SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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Support for Start-ups in Regional New South Wales

Terms of Reference:

That the Committee inquire into and report on support for start-ups in regional NSW, including:

  a. The effectiveness of state government policies and programs aimed at supporting start-ups in regional areas.
  b. Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups.
  c. Policies and programs in other jurisdictions.
  d. Any other related matters.

Dr James Cowley B.A. M.Ed. PhD. FAIM. CPM. QPMR. MASMRS.

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Core role: I turn knowledge into businesses.

Long term serial successful entrepreneur creating companies that have lasted. (40, 31 and 25 years)   Business Owner; Business Strategist for top 200 companies and Government $100M of commercial research conducted.   300 Jobs created

13 Doctorates Examined.   8 Doctorates supervised. Mentoring.

> **My submission is only related to term b. :** Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups

(my apologies for any typos-I heard of your inquiry only a few hours before leaving for a weeks work so needed to get this sent before I left as its such an important issue)

Your Committee of inquiry is of critical importance to NSW and its economic potential.

In my submission I will suggest things that can be done to create effective growth of regional start-ups. I will however also discuss the reasons why they need doing and the current barriers that have to be overcome. I urge you not to ignore what may seem to be too hard to do suggestions (such as capital city centric decision making and culture)

because if you do you ignore the need of 1/3rd of Australia and the potential to create an Australia that is fit for the future in the contribution of both capital cities and regions.

My suggestions come from many years of building very successful (my own) businesses from scratch here and overseas (up to 130 staff); from massive commercial, consumer, Government and social research experience (over $100M of research personally conducted) ; from advising to the top level of Global Corporations and Government over a long period of time and from living for the last 10 years (and working out of the region) in a region and being part of a group of executives and others (sourdough-www.sbp.org.au) who recognising the decline of the regions economy have been working philanthropically on mentoring businesses and creating larger initiatives which could help the region recover economically. We have learnt a lot in the last 10 years about what works, what does not work and what is needed. In terms of innovation and communication technologies and their impact my companies researched the first on line banking (CBA); the first on line trading of shares (Comsec); the first attempts at mobile telephony (WAP /Ericcson/Telstra); Fax machines; remote working (Toshiba); innovation in the Public Sector (DAS; ADF; Royal Mint; Centrelink; Sydney Water; Electricity grid etc etc) so over a long period have seen what has to be in place for innovation to work. The submission is a personal one, but it draws on the experience of the Sourdough Group in the Northern Rivers region. It may possibly also not be applicable to regions that are very different.

Some Understandings which need to be shared by decision makers in Government:

1. Most start up initiatives are Capital City based. The energy, personal networks , localities (eg UTS/Surry Hills) facilitate clustering of start ups.   Capital Cities have a much greater supply of young people particularly and young graduates who move there, group and some form businesses.

2. Capital cities are full of every level of web enterprise, from simple web page design through to artificial intelligence. It is easy to find the team to develop a business. It is relatively easy to find investors. The capital city has a perhaps 20 year lead compared to many regions in these respects. What policy makers forget is that the whole "human infrastructure" has to be developed in the regions, just as it has been in the Capital cities.

3. Capital Cities tend to have lots of "inventor" (hardware and software) start-ups and these quite often get prime publicity. Some others do (fashion, food etc) also. This does at times mean that regions types of start up are seen as less attractive, potential, glitzy, etc . In reality many start-ups fail through the lack of substance and I suspect that regions could give rise to many very stable start ups that become lead companies in the future, for a number of reasons.

4. It would be much better to see the "start up" concept as covering a wide range of potential business minisectors which together form the base of economic growth. The enabling factor of course is the web. The types of businesses can be commercial, not for profit, sustainable enterprises etc, the key component for regions is whatever the structure, stage and sector, can these "businesses" be nurtured to a position where they can take on staff (or contract work locally) that will provide revenue coming into the region. Could they then be clustered with others to build groups of "businesses" that together can get maximum effect from shared purchasing, skills, marketing and similar. If this is not a core goal then the idea of start-ups in regions is not much more than window dressing.

So to develop in the end such clusters, Government needs to support both those already in the "on line" space, those thinking about it; those growing in it. Its not just "start ups" It's the combined set of businesses in a locality which in the end create jobs and income.

