

**Submission
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SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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Submission to the NSW Committee on Investment, Industry and Regional Development's inquiry into:

Support for start-ups in regional NSW

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Background

Charles Sturt University (CSU) appreciates the opportunity to provide input into the NSW Committee on Investment, Industry and Regional Development's inquiry into support for start-ups in regional NSW.

CSU is a unique multi-campus institution with campuses at Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Manly, Orange, Parramatta, Port Macquarie and Wagga Wagga, as well as various study centres. The University's commitment to the development and sustainability of rural and regional Australia is informed by the unique research focus undertaken, and the partnerships formed with campus local communities, local industry, and with the broader regions CSU serves.

As a regional university in NSW, CSU campuses are located in some of Australia's fastest growing regional cities. This offers a unique experience and insight into regional communities and the issues we face together. Our mission is to build skills and knowledge in our regions. We offer choice and flexibility to students and work hand-in-hand with our industries and communities in teaching, research and engagement.

The University has been increasing its activities to support start-ups and entrepreneurship within the regions it serves. These activities include:

1. Boosting Business Innovation Program, in collaboration with the NSW Department of Industry:
 - a. Walan Mayinygu, an Indigenous entrepreneurship 'pop-up' innovation hub, led by Associate Professor Michelle Evans.
 - b. CenWest Innovate led by Professor Mark Morrison in Bathurst, a program including ecosystem and entrepreneurial development programs.
 - c. An Agri-tech Incubator Hub in Wagga Wagga led by Professor John Mawson.
2. Entrepreneurship is a key component of the CSU Engineering program and as the only Australian engineering program hosted within a business faculty, CSU brings together technical excellence with communications, financial and management skills that will enhance our graduates' ability to make a difference as leaders in the workplace and society.
3. Active support of Sydney School of Entrepreneurship (SSE) – with
 - a. Participation in non-credit course starting in August.
 - b. Active help in developing program and initiatives including the SSE launch.
 - c. Membership in strategy sessions.
 - d. Driving regional events such as two SSE events in Bathurst with CSU in 2017 Engineering.
4. Involvement in the Australian Wool Innovation Tech e-Challenge program which is based around the development of prototypes of technical innovations for the Australian wool industry.
5. Sponsorship of the Agrihack Wagga Wagga. Supporting innovation and entrepreneurship that enhances agriculture and the rural lifestyle, this event is more than a traditional 'Hackathon'. It aims to bring innovation to regional Australia and further connect the entrepreneurial ecosystem of metro areas to rural developers and disruptors.
6. Participation in the Discovery Translation Fund (DTF) 2.0 with the Australian National University and University of Canberra. DTF 2.0 assists the commercialisation of new technologies and innovations from the three universities and is managed on behalf of these institutions by ANU Connect Ventures. The goal is to help bridge the critical funding gap between discovery research and the commercial development of new technologies or the establishment of new ventures.

Regional entrepreneurship encompasses entrepreneurial or innovation initiatives that occur in any regional or non-urban context. CSU recognises that entrepreneurship and small business development are critical dimensions of rural economic growth and development. Lifting productivity in the SME regional sectors could hold the key to directing Australia into a new era of prosperity.

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

The effectiveness of state government policies and programs aimed at supporting start-ups in regional areas

- Incubators and accelerators are important as a way of encouraging the flow of new ideas and providing a pipeline for entrepreneurs and businesses and should be considered in a portfolio of support in regional contexts. NSW Government support for regional growth in this area, such as the Boosting Business Innovation Program Incubators at CSU and the Upstairs Start-Up Hub in Bathurst, is to be applauded. Future-proofing the system requires that incubator and accelerator initiatives are seen as one part only of developing regional entrepreneurial ecosystems. The fully developed regional entrepreneurial ecosystems need to include:
 - a. Natural capital
 - b. Assessable markets
 - c. Human capital/ skilled workforce development
 - d. Access to funding and finance
 - e. Support systems/mentors
 - f. Facilitating government and regulatory frameworks
 - g. Education and training
 - h. Universities functioning as catalysts and training sites for the future entrepreneurs
 - i. Cultural support
 - j. Adequate infrastructure
 - k. Regional leadership

- Regional entrepreneurial ecosystem policy objectives need to extend beyond a focus only on job creation and need to support an existing diverse portfolio of businesses. There is ingenuity and creativity across many sectors not only in tech-based start-ups.

- Economic gardening programs to develop potential high growth firms is more likely to produce a greater economic return than incubation and acceleration for regional areas, including the generation of employment. A paper by Professor Mark Morrison and Professor Morgan Miles for the 2016 SEGRA Conference (“The elements of entrepreneurship on ecosystems in regional areas and options for their development”¹) describes the appropriate content of such economic gardening programs as well as describing whom they should target for greatest effect.

- The Boosting Business Innovation program supported by NSW Government has enhanced the engagement of regional universities, including CSU, with regional SMEs including start-ups. Attendance at CSU run events and activities by start-ups as part of this program has been encouraging, as is initial interest in tech and business support vouchers. The Program is moving into its second year and better understanding of the benefits it is producing will be realised over time. Nonetheless, there is strong support of the potential role that regional universities can play in supporting start-ups and other businesses. Programs such as BBI which support such engagement are welcome.

- Other funding initiatives through Jobs for NSW such as Minimum Viable Product (MVP) grants are being taken up in regional areas, and should be continued and widely promoted. These have a lot of potential for supporting start-ups and scale-ups.

