

DETERMINING THE FACTORS INFLUENCING THE SUCCESS OF PRIVATE AND COMMUNITY-OWNED INDIGENOUS BUSINESSES ACROSS REMOTE, REGIONAL AND URBAN AUSTRALIA

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EXECUTIVE SUMMARY

Background

The motivation for this research was the substantial and entrenched socio-economic disadvantage of Indigenous peoples in Australia and the pressing need to explore the potential of Indigenous entrepreneurship to significantly address this disadvantage and make a sustained difference in the lives of Indigenous peoples in Australia. The development of successful businesses by Indigenous Australians is an important part of the strategy for improving the quality of life for many Indigenous communities and Indigenous Australians. Indigenous businesses provide jobs for the Indigenous community, provide important pathways to Indigenous self-determination and provide new possibilities for Indigenous youth and Indigenous communities in urban, regional and rural Australia.

According to national census data, there has been a remarkable growth of Indigenous businesses in Australia in recent years. The number of Indigenous enterprises increased threefold in the past twenty years: from 4,600 in 1991 to 12,500 in 2011 (Hunter 2014). Nevertheless the rate of entrepreneurship among Indigenous Australians is still very low compared to that of other Australians: Only about 6 percent of Indigenous population were self-employed in 2011 as against 15.2 percent for the non-Indigenous population in Australia. Closing the 'entrepreneurship gap' is a key part of the broader aims to close the socio-economic, health and education gap between Indigenous and non-Indigenous Australians.

There are a number of forms of Indigenous business engagement and Indigenous entrepreneurship in Australia that are very different from each other. One important development over the past decades relates to partnerships between corporations and Indigenous community organisations. Some of these relate to Land Rights and the *Federal Native Title Act*. Other Indigenous enterprises are established as business co-operatives. Others are not-for-profit business enterprises established by Indigenous community organisations to provide goods and services to Indigenous communities that are not provided by non-Indigenous enterprises. Many of these are located in rural and remote areas of Australia. Other Indigenous businesses are micro, small and medium private enterprises.

However, there has been little research into Indigenous enterprises in Australia today, a necessary input into evidence-based policy development. New research into the different types of Indigenous enterprises currently in existence, the issues they face and the factors influencing their success is

clearly an important priority. It is for this reason that *Indigenous Business Australia* (IBA) took the initiative to invest considerable money and resources to support this *Australian Research Council Linkage Grant* as the major Industry Partner¹. IBA is the major Australian institution with a brief to assist the growth in and success of Indigenous businesses. IBA wanted to get a clear picture of the contemporary Indigenous businesses landscape in Australia to fine tune its policies, programs and services in order to grow and strengthen the Indigenous businesses sector.

This research is the first large-scale study that incorporates a systematic analysis of the issues facing different types of Indigenous businesses across different locations. It is the first large scale (324 Indigenous entrepreneurs) and national (covering Indigenous enterprises in urban, regional and remote areas of all states and territories of Australia apart from Tasmania) quantitative analysis of the contemporary Indigenous business enterprise landscape, with a major focus on micro, small and medium Indigenous private enterprises. Indigenous private enterprises are the main focus of this research, although our research also included community-owned Indigenous businesses and Indigenous co-operatives. Together with qualitative interviews with Indigenous entrepreneurs and key stakeholders, this research project has provided new and important information about the economic, social and cultural dynamics of contemporary Indigenous business and the businesses' experiences of Indigenous entrepreneurs. It has provided important insights into the economic, social and cultural contribution of Indigenous business, the barriers they face and other factors that have an influence on business success and the strategies that they adopt in response to these constraints.

The key outcome of this research partnership between IBA, CIRCA, CSU and UTS is that we now have the clearest picture of complexity, diversity and vitality of the Indigenous small business sector in Australia ever to emerge. We have a much better understanding of the dynamics of Indigenous enterprises and the critical contributions that they make not only to Indigenous employment generation and economic growth but also to community development because Indigenous entrepreneurs care as much about their social contribution as they do about their business profits and sustainability. We also have a much clearer picture of the pathways to Indigenous entrepreneurship, the personal and business barriers that they face and the successful strategies that Indigenous entrepreneurs have employed to overcome these barriers. New insights into new strategies to improve the vitality of the Indigenous business sector have emerged.

¹ CIRCA was the other Industry Partner for this ARC Linkage Grant.

Aims and Significance

There are **six aims** of this research project. The **first aim** is to *provide an overview of the nature of, and the dynamics of, private and community-owned Indigenous businesses and/or enterprises located in urban, regional and remote locations across Australia today*. There is no available research that provides a contemporary overview of the nature of Indigenous Australian private and community-owned business, and/or Indigenous enterprises in Australia. This research project is designed to generate an understanding of the dynamics of Indigenous enterprises and the economic and social contribution that they make across a wide range of industry types, ownership types and locations. We are also interested in exploring the extent to which, and the way in which, the activities of Indigenous enterprises are linked to Indigenous culture by providing goods and services that are unique to Indigenous culture – such as Indigenous art, tourism, food and artefacts – or by providing general goods and services to Indigenous communities themselves.

The **second aim** is to *identify the key factors contributing to business success* for private and community-owned Indigenous businesses. The research project investigated the relevance of a range of factors, including culture, governance arrangements, human capital, access to financial capital, availability of physical and technological capital and personal characteristics. It also explored how Indigenous social capital (including family, tribal and broader social networks as well as leadership and mentoring capacity) provide a basis to sustain (and to sometimes constrain) the formation of, and survival of, Indigenous enterprises.

The **third aim** is to *identify the key factors constraining business success* for private and community-owned Indigenous businesses, including the barriers to successful Indigenous entrepreneurship. The literature on Indigenous enterprises shows that Indigenous businesses face a wide range of barriers and problems. These are compounded by difficulties faced by potential Aboriginal entrepreneurs in establishing and developing business enterprises. These include problems related to accessing finance and relevant education and training, and those related to lack of support and discrimination. Yet much of this literature is today dated, highlighting the need for a contemporary investigation of these issues.

The **fourth aim** is to investigate *the role that Indigenous women play* in to the formation of, and development of, Indigenous enterprises. Australian and international research has highlighted a trend for the growth of female entrepreneurship in most Western countries today and the important role that women play in the success of male-owned enterprises.

The **fifth aim** is to investigate the *similarities in business aims, formation and dynamics of community-owned and privately-owned Indigenous enterprises.*

The **sixth aim** is to investigate the *role that location (metropolitan, regional and remote) plays in the nature of, success of and dynamics of Indigenous enterprises.*

Methodology

The research project employed **qualitative** and **quantitative** methodologies. The *qualitative methodology* included in-depth interviews with 38 Indigenous entrepreneurs - 22 male Indigenous entrepreneurs and 16 female Indigenous entrepreneurs - across Australia using a purposive sampling approach, maximum variation sampling. Each interview was conducted face-to-face with at least two researchers, and each lasted about 1.5 to 3 hours.