5. At the base level are those who provide services just to get onto the web (web designers, Facebook marketers; social media specialists; web optimisers etc
These people in **a regional setting** are often there, or will move there. They contribute to the start up community because those starting businesses rarely have the web skills themselves, so the early stage becomes a major hurdle. They can't drop into a café in Surry Hills and find instantly who they need. They will in fact struggle to learn some of it; or find people who are not very good at it, before they get to those who are. It's a major barrier at the start of a business. These service provider start ups however also contribute to the long standing businesses in a regional community by helping them move from bricks and mortar to an online presence. They will literally save some of them and the jobs they provide.

At the next level come the remote workers or those who move to a region hoping for local work whilst doing some online. Some will form their own businesses in legal, cad cam, design and similar and service globally. They lift the competency of the start up culture by specialist knowledge and skills in at a distance client management. In regions currently many start up, but are driven back to the city by the lack of start up culture and infrastructure. A well know innovator tried to live in the Northern rivers some years back but in the end she had to return to Sydney because the infrastructure was not there for what is now a significant employing business in Australia with a well known brand.

At the next level come the animators, video producers, sound-the massive range of creatives who are needed for any work that goes on line today with any sophistication. Northern NSW has one of the highest populations of these and plans to develop this further (through groups like Screenworks; RDA and Sourdough) will see the potential for many more jobs. They form start ups. They service locally and globally if they have the necessary support.

At the next level in a region, if these loose groupings of people, spread over many towns can be effectively organised they start to become a magnet for people in the city who would consider a move to the regions . We know there are large numbers of people in certain sections of Sydney and other capital cities who would move to a region if they could have a job. Many have fledgling web enabled businesses or knowledge business capacity (see later) . We know who they are. We know critical stages and motivators when they will consider moving. We know the ages they will start to consider this. We know how to make the "sale" and get them to move. The trouble is Government has largely ignored what is known to be needed and resorted to simplistic small grants to move. Of course what has happened instead is that regions become retirement zones.

At the final level clusters will emerge between these new sector/new industry/new product and services/ new start ups/ new knowledge industries that will potentially build the new sectors of growth for regions in the future.

So there are:
-web enabled businesses
-businesses servicing the above
-sustainable not for profit enterprises
-small teams working for Cap City companies here or overseas
-knowledge workers capable of selling their knowledge globally
-creative workers capable of selling globally
-innovators

BUT

At least in the regions I know, this is not happening, because of a lack of start up infrastructure (which I will explain soon)

Let me dwell however on what will happen to regions like the Northern Rivers if radical work in the support of start up-web enabled communities is not done.

To take the NR as an example. The participation rate is 55%. The youth unemployment rate far too high. Construction is giving a brief period breathing space.
The bulk of the economy is either paid for by Government (schools, hospitals, welfare, retirement etc) or is service industries reliant on there being overall a good economy. New construction of housing will increase considerably the chance of the participation rate falling even further. As this happens populations start to rely totally on Government for their funds. Both major parties will be pushed into increasing "gift here-gift there" morsels to keep the population happy and to try to attract votes. We see this elsewhere in the world where populations have shifted to the centre and will vote for single issue or populist politicians. Once one reaches a certain % the population shifts to being a retirement village along the coast and more attractive towns and welfare and increasing

poverty moving slightly west. The north becomes the commuter belt to Queeensland jobs. As if that's not bad enough even parties like the Greens are impacted because after a short time of Governments paying for a region, developers become the only answer. So the wonderful environmental assets of the region finally are swallowed up by development as a last ditch attempt to get a region costing less to Government. During this process the psyche of the voter, who has no interest by that stage in jobs, becomes more dependent and single issue and there is a rise of independents.

To make the future even harder we know that just about every other health, social, crime and related metrics get worse as unemployment deepens. Creating jobs and meaningful work is one of the greatest preventative areas we can work on for the future.

I make this political observation because it is critical for ALL parties to join in a vision for what regions can be. Australia can either be large congested capital cities with a limited age range of people plus retirement and welfare regions. **OR you can start to lead a vision of an Australia that is a dynamic combination of capital cities and numerous regional towns and villages, all economically sustainable. And the issue you are looking at in your committee is perhaps one of the single most important ones to get right to cause the latter vision.**

So …..this thinking and experience leads to the following on what is needed and what are the barriers…..

6. Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups.

a) In regional policy "start up" must be conceptualised by policy makers as including the whole series of "levels" of businesses and similar which make up the "web enabled" business community. (see list in 5 above)

So: The "exciting " scientific techno breakthrough type of start up in the City, is not likely to be similar to those in regions. **Regions will produce good steady businesses**, and in the big picture , by providing jobs and income this is worth supporting, even though many may not be as exciting. **Have a big view of the levels that make up the start up-web enabled community**

b) Regional policy has to accept that the location of villages and towns across a region is a major barrier to the development of such a community. People who are running such businesses want them to be in their own town or village. For a City Centre policy maker they will say that the distance from Lismore to Lennox is no further than to Parammatta so why cant we have just one hub. For people in a regional area, transport issues , roads,

child care and many other factors make them want to live close to their own town or village.

