



# THE PROFILE OF SMALL BUSINESSES IN THE KIMBERLEY

This briefing paper was requested by the Kimberley Development Commission and authored by the Small Business Development Corporation. It provides an analysis of the sector profile, current needs and opportunities for the small business sector in the Kimberley – September 2014.

**DRAFT FOR PUBLIC COMMENT**



## **SMALL BUSINESS PROFILE – KIMBERLEY REGION**

### **Small businesses in Western Australia**

Small businesses<sup>1</sup> are a crucial part of Western Australia's economy. They provide goods and services to a wide range of industries and consumers across our State, helping Western Australia grow and expand. Many small businesses play essential roles in supporting the work of large companies, including those involved in resource and major project development.

Agile and innovative, small businesses are a testament to Western Australia's entrepreneurial spirit. Our small business sector is resilient, demonstrating their ability to readily adapt to shifting economic conditions and consumer trends.

Small businesses continue to make substantial contributions to the economy, accounting for approximately one-third of private sector industry value added (i.e. contribution to gross domestic product) and employing nearly half of the private sector workforce. They also remain significant contributors to community life, providing services and other amenity to local regions.

With an economy looking to rebound and a State Government committed to fostering regional economic development, with a focus on increasing entrepreneurial activity, small businesses are well positioned to seize opportunities and help power growth in Western Australia's regions. And as they support regional growth, small businesses are helping local communities remain strong and contributing to sustained prosperity for all Western Australians.

### ***Small businesses are overwhelming in their numbers***

Small businesses comprise the vast majority of the 221,899 businesses in Western Australia as at June 2012<sup>2</sup>. Over 95 per cent of all businesses (or 211,203 in total) had fewer than 20 employees (i.e. were small businesses). Of these, almost 66 per cent were non-employing (i.e. do not employ anyone), 22.7 per cent were micro businesses (i.e. employing between one and four employees) and a further 11.5 per cent employed five to 19 employees.

Official data<sup>3</sup> indicates that small businesses accounted for 43.3 per cent of total private sector industry employment nationally in June 2012. In other words, small businesses employed 4.65 million persons out of a total of 10.73 million persons in Australia. In contrast, medium sized businesses (employing between 20 and 200 employees) and large businesses (employing 200 or more employees) employed 25.7 and 30.9 per cent of total private sector industry employment respectively.

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<sup>1</sup> A small business is defined as a business that employs less than 20 staff.

<sup>2</sup> Australian Bureau of Statistics (ABS), Cat. No. 8165.0: *Counts of Australian Businesses, including Entries and Exits, June 2008 to June 2012*, released May 2013

<sup>3</sup> ABS, Cat. No. 8155.0: *Australian Industry 2011-12*, released May 2013

In 2012, over 30,000 new business names were registered in Western Australia, nearly all of which were non-employing or employing micro businesses.

Taken all together, Western Australia's small businesses are a powerful economic engine. They are at the forefront of local innovation, employment and competition in the State.

### Small businesses in the Kimberley

Small businesses make up the majority of businesses in every region of the State. Small entrepreneurial activity is found in all communities across Western Australia, offering a diversity of products and services, often with a distinctive local flavour.

Mining (primarily diamond), agriculture and associated primary production (including pearling) remain the key industries in the Kimberley. There are also a range of service industries, including construction, retail and tourism, which provide important services to the local and non-regional populations and contribute significantly to the economic development of the Kimberley region.

According to the latest Counts of Australian Businesses<sup>4</sup>, the small business sector in the Kimberley as at June 2012 can be broken down as follows:

Industry (by ANZSIC Code)	Non- employing	1-4 staff	5-19 staff	Total
<b>Agriculture, forestry and fishing</b>	<b>155</b>	<b>34</b>	<b>32</b>	<b>221</b>
<b>Mining</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Manufacturing</b>	<b>48</b>	<b>13</b>	<b>9</b>	<b>70</b>
<b>Services sectors (consisting of:)</b>	<b>1,296</b>	<b>423</b>	<b>320</b>	<b>2,039</b>
Electricity, gas, water and waste services	3	3	0	6
Construction	364	123	69	556
Wholesale trade	22	9	10	41
Retail trade	68	61	64	193
Accommodation and food services	50	28	26	104
Transport, postal and warehousing	95	30	19	144
Information media and telecommunications	19	9	6	34
Financial and insurance services	79	12	3	94
Rental, hiring and real estate services	205	19	10	234
Professional, scientific and technical services	99	30	22	151
Administrative and support services	62	25	29	116
Public administration and safety	3	0	0	3
Education and training	6	3	6	15
Health care and social assistance (private)	30	20	15	65
Arts and recreation services	23	3	3	29
Other services	62	32	35	129
Unknown	106	16	3	125
<b>Total</b>	<b>1,502</b>	<b>470</b>	<b>361</b>	<b>2,333</b>

<sup>4</sup> ABS, Cat. No. 8165.0: *Counts of Australian Businesses, including Entries and Exits, June 2008 to June 2012*, released May 2013

Small businesses account for 92.8 per cent of all businesses in the Kimberley. Of these 2,333 small businesses, 64.4 per cent are non-employing, 20.1 per cent are employing micro businesses and 15.5 per cent employ between five and 19 employees.

