

The Anatomy of the Australian Entrepreneur:

Understanding micro, small and medium
business entrepreneurs in Australia

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Executive summary

This report is the result of research into how Indigenous and non-Indigenous owned micro, small and medium enterprises (MSMEs) perform.¹ It takes as a starting point the potential role small business could play in improving Indigenous people's participation in the economy, recognising that this has a direct impact on Indigenous people's wellbeing.

After reviewing the literature to reach an acceptable definition of small business, the report makes a case for a comparative study of Indigenous and non-Indigenous businesses. It presents an overview of enterprises participating in the study: their location, size, type of activity and status (Indigenous or non-Indigenous), number of years in operation and structure.

It profiles business owner managers and managers, examining formal and informal business training, previous experience in business and membership of associations or networks. The report then moves into a study of motivations for starting up a business, revealing the priorities of Indigenous and non-Indigenous entrepreneurs and analysing how businesses were originally financed.

The performance of businesses as revealed by reported profit and loss and by the perceptions of the entrepreneurs is discussed. This discussion reveals congruence in the views of Indigenous and non-Indigenous entrepreneurs over the critical factors influencing business success. The study concludes with an examination of support mechanisms utilised by entrepreneurs in establishing their business and outlines additional support business owners and managers believe would assist them in running their business.

The report then examines business owners' and managers' goals and challenges for the future. Participants in the research are generally optimistic. With clearly defined and achievable business goals, many feel they are on track to meet those goals, despite a keen awareness of the constraints and challenges facing them. Many Indigenous business people identify more accurately targeted and accessible support as a key element in delivering a more sustainable and profitable Indigenous business sector.

The report concludes with a summary of key findings in response to the research's goal of understanding the critical success factors for business, a comparison of performance, an outline of business models in operation in the MSMEs studied and specific measures to support Indigenous business. The conclusion reinforces the need for support measures that will encourage sustainable growth.

¹ In this report we use the term MSMEs and small business interchangeably.

Key findings and conclusions

General findings of this study include:

- Although two-thirds of the Australian landmass is considered to be desert, about one-fifth of the MSMEs investigated are in desert areas. Of these, only one in four is Indigenous-owned.
- More than half of all businesses in the study are established non-Indigenous businesses that have been operating for more than three years. One in ten is an established Indigenous-owned business and the remainder are either start-ups or newly established Indigenous and non-Indigenous businesses.
- Among Indigenous-owned MSMEs surveyed, agriculture, forestry and fishery, arts and recreation (including tourism) and cafes and restaurants are the most popular business activities.
- Four out of five businesses in the study are operated by owners or co-owners; the rest by hired managers. Most MSME owners or hired managers studied are men.
- Owner-managers surveyed tend to have attained Vocational Education and Training qualifications, while more hired managers have an undergraduate degree.
- The majority of Indigenous businesses in the study are managed by owner-managers; of the fewer hired managers, more are non-Indigenous than Indigenous.
- Both Indigenous and non-Indigenous business people interviewed in the study cited their main reasons for starting a business were to create employment for themselves and/or family members. They also wanted to be their own boss, improve their income and change their lifestyles.
- Few Indigenous business people in the study belong to business networks.
- There is a variety of business models operating across the businesses in the study, from companies, sole proprietorships, partnerships and incorporated associations, to cooperatives, trusts and non-profit enterprises.

Specific findings relating to the goals of the study include:

1. There appears to be little difference between desert and non-desert businesses in the factors identified as most important for success. Similarly, Indigenous and non-Indigenous business people were broadly in agreement over these factors:

- good quality products and services offered to customers
- good choice of products and service to sell
- good staff
- good management skills
- use of information and communications technology
- reliable suppliers (slightly more important to Indigenous business)
- proper financial management (more important to Indigenous businesses)
- good economic conditions (more important to Indigenous business)
- good location of the business (more important to Indigenous business).

2. Business managers rated their businesses' performance highest in these areas:

- customer satisfaction
- credibility with customers
- personal satisfaction or fulfillment
- operational measures such as productivity and delivery times
- staff satisfaction.

They gave a more measured, but still positive, response to ratings for occupational health and safety, staff retention, status in the community, turnover of accounts received or payable, financial independence and stability and sales growth. They rated themselves lowest on interstate or international competitiveness, market share, interest of family members to get involved in the business, job creation and customer complaints. The lower scores for these aspects of business performance are likely to reflect the size and locally focused nature of most of the businesses in the survey.

3. Indigenous entrepreneurs identified specific support that would help them to sustain and grow their businesses including:

- simplifying tax reporting
- creating business hubs
- access to long-term mentoring to develop business
- fair trading for Indigenous business
- building skills with business and management training.

Conclusions

The findings in this study show Indigenous and non-Indigenous entrepreneurs are remarkably similar in terms of their motivations, challenges faced and goals for their business. Nevertheless, there were some differences between the two groups that require specific policy responses. To realise the potential for Indigenous business, there is a need for policy development that recognises and understands the similarities and differences between Indigenous and non-Indigenous entrepreneurs. Some policy recommendations to support Indigenous business include:

- the need for support mechanisms to assist small businesses. Government support may not necessarily be financial in nature. Creating an enabling environment by reducing transaction costs through simplifying tax reporting, creating a business hub and reducing red tape in establishing a business are important business enablers for Indigenous businesses.
- the need for mentoring, including access to a long-term mentor who understands Indigenous businesses to assist in developing and growing their business
- capacity building including training in various areas of business and management, business planning and financial management

- marketing support, including assistance in business promotion, increasing business profile, market research, website development, and promotion of products interstate and in other venues. Many Indigenous businesses, particularly those in the desert, involve Indigenous artwork and artefacts that have a considerable potential market overseas. More effective means of reaching these markets such that Indigenous people maximise economic benefits are likely to have positive effects on Indigenous communities
- the need for access to ICT infrastructure including broadband internet and mobile services particularly for businesses located in desert and remote areas to reduce geographical barriers in accessing markets.

In regards to funding, there is a need for funding to be more accessible and funding processes to be more user-friendly. The factors identified above provide a guide to the policy directions required to support Indigenous businesses in reaching their potential.

1: Introduction

1.1 Background

Despite the general economic prosperity of the nation, there remains a gap between Indigenous and non-Indigenous Australians in many socioeconomic areas. In 2008, the Australian Labor Government pledged to close this gap by targeting the core areas of health, education and economic outcomes. Improving economic participation was identified by the Government as one of its strategic areas for action (SCRGSP 2009, 2005). The extent to which people participate in the economy has a direct bearing on their wellbeing. Many studies have shown that improving income has a positive effect on health, education, housing and self-esteem as well as reducing social alienation (SCRGSP 2009, 2005; Altman 2001).

Developing economic independence can normally be achieved through paid employment or through the establishment of business enterprises.² (SCRGSP 2009, 2007, 2005; Altman 2001). While there has been some progress in levels of employment of Indigenous people, the number of Indigenous people unemployed remains high. The 2006 Australian Bureau of Statistics (ABS) Census showed that only about 46% of Indigenous people aged 15 years and over were employed, compared with 62% of non-Indigenous people. In addition, under-employment is greater for Indigenous people, with 39% in part-time jobs.

While self-employment and/or business ownership may offer an alternative pathway towards economic independence, establishing a business is not an easy task. According to the 2006 Census, self-employment among Indigenous Australians is lower than among non-Indigenous Australians, with 6% of the Indigenous population being self-employed compared to 16% of their non-Indigenous counterparts (ABS 2006). The Australian Indigenous rate is lower than self-employment figures for Indigenous New Zealanders, where self-employment was 10% (Indigenous Business Review 2003).

Indigenous Australians are less likely to establish a business compared with other Australians because they face a number of disadvantages. Indigenous entrepreneurs are more likely to face many barriers, including credit and capital constraints, lack of knowledge and skills on how to start and operate a business, lack of financial management skills, lack of marketing skills, difficulties in establishing networks with the business sector and negative perceptions about their credit worthiness (Rola-Rubzen & Ferguson 2009; Schaper 2007; Foley 2003; Council for Aboriginal Reconciliation 2000). The situation holds true in most parts of desert Australia, where a large number of Indigenous people live. A recent report by the Desert Knowledge Cooperative Research Centre (DKCRC) showed that of the 41,275 businesses in desert areas, only about 1% are Indigenous-owned (Rola-Rubzen et al. 2009).

Businesses located in desert areas face a bigger challenge due to the 'desert syndrome' as characterised by distance to input and output markets, distance from major centres, lack of facilities and services as well as deficient infrastructure (Stafford Smith et al. 2008). Approximately two-thirds of the Australian landmass is considered desert. Australian desert regions are home to over half a

² The terms 'business' and 'enterprise' are used interchangeably in this report, as are the terms 'business owner' and 'entrepreneur'.

million people (Brown et al. 2008). Characterised by variable climatic, ecological, resource and social conditions (Stafford Smith et al. 2008), the unique environment of desert Australia, however, also offers some opportunities for enterprise development. For instance, the very lack of services represents opportunities for people living in the desert regions to fill (at least some of) these gaps and develop business enterprises to provide basic services (e.g. food provision, fuel, plumbing, sanitation, etc.) to desert communities.

Housing initiatives such as the Australian Government's Strategic Indigenous Housing Initiatives Program (SIHIP) offer not only employment but also business opportunities for entrepreneurial people to service the needs of the housing industry. Perhaps the strongest competitive advantages of desert regions, however, are their natural and cultural resources. There is potential to develop businesses in tourism and cultural exchange, arts, bush foods and other related industries.

One of the main issues of concern for government support agencies, business people and business networks alike is the high failure rates of small businesses. Yet, there are also numerous successful businesses. What are the key ingredients for success? What influences the performance of businesses? Do non-Indigenous-owned businesses perform better than Indigenous-owned businesses? If so, why? What is needed to increase the number and/or performance of Indigenous-owned businesses? What factors are likely to increase the success of Indigenous businesses? This study, through a survey of Indigenous and non-Indigenous entrepreneurs, attempts to answer some of these questions.

Although there have been a few research studies analysing success factors for Indigenous businesses (Foley 2000, 2003, 2006; Altman 2001), there does not seem to be a study comparing Indigenous and non-Indigenous owned businesses in Australia, particularly one that looks at both desert and non-desert areas. Furthermore, most of these studies have been based on qualitative research. Understanding the specific barriers to Indigenous-owned MSMEs can inform potential and existing businesses owners and governments alike on factors that will enable the development of successful and enduring Indigenous-owned businesses.

This study aims to understand the performance of businesses by comparing Indigenous- and non-Indigenous-owned businesses. It will look at the goals of the entrepreneurs, the barriers to sustainable business and what is needed to support the growth and development of businesses. The research will benchmark the performance of Indigenous-owned and non-Indigenous-owned businesses, identify the types of MSMEs that exist in desert and non-desert Australia, and determine the motivators for starting a business and the factors that influence business performance. Finally, it will identify critical areas for support of Indigenous entrepreneurs in Australia.

1.2 Objectives

The main objective of this study is to benchmark the performance of Indigenous and non-Indigenous businesses from the perspective of the business owner-managers and managers, comparing businesses located in desert and non-desert areas. Specifically, the research aims to:

- examine the goals and aspirations of Indigenous entrepreneurs

- examine aspects of the performance of Indigenous- and non-Indigenous-owned businesses from the perspective of the business owner-managers and managers
- identify factors that influence the performance of businesses
- identify the barriers and enablers for the growth and development of businesses, particularly Indigenous-owned businesses
- identify critical success factors that will lead to successful Indigenous-owned businesses
- identify the types of support that MSMEs need to grow and develop.

It is expected that the study will identify common reasons why businesses survive and deliver profits and the common causes or ‘ingredients’ for success. It will also identify what is needed from different levels of government, business organisations and other businesses, to grow and develop MSMEs in Australia.

1.3 Structure of this report

There are nine chapters in this report. Chapter 1 provides a background to the research, explaining the rationale for the study and the study objectives. Chapter 2 provides a review of literature referring to MSMEs to provide context for the study, while Chapter 3 outlines the research approach used in the study. The study limitations are also discussed in this chapter.

Chapter 4 provides an overview of the MSMEs in the study, commencing with a profile of the business enterprises surveyed, followed by the profile of the respondents (owner-managers and managers).

Chapter 5 provides a comparative analysis of Indigenous and non-Indigenous entrepreneurs, presenting their respective demographic profiles and background including their levels of business training and networking.

Chapter 6 looks at the process of starting a business, examining the motivations of entrepreneurs in developing and launching a business enterprise, their initial capitalisation and the reasons they chose a particular type of enterprise.

Chapter 7 outlines the performance of MSMEs, comparing Indigenous and non-Indigenous MSMEs. Respondents’ perceptions on success factors are explained and what they think is needed to support their business.

Chapter 8 looks at the goals of entrepreneurs and outlines their visions for the future.

Finally, Chapter 9 summarises the study findings and conclusions, drawing out implications for policy and action.

Apart from benchmarking Indigenous- and non-Indigenous-owned businesses, it is hoped that this report will provide insights into the performance of small and medium enterprises in Australia as perceived by the business owners and managers, and bring new knowledge about critical success factors for MSMEs, both from an Indigenous as well as a non-Indigenous perspective. Better

understanding of similarities and differences between the two types of businesses and their underlying success factors will help in responding to the needs of businesses and in turn, lead to an enduring MSME sector in Australia.

2: SMEs – their role and importance in Australia

2.1 Importance of MSMEs

Small and medium enterprises play a major role in an economy, successful small businesses being the prime movers of a country's economic development, income growth and poverty reduction. In many developing countries, the majority of the working population is employed in the micro enterprise sector. In Thailand, for example, 97% of all firms in the manufacturing and trade/service sector are micro and small enterprises, and together they generate 71% of total employment in the trade sector (US Department of State 2004). In the United States, nearly half of the GDP in 1999 was said to be attributable to small businesses, which employed 68.2 million people (Small Business Administration 2001). In the UK, Curran (1996) found that the small business sector had grown significantly, from an estimated 1.9 million firms in 1980 to 2.8 million in 1990, with 90% of such businesses employing less than 20 people. In New Zealand, MSMEs accounted for 99% of all business enterprises and employed 60% of the working population, with 85% of the business employing a minimum of five people (Cameron et al. 1997).

In Australia, it is estimated that the total value of family-owned businesses, mainly comprised of MSMEs, in 2006 was A\$4.3 trillion. This represents a quarter of the total value of the Australian Securities Exchange (ASX) market capitalisation for all listed companies (PricewaterhouseCoopers 2007). A study conducted by RMIT University found that family enterprises generate more than half of Australia's employment growth, accounting for approximately 40% of Australian private sector output (MGI Australasia Media Release, 16 November 2006). Moreover, the percentage contribution of the small business sector is on the rise. For instance, the proportion of the total labour force of the retail sector, which is the largest employer in the Australian economy, increased from 4.7% in 1985 to almost 5.5% in 2006. According to Revesz and Lattimore (1997), small businesses are often considered to be the 'engine' of the Australian economy for the role they play in job creation, not because MSMEs are particularly able to generate jobs, but because the products for which demand has increased are mainly supplied by small business.

Apart from the economic impacts that MSMEs provide, they also create social and environmental benefits for local communities and states as a whole (PricewaterhouseCoopers 2007). These benefits include contributing to community character and wellbeing, with most MSME business decisions being made within a local community context. MSMEs also assist sustainable economic prosperity, given that locally owned businesses generally reinvest a larger share of revenues back into local and state economies. Finally, MSMEs promote entrepreneurship, facilitating the opportunity for all socio-economic groups, particularly lower income groups, to be innovative and in the process, create business value.

2.2 What is a small business?

There is no universal definition of a small business. Different countries define small business in various ways. According to Tangco (1966), the criteria used can be based on the number of employees, level of capital investment, volume of sales and receipts, or the amount of energy used, among other things.

For example, in the European Union, a business is considered a small business if the turnover of the business is less than or equal to 10 million Euros. The Indonesian Small Business Law of 1995 defines small business as firms with assets (excluding land and buildings) of less than 200 million Rupiah or with sales of less than one billion Rupiah. In New Zealand, a firm that employs fewer than 50 people is considered a small business (Thomas et al. 1997). In China, however, the definition of small business is based firstly on output capacity by industry, and secondly on the original value of fixed capital for firms with diversified products (National Bureau of Statistics of China 2003). For example, in the construction sector, an annual revenue of under 3000 million Yuan is considered a small business (in this industry sector, small businesses are defined as firms with total assets under 4000 million Yuan). However, for the retail sector, small businesses are those businesses with annual revenue under 1000 million Yuan. A further definition of small business, developed by Chad et al. (1988), is businesses where one or two people make all the key managerial decisions without the help of internal specialists.

The Australian Bureau of Statistics (ABS) (2007) defines small business as a business employing less than 20 workers, or less than 100 employees in the manufacturing sector. ABS definitions of the MSME sector, discussed below, have been used for this study.

2.3 Main categories of business

While some people loosely use small business to define a range of enterprises from a single-person operation to a more complex business employing several people, strictly speaking businesses can be categorised into micro, small, medium and large businesses. The ABS (2007) applies the following broad criteria to classify businesses. Micro businesses employ less than five employees and include non-employing businesses. Small businesses employ less than 20 workers and include businesses with total income/or expenses between \$10 000 – \$5 million. A medium business is defined as a business that employs 20 or more workers, but less than 200 employees. Finally, a large business is one that employs over 200 employees or has assets of over \$200 million. For agriculture, the categorisation is based on a measure of the estimated value of agricultural operations (EVAO), that includes the area the crops are grown in, the number of livestock, and crops produced and livestock turn-off (mainly sales) during the year.

