Small Business Statewide Engagement

Summary of Insights

August - October 2022

Office for Small & Family Business

Government of South Australia

Acknowledgement of Country

The Department for Industry, Innovation and Science acknowledges and respects Aboriginal people as the state's first people and Nations.

We recognise Aboriginal people as the traditional owners and occupants of South Australian land and waters.

We acknowledge that the spiritual, social, cultural, and economic practices of Aboriginal people come from the traditional lands and waters, and that Aboriginal people maintain cultural and heritage beliefs, languages and laws which are of ongoing importance today.

We value the unique and irreplaceable contributions Aboriginal peoples continue to make to the state of South Australia.

Government of South Australia
Department for Industry, Innovation and Science

Foreword from the Minister

Small and family businesses play a critical role in our state's economy, making up almost 98 per cent of all businesses in the state.

Small businesses in South Australia pour $45 billion to our economy, employ almost 40 per cent of our workforce, and account for more than a quarter of the state's wages and salaries, and a third of sales and service income.

As a former small business owner, I understand the challenges, joys and sheer hard work that goes into running a business, and I'm proud to be South Australia's dedicated Minister for Small and Family Business.

The South Australian Government is firmly committed to helping businesses to succeed. To gain a deeper understanding of how we can do this better, we undertook the most comprehensive and intensive engagement program with small and family businesses this state has seen.

We sought feedback through 21 roundtable discussions, 19 in-depth interviews, and an online survey which yielded more than one thousand responses.

The feedback we received was detailed, complex and multi-faceted, and was fuelled by the passion and energy of business owners who are striving to succeed in what has often been an incredibly challenging environment, particularly over the last three years.

I genuinely appreciate the willingness of all participants to be part of the conversation and help improve the way government supports business.

The insights we received are summarised in this report, and we'll use them to develop a Small Business Strategy for South Australia, to be released early next year.

We know from these findings that we still have more work to do, and I am determined to take clear, tangible actions to make a real difference for small and family businesses across South Australia.

Hon Andrea Michaels MP

Minister for Small and Family Business

Background

In 2022, the Office for Small and Family Business (OSFB) undertook an extensive Statewide engagement to inform the development of a strategy, to better understand and support the needs of small and family businesses across South Australia.

As part of the engagement and research, OSFB elicited feedback from key stakeholders, subject matter experts and business owners, resulting in qualitative data collected from 21 roundtable discussions, 19 in-depth interviews, and feedback from 1,018 respondents via a quantitative survey.

The findings presented within this summary report are from the qualitative research, substantiated by data from the survey.

To further inform findings, more granular detail has been explored around specific industries, sectors and populations but has been omitted for brevity. Underlying these findings is also an acknowledgement that SA is a small business economy and a commodities-based economy.

Who was engaged?

Extensive engagement was undertaken with participation from a wide audience across South Australia.

Qualitative Conversations

Over the course of September and October 2022, in-depth interviews were conducted with 19 stakeholders and 21 round table conversations were held across South Australia's regions and with key sector groups. As part of the roundtables and interviews, the survey data was presented as a prompt.

The tables highlight the regions, industries and organisations that were involved in the interviews and round table discussions.

19 In-depth Interviews
Adelaide Central Market
Australian Centre for Business Growth (UniSA)
Australian Hotels Association SA
Australian Small Business & Family Enterprise Ombudsman
Behind Closed Doors
Business SA
Business SA (SAYES / Entrepreneur programs)
Adelaide Economic Development Agency
Family Business Australia (SA)
Food SA
Indigenous Business Australia
LBW Environmental Products
Office of the Industry Advocate
Regional Development Australia
SA Wine Industry Association (SAWIA)
SA Woman
South Australian Small Business Commissioner
Social Enterprise – Hen House / The Chooks
Tourism Industry Council South Australia (TICSA)

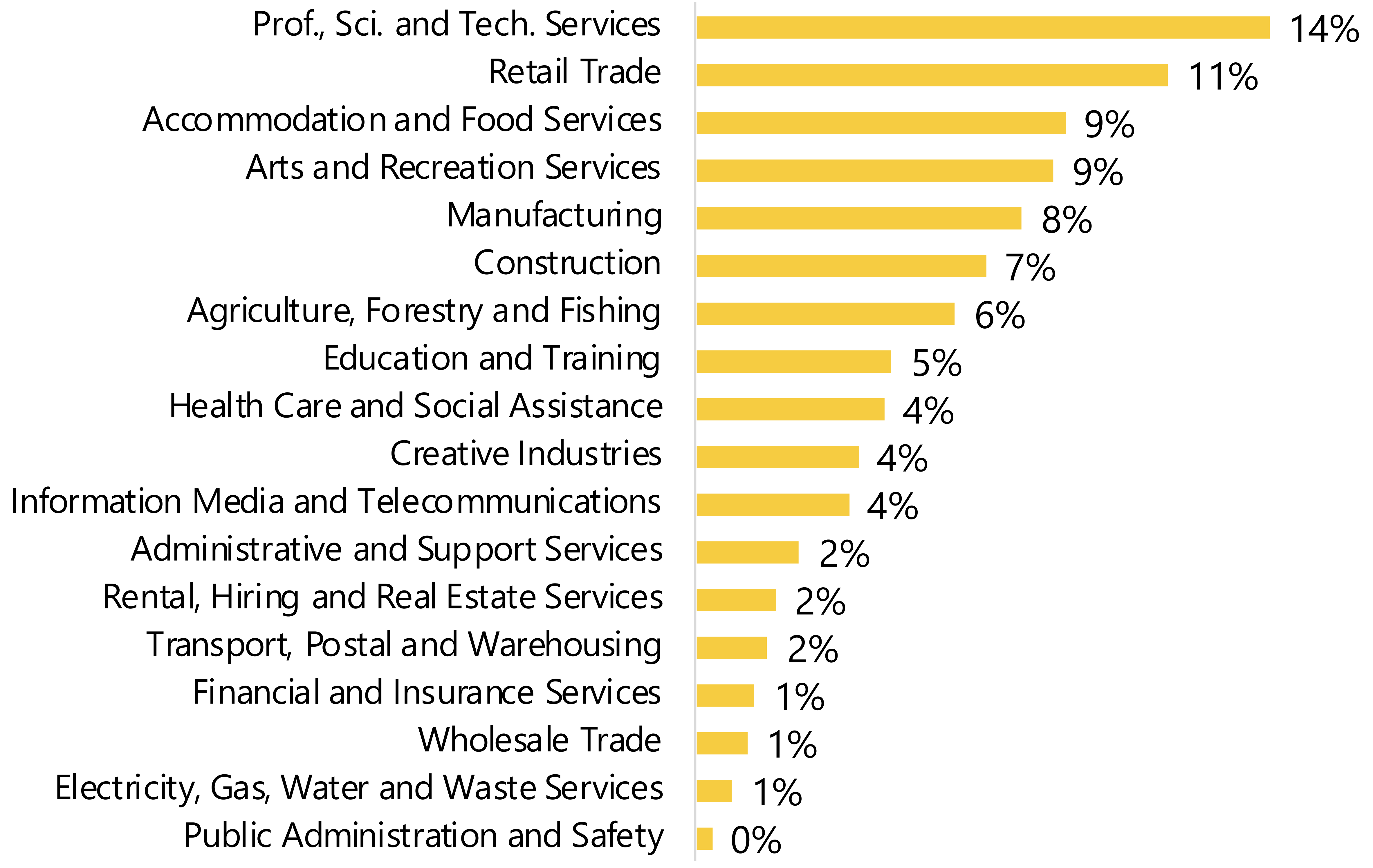
21 Round Table Conversations
Adelaide CBD
Adelaide Hills
Agriculture, Food, Wine, Brewers and Distillers
Arts, Culture and Creative Industries
Barossa Valley
Construction
Fleurieu Peninsula
Kangaroo Island
Metro East
Metro North
Metro South
Metro West
Murraylands
Port Augusta
Port Lincoln
Port Pirie
Professional Services
Retail, Hospitality and Tourism
Riverland
Screen Industries
Whyalla

Who was engaged?

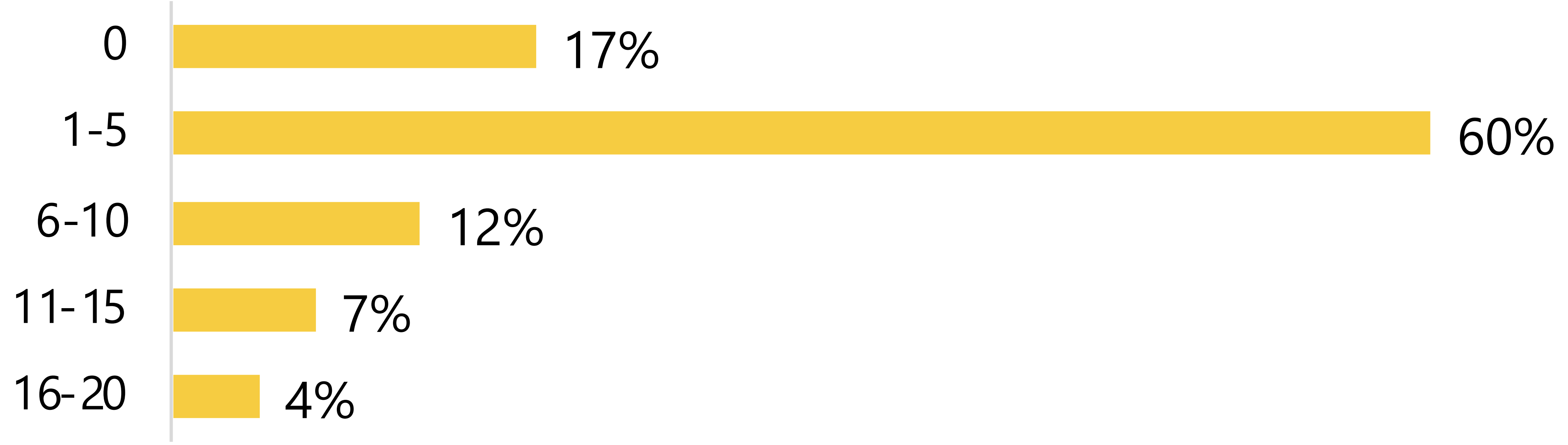
Quantitative feedback was also received from a representative sample of SA small businesses.

