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The Global Context of Business

Competitive Paper

Small Business Mentoring in an International Context: A preliminary study

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Small Business Mentoring in an International Context: A preliminary study

Abstract

This paper presents the findings of a preliminary study of owner/managers of small family owned businesses in rural and regional areas of Australia. The lack of communication in relation to opportunities to participate in developmental programs offered by Commonwealth Government bodies and the Chamber of Commerce and Industry to small business in rural and regional areas was found to be minimal. Recommendations were made that a regional mentoring program be established to facilitate access to the global market place by small business.

Keywords: Globalization; mentoring, business/government interaction and relations, small-to-medium sized firms, international business programs, rural and regional businesses.

Introduction

Small business has experienced the swiftly changing demands of the global market place this has led to the need for small business in Australia to become more advanced and sophisticated in dealing with the challenges that have developed in the past decade. Small business must adapt to the international context enabling them to be able to compete for international business contracts. The benefits to small business of a booming economy fed by the global demand for products and services has been rapid, with increasing demands on staff and owner/managers alike.

Along with the global environmental changes other demands on small business have emerged. For example, the challenge of keeping their highly skilled, sophisticated and entrepreneurial employees in their employment while pursuing their own international business markets.

Questions remain as to whether business support groups such as the Australian of Commerce and Industry, Austrade and other such educational and support groups are effective in providing support for all the changing requirements of small business or should small business be left to compete alone.

Other external pressures are also have impacting on small businesses with more recent changes to the industrial relations system and a shift in focus toward educating small business owners in dealing with workplace relations changes. The Commonwealth Government's, Department of Employment and Workplace Relations have, through the National Advisor Network Program been offering various educational programs to deal with firstly, the new workplace relations systems for Australia, then the ongoing adjustments and alterations made to the legislation(Abetz 2007). Other educational programs, in dealing with the issues of management and termination under the new legislation include the Department of Employment and Workplace Relations "Getting it Right!" program (Relations 2007). However it is apparent that more recently the focus has been more towards compliance with Commonwealth Government requirements than assisting small business to compete and survive in the constantly emergent global market place.

While it is ever so important for small business to be made aware of the changing issues involved in workplace relations, it would appear evident that this could be handled through

public advertising campaigns leaving such bodies a the Australian Chamber of Commerce and Industry to focus on business development rather than political education.

It would appear that there is a constantly escalating need for small businesses to receive training and encouragement in the areas of global entrepreneurialism from institutions such as the Australian Chamber of Commerce and Industry and Austrade in relation to assisting businesses to cope with the new global environment. These bodies should move toward a much less political focus. Such entrepreneurial programs should ensure that employers are able to market their business in a globally competitive environment. For small business the global market place can appear overwhelming and the prospects of entering such a marketplace without the assistance of a support network can frequently prevent entrepreneurial activities that do not appear daunting in the Australian context can be overpowering in an international context.

Workplace demands for small business in an international context

The Australian Chamber of Commerce and Industry acknowledge that "Small and medium business represents a majority of Australian Employers and are the modern day entrepreneurs and risk takers, as well as the engine room for jobs growth" (Hendy 2007). With this in mind the Chamber is well aware of the need to assist small businesses in focusing their entrepreneurial growth toward being able to better cope in meeting the increasing challenges of the global market place. Austrade, on the other hand offer a number of support programs for small business in terms of export market development grants. However their own web site suggests that "participants are required to commit resources and reasonable management time to the program" as well as meet the numerous other constraints that are placed upon their assistance (Austrade 2007).

Rodwell and Teo (Rodwell 2003) found that research into firms in their early stages of internationalization, such as exporting has been minimal. From this perspective, some of the challenges faced by small business owners in an international context are the need to remain competitive price wise, as cheap imports swamp their intended markets. As the world becomes smaller with technology and cheap travel so the market place becomes more competitive for small business owners wishing to penetrate. Another area that places pressure on small business owners in the early stages of internationalization are that highly trained and entrepreneurial employees become harder to keep as the incomes that they can earn in areas

such as mining draw them away from small business to obtain increasingly high wages driven by the global demand for natural resources. While the size of the small business has been found to be directly related to their global marketing potential (Christensen 1987).

Adaptation to an international context

The cost of adaptation to an export culture for small business can be considerable. The development of an export relationship can be somewhat daunting for a small business operator who frequently struggles with cash flow issues to the point that it places the prospects of export in a prohibitive situation. Bello and Gilliland (Bello 1997) recommend that for a business to enter the export market they must consider the following costs:

- any adjustments to products;
- the distance and cost involved with transportation
- legal and cultural issues in relation to their products acceptance in another market place.

Another issue that is exceedingly important for the small business owner in terms of cash flow is the ability to impose agreements when dealing with customers in varying geographic locations (Bello 1997). While the development of communication technology has been extraordinary in more recent decades not all small business people have had the capacity to develop these skills especially in terms of coping with the global use of internet marketing and this lack of skills can contribute to a situation of disadvantage.

