

# **MATCHING PUBLIC BUSINESS SUPPORT AGENCY SERVICES WITH THE NEEDS OF SMALL BUSINESS OWNER-MANAGERS**

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## **ABSTRACT**

Numerous public assistance programs have been put into place to support SMEs. However, SME owner-managers don't appear to make maximum use of these services. Results from a survey of 70 SME owner-managers indicate that many owner-managers don't seem to understand the relevance of the services and don't know enough about the agencies working in their region. However, most of those who had used the agencies felt the services were appropriate to their needs. The problem thus appears to lie more with the perceptions of owner-managers than with the nature or quality of the services themselves.

## **INTRODUCTION**

Public authorities throughout the world, recognizing both the importance and fragility of SMEs, have over the years created agencies and set up numerous venture development support and assistance measures (OECD, 2003). However, entrepreneurs and SME owner-managers do not seem to make maximum use of the services available. The purpose of this research is to identify the factors likely to influence the decision of SME owner-managers to consult public support agencies.

## **CONCEPTUAL FRAMEWORK**

The literature survey highlighted four factors that best seem to explain the propensity of owner-managers to consult support agencies. The first of these, and the key element, is the owner-manager's attitude towards outside assistance. Many small business owner-managers hesitate to seek outside help in case they are perceived as incompetent [1]. The second factor is the owner-manager's perception of public support agencies, which will affect the decision to use their services or not [2]. If the owner-manager perceives the agencies as being unable to help, he or she will not consult them. The third factor is the owner-manager's perception of the utility of the services offered by support agencies. Again, if the services are perceived as being unhelpful, the owner-manager will not use them. Lastly, the use of support agencies is conditioned by the owner-manager's knowledge of the agencies themselves and the services they offer [3]. Clearly, an owner-manager who is unaware of an agency or service will not use it. The following research hypotheses were thus tested in the field:

- H1: The natural resistance of small business owner-managers to the idea of requesting outside help will prevent them from using the services of public support agencies
- H2: Negative perceptions of public support agencies will prevent owner-managers from using the agencies' services
- H3: A perceived poor fit between their needs and the services available from public support agencies will prevent owner-managers from using those services

H4: Lack of knowledge of the services available from public support agencies will prevent owner-managers from using those services.

## **RESEARCH METHODOLOGY**

The sample was selected from the population of small business owner-managers in the Gaspé region of the province of Quebec (Canada). It contained both owner-managers who had used support services (34) and some who had not (36). Data was collected through personal and telephone interviews. To test the research hypotheses, a variance analysis was carried out with a  $\chi^2$  test for the nominal variables and a Student t test for the variables measured on five-step scales.

## **RESULTS**

H1 rejected - The data showed that most of the owner-managers had used outside help in the past. When asked how comfortable they were in requesting outside help, 38.6% of respondents said they were very comfortable and 30% said they were fairly comfortable. Very few said they were uncomfortable and results show no significant difference between the two groups. This indicates that the SME owner-managers surveyed show no natural resistance at the thought of asking for outside help.

H2: confirmed. Overall, the respondents thought business support agencies were useful, and only a third thought they were not very or not at all useful. On the other hand, there was a statistically significant difference between the means of the two groups concerning the perception of utility. On a scale of 1 to 5 (1=very useful and 5=not at all useful), the mean was 2.3 for the respondents who had used agency services in the past and 3.1 for those that had not. Negative perceptions about support agencies therefore appear to represent an obstacle to their use.

H3 confirmed -More than half the respondents thought the services offered by public support agencies were not very or not at all suited to their needs. The results were somewhat more mitigated among the group that had previously used agency services; only 30% of this group felt the services were not very or not at all suited to their needs. Interestingly, the negative perception of service suitability was much more marked among respondents who had never used a support agency, more than 80.6% of whom felt the services offered were not very or not at all suited to their needs. As the difference between the two groups was statistically significant, negative perceptions of services suitability seems to represent a barrier.

H4 confirmed -Nearly 60% of the respondents who had never used a support agency knew very little or nothing at all about the agencies. In the sample as a whole, nearly half the respondents had very little knowledge about their region's support agencies. This is a surprisingly high percentage, given the fact that the area where the survey took place is small, and in principle everyone knows everyone else, at least in the small business community. Given the statistically significant difference between the two groups, lack of knowledge of the services available seems to prevent SME owner-managers from using such services.

## **CONCLUSION**

As this paper shows, there do appear to be certain barriers that prevent SME owner-managers from making maximum use of the public support services available in remote regions. The main barrier appears to be lack of knowledge about the agencies providing the services. On the one hand, many

owner-managers do not seem to understand the utility or relevance of the services, while on the other they do not seem to know enough about the agencies working in the region. This study was not intended to judge the utility of the available services, and we are therefore unable to comment on the accuracy of these perceptions. Interestingly, however, most of the owner-managers who had used the agencies felt the services they had received were appropriate to their needs. At first glance, then, the problem appears to lie more with the perceptions of certain owner-managers than with the nature or quality of the services themselves.

We therefore believe the public authorities should first ensure that their programs and services are relevant, and then promote them aggressively among small business owner-managers. Our findings suggest that the support agencies really need to improve their image and publicize their services among their target client groups. Even in an area as small as Gaspé, the message does not appear to be getting through. This is somewhat paradoxical, since logic would suggest that the agencies would have a much higher profile in a very small community. Perhaps the agencies are not promoting their services because they presume – wrongly, as it turns out – that the region’s small business owner-managers are already aware of their existence? Steps are required to ensure that more small firms are eventually able to take advantages of government services. This will certainly improve their chances of survival, and may even stimulate their development. This is not to suggest that small business support services are sufficient, alone, to bring about a recovery in an economically disadvantaged region. On the contrary, we share the view of Lichtenstein and Lyons, who said that “entrepreneurs do not start businesses because services are available; services are demanded and used as the result of the existence of entrepreneurs. Although services are necessary, they are not sufficient to transform a region’s economy into a dynamic force” [5, p.5] Obviously, the research described here has its limitations. First, it does not include an objective assessment of the programs and services offered. Second, the opinions of support agency staff were not obtained. Third, the sample is limited to owner-managers in the Gaspé region of Québec (Canada), and it is therefore difficult to say how far its findings can be extended to the population of small. However, the fact that the OECD’s recommendations for small business support programs [6] are consistent with our findings does suggest that the problem, while perhaps not universal, is one that extends beyond the Gaspé region.

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