PUBLIC SECTOR BUSINESS ASSISTANCE PROGRAMS: A USEFUL TOOL TO PROMOTE GREEN ENTERPRISES?

Michael Schaper, Small Business Commissioner for the Australian Capital Territory; Adjunct Professor, Curtin University of Technology.

Introduction

Businesses need advice and information about many aspects of their operations, ranging from the traditional areas of management (such as the basics of recordkeeping, financial control, marketing, legal structures, human resources and operations management) through to highly specialised activities (such as strategies for overseas expansion, new product development, intellectual property protection and access to credit and debt facilities). Although the popular image of the business owner-manager is that of a self-sufficient entrepreneur, in most cases proprietors need to look outside the firm for such specialised counsel.

Since the 1980s, there has been an increased recognition of the important role that government can play in providing such assistance programs. This is especially important for small and medium-sized firms, since they represent at least 95% of all private sector organisations in most developed economies (and even more in developing nations). Whilst large corporations usually have access to in-house experience and the resources to pay for external advice, many SMEs do not.

Most countries today have a range of public policies and programmes in place to encourage such activities. Singapore, for example, has an “SME Masterplan”, whilst the Malaysian government has adopted a series of five-year assistance plans for the development of their small and medium-sized enterprises. In Australia, all state, territory and federal governments also offer assistance in various forms and through a variety of different agencies.

These programs are usually targeted towards achieving specific macro-level goals. Common targets include increasing the number of jobs generated by the private sector, raising the level of exports and/or reducing imports, encouraging the adoption of electronic commerce, and encouraging economic development in certain disadvantaged areas.

However, whilst government assistance has been quite extensive in the fields of traditional business activities (such as issues relating to startup, day-to-day management and growth), there are still several areas in which there is little, if any, formal assistance. One of these is the issue of sustainability and environmental performance.
Numerous studies have shown that many business owners actually have quite strong environmental sympathies, yet their firms do not always produce sustainable outcomes (Hillary, 2000). Clearly, if business assistance programs can be reconfigured to take environmental issues into account, then it is likely that greener enterprises may emerge as an end result.

In What Ways Can Government Provide Business Assistance?

In a general sense, governments can assist business owners and entrepreneurs to develop new business opportunities, improve the efficiency of their operations, and to grow existing businesses, through one of the following four frameworks:

1. **Macro-level policies**
   Although it is not conventionally regarded as assistance, government at all levels plays an important role in establishing the overall framework in which the private sector operates. For example, one fundamental aspect of a functioning market economy is the creation and maintenance of laws and regulations. Another is the economic policies that government adopts: in general, those that promote an open economy, trade liberalisation, greater marketplace competition, and which reduce unnecessary regulation tend to encourage the creation and growth of private enterprise.

2. **Generic business programs**
   Most government assistance, however, tends to be developed and delivered at the individual firm level. This is the point at which assistance can be most usefully provided, and it is also easier for governments to identify. Over the last fifteen years, a variety of different assistance tools have been used by governments. These have included the provision of small business advisory centres (such as the national network of Business Enterprise Centres), funding and construction of business incubators (purpose-built facilities to house nascent ventures), subsidised access to specialist consultants, export facilitation (including trade delegations, credits and market analysis), mentoring (business advice from existing operators), business planning skills development, specific-purpose grants, and education programs.

   Clearly, both of these areas are important. Without a suitable macro-level environment, new and enterprising firms cannot flourish: they need the right mix of appropriate regulation, open markets, access to a skilled workforce, well-developed capital markets, and physical infrastructure, amongst other things. Equally, the provision of suitable advice and assistance programs, correctly targeted and delivered at the time when firms need them, can also help entrepreneurial ventures to flourish and grow.

3. **Specific green-friendly programs**
   Neither of these strategies detailed above have had a sustainability focus until now. One area that is currently lacking is the development of specialised environment improvement programs for firms. Although some steps have been taken in this direction by a few agencies, in general most business assistance programs have omitted sustainability. This is a curious gap, since most advocates of greener business practices have consistently argued that enhanced environmental performance also leads directly to improved business performance. For example, reducing input costs (by operating at higher levels of efficiency)
reduces not only consumption levels, but also the cost of goods sold for most firms.

4. Leadership and rhetoric

Finally, governments affect entrepreneurs not just by the assistance programs they fund, but also by the examples that they provide. When governments celebrate and extol the work of green entrepreneurs, then they also provide a possible source of new ideas and inspiration to other businesspeople, and help establish a climate in which budding entrepreneurs feel more inclined to “give it a go” than might otherwise be the case. For example, the 2003 presentation of the Prime Minister’s Environmentalist of the Year award to John Walmsley, founder of the market-based conservation firm Earth Sanctuaries Ltd, sent a clear message to both conservationists and firms that the federal government recognised and was willing to encourage commercial solutions to wildlife issues. Another is the recent championing of triple-bottom line reporting by some state government leaders, such as Western Australian Premier Geoff Gallop. Although it many respects it is still a rather symbolic action, it nevertheless provides recognition by government that such issues matter.