In Australia, 95.6% of businesses are considered to be small businesses, employing 4.1 million people (House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs 2008). According to ABS (2001) and PricewaterhouseCoopers (2007) the types of small businesses in Australia include take away foods; fresh meat, fish and poultry; department stores; transport services; food wholesaling; commercial refrigerator and storage services; legal accounting services; communication services; property services; printing; meat and meat products; banking; wholesale

traders; fresh fruit and vegetable production; food and beverage manufacturing; food retailers; accommodation; cafés and restaurants; finance and insurance; education, health and community services; and cultural and recreational services among others.

2.4 Characteristics of small businesses

Small businesses tend to have distinct management and organisational characteristics. These include independent ownership and operations and close control by owner-managers who also contribute most, if not all, the operating capital and make the principal decisions for the business (ABS 2001; Atkinson & Meager 1994). Other characteristics described by Dyer and Handler (1994) are:

- the closeness between small business customers and the manager, which can provide impetus for innovation
- less bureaucracy
- a more clannish structure, which may also improve inter-organisational trust, communication and cooperative competency, thus contributing to innovation.

Burns and Dewhurst (1996) posited that the major distinction between large and small businesses was the presence of the owner-manager: small businesses tend to be managed in a personalised way, which may present problems as the firm can become over-reliant on the skills and experience of one individual.

Cressy and Cowling (1996) described a number of key features that characterise the financial context of small businesses. Owners of small business often have a major portion of their wealth invested in the firm. The business may also depend on a small number of key individuals and this contributes to an incomplete management team that may lack financial, management and marketing skills. In addition, the enterprise is often subject to a number of internal and external constraints on borrowing.

2.5 Challenges faced by MSMEs

The very nature of MSMEs creates a number of challenges. According to the ABS (2001), while there are no official statistics on actual failures in small business, bankruptcy statistics provide a useful indicator of the extent to which small businesses are failing.

The data from ABS (2001) showed that the total number of small business bankruptcies in 1998–1999 was 5,905; in 1999–2000 the number was 3,899, and in 2000–2001 it was 4,440. The data cites the major causes of small business bankruptcies in Australia as lack of capital, lack of business ability, failure to keep proper books, economic conditions, excessive interests, excessive drawings, gambling or speculation, personal reasons, and others.

Businesses can also fail as a result of bad management, poor planning, poor marketing development, lack of responsibility in managing the business and others. Anh et al. (2005), in their study of the Korean service industry, found that factors involved in business failure include ineffective marketing communication, poor demand forecasting, failure to satisfy technical specifications, loss of cost

advantage, loss of utility advantage, decreased market attractiveness due to environmental changes and government policy.

For Indigenous businesses, the risk of failing can be particularly high. Fuller et al. (2004) pointed out that Indigenous businesses have a high risk of failing because they are more likely to be small. Factors contributing to business failure include lack of skills and business experience in planning, business management, financial management and control, marketing and product research and development.

Fuller et al. (2004) also identified other causes as lack of sources of funding, lack of skills and experience required to promote and market a business in interstate and international markets and difficulties with land tenure arrangements for businesses on Indigenous land. These factors can affect both the establishment and continuing operation of a business in remote Australia.

The small business knowledge web site (www.biz-move.com) listed the top ten small business mistakes that can lead to failure: getting wedded to an idea and sticking with it too long; absence of a marketing plan; not knowing the business's customers; ignoring the business's cash position; ignoring employees; confusing likelihood with reality; absence of a sales plan; being a lone ranger; no mastermind; and giving up.

The United Nations Conference on Trade and Development (UNCTAD) (2005) argues MSME development is often frustrated by the absence of a favourable macroeconomic framework. Lack of access to credit is also a major constraint for enterprises that want to expand their activities. MSMEs tend to present a high risk to lenders because many of them have insufficient assets and suffer from low capitalisation (UNCTAD 2005).

Despite the opportunities presented by globalisation and increased international trade, it is difficult for MSMEs to participate in global markets. For instance, the East and South-East Asian experience shows that the majority of small enterprises perform poorly in the world market (International Labour Organization 1996). The small enterprises that survive are the ones with export potential that are able to grow from small into efficient medium-sized firms.

As mentioned above in relation to Indigenous businesses, another challenge faced by MSMEs, particularly small businesses, relates to their low levels of capitalisation and limited access to finance. A study conducted by Yang et al. (2008) in China reveals that MSMEs are constrained from achieving economies of scale in the purchase of production inputs and capital investment such as equipment, raw materials, finance and consulting services. As they are also often unable to access global markets, they are consequently unable to take advantage of market opportunities that require large volumes, homogenous standards and regular supply.

The UNCTAD (2005) study also shows that there is a growing recognition of the need for micro-level approaches that address the specific challenges facing small-scale entrepreneurial activity. Improvements in products, processes, technologies and organisational functions such as design, logistics and marketing have become the critical success factors in firms' competitiveness in a globalising economy (Yang et al. 2008).

2.6 The case for a comparative study of Indigenous and non-Indigenous owned businesses

Why take an Indigenous and non-Indigenous perspective when studying the Australian entrepreneur?

It is well known that Indigenous Australians experience significant disadvantage in health, education, employment, income levels and wealth compared with non-Indigenous Australians (SCGRSP 2009,

2007, 2005; Pollard 1988; Fish 1985).

Box 2.1: Definition of Indigenous-owned business

To be considered Indigenous owned, the business needs to be at least 50% owned by one or more Aboriginal or Torres Strait Islander persons. An Aboriginal or Torres Strait Islander is a person of Aboriginal or Torres Strait Islander descent who identifies as an Aboriginal or Torres Strait Islander and is accepted as such by the community in which he or she lives [Commonwealth v Tasmania (1983) 46 ALR 625]

Economic development and independence through the establishment and growth of small businesses is a means by which Indigenous people can overcome the impoverished socio-economic circumstances that they face (IBSA 2005; Fuller et al. 1999). According to Fuller et al. (1999), economic

independence through entrepreneurial activities in small business is one possible solution to welfare dependency. ATSIC (1998) also pointed out that success in small business has the potential to improve the economic and social position of Indigenous Australians.

Indigenous communities in Australia have long identified the need for economic development as a key strategy for achieving self-determination and improving social and economic outcomes such as unemployment. At the same time, ABS self-employment figures estimate Indigenous people are three times less likely to be self-employed than non-Indigenous Australians and seven times less likely in desert areas (where there is approximately 1% Indigenous compared with 7% non-Indigenous self-employment). Improving Indigenous economic independence through business development could have an impact on stimulating regional, rural and remote economies because many Indigenous people live in these areas. Not only will this reduce dependence on social welfare (reducing social and economic costs for government), but more importantly, empower Indigenous Australians to participate in and control their own economic development.

Finally, another strong rationale for taking a comparative view when examining Australian entrepreneurs is the paucity of such information in the Australian context. There is a lack of information comparing Indigenous and non-Indigenous businesses. Although there have been some studies analysing success factors for Indigenous businesses (Foley 2000, 2003, 2006; Altman 2001), there does not seem to be an in-depth study comparing Indigenous- and non-Indigenous-owned businesses in Australia. Furthermore, most of the existing studies on Indigenous entrepreneurship have been based on case studies or qualitative research rather than quantitative research techniques. Further understanding the barriers faced by Indigenous-owned MSMEs will aid in the development of policies and initiatives in support of a successful and enduring Indigenous business sector. Likewise,

understanding the enablers for businesses, both Indigenous and non-Indigenous, will lead to the development of profitable and sustainable MSMEs in Australia.

There are other compelling reasons for a comparative analysis of Indigenous and non-Indigenous owners and their businesses. The first is that Indigenous-owned entrepreneurs exhibit some unique characteristics in their motivations, orientation, and indeed in some cases, the business models they engage. Their needs are likely to be different from their non-Indigenous counterparts in such respects. Nevertheless, the data collected for this research demonstrates that small businesses face many of the same challenges, whether they are Indigenous or non-Indigenous owned and whether they are managed by an Indigenous or non-Indigenous person.³

While it is true that many challenges faced by businesses are similar regardless of business ownership, Indigenous businesses face a set of problems that are not conventionally met by non-Indigenous businesses. For example, a number of Indigenous businesses are micro or small businesses operating in Indigenous community contexts. They are therefore often unlike mainstream business. As pointed out by NCVER (2007), Indigenous businesses are more likely to have their origins and connections in non-commercial or subsidised community-based activities and ventures. Some may have a history of non-Indigenous management or financial control and be community-owned rather than owner-operated. Finally, Indigenous-owned businesses often tend to emphasise community usefulness and community employment rather than simply profit on capital.

Foley (2006) revealed that the aspirations of Indigenous entrepreneurs in running a business are:

- to provide members of their family with gainful employment opportunities
- the need for economic empowerment (e.g. basic foods, accommodation, clothing)
- self-determination
- taking control of their life and becoming a part of society rather than being subjected to the controls of the welfare state.

Success in business is usually described as monetary success, as profit is universally accepted as the underlying bottom line in business. Whereas non-Indigenous entrepreneurs often correlate money with achievement, Natemeyer (1978) and Knutson (2000) revealed that money has little motivation to the Indigenous entrepreneur. Foley (2005) confirmed that a successful Indigenous business is not defined by the level of funding or profit gained through the business, but in how they can assist in sharing the wealth among the community, clan or family group, or through the provision of employment to its members.

³ The next section discusses limitations in the Indigenous sample size of the data collected that may mean certain differences in Indigenous and non-Indigenous entrepreneurship have not been picked up by this research project. For example, the sample did not comprehensively represent Indigenous community-based businesses that may exhibit some of these differences.

Indigenous businesses also face a unique set of challenges. Apart from those challenges normally faced by any business, they also have to contend with racial discrimination, which inhibits them from accessing both input and output markets (see for example Foley 2000).

Therefore, recognising and understanding the similarities and differences between Indigenous and non-Indigenous entrepreneurs will allow for policy to be more responsive and culturally appropriate to the needs of both types of entrepreneur. For instance, Whitford and Ruhanen (2009) suggest that in developing Indigenous businesses, government support systems and policy should take into account:

- awareness and understanding of Indigenous governance arrangements to avoid imposing western values
- the need for more sustained and long-term educational opportunities to enhance business and management capacity
- developing specific and targeted educational programs to increase Indigenous capacity for decision-making and change to facilitate flexible and timely governance
- more efficient access to and utilisation of information and communications technology
- processes to reduce bureaucratic red tape and increase user-friendly systems and procedures.

A further rationale for taking a comparative view is to ensure that the Indigenous aspects of entrepreneurship are not lost in the discussion of business and entrepreneurship. Small businesses represent an opportunity for economic independence for Indigenous people, so it is critical to consider entrepreneurship from the Indigenous point of view if we are to understand how best to support the growth and development of entrepreneurship amongst Indigenous Australians.

3: Research approach

3.1 Introduction

This chapter outlines the research approach used in this study. Section 3.2 discusses data sources and how data were gathered, while Section 3.3 describes the data analyses undertaken. The limitations of the study are outlined in Section 3.4.

3.2 Data sources and data gathering method

The research involved primary data gathering by inviting Indigenous and non-Indigenous entrepreneurs to take part in a survey of MSMEs in Australia. Businesses surveyed ranged from sole operators to enterprises with up to 200 employees.

The study used a structured questionnaire. The questionnaire covered five main areas:

1. information about the business (including type of activity, business structure, number of employees)

2. information about the owner or manager of the business (such as gender, age, educational attainment)
3. the process of business start-up (such as reasons for starting the business, initial capitalisation)
4. use of information and communication technology (ICT) in the business
5. business performance and goals.

Prior to the survey, an ethics application was sought from Curtin University.

The sample was drawn from several business databases, including the DKCRC database; publicly available, web-searchable business databases; and databases of various chambers of commerce and other local and state agencies. To ensure that Indigenous-owned businesses were represented, samples were also drawn from the Black Directory and the Koori Business Directory. Clients of Indigenous Business Australia were also invited to participate in the survey.

A total of 460 respondents – comprising business owners and/or managers of MSMEs from all states and territories of Australia – participated in the study. Of these, about 12% are Indigenous-owned businesses.

A combination of web-based survey, email and mailout surveys were utilised. The survey was conducted for a period of six months, from May to October 2010.

3.3 Data analysis

Data were electronically processed and analysed using the statistical software SPSS. Descriptive analyses were conducted, including numerical and graphical data summaries. Cross-tabulations were likewise used extensively to present various aspects of the data. Regression analysis was also used to determine variables influencing business performance and business success.

3.4 Limitations of the study

The main limitation of the study is the absence of a comprehensive list of MSMEs in Australia from which a random sample could be drawn. Hence, the study used a combination of databases available to the research organisation, as well as databases of various business networks and various local and state development agencies. Therefore there is a likelihood of sampling bias. To get as wide a representation of MSMEs as possible and to increase participation rates, attempts were also made to contact as many business-related organisations and agencies that have access to business networks to disseminate information about the research. Information about the survey was also widely disseminated through various media.

Another limitation is that while the study covered the whole of Australia, there was a larger response rate from businesses in Western Australia (WA) compared to other states. Perhaps this is because Curtin University is located in WA and is therefore more well known in this state compared to the rest of the country.

A final limitation is the inherent difficulty in getting a large Indigenous sample. To ensure that Indigenous entrepreneurs and Indigenous-owned enterprises were well represented, the database of the DKCRC, Black Directory and the Koori Business Directory were utilised. As well, clients of Indigenous Business Australia were invited to participate in the survey. The latter resulted in a high percentage of Indigenous businesses that are IBA clients (more than 50% of the 55 Indigenous-owned businesses that responded) and therefore that have access to loans, possibly skewing the results on loans and government support for the Indigenous group. Results relating to these aspects should therefore be interpreted with caution.

4: Overview of business enterprises

4.1 Introduction

This chapter provides an overview of the respondents that participated in the survey. Section 4.2 outlines the profile of the small and medium business enterprises surveyed, while section 4.3 presents the profile of the respondents (i.e., the business owner-managers and managers).

4.2 Business enterprise profile

A total of 460 respondents participated in the study. Below is a description of the business enterprises.

4.3 Location of the business

The survey was conducted nationwide.⁴ All states and territories are represented, with about 41% of the businesses surveyed from Western Australia (WA); 23% from New South Wales and Canberra (NSW & ACT); 14% from Queensland (QLD) and 9% from Victoria (VIC). Only 4% of businesses are from the Northern Territory, with the smallest group in terms of location from Tasmania (TAS) where about 2% of the respondents are located (Figure 4.1).

⁴ Businesses that have multiple locations or branches were asked to indicate the location of their main office.

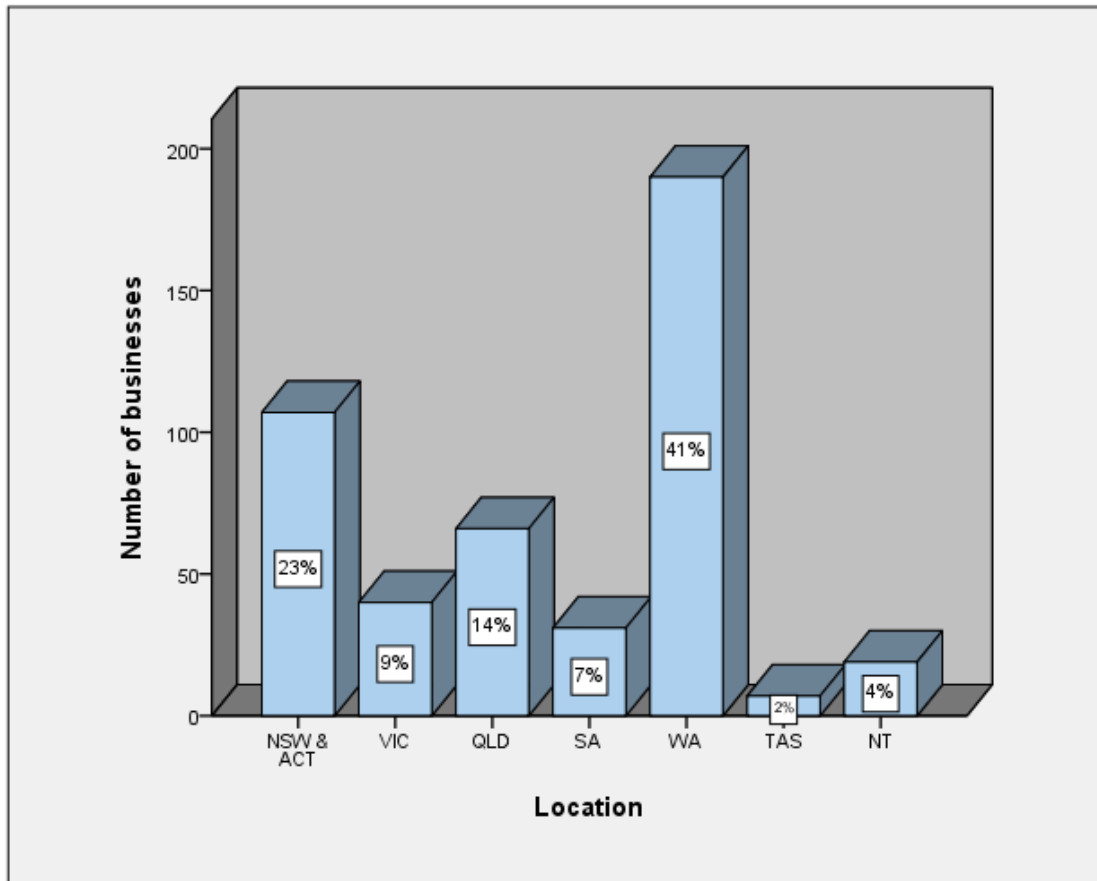


Figure 4.1: Location of the business enterprises

Businesses that have multiple locations or branches were asked to indicate the location of their main office

About 81% of the businesses that participated in the study are located in non-desert areas, while about 19% are located in desert areas (Figure 4.2). Among the respondents, more than 60% are non-Indigenous businesses located in a non-desert area, and 17% are non-Indigenous businesses in a desert area. The rest are Indigenous businesses with more than 60% located in non-desert regions and one third in the desert. In desert areas, non-Indigenous businesses account for 75% of all businesses.