- Base n=1,018 (with some variance per question based on previous answers).
- Data has been weighted to be aligned with ABS 2021 figures for the metro/regional split:
  - Weighted: 75%/25% metro/regional
  - Unweighted: 83%/17%

Industry



FTE Employees currently employed



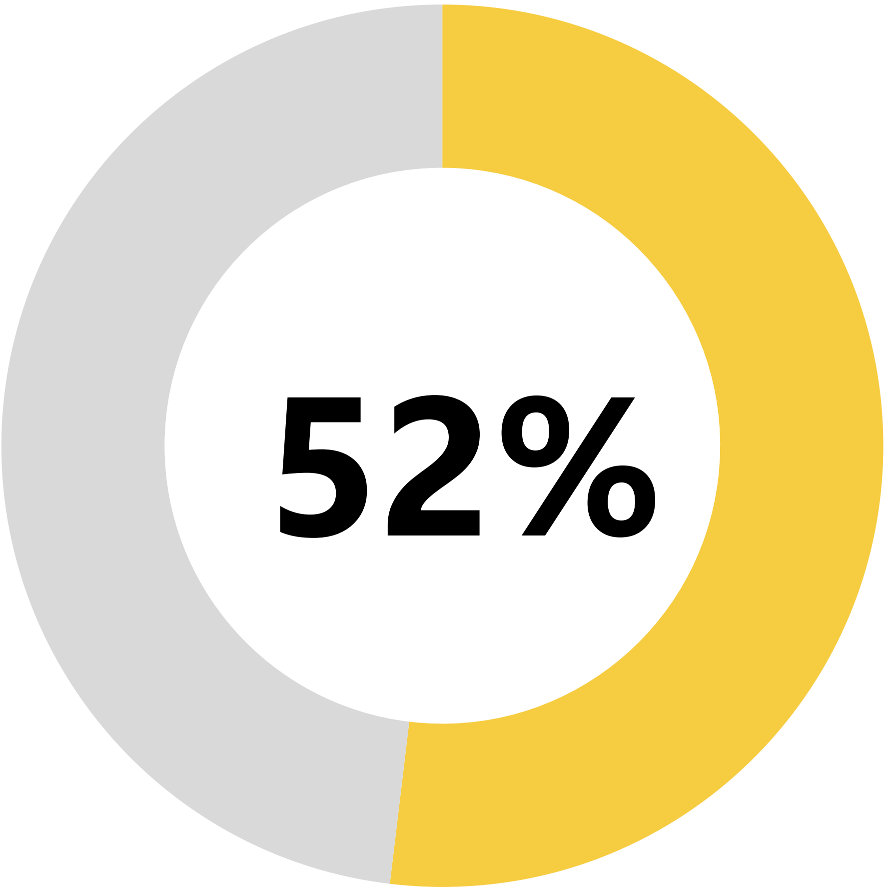
Office for Small & Family Business

Government of South Australia

Survey profile

Family-run

(i.e. actively owned, operated and managed by 2+ members of a single family.)



14% of businesses currently export goods/services.

52% of respondents identified as a woman in business.

43% indicated there were barriers they faced specifically as a female business owner.

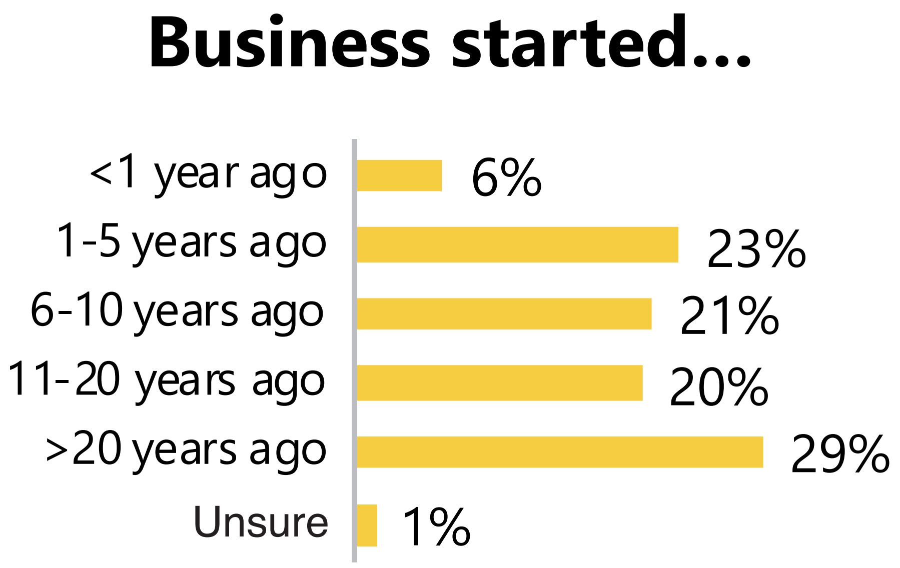
1% of respondents identified as Aboriginal or Torres Strait Islander.

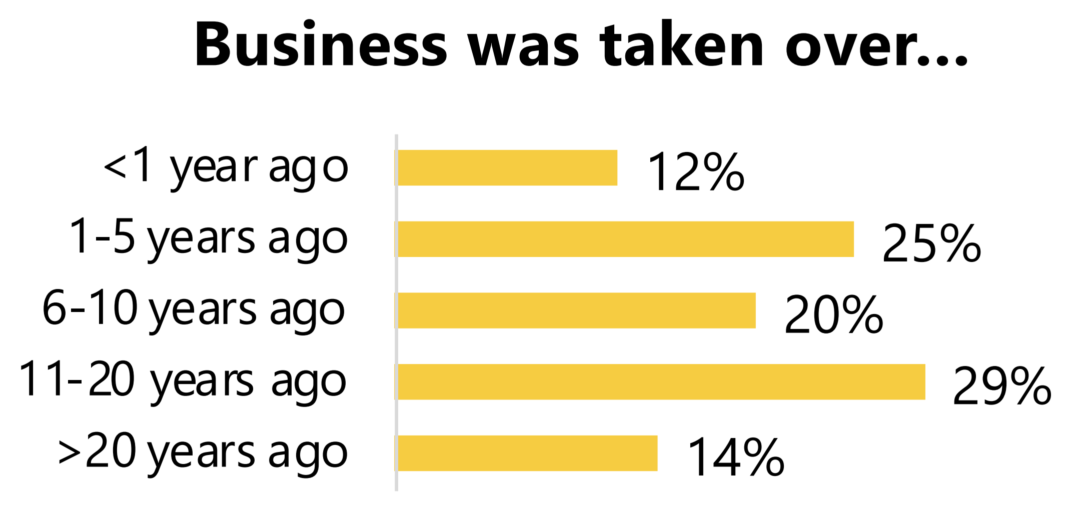
17% of business owners surveyed were not born in Australia.

78% **of businesses surveyed were started by the survey respondent (or their business partner).**

15% purchased the business.

7% indicated 'other' (e.g. inheriting the business, became the owner over time.)



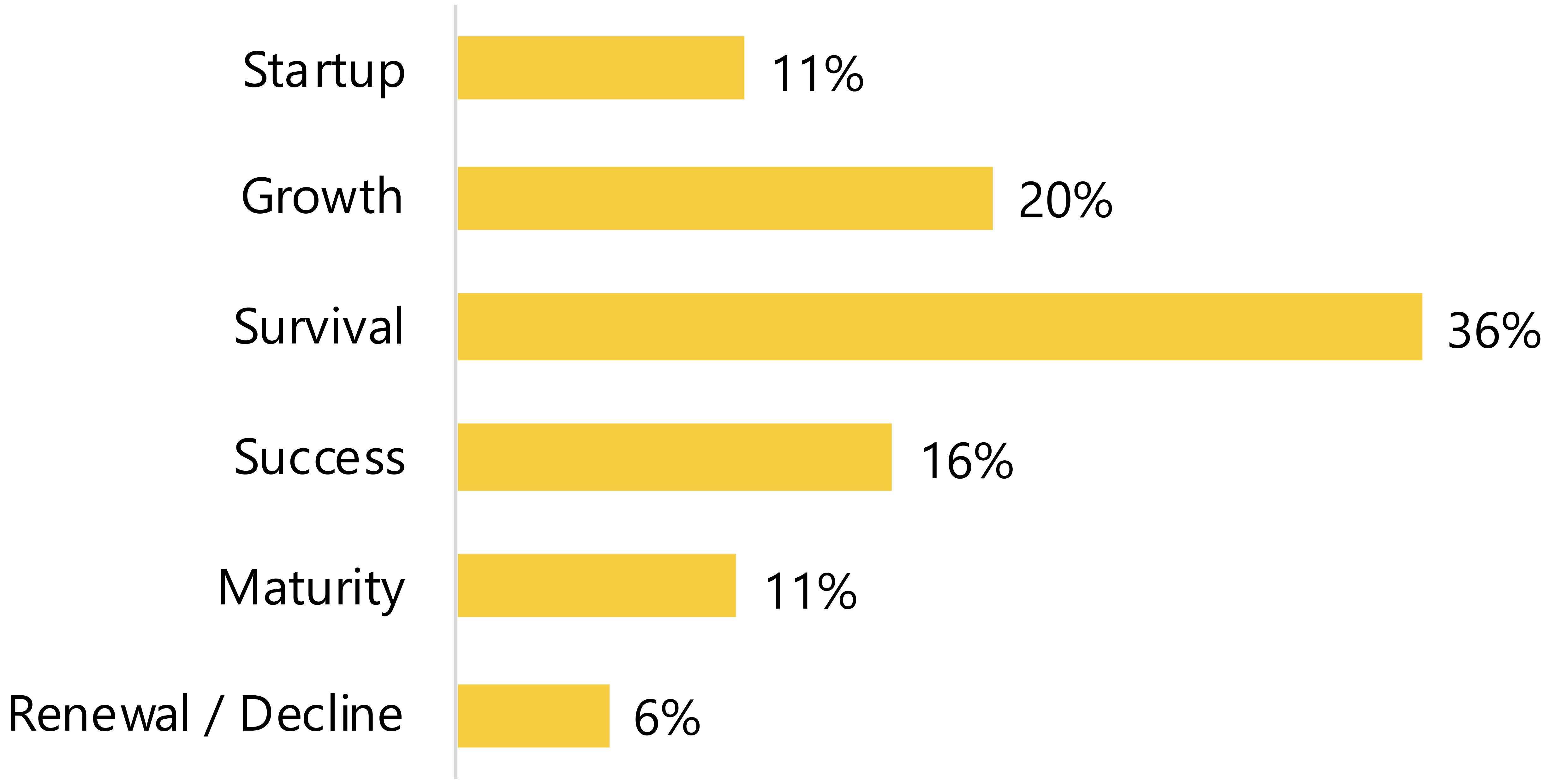


Office for Small & Family Business
Government of South Australia

Survey profile

A third of small businesses identified were in a 'survival' phase.

