

## Small business still thinks big

Not all small businesses are letting economic woes overshadow their search for opportunities, reports **Mark Fenton-Jones.**

Small business is one of the largest business communities in Australia.

Nationally, 1.9 million small businesses employ 20 or fewer staff each, says the Australian Bureau of Statistics. In total, they employ about 4 million Australians or 40 per cent of all workers. The majority of them — 84 per cent — employ five or fewer people.

Almost a third of small business owners operate from their homes and Cameron Research reports that nearly 85 per cent turn over less than \$1 million a year. Women run anywhere between a third to almost half of small businesses.

The Sensis survey of 1400 small business owners in early November found that 47 per cent were confident about their respective prospects for the next 12 months. Add on a further 30 per cent who are concerned — interpreted as “cautious” — and the economic sky is hardly falling.

Entrepreneurs Jane Neale and Anne Hatton own a recruitment business, Hattonneale, and employ a handful of people.

Despite an economic slowdown and the inevitable redundancies, the pair identified a new segment to exploit in addition to their regular recruitment work. That new business matches experienced, older executives who no longer want to work full-time, with companies whose management does not have that experience. And they deliver at a competitive price.

The Sensis figures mean that at least 900,000 owners feel good about their businesses. These owners say the main reason they are optimistic is because they have excellent customer relations.

After years of growth, it's a trend many small businesses are exploiting.

Consumers, they say, are looking for value, which can be created through delivering quality, benefits, information and extra services.

At Lane Cove in NSW, clothing



The cash register is ringing for many business owners.

Photo: LOUISE KENNERLEY

and homeware outlet Acumen has responded to the downturn by selling less expensive but still quality items, without suffering any slowing of growth. Acumen holds presentation evenings for clients and has reviewed its database to identify profitable clients.

In Melbourne, Soltan Pepper Restaurant realised that it couldn't depend on its location alone to attract customers.

The owners took a more active approach to marketing by placing comment cards on the tables, starting a database and a birthday club, and the restaurant opens every day rather than three nights a week.

Importantly, the owners regularly meet with staff to brainstorm offers and events that will keep people interested in coming back.

Another report, from Insync, stressed the importance of canvassing staff to check that a small business's customer strategy is working.

If employees don't get what the business does, they aren't able to promote the advantages of its products and services to customers.

Overall, small businesses are not letting the economy dampen their spirits.

For example, Blade Electric

Vehicles in Victoria has just won a \$6 million contract to supply 200 electric car conversions to the New Zealand government over the next 12 months.

And IP Plastics, also in Victoria, has won a multimillion-dollar contract to supply an American parts distributor with an innovative under-the-bonnet car product.

MYOB says 15 per cent of small businesses exported in the October quarter compared with 14 per cent in the three months to July. While the value of their exports fell because of the exchange rate, the figures show that more of them are looking for growth overseas.

Indeed small businesses are taking steps in tough markets to show that it is possible to create strong, sustainable operations.

Some of the strategies include ensuring a positive cash flow. Strategies are designed also to help businesses respond quickly to changes in their markets and to take advantage of opportunities.

Owners are keeping an eye on their cost structures and making cuts where appropriate.

They are not cutting to the bone, however, as that could restrict growth plans for 2009.

While retrenching staff can save

money, it can result in associated costs like severance payments.

Where possible, small businesses are being advised to consider alternative arrangements for their employees.

These include career breaks, part-time work or leave without pay, but with the agreement of the employees.

Most businesses, especially those that plan for long-term growth, let staff go only as a last resort.

Even if unemployment reaches 5 per cent by mid-2009, it will not necessarily eliminate the skills shortage.

KPMG Econtech and Clarius Group introduced an index this month that listed the top 10 occupations with the highest level of skills shortages.

Workers who could be in short supply in 2009 include chefs, metal workers, hairdressers, car-industry tradespeople, health professionals, food-related tradespeople, computing professionals, building and engineering professionals, construction tradespeople and printers.

The issue of late payments is receiving attention from small business owners as they strive to improve cash flows.

Even before the financial shocks of 2008, businesses were stretching their payment terms, in some cases to almost 60 days, and often at the expense of smaller organisations.

Now, more owners are checking the credentials of new customers or requesting payments upfront.

Interestingly the National Australia Bank estimated in a survey in October that only 15 per cent of small businesses regularly checked the credentials of a new customer before extending credit.

Small businesses are also managing their debt levels because they know banks will be scrutinising their accounts.

They have already responded to tighter bank lending criteria.

MYOB's survey found that 70 per cent of small businesses reduced their dependence on loans or borrowings, compared with 55 per cent last year.

■ *This is an excerpt from a speech presented by the author to the Australian Businesswomen's Network.*