Antecedents to the Utilisation of the Government Business Support Services: A Literature Review

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Abstract
The Government Business Support Services (GBSS) plays important role in fostering economic development in Malaysia. With the aim to strengthen SME's performance the government has spent a substantial amount of money on SME support programs via their various agencies. The paper begins with brief explanation on the concept of business support services which, covering the supplier of services, type of services offered and services coverage. The study further discussed about factors identified to influence SMEs in utilising business support services. Perceived usefulness, perceived ease of use, bureaucracy, location, advisors’ knowledge and length of service are among the factors to influence the decision. Most of the findings were result of the studies which were conducted in western side of the globe among developed countries. There are dearth literatures in Asian countries in particular among developing countries. Therefore, the gap was identified to include cultures and local environment as factors to moderate the usage of business support services beside the owners’ characteristics for future study.

Keywords: government business support services, SMEs, entrepreneurship

1. Introduction
Small Medium Enterprises or SME is known as engine of growth and prime mover of economic development. SMEs’ involvement in economic activities becomes critical to the nation in supporting government inspiration to achieve high income nation in year 2015. Moreover, the current economic environment demands SMEs to move at faster pace, operate at maximum productivity level and practice innovation. Considering myriad of weaknesses possesses by SMEs, the ability to grow at faster rate and sustain becomes critical issues. In actual fact, SMEs seriously need external support to remain relevant in dynamic and challenging business environment. External support comes from two major sources: government and private sectors. The objective of the present study firstly, to identify and understand the antecedents to usage of business support services among SMEs with focus on the government business support services (GBSS). Secondly, the objective of the present study is to propose future study and highlight the managerial implications of the GBSS. Previous studies showed that the GBSS has experienced a low utilisation rate. Though the government has invested huge amount of money via business support programs, sadly, some of the services are idle.

Findings from the analysis make three contributions for both academicians and practitioners. Firstly, the present study adds to the knowledge about the antecedents of the usage of the GBSS and the impact on the efficiency of the services provided. Secondly, with the knowledge of antecedents, the paper proposes a framework to be examined and finally, the problems are addressed and outlined suggestions for future research. The present study was presented as follows; first, the study discussed about the problems statements, followed by methodology applied. Then, the concept of the GBSS is provided together with discussion of various business support suppliers. The literature further discusses the antecedents to the usage of the support services which is become the main topic. Subsequently, the proposed conceptual framework is presented and finally, a summary of the conclusions with proposals for further research is presented.
2. Problems Statements
SMEs are well-known possesses a number of weaknesses as financial constraint, lack of skilled manpower and market access among others. To be competitive and to sustain their businesses, external support is greatly relevant to their operation. Much to say, SMEs operation are depending on the external support notwithstanding government sectors or private. However, studies revealed that GBSS experienced poor utilisation rate compares to other private suppliers. This study try to grasp the issue about the services which focus to answer the following research questions; (1) What are the antecedents to the usage of the GBSS? (2) Why SMEs private sectors support services were more attractive compares to the GBSS? (3) Which advisors SMEs preferred most? To answer these research problems, a number of previous studies were reviewed which covers wide ranges of area across the globe.

3. Research Methodology
This study use qualitative approach by systematically review the literature from various databases. To have a clear and precise guidance in reviewing the literature, research questions was constructed: (1) What are the antecedents to the usage of the GBSS? (2) Why SMEs private sectors support services were more attractive compares to the GBSS? (3) Which advisors SMEs preferred most? The terms used for searching included: business support; external support, public support, business support, usage of support and effect of business support. In searching for literature only peer-reviewed journal from well known databases were visited including; Proquest, EBSCO, Web of Science – Social Citations Index and Business Source Premier. A total of 49 studies were found to be highly related to this study and selected. To analyse, the content of all studies selected were extracted and arranged as per extraction schedule (Appendix 1, for example). The schedule is to show the key findings, methodology, variables in the research, author(s), location of study and summary of critical information. The period of studies range from 1990 to 2011 with peak of work was in the period of 1995 to 2005. Of 49 papers, 24 were from Europe, 17 from Asian/Australasia, 8 from North America and 1 from South Africa.