In total, 1.1 per cent of all small businesses in Western Australia are located in the Kimberley. This is less than the region's current population distribution relative to the State – i.e. the estimated resident population of 34,794<sup>5</sup> in the Kimberley represents around 1.55 per cent of the State's total population.

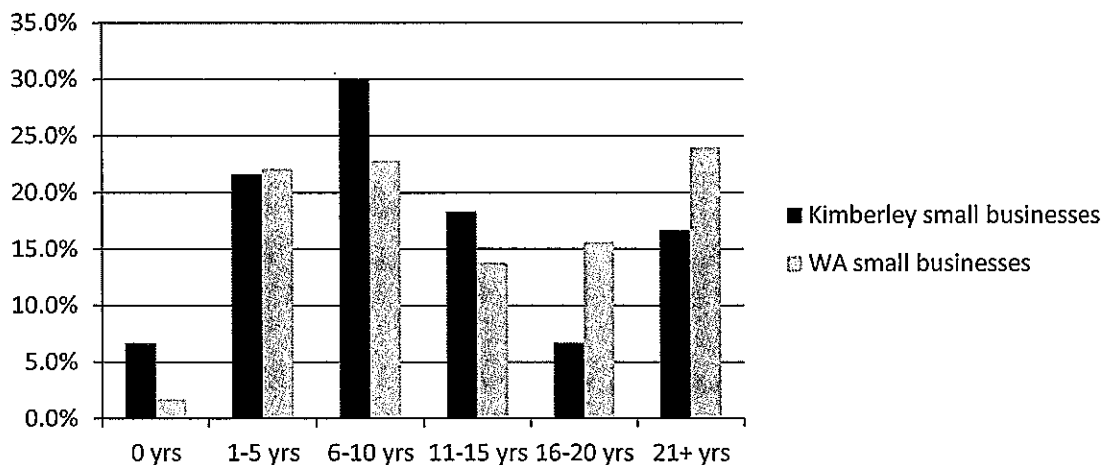
### Needs and characteristics of small businesses in the Kimberley

In the first half of 2012, the Small Business Development Corporation ('SBDC') conducted market research into the needs and characteristics of small businesses in Western Australia. This research was commissioned to gain a better understanding of how the sector was performing in the key areas of: business planning and training; skills and capacity; red tape and compliance; and competing in the global marketplace.

The total sample size for the *State of Small Business* survey was 999 small businesses, with 481 from metropolitan Perth and 518 from the regions. The research consisted of a 10 minute telephone survey with a stratified random sample of small businesses across Western Australia. The data presented below has been weighted according to current population distribution in each region of the State.

A total of 10 small businesses from the Kimberley region participated in the survey, representing 1.0 per cent of all respondents. The key findings for the Kimberley region follow, with comparisons made to the rest of the State (both metropolitan and regional Western Australia) where possible.

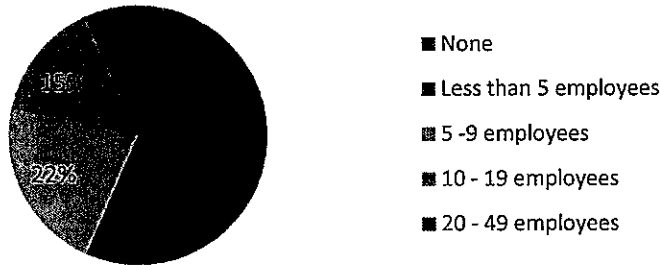
#### ***Age of business (length of time in years)***