We have been developing a project with the start up community to create hubs in 9 villages and towns in the region. The aim is to start 3 a year and nurture them to being self financing. Parallel with this there will be an organiser whose job is to administer the hubs and build the networks locally and externally. They will also be utilising the Southern Cross University enterprise centre for access to its resources where applicable, and providing help to the same for access to pragmatic business development

We plan to provide to this network the resources of the sourdough group of experienced business people to coach them as they build their businesses.

So: **1 hub in a city does not mean 1 hub in a region**. Regions are spread out and need a network of hubs.

c) Regions have different endowments than Capital Cities. A recent report (which has been removed from the Departmental website) identified the key endowments and enablers of individual regions. Whilst it provided some useful data the conclusions were rather pedestrian. As an example to say that the 3 key areas for the Northern Rivers are tourism , agriculture and education is not a great insight. There appeared to be a complete lack of innovatory thinking about other potential endowments. And little recognition or even acknowledgement of major trends and digital disruption impacting the future.

In the Northern Rivers, as in many regions there are numerous sea and tree changers with substantial global expertise in business. We are showing they are an endowment to the region; The film and creative industries in the NR are extensive, yet not even mentioned as an endowment; The growth of many web enabled businesses are not mentioned-they are an endowment. The physical environment is a magnet to all 3 of these.

What is of concern is that this report is influencing Government policy (or at least it says it is)

We find local Government department officials **based in the region** incredibly supportive of initiatives. But we suspect that once proposals and ideas are floated, many times they are met with the idea that city generated ideas are better or that the city knows better.

In my normal work I have never seen decision and policy makers in Corporates and Government so disconnected from the bulk of the population. This is a major problem for innovation in regions.

So: **How are you going to re-educate your Capital City policy makers and heads** who perhaps are very city centric (or even a few streets in a few suburbs centric) in their view of regions. Can you stop the disconnect?

d) The Experience "endowment/enabler" available in some regions due to tree and sea change.
The sourdough group as an example.

This is a group of experienced business people who moved to or ran businesses from the region. Many have experience at a global level and it has among its members many who have built successful businesses or acted in senior Executive roles in Corporations and Government. It is a voluntary resource. It has 70 mentors and has mentored 120 businesses. Its immediate network is over 250 in the region. Its sole aim is to take the expertise of mature Australians and make it available to the next generation of business and job builders to build the economy of the region. It also has generated a number of large-across region projects. www.sbp.org.au

We have been working on plans to develop Digital and Knowledge Enabled Enterprise hubs for nearly 4 years now yet the timing was not right and we needed an initial group of experienced web enabled businesses who could be the starting point. A strong group of web enabled business people found us and we are finalizing a project knowing there is a satisfactory core to make this happen in the region at this point in time.

So-**utilise the sea and tree changers to assist start up communities.**

e) The method of funding in many government grants is not suited to regions.

Again illustrating the disconnect. Many grants require 50/50 matched funding. Occasionally they will say there are exceptions but stress there will be few. In the city, with numerous well funded bodies around, this is not difficult.

In the regions there is not a slush fund in Councils, NFP's, Businesses of thousands of dollars just waiting around for matching to Government grants. In the start up sector there certainly isn't.

So…Its very simple-**If Government wants to produce change and make regions environmentally, community wise and economically stable in the new economy they will have to put up the money for major innovation projects. (and specifically re start up communities)**

As an example, the voluntary input of a group such as sourdough would equal considerably funds, but this type of input is not accepted as $ matching.

 On the same theme, Infrastructure alone will not create the speed or depth of development. For many projects, particularly if you are trying to get a network of hubs off the ground in a region, you will need to fund not only equipment, office space etc but an overall organiser as the facilitator of the growth of the start up community.

In regions the people who can make things happen are already over-busy. There is a lot more limited set of resources available to make things happen. At this stage regions need for every infrastructure or similar project a person or team who are going to make the investment turn into businesses and then jobs.