4. The Concept of Business Support Services
There exist a plethora of studies that discussed on various aspect of government sponsored business support services from western countries (J. Berry, Sweating, & Gotu, 2006; Colin & David, 2002; Dyer & Ross, 2008; Jay & Schaper, 2003; Josee & Etienne, 2007; Mole, Hart, Roper, & Saal, 2009; Ramsden & Benet, 2005; Watson, 2003). Berry, et al. (2006) outlined two major sources of support; government and private.

Business advisor is a person who known to have skill in specified field and communicate the knowledge to the business owner (Schaper & Vollery, 2004). However, Stanger (2004) posit that a support service does not only provide by a person but also by organisation. Furthermore, the services are focused towards management and financial support services. By referring to both definitions, it’s revealed that the business support services covered wide ranges of discipline. A comprehensive description about business support services was outlined by ILO (2001) as;

‘business development service refers to any non-financial service provided to businesses on either a formal or informal basis. These include service activities concerned with handling tangible products-such as machinery repair, catering or even road transport and with providing intangible expertise such as accountancy, market research or management consultancy (Keeble, 1991)’.

To summarize, support services are provided by a person or organisation to assist business owner to improvise their business performance. Business support also act as a mentor to the business owner and work together in implementing his/her business idea (J. A. Berry, Sweeting, & Goto, 2006). Fundamentally, business advisor must be a person who is capable to provide assistance and assist SMEs to overcome their weaknesses.

5. Overview of the Development of the GBSS: Malaysia Experience
The government intervention in economic activities has started way back before the country gained independence in 1957. However, the focus was on infrastructure development enjoyed only by minority capitalist group mainly foreign investor. During the period, the only support agency for SMEs activities was Rural Industrial Development (RIDA) which was established in 1950. At the beginning, RIDA’s main role was to provide business training to rural folks, micro scales enterprise mainly producing crafts and crafts related products and conducted staff training in order to equip them with skill and business knowledge (Mohd Rosli & Hassan, 2000). The rapid establishment of business support agency by government started in 1971 during the New Economic Policy (NEP) period. The NEP was a 20 years national plan with objectives to eradicate poverty
and economic restructuring so, the identification of ethnic with economic function can be eliminated (Malaysia, 1971). To achieve this objective, entrepreneurship activities were promoted by the government primarily to stimulate the business activities. In line with the objectives, the government has provided business premises, finance, technical and marketing advice, training and business contacts. The SMEs development programs were vested to support institution among People Trust Council (MARA), Permodalan Nasional (PERNAS), Urban Development Authority (UDA), Malaysian Industrial Development Finance (MIDF) and State Economic Development Corporations (SEDC) among others (Malaysia, 1971). To enhance the financial and advisory services, the government also has established Bank Pembangunan (Development Bank of Malaysia) in 1973 and Credit Guarantee Corporation (CGC) in 1972. Currently, more than 15 ministries and 60 agencies involve in SMEs supports (National SME Development Council, 2010/11). With the huge number of agencies involved in supporting SMEs activities, the problems of duplication of task emerged. To overcome, in 2004 National SME Development Council was established with objectives to streamline the support programs and to enhance the efficiency among others. Obviously, the country gained benefits from the SMEs activities in forms of contribution on the Gross Domestic Product and the creation of employment. Therefore, the government annually allocates a huge amount of money for intervention programs to further encourage the phenomenon (Hanley & O’Gorman, 2004). At present, SMEs represents 97.3% or 645,136 of total establishments from three major sectors; services (90%), manufacturing (5.0%), construction (3%), the remaining was in the agriculture (1%), mining & quarrying (0.1%). Micro establishment represents 77% of establishment, followed by small establishment (20%) and medium sized establishment (3%). Comparatively, the number of micro size establishment in services sector is the highest (79.6%), followed by manufacturing sector (57.1%) and agriculture (56.3%). In terms of location, majority of SMEs located in the west coast of Peninsular Malaysia concentrated in the Central Region representing more than 50% (D. O. S. Malaysia, 2011).