Q41. What phase is your business in? Please choose the one you think best fits your business currently.



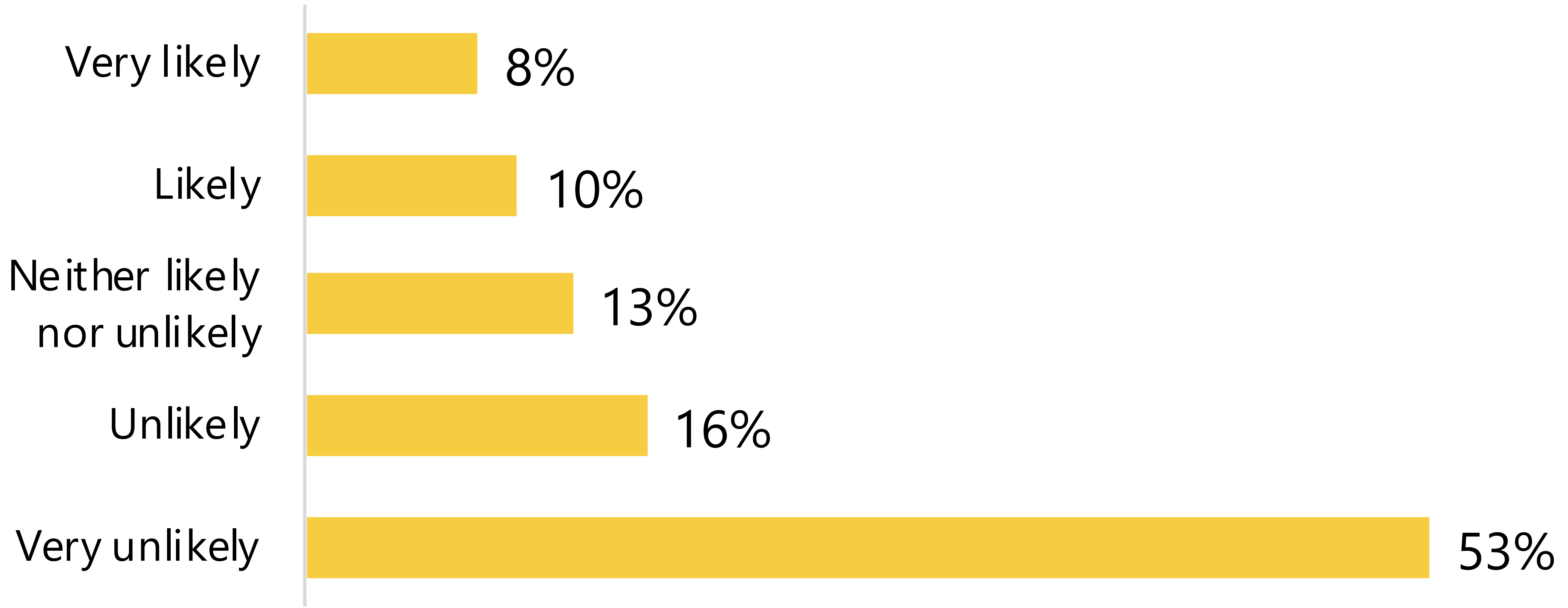
Definitions

Startup	You are focused on obtaining customers and figuring out a business model that allows for sustainable cash flow. You have few business processes in place.
Growth	You are focused on growth and how to finance this while remaining profitable, alongside hiring staff to facilitate growth. You may have strategic and operational planning systems in place. Decision-making is increasingly delegated to managers.
Survival	You have an established customer base and are focused on generating enough cash flow to stay in business. You may have been in this phase for some time, and have some simple business processes in place. The owner is the major decision maker.
Success	You are able to return an average or above-average profit and are considering whether to keep the business stable and profitable, or whether to expand. You may have basic financial, marketing and production systems in place, and have functional managers that undertake some decision-making for the owner.
Maturity	You are focused on consolidating and controlling the financial gains from your business' growth phase. Revenue is steady, secure and predictable. You have well established and detailed operational and strategic planning processes, with professional managers running the day-to-day business.
Renewal / Decline	Your revenues are steadily declining, and you may be experiencing increased risk avoidance and less innovative decision making. You are considering whether to cash out of the business, or re-invest to meet changes in the market.

Survey profile - Export Capability

14% of businesses currently export goods/services

Future prospects of exporting are very unlikely (see below)



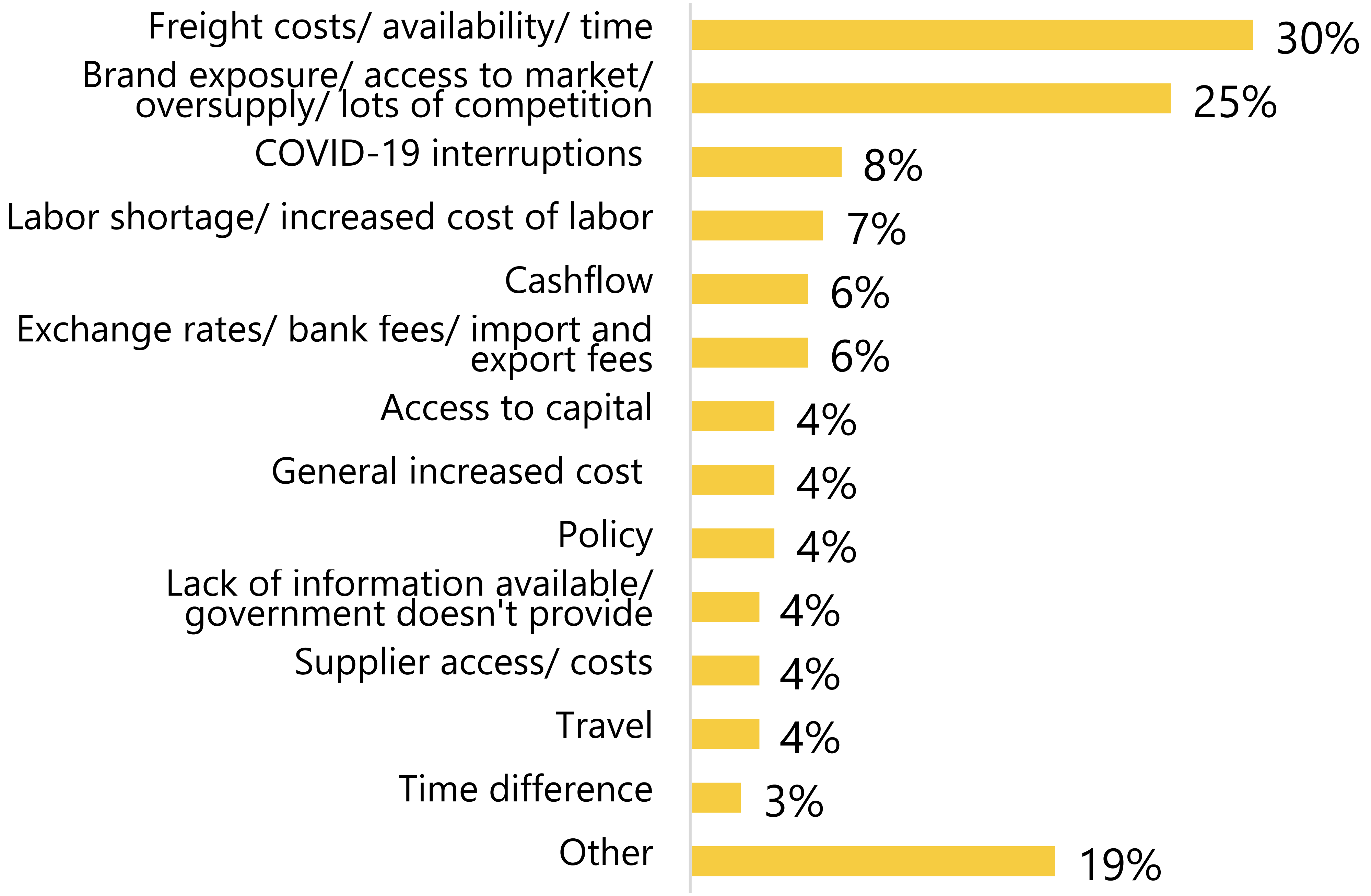
Note that the industries most likely (likely + very likely) to export:

'Information Media and Telecommunications' (45%)

'Manufacturing' (34%)

'Wholesale Trade' (26%)