Kleindl (Kleindl 2007) found that "pursuing global market opportunities can be riskier than selling in a local market" however to not pursue global marketing opportunities could be seen to be tantamount to giving in to competition as the global market engulfs small business opportunities in Australia (p. 6). It is imperative therefore that as the world gets smaller and disposable incomes increase that our Australian small businesses are provided with the tools to compete in such an environment. Small business needs to be able to evaluate the international context. For example, the determination of the potential international market available to their products and services while at the same time identifying possible impediments to global growth.

Education of small business owner/managers an international context

As previously noted the recent focus for small business training programs provided by the Commonwealth Government through the Department of Employment and Workplace relations has been on workplace relations and this as focused on government legislation. The Australian

Chamber of Commerce and Industry has, in hand with the Commonwealth Government, been the National Adviser Network Programme provider. These programs have seen considerable amounts of Government money spent on advising small business in relation to workplace relations changes but have failed to spend valuable funds in providing support programs for small business that might encourage entrepreneurial growth in the area of exports. Austrade offers programs especially for small to medium businesses. Their 'New Exporter Development Program' provides information sessions as well as coaching but regrettably all bar two of the coaching sessions are provided in the city, the other programs are provided in Launceston and on the Gold Coast. It is quite feasible that these city locations are highly desirable for many small businesses however there are many highly successful businesses in rural and regional areas that have the potential to enter the global market place who would find it difficult to access such programs. Conversely without the appropriate support their potential remains untapped.

Mentoring an International Context

Informally mentoring has contributed to individual growth throughout the centuries with Mentor the trusted advisor and friend of Odysseus, providing teaching, friendship and advice to Telemachus his son while his father was away at the Trojan War. Homer recognized through Greek myth in his poem The Odyssey the informal relationship of a caring father like guardian. Kram (Kram 1985) recognized such mentors as primary, providing unselfish, caring and altruistic one on one relationship while she identified secondary mentors on the other hand are found in formal mentoring programs, are much more formal. Kram (Kram 1985) found that formal mentors offer exchange of ideas while encouraging and challenging their protégé to engage in their own learning processes. Bowen (Bowen 1985) defined mentoring as 'the process which occurs when a senior person in terms of age and experience (the mentor) undertakes to provide information, advice and support to a junior person (the protégé) in a relationship lasting over an extended period of time, and marked by substantial emotional commitment on the part of both parties' (p. 31). For the purposes of this research paper, mentoring is a means by which a senior and more experienced individuals acts as a facilitators of small business owners/managers entering the area international business and trade for the first time.

Formal mentoring has numerous benefits that can be employed, not only by the mentor and protégé but also by the organization as a whole and this is the key for the small business

owner/manager. Mentoring is the product of high achievement and what better location for it's use than is the entrepreneurial environment of many small businesses. However, a weakness is that the protégé must be prepared to grow and learn from the unselfish contributions of their mentor. While much as been written in relation to the employee/employer relationship of mentoring the proposed model is for the use of experienced industry people providing mentoring to entrepreneurial small business owner/managers sharing their developed knowledged and skills in relation to the various aspects of entering the export field.

Kram (Kram 1983) identified the two mentoring functions, the first of these being the career functions; sponsorship; exposure; coaching; protection and challenging assignments. The second set of functions that she identified was that of the psychosocial functions; role modeling; acceptance and confirmation; counseling and friendship. While the phases of the mentoring process were defined as initiation; cultivation; separation and redefinition (Hunt 1983).

Methodology

A mixed methodology was chosen for the research design in order to provide rigorous and thorough research design. The methodology was developed around a triangulation of three methods in line with that recommended by Perry (Perry 1998). The methodology firstly examined the literature and from the literature, a quantitative survey instrument was designed and tested in a pilot study. The questionnaire sought responses on various issues related to small business on a seven point Likert scale.

The researcher received 202 responses to the formal survey questionnaire that was administered to small business, firstly via regional and rural Rotary Clubs, mail to randomly selected small businesses from the yellow pages and by hand delivered to small businesses in a door to door letter drops.

DEMOGRAPHICS

The respondents were owner/managers of small family businesses in rural and regional areas. There as also a sprinkling of far distant urban areas of Australia.

The demographics found 62.9 percent of respondents to be male, while 88.6 percent were married or in a steady relationship. The majority of respondents were from Australia with only 12.9 percent having been born outside of Australia.

48.5 percent of the owner/managers had established the business while 40.6 percent had purchased their business and 9.9 percent had inherited their business. The industry types were distributed right across the ABS categories with the greater majority being in the retail and service sectors. While 29.7 percent of the businesses fell into the highest category for gross turnover, that was, over one million Australian dollars and 45.5 percent of respondents were registered company structures.

Results

Research Question 1:

Do owner/managers of small businesses receive adequate communication from the Commonwealth Government in relation to training programs that are available to support their entrepreneurial activities?

Table 1 below summaries the responses provided by the owner/managers of small businesses in rural and regional areas in relation to the amount of communication received in relation to various training programs provided by the Commonwealth Government. It is apparent that many small business owners in rural and regional areas need to receive some form of support that enables them to be informed much more adequately about the various government training programs that are made available each year.