Box 4.1: Definition of desert areas

Desert areas are classified as arid and semi-arid regions. According to the Desert Knowledge Cooperative Research Centre (DKCRC), about 79% of the Australian land mass is considered desert.

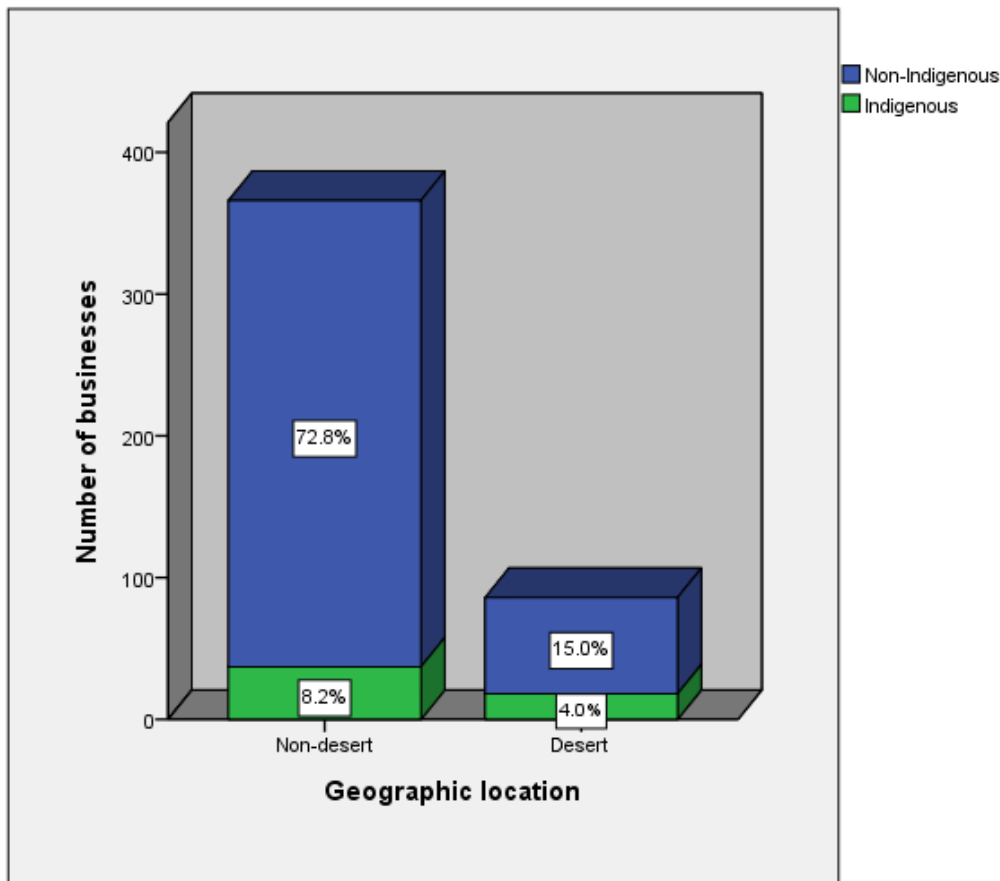


Figure 4.2: Geographic location of MSMEs based on desert classification and by Indigenous ownership status

4.4 Business ownership by Indigenous status

The majority of the businesses surveyed were non-Indigenous-owned (87.8%), while Indigenous-owned businesses accounted for just over 12.2% (Figure 4.2). This represents a lower percentage of Indigenous business owners (businesses are seven times less likely to be Indigenous owned or managed) than is reflected in national self-employment figures (where self-employed Australians are three times less likely to be Indigenous).

4.5 Type of business by length of years in operation

A small percentage of businesses surveyed are in the start-up phase, while about 36% are newly established businesses (Figure 4.3). For the purpose of this research, a business start-up is defined as one that has been operating for less than a year; a new or young business is one that has been in operation for 1–3 years; and an established business is a business that has been operating for more than three years. The majority of businesses surveyed (59.8%) are classified as established businesses. Thirty per cent of these established enterprises have been in business for more than 3–10 years; another 19% between 11–20 years; and about 10% are older than 20 years. The average age of the businesses surveyed is 9 years.

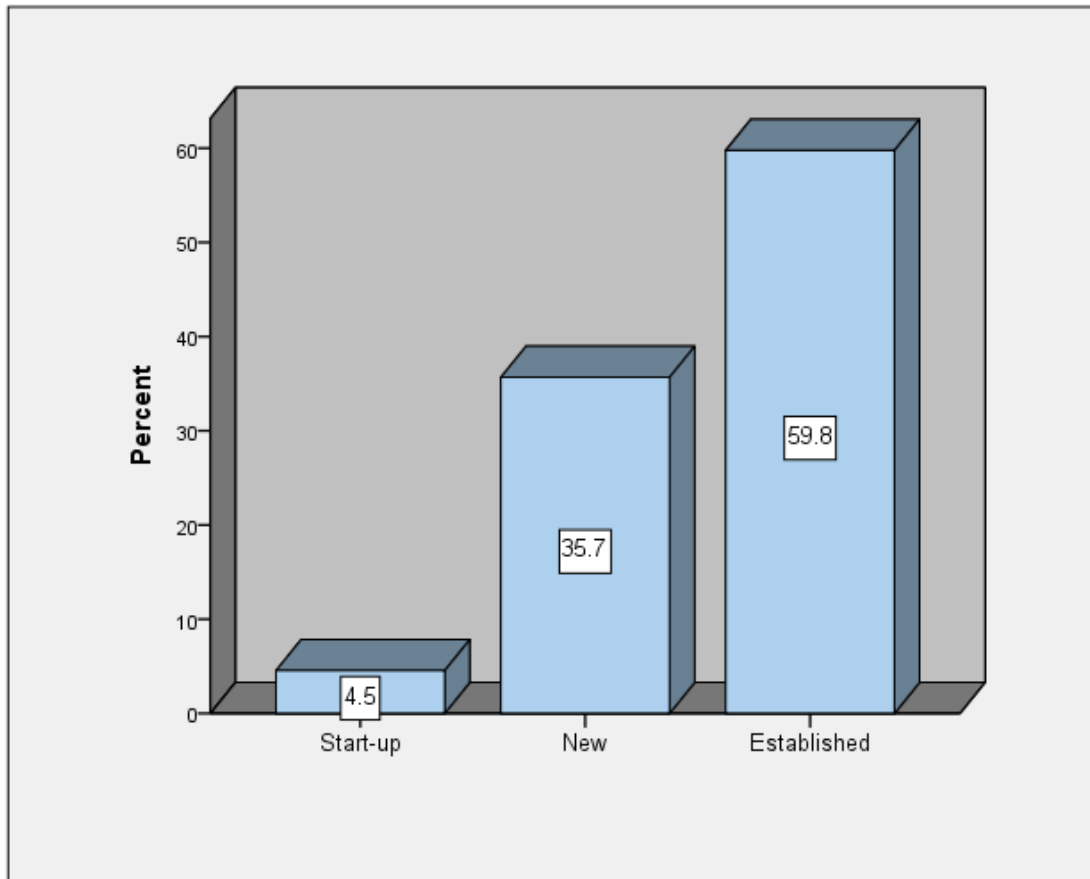


Figure 4.3: Stage of the business

More than half of the businesses surveyed are established non-Indigenous-owned businesses, while close to a tenth are established Indigenous-owned businesses. Start-ups comprise the lowest percentage for both Indigenous- and non-Indigenous-owned businesses surveyed (Figure 4.4).

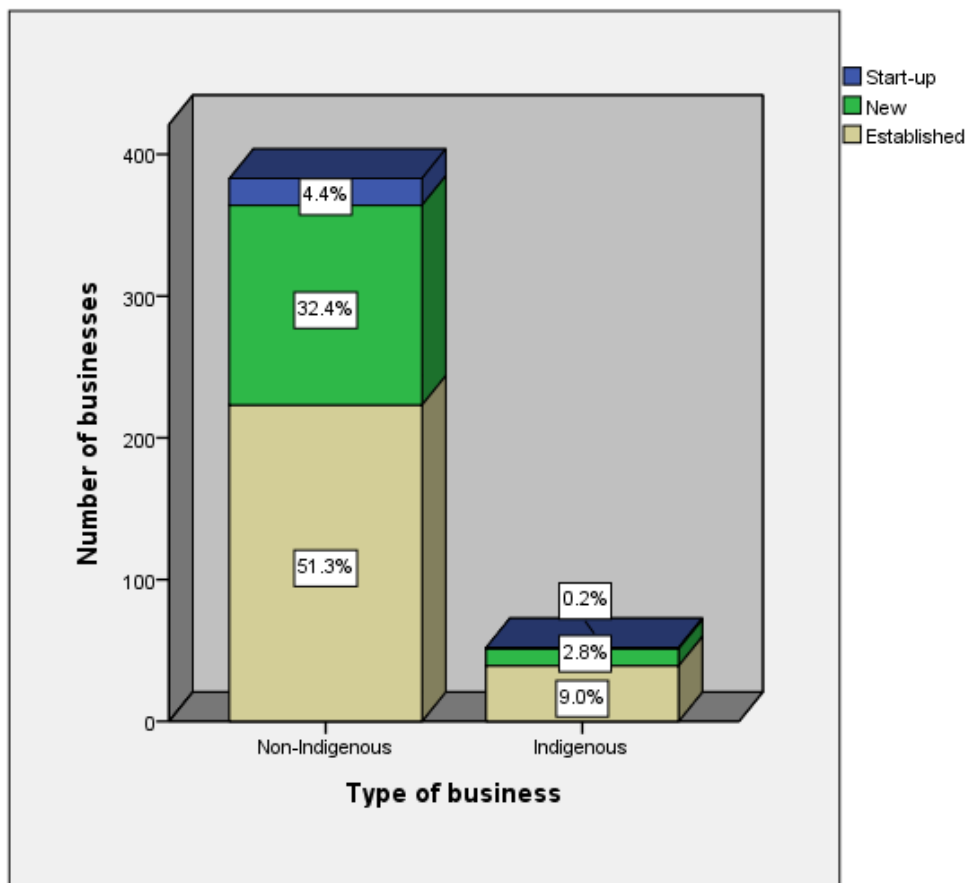


Figure 4.4: Stage of the business by Indigenous ownership

4.6 Type of activity

Respondents were asked to indicate the main type of activity of their business. Table 4.1 shows that MSMEs are engaged in a wide range of business activities from retail trade, cafés and restaurants, arts and recreation, health and allied services, manufacturing and even mining.

For the Indigenous-owned MSMEs, the most popular business activities were related to agriculture, forestry and fishery (9 businesses, or 16.4%), arts and recreation including tourism (9 businesses, or 16.4%), and cafés and restaurants (9 businesses, or 16.4%).

The most popular activities for the non-Indigenous-owned businesses were retail trade (95 businesses, or 23.9%), arts and recreation (46 businesses, or 11.6%), and cafés and restaurants (41 businesses, or 10.3%). Table 4.1 shows the details of the number and type of activity among Indigenous and non-Indigenous business.

Table 4.1: Type of activity by Indigenous and non-Indigenous business

Industry	Type of business			
	Non-Indigenous		Indigenous	
	No.	%	No.	%
Accommodation	21	5.3	1	1.8
Agriculture, forestry & fishing	11	2.8	9	16.4
Arts and recreation (including tourism)	46	11.6	9	16.4
Cafe and restaurant (including food services)	41	10.3	9	16.4
Construction	15	3.8	4	7.3
Education	0	0	0	0
Electricity, gas & water supply	6	1.5	1	1.8
Finance & insurance	16	4.0	2	3.6
Government administration & defence	0	0	0	0
Health & allied services	22	5.5	3	5.5
Information, media and telecommunications	24	6.0	0	0
Manufacturing	24	6.0	2	3.6
Mining	2	0.5	0	0
Personal & other services	6	1.5	1	1.8
Property & business services	19	4.8	1	1.8
Retail trade	95	23.9	7	12.7
Transport, warehousing and storage	8	2.0	1	1.8
Wholesale trade	18	4.5	2	3.6
Others	23	5.8	3	5.5
Total	397	100	55	100

Table 4.2 shows the type of activity and location of the respondents' business enterprises. The most popular desert businesses were arts and recreation (including tourism, 17 businesses, or 19.8%) followed by retail trade (13 businesses, or 15.1%), and agriculture, forestry and fishing (9 businesses, or 10.4%). For non-desert businesses, the most popular were retail trade (91 businesses, or 24.5%) followed by cafés and restaurants, including food services (47 businesses, or 12.7%) and arts and recreation (including tourism, 39 businesses, or 10.5%).

Table 4.2: Type of activity by location of business

Industry	Desert type			
	Non-desert		Desert	
	No.	%	No.	%
Accommodation	14	3.8	8	9.3
Agriculture, forestry & fishing	12	3.2	9	10.5
Arts and recreation (including tourism)	39	10.5	17	19.8
Cafe and restaurant (including food services)	47	12.7	3	3.5
Construction	12	3.2	7	8.1
Education	0	0	0	0
Electricity, gas & water supply	4	1.1	3	3.5
Finance & insurance	14	3.8	4	4.7
Government administration & defence	0	0	0	0
Health & allied services	19	5.1	6	7.0
Information, media and telecommunications	24	6.5	0	.0
Manufacturing	24	6.5	2	2.3
Mining	2	0.5	0	0
Personal & other services	7	1.9	0	0
Property & business services	14	3.8	6	7.0
Retail trade	91	24.5	13	15.1
Transport, warehousing and storage	5	1.3	4	4.7
Wholesale trade	16	4.3	4	4.7
Others	27	7.3	0	0
Total	371	100	86	100

4.7 Business structure

More than a third of the businesses were sole proprietorships. About 16% were partnerships and a little more than 38% were companies. Other business structures identified by respondents include Aboriginal cooperatives/corporations⁵, trusts, incorporated associations and not-for-profit enterprises (Figure 4.5).

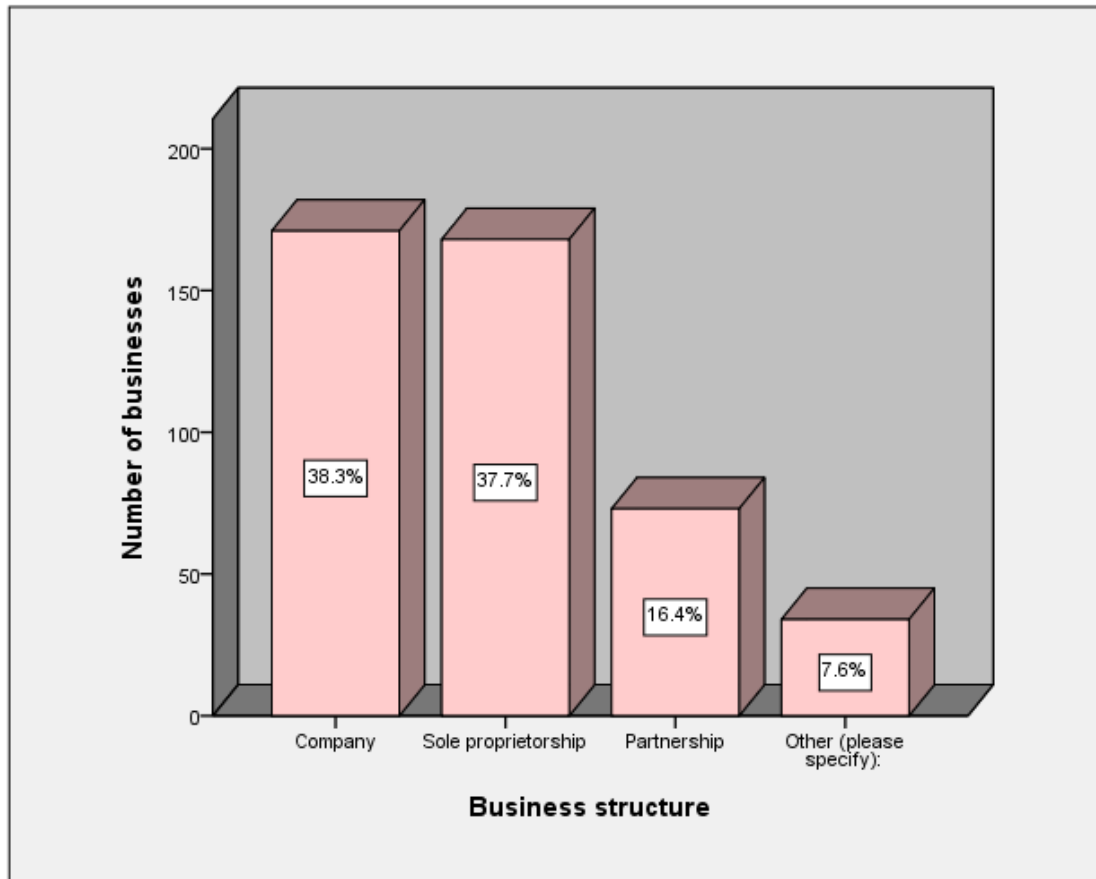


Figure 4.5: Business structure

⁵ Aboriginal cooperatives/corporations are usually common in community businesses, and their board members usually represent members of a family group, rather than the individual alone.