Figure 1 shows that this qualitative fieldwork was conducted in all Australian states other than Tasmania and in the Northern Territory. *Figure 2* shows that the research was designed to include Indigenous entrepreneurs in urban, regional and rural locations across Australia.

Figure 1: Qualitative informants by gender, State and Territory

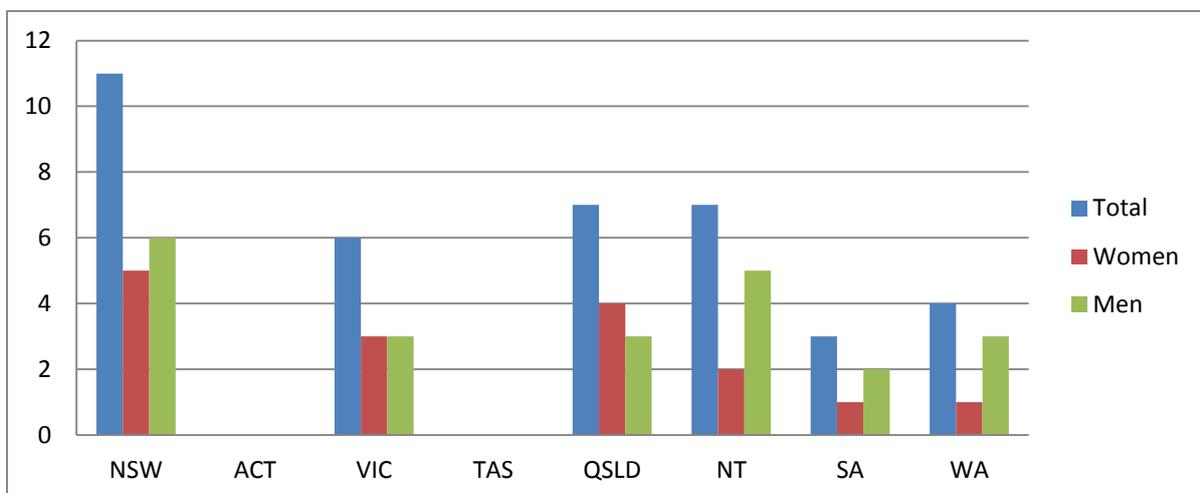
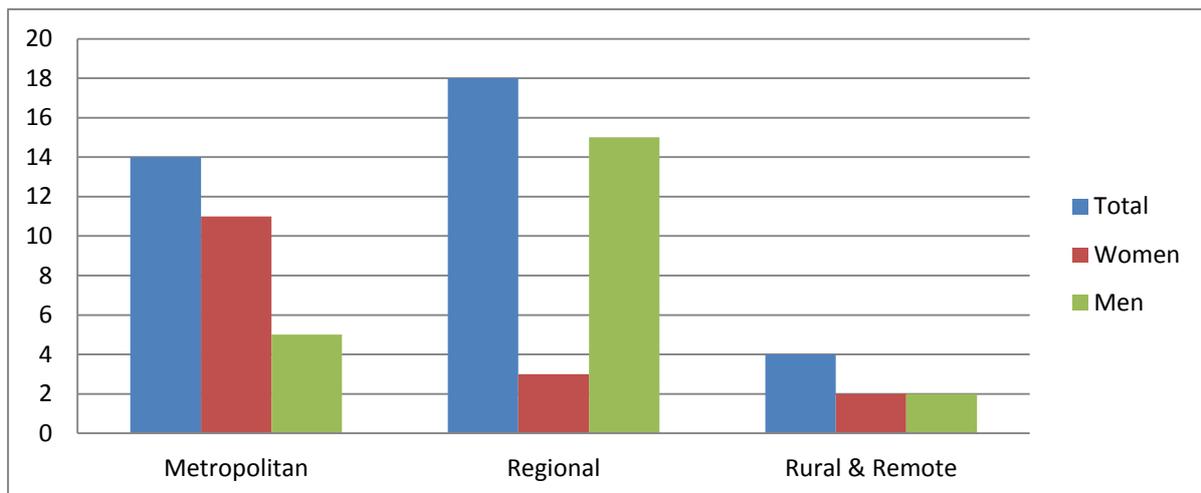


Figure 2: Qualitative informants by metropolitan, regional and remote areas by gender



The other part of the qualitative methodology comprised of *key stakeholder interviews* designed to get insights into Indigenous entrepreneurship from government officials with responsibility for Indigenous entrepreneurship, key Indigenous community representatives and leading academics in the field. Interviews were held with Prime Minister and Cabinet, Federal Government (n=2), Victorian government (n=2), NSW government (n=2), NSW Lands Council (n=1), Supply Nation (n=1), academics from CAEPR, ANU (n=3) and UTS (n=1).

The information provided by the qualitative research was used to design a quantitative questionnaire. The survey included a section on potential contributions to community. Nine possible contributions to community were identified, plus three different goals or motivations for running a business. In addition, other questions were asked about engagement with the community, employment, training, provision of goods to the Indigenous community, and the sale of Indigenous products.

The quantitative methodology comprised of a survey of 324 Indigenous entrepreneurs in private (n=263), community (n=51) and co-operative (n=10), enterprises in urban, regional and remote areas of all states and territories of Australia apart from Tasmania. Quotas were set for urban, regional and remote areas of Australia, and for towns of different sizes. Sampling occurred in all capital cities, and a selection of smaller and medium-sized towns were randomly chosen for sampling. The sample was initially recruited probabilistically using the database, however the large turnover of Indigenous businesses over the period of our sampling (two years) and the many new-starts not listed in our database or other directories necessitated the additional use of internet searching to locate new businesses, contacting of local Aboriginal corporations, Chambers of Commerce, local Aboriginal

Employment Services or snowballing to identify potential businesses to survey, especially in regional and remote areas.

Each questionnaire was conducted in person with two interviewers who had completed cultural awareness training, apart from two which were completed over the telephone. Pretesting of the questionnaire was also completed, with twenty pilot questionnaires conducted with Indigenous business owners.

A total of 749 businesses were contacted to participate in the survey. Of these, 98 were out-of-business and 159 could not be contacted. A total of 87 who were contacted were not willing to participate in the survey, 13 were not Indigenous-owned and therefore could not be interviewed, and 12 initially agreed to participate but subsequently withdrew. A final sample of 324 businesses was achieved, representing a response rate of 51.1% based on those businesses still operating and who were Indigenous.

