns, for example: “Out of the five shires that we cover in the Wimmera, Horsham’s probably the least proactive when we do workshops”. One PBA raised the issue that businesses who need help tend not to use the service. In the Horsham workshop, this claim was supported: “...we know that those small businesses who are proactive are going to the workshops. ...and they’re often the ones that don’t necessarily need it. Those that do need the help don’t attend...” It was also suggested that workshops provided by governments are perceived negatively, and thus more poorly attended than similar private events. In the Bendigo focus group, the comment was made that: “...the perception would be that there might be more merit and value from the privately run workshop to the government run workshop, although the presenter may be the same, or of a similar calibre.”

(vi) Local government across all regional locations in this study appeared to strongly support small business networking initiatives. They networked across professional organisations and other government departments, or government funded institutions, and are

seen to actively invest time and resources into business development programs and knowledge transmission initiatives. When discussing the role of local government in delivering knowledge transmission opportunities for the benefit of their business community, a focus group noted: “I guess as a council we feel that there’s an opportunity, or a responsibility, for us to create as many opportunities to facilitate networking as possible.” This focus group continued about the process of organising business workshops in the Shepparton region: “The idea here is to try and get a speaker that can pass on a great amount of knowledge, or inspire locals to improve their own businesses, while also trying to connect them with other locals as well, to create opportunities.”

### ***Hindrances Aspects of Government Funded Business Programs***

Whilst acknowledging the positive contributions that government funded small business initiatives provide for the delivery of advisory services across regional Australia, it was identified that PBAs perceived government initiatives as also presenting significant constraints. These constraints are: (i) the requirement for knowledge needs to fit government mandated boxes; (ii) issues of financial viability for PBAs; (iii) the ineligibility of many regional small businesses to access government funded initiatives; (iv) the unpredictability of government programs; (v) moving allocation of funds to different regional locations; and (vi) a clash between technology utilisation and infrastructure reliability in some non-metropolitan regional areas. These constraints are set out below.

(i) One constraining aspect for PBAs to engage in government funded programs is the need to adhere to highly regulated government requirements. Time constraints on client engagement are imposed on PBAs by the public funding. This could include the number of free sessions available before costs are incurred, a limited time allocated for free service, or the frequency by which these services are available in any region. PBAs may also have role constraints imposed on what services they are permitted to provide, such as terms and conditions specifying that mentors are not allowed to go beyond that role, or that counsellors are not allowed to recommend a course of action. Additionally, travel conditions may be imposed on PBAs, that directly impacts on their ability to service more remote small businesses in regional Australia appropriately. One PBA commented on how the constraining travel reimbursement policy affects their ability to

mentor small businesses who are more remote: "...under the way that I get reimbursed for travelling, I'm not supposed to do more than a 50k round trip. I am discouraged from doing more than 50k... I'm actually supposed to ask the client to reimburse me for travelling." For some PBAs who had previously participated in government funded advisory initiatives, this was a characteristic that hindered any further participation. Another PBA commented that: "Government programs I generally find are – excuse the phrase – a waste of f\*##ing time and money. They are run by bureaucrats who have got no concept of business, and you've got to fit their boxes."

(ii) Issues associated with the financial viability of government funded programs for some PBAs were identified. A comment was made that the revenue from government programs did not make commercial sense for them; it required additional work to locate suitable clients, and the level of remuneration was much lower than providing fee-for-service. One PBA identified that the revenue received from government programs limited the services able to be provided. With participating clients being less desirable to PBAs, one PBA noted: "...I'd rather not rely on that for business because the type of business we get out of it's not really the business we want." PBAs also recognised that the process of recruiting businesses for these programs took a long time. This study identifies PBAs' expectations on recruiting participants, and the time involved imposes financial constraints which induce PBAs not to be involved in such government programs.

(iii) Selection criteria for participation are based on business size or turnover, which designates many small businesses ineligible to access government funded initiatives. When describing a particular government program for the development of business plans, a member of the Shepparton focus group said: "...you've got to be a turnover of \$500,000 and be export focused basically, so that cuts out a whole lot of those smaller [businesses]." Similar limiting criteria were identified in Ballarat where a PBA commented that: "...the way that the eligibility's structured is more focused at the established businesses, the ones that have traded for at least three years, have a turnover of \$1.5 million plus."

(iv) The unpredictability of these small business government programs is perceived also as a hindrance by PBAs. Some PBAs commented that they could not trust government funded initiatives because the rules can change at any time. Citing that sudden changes to programs or initiatives often required PBAs to adjust and

potentially absorb the financial implications. When explaining a previous government funded drought program for regional businesses, one PBA said:

...[it was] only when each farmer had completed all four sessions that we got paid, and suddenly when we were about halfway through, the Feds said, 'It's all over in three weeks. You've got to have it finished.' So how it didn't kill us, I don't know. So we got out of it and after that we said, 'They can stick it'.

The focus groups tended to describe this issue as the changeability of government programs rather than the unpredictability. However, it was still considered an issue in the Bendigo focus group where it was described as affecting regional small businesses in general:

One of the things that I think frustrates small business is the politicisation and the change of government, change of name, change of program, change of processes, change of systems ...there can be no guarantee of process or systems or individuals that provide ongoing support to business, it's just an ad hoc political bloody toy for Canberra and Spring Street at the moment.