The business structures of Indigenous- and non-Indigenous-owned businesses are shown in Figure 4.6 below. Most of the non-Indigenous-owned businesses are sole proprietorships (35%), or companies (33%), while most of the Indigenous-owned businesses are set up as companies (6% of all participating businesses).

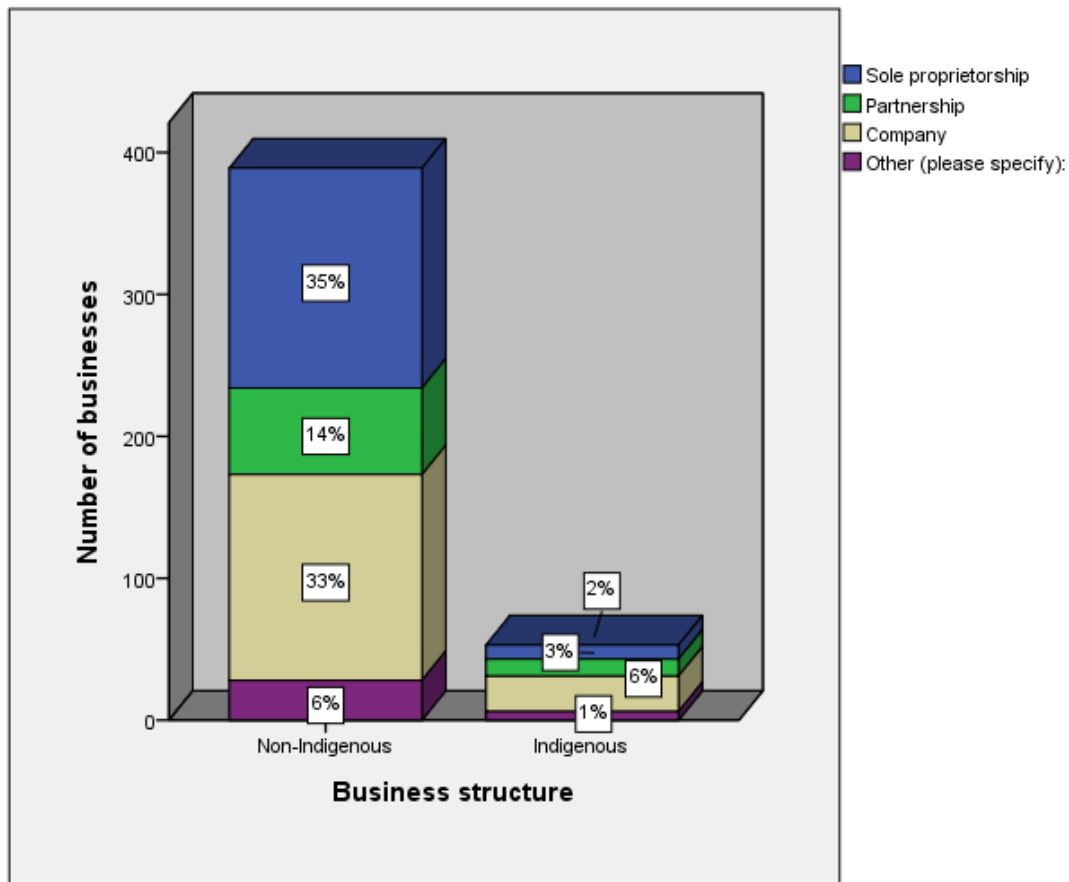


Figure 4.6: Business structure of Indigenous- and non-Indigenous-owned businesses

4.8 Business size

Based on ABS classifications, 62% of businesses in the study were micro-businesses (less than 5 employees) and another 30% were small businesses (5 or more and less than 20 employees). Only 7% were medium-sized enterprises (20 or more and less than 200 employees) (Figure 4.7). The study found that on average, new businesses hire an extra 2.2 employees in their second year of operation.

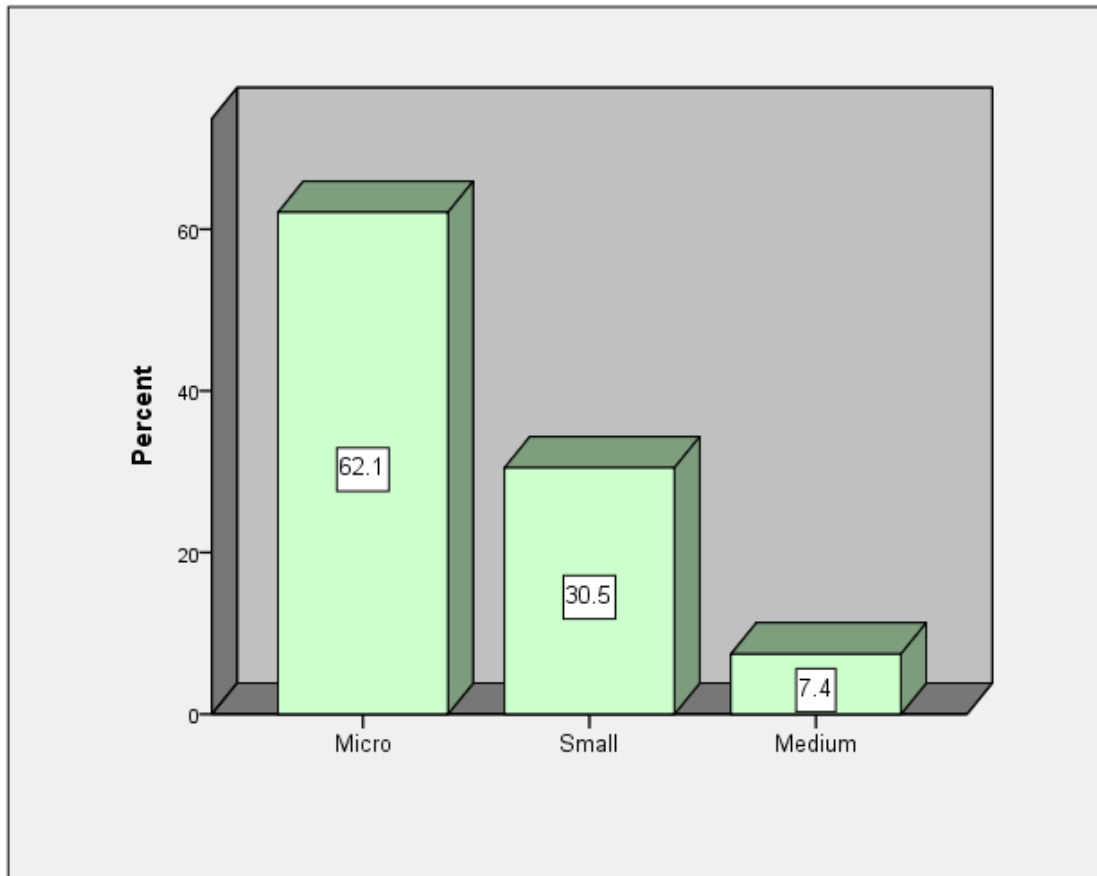


Figure 4.7: Size of business

The majority of businesses surveyed, regardless of whether they were Indigenous- or non-Indigenous-owned, were micro businesses, comprising 56% and 5.9% of non-Indigenous- and Indigenous-owned businesses respectively (Figure 4.8). Small businesses comprised 26% and 4.8% for non-Indigenous- and Indigenous-owned businesses respectively. None of the Indigenous-owned businesses surveyed were medium-sized businesses.

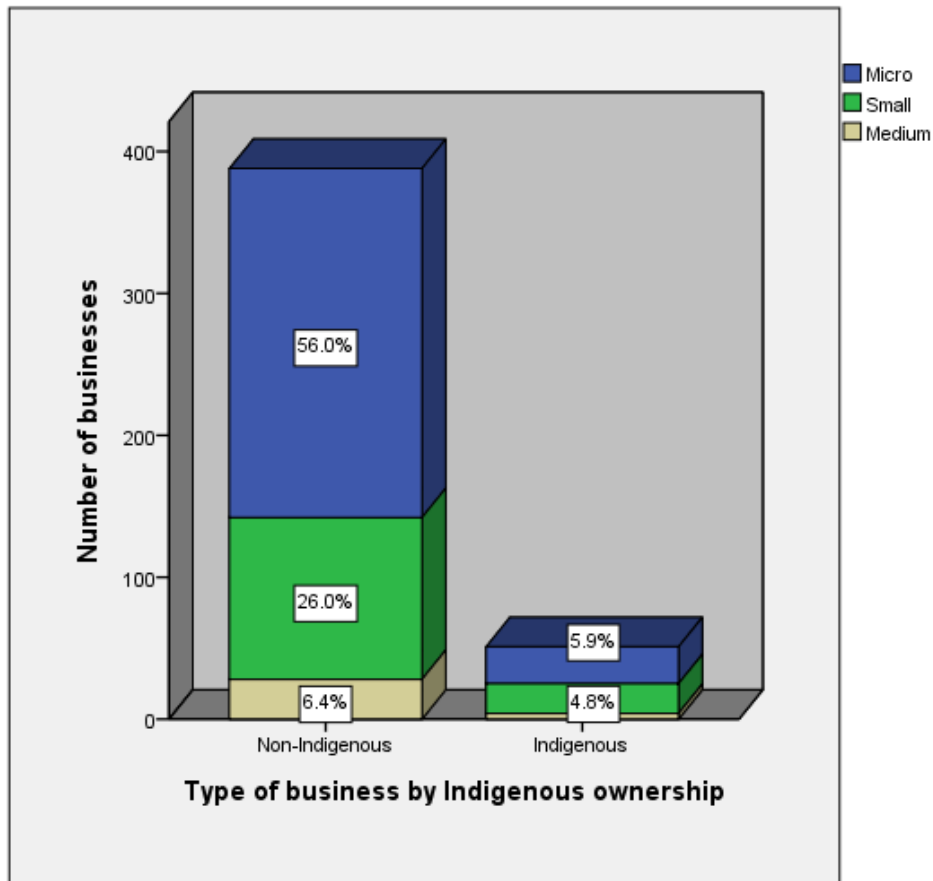


Figure 4.8: Size of business by Indigenous ownership

4.9 Management models

The management models of both Indigenous and non-Indigenous MSMEs are set out in Table 4.3. For non-Indigenous-owned businesses, only 0.8% of the hired managers and owner-managers are Indigenous; the majority are non-Indigenous (99.2%). For Indigenous businesses, while the majority of the hired managers and owner-managers are Indigenous (70.4%), about one-third are non-Indigenous (29.6%).

A closer look at the data reveals that for non-Indigenous businesses, only one of the hired managers was Indigenous (1.4%). For owner-managers, only 0.6% are Indigenous. On the other hand, for Indigenous businesses, a majority of the hired managers are non-Indigenous (71.4%); only 28.6% of the hired managers of Indigenous-owned businesses are Indigenous. Having a non-Indigenous manager may be the preferred model for some Indigenous businesses, particularly if an Indigenous business owner does not have the experience in managing and running a business. Furthermore, while the majority of the owner-managers of Indigenous businesses are Indigenous (85%), a small percentage (15%) of interviewees are non-Indigenous (i.e. they are co-owners of Indigenous businesses).

Table 4.3: Management models of Indigenous and non-Indigenous MSMEs

Respondent		Type of business			
		Non-Indigenous		Indigenous	
		No.	%	No.	%
Manager	Non-Indigenous	70	98.6	10	71.4
	Indigenous	1	1.4	4	28.6
	Total	71	100	14	100
Owner-manager	Non-Indigenous	315	99.4	6	15.0
	Indigenous	2	0.6	34	85.0
	Total	317	100	40	100
Total	Non-Indigenous	385	99.2	16	29.6
	Indigenous	3	0.8	38	70.4
	Total	388	100	54	100

5: A comparison of Indigenous and non-Indigenous business entrepreneurs

5.1 Introduction

One of the aims of this research is to understand what makes an Australian entrepreneur; that is, what are their characteristics, goals and aspirations? The following analysis will therefore concentrate on the business owners, who are, in most cases, the founders and creative forces behind the business. The aim of this chapter is to provide an insight into the background and profile of the business owner-managers to understand the characteristics of the men and women behind these businesses. A comparative perspective of Indigenous and non-Indigenous entrepreneurs is adopted to provide an in-depth understanding of the two groups and their needs. The analysis points to potential areas for future policy and program development in the area of MSME support.

5.2 Profile of business owner-managers

Of the total number of respondents in the survey, 364 indicated that they are owners or part-owners of the business enterprise they are managing. Of these business owners/co-owners, 37 have identified themselves as Indigenous; 324 have indicated they are non-Indigenous; the rest did not identify whether they are Indigenous or non-Indigenous.

A total of 54% of the business owner-managers are male and 46% are female. Of the Indigenous business owner-managers in the study, about 67% are male and about 33% are female. For the non-Indigenous business owner-managers, about 53% are male and 47% are female (Table 5.1).

Table 5.1: Gender of business entrepreneurs by origin

Gender	Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%
Male	170	52.6	24	66.7	194	54.0
Female	153	47.4	12	33.3	165	46.0
Total	323	100.0	36	100.0	359	100.0

The majority of the Indigenous entrepreneurs are older (middle aged and above), with the highest number of entrepreneurs belonging to the 45–54 year age group (38.9%), followed by the 55–64 year age group (27.8%), and between 35–44 years (22.2%). Only about 6% are between 25–34 years and none of the Indigenous entrepreneurs are below 24 years (Table 5.2).

For non-Indigenous entrepreneurs, while the majority are also older (35.2% are between 45–54 years, 23.5% between 35–44 years, and 20.7% between 25–34 years age groups), it appears that many enter businesses at younger ages. Two non-Indigenous entrepreneurs (0.6%) are less than 20 years old, seven (2.2%) are between 20–24 years, and fifty-two (16%) are between 25–34 years of age. This could be because there are more role models, opportunities, resources and support available for

younger non-Indigenous entrepreneurs compared to their Indigenous counterparts. The cultural, social and educational backgrounds of Indigenous youth may also inhibit their participation in mainstream entrepreneurship or small business development programs. Further, they may not have the same level of access to start-up capital.

Table 5.2: Age distribution of business entrepreneurs by origin

	Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%
Less than 20 years	2	0.6	0	0	2	0.6
20–24 years	7	2.2	0	0	7	1.9
25–34 years	52	16.0	2	5.6	54	15.0
35–44 years	76	23.5	8	22.2	84	23.3
45–54 years	114	35.2	14	38.9	128	35.6
55–64 years	67	20.7	10	27.8	77	21.4
65 years and above	6	1.9	2	5.6	8	2.2
Total	324	100.0	36	100.0	360	100.0

Table 5.3 shows the highest educational attainment of Indigenous and non-Indigenous business entrepreneurs. Generally, Indigenous business owners have relatively lower levels of formal education than non-Indigenous owners. The top three levels of educational attainment for Indigenous entrepreneurs are some secondary schooling (34.3%), vocational education and training (VET) (25.7%); and completed undergraduate degree (14.3%). On the other hand, the top three levels of educational attainment for non-Indigenous entrepreneurs are VET (32.4%); completed undergraduate degree (22.5%); and some university education (15.7%).

Table 5.3: Highest educational attainment of business entrepreneurs by origin

Education	Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%
Primary	1	0.3	1	2.9	2	0.6
Some secondary schooling	46	14.2	12	34.3	58	16.2
Completed secondary schooling (Year 12)	22	6.8	3	8.6	25	7.0
Vocational Education and Training (e.g. TAFE)	105	32.4	9	25.7	114	31.8
Some university (undergraduate) education	51	15.7	3	8.6	54	15.0
Completed undergraduate degree (e.g. Bachelor's degree)	73	22.5	5	14.3	78	21.7
Completed postgraduate degree (e.g. Masters degree, PhD)	26	8.0	2	5.7	28	7.8
Total	324	100.0	35	100.0	359	100.0

Figure 5.1 shows the participation rate of Indigenous entrepreneurs in formal and informal training programs. There is a high participation rate of Indigenous business owners in formal/informal training, with about 64% having attended at least one training session which has contributed to or helped them run their business (Figure 5.1). About 36%, or about a third, of the Indigenous business owners surveyed have not received any training.

Similarly to Indigenous entrepreneurs, non-Indigenous business owner-managers show a high participation rate in formal and informal training, with 63% having attended at least one type of training which helped them run their business (Figure 5.1).