Table 1: Location of businesses across region and state – Quantitative Sample

	NSW	Victoria	Queensland	SA	WA	NT	ACT	Total
Urban	51 <i>44.7%</i>	27 <i>58.7%</i>	21 <i>37.5%</i>	9 <i>100%</i>	31 <i>57.4%</i>	23 <i>60.5%</i>	7 <i>4.1%</i>	169 <i>52.2%</i>
Regional	57 <i>50.0%</i>	19 <i>41.3%</i>	34 <i>60.7%</i>	0 <i>0%</i>	0 <i>0%</i>	0 <i>0%</i>	0 <i>0%</i>	110 <i>34.0%</i>
Remote	6 <i>5.3%</i>	0 <i>0%</i>	1 <i>1.8%</i>	0 <i>0%</i>	23 <i>42.6%</i>	15 <i>39.5%</i>	0 <i>0%</i>	45 <i>13.9%</i>
Total	114	46	56	9	54	38	7	324

Note: column percentages are shown in italics

The industry classification of the quantitative sample based on ANZIC Industry codes is shown in Table 2. The most common classification was Professional, Scientific and Technical Services (21.1%), followed by Construction (13.4%), Arts and Recreation Services (13.4%), Administrative and Support Services (9%), Retail Trade (8.4%) and Education and Training (7.8%). Some gender differences were evident, with females less likely to be involved in construction and more likely to be involved in education and training and health care and social assistance.

Table 2: Industry sectors of Indigenous Australian entrepreneurs – Quantitative Sample

	Male		Female		Total	
	N	%	N	%	N	%
Agriculture, Forestry and Fishing	1	0.5%	2	1.6%	3	0.9%
Mining	3	1.5%	1	0.8%	4	1.2%
Manufacturing	2	1.0%	2	1.6%	4	1.2%
Electricity, Gas, Water and Waste Services	0	0.0%	0	0.0%	0	0.0%
Construction	35	18.0%	8	6.2%	43	13.4%
Wholesale Trade	3	1.5%	2	1.6%	5	1.6%
Retail Trade	15	7.7%	12	9.4%	27	8.4%
Accommodation and Food Services	4	2.1%	5	3.9%	9	2.8%
Transport, Postal and Warehousing	1	0.5%	0	0.0%	1	0.3%
Information Media and Telecommunications	11	5.7%	8	6.2%	19	5.9%
Financial and Insurance Services	1	0.5%	1	0.8%	2	0.6%
Rental, Hiring and Real Estate Services	7	3.6%	1	0.8%	8	2.5%
Professional, Scientific and Technical Services	42	21.6%	26	20.3%	68	21.1%
Administrative and Support Services	18	9.3%	11	8.6%	29	9.0%
Public Administration and Safety	3	1.5%	3	2.3%	6	1.9%
Education and Training	9	4.6%	16	12.5%	25	7.8%
Health Care and Social Assistance	4	2.1%	8	6.2%	12	3.7%
Arts and Recreation Services	28	14.4%	15	11.7%	43	13.4%
Other Services	7	3.6%	7	5.5%	14	4.3%
Total	194	100.0%	128	100.0%	322	100.0%

Findings

Our research provides perspective on the nature of Indigenous businesses across Australia, and how their characteristics differ across location and business type. Our findings indicate that businesses are engaged in a range of industries and are not just involved in culturally related activities, tourism or provision of government-funded services. There are significant numbers of privately-owned small-medium enterprises that are providing employment and also making significant contributions to their communities, particularly in urban areas. Community and cooperative businesses are also developing well in terms of increasing employment, opening additional offices/outlets and purchasing new equipment, although their sales and profit growth is less than for private firms. Community and cooperative businesses were also found to make substantive non-economic contributions to their communities, and more so than privately-owned businesses. A greater proportion of businesses were found to have reported growth in sales and profit than a decline over the past year; however a segment of smaller and older primarily privately-owned businesses was identified that was experiencing significant decline.

Uneven growth was identified across locations. Remote and to a lesser extent regional areas where there was a greater proportion of community-owned businesses and cooperatives experienced higher growth in terms of increasing number of employees, opening additional outlets, moving into bigger premises or purchasing additional equipment. However, in urban areas – where there was a much higher proportion of privately-owned firms – sales and profit growth was much higher than in remote or regional areas. It was also apparent from the qualitative and quantitative research that female entrepreneurs face particular challenges in developing their businesses, yet they were found to be critical for achieving employment for Indigenous females.

An interesting finding was that Indigenous businesses are very open to adopting new technologies and had much higher rates of adoption of internet and social media than other small businesses in Australia.

However, the sophistication of business practices also differed across locations and across business type. The sophistication of most practices was poorest in remote areas and best in urban areas. Community and cooperatively-owned businesses also on average have better practices than privately-owned businesses.

The difference in sophistication of business practices in part reflects the differences in support for Indigenous businesses across location. The quantitative results indicate that the usage of mentors,

completion of business degrees or diplomas and engagement in either Indigenous or non-Indigenous business networks is lowest in remote areas, and highest in urban areas.

Our findings indicate that business success – as measured by growth, number of employees, sales revenue and longevity – depends crucially on the adoption of sound business practices and the receiving of business support. These business practices are not limited to maintaining sound financial accounts, but include a wider range of practices such as sales and promotions, business planning and information technology and the ability to adapt to changing market conditions. However, there is not good recognition of the importance of this range of business practices, with the importance of promotions in particular not well understood by most businesses.

Regarding business support, our findings highlight the importance of higher level business training in the form of tertiary degrees or diplomas and raise questions about the contribution of less substantive business training such as business certificates. Our findings also highlight the importance of business networks, including Indigenous business networks for early stage businesses, and mainstream business networks for older businesses when it is more critical for businesses to “break-out” and engage in more heterogeneous networks. Our findings show that business mentors assist the development of older businesses, but intriguingly were found to have a neutral or negative effect on the growth of earlier-stage businesses. This raises questions about the nature of and effectiveness of mentoring, which is a potential subject for further research. While our research highlights the importance of both network engagement and mentoring for business success, many businesses do not prioritise involvement with either and engagement in such forms of support is relatively low, particularly in remote areas. There are also ambiguous findings regarding commercial bank loans: while there is evidence from the entire sample that commercial loans lead to increased sales revenue, for early stage businesses such loans appear to reduce growth. However, like previous literature, we find that relatively few Indigenous small businesses are successfully receiving commercial finance, and this rate is much lower than for other small businesses in Australia. It is possible that these findings have been affected by the very low number of businesses that receive commercial or other loans. Lastly, our findings indicate that having a spouse (either married or defacto) influences business success, but the effect of a spouse being Indigenous on the success of an early stage business depends on gender.

A range of business challenges have been identified. In the start up phase this includes poor cash flow, challenges with accessing finance and the need to improve basic business practices such as accounting systems and promotions, and access to key business services and advice.