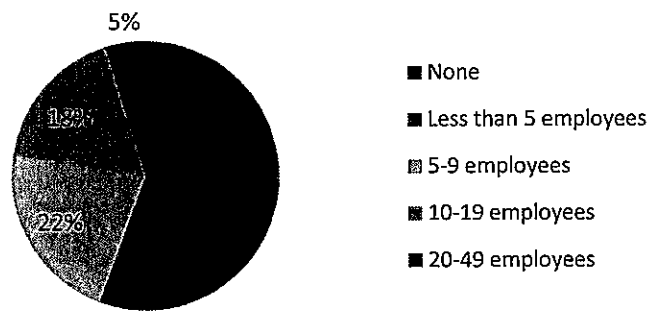
<sup>5</sup> ABS, 2011 Census

## Number of employees

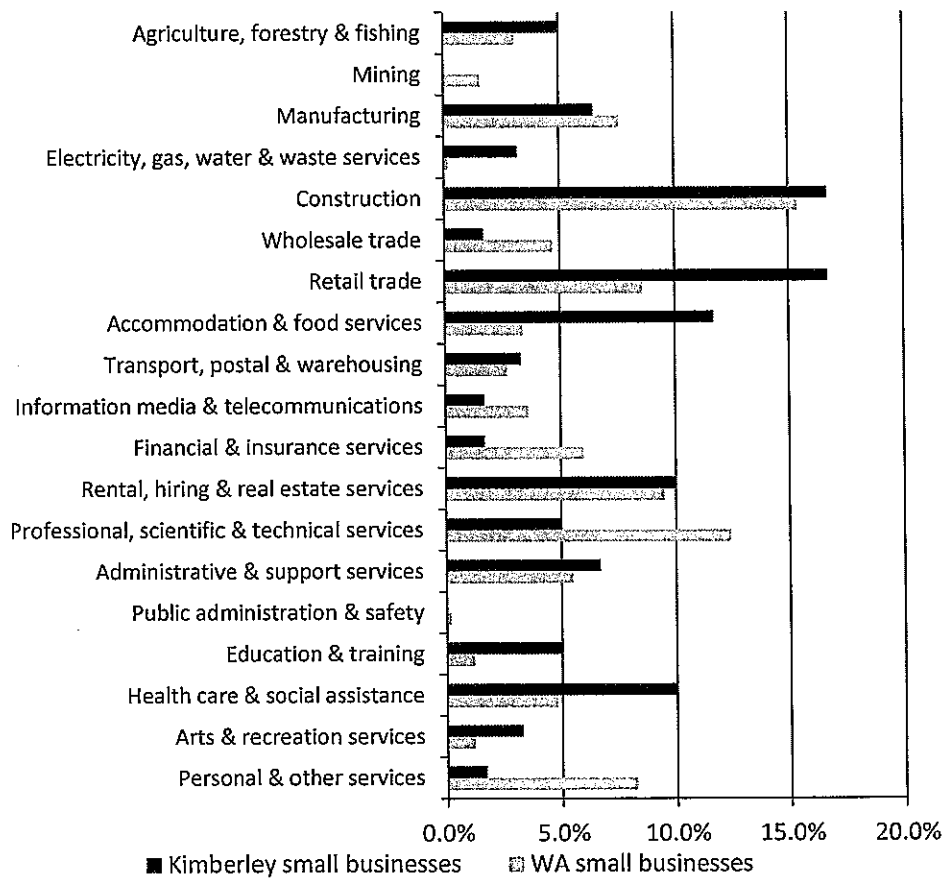
### Kimberley small businesses



### WA small businesses



## Industry types





### ***Business planning and training needs***

The majority of small businesses surveyed (69.2 per cent) across the State indicated that they had plans to grow or improve their business over the next 12 months (i.e. from July 2012). However, this figure is significantly higher in the Kimberley region, with over four in five small businesses (81.7 per cent) desiring growth or improvement over the year ahead.

A further 24 per cent of all Western Australian small businesses had no plans in the upcoming year, while seven per cent were not interested in future growth and improvement. In comparison, 16.7 per cent of small business operators in the Kimberley had no plans to grow, while the remaining 1.7 per cent were not interested in growing or improving their business operations.

In order to achieve growth or improvement, small business operators in the Kimberley indicated that they would focus primarily on strategies to attract new customers and increase staff. Improving quality/skills/service, revising business plans, and improving existing products or services round out the top five customer retention strategies employed by small businesses in the region.

In relation to training requirements, the most pressing needs that emerged across the State related to business planning and online marketing. Specifically, Western Australian small business operators indicated that they would most benefit from training (multiple responses allowed) in:

- Business planning – 30.1 per cent of responses
- Online marketing – 27.4 per cent
- Employing staff – 17.3 per cent
- Finance – 13.0 per cent
- Business processes (e.g. operations manuals, administrative systems, invoicing systems) – 12.2 per cent

For small businesses in the Kimberley, the following types of training would be of most benefit:

- Business planning – 29.5 per cent of responses
- Online marketing – 29.5 per cent
- Employing staff – 20.5 per cent
- Finance – 11.4 per cent
- Business processes – 9.1 per cent

### ***Employment and skills***

One of the key challenges that Western Australian small businesses continue to confront is finding and retaining staff, particularly given the huge spending power and competitive advantage of the State's resources sector in recent years.

Over half (56.6 per cent) of surveyed small businesses around the State found the process of finding and retaining staff as “difficult” or “very difficult” for their business. As to be expected, in many cases businesses in regional Western Australia are more likely to feel that the process is difficult or very difficult given the lower population and skill bases characteristic of the regions.