Billions of money was spent under the programmes with the aim to support the business growth of SMEs. In the year 2009, the government has allocated RM3.04 billion to support SMEs support programs. The amount was further increased in 2010 when the government has spent RM6.8 billion in various programs. The provision of the business support services reflects the commitment of the government to ensure SMEs able to compete and remain competitive in the market. In a competitive business environment, enterprises that utilize business support services effectively, experienced a higher growth compares to others who did not (Berry & Sweating, 2006; Butker & Durkin, 1998).


Literature shows that business support comes in two sources of suppliers namely government sponsored business support and private business support. The sources of business support services usually come from government which is non-commercial in nature, and private consultants that offer their services for commercial gain (Hakimin, 2010). Both parties provide wide range of services to support the small business owner. Berry and Sweating (2006) analysis of literatures has concluded that SMEs’ sources of support can also be classified based on areas of function; Professional specialist, professional generalist, market contact, social contact, business associates and government agencies. In another study Ramsden and Bennet (2005) has grouped the suppliers of support into three broad categories based on the nature of their existence or form of work. The three grouped were private sectors, business association and public sector. The services are not uniform and depending on the kind of support or problems of the clients. Two sources of supports are private sector (market based) and government-funded programs which the services are at no cost (Schaper & Vollery, 2004). The players under private sectors are accountants, bank, solicitors, business associations, consultants. Table 1 shows the list of providers grouped under various categories by past researchers.

Of those, accountants to be the most selected sources of support, next either bank or solicitors and business consultants or associations. Generally, these are the specialist with specialize skill. On the contrary, the support services providers under government supervision are from the relevant ministries, agencies, government linked corporations and local authorities. Surprisingly, they are not most preferred sources of support. The services are dominated by private sector namely professional specialists and local associations and then a mixture of consultants.
Table 1. The Suppliers and Type of Services

<table>
<thead>
<tr>
<th>Author</th>
<th>Category</th>
<th>Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berry and Sweating (2006)</td>
<td>Area of function</td>
<td>Accountant, Consultant, Market contact,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Support agencies, Social contacts, Academic</td>
</tr>
<tr>
<td>Ramsden and Bennet (2005)</td>
<td>Form of work</td>
<td>Private sector, Business association, Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td>associates, Consultant</td>
</tr>
<tr>
<td>Bennet and Robson (1999)</td>
<td>Area of function</td>
<td>Professional specialist, Professional generalist,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market contact, Social contact, Business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>associates, Government agencies</td>
</tr>
<tr>
<td>(Håkan &amp; Anders, 2005)</td>
<td>Area of function</td>
<td>Public funded, Private</td>
</tr>
<tr>
<td>Hakimin and Rafi (2009)</td>
<td>Services</td>
<td>Financial, Non Financial</td>
</tr>
<tr>
<td>(Watson, 2010)</td>
<td>Area of function</td>
<td>Formal network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bank,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business Consultant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• External accountant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Industry associations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SBDC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Solicitor/lawyer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tax Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Informal networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Family &amp; friends</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Local businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Others in industry</td>
</tr>
</tbody>
</table>

7. Research Question 1: What Are the Antecedents to the Usage of the GBSS?

Previous researches reveal a range of issues which influence the utilisation of business support services. The role of firm’s demographic characteristics and psychological factors play crucial role in relating to the tendency to use the services. This section outlined and discussed these antecedents based on earlier work of researchers.

7.1 Access/Location

The utilisation rates of the services were much depending on the access or location of the support supplier. Suppliers who located nearby SMEs are likely to have frequent visit and services delivered to SMEs compares to others who located outside SMEs operation places (Jay & Schaper, 2003; Robson & Bennet, 2000).

7.2 Size of the Business

Size of the business did not influence the tendency to use business support services (Lewis, Massey, Ashby, Coetzer, & Harris, 2007; Ramsden & Bennet, 2005). Small business seeks support to overcome myriad internal business weaknesses for being small enterprise. At the same, large enterprises use the support services at better rate when they are able to exploit the internal advantages to have better plan on the services (Håkan & Anders, 2005; Ramsden & Bennet, 2005). However, with reference to frequency of usage, the larger the firm the more it uses the services (O’Farrell, Moffatt, & Hitchens, 1993). The finding is supported by Jianzhong and Hong
(2009), which found that firm’s size has significant relationship with usage of business support services. By taking workforce as measurement to firm size in the studies, the usage of the service increase as number of workforce increase. Plausibly, the usages of support are high because small owner/managers possess lack of expertise. Similarly, the rate of usage is high among big enterprise on the ground that the stronger management and skilled staff, the better support can be framed and planned.