Overall, a picture emerges from these results of what drives the growth of Indigenous businesses across Australia. Business growth is driven by the adoption of a range of quality business practices. Business growth also depends on getting appropriate support to help improve these practices, including a tertiary education, involvement in networks, mentoring (for older businesses), having a spouse and potentially accessing finance. However, it is apparent that many Indigenous businesses do not consider that some of these critical practices and forms of support (eg promotions, involvement in networks, mentoring) to be important.

These findings are suggestive of a new model of Indigenous business development that involves helping early start Indigenous business improve a range of business practices through in-depth skill development, mentoring and network engagement. In this model, skill development would not solely focus on financial skills and mentoring would not primarily be by accountants; businesses need a wider range of skills that need to be taught by mentors and others from several disciplinary backgrounds. This model could also involve support to address cash flow problems in early years using an approach that does not encourage dependency. This recommended model is effectively a hybrid model of business incubation.

Further details regarding our qualitative and quantitative findings are now presented.

1) Indigenous entrepreneurs are mostly satisfied.

Indigenous enterprises play a critical role in Indigenous economic, social and cultural development. But they also provide important opportunities for the Indigenous entrepreneurs themselves. Almost all those interviewed in the qualitative sample are satisfied with the way their business is performing. In the quantitative sample, 71% were satisfied or very satisfied with their business overall, although only 52.3% were satisfied or satisfied with the number of hours they were working. Almost all businesses included in the qualitative sample expressed overall satisfaction with their achievements in running the business although not all of them are making a profit (29 out of 38 were stated they are making a profit). The majority are also satisfied with the contributions they are making to their community.

2) Indigenous culture both enables and constrains Indigenous business success

Indigenous culture permeates the lives of Indigenous Australians and the lives and enterprises of Indigenous entrepreneurs. Like all entrepreneurs, Indigenous entrepreneurs are motivated to achieve profits and the material improvement in the lifestyles and life-chances of themselves and their families. However Indigenous entrepreneurs are also motivated by the opportunity that running a business provides to make a difference to their community in general and their Indigenous

community in particular. Our research has found that Indigenous culture both enables and constrains Indigenous business success. Many Indigenous enterprises situate their business activities within Indigenous culture. For these businesses, their comparative economic advantage lies in their Indigenous culture. Businesses related to Indigenous tourism, Indigenous arts and crafts and the provision of Indigenous services such as Indigenous cultural awareness training and providing access to Indigenous economic, social and cultural networks are examples of this. Indigenous culture thus enables Indigenous entrepreneurship in Indigenous market niches.

However as our research indicates, Indigenous enterprises are located in an amazing variety of business types, including those that have no apparent basis in Indigenous culture: smash repairs, fitness centres, graphic designers and printers owned by Indigenous entrepreneurs are examples of this.

But Indigenous culture shapes the lives of all Indigenous entrepreneurs, irrespective of whether their business is involved in providing Indigenous goods and services. This has many positive aspects for Indigenous enterprises, including the ability to link to Indigenous social and business networks and being able to access support programs for Indigenous enterprises, such as those provided by *Indigenous Business Australia* and Supply Nation. However Indigenous cultural obligations such as income sharing and absence from the enterprise to attend events related to ceremonial obligations or family obligations can constrain the competitiveness of Indigenous enterprises.

For many Indigenous entrepreneurs, Indigenous culture both constrains and enables their enterprise activities. For example a Darwin-based tourism business owned and operated by an Indigenous woman had a comparative business advantage that derived from the ability to provide Indigenous insights to the experience of local and international tourists. But the Indigenous entrepreneur reported that her main business constraint was in securing reliable Indigenous workers for her business.

3) Growing importance of female Indigenous entrepreneurs

One of the noticeable trends in entrepreneurship internationally has been the growth of female entrepreneurship. This trend is also evident in Australia, with the growth rate of female entrepreneurship in micro, small and medium business enterprises exceeding that of male entrepreneurship. The importance of Indigenous women entrepreneurs is also evident in national census data and in the fieldwork conducted for this research project. Four out of ten (128 out of 324) Indigenous enterprises surveyed during the quantitative phase of this research were owned and operated by Indigenous women. Female-run Indigenous businesses are of particular importance

as they are twice as likely to hire females compared to males, while male-run Indigenous businesses are twice as likely to hire males. Given that male run enterprises hire almost twice the number of employees, these findings imply that growth in the number of female run enterprises is crucial for securing additional employment for Indigenous females. This gendered nature of Indigenous entrepreneurship has important implications for policies and programs designed to support existing Indigenous enterprises and facilitate the establishment of new Indigenous enterprises.

4) Indigenous businesses embedded in family and social values and networks

One of the key findings to emerge from the quantitative and qualitative research (including key stakeholder interview) is that the traditional neoclassical economic approach to private enterprise that is based solely on an individual entrepreneur maximising his or her profits is very wide of the mark for Indigenous private enterprises. Indigenous entrepreneurs who operate private enterprises, community-owned enterprises or cooperatives are motivated to achieve income and opportunity not only for themselves, but for their family and their community. Many Indigenous entrepreneurs were in a formal or informal business partnership with their husband, wife or partner. Many of these husbands, wives or partners are non-Indigenous, the implications of which are discussed below. Like SMEs in general, Indigenous private enterprises are more often than not family affairs. Family considerations shape the enterprise dynamics and activities. Moreover the activities of Indigenous private enterprises are often embedded in Indigenous community networks. In other words, *social capital* is as important to understanding Indigenous entrepreneurship as is *private capital*.

Indigenous entrepreneurs also put a high value on serving community needs. As Table 3 shows, two in three (67%) Indigenous entrepreneurs who operate private enterprises have volunteered their time in local community activities and events that are not related to their business. More than half support local sport teams or cultural events and frequently provide unpaid advice to others. This is even more frequent among Indigenous entrepreneurs engaged in community-owned enterprises or cooperatives. In other words Indigenous entrepreneurs are community leaders at the same time that they are economic leaders, which is remarkable considering how time-poor entrepreneurs are. This is seen in the finding that nine out of ten Indigenous entrepreneurs act as a positive role model for young people in their community.