Challenges / Opportunities



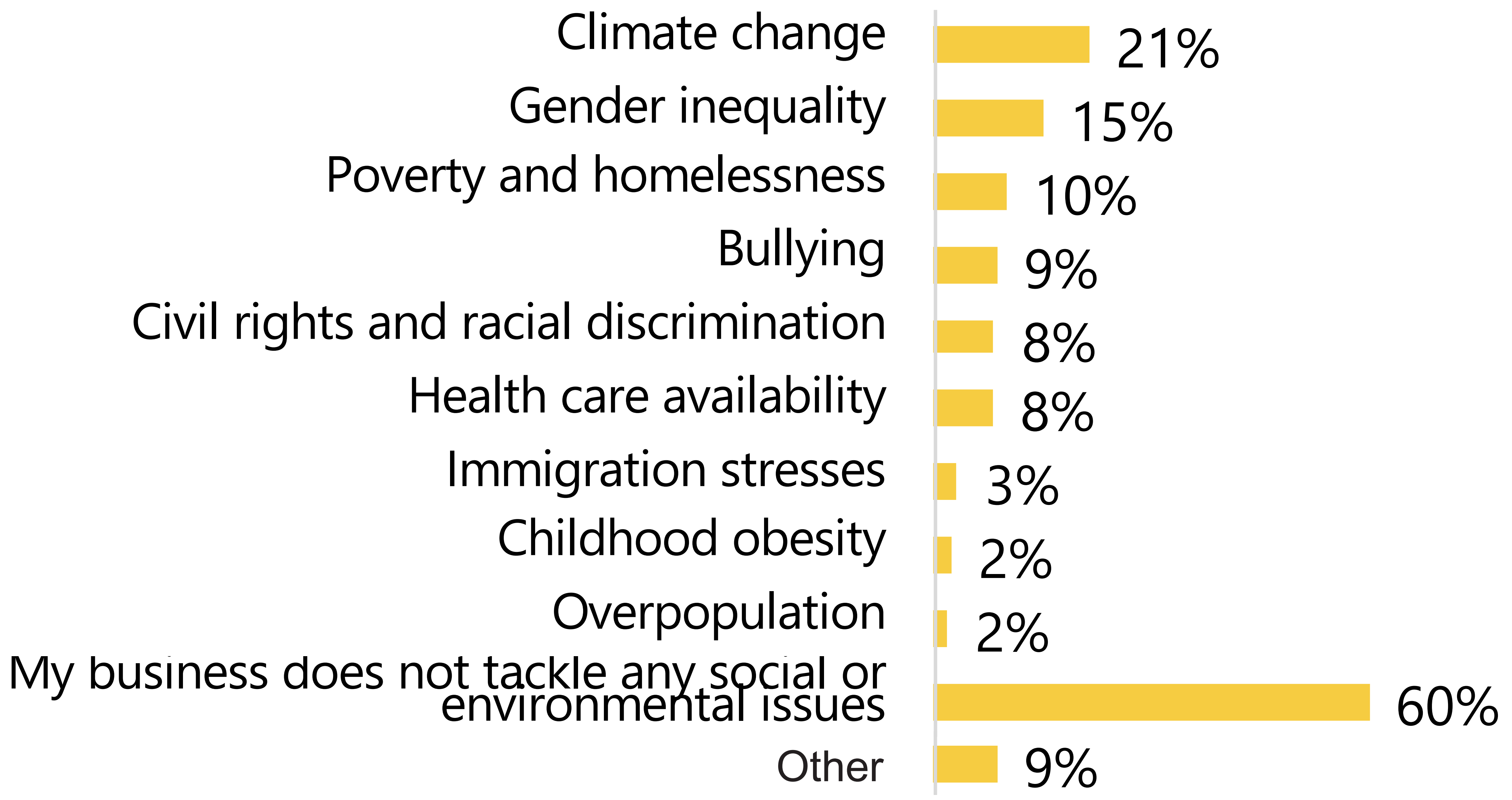
*Survey respondents were able to select more than one response option.

Survey profile

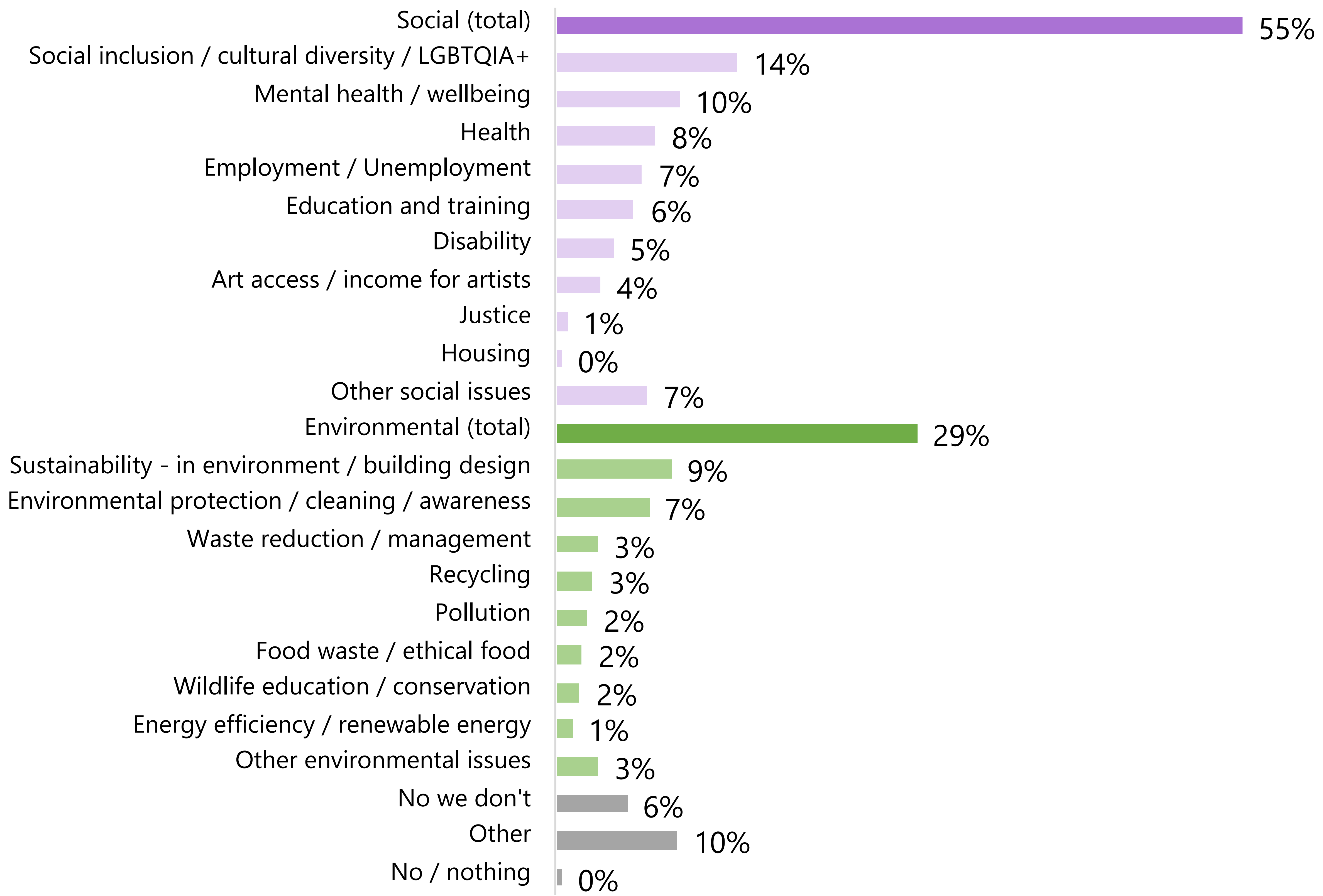
Businesses that indicated social issues as a focus.

Over a third of businesses surveyed are aiming to solve social/environmental issues.

Business focus*



Other social issues identified



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Survey profile

Across the roundtables and interviews, it was clear there was a need for an advisory function to support small businesses.

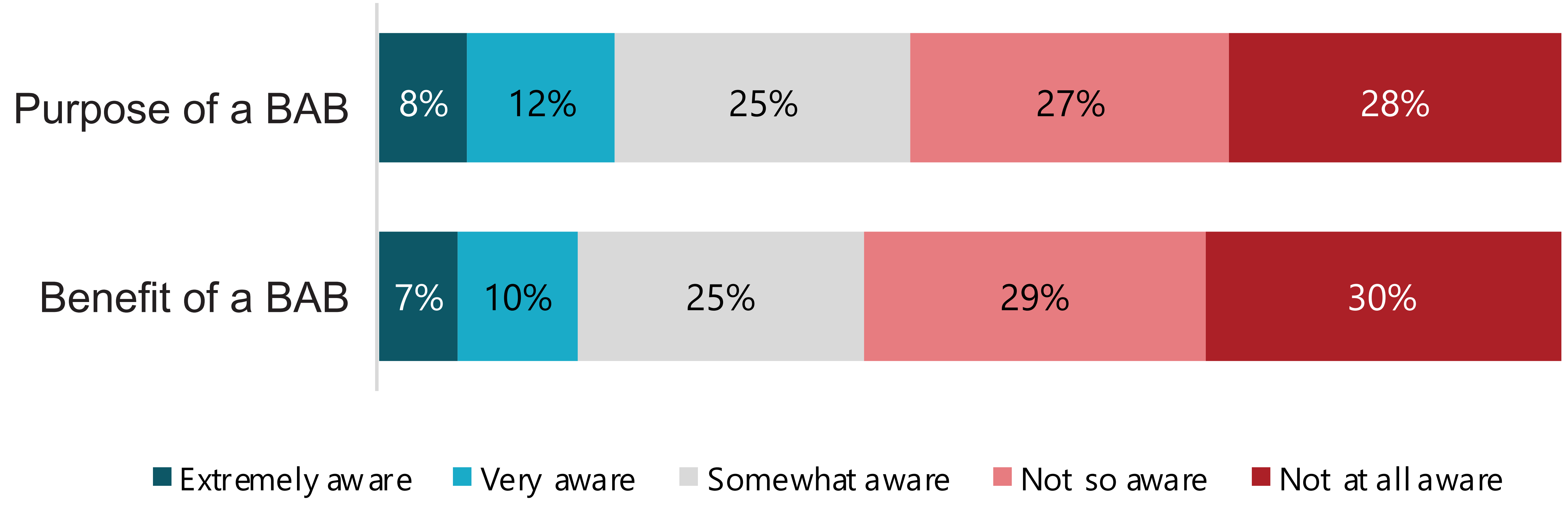
This 'advisory' function was expressed as a need for a mentor, a coach, or even services from government. However, advisory boards were rarely mentioned.

- More than half of those surveyed (55%) were not aware of the purpose of a business advisory board, while an even greater proportion (60%) were not aware of the benefits.
- Again, aligning with the qualitative feedback, only a small group (10% of the businesses surveyed) actually had an advisory board, highlighting another gap for small businesses.

"What's needed is genuine connection with other business owners, who they can talk with and solve problems. Not traditional networking. COVID has increased this need."

10% of businesses surveyed have an **Advisory Board.**

Familiarity with Business Advisory Boards



What we heard

Snapshot Summary...

- **Capabilities:** Business owners identified that stronger foundation capabilities are required in their operations. Time and capital are the biggest barriers to participation in upskilling and building capability.

- **Constraining factors:** Cashflow, workforce and access to capital are limiting operations and are expressed as the main barriers to business growth.

- **Workforce:** Attraction and retention of staff is a challenge. Attitudes towards work have shifted significantly post COVID putting increased pressure on business owners. Small business are looking for ways to position and promote themselves as an 'employer of choice'.

- **Mental Health:** 62% of small business owners feel like their mental health has been negatively impacted over the last 12 months and that they aren't necessarily equipped or trained to manage the mental health of their employees.

- **Digital:** There are inconsistent definitions of digital across the small business community in South Australia. Digital literacy and capability need to be built up to support business owners with digital processes and opportunities to generate efficiencies. Adoption of advanced digital technologies is low with 67% of survey respondents not adopting any new or advanced technologies.