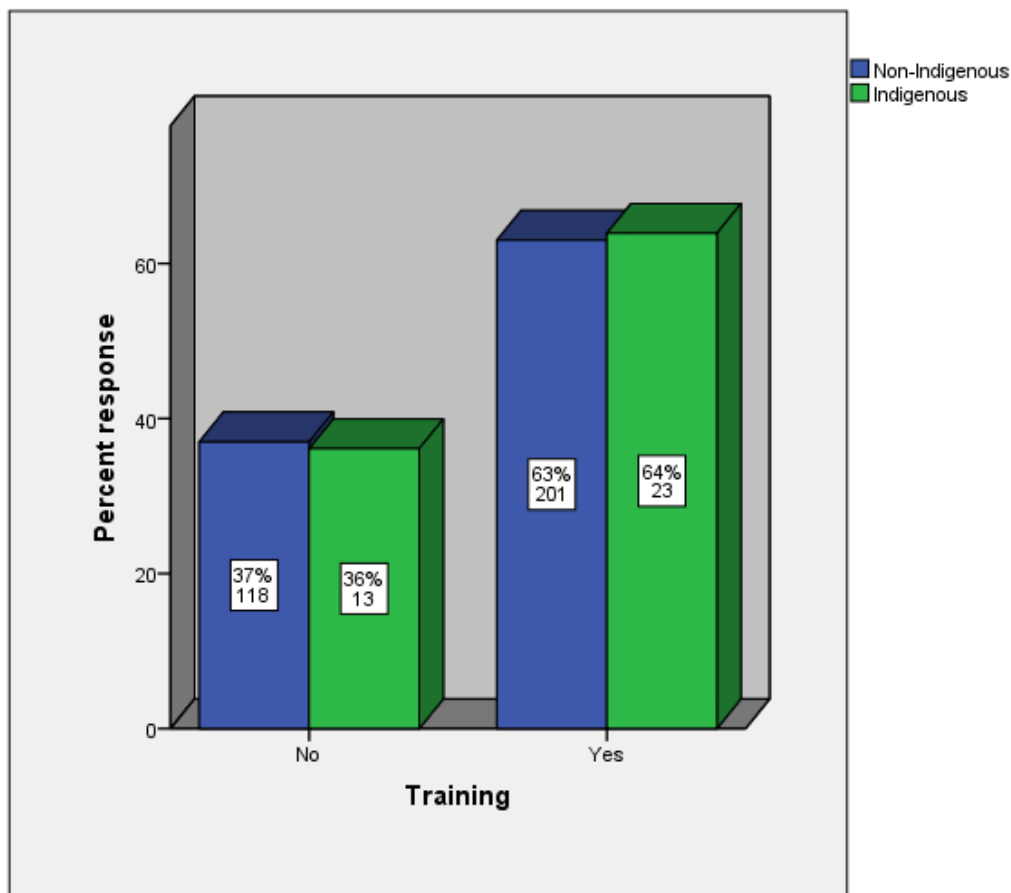


Figure 5.1: Formal and informal training of Indigenous and non-Indigenous entrepreneurs

For many of the Indigenous business owners, their current business represents their first foray into entrepreneurship, with about 60% of the Indigenous business owners having no previous business experience (Figure 5.2). This lack of business experience is much higher than that of business managers in general, with about 43% having no experience (Table 5.6).

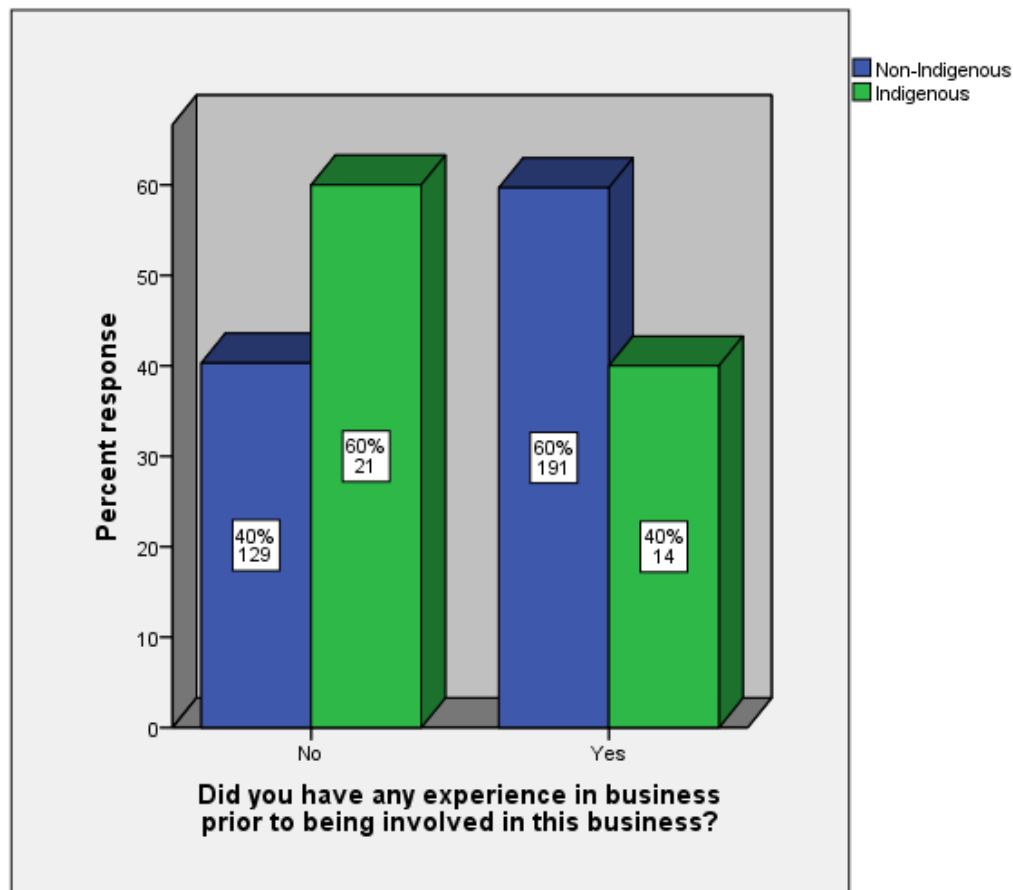


Figure 5.2: Previous business experience by Indigenous and non-Indigenous entrepreneurs

A majority (60%) of non-Indigenous owner-managers have prior experience before embarking on their current business as illustrated in Figure 5.2. This is much higher than their Indigenous counterparts (40% with prior experience, Figure 5.2) and compares favourably with business managers in general, with about 56% having prior experience (Table 5.6).

In general, the participation rate by owner-managers in training is similar for desert (62.5%) and non-desert (63.2%) locations (Table 5.4). For non-Indigenous owner-managers, the participation rates in training in desert (63.6%) and non-desert (62.9%) areas are also similar. However, for Indigenous owner-managers, participation rates in desert locations (55.6%) are lower than that of those in non-desert locations (66.7%). Since most training programs are probably conducted in non-desert locations (towns and cities), Indigenous owner-managers have more access to training if they are in non-desert areas than if they are in desert areas. On the other hand, non-Indigenous owner-managers in desert locations could have obtained training from non-desert areas prior to moving to the desert, or

they are more mobile for various reasons, including better economic circumstances, and hence are more able to obtain training elsewhere even if they live and work in desert areas.

Table 5.4: Formal or informal training of owner-managers by location

Training	Non-Indigenous				Indigenous				Total			
	Non-desert		Desert		Non-desert		Desert		Non-desert		Desert	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No	98	37.1	20	36.4	9	33.3	4	44.4	107	36.8	24	37.5
Yes	166	62.9	35	63.6	18	66.7	5	55.6	184	63.2	40	62.5

Table 5.5 shows the type of training undertaken by business owners. The top three training types undertaken are developing business plans (34.9%), promotions and marketing (31.3%), and financial management (29.9%). Other popular types of training are use of ICT, risk analysis/risk management, and market research. A few have participated in intellectual property (IP) rights training.

Table 5.5: Type of training undertaken by business owner-managers*

Training type	No. of respondents	Percentage
Developing business plans	127	34.9
Promotions and marketing	114	31.3
Financial management	109	29.9
Use of ICT	82	22.5
Risk analysis/risk management	77	21.2
Market research	76	20.9
Human resource management	68	18.7
Retail trade	46	12.6
Intellectual Property (IP) rights	29	8.0
Other (i.e. advertising, apprenticeship, banking, business coaching, chiropractic, etc.)	56	15.4

* Multiple responses

Table 5.6 shows the prior business experience of owner-managers by location. In general, owner-managers in desert and non-desert locations show quite similar percentages for prior business experience, with 56.3% and 58.1% in desert and non-desert locations respectively. Results are similar for non-Indigenous owner-managers, in desert (60%) and non-desert (59.6%) locations.

However, for Indigenous owner-managers levels of prior business experience are lower in desert areas (33.3%) compared to in non-desert areas (42.2%). This is consistent with the previous finding that Indigenous owner-managers get more training in non-desert areas (66.7%) than in desert areas (55.6%) (Table 5.4). If potential Indigenous owner-managers get more training in non-desert areas, they are more likely to proceed in establishing their businesses in non-desert areas. Since the majority of the Indigenous owner-managers are first-timers in business, this could suggest that the training they

obtained is a factor influencing their decision to proceed in establishing new businesses. This could also indicate some success on the part of the training providers in stimulating and preparing their Indigenous graduates for business.

Table 5.6: Prior business experience of owner-managers by location

Experience	Non-Indigenous				Indigenous				Total			
	Non-desert		Desert		Non-desert		Desert		Non-desert		Desert	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No experience	107	40.4	22	40.0	15	57.7	6	66.7	122	41.9	28	43.8
Has experience	158	59.6	33	60.0	11	42.3	3	33.3	169	58.1	36	56.3
Total	265	100.0	33	100.0	26	100.0	9	100.0	291	100.0	64	100.0

The membership of Indigenous entrepreneurs in business networks or associations is shown in Figure 5.3. As shown in the figure, only 31% of Indigenous owner-managers are members of business networks/ associations; the rest (69%) are non-members. This is lower than that of business managers in general (40.5% are members, Table 4.10). This may indicate that since most Indigenous owner-managers are new with no business experience, and a majority of the businesses are micro businesses, they may not be aware of the benefits of membership to networks; may not consider membership in networks important; or perhaps there are fewer relevant networks; or for one reason or another, they may have difficulty gaining membership to networks.

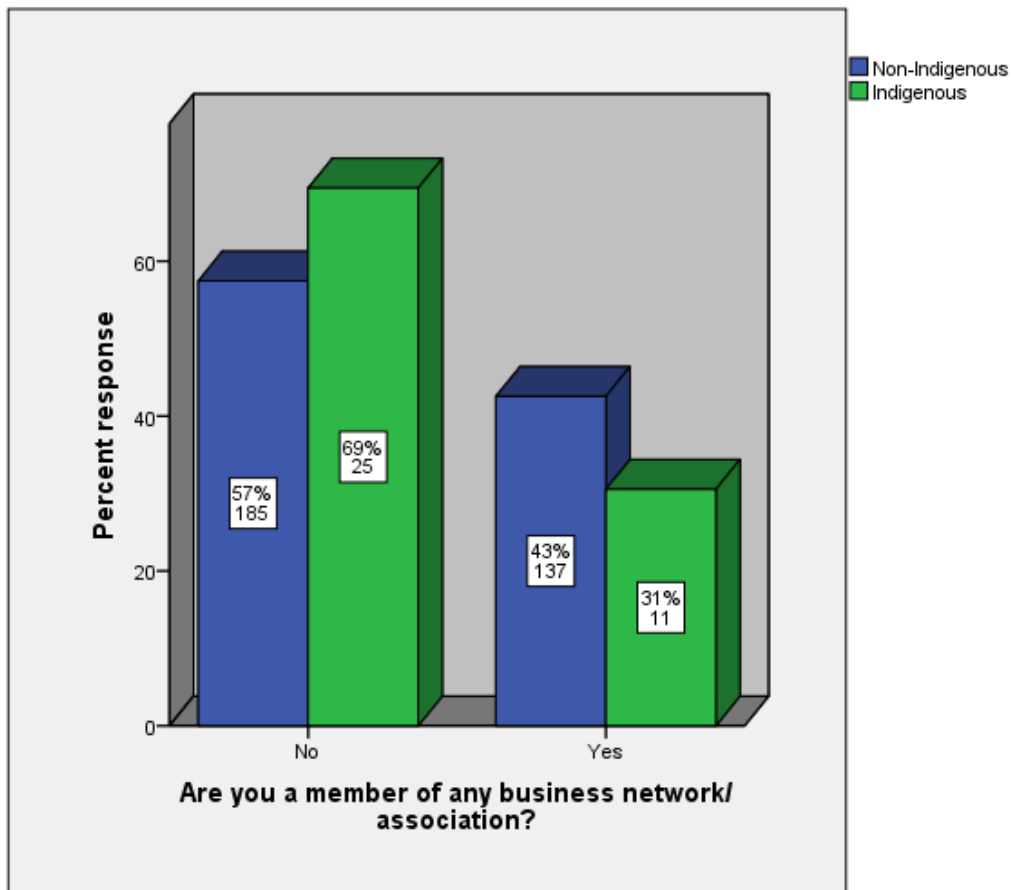


Figure 5.3: Membership in networks/associations by Indigenous and non-Indigenous entrepreneurs

The membership status of non-Indigenous entrepreneurs in business networks/ associations is also shown in Figure 5.3. About 43% of non-Indigenous owner-managers are members of business networks/associations; the rest, (57%) are non-members. This membership rate is higher than Indigenous entrepreneurs (31%).

There is a slightly higher percentage of females than males who are network members, and as already mentioned fewer Indigenous entrepreneurs are members of networks (Table 5.7). Network membership is also higher among desert entrepreneurs (Table 5.8). Perhaps this is because of the recent formation of networks in the desert through new initiatives such as the Desert Knowledge Australia (DKA) networks (<http://www.desertknowledge.com.au/dka/>). It appears that many desert entrepreneurs are networkers, with almost half of them being a member of a network or association, including business networks, chambers of commerce or the like.

Table 5.7: Membership in networks by gender

	Non-Indigenous				Indigenous				Total			
	Male		Female		Male		Female		Male		Female	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Not a member	132	61.4	107	56.3	20	69.0	8	61.5	152	62.3	115	56.7
Member	83	38.6	83	43.7	9	31.0	5	38.5	92	37.7	88	43.3

Table 5.8: Membership in business networks or associations by location

Status	Non-Indigenous				Indigenous				Total			
	Non-desert		Desert		Non-desert		Desert		Non-desert		Desert	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Not a member	156	58.4	29	52.7	21	77.8	4	44.4	177	60.2	33	51.6
Member	111	41.6	26	47.3	6	22.2	5	55.6	117	39.8	31	48.4

According to respondents, there are several benefits of being part of a network or association. These include better marketing, advertising and promotion, expanding consumer base, training or employee education and even research and development. Some even claim that networks improve access to finance or credit (Table 5.9). In addition, other benefits identified included networking with other businesses, information on industry direction, and mentoring. For desert-based businesses, the role of networks can be even more important when challenged with distance from markets, remoteness and more importantly the lack of a critical mass of consumers/customers.

Table 5.9: Benefits from membership in networks and associations*

Benefits	No.	%
Advertising and promotion	89	24.5
Marketing	80	22.0
Expand consumer base/market	49	13.5
Training/employee education	46	12.6
Research and development	38	10.4
Business planning	29	8.0
Access to capital/finance	11	3.0
Preparation of financial reports/financial analysis/financial management	8	2.2
Risk analysis/risk management	8	2.2
Other	37	10.2

* Multiple responses

6: Motivations for starting the business

6.1 Introduction

What motivates a person to start a business or to go into an existing business? Following from the previous chapter, this chapter examines the reasons for starting a business. It also looks at the nature of business ownership, start-up capital and sources of financing.

6.2 Motivation for starting the business

Owner-managers were asked to choose from a list their main reasons or motivations for starting their business. The five most common reasons indicated by Indigenous and non-Indigenous entrepreneurs are shown in Table 6.1.

Table 6.1: Five most common reasons indicated by entrepreneurs for starting a business by Indigenous status*

Reason	Non-Indigenous entrepreneurs	Indigenous entrepreneurs
To improve my income	1	4
To become my own boss	2	
To improve my lifestyle	3	3
To become wealthy	4	
To create employment for myself or my family members	5	2
To contribute to my community by increasing employment opportunities		2
To contribute to my community by providing a needed service		1

* Based on multiple responses

As shown in Table 6.1, the five most common reasons indicated by non-Indigenous entrepreneurs are to improve income, to become one's own boss, to improve lifestyle, to become wealthy and to create employment for oneself or one's family members. On the other hand, to contribute to one's community by providing a needed service was the top reason chosen by Indigenous entrepreneurs. Creating employment for oneself or one's family members came equally second with contributing to one's community by increasing employment opportunities. This was then followed by improving one's lifestyle, then by improving one's income.

Owner-managers were also asked to indicate the degree of importance of each of the main factors they chose, using a rating scale of 1 to 5, with 5 being extremely important and 1 being not as important. Both Indigenous and non-Indigenous entrepreneurs rated creating employment for oneself or one's family members as the most important motivator for them to start the business. Table 6.2 and Table 6.3 summarise the responses of non-Indigenous and Indigenous entrepreneurs respectively in regards to the relative importance of the various motivators or reasons for starting the business. As shown in Table 6.2, the most important reasons non-Indigenous entrepreneurs gave for starting their business were to create employment for themselves or their family (average score of 4.22), improving

their lifestyle (4.21), becoming their own boss (4.16), improving their income (3.92) and contributing to their community by providing a needed service (3.46).

Table 6.2: Reasons of non-Indigenous entrepreneurs for starting a business

Reason	N	Not important		Slightly important		Important		Very important		Extremely important		Average score
		No.	%	No.	%	No.	%	No.	%	No.	%	
To create employment for myself or my family members	298	8	2.7	14	4.7	39	13.1	81	27.2	156	52.3	4.22
To improve my lifestyle	303	11	3.6	9	3.0	43	14.2	82	27.1	158	52.1	4.21
To become my own boss	304	15	4.9	15	4.9	46	15.1	58	19.1	170	55.9	4.16
To improve my income	313	18	5.8	15	4.8	65	20.8	92	29.4	123	39.3	3.92
To contribute to my community by providing a needed service	295	35	11.9	46	15.6	49	16.6	78	26.4	87	29.5	3.46
To become wealthy	299	21	7.0	39	13.0	102	34.1	97	32.4	40	13.4	3.32
To develop my business skills	295	27	9.2	43	14.6	88	29.8	84	28.5	53	18.0	3.32
To contribute to my community by increasing employment opportunities	281	65	23.1	69	24.6	80	28.5	39	13.9	28	10.0	2.63
To improve my reputation or status in the community	280	91	32.5	49	17.5	68	24.3	45	16.1	27	9.6	2.53
To follow family tradition of being in business	243	149	61.3	44	18.1	20	8.2	19	7.8	11	4.5	1.76
To take advantage of support and/or training opportunities available	240	158	65.8	35	14.6	25	10.4	14	5.8	8	3.3	1.66
To take advantage of support (such as seeding grants) that was available for this business	224	166	74.1	28	12.5	24	10.7	3	1.3	3	1.3	1.43
Other	41	9	22.0	1	2.4	1	2.4	2	4.9	28	68.3	3.95

About 93% of respondents indicated that creating employment for themselves and their family members and improving lifestyle were important to extremely important, while approximately 90% indicated that becoming one's own boss was a strong motivator for creating a business.