Table 3: Community Contributions of Private, Community and Cooperative-owned Businesses

Community contributions	Privately owned	Community owned	Co operative
Volunteer time to be involved in local community events or activities not related to their business	67%	61%	90%
Been on management or organising committee	12%	19%	17%
Sponsor local sport teams or cultural events	54%	55%	70%
Provide discounted/free goods or services to Community Groups or Events:			
- Occasionally	36%	20%	0%
- Frequently	36%	57%	80%
Provide advice and support not paid for:			
- Occasionally	22%	20%	10%
- Frequently	56%	69%	80%
Seek to employ Indigenous People	62%	94%	100%
Give percentage of profits to community organisations and initiatives	17%	49%	40%
Act as positive role model for young people in community	89%	92%	90%

5) Indigenous business is important for Indigenous employment creation

Indigenous businesses provided good opportunities of employment for Indigenous people. People with an Indigenous background accounted for about 56% of total employment created by our sample businesses (1,973 out of 3,524 persons). About 73% of businesses mentioned that they would prefer to employ Indigenous over non-Indigenous people. However, on many occasions businesses had difficulty recruiting appropriate Indigenous employees although they would have liked to employ them. About 56% of businesses in our sample indicated that the proportion of Indigenous employment would increase in the next few years.

6) Importance of promotions for business performance

The literature on Indigenous business success is relatively silent on the importance of promotions for business growth. Only a few studies, mostly involving case-studies or qualitative research, have previously been completed. Our findings indicate that promotions are important for achieving growth, especially for smaller and privately-owned firms. Our results further indicate that a large number of firms (50%) are relying only on electronic and social media for their promotions and that a substantial proportion (26%) conduct only limited promotions. Moreover, the firms that use limited promotions are less likely to consider that promotions are an important factor in business success and are more likely to consider that their promotions are adequate, suggesting a lack of understanding of the role and importance of promotions and marketing. Lesser usage of promotions tends to occur more frequently in remote areas especially and to a lesser extent regional

areas. When asked about perceived challenges at start-up and currently, promotions and marketing was one of the most frequently cited challenges both at start-up and currently which suggests a general inability to improve promotions, even with further business experience. This is unlike some other perceived challenges, such as accounting systems, which were found to have improved markedly since start up.

7) Importance of other business practices for business performance

A range of other business practices were found to influence business performance including sophistication of accounting systems, extent of internet (ICT) usage, sophistication of business planning and the ability to adapt and diversify in a changing market. Some of these practices relate to how an entrepreneur runs their business, while diversification speaks to the ability to adaptively manage it. Adaptive management was particularly important in explaining business longevity.

8) Importance of networks for business performance

Networks have been previously linked to Indigenous business success (eg Kristiansen 2004, Foley 2008). However, as far as we are aware, no previous studies have differentiated between non-Indigenous or Indigenous business networks or examined their effect on business growth and success using quantitative analysis. Our findings suggest that networks are very important for growth, however their importance differs according to the type of network, the age of the business and the gender of the entrepreneur. Examined across our entire sample, only non-Indigenous businesses were found to positively influence business success. However, upon closer examination, Indigenous business networks were found to positively influence the success of businesses that had been operating for less than five years for both female and male-run businesses. The effectiveness of these Indigenous networks for female new-start entrepreneurs was surprisingly large when compared to the effect of having a tertiary degree or diploma. This suggests that these networks play an important role in nurturing early-stage female entrepreneurs. Men running new-start businesses, however, benefitted from participating in either Indigenous or mainstream business networks, though they benefitted more from the Indigenous networks. However, for businesses operating more than five years only, mainstream business networks were associated with increased growth, suggesting that over time businesses benefit from branching out and participating in more heterogeneous business networks. This suggests that bridging capital becomes more critical the longer a business has been operating.

9) The effectiveness of business mentors

Relatively few businesses (12%) were found to have used mentors at start up. Mentoring was most likely in urban areas, and very unlikely to have occurred in remote areas. Mentoring was not found to be particularly highly valued by businesses. When asked what were the most important factors influencing the success of their business, it was ranked the second lowest in terms of the percentage of businesses indicating that it was one of the three most important factors of success. Surprisingly, across the entire sample the use of mentors to help establish the business was found to have either an insignificant or negative effect on business performance. However, a more detailed analysis revealed that mentors were particularly effective at encouraging growth among firms operating more than five years, but led to reduced growth for male entrepreneurs running firms that have been operating for five years or less, and had no significant effect on growth for female entrepreneurs operating this length of time. This is a puzzling result. One possible explanation is that mentors hold entrepreneurs back and encourage consolidation among newer firms and this leads to more growth later, although a more negative interpretation is that their recommendations are more suited to established rather than early start businesses. Given the surprising nature of these findings, further research on mentoring and what leads it to be effective or otherwise is warranted. Further funding and promotion of mentors may also be warranted given the relatively low uptake of mentors and the limited awareness of their benefits.

10) The role of Tertiary business degrees and diplomas

Having a tertiary business degree or diploma was found frequently to be an important predictor of business performance, although more so among female entrepreneurs. This contrasts with having a certificate in business, a trade or technical qualification, or a tertiary degree but not in business, where no significant effects were found. Having a tertiary qualification was found to be a characteristic of high growth firms. This level of training appears to be associated with usage of improved business practices. However, when males only were included in the sample, no significant association was identified. This suggests that there is a case for encouraging further university level qualifications among Indigenous business, but it also suggests that there is a need to investigate why they might be less effective in assisting with business performance among male Indigenous entrepreneurs.

11) The role of partners in business success

One of the key features of Australia's Indigenous communities today is the degree of legal or de-facto relationships with a non-Indigenous person. 2011 census data shows that most Indigenous

Australians who have a partner have a non-Indigenous partner. In Australia's large cities and regional areas such as Cairns and Broome more than 70 per cent of Indigenous Australians have a non-Indigenous partner. The 2011 Census shows that 56.9 per cent of partnered Indigenous men had a non-Indigenous spouse. This was slightly lower than the corresponding figure of 59.0 per cent for Indigenous women. These percentages also represented a steady increase from the previous 2006 Census (Biddle 2013, p.2). 2011 was also the first Census in which a majority of both male and female Indigenous people were partnered with a non-Indigenous person (Heard et al. 2009, p.1).

In our qualitative fieldwork the cosmopolitan character of the families of many Indigenous entrepreneurs became evident. A number of the Indigenous entrepreneurs in Darwin, for example, had Chinese heritage and saw this as an important factor in their move into entrepreneurship. Similarly non-Indigenous partners of Indigenous entrepreneurs across Australia come from remarkably diverse cultural backgrounds, reflecting the multicultural cosmopolitan character of Australian society.