(v) The dynamic way funding for programs migrates from region to region and is often attributed to the emergence of regional crisis. The types of crisis discussed in this study included fire, drought and large organisational closures. A number of focus groups identified this issue crisis-based funding as a form of hindrance due to insecurity:

...we've seen recently...with the demise of Ford, a lot of emphasis, both federally and State, going into Geelong. So, ...the money...gets thrown into those areas because they don't want to see people out of work. But then more recently you've had Hazelwood closing down...the focus, from what I can see, has shifted from...Geelong out to the Latrobe Valley”.

This shifting of government funds from region to region also means PBAs delivery of knowledge-based initiatives moves, and opportunities for PBAs to provide advisory services through government programs also moves.

(vi) Policy changes occur, leading to the shifting of small business advisory services from face-to-face PBA knowledge transmission to self-help online systems. In the Ballarat focus group, this technology shift was noted: “A lot of the smaller micro business support has moved into the more digital space and online, the free tools and templates, the information made available for people to access.” Whilst the shifting of government small business programs into the



online environment enables small businesses to access a lot of information for free; it does not ensure that small businesses know if, and where, to find that information: “In most cases, most businesses do not know what is available to them. It's the known unknowns. You don't know what you need until sometimes it's too late.” Also, the shift to technology solutions does not take into consideration the infrastructure issues some regions face, as raised in Swan Hill: “...the north-west of Victoria has got the worst connectivity of any region in Victoria and one of the worst in Australia. It's poor infrastructure, it's huge distances in comparison to other areas.” Critically to this study, the shift to impersonal online methods for knowledge transmission does not fulfil the important relational role that many PBAs believe is important for successful knowledge transference to occur.

Overall, the five constraints are seen as hindering advisory services. As the Bendigo focus group noted, government policy development in this space focuses on the end user – the small business – and not the PBAs who are the critical delivery agents: “...these programs are not designed for advisors, but supposedly designed for the client at the other end.” This exemplifies the divergent views found in this study, where PBAs perceive that financial constraints hinder their ability to deliver knowledge services, but government policy reflects the view that these programs are “...not really designed to provide advisors an income.”

## 5. DISCUSSION

The findings identify divergent perceptions by PBAs on government funded business programs. On the one hand, government expenditure on small business support programs is perceived as valuable and helpful within regional communities and ongoing expenditure is encouraged. On the other, there is a sense that as the delivery agent of advisory programs, PBAs are not afforded appropriate consideration by governments. PBAs perceive advisory programs are being designed to meet only start-up small businesses while ignoring PBAs as conduits in supporting the overall growth and development of small businesses. Exacerbating this program deficiency, the findings show that PBAs are concerned with six regional constraints to these programs that are a significant hindrance to the health of the regional small business sector.

More generally, from the theory of outsider assistance, the findings show that both PBAs and regional focus groups agree on the significant support role played by PBAs for relatively isolated regional small businesses in

knowledge transmission. Yet, the government support programs omit any specific mechanisms for PBAs, especially in regional settings. Thus, the helpful aspects of these programs are at the mercy of the hindrance elements implied in these programs.

Helpful features of the government support programs were identified in the findings. Notably, these programs assist regional collaboration and knowledge sharing across different government departments, government funded institutions, and local professional associations; in contrast to coordinating difficulties noted by Hefferan and Fern (2018). However, the findings do endorse Barrett *et al.*, (2004) on the reinforcing of strong collaborations for small business assistance in the Latrobe Valley between various levels of government and their agencies. The regional business support through financial hardship evident in this study is also identified by Fuller and Broadbent (2006). While an indication of the importance of mentoring by PBAs for start-ups through these programs seen in the six regional settings in this study is confirmed by Cope and Watts (2000).

Despite Hettihewa and Wright (2018) and Hefferan and Fern (2018) arguing for specific government regional small business policy in Australia to address depopulation and decline of some regions; the findings of this study show enough regional hindrances in existing small business programs to indicate major neglect in this policy area. The PBAs note particular concerns about such hindrances. The study supports Barrett *et al.*, (2004) about the difficulties in the regional provision of advisory services given the strict requirements in the existing small business, which creates small business scepticism and barriers to recruiting businesses into such programs. Also, the findings align with both Howard and Hine (2000) and Peters and Naicker (2013) in associating government red tape with poor participation in government supported initiatives. The policy shift towards online self-help advisory services raises particular concerns when considering the issue identified by Hettihewa and Wright (2018) that regional small businesses are reluctant to embrace the adoption of technology in their business.

## **6. CONCLUSION: IMPLICATIONS FOR POLICY DEVELOPMENT**

Regional Australian PBAs service a heterogeneous collection of businesses across large geographic areas. Yet, the potential influence that these PBAs have in the process of knowledge transmission is severely constrained by current government programs aimed both at start-up

regional businesses and those pursuing organisational growth. Such constraints as set out in this paper raise concerns that have regional policy implications.

Governments need to address the constraining aspects identified in this paper. Notably, the unpredictability of government programs, moving allocation of funds to different regional locations reflecting political swings, shift away from face-to-face small business programs to self-help online systems, and subsequent issues of financial viability for PBAs. Government policy needs to address these issues, otherwise what emerges from this paper is significant reluctance by PBAs to engage with such programs. This will result in greatly reducing the pool of knowledge that can be accessed for its transmission to small businesses in regional locations, making such programs less effective because of the resulting knowledge deficit from the missing PBAs.

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