Discussion

1. Geoff Francis

The paper starts with an insightful overview of the features that make small businesses unique. The authors highlight that small businesses are generally:

- resource constrained – small businesses often lack the human and financial capital to understand and keep up with changes to regulations

- owner managed – small businesses' owners are typically also the primary decision-makers

- funded by their own capital – small businesses are usually funded by their owner's assets and the owner is therefore exposed to a higher degree of personal financial risk than larger businesses with many shareholders.

The authors make an important point when they note that '[s]mall businesses are not "scaled-down" versions of large corporations' and that we shouldn't treat small businesses as one homogenous group. This is something well understood by those who deal closely with small business. But it is not always well understood by others, who instead may think of small business in more homogenous terms and may advocate 'silver bullets' to address market failures that affect small businesses. So this paper is valuable in drawing the attention of a wider audience to this feature.

This paper is also extremely beneficial because it draws out the intricacies of small businesses. In particular, turning to the results of the paper, the following issues are identified as the ones that concern small businesses the most:

- economic uncertainty

- maintaining and growing revenues

- managing cash flows, costs and overheads

- competition

- red tape, taxation and compliance.

However, this list is just the start. These issues affect all businesses and only some are matters for government policy or small business policy. For example, economic uncertainty is an issue that affects all businesses, not just small businesses. The frameworks in place to provide for macroeconomic stability seem best placed to deal with this, rather than specific small business policies. Maintaining and growing revenues, managing cash flows, and competition are also not specific to small business. Nonetheless, the presence of these items on the list confirms that small businesses are focusing on the right issues. I would hope that these remain a priority for small business well into the future if we are to continue to have a dynamic and growing economy.

Perhaps most relevantly, however, the issues of red tape, taxation and compliance have been a continual source of annoyance for small businesses. It is here that I think the survey techniques deployed in this research could be put to greater use – for they are novel and more useful than

some other small business surveys I have seen. By refining these techniques and applying them to more specific policy issues, they could be highly beneficial and informative for policymakers. For example, more detail on what aspects of these areas cause concern for particular types of small businesses would be useful from a policy perspective. In that vein, it would be beneficial if future surveys could identify:

- which regulations are the most burdensome?

- what are the most time-consuming elements of regulatory compliance?

Thus, I see a lot of potential in the techniques used in this paper and I hope this is the beginning of a sequence of research projects that help policymakers identify policies and instruments to unlock the potential of small business.

2. General Discussion

The discussion began by noting the new and novel dataset collected for the paper. Several participants commented that the segmentation of the small business sector provided in the paper was useful and intuitive, although one participant observed that small businesses in the divestment phase were not a segment identified by the cluster analysis. The participant suggested that including a question about the age of the owner-operator of the business might help identify these businesses. Scott Holmes noted that while a question on succession planning was included in the survey, this factor did not seem to drive large differences among businesses. Professor Holmes suggested that this might be because succession planning affects most businesses similarly.

A participant raised potential issues with self-reported data. While some of the challenges reported in the paper are likely to be factors that materially influence businesses' behaviour, other factors may simply be common complaints. Relatedly, a participant noted that the factors that businesses reported as being challenges are quite different to the causes of failure for small businesses identified in other papers at the Conference. The participant suggested that this difference may indicate either: that businesses misconceive the difficulties that they face; or that the challenges small businesses face in achieving growth are different from the issues that lead to business failure.

Participants also noted that online surveys can attract respondents that have different characteristics compared with the broader population. Professor Holmes acknowledged that there is a degree of bias stemming from the online nature of the survey, but this is mitigated by the fact that the sample is matched against the ABS profile in terms of industry, size and longevity. A participant also noted that the major issues the paper identifies and the paper's finding that small businesses' main competitors are mostly other small businesses – not large businesses – is consistent with other studies.

Turning to further uses for the data, a participant suggested some avenues that could be pursued if a time series of the dataset used in the paper were collected. These data could address questions such as the distribution of firms across the segments during booms and recessions, and transitions between the segments. Another participant suggested that the dataset might be able to shed light on the question of whether small businesses are a special group of businesses that need targeted assistance and whether governments should provide such assistance. For example,

the data may be useful in answering whether policies such as lower payroll tax thresholds and accelerated depreciation allowances for small businesses are beneficial.

One participant suggested that uncertainty represents both an opportunity and a threat for small businesses. As such, it would be useful if further work gathered more information on the nature of uncertainty that small businesses face and how small businesses were responding to uncertainty. Professor Holmes noted that some additional questions on the nature of uncertainty had been included in the survey, but he agreed that more information would be desirable. He explained that the additional questions indicated that general consumer and business confidence were the main uncertainty-related issues for about two-thirds of businesses surveyed. Another issue raised in the survey was changes in tax concessions. The participant followed up by commenting that information on what firms are doing to position themselves to manage uncertainty would be relevant for how industry associations structure their education and seminar programs.

Finally, a participant observed that government agencies typically define small business in a way that is convenient for their purposes, which leads to conflicting regulatory definitions. However, the participant noted that the conduct of regulators is often more important to small businesses than the volume of regulation. The participant opined that several federal regulators had improved the way that they conduct their regulatory duties. It was also noted that many of the regulatory difficulties faced by small businesses are from smaller regulators, particularly local councils.