Previous studies have observed that many Indigenous entrepreneurs running privately-owned enterprises have non-Indigenous partners (eg Foley 2006a), and that this may be a success factor. Our results partly confirm this previous finding; we found, for example, that for female Indigenous entrepreneurs with a business five or less years old, having a non-Indigenous partner was significantly and substantially associated with increased growth. Indeed the increment to growth was similar in magnitude from the increment due to having a tertiary degree or diploma. However, our results suggest that the role of a partner is more nuanced than previously thought. The highest growth segment did not have the highest percentage of non-Indigenous partners. Further, for the entire sample we found that having either an Indigenous or non-Indigenous partner had similar effects on the number of employees and the magnitude of sales revenue. Furthermore, we found that for businesses five or less years old that having a partner who was Indigenous was significantly associated with increased growth but having a non-Indigenous partner was not; and we found that for men running these new start businesses having a partner who was Indigenous was significantly associated with increased growth but having a non-Indigenous partner was not. Thus, having a non-Indigenous partner appears to increase the success of female entrepreneurs, possibly helping them interact with non-Indigenous Australia and bringing in other skills. However, for men, having an Indigenous partner is beneficial to growth, possibly due to the improved cultural knowledge and community connections that this would create.

12) The problem of cash-flow for new start businesses

Our quantitative results indicated that problems with cash flow were particularly pronounced for privately-owned new-start businesses, operating for less than three years. After that cash flow on average was at a much higher level. Our qualitative findings confirmed that many new start businesses struggled with generative sales and achieving a reasonable cash flow when starting their business. It is likely that this is a reason for the large number of Indigenous business failures in the initial years of establishment, and implies the need for programs to financially support businesses during this crucial phase.

13) The effect of location

Overall, our results suggest that remote enterprises are achieving the highest levels of business growth in terms of establishing new premises, hiring more employees etc, though a higher proportion of urban businesses are reporting increased sales and profit. In terms of business practices we find that for most practices apart from accounting systems, remote businesses have the lowest adoption of quality practices which is highest in urban areas. In terms of support for business, there is a general pattern of urban and then regional businesses having much higher levels of support than regional businesses. This higher adoption of quality practices and higher levels of support could explain the more frequent reported increase in sales and profit among urban businesses. While remotely located business are performing well for many measures (ie growth index, employment, sales revenue) these results suggest that better practice adoption through improved support could lift the performance of remote and also regionally-based businesses.

14) The role of finance and its effect on business performance

Previous qualitative studies of Indigenous businesses have identified a lack of finance as negatively impacting the success of Indigenous businesses. Our qualitative fieldwork also revealed that lack of access to bank finance was commonly considered a major constraint to establishing the business in the first instance and in successfully operating that business once established. Most relied on personal savings or on borrowing funds from family members. Very few had bank loans. Our quantitative survey findings confirm that relatively few Indigenous businesses were able to attract finance for their business, with 55% relying on personal savings and a further 21% not relying on any of the forms of financing mentioned. Furthermore, businesses had limited success in raising funds: out of 324 businesses, only 22 businesses reported receiving a commercial bank loan or mortgage, 19 received an IBA loan, while 28 reported being refused a commercial bank loan. It seems that many Indigenous entrepreneurs are not seeking commercial loans because of a perceived likely lack

of success, or for other reasons, and even when they seek a loan from a commercial bank they are more likely than not to be unsuccessful. Interestingly, access to finance was one of two perceived challenges related to business activities (the other was promotions and marketing) that was a significant challenge for a large proportion of business at both start-up and currently.

However, apart from a marginally significant positive effect on sales revenue, no other effects on business growth (as measured by number of employees or age of business) were identified. This raises questions about the importance of access to finance in influencing the success of Indigenous businesses, relative to addressing other challenges. However, the lack of significance could also reflect the low proportion of Indigenous businesses able to attract finance; further research would clarify this finding. It also suggests that existing approaches used to judge the suitability of Indigenous businesses to receive funding may be inappropriate.

IBA is an important source of finance for Indigenous entrepreneurs. However further consideration about ways to increase the loan rates to newer and less established and successful Indigenous entrepreneurs could pay great dividends in terms of the growth and vitality of Indigenous businesses in Australia. Moreover much more needs to be done to bridge the great divide between Indigenous entrepreneurs and bank finance in Australia.

15) Consequences of selling Indigenous products and Indigenous branding

Selling Indigenous products was found to either have no or a negative effect on business performance. For the entire sample, selling Indigenous products was negatively related to number of employees and sales revenue, suggesting that such firms tend to be smaller in size. However, no effects on growth were identified from selling Indigenous products.

With respect to Indigenous branding, this was found to be positively related to the number of employees for the entire sample, but negatively related to growth for community and cooperatively-owned businesses.

16) The effect of business type

Our results suggest that community/cooperatively owned enterprises are outperforming privately-owned businesses in terms of the growth index, sales revenue and employment. However, like urban businesses, a higher proportion of privately-owned businesses are reporting increased sales and profit.

We found that the overall adoption of quality practices is higher among community/cooperative businesses than privately-owned businesses. However, quality business practices appear to be more critical to the success of privately-owned businesses than for community/cooperatively-owned businesses, with a larger number of explanatory variables related to business practices significant in the regression for privately-owned businesses. We find that for businesses that are privately owned certain types of support are more likely to occur (mentors, technical or trade qualification, participation in Indigenous business networks), however other forms of support are more likely to be realised by community/cooperative businesses (non-Indigenous networks, degrees). It is apparent that there is potential to increase some forms of support among privately-owned businesses (eg engagement in non-Indigenous networks and tertiary business qualifications) which is likely to have a significant benefit given the effect of improved practices on the performance of privately-owned businesses. For community-owned businesses there is also the opportunity to improve other forms of support for community-owned businesses (eg use of mentors, engagement in Indigenous business networks).

17) Opportunities for Improving Policy Support for Remote and Female-run businesses

Two specific disadvantaged groups of businesses identified in this research are female-run businesses and those located in remote areas.

Female-run businesses accounted for 40.1% of the sample, while the proportion of female Indigenous employees in sample businesses accounted for 42.4% of total Indigenous employment. Analysis of the data reveals that female-run businesses were clearly disadvantaged in growth of sales revenue, employment, growth and survival (age of business) – regression coefficients were found to be negative and significant. However, female entrepreneurs benefited from various forms of support such as Indigenous business networks, mentoring and completing a tertiary level diploma or degree in business. Having a partner from the non-Indigenous population also helped early-stage female entrepreneurs to achieve growth in their business. Thus, providing appropriate assistance can improve the performance of female entrepreneurs.

In our sample 14% of businesses are located in remote areas. Our results show that older businesses in remote areas performed well in terms of growth, particularly male-run businesses. However, the extent of their community contributions was less than in urban or regional areas. The results reveal that remotely located businesses generally have quality accounting systems but perform poorly in terms of other business practices. Remote locations were found to be particularly disadvantaged with respect to business support such as business networking, mentoring services and receiving financial support such as bank loans. In particular, no mentoring support was found to have occurred

for our sample businesses located in remote areas. Participation in tertiary degrees or diplomas in business was also much lower than in urban areas. As business support plays an important role for new entrepreneurs there is a rationale for seeking to improve such services in remote areas. If this was to occur, the levels of growth as well as their capacity to contribute to their community would be likely to increase.