- **Cyber:** Cyber awareness, resilience and action is low, and a lot of business owners do not see themselves as 'valuable' targets for cyber attacks. The concept of cyber and having a plan is overwhelming and not prioritised by small businesses.

- **Environmental Sustainability:** Majority of small business owners surveyed are not aware or have limited education about the specifics of environmental sustainability and how to take actions in their business, therefore it is not being prioritised.

- **Continuity Planning:** Small business owners are more focused on the day to day, rather than planning for emergency scenarios, operational challenges or for the future.

- **Diversity:** Women in business face specific barriers based on gender. First nations business owners, culturally and linguistically diverse business communities are seeking better access to information and support in language.

- **Role of Government:** Small business owners are looking for greater support and transparent and simplified processes. Small business owners identified the role of government should include facilitating knowledge and providing access to tools and resources that help to make life easier and assist them to save time and money.

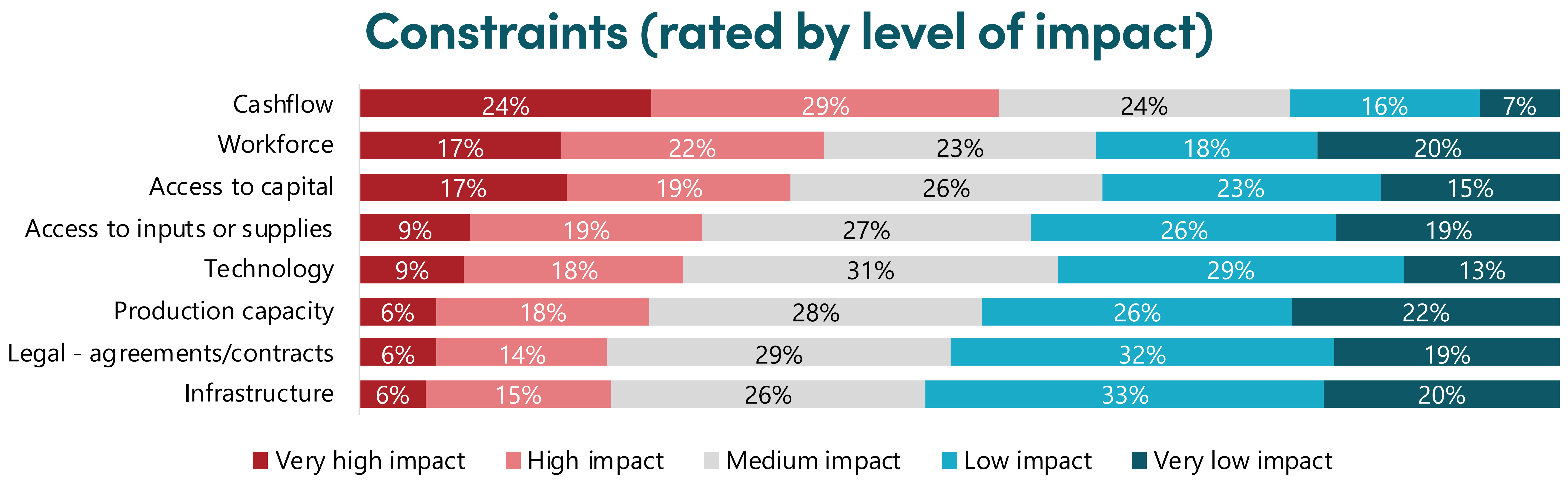
Insights – Capabilities

- Business owners identified that stronger foundation capabilities are required in their operations. Time and capital are the biggest barriers to participation in upskilling and building capability.
- Small businesses are generally less sophisticated when compared to medium to large businesses, lacking the time and/or resources to seek, understand, and act on information that relates to strategy or growing their business. This means that non-essential facets of their business can often fall in the 'too hard or to do later' basket.
- Some businesses recognise that they haven't adapted or evolved with changing market or economic landscapes and don't have the capabilities to do so. E-Commerce and digital capability are an example of this.
- Feedback from the qualitative discussions revealed a strong need for an advisory function to small businesses. Business owners found themselves being too busy working 'in the business' to be working 'on the business'.
- 10% of surveyed businesses had an advisory board, with limited awareness of the purpose or benefits of having one.
- Of the 76% of businesses who did not export, qualitative discussions found that capability was lacking in terms of market understanding and awareness and the requirements on businesses to be export ready.

Insights – Constraints

- **Workforce, cashflow and access to capital** were identified as the strongest constraining factors in business operations and have been expressed as the main barriers to business growth.

- Inflation and the rising costs of supplies, living and energy prices as well as interest rates were described as having a notable impact on small business owners.



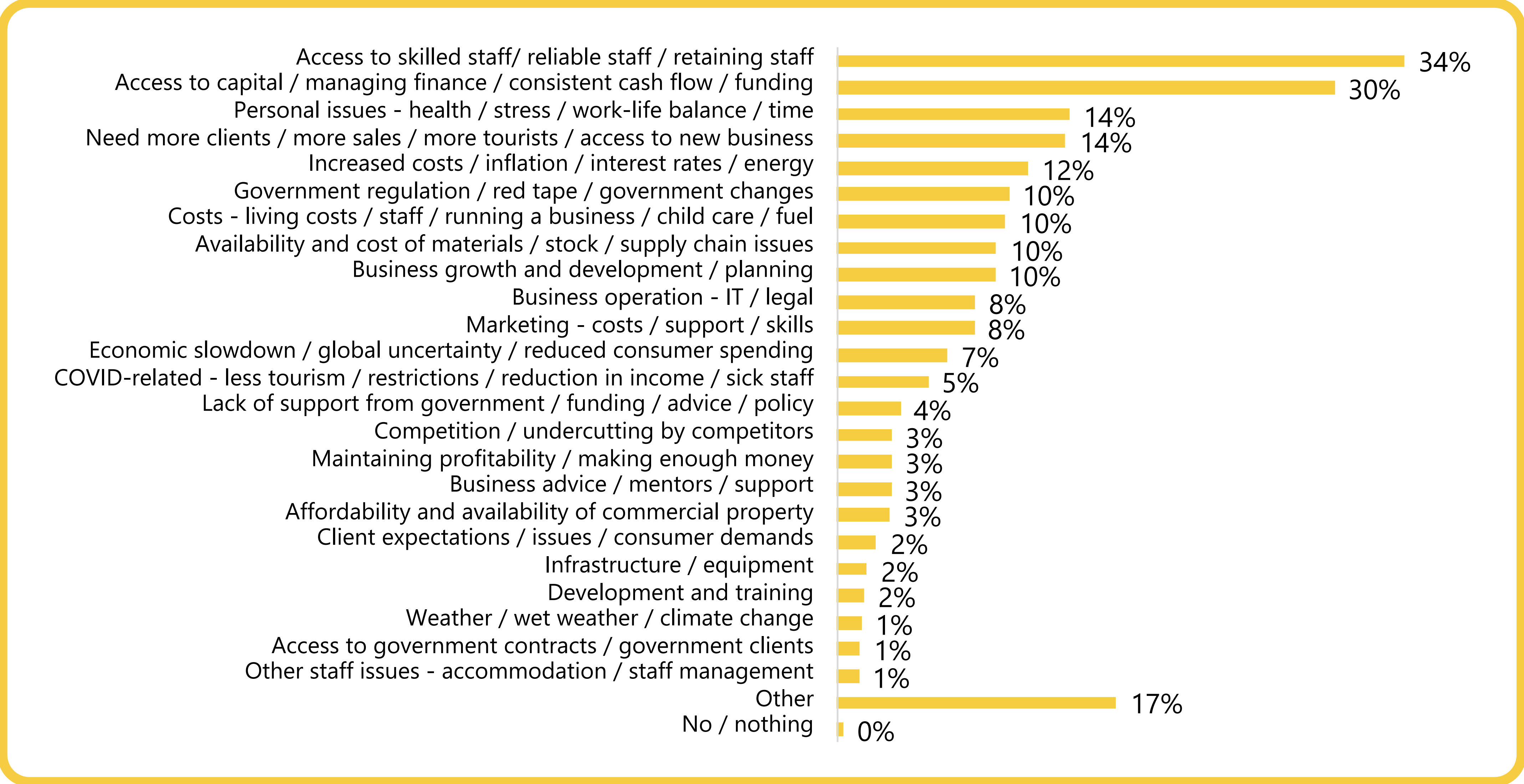
When presented as a prompt, attendees agreed strongly that these were the constraints restricting business growth, with access to capital especially the case for women in business.

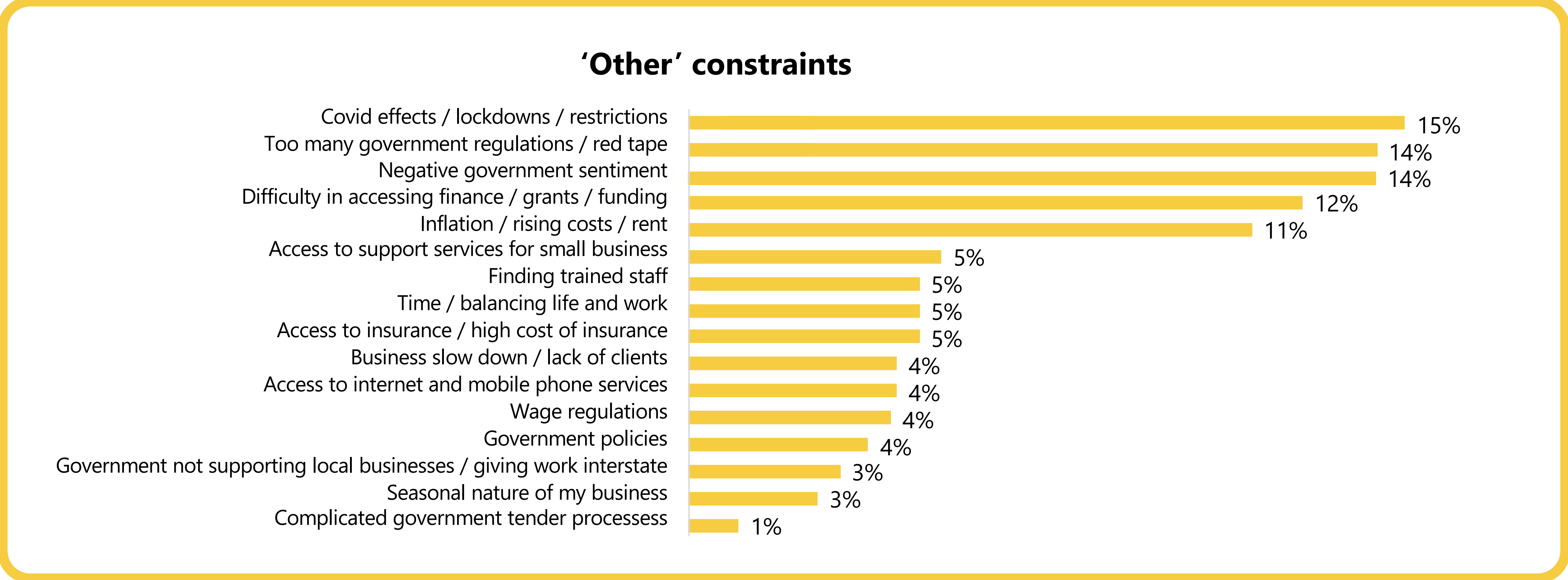
The top issues faced by small businesses

Supporting these constraints are the top issues faced by small businesses – note that these were open-ended responses from respondents highlighting strong consistency with feedback from the qualitative work.