7.3 Length of Business

As the business goes along the cycle, the demand for external assistance is more (Junjie, Jining, & Catherine, 2008). Usually, business needs more capital and other supports to brace expansion. A study by Jay and Schaper (2003) posit that the frequency of usage is directly related to the length of business. As a result, age of the business related to the need of the support’s services. To recapitulate, the services are used more frequent by newer business. However, the length of business did not influence the type of services obtained. (Jianzhong & Hong, 2009).

7.4 Age of the Owner

Previous study shows that the age of top management teams has no relationship with the firm’s performance. The study by Morales and Marquina (2008) shows that age of employees was not significantly vary with the perception team performance. However, in terms of utilisation of business support, a study by Jay and Schaper (2003), shows that the older of the age the more the owner seeks the support from those who knowledgeable in business. Both studies disclosed a contradiction of the two different views of support - between utilisation of support and firms performance vis-a-vis to age of the management. While performance has no relationship with age of employees, the tendency to seek more support is more on older management.

7.5 Type of Business

The frequency of utilisation of the services also influence by the business activities. A study by Jianzhong and Hong (2009) in The People Republic of China shows that manufacturing type of business are actively seek for external support compare to other business activities. Particularly, the business with exporting activities are vigorously use the support services since they need more support for the broader market compare other SMEs who sell locally.

7.6 Perceived Usefulness and Value of the Services

Lack of trust on the credibility of the government officers to provide business support services has been recognized as among the major reason why SMEs are not interested with the support services provided by the government (Curran & Blackburn, 2000). This is being rooted from the situation of the person incharge for business support services do not have indepth knowledge in business environment himself. This situation is worsen when the advisor was perceived did not competent to deliver the services as such the SMEs owner were more knowledgeable. Furthermore, the sense of ownership and control over their business also hinder SMEs to seek support to avoid any external interference in their daily business activities (Barret, Neeson, & Billington, 2007).

7.7 Quality of the Services

All of the support services are provided to SMEs via various government agencies. The procedure of getting approval is a lengthy process with bureaucracy and handful of paper form to fill up. Most of SMEs are owners/managers who spend most of the time to manage daily business operation. They can’t afford to sacrifice their time to keep on walking to the agencies and left their business unattended. For the reason, SMEs are more interested to go to other than the government agencies such as commercial banks, accountants, suppliers, customers and business angels (Abdul Aziz & Faoziah, 2009). The services by private sectors are perceived more efficient with less waiting time and more knowledgeable advisors than the GBSS. This is due to advisers were practically involve in real business. Obviously, strong and relevant knowledge were the considerations in choosing advisers. The findings also confirmed a study by Jossee and Etienne (2007), where SMEs perceived the GBSS advisers’ skill were disconnected from business reality, in similar to Chaston and Baker (1998) which found that GBSS advisers’ knowledge and skill were among the reasons of poor utilisation rate. To some extent, the business run without any external support.

In summary, the decision to use business support services were influenced by a number of factors as outlined in Table 2.
Table 2. Factors to influence the usage of support services