18) Need for new approaches for supporting new-start Indigenous Business in Australia

One of the strong findings of this research project is that while there is a strong appetite for entrepreneurship among Indigenous Australians today – evident in the very strong growth of Indigenous entrepreneurship over the past two decades – there are many constraints that stifle the potential of Indigenous entrepreneurship to make a greater difference in the lives of Indigenous Australians by closing the gap in Indigenous socio-economic outcomes in Australian, particularly Indigenous employment. A major constraint is the lack of easy access of Indigenous entrepreneurs to business finance. New innovative ways of bridging this finance gap for Indigenous entrepreneurs could prove effective in increasing the number of Indigenous enterprises in Australia in future decades eg microfinance and equity-based finance. There is a great need for new ways to support newly-established Indigenous enterprises and to support and facilitate Indigenous Australians to take the risky move into entrepreneurship. Indirect policy support to improve Indigenous outcomes in education and employment will clearly assist in this regard. But these policies need to be supplemented with new policy initiatives to more effectively tap the potential of Indigenous entrepreneurship in Australia, particularly with respect to income support during the establishment phase of the business. This is particularly relevant to female Indigenous entrepreneurs because of the historical gender bias in business finance in Australia and to Indigenous entrepreneurs in remote regions who face the biggest constraints, including very constrained market opportunities and high cost structures.

Recommendations

1) Changing the definition of Indigenous business

One key recommendation to emerge from this research project is the need to rethink how we define Indigenous enterprises. The existing Supply Nation definition of Indigenous enterprises requires more than 50 per cent Indigenous ownership and control for an enterprise to qualify for access to their supply-chain networks. Other public and private organisations also utilise this definition in

deciding which enterprises can access their programs to support Indigenous enterprises. The problem with this definition is that it excludes private enterprises that are jointly-owned by an Indigenous person and his or her non-Indigenous partner. Our research showed that this is a common situation in Indigenous private enterprises in Australia today. But these enterprises are prevented from access to many support programs. Another problem with the Supply Nation definition is that enterprises owned by Indigenous community organisations with an Indigenous Board directing enterprise activities and strategy but employing a non-Indigenous manager(s) are also excluded from these programs. Our field work in Darwin found a number of community-owned Indigenous enterprises could not get access to the economic activities designated for Indigenous enterprises from Darwin's large liquid natural gas developments for this reason.

The Forrest Review (2014, p.186) suggested that in the implementation of procurement policies the definition of Indigenous Business (or, as the report calls them, first Australian firms) be changed to include "those that have 25% or more first Australian ownership and management and can demonstrate significant first Australian employment outcomes". This move may dilute Indigenous ownership and control too severely and be open to manipulation by firms who put in token Indigenous involvement to get access to fairly lucrative support programs that the Forrest Review recommends. Our quantitative research findings suggest that there are very few existing Indigenous businesses with less than 50% Indigenous ownership. Nevertheless the case to review the definition of Indigenous Business is strong. We would recommend that the definition be marginally changed to include businesses with 50% Indigenous ownership to enable private enterprises that are jointly-owned by an Indigenous person and his or her non-Indigenous partner to access existing programs of Indigenous business support. We note that this recommendation is consistent with the current IBA definition of Indigenous Business as being at least 50% Indigenous owned.

2) Change approach used to evaluate Indigenous business suitability to finance

The findings from our quantitative research indicate that only a minority of Indigenous businesses are successfully receiving finance from commercial banking institutions, and our qualitative findings indicate that even successful Indigenous businesses have been refused finance. This has been, for example, because of a poor credit history due to incidents from, in some cases, when the entrepreneur in question was a teenager (eg failure to pay a mobile phone bill). This suggests that the approach used by lending institutions to evaluate the suitability of Indigenous businesses needs to be re-evaluated and be based more on current capacity to pay, the existence of critical supports (eg a mentor, participation in a network, business qualifications, evidence of good systems) and potential for the loan to leverage business growth.

3) Develop new strategies, policies and programs to improve Indigenous business access to commercial bank finance

Our research has identified problems related to access to Indigenous enterprises to finance as a major constraint to their business success. Many Indigenous enterprises, particularly those in micro and small businesses, are marginal in their first few years of establishment. They struggle to make ends meet. A challenge for new-start Indigenous businesses is to deal with a relatively low cash flow during the initial period of operation. We found that cash flow was substantially and significantly lower in the first three years of operation for privately-owned business which potentially affects the viability of the businesses.

Problems of accessing business finance is not only a characteristic of micro and small Indigenous businesses: all micro and small businesses go through a difficult establishment phase. The main difference is that Indigenous entrepreneurs are very much less likely to be able to get access to business loans from Australian banks. Indeed only 19 out of 324 Indigenous entrepreneurs (5.9%) surveyed reported that they had secured a bank loan to support their business. Our research was not able to probe this aspect in the detail necessary to provide a nuanced understanding of why Indigenous entrepreneurs are not accessing bank business finance to a commensurate degree to other Australian entrepreneurs. This is an aspect that needs further research, although it is clear that the lack of access to collateral and/or histories of financial difficulties restrict many Indigenous entrepreneurs in this regard.

One option to deal with this issue could be the introduction of a HECS style loans program for Indigenous enterprises. Such a program could involve a declining amount of funding such as 100% in year 1, 50% in year 2 and 25% in year 3 to assist in covering living expenses during establishment. To continue receiving funding, key business milestones would need to be achieved, such as establishing key business practices and participating in a business network, or receiving mentoring. Entrepreneurs would then pay the loan back when their income passes a certain threshold.

Another option could be the introduction of new micro-finance initiatives to bridge the gap in Indigenous business finance, particularly for marginal businesses in the set-up phase or in their first years of establishment. Experience with a new program attempting to assist newly arrived refugees establish enterprises in Sydney suggests that access to small loans at favourable rates through micro-finance organisations could potentially be very successful in terms of strengthening the success of existing Indigenous private enterprises and increasing new Indigenous private enterprise formation. This will be non-collateral based funding. The program administrator would preferably

need to be a group that is not directly connected with commercial banks so that they are seen to be approachable by Indigenous businesses.

Another alternative is to seek to develop other non-loan based forms of funding, such as equity-based financing. This could also involve provisions whereby over time Indigenous businesses have the opportunity to “buy” back this equity at reasonable rates.