Staff (34%) and **access to capital (30%)** were the top two.

As will be explored later, **mental health** was also close to the top of the list (14% expressed 'personal issues').





*Survey respondents were able to select more than one response option.

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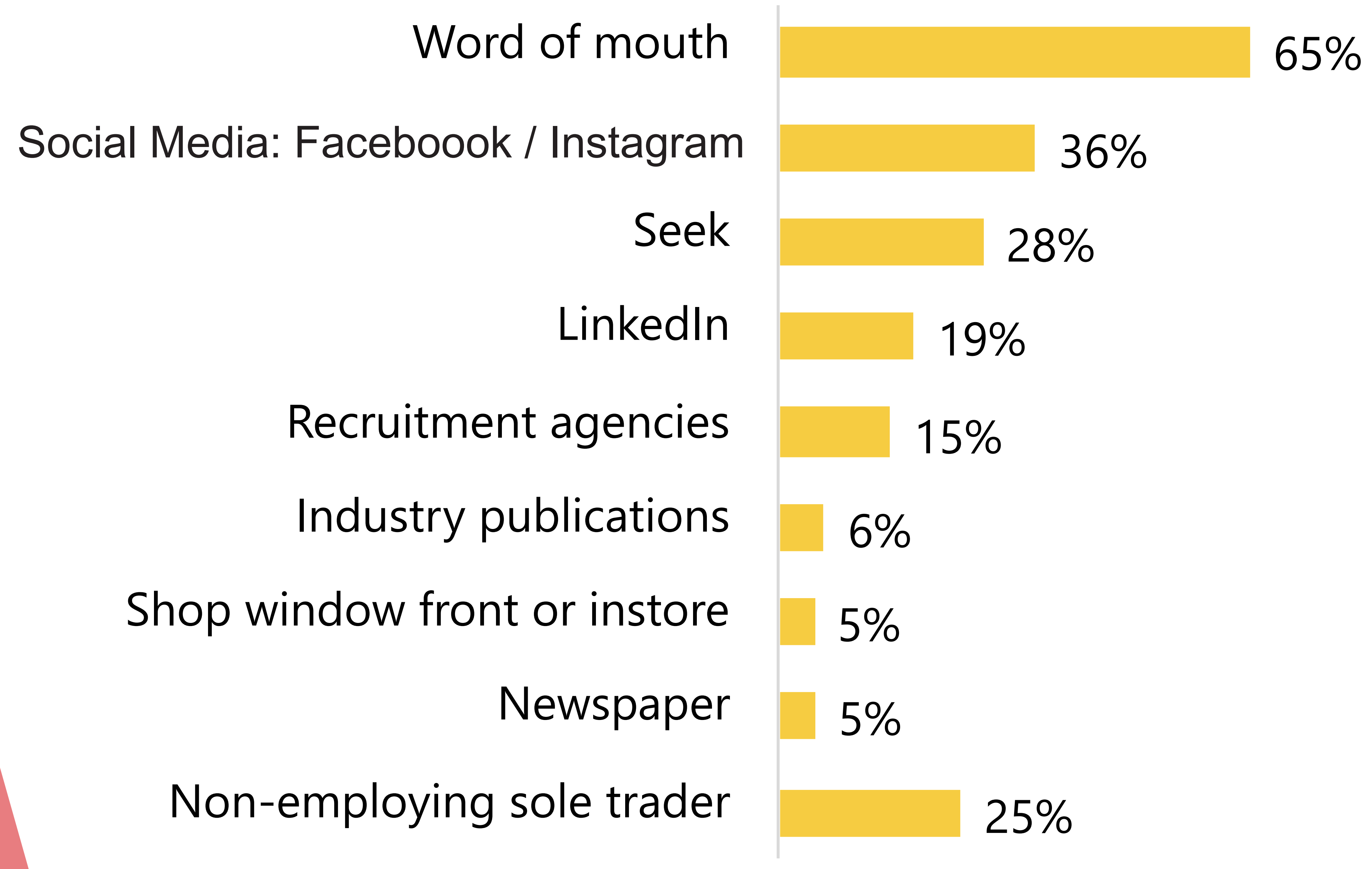
Insights – Workforce

- The attraction of staff is one of the biggest issues facing businesses now.
- Skills shortages are being experienced across all industries.
- Small businesses find it difficult to attract and retain staff, particularly in the current labour market, citing spot inflation of wages, poaching across sectors and jurisdictions, and larger firms recruiting talent.
- Regional areas are particularly affected, with limited recruitment pools, fewer training and education options, and a lack of housing and childcare for potential workers.
- Attitudes around work and workplaces have also changed in a way that is placing higher demands on employers.
- Small businesses are looking for ways to position and promote themselves as an 'employer of choice' including promoting flexibility of working hours, work from home, and promoting their social and environmental achievements / contributions where relevant.

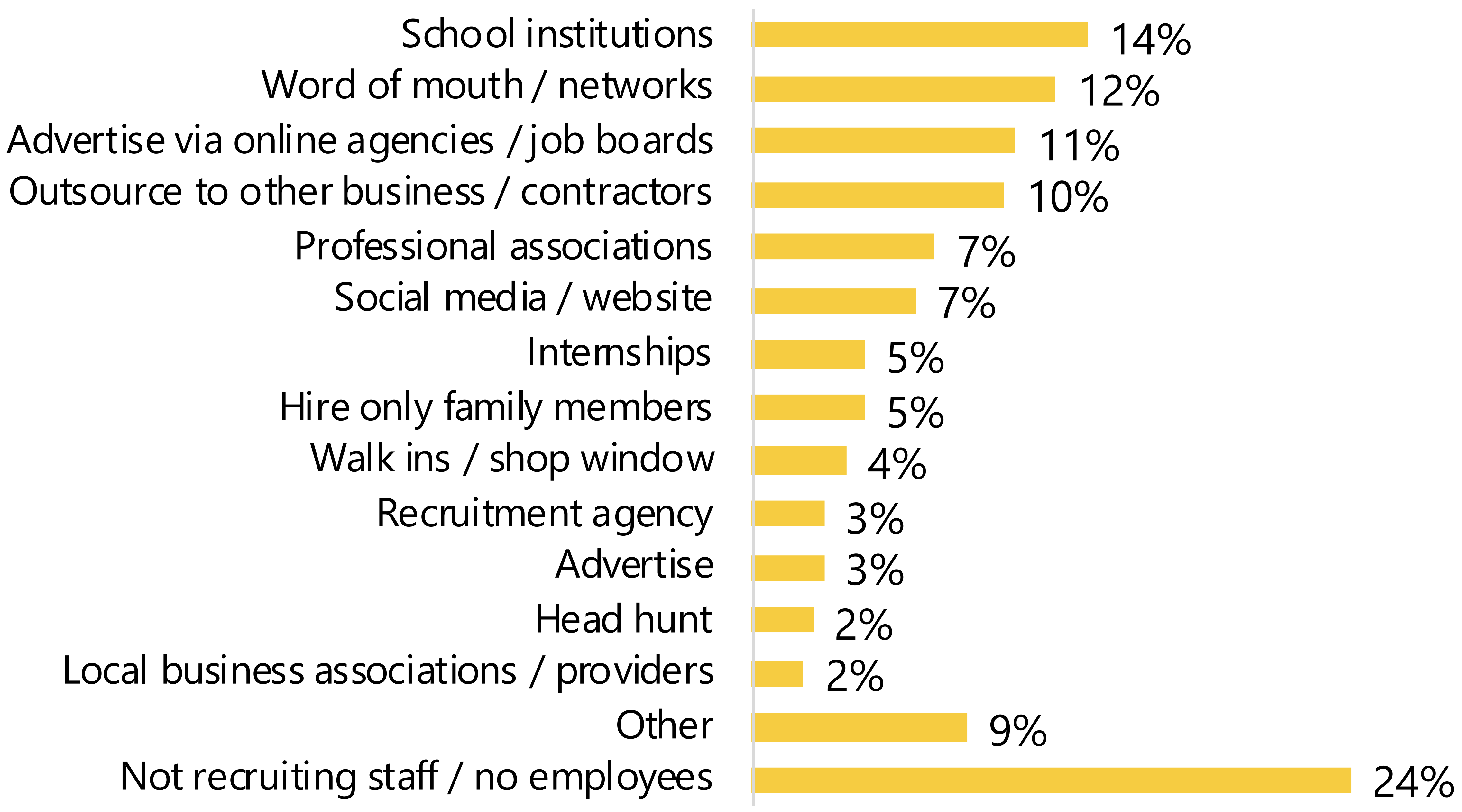
Insights – Workforce

Employers rely heavily on their existing networks when recruiting, then look to employment services but to a lesser extent.