For small businesses in the Kimberley, the ease of attracting and retaining quality staff (with whole-of-State figures in brackets) is as follows:

- Very easy – 3.7 per cent (6.3 per cent)
- Easy – 14.8 per cent (18.5 per cent)
- Neither easy nor difficult – 11.1 per cent (18.6 per cent)
- Difficult – 38.9 per cent (33.1 per cent)
- Very difficult – 31.5 per cent (23.5 per cent)

Strategies to recruit and retain quality staff are employed by almost three quarters of small businesses (74 per cent) in the Kimberley and rely heavily on the provision of non-monetary benefits and incentives (training, discounts, meals, etc), allowing flexible working hours, and offering competitive rates of remuneration. As to be expected, regional small businesses are more likely to provide accommodation and rental assistance incentives to attract and retain staff, with nine per cent of Kimberley small businesses indicating that they offer this to staff.

Flexible work practices are implemented by more than eight in 10 Western Australian small businesses (84 per cent) and are dominated by the provision of flexi-time for staff. Other common flexible work practices include job sharing opportunities and working from home arrangements.

Furthermore, over two thirds of small business operators in the Kimberley (72.2 per cent) felt that the skill sets of their staff are at, or substantially above, the required standard, while 20.4 per cent indicated that their staff are adequately skilled. The remaining 7.4 per cent of Kimberley respondents stated that they thought their employees are below standard.

In comparison, 75.9 per cent of Western Australian small businesses felt that the skill sets of their staff are adequate or above required standards, with 3.2 per cent of small business operators feeling their staff are below standard.

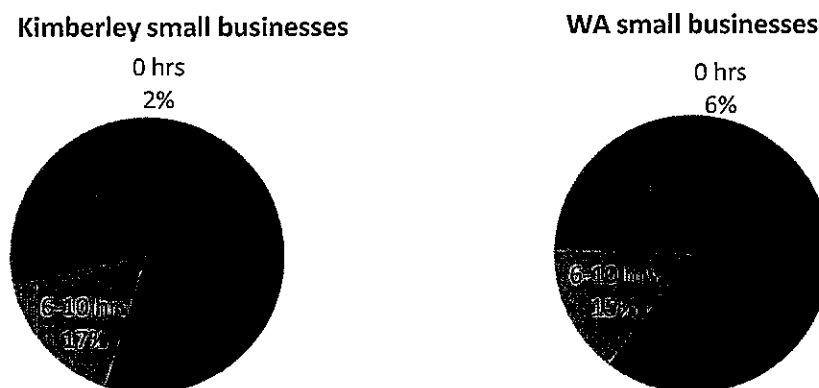
### ***Compliance***

It is well recognised that the burden of compliance falls disproportionately on small businesses. The SBDC’s survey explored the issue of how many hours per week small business operators spent on meeting business compliance requirements – being time spent complying with rules and regulations related to activities like, for example, licensing requirements and tax obligations.

For most surveyed small businesses (54.9 per cent), compliance tasks take on average between one and five hours per week, with around one in four

businesses (24.5 per cent) spending more than 10 hours a week on these types of tasks. In general, the amount of time spent on meeting compliance requirements steadily increases in line with the size of the business.

For businesses in the Kimberley, slightly more time on average was devoted to meeting compliance tasks, as the following charts indicate:



Tasks taking up the most time for small businesses in the Kimberley region (with whole-of-State figures in brackets) are:

- Business tax/Business Activity Statements – 47.5 per cent (60.8 per cent)
- Industrial relations/human resources – 15.3 per cent (8.6 per cent)
- Planning and approvals – 8.5 per cent (7.2 per cent)
- Occupational licensing – 8.5 per cent (7.3 per cent)
- State Government licensing – 5.1 per cent (1.5 per cent)

As businesses grow, the burden of tax compliance generally decreases, which is most likely due to the task being outsourced to professional advisors.

### ***Use of the internet and e-commerce***

More than two in three small businesses (67.9 per cent) surveyed State-wide reported to currently have an online presence via a corporate website. The likelihood of having a website generally increases with business size, and there are regional variations (for example, those businesses located in the Gascoyne and Wheatbelt were *less* likely than those from other regions to have a website presence).

In the Kimberley, over half (55 per cent) of small business respondents indicated that they have a corporate website, with half of these generating some form of sales from online activity (i.e. e-commerce). In comparison, around 60 per cent of those businesses State-wide that have a corporate website were engaged in e-commerce.

The use of social media sites for marketing purposes is much more limited (32.6 per cent for all businesses, and 41.7 per cent for businesses in the Kimberley) and remains principally the domain of younger businesses.