Table 1: Government Communication to small business in relation to training programs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	not at all	121	57.6	59.9	59.9
	extremely rarely	42	20.0	20.8	80.7
	very rarely	19	9.0	9.4	90.1
	rarely	15	7.1	7.4	97.5
	sometimes	5	2.4	2.5	100.0
	frequently	0	0	0	
	to a great extent	0	0	0	
	Total	202	96.2	100.0	
	Missing	8			
Total		210	100.0		

SOURCE: Developed for this research

Table 1 above confirmed that finding that only 2.5 percent of owner/managers of small family business operators were made aware of the various programs that are made available by the Commonwealth Government in terms of assisting small business development and this was on an irregular basis. While 59.9 percent had received no communication at all and a further 20.8 percent had extremely rarely been notified and a further 16.8 percent indicated either rarely or very rarely.

Research Question 2:

Do owner/managers of small businesses, receive adequate communication from the Australian Chamber of Industry and Commerce in relation to training programs that are available to support their entrepreneurial activities?

Table 2 below summaries the responses provided by the owner/managers of small businesses in rural and regional areas in relation to the amount of communication received in relating to various Chamber of Commerce and Industry training programs made available to small business. It is apparent that many small business owners in rural and regional areas need to receive some form of support that enables them to be informed much more adequately about the various training programs that are made available by the Chamber each year.

Table 2: The Chamber of Commerce and Industry communication to small business in relation to training programs available

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	not at all	155	73.8	76.7	76.7
	extremely rarely	25	11.9	12.4	89.1
	very rarely	10	4.8	5.0	94.1
	rarely	7	3.3	3.5	97.5
	sometimes	3	1.4	1.5	99.0
	frequently	1	.5	.5	99.5
	to a great extent	1	.5	.5	100.0
	Total	202	96.2	100.0	
Missing	System	8	3.8		
Total		210	100.0		

SOURCE: Developed for this research

The table 2 above confirms that the Chamber of Commerce and Industry has not adequately communicated to the owner/managers of small businesses in relation to the various training

programs that they have to offer. Only one percent received communication about training programs to a great extent or frequently, while 1.5 percent received communication sometimes. The majority of respondents 97.6 percent received information rarely to not at all.

Research support/indicators from case studies

The research is supported by semi-formal interviews that confirm that owner/managers of small family businesses in rural and regional areas of Australia could be seen to be placed at distinct disadvantage in terms of accessing developmental programs in relation to entering the export industry due to lack of communication by governments and business support bodies such as the Australian Chamber of Commerce and Industry.

Comments such as

> *"We never get any support from our local member or anyone from the government"*
>
> *"The Chamber of Commerce and Industry are only interested in their own little group, especially those close to the local committee, they aren't interested in the issues that impact on small businesses like ours, we had to find everything out for ourselves"*

Statements such as these reinforce the quantitative data and provide focus for the need for further research as well as the development of a link with and support of formal mentoring programs to support rural and regional export opportunities.

Formal Mentoring as a Facilitator of Access to International Business Programs

It is evident from the preliminary study that small business owner/managers in rural and regional areas are not receiving adequate communication in relation to the availability of training and small business support. The research revealed that only 2.5 percent of small business owner/managers surveyed had received information about training or business development opportunities available through the variety of Commonwealth Government departments while a similar number 2.5 had received any communication in relation to programs offered by the Australian Chamber of Commerce and Industry.

Austrade offer 43 coaching programs between August, 2007 and November, 2007. These coaching programs focus on how to maximise grant entitlements for small business owner/managers wishing to obtain Export Market Development Grants(Austrade 2007). It is evident nevertheless that little focus is given to assist small business owners in rural and

regional areas to enter the global market place as only .04 percent of the courses are offered outside of the capital cities(Austrade 2007).

How can mentoring facilitate the international context?

From previous research into the use of formal mentoring programs in Australia it is unmistakable that small business owners who wish to enter the global market place are keen to learn about the possible pitfalls of the export trade need much more than to just gain an Austrade export grant. The development of a mentoring program for rural and regional small business owners to give them access to mentors who have experience in exporting and dealing with the numerous cultural, legal and political issues involved with entering the global market place would enhance their export outcomes.

For mentoring to work in a rural and regional small business context it is important for those small business owner/managers to take into account the characteristics that govern protégé success. The characteristics needed for protégé's to adapt and develop include; a willingness to seek advice; to be technically competent; perceptive; flexible; inquisitive; show initiative; show adaptability; be intelligent; show curiosity and be a fast learner (Cameron 1994).

Small business development in order to compete in the global economy is essential. In order to do so it is important that Commonwealth Government support is provided to sustain small business growth and entrepreneurial activities not only in the capital cities but also in rural and regional areas.

Conclusion

The development of a network of regional mentoring programs that focus on mentoring small business owner/managers by communicating to them the various Commonwealth Government assistance programs offered by such bodies as Austrade as well as Chamber of Commerce and Industry. Along with the shared experiences by those mentors who have worked and have experience in the export industry and international trade could provide the key to small rural and regional businesses having the capacity to deal with the encroaching global market.

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