Apart from the reasons in the list, other reasons cited by non-Indigenous owner-managers are:

- to be able to work from home
- to fill a market niche/commercial opportunity
- to remain at home while children are young
- to do what one loves to do/is passionate about
- to follow one's dream

- to enhance one's personal esteem
- to educate oneself
- to promote Indigenous presence in the industry
- to utilise one's talents
- to improve sustainability
- to further cultural awareness.

Indigenous owner-managers scored very similarly in terms of the importance of particular motivational factors to starting their business rating: creating employment for themselves or their family members as the most important motivator (4.37), followed by becoming their own boss (4.03), improving income (3.97), improving their lifestyle (3.82), and contributing to their community by providing a needed service (3.78) (Table 6.3).

Table 6.3: Reasons of Indigenous entrepreneurs for starting a business

Reason	N	Not important		Slightly important		Important		Very important		Extremely important		Average score
		No.	%	No.	%	No.	%	No.	%	No.	%	
To create employment for myself or my family members	35	1	2.9	2	5.7	2	5.7	8	22.9	22	62.9	4.37
To become my own boss	33	5	15.2	1	3.0	1	3.0	7	21.2	19	57.6	4.03
To improve my income	33	2	6.1	4	12.1	3	9.1	8	24.2	16	48.5	3.97
To improve my lifestyle	34	1	2.9	2	5.9	8	23.5	14	41.2	9	26.5	3.82
To contribute to my community by providing a needed service	36	3	8.3	2	5.6	10	27.8	6	16.7	15	41.7	3.78
To contribute to my community by increasing employment opportunities	35	4	11.4	4	11.4	5	14.3	9	25.7	13	37.1	3.66
To develop my business skills	32	4	12.5	3	9.4	6	18.8	8	25.0	11	34.4	3.59
To become wealthy	32	4	12.5	6	18.8	11	34.4	8	25.0	3	9.4	3.00
To improve my reputation or status in the community	32	10	31.3	2	6.3	10	31.3	5	15.6	5	15.6	2.78
To follow family tradition of being in business	31	13	41.9	5	16.1	8	25.8	1	3.2	4	12.9	2.29
To take advantage of support and/or training opportunities available	30	15	50.0	6	20.0	5	16.7	2	6.7	2	6.7	2.00
To take advantage of support (such as seeding grants) that was available for this business	31	20	64.5	4	12.9	4	12.9	0	0.0	3	9.7	1.77
Other	7	3	42.9	0	0.0	0	0.0	0	0.0	4	57.1	3.29

It is clear that entrepreneurs, whether Indigenous or non-Indigenous, are not solely motivated by financial gain when establishing a business. Motivations also include supporting the community, lifestyle reasons, as well as family and other personal reasons. In fact, the ability to work at home and spend more time with the family was mentioned by some respondents. Other reasons given for starting an enterprise was the desire to pursue a person's passion and follow one's dream. Cultural, social and environmental reasons are also motivators mentioned for starting a business. However, motivations alone do not necessarily translate to business success. Factors identified by entrepreneurs that influence the success of their business are discussed in Chapter 7.

6.3 How did entrepreneurs become involved in the business?

When asked how they came to be involved in the business, the majority of non-Indigenous owner-managers (74%) indicated that they established their own business. About 21% purchased an existing business while 2% became involved in a family business where they continued and managed the business (Figure 6.1).

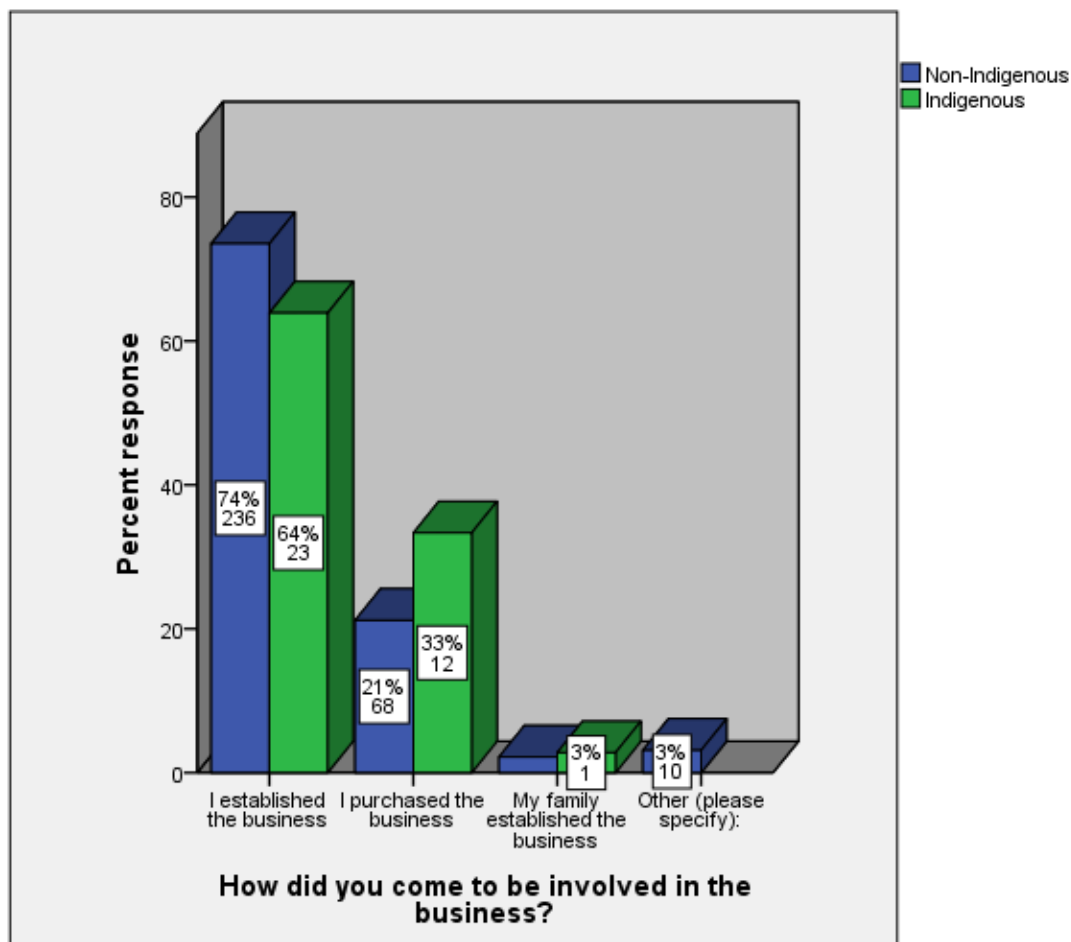


Figure 6.1: How Indigenous and non-Indigenous owner-managers became involved in the business

Similarly, the majority of Indigenous owner-managers (64%) indicated that they established their own business, while 33% purchased an existing business. Only 1% became involved in a family business whereby they continued to manage the business (Figure 6.1).

This finding indicates that both Indigenous and non-Indigenous entrepreneurs tend to be self-starters, a common entrepreneurial trait. Their involvement in the business is not circumstantial, but rather is the result of a personal desire to be involved in the business for the reasons already cited earlier in this chapter.

But how did they choose their particular business?

When entrepreneurs were asked why they chose their particular business, the most frequent reason given was that the business was perceived as profitable, or as potentially profitable. Forty-eight per cent of non-Indigenous owners and 30% of Indigenous owners indicated profitability to be one of the reasons for their choice of business (Table 6.4). The next most frequent reason was the minimal capital required to start the business and the small number of competitors. It appears that ease of management was a lesser concern for the choice of the business.

Other reasons for choosing their business cited by owner-managers included possessing the relevant knowledge and/or experience in the field or industry, and identifying a gap in the marketplace or a market niche. Others chose the business because of their passion, interest or enjoyment of the area; others for the flexibility of the business, such as the ability to operate in their own home and be their own boss; others for the lifestyle; while others chose the business because they were presented an opportunity that was too good to be missed. A much smaller number of owner-managers simply had no choice as they inherited the business from the family (Figure 6.1).

Table 6.4: Reason for the choice of business*

Reason	Non-Indigenous (n=324)		Indigenous (n=37)	
	No.	%	No.	%
I thought it would be profitable	155	47.8	11	29.7
Small amount of capital/finance required	91	28.1	7	18.9
Small number of competitors in a similar business	86	26.5	7	18.9
Easy to manage	83	25.6	6	16.2
Others	150	46.3	17	45.9

* Multiple response

6.4 How much of the business was personally owned?

The percentage of non-Indigenous entrepreneurs who have full ownership of the business is quite high at about 67%, or two-thirds, while the remaining co-own the business with either immediate family members, particularly a spouse, other relatives or non-family business partners, including shareholders (Figure 6.2).

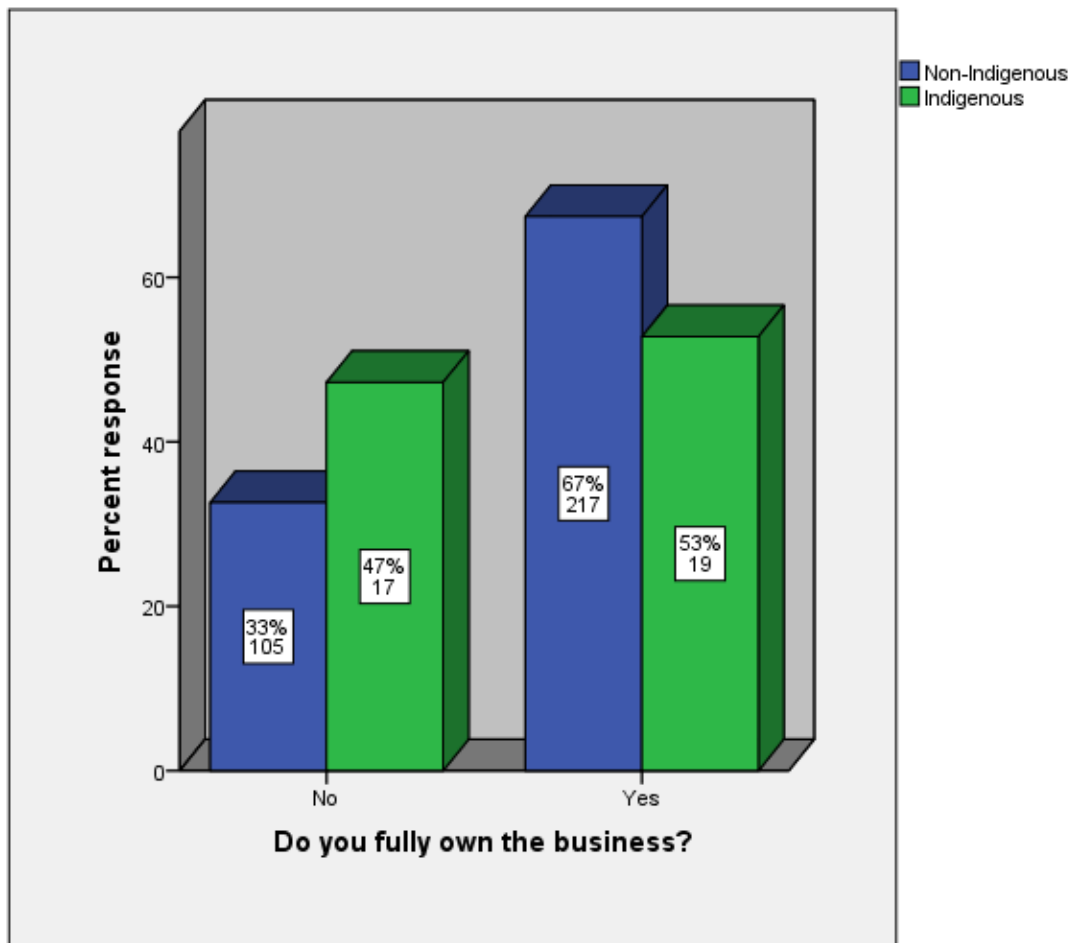


Figure 6.2: Ownership of the business by Indigenous and non-Indigenous owner-managers

Fewer Indigenous entrepreneurs in the study fully own their business at 53%, with a bigger percentage (47%) being co-owners. The most common partners are family members.

The ownership pattern for non-Indigenous owner-managers in desert and non-desert areas is the same, where about 67% indicated that they have full ownership of the business. However, a higher percentage of Indigenous owner-managers in non-desert regions are sole business owners compared to their counterparts in desert regions (44%). This is not surprising, as several Indigenous-owned businesses in remote areas are either family businesses or community-based businesses. For those who are co-owners, the most common business partners are family members and relatives, although there are also other business partners who are not family relations (Table 6.5).

Table 6.5: Ownership of the business by location and by origin

Ownership	Non-desert				Desert			
	Non-Indigenous		Indigenous		Non-Indigenous		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Part-owner	87	32.6	12	44.4	18	32.7	5	55.6
Full-owner	180	67.4	15	55.6	37	67.3	4	44.4
Total	267	100.0	27	100.0	55	100.0	9	100.0

The higher proportion of non-Indigenous owner-managers who are full owners, regardless of location, could reflect a greater ability in non-Indigenous entrepreneurs to raise the necessary capital to start their business than in Indigenous entrepreneurs. This is linked to the lower socio-economic circumstances of many Indigenous people and a lack of personal and family wealth. Non-Indigenous entrepreneurs are likely to have better access to formal finance than their Indigenous counterparts. They are more educated and generally have greater access to mainstream business development programs (e.g. SBDCs or SBDUs), and hence may be more confident in pursuing their business proposal with mainstream lending institutions.

The finding that more non-desert-based entrepreneurs are sole owners compared to desert-based entrepreneurs could also reflect the better access to finance and business support by entrepreneurs living in non-desert areas compared to their desert-based counterparts. It is well recognised that services in many desert areas, particularly the remote and very remote regions, are lacking in many areas, including finance and business support. While there are some programs in desert regional centers, often these are not easily accessible to Indigenous people living in the more remote parts of the country. Another plausible reason is that many Indigenous businesses in remote areas (e.g. art centres, community stores) are family or community-owned, whereas many Indigenous businesses in non-desert areas may be individually initiated and owned (sole ownership).

6.5 Start-up capital

Overall, the average start-up capital of the non-Indigenous firms surveyed was \$77 283 (median=\$15 000) while that for Indigenous firms was \$65 396 (median=\$40 000). The non-Indigenous entrepreneurs surveyed who are operating in desert areas have on average required higher start-up capital compared to their counterparts in non-desert areas, whereas the average start-up capital of Indigenous entrepreneurs living in desert areas is lower (\$40 714) compared to their counterparts in non-desert areas (\$71 795) (Table 6.6).

Table 6.6: Start-up capital of Australian MSMEs

Location	Non-Indigenous			Indigenous		
	Mean	Std. error	Median	Mean	Std. error	Median
Non-desert	73 001	10 665	15 000	71 795	17 134	50 000
Desert	97 579	34 176	10 000	40 714	18 594	20 000
Overall	77 283	10 616	15 000	65 396	14 192	40 000

This difference may be due to a number of factors. First, the higher starting capital of desert-based non-Indigenous businesses may be partly attributed to the cost of establishing a business in remote areas. For the Indigenous businesses, however, the difference may be attributable to the type of business engaged in. Indigenous-based businesses in desert areas are often related to arts and recreation, which may not require high amounts of capital to establish in desert areas. If one were to establish a similar business in a non-desert area, overhead costs may be higher (e.g. rental space). The types of Indigenous businesses in non-desert areas are more diverse compared to those in desert areas.

The amount of start-up capital required varied with the type of business. For example, accommodation and wholesale trade require higher initial capitalisation compared to other businesses. Businesses that have lower start-up capital requirements include ICT businesses (e.g. internet cafés), personal services and retail trade. The start-up capital of non-Indigenous entrepreneurs for arts and recreation is significantly higher than that for Indigenous entrepreneurs (Table 6.7). This is perhaps because the level of capitalisation required for Indigenous entrepreneurial artists is minimal as their cash costs mostly include the materials needed for the artwork and overhead business costs (rental space, electricity, etc.), particularly if they are mainly selling their own or family members' or community members' artwork. Meanwhile, non-Indigenous-owned art centres or art shops have to purchase the products (artworks), particularly if they are not on a consignment basis. Remote area businesses generally face higher start-up costs for leases, power and water and transport expenses.

Table 6.7: Start-up capital of Australian MSMEs

Type of activity	Non-Indigenous			Indigenous		
	Mean	Std. Error	Median	Mean	Std. Error	Median
Accommodation	304833	115263	92500			
Arts and recreation (including tourism)	75412	32951		5333	4842	1000
Café and restaurant (including food services)	125580	25010	70000	110000	17029	100000
Construction	38042	28479	7500	20250	19750	20250
Information, media and telecommunications	5512	2698	2500			
Manufacturing	115456	50907	25000	96243	68709	42335
Retail trade	60524	15008	20000	56000	27129	20000
Transport, warehousing and storage	46250	21735	42500			
Wholesale trade	89757	34189	20000			
Agriculture, forestry & fishing	34167	23554	5500	48600	19385	50000
Electricity, gas & water supply	78000	57131	5000			
Finance & insurance	21233	8702	10000	25500	24500	25500
Property & business services	16281	6735	5000			
Health & allied services	83592	39005	10000	19333	8293	25000
Personal & other services	8571	3030	5000			
Others	50003	28078	8000			

6.6 Source of finance

Business owner-managers surveyed were asked what their sources of financing are for the business. Respondents were asked to choose all applicable sources from a list, allowing them to add any other sources if these were not in the initial list. Results showed that most entrepreneurs surveyed used their own money either solely or in combination with other sources. The most common sources of funds for all businesses were personal funds, bank loans, government loans and personal credit cards (Table 6.8).