4) Support early-stage businesses through a new Business Development Program

One of the strongest findings of this research project is that there are few programs to support new Indigenous enterprises to be established or to support Indigenous enterprises in their first difficult years, apart from IBA’s “Into Business Workshop” and IBA provided mentoring. In addition to problems related to business finance, this is the major policy gap related to supporting Indigenous enterprises in Australia. In this regard we recommend that a pilot program to facilitate the creation of new Indigenous enterprises be established. Experience with a new program attempting to assist newly arrived refugees establish enterprises in Sydney provides insights to key features of such a program. First two *Enterprise Facilitators* would be hired for three years. They would play the role as a broker between aspiring Indigenous entrepreneurs and volunteers who would comprise a Resources Team with expertise across a wide range of skill sets required by new business owners: finance, accounting, marketing, IT, Web design, supply chains, business and consumer networks and the like. The Resources Team would meet bimonthly with the Enterprise Facilitators who would go thorough different business needs of their Indigenous entrepreneur clients. Eventually on-line contact replaces bi-monthly meetings, easing the time pressure on Resources Team experts. This program – *Facilitating New Indigenous Enterprises* - could be trialled in the first instance in one major city like Sydney, as well as a regional area like Bathurst, and a remote location like Bourke. The program would be independently evaluated and revised during the three years. If the program is successful and the evaluation positive, such a program could be rolled out to urban areas in other states and to other regional and remote communities as well.

Another possible approach to assist new Indigenous enterprise formation could be to relaunch the NEIS program whereby Indigenous unemployed could get advances on their unemployment benefits to provide start-up capital for their business. If the business is successfully established any financial obligation of the new Indigenous entrepreneurs related to future unemployment benefits would be erased. Moreover, some scheme modelled on the HECS type scheme described above could be introduced to provide much needed capital injection into the business in the first two to three years. Such a scheme could also assist other Indigenous enterprises in their first three years. Like HECS,

repayment of these business loans would only begin once the entrepreneur's income or the business' profit reached a certain level commensurate with the HECS program.

5) Evaluation of Mentoring Programs

While the findings from our qualitative research indicated that mentors are important for business success, our quantitative findings suggest that the impact of mentors was more nuanced. Specifically, early stage businesses did not benefit from using mentors, while usage of mentors negatively effects the growth of early stage male-run businesses. However mentors had a positive effect on more mature businesses run by either males or females. These findings are puzzling, and raise questions about the effectiveness of mentoring for businesses at different stages of development, and for male versus female run businesses. It suggests the need for a review of what materials are covered in mentoring programs, its robustness and its appropriateness for different types of business. Such a review should include both industry experts and academics with expertise in entrepreneurship, including Indigenous entrepreneurship.

6) Development of Mentoring Programs in Remote Areas

A notable finding was the absence of mentoring among remote businesses in our sample. Given the comparative poor levels of business skills of remote businesses, this suggests a need for the establishment and resourcing of mentoring programs for businesses in remote locations.

7) Development of Business Incubators that draw on best practice

There are a number of business incubators that have been developed nationally and internationally to develop non-Indigenous, ethnic and Indigenous business. This includes non-Indigenous incubators at the University of Melbourne and University of Technology, Sydney. University of Technology, Sydney has also recently developed a specific refugee business incubator which is being co-led by Professor Jock Collins, who is one of our research team. This incubator is proving to be very successful in encouraging the development of new refugee businesses. In addition, Indigenous incubators like the Darebin Enterprise Centre, although not linked with a University partner, are providing business support. Overall the evidence suggests that incubators can be very effective at accelerating the development of businesses, and we believe that it is likely that this will transfer to the Indigenous context, and that further efforts could go into establishing Indigenous business incubators that are linked to universities so that best-practice advice is imparted.

8) Establish networks for remote businesses

Our results demonstrate that involvement in business networks is low among remote businesses, even though this has been found to be an important factor in influencing growth. An alternative would be to fund or organise the establishment of networks among remote businesses, or encourage the development of links between remote businesses and other networks in urban or regional areas using modern technologies.

9) Establish network for community and cooperative-owned businesses

Similarly, our results indicate that the engagement of community and cooperative businesses in Indigenous business networks is relatively low. It is possible this is because of a perception that Indigenous business networks are primarily for privately-owned businesses. Given the benefits of networking and the specific needs and challenges of Indigenous community and cooperative businesses, there is a case for establishing a network or networks for such businesses.

10) Encourage engagement of mature Indigenous businesses in mainstream business networks

Another finding was that more mature businesses benefit substantially from participating in mainstream business networks, and more so than participating in Indigenous business networks. This is akin to the notion in the ethnic entrepreneurship literature of “breaking out”. Mainstream business networks could be identified and contacted about inviting Indigenous businesses to participate. Mentors, government business advisors and development officers and other support agents could also be urged to encourage participation in such networks.

11) Develop a how to guide for effective promotions among Indigenous businesses

Promotions was found to be an important factor in business growth, yet only 25% of businesses were making use of both traditional and electronic promotional techniques. A guide on effective promotions for Indigenous businesses could be developed. This would focus on effective promotional activities for micro, small and small to medium sized businesses. It would need to recognise that cash-flow is limited for micro and small businesses, so the array of possible promotional techniques is fewer. It would need to focus on both advertising and public relations (that is, zero cost promotional approaches). Case study examples should also be included.

12) Encourage higher level skill development among Indigenous businesses

Having a tertiary diploma or degree in business, as well as employing a range of sophisticated business practices were found to significantly influence business success. However, having a non-

business related tertiary degree, a business certificate or having TAFE/technical qualifications, were not found to positively affect business success. This suggests a need for policies to encourage business education among Indigenous entrepreneurs at the tertiary level.

Given that specific skills were found to be related to business success (eg promotions, accounting systems, ICT), programs could be developed to address these skills. This could include development of information guides (see Recommendation 11), but also mentoring of businesses in these key areas, particularly in remote areas and among female entrepreneurs.

13) Additional support needed for female entrepreneurs

A concerning finding was the poor performance across multiple indicators of the success of female owned or managed businesses. Furthermore, some standard forms of assistance for early stage businesses such as mentors and participation in mainstream business networks was not found to be helpful in encouraging the success of female entrepreneurs. However, some other forms of support were found to be helpful, including participation in Indigenous business networks, mentoring and achieving tertiary business diplomas and degrees. Given the relatively poor performance of female run businesses relative to their male counterparts, there is a rationale for increasing funding for activities that have been found to encourage growth. Further research could also investigate why mentors have not been effective at increasing growth for this cohort, and why participation in mainstream business networks have not been effective for early stage female entrepreneurs but is effective for encouraging growth for later stage female entrepreneurs.

14) Improving information to match Indigenous employers with potential Indigenous employees

Our research indicated that many businesses are wanting to increase numbers of Indigenous employees but often have trouble finding suitable Indigenous staff. An alternative is to support the development of Indigenous jobs databases such as Indigenous Jobs Australia. This could involve providing information to Indigenous businesses about the existence of such databases, and advertising to the Indigenous community about it. Virtual or actual job fairs could also be held.