Of the four broad strategies discussed above, it is perhaps items 2 and 3 that are most immediately conducive to environmentally-friendly programs. Adapting existing programs to include a sustainability focus need not be a difficult job – for example, it would require only a minor amendment to most business planning frameworks to incorporate consideration of the firm’s environmental impacts, input costs and wastes. And there are many opportunities to provide specific green programmes. A number of US business incubator agencies, for example, have begun to operate centres that focus on eco-friendly businesses.

Where To From Here?

Marking out the way in which business assistance programs can produce greener firms is one thing; it is altogether another to be able to effectively deliver outcomes. Many business assistance strategies start off with noble aims, but not all actually work, and many fail to have much of an impact on private firms. If a greener assistance strategy is to be effective and of practical relevance, it will require:

- Increased co-ordination between environmental and economic development programs. Most governments have both environmental and economic agencies, yet the dialogue between these two branches has only just begun. Environmental departments have the skills and knowledge about how to improve business performance, but it is the economic development wings of government which have the capacity to deliver these tools directly to businesses, and in a language which business owners know and understand.

- Skills training of business advisers. In order to recognise and develop commercial sustainability opportunities, there will be a need to develop the skills of business advisors and trainers. Few, if any, have specific skills in environmental management. Like a GP, most business advisers tend to serve as a gateway for business owners: they can help a client understand his or her business problem, diagnose the issue, and treat basic symptoms. However, if more specific information is needed, then they will frequently need to refer the client to a specialist in a certain field. Business
advisers, then, need an elementary knowledge of environmental information, so that they can feed ideas for simple improvements to their clients; but they also need to be plugged into the broader network of environmental specialists if they are to provide real help for their clients.

**Start-up firms or existing ones?** The needs of the start-up firm are fundamentally different from those of an existing enterprise (Schick, Marxen & Freimann 2002). The nascent entrepreneur needs information about the whole gamut of business commencement activities, whereas existing operators generally only turn to advisers for help in a specific area. Properly constructed environmental assistance programs for start-ups need to span the range of business needs, and provide a unique opportunity to “hard wire” a green perspective into the firm from day one. On the other hand, existing firms tend to have greater resources, and may be more willing to invest dollars and time into projects that can produce both tangible environmental improvements as well as improved organisational efficiencies.

**An industry-specific focus?** Assistance programs that address one particular sectoral group of firms have both advantages and disadvantages. Focusing on particular industries can be useful in delivering results and developing environmental strategies appropriate to firms in that sector. However, dividing up the economy into industry groups often means that there are numerous firms who fall “in between the cracks” because they are multi-operational or multi-market.

**Understanding the special challenge of home-based micro-firms.** Most government assistance programs are delivered to small or medium-sized firms operating from conventional commercial premises, and employing a reasonable number of staff. However, over two-thirds of all businesses are home-based, and 80% of all firms are micro-sized (that is, they employ less than five people) (Australian Bureau of Statistics 2002, 2004). Home-based micro-businesses are difficult to reach and produce only minimal individual outcomes, yet collectively represent the bulk of all firms. Reaching this group is a perennially difficult task.

**Measuring outcomes.** No assistance program can be monitored effectively unless systems are devised to measure in a meaningful way both inputs and outputs. Whilst governments traditionally focus on inputs (such as the amount of money they provide in grants or assistance), it is also equally important to gauge what outcomes are generated. These can include both conventional commercial indicators of financial and market performance (such as turnover, net profit, return on investment, and sometimes market share), as well as environmental indicators (such as the level of waste outputs, energy consumption and resource reduction). Most businesses are geared towards collecting and analysing financial and marketing information, but few entrepreneurs or business advisers currently possess the skills to measure environmental outcomes. This is a field in which environmental accounting – and the accounting profession in general – can potentially have an important role to play, by devising and disseminating measurement systems that businesspeople can easily use.

**Recognising the limitations of formal business assistance.** An often-overlooked fact is that the vast bulk of business advice does not actually come from the formal public sector. Most SMEs actually rely on
either their own personal networks (such as families, friends and other colleagues in business) or the private sector (through intermediaries such as accountants) (Jay and Schaper 2002). If government is serious about producing outcomes throughout the private sector, then it must effectively work with formal private providers. It must also attempt to reach out to the elusive informal networks that most businesspeople rely on, although this is much harder to do.

Conclusion

Governments will always have an important role to play in business development, and will perhaps always attempt to channel their assistance programs into the areas that they deem most significant. For those who believe that environmental considerations and sustainability are important, and who would prefer to see greater government assistance to firms seeking to “go green,” the challenge is two-fold: first, they must be able to win the public and policy debate that influences the priorities of government. A second, equally important, challenge then emerges: to ensure that the types of government programs provided are effective. As this article has shown, several steps still need to be taken if effective, commercially viable and sustainable assistance programs are to become embedded within the Australian tradition of public sector business assistance.

References


MANDATORY CORPORATE ENVIRONMENTAL REPORTING: DOES IT REALLY WORK?

Karen Bubna-Litic, Senior Lecturer, Law Programmes, University of Technology Sydney.

Introduction

This article analyses the results of the beginning of a longitudinal study, begun in 1999 (Bubna-Litic and de Leeuw, 2000), which looks at the compliance of companies