

**Submission
No 1**

PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION FUND AND THE REGIONAL JOB CREATION FUND

Organisation: University of New England - Faculty of Science, Agriculture, Business and Law

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Thank you for inviting us to make a submission to the Committee on Investment, Industry and Regional Development's inquiry into the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund.

We have considered the Committee's Terms of Reference (ToR) and whilst we realise we cannot comment on the allocation, administration, support and effectiveness of the funds disbursed, by drawing on the research we conducted detailed in our book *Entrepreneurship in Regional Communities: Exploring the Relevance of Embeddedness, Networking, Empowerment and Communitarian Values*, Palgrave Macmillan (Adapa, Sheridan & Yarram, 2021) our submission mainly contributes to the following ToRs:

(d) *Impediments to growth in regional NSW, including challenges in the planning system;*

From our research on start-ups in regional communities, we found the greatest challenges were access to finance, appropriate human capital (employees), retention of skilled employees in the region, the burden of regulatory compliance and disruptions caused by external shocks (the triple effect of drought, flooding and COVID-19 recently experienced by the New England North West region).

Finance is often a constraint for start-ups wherever they are located, but regionally based businesses face even more difficulties as the centralisation of specialist investors in the metropolitan cities of proximity (Sydney and Melbourne) exacerbate the credit constraints for start-ups operating in regional locations. Service based businesses often have lower initial credit requirements so are less constrained by their regional location.

The lack of skills in regional areas is commonly identified as a key challenge for economic development. With smaller populations than their urban counterparts to draw on, staffing can be a struggle. Many of the founders and regional business owners we interviewed identified the limited availability of specialist skills as hindering their day to day operations and plans for growth, and meant they had to access skills outside their regions.

Further, our interviews of regional business owners also elicited the challenge of retention of skilled workforce in the region in the longer-term. The frequent movement of skilled workers from a region increases the transaction and training costs for business owners. As a result, regional business owners are in search of skilled workforce on a continued and frequent basis, which adds to their costs and diverts their attention for other strategic matters. How to ensure the regions are able to retain skilled workers is a key policy challenge that needs to be addressed.

Small businesses feel the pressure of regulation more than larger businesses, and for start-ups regulation can certainly be a challenge. For some start-ups, they are navigating federal, state and/or local government regulations which can seem overwhelming. Frustration with regulatory burdens is common. Although the start-up founders we interviewed appreciated the existing legal and regulatory frameworks to some extent, almost all expressed deep concerns about the associated paperwork, levels of regulation, lack of sufficient help and frequent changes in the rules. Governments at various levels (Local, State and Federal) need to work cohesively to promote

regional entrepreneurship through reducing the burden of compliance as red tape is an enduring issue that needs to be effectively addressed across most industries.

Regional businesses are often more vulnerable to external shocks (many have faced drought, bush fires, flooding and COVID-19) in recent years. While these events may prompt innovation – or spontaneous venturing as start-ups emerge to respond to gaps caused through the disruptions - the closeness to their communities can often mean the disruptions have a more direct impact through staff being affected, with flow on effects to ongoing operations.

A common theme to emerge from the owners of established plateaued business owners we interviewed was their lack of preparedness for exiting the business. They seemed to have limited access to formal information or support to help them think about how to exit the business and it was around this issue that the most obvious gap in business support services was apparent.

Studies done in other countries a coordinated approach towards enhanced extensive stakeholder engagement including regional businesses, government organisations, incubators/accelerators, industry partners, business investors and university researchers may potentially address some of the problems mentioned above.

(f) Opportunities for regional and metropolitan councils to work together to promote productivity and economic development; and

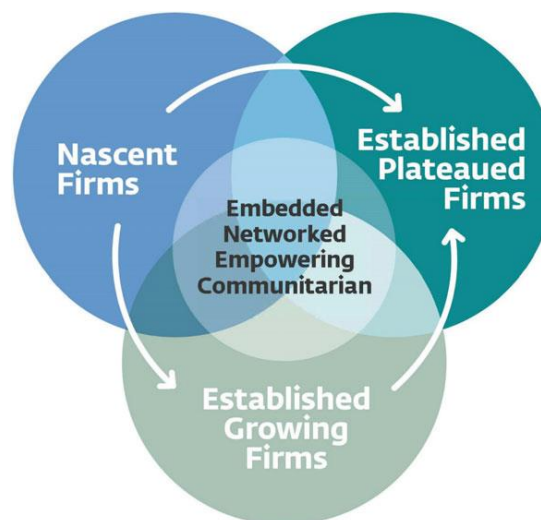
Small business is a critical pillar to the economic well-being of Australia, and as the Federal and State government policy responses to recent natural disasters highlight, governments at all levels recognise the importance of small business to regional communities. The intentions of business owners vary and some may not see growth as the predominant or a necessary objective. Our work shows that for regional entrepreneurs, connections within their communities matter – they are embedded within the regional context, networked with key stakeholders within the region, empowering of their staff, and also display strong communitarian values. Further, regional business owners are motivated by goals beyond individual economic gain. There is a strong relational aspect to what they do as they see how they contribute positively to their community and how they benefit from their community's support.

The regional business environment showcases exemplary practices in terms of values, diversity, equity and inclusion principles. For example, migrant entrepreneurship is an emerging area within regional Australia. Similarly, women in business shows a growth trajectory in the region as more women are participating and leading the business environment, particularly in the services sector. Further, family businesses in regional Australia include many who have demonstrated sustained longevity through innovation and invention thus creating employment opportunities. Regional businesses contribute to economic development, regional growth and community prosperity. However, limited evidence exists in Australia on collaborative efforts progressed between regional and metropolitan councils to promote productivity. This is a prominent gap, if closed with appropriate strategic programs, no doubt will reap positive gains for regions and cities.

(g) *Any other related matters.*

In tackling place-based entrepreneurship in our book, we identified the experiences and needs of regional businesses at different stages of their lifecycles – nascent, established growing and established plateaued firms – recognising that all are integral to the entrepreneurial ecosystem of their regions. Our work shows that regional entrepreneurs are embedded, networked, empowering of their staff and communitarian as captured in Figure 1.

Figure 1: Regional entrepreneurship



Source: Adapa, Sheridan & Yarram (2021) Entrepreneurship in Regional Communities: Exploring the Relevance of Embeddedness, Networking, Empowerment and Communitarian Values, Palgrave Macmillan

For start-ups to improve their longevity and pursue growth aspirations there needs to be more support from government agencies in term of creating financing alternatives as well as improved access to specialist skills. Both public policy and private capital have a role to play in strengthening regional educational infrastructure and skill building essential to the development of firms seeking to grow.

Feedback from business owners we interviewed reinforced the importance of reliable technology and transport for firms to be sustainable. The technology and transport infrastructure of the two LGAs we focused on were seen by the growing businesses to be a key to their success, with a cautionary note of the importance of them to be maintained at relatively high levels.

For entrepreneurship in regional communities it is particularly important to let go of the dominant imagery that ‘bigger is better’ and notions that businesses exporting are better than those serving their local markets. Entrepreneurship can play an important role beyond economic objectives. It can contribute to the fabric of a region through its enabling of social capital, fostering trust, maintaining social relations, job creation and providing place-based initiatives.



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Importantly, regional businesses must not to be seen as a burden but as champions of change for managing business operations against several odds. The uptake of innovations in the regional business context needs to be seen through a different lens to metropolitan businesses. The targeted business solutions developed by regional businesses and the sustained job creation efforts in the regional communities deserve wider publicity. Regional businesses provide important contextualised learning relevant for policy makers to use in the formulation of effective policies for the benefit of all.

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