- Some NSW State Government programs currently require the majority of grant funding for early stage ventures to be within NSW. While in-State expenditure should be a priority, it can potentially limit effectiveness of the grant for start-ups. This is particularly the case for tech start-ups due to the cost of getting to a Minimum Viable Product (MVP) or proof of concept which can be ‘exponentially higher’ when relying on Australian-based businesses and developers to create

¹ Available on request

relatively low level prototypes. This can be a huge hurdle and potentially limits the ability to start businesses which might otherwise succeed.

- The Federal Government NISA (2015) initiative includes recommendations for SME support by encouraging SMEs to employ STEM graduates -this scheme could be more effective if it were for longer than one year and provided greater focus towards regional SMEs to encourage more diverse participation.
- Federal Government initiatives to stimulate greater collaboration between universities and businesses can be very urban focussed and do not necessarily capture or facilitate the different needs and models within regional areas. Consultation with key regional stakeholders could ensure that the programs are not inadvertently excluding regional opportunity. In order to stimulate greater regional growth, consideration of schemes which have a regional participation and/or leadership requirement should be considered. Regional university leadership has the potential to bridge the gap between regional and urban entrepreneurship in a strategic manner for benefit to all parties.

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

- The policies and processes required to realise the unique opportunities of regional entrepreneurial ecosystems need to be cognisant of the following factors:
 - a. Being critically *place-based*
 - b. Often related to the *natural capital endowments* sector, or
 - c. Are *sector/technology-based* such as Australia's wine or meat and livestock industries.
- A strategy for creating comparative advantage in regional areas is cluster development. Where this has occurred in regional areas it has typically happened organically, and due to local economic factors (e.g. presence of a university, leading industry sector, etc.). There is opportunity for further development of clusters in regional areas, and there appears to be a growing awareness and acceptance of their importance by local Government economic development officers. Development of such clusters would provide a healthy context for the development of start-ups, particularly where incubators and facilitating infrastructure are developed alongside them. The development of such clusters could involve networking activities, support for improved business practices, digital and export assistance, and assistance with coordination across businesses to increase capacity for reaching international supply chains.
- Local purchasing initiatives can help to create markets for start-up businesses. For example, Orange City Council has begun to develop a local supplier database. However, many local government areas (LGA) do not have such databases. Regionally-based local purchasing initiatives that cover multiple LGAs is another area to expand support.
- Government support to seek the opinions of a panel of experts on the research priorities for SMEs in regional NSW could improve the collaboration between industry and research organisations within Regional NSW. The compilation of the recommendations received from such panellists could provide a wealth of ideas and guidelines for future SME projects.
- Establishing Regional Export Boards to help start-up and other businesses sell their product outside of their region to other regions in Australia and overseas is an option for helping access larger markets as well as supporting regional economic development. The focus of such Boards would be to :
 1. highlight and celebrate successful case studies;
 2. provide training in all aspects of national and international exporting (from digital marketing to visiting national and international trade shows to cost-effective ways to send product overseas to managing insurance);

3. collectively address logistics barriers for regional areas;
 4. assist in identifying, developing and supporting export opportunities; and
 5. provide coordination support across multiple small businesses to help achieve the scale necessary for international supply chains.
- Access to innovative forms of finance is typically less for firms in regional areas but not impossible. Programs to bring regional businesses to a 'pitch-ready' status attractive to angel investors and related investors would be more successful at scale and could be tied into the cluster approach mentioned above. Regionally-based incubators and accelerators and regional universities have a leading role to play in this process. The development of high-profile programs to encourage road-trips from angel and other investors, as well as helping regional start-ups become pitch ready, would be another option for supporting the development of regional start-ups.
 - The major government partnered start-up accelerators currently offer limited support outside of the Sydney region. Offering 'live-in' acceleration only provides support to a very limited number and type of founders. Major Sydney providers could be encouraged to partner with regional incubators to extend services and expertise outside of the Sydney region. The same kind of support could be then offered on a 'live-in basis' but based regionally and anchor institutions within the regions such as a university with the extensive footprint of CSU could provide the regional 'live-in' location.
 - Regional universities need to consider more course offerings with a focus on SMEs at both undergraduate and postgraduate level. This could include a Bachelor of Entrepreneurship with a regional focus and/or an Executive SME MBA targeted to prospective students who are current SME practitioners. These degree programs could include internships and short international exchanges.
 - An 'enhanced SME alumni' platform is a novel idea that could enable regional universities to directly support regional SME development. The enhanced Alumni programs could be designed to help SMEs create strategic global linkages. This approach could enable Australian regional SMEs to improve their chances of internationalization by helping them access international supply chains and the global market. The alumni program could help strengthen both global academic research linkages and identify trade and investment opportunities for internationalization that include a priority list of potential trading partners. Within the strategy, particular consideration could be given to the particular obstacles faced by SMEs in developing export markets for their goods and services.

Policies and programs in other jurisdictions

In Western Australia there are regional development boards that are partly supported by mining revenues. The advantage of such regional entities is that they have the capacity to provide support for start-ups and other businesses at a regional level that is difficult to execute at an LGA level given their limited mandate (both geographically and operationally), or by state government. Ideally these should be independent regional development boards. They should also have independent resources and clear roles for start-up and other business support, national and international export expansion, coordination, and assistance in the creation of local comparative advantage.

Any other related matters.

Government innovation frameworks and government priority areas for innovation are in existence but not always well-known across sectors and the distinction between the Federal and State policies can be difficult to navigate. Regional entrepreneurs and small business owner/managers often face a different set of institutional, resource, and market conditions than their urban counterparts. Some of the key differences noted include access to customers and suppliers, knowledge spill-overs through networking and R&D institutions and cost advantages of urban agglomeration.