<table>
<thead>
<tr>
<th>Factor</th>
<th>Author</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>(Jay &amp; Schaper, 2003; Robson &amp; Bennet, 2000)</td>
<td>The shorter the distance the more the usage.</td>
</tr>
<tr>
<td>Size of the business</td>
<td>(O’Farrell, et al., 1993), Jianzhong &amp; Hong (2009)</td>
<td>The larger the size the more frequent the usage.</td>
</tr>
<tr>
<td>Length of the business</td>
<td>Jay &amp; Schaper (2003)</td>
<td>The longer the business has been established the more its owner uses the support services.</td>
</tr>
<tr>
<td>Age of the owner</td>
<td>Jay &amp; Schaper (2003)</td>
<td>The older of the age the more the owner seeks the support.</td>
</tr>
<tr>
<td>Sector in business</td>
<td>Jianzhong &amp; Hong (2009)</td>
<td>The usages are more likely among exporters and less in locally based firms.</td>
</tr>
<tr>
<td>Perceived usefulness</td>
<td>(Barret, Neeson &amp; Billington, 2007)</td>
<td>Owners know best about their business, not external parties.</td>
</tr>
<tr>
<td></td>
<td>(Ian &amp; Sue, 1998)</td>
<td>Negative about advisers’ skill and capability.</td>
</tr>
<tr>
<td></td>
<td>(Lewis, et al., 2007)</td>
<td>Government business support services are perceived less useful among ranges of support services. Accountant is the most.</td>
</tr>
<tr>
<td>Perceived significance</td>
<td>(Lewis, et al., 2007)</td>
<td>Government business support services are the least significance.</td>
</tr>
<tr>
<td></td>
<td>(Webster, Walker, &amp; Barret, 2005)</td>
<td>Support offered by the government agencies are unsuccessfully interact with SMEs.</td>
</tr>
<tr>
<td>Quality of services</td>
<td>Foziah et al, (2006)</td>
<td>Training has no positive impact.</td>
</tr>
</tbody>
</table>

8. Research Question 2: Why SMEs Private Sectors Support Services Were More Attractive Compares to the GBSS?

Support services from private sectors were perceived offering far attractive services compares to the GBSS. Among the factors contributed to the favourable perception were perceived usefulness, (Kanat & Ozkan, 2009; Ramsden & Bennet, 2005), advisor knowledge (Chaston & Baker, 1998; Dyer & Ross, 2008) and flexible services (Ramsden & Bennet, 2005; Robson & Bennet, 2000; Watson, 2003).

The perceived usefulness of support services among SMEs influenced most of the usage of business support as proposed by theory of planned behaviour (Kanat & Ozkan, 2009). Furthermore perceived usefulness among SMEs has also affects the belief on the value of the services offered by the government agencies. In turn, government support services were less preferred by SMEs.

Chaston and Baker (1998) posit that effect of the services depending on the advisors’ knowledge and skill. Lacking of knowledge and skills among advisors consequently impart negative perception on the services provided. In turn, SMEs are reluctance to seek supports from the government agencies. Looking at SMEs point of view, they failed to recognise the imperative of training programs. Most of the SMEs are not willing to invest (inn form of money and time) in the training as no instant yield.

9. Research Question 3: Which Advisors SMEs Preferred Most?

It is found that accountant is the most preferred among SMEs as the information perceived relevant to the operation. The study indicated that SMEs preferred statutory supports from accountants. Furthermore, the relationship and perceived high level of competencies have diverted SMEs to choose accountant as most preferred sources of support. A study previously conducted on the two major sources of supports by Ramsden and Bennet (2005) found that SMEs were less satisfied with the GBSS. They turned to accountant, in turn became the most frequent advisors used by SMEs. This study argued that the knowledge gap between SMEs and advisors was among factors influenced the selection of adviser. Moreover, the services are flexible and private advisers able to tailor-made the services to accommodate SMEs’ need. In comparison with GBBS, the services are structured and regulated, as a result become less flexible. In turn, the GBSS were not attractive enough among SMEs.

10. Conceptual Framework

Based on the past literatures discussed above, the conceptual framework depicted in Figure 1 below will fill the gaps from the previous works done by earlier researchers in this area:
11. Conclusion and Suggestions

Past studies indicate the vital role of the business support services to SMEs despite a low usage rate. In the challenging business environment the availability and accessibility of the business support in particular the government sponsored support programs is a need for SMEs. With a dynamic and fast changing business environment the role of support providers do not only confined to the extension of financial support but also to promote and nurture innovative and creative entrepreneurs. In line with national mission to achieve a fully developed nation by year 2020, the country needs as many as possible innovative and creative entrepreneurs. Thus, the continuous support from the government is essential to ensure SMEs remain competitive and able to compete in the market. Most of the studies on the external support were conducted among developed countries in the western side of the globe. Concerning less study was conducted in developing countries in particular Malaysia; it is suggested for future research. Indeed, the study should focus on measuring the impact of the services on firm’s performance by considering other variables that may give impact on the direct relationship between usage of the services and the firm’s performance.

References