‘Word of mouth’ is the most common recruitment strategy



‘Other’ recruitment strategies beyond those listed (coded)



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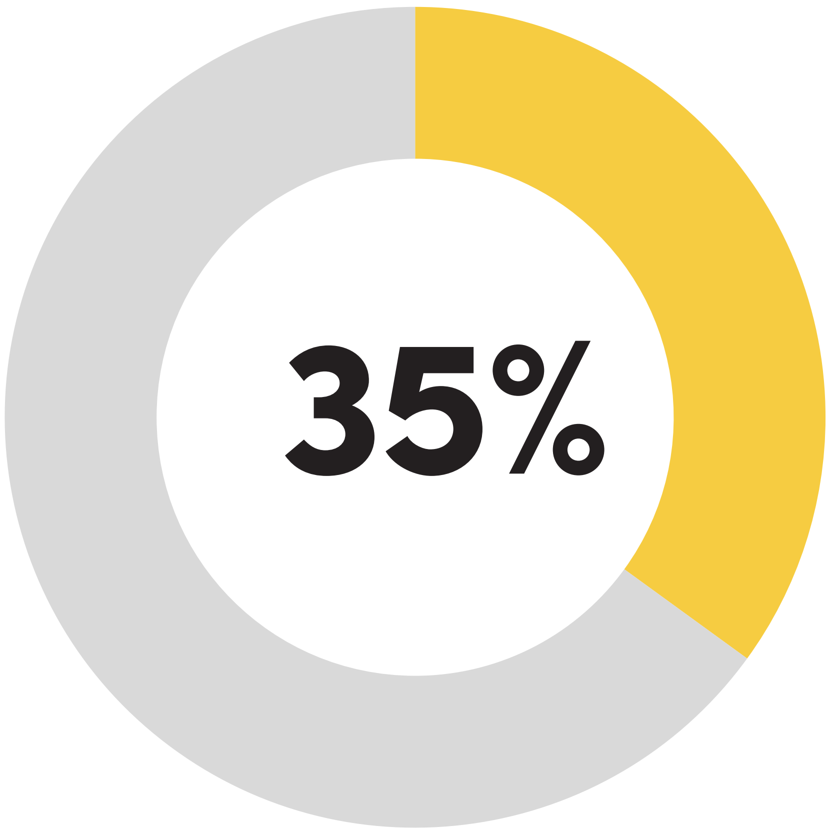
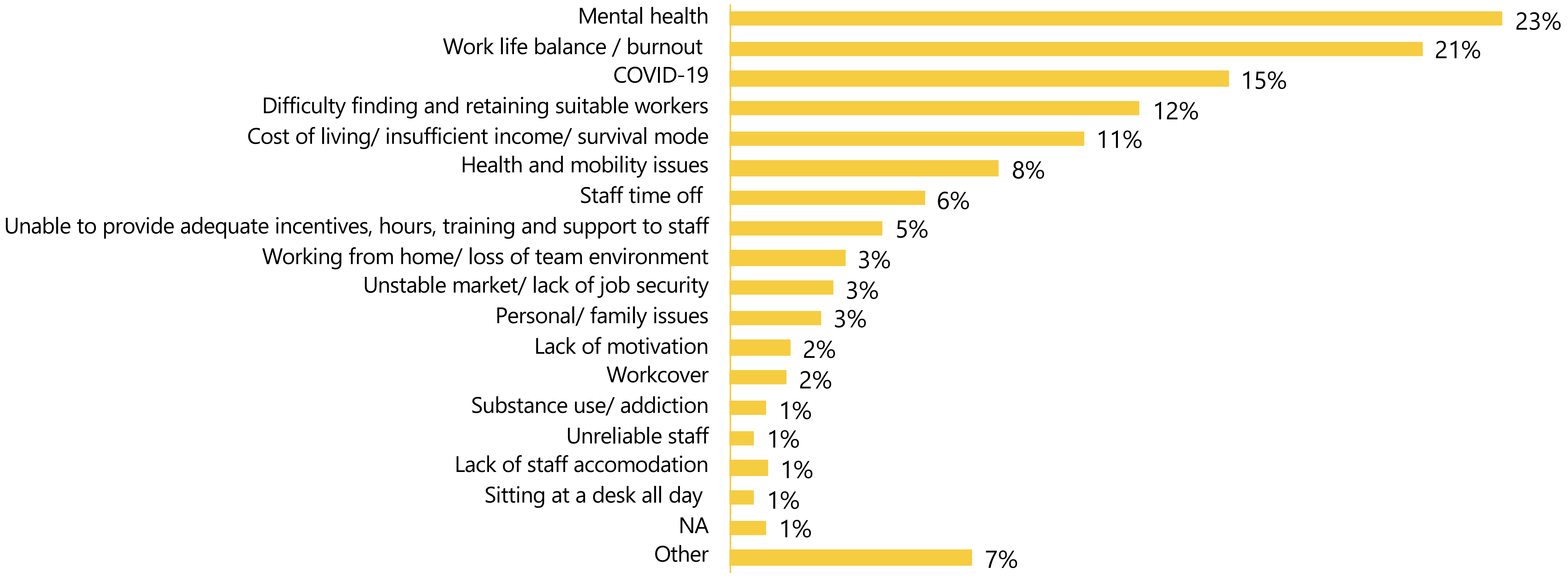
Insights – Mental Health & Wellbeing



Of business owners are experiencing workforce wellbeing challenges.

62% of business owners feel their mental health and wellbeing has been impacted from circumstances out of their control (e.g. COVID-19 or bushfires).

The challenges experienced...

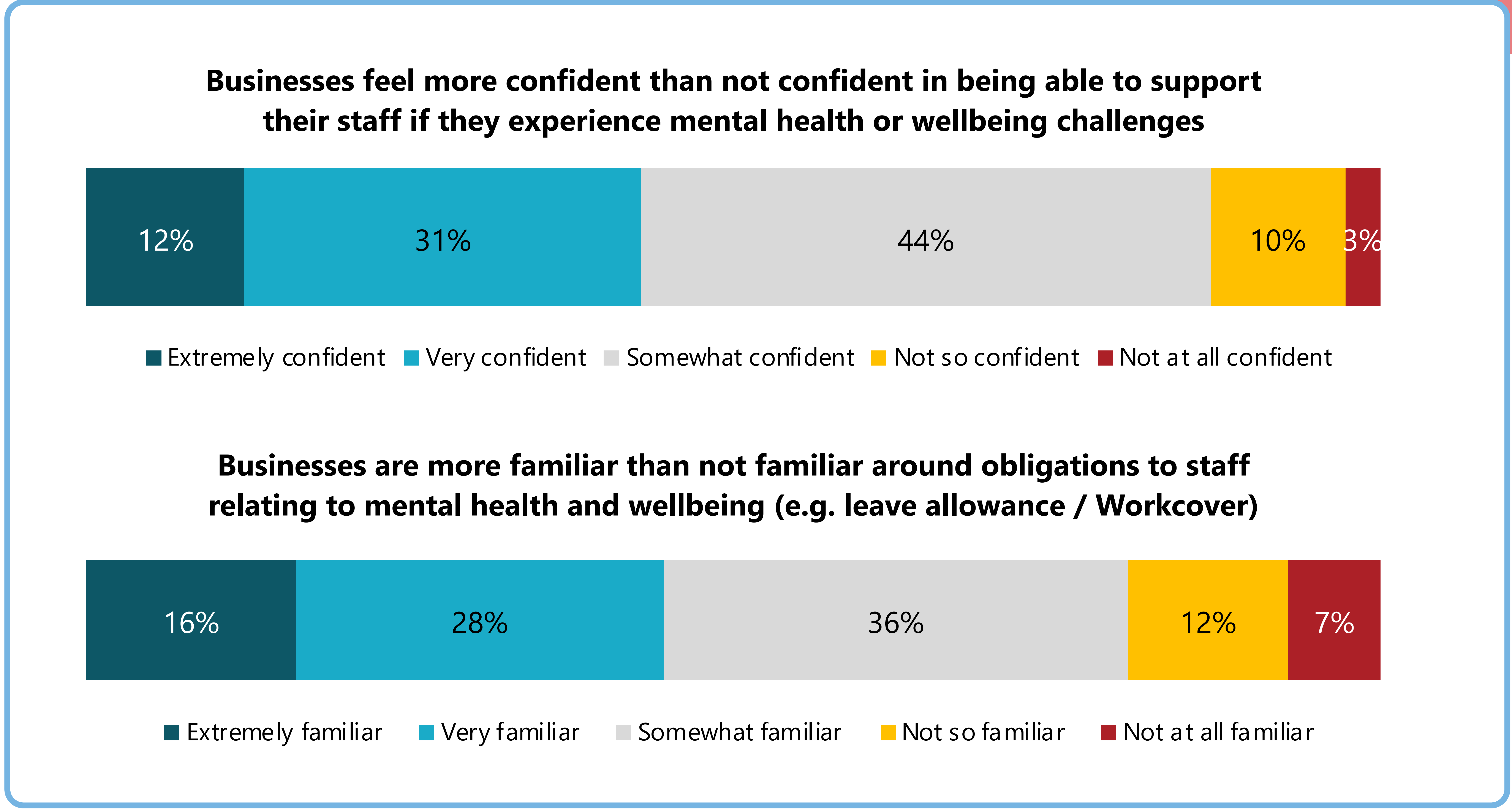


*Survey respondents were able to select more than one response option.

Insights – Mental Health & Wellbeing

Employees may be experiencing issues, but employers aren't necessarily equipped or trained to manage mental health – 44% felt 'somewhat confident' in being able to support staff in this way.

Owners don't have mental health training and have difficulty managing this. Feeding into the constraints, owners may also find the lack of mental health initiatives within the business may affect staff retention.



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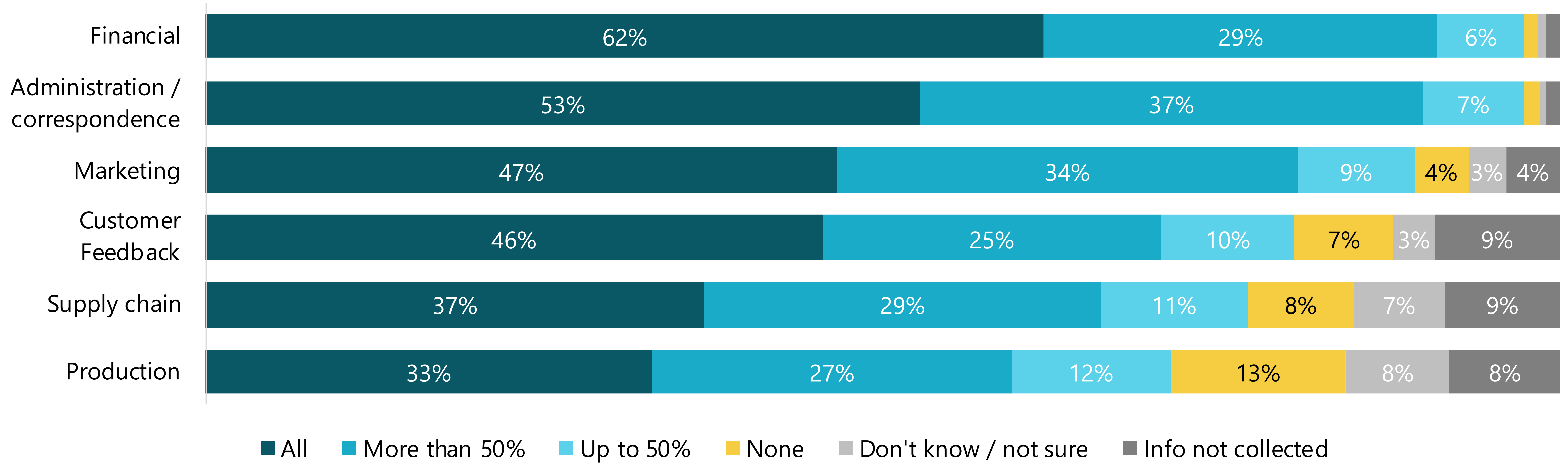
Insights – Digital

Most businesses are storing 'financial' or 'administrative' information entirely (or a majority of it) digitally.