Table 6.8: Source of finance for the business

Source	Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%
Personal savings	235	72.5	21	56.8	256	70.9
Loans from banks	130	40.1	14	37.8	144	39.9
Personal credit cards	92	28.4	11	29.7	103	28.5
Relatives/friends – investment	14	4.3	2	5.4	16	4.4
Private investors	7	2.2	1	2.7	8	2.2
Grants from government body	5	1.5	6	16.2	11	3.0
Relatives/friends – loan	3	0.9	0	0.0	3	0.8
Loans from government body	2	0.6	14	37.8	16	4.4
Others	37	11.4	4	10.8	41	11.4

* multiple response

If we break down the analysis and look at sources of finance for Indigenous and non-Indigenous entrepreneurs, the three most common sources of finance for non-Indigenous entrepreneurs are personal savings, bank loans and personal credit cards. As shown in Table 6.8, 72.5% of the non-Indigenous business owner-managers indicated personal savings as their most common source of finance. Bank loans (40%) featured as the next most popular source of finance for non-Indigenous entrepreneurs and personal credit cards (28%) came third.

Similarly, for the Indigenous entrepreneurs, the most common sources of financing for their business are personal savings, loans from banks and loans from a government body (equally second) and then personal credit cards. About 57% of the Indigenous entrepreneurs used their own money to start their business, while about 38% each took loans from banks or a government body.⁶ Use of personal credit

⁶ The results on financing, particularly on government loans, should be interpreted with caution because of the high number of IBA clients that participated in the study. As mentioned in the methodology section, one of the databases used in the study to reach Indigenous business enterprises was IBA's database. This resulted in a large number of Indigenous-owned businesses that are IBA clients who have government loans.

cards was about 29%. Other sources of finance are relatives/friends investments and loans, private investors and grants from government bodies (Table 6.8).

The use of personal credit cards as a source of finance was about the same between Indigenous and non-Indigenous businesses. Indigenous businesses were more likely to access grants from a government body than non-Indigenous businesses, perhaps because many Indigenous entrepreneurs have limited capital due to their socio-economic backgrounds that includes lower home ownership or other property rates that may be used as collateral for loans with mainstream financial institutions. The situation becomes even more dire in rural and remote areas, where services (including banks and financial institutions) are scarce.

Examining the case of desert-based and non-desert based businesses, a clearer pattern of the financial sources emerges. In non-desert areas, Indigenous entrepreneurs source their start-up capital mainly from personal funds, loans from banks and personal credit cards, with a few obtaining funds from other sources.

In desert areas, however, Indigenous entrepreneurs make use of more diverse sources, including grants from government bodies, loans from government agencies, loans from banks, credit cards and relatives and friends, in addition to their own money. While three Indigenous desert business entrepreneurs (or 33% of desert total) accessed loans from banks, none of them accessed private investors. This could perhaps be due to their distance from private investment firms as well as their lack of access to mainstream financial institutions. Hence the importance of alternative sources of capital such as targeted programs (grants) and government lending agencies for Indigenous entrepreneurs.

Table 6.9: Sources of finance by Indigenous and non-Indigenous entrepreneurs by location

	Non-desert				Desert			
	Non-Indigenous		Indigenous		Non-Indigenous		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Grants from government body	4	1.5	4	14.3	1	1.8	2	22.2
Loans from banks	100	37.2	11	39.3	30	54.5	3	33.3
Loans from government body	0	0.0	10	35.7	2	3.6	4	44.4
Personal credit cards	82	30.5	8	28.6	10	18.2	3	33.3
Personal savings	199	74.0	16	57.1	36	65.5	5	55.6
Private investors	7	2.6	1	3.6	0	0.0	0	0.0
Relatives/friends – investment	13	4.8	1	3.6	1	1.8	1	11.1
Relatives/friends – loan	3	1.1	0	0.0	0	0.0	0	0.0
Other	31	11.5	3	10.7	6	10.9	1	11.1

7: Business performance

7.1 Introduction

In this study, respondents were asked a number of questions about the performance of their businesses. This chapter uses the responses to examine the performance of the business as perceived by the respondents according to various indicators, including business turnover, success factors and measures that would further support MSMEs.

7.2 Annual turnover of the business

The annual turnover of respondents ranged from less than \$20 000 to over \$5 million (Figure 7.1). For non-Indigenous MSME respondents, 26% (9, the biggest group) have a turnover of \$100 000–\$500 000 and 17% have a turnover of below \$20 000 (mainly the micro businesses). Only 4% (17 respondents) have an annual turnover of over \$5 million.

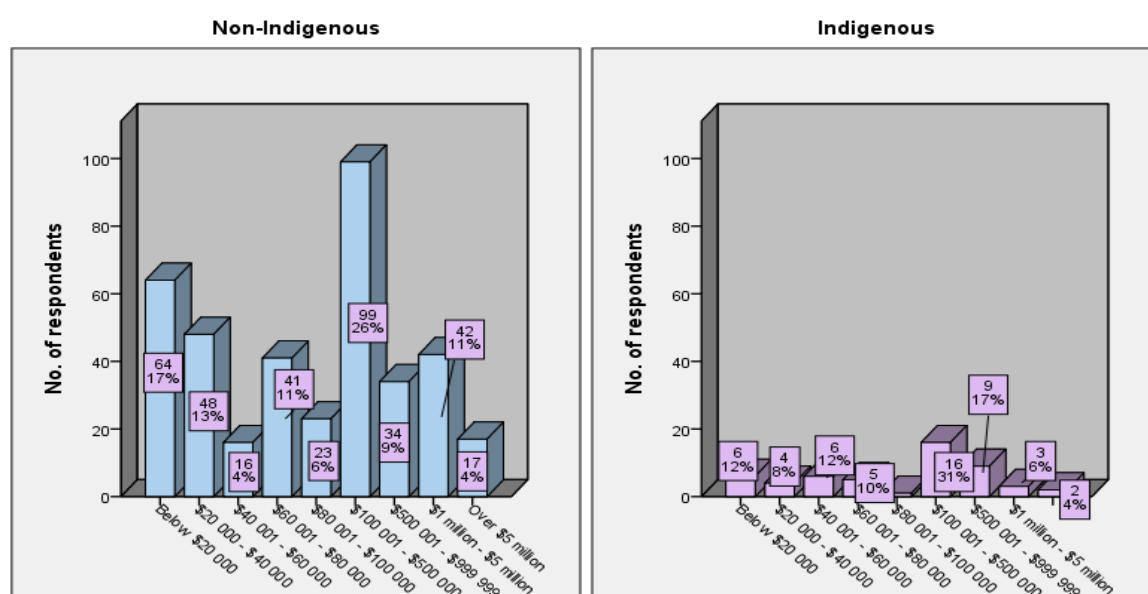


Figure 7.1: Annual turnover of non-Indigenous and Indigenous MSMEs

Similarly, for Indigenous businesses, the biggest group (31%) have a turnover of \$100 000–\$500 000 while about 12% have a turnover of below \$20 000. As with the non-Indigenous respondents, only 4% (2 respondents) have an annual turnover of over \$5 million.

7.3 Business performance

When asked how the business had performed in the last 12 months, more than half of all respondents said their business was making a profit. A slightly larger percentage of Indigenous businesses surveyed (56%) reported that their business was making a profit than non-Indigenous-owned MSMEs (51%), albeit by only a small percentage as illustrated in Figure 7.2.

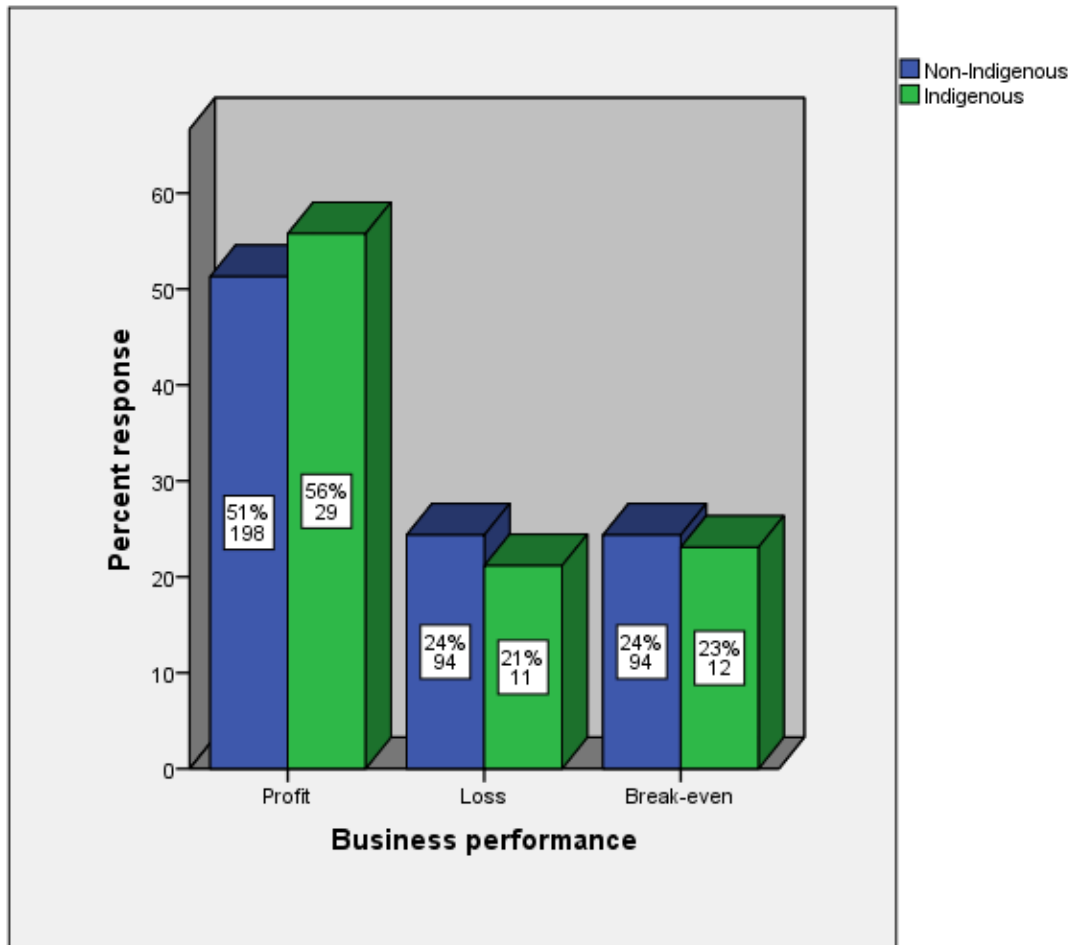


Figure 7.2: Business performance of non-Indigenous and Indigenous owned businesses

Almost a quarter of non-Indigenous businesses and 20% of Indigenous businesses reported a loss. This could be because of the global financial crisis that was occurring during the time of the survey. The GFC, as it became known, was triggered by a shortfall in liquidity in the US banking system and led to the collapse of large financial institutions and a severe global recession. Australia was somewhat cushioned from the full effect of the GFC through its fiscal policies, but businesses across the country were affected. In fact, the GFC was quoted by several respondents as the reason for their business not doing well.

Respondents were asked to rate their business performance according to a list of indicators using a scale of 1 to 5, where 1 is very low and 5 is very high. Results are summarised in Table 7.1. As shown in the table, respondents rated their businesses high in terms of customer satisfaction, credibility with customers, personal satisfaction/fulfilment, operational measures such as delivery times, productivity and staff satisfaction. On the other hand, they rated themselves low on interstate/international competitiveness, market share, interest of family members to get involved in the business and job creation. Consistent with high ratings for customer satisfaction, they rated themselves lowest in the number of customer complaints (Table 7.1). This pattern is similar for Indigenous- and non-Indigenous-owned businesses, with only slight differences in the average scores.

Table 7.1: Summary of business performance of non-Indigenous and Indigenous businesses

Indicator	Non-Indigenous		Indigenous	
	N	Average score	N	Average score
Customer satisfaction	382	4.62	52	4.52
Credibility with customers	376	4.59	51	4.45
Personal satisfaction/fulfilment	377	4.28	52	4.02
Operational measures such as delivery times, productivity, etc.	348	4.19	50	3.70
Occupational health and safety of staff	330	4.07	50	3.44
Staff satisfaction	270	4.04	45	4.13
Staff retention	261	3.92	44	3.59
Social reputation/status in the community	347	3.69	50	3.68
Turnover of accounts receivable or payable	347	3.61	46	3.48
Sales growth	372	3.51	52	3.31
Financial independence and stability	374	3.47	47	3.13
Return on investment	365	3.12	49	3.16
Net profit	375	3.10	47	2.94
Interstate/international competitiveness	264	2.93	41	3.07
Market share	336	2.93	43	2.88
Interest of family members to get involved in the business	324	2.82	43	3.05
Job creation	333	2.70	50	2.90
Number of customer complaints	351	2.29	46	1.78

Since a majority of the respondents operate micro-businesses (62%, Figure 4.7), it appears that most of them are based locally, perhaps explaining their low ratings on the businesses' competitiveness outside their local areas as well as their market share. This could signal that there is still potential to grow their markets if they expand the business.

7.4 Business success

When respondents were asked whether they consider their business enterprise as successful overall, a large majority of the respondents agreed, with 92.5% of Indigenous and 77.8% of non-Indigenous business owners-managers considering their business as successful (Figure 7.3).

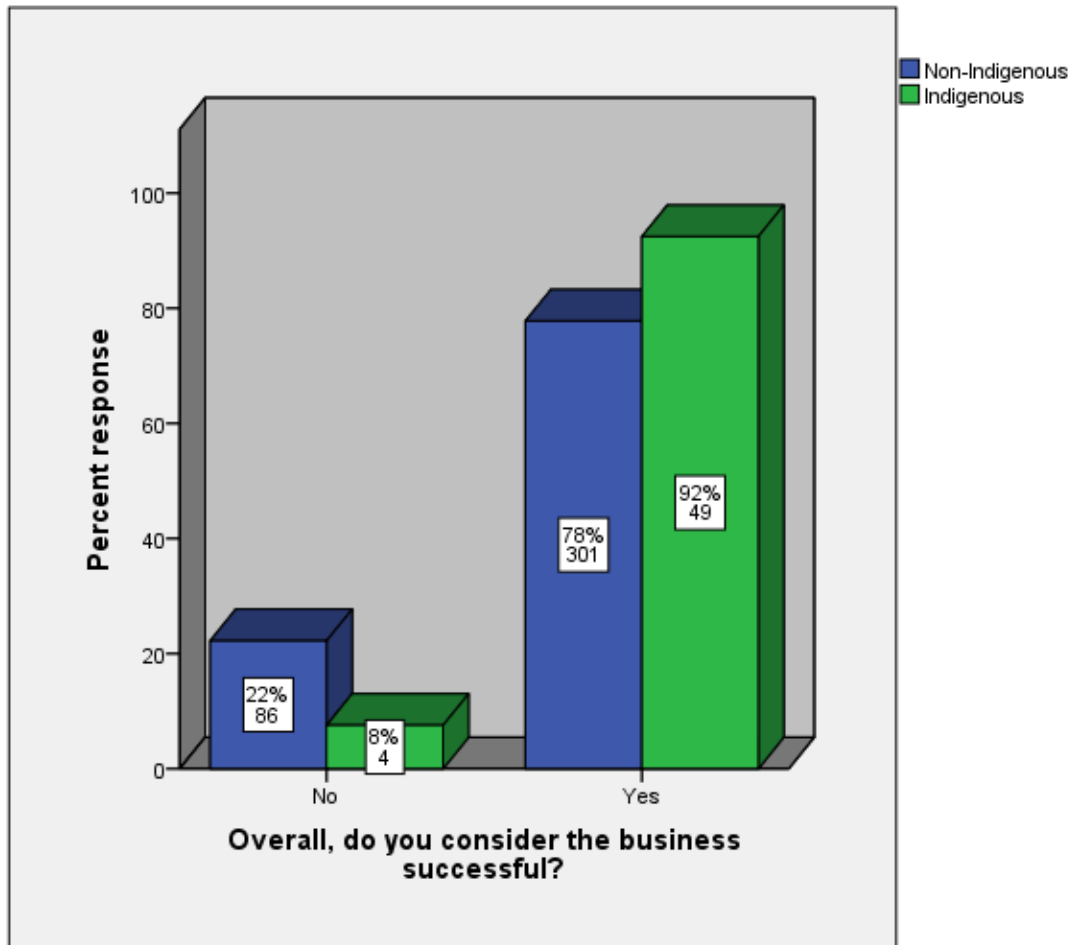


Figure 7.3: Respondent' perception of whether their business is successful based on origin

Table 7.2 shows the perception of business success by non-Indigenous- and Indigenous-owned businesses in non-desert and desert locations. A large majority of the respondents (75–100%) in non-desert areas agreed that their business is successful, with all Indigenous respondents and 75.5% of non-Indigenous entrepreneurs agreeing. On the other hand, in desert areas, more non-Indigenous-owned businesses (88.2%) were perceived as successful than Indigenous-owned businesses (76.5%).

A majority of the respondents' perception of a successful business appears to be related to personal achievement in a challenging environment. For instance, when asked to explain why they considered their business successful, some respondents said that they have achieved all set goals since the business started. Some respondents commented that the business is growing and that they are getting constant work or business; others cited the increase in client base; while others mentioned that they are getting new clients through word-of-mouth referrals – a reflection of customer satisfaction. Other reasons cited are the good profits the business is generating and that staff are happy.