So: Free up grants to include not only infrastructure but also key people to produce change from the infrastructure.

f) In some regions there are Universities. Some have enterprise hubs which attract some students to try to develop enterprises. This is good. A much bigger resource in a region are the masters and doctoral students who could form a broader selection of businesses. Doctoral students globally are "out of work" , hunting for occasional casual contracts. To help them adjust to building a knowledge business is a major task, but can be done if one uses experienced business people. (Rarely is it possible for academics to teach them this as few have ever done start ups apart from being nil risk sidelines to their jobs where they are paid anyway) . However if they can adjust they can build good knowledge businesses.

We know how to turn some of them into businesses and from that create jobs. They should be part of any start up initiatives in Regions as they form the core of the potential "knowledge industries" which we need to develop.

g) Once hubs are established through regions there is scope for small scholarships to be offered by Government to help (assessed and coached))start ups through the first few months of operating so that they can take the risk of moving out of a job and starting their own business.

(If you need explanation of any points or how some of the things above can be operationalized please feel welcome to contact me)

So to summarise:

1. The support of start up communities in regions is one of the single most important contributions of Government for the future.
2. In a regional setting the start up community has numerous different levels but together will produce vibrant economies. Don't chase just exciting techno scientific breakthrough products.
3. The Start up communities in regions can be a magnet for city people wanting a sea or tree change. Around 30% + are open to this.
4. Without start up communities many regions risk becoming welfare or retirement zones subsidised by Government.
5. Regions probably need networks of hubs in different towns and villages with staff who can build them as capable distributed business centres.

6. Strengthen the position of Public Service Executives based IN regions to argue the case for what is needed more effectively in the City. Get Cap City Executives to value and accept the opinion of regional leaders, Councils and others and understand regions are massively different from Capital Cities.

7. Train grant drafters, policy makers and similar to gain a much better connection to and understanding of the reality of regions , the different needs from Capital cities and the type of start ups needed in regions.

8. Seriously challenge the 50/50 matching rules and the potential to cost voluntary work in place of matching funds to get some sanity to the current system where many grants do not even get enough applicants.

9. Look at effective use of experienced sea and tree change business people in regions to assist the start up community.

10.Instruct Universities to require all Masters and Doctoral students to explore the potential for commercialising their knowledge into their own businesses and provide training to do so. (By practising business people not academics)

11. Look at the potential for scholarships for the first few months to help start up businesses to take the risk of giving up a job and starting their own business.

12. Teach everyone-politicians, Bureaucrats, Policy makers, Minders, that if jobs and work decrease, crime, health and social problems increase. More importantly that jobs do not come from heaven. Jobs come from a business, or from a sustainable enterprise or some not for profits. Other jobs are important but they are paid for by Government- they don't produce an economy. **Because so much of society is now in jobs that just "are"- the money just appears every fortnight. But central to everything is that if there is not an entrepreneur who takes the risk to start an enterprise, potentially lose their house, their family, their way of life, -then jobs do not happen. ....We have forgotten that it all starts with the entrepreneur. That's the core to the start up community. With Government facilitation they can create the vibrant regions of the future.**

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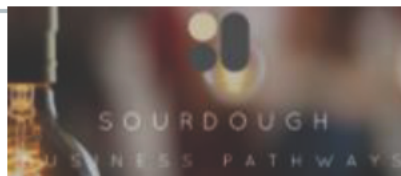
Our vision

...is to create vibrant regional growth through passionate skilled people

We exist to stimulate the growth of businesses in the Northern Rivers region and support innovative ideas that become new sustainable businesses that grow our regional economy.

We do this by creating a vibrant community of capable people, we call them our "asset" who share our vision and are willing to give their experience, skills and talents to others to make this happen through:

Mentoring

Project Support

Learning

Some metrics

Since inception Sourdough Business Pathways has developed a network of over **300** people and growing

We have worked with over **140** organisations mentoring some over a few years and seeing rapid growth

We have over **70 mentors** in our community with a wide range of skills and experience.

Evaluation of our mentoring showed:

90% of mentee expectations were met

90% of our mentees would recommend us to others

We are very strong on:

- Knowledge & expertise
- Helping you think clearly
- Building confidence
- Setting priorities
- Finding compatibility
- Helpfulness & honesty,
- Generosity & availability

Larger projects

We are also involved in mentoring and supporting larger projects:

- Executive support
- Rail trail proposal
- Byron Film Studio
- Permaculture consulting
- Knowledge industry clusters
- Indigenous health
- Maggie Beer program
- SBP Women's Network

We collaborate with local councils, business chambers, commercial organisations, and other agencies with the view to supporting our shared vision to increase jobs in the region. We are A-political and philanthropic.

If you would like more information about programs:

Mentoring

Project Support

Learning

Contact Mark Holden:

www.sbp.org.au