At least one in three businesses store all of the data listed below in a digital format.



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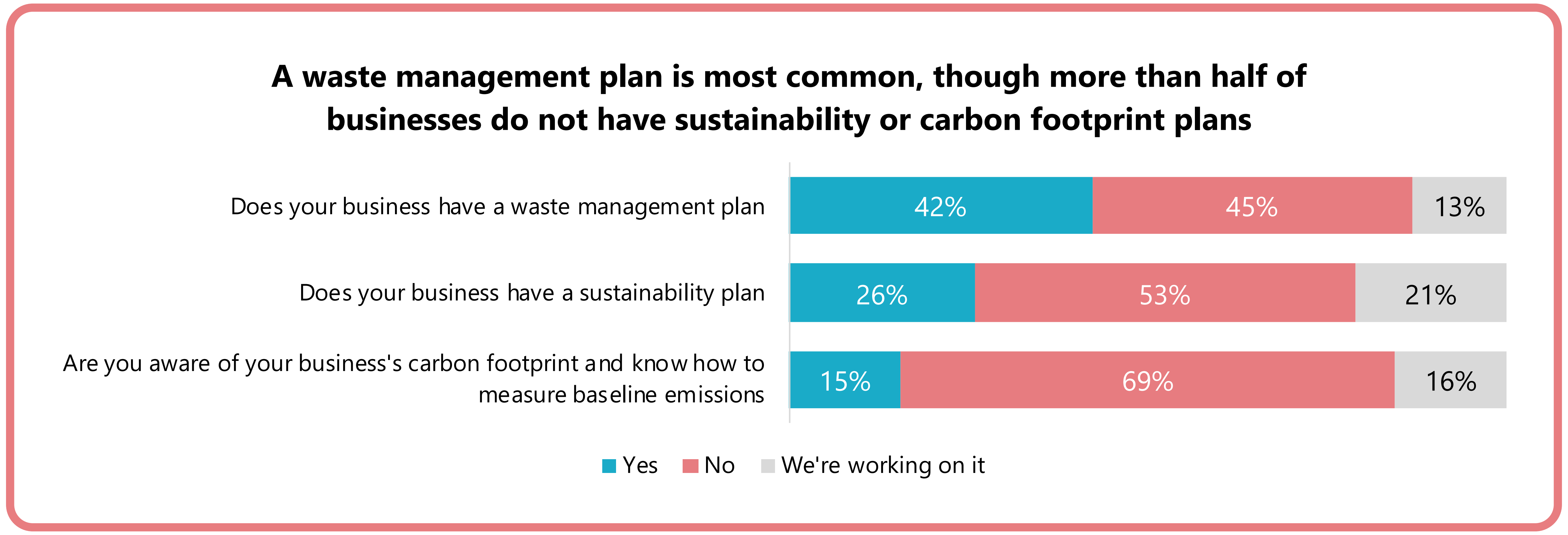
Insights – Digital

- In contrast to the quantitative survey results, small businesses in the roundtables expressed a low level of digital literacy.
- Survey results highlight a large amount of data being stored digitally, underscoring the importance and need for digital literacy.
- Small business do not have a consensus on the definition of 'digital', highlighting a risk to business around digital capability and literacy in an increasingly digital landscape.
- Businesses need a high level of commitment to improve their digital literacy, however, owners are constrained by time, resources, or their ability to pursue this.
- The majority of businesses surveyed (67%) are not pursuing digital solutions – the survey highlights that 'touchscreens' is the most commonly adopted technology, by one in five (22%) small businesses.
- Time and affordability was the most common reason cited for not adopting digital technology, though the roundtable discussions highlighted that digital literacy is also a large component to this.
- Cyber awareness, resilience and action is low and a lot of business owners do not see themselves as 'valuable' targets for cyber attacks. The concept of cyber and having a plan is overwhelming and not prioritised by small businesses. 68% of small business owners said they wouldn't know what to do if their business was subjected to a cyber attack.

Insights – Environmental Sustainability

- There is ambiguity around the term 'environmental sustainability' – whether it's relevant to all businesses and how to operationalise it. As such, it falls way down the line of priorities for businesses.
- Sustainability has been described as hard for small businesses, especially considering most of them are in survival mode.
- The levels of awareness, concept of, and impact of, measuring a carbon footprint is abstract for most and there is uncertainty on how to undertake measurement or action.
- Education and support is required for small businesses to make environmental sustainability easier to understand and action.
- Waste management plans are most common, but still only 42% of the surveyed businesses have one. This is highest in Retail and Accommodation/Food Services.
- There is interest from businesses to be environmentally conscious but need to be compelled in order to implement it – 60% of those surveyed are not tackling social/environmental issues at all.



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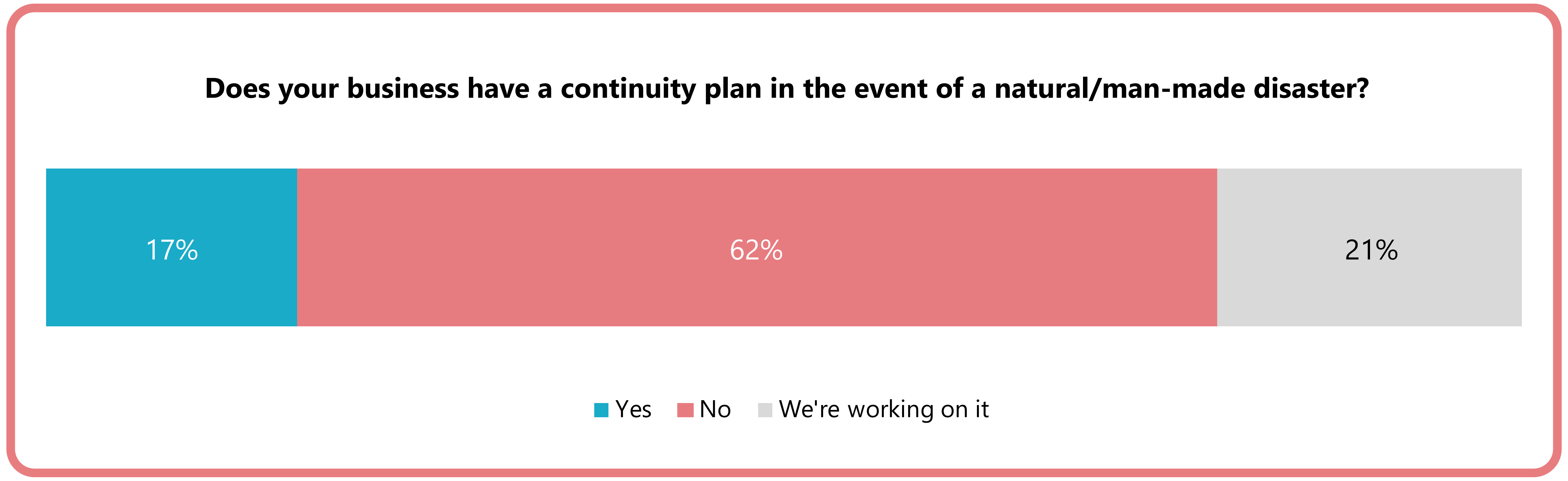
Insights – Continuity Planning

- Continuity planning is an area lacking for most, with owners focused more on the day to day, than planning for operational, emergency and future continuity.
- The thought of continuity planning was seen to be overwhelming for many. Suggestion was to break content into digestible parts, which can each be addressed with a lower level of complexity and time commitment.
- The prevalence of continuity planning is lower in certain industries (e.g. agriculture, food & beverage).
- In the case of emergencies, business owners tend to go into 'shock'.
- Owners may have a 'vision' for their business, but whether that's documented anywhere is dubious.
- A 'continuity resilience guide' was cited as a good starting place to help address emergency and next step planning, addressing the need for small businesses to be walked through complex/strategic planning in an easy-to-follow manner.



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Insights – Role of Government

- Tendering opportunities are generally not taken up by small businesses, largely due to the time and complexity to prepare a tender and the lack of knowledge on how to prepare one. Streamlining this process was cited as the most beneficial update.
- Small business are looking for greater support, transparent simplified processess, and support in the regions.
- Small businesses identified the role of government should include facilitating knowledge and providing access to tools and resources that help to make life easier and assist them to save time and money.
- Government does not necessarily need to deliver mentoring, coaching or networking opportunities itself, but should facilitate meaningful partnerships that can foster these tools.
- The government can also play a role in streamlining and improving interactions; e.g. templates, self-assessment tools, or developing improved feedback systems for businesses to provide knowledge/ information to government.

Insights – Role of Government

Tendering

- Only 22% have tendered for SA Government projects. The industries with highest tendering include:
  - Utilities (69%)
  - Professional, Sci and Technical Services (41%)
  - Construction (35%)
- Of those who have not, 62% indicated not knowing how to go about tendering.
- 15% have used the ‘Ready to Tender’ modules on the Office of the Industry Advocate’s website.
- The main barriers (the time and complexity to prepare the tender, or lack of knowledge on preparing a tender) underscore the earlier points of constraints and limited awareness of opportunities.
- Business owners could be encouraged with a ‘simplified process / assistance with the application’.
- The response ‘better advertising’ of tenders/ opportunities could also be addressed with greater awareness and utilisation of the ‘Ready to Tender’ modules on the Office of the Industry Advocate’s website.
- Almost a quarter of participants didn’t see tendering for government projects as relevant or something they were interested in – highest for:
  - Financial and Insurance Services; Transport, Postal and Warehousing; and Agriculture, Forestry and Fishing.

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