Table 7.2: Perception of business success by non-Indigenous and Indigenous respondents in desert and non-desert areas

Response	Non-desert						Desert					
	Non-Indigenous		Indigenous		Total		Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No	78	24.5	0	.0	78	22.0	8	11.8	4	23.5	12	14.1
Yes	241	75.5	36	100.0	277	78.0	60	88.2	13	76.5	73	85.9

Respondents were asked to rate the factors considered important contributors to the success of their business, using a scale of 1 to 5, where 1 is very low and 5 very high. Generally, the factors rated as highly important contributors to the success of the business include offering good quality products or services to consumers, choosing the right products or good products or services, having good staff or employees, good management skills, reliable suppliers and the effective use of ICT in the business (Table 7.3). There is only a minimal difference between ratings by Indigenous and non-Indigenous entrepreneurs, although Indigenous entrepreneurs gave greater weighting to proper financial management (4.32 cf. 3.83), good location (4.17 cf. 3.61) and government support (3.09 cf. 2.45).

Table 7.3: Factors considered important contributors to the success of the business

Success factors	Non-Indigenous		Indigenous	
	N	Mean	N	Mean
Good quality products/services offered to customers	367	4.62	51	4.63
Good choice of products/services to sell	355	4.31	45	4.47
Good staff/employees	300	4.27	43	4.63
Good management skills	368	4.22	49	4.45
Use of ICT (information and communication technology)	351	4.19	36	4.25
Reliable suppliers	327	3.99	47	4.09
Proper financial management	365	3.83	50	4.32
Reliable power supply and other utilities	338	3.73	48	3.81
Attractive sales and marketing strategies	357	3.68	42	3.79
Availability of skilled workers	297	3.65	42	3.93
Good economic conditions	360	3.63	46	4.07
Good location of the business	356	3.61	48	4.17
Availability of raw materials/equipment	293	3.44	44	3.36
Access to capital/financing	340	3.37	45	3.67
Relevant training/mentoring available	325	3.31	46	3.85
Good transport facilities	294	3.31	43	3.58
Tax concessions	253	2.92	37	3.30
Membership in associations/networks	311	2.84	44	3.02
Government support	276	2.45	46	3.09

A range of other factors were cited by both Indigenous and non-Indigenous entrepreneurs as influencing business success, principally:

- financial factors (i.e. availability of external finance)
- government support (e.g. assistance from Indigenous bodies)
- innovation (i.e. innovative concepts that are a few years ahead of the current times)
- personal factors (i.e. job satisfaction, ability to close business for personal reasons such as holidays)
- business advice (e.g. consultants, business advisors).

They also spoke of:

- market factors: strong demand in the market for new players; having a good strong brand; advertisements
- business approach: entrepreneur's motivation and strong determination to be successful; personal reputation; better organisation of internal factors; communication skills of owner; customer service; maintaining good quality service; hard work; having highly skilled workers; commitment from staff, suppliers and customers; community support
- good networks and partnerships, such as local university support.

7.5 Government support

Figure 7.4 shows the respondents' receipt of support from governments, including grants, business advice, seed funding and loans. Overall, only 24% of non-Indigenous MSMEs claimed that they received some form of support from government bodies, while about 40% of Indigenous MSMEs claimed they received government support.

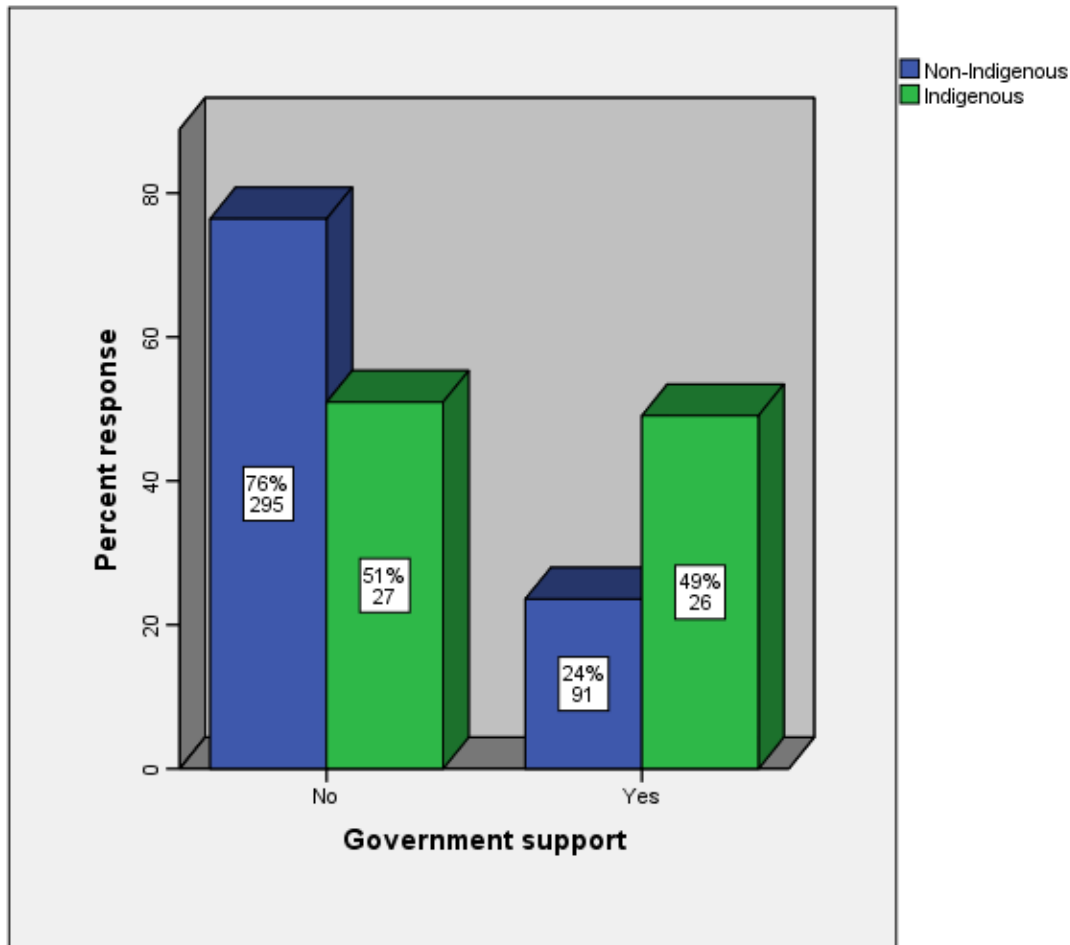


Figure 7.4: Government support to non-Indigenous and Indigenous owned businesses

Table 7.4 shows the percentage of non-Indigenous- and Indigenous-owned businesses in non-desert and desert locations who received some government support. In non-desert areas, about 25% (79 respondents) of non-Indigenous businesses and 44% (16 respondents) of Indigenous businesses received some form of government support. In desert areas, about 18% (12 respondents) of non-Indigenous and 59% (10 respondents) of Indigenous businesses received some form of government support. Although most of the businesses did not rate government support as a very important contributor to business success (Table 7.3), a number of them did obtain some form of government assistance.

Table 7.4: Receipt of government support by non-Indigenous- and Indigenous-owned businesses in non-desert and desert locations

	Non-desert						Desert					
	Non-Indigenous		Indigenous		Total		Non-Indigenous		Indigenous		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No	240	75.2	20	55.6	260	73.2	55	82.1	7	41.2	62	73.8
Yes	79	24.8	16	44.4	95	26.8	12	17.9	10	58.8	22	26.2

Support received by businesses that participated in the survey included:

- mentoring and other business-related advice (business planning support, business and financial mentoring and general advice)
- incentives, such as grants for apprenticeships, for export market development; new product development funds, small business grants and business start-up support, such as the New Enterprise Incentive Scheme run by the Department of Education, Employment and Workplace Relations (DEEWR)
- other support, such as bush product trials; income subsidies; and Community Development Employment Projects (CDEP) grants.

Among the organisations that provided such support are Austrade, the Australia Council, the former Aboriginal and Torres Strait Islander Commission (ATSIC), AusIndustry, Business Enterprise Centres, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the Northern Territory Department of Education and Training, EnviroFund, IBA, ITEC Employment (an employment case management service), Small Business Centres, Regional Development Councils, Regional Development Australia, Aboriginal Regional Business Development, Desert Knowledge CRC and Centrelink.

Specific support provided to Indigenous-owned businesses includes financial support to train staff; wages (CDEP); marketing support (e.g. assistance in business promotion, increasing business profile, market research); ICT (updating website); business advice (business planning, financial management), business loans and grants and technical know-how (e.g. setting up nursery for farming small fish, product knowledge). According to respondents, these initiatives helped their business by providing grants for buying new equipment, allowing them to recoup some costs of entering export markets, and helping them develop their business plans. Some claimed that the government support received enabled them to hire trainees, supported them in bearing the costs of unskilled labour, and by providing financial support to employ extra workers. Other benefits included improved scientific understanding of their product, improved knowledge in starting a business, and promotion of products interstate and in other venues.

Respondents also suggested further areas of government support that would assist them in running their business. These are indicated in Table 7.5.

Table 7.5: Support needed by businesses

Support	Non-Indigenous		Indigenous	
	No.	%	No.	%
Lower business tax	242	61.0	33	60.0
Provide access to low interest loans	213	53.7	30	54.5
Provide assistance in reaching new markets (e.g. export markets)	97	24.4	12	21.8
Provide seed funding or grants	162	40.8	21	38.2
Reduce red tape	179	45.1	18	32.7
Sponsor training and educational activities	187	47.1	22	40.0
Other	49	12.3	12	21.8

The main additional support cited as important by non-Indigenous businesses was reduced business taxation (61%) and greater access to low interest loans (53.7%) and training and education (47.1%). A large number of non-Indigenous businesses also indicated the need to reduce red tape (Table 7.5). Apart from those in the list, other suggested areas for support by non-Indigenous businesses included access to mentors and advisors, market information, affordable high speed internet, continued training/mentoring programs such as Small Business Online, access to government business, better information about and access to what assistance is available to business and business owners (e.g. one-stop shop for business information, including where to go for advice about different aspects of running the business), cheap/reliable public utilities (power/water), and simplification of tax reporting requirements.

Similarly, ideas for further support suggested by Indigenous-owned businesses included simplifying tax reporting and providing tax relief, creating a business hub, mentoring and access to a long-term mentor to develop their business, reducing red tape, support for fair trading with Indigenous businesses and training in various areas of business and management.

8: The future

8.1 Introduction

This chapter describes the goals of the Australian MSMEs that participated in the survey. It also discusses the challenges they face and what they think they need to grow their business.

8.2 Business goals

Figure 8.1 shows the business goals of the entrepreneurs in the study. The top three business goals of non-Indigenous owned business are customer-focused and include ensuring customer satisfaction, having a good reputation with customers and having credibility with customers. The top three business goals of Indigenous-owned businesses also included ensuring customer satisfaction and having credibility with customers. However, Indigenous businesses also ranked becoming sustainable as an important goal. Increasing net profit and growing the business are also important goals for both groups of MSMEs. Being globally competitive was the least important goal, probably because of the strong local focus of the mostly micro and small businesses in the survey.

Table 8.1: Business goals of non-Indigenous and Indigenous entrepreneurs

Goals	Non-Indigenous		Indigenous	
	N	Average score	N	Average score
To have good reputation with customers	376	4.84	48	4.48
To ensure customer satisfaction	375	4.84	47	4.60
To have credibility with customers	371	4.82	45	4.51
To increase net profit	374	4.60	47	4.49
To grow the business	371	4.51	44	4.50
To be sustainable	365	4.48	46	4.59
To achieve self-reliance	345	4.46	38	4.05
To expand our market	361	4.22	45	3.98
To be globally competitive	285	2.73	34	3.38
Other	21	4.95	4	4.75

Figure 8.1 shows the entrepreneurs' responses on whether their businesses are on track in achieving their goals. A majority (68%) of non-Indigenous business owners agreed that their business is on track in achieving its goals. However, a large majority (90%) of Indigenous business owners said they are not yet on track in achieving their business goals; only 10% considered themselves on track.

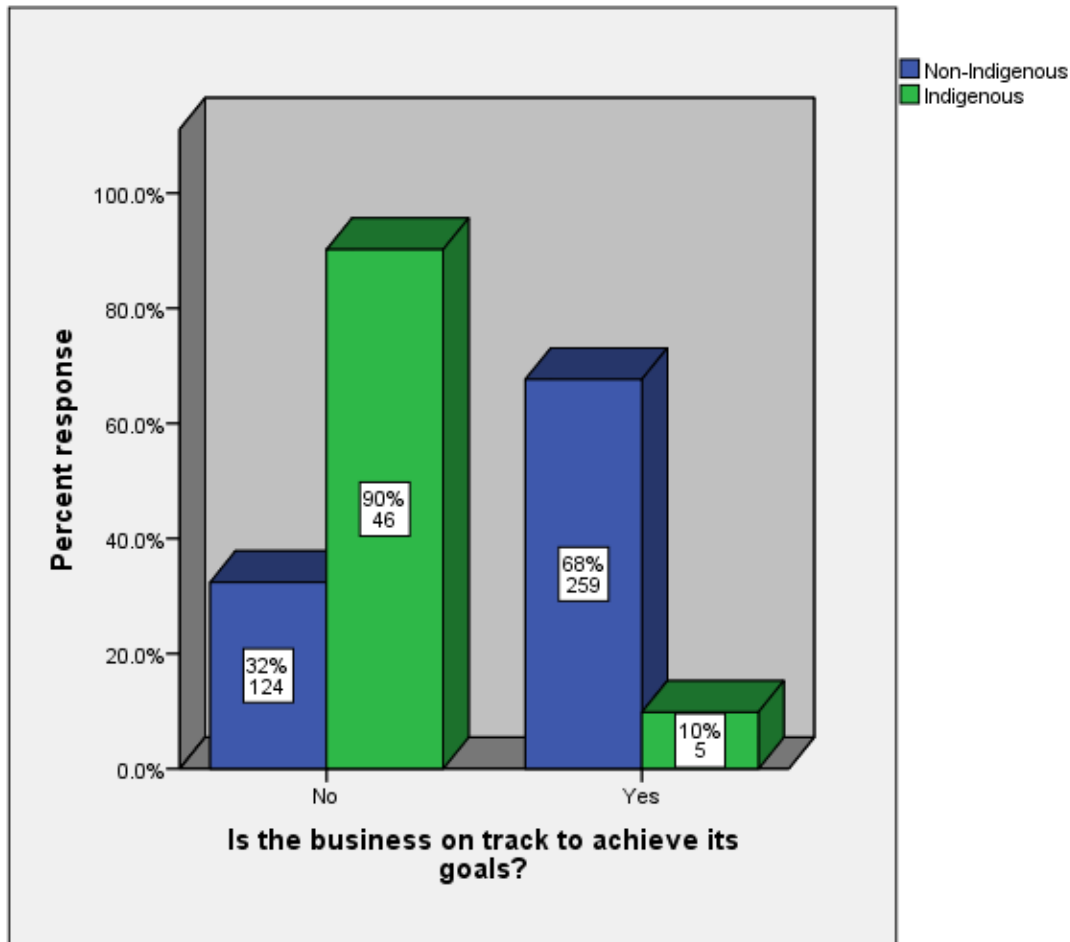


Figure 8.1: Non-Indigenous and Indigenous business owners' responses on whether they are on track to achieve their business goals

Reasons for considering that their business is on track, particularly by non-Indigenous-owned businesses, include having an increasing number of clients, incremental business growth annually and increasing profitability. Some indicated that their business is experiencing significant growth. There is also increased customer awareness and trust in their business. The low turnover of staff was also a common reason cited. Some respondents claimed that the key is to set realistic goals each year and to work hard to achieve these goals.

Generally, although most businesses are optimistic about their future, the reasons cited by Indigenous businesses for not being on track include their inability to access adequate funding to develop the business, lack of credible advice on business development, lack of confidence, lack of resources and knowledge on various aspects of managing and operating a business and the lack of financial incentives from the business. For example, one respondent explained: 'Completion of the large galleries is behind schedule, impacting on income and leaving profits behind income expectations'. Some also cited the recent global financial crisis as affecting consumer confidence and thus their business.

8.3 Challenges and constraints faced by the business

Table 8.2 shows the challenges and constraints faced by non-Indigenous and Indigenous MSMEs. On a scale of 1 to 5 (1 not constraining; 5 most constraining), the greatest challenges identified by non-Indigenous business respondents are increasing operational costs, inadequate working capital, increased competition, limited number of customers and high input costs. Indigenous business respondents also rated increasing operational costs, inadequate working capital and high input costs as among their greatest challenges but also felt a lack of qualified or skilled employees and difficulty in complying with tax requirements were constraints.

Table 8.2: Challenges and constraints faced by MSMEs

	Non-Indigenous		Indigenous	
	N	Average score	N	Average score
Increasing operational costs	354	3.73	52	3.87
Inadequate working capital, inadequate cashflow	323	3.54	52	3.73
Increasing competition	350	3.41	47	3.28
Limited number of potential customers	335	3.23	48	3.27
High input costs	322	3.20	50	3.42
Difficulty in getting sound advice	319	3.14	49	2.98
Difficulty of meeting tax compliance matters	288	3.14	44	3.32
Lack of qualified or skilled employees	280	3.11	47	3.49
Poor access to capital/finance	301	3.07	49	3.27
Low sales, declining market	319	3.07	48	2.90
Limited opportunities for business growth	337	3.06	47	3.30
High transport costs	293	3.02	47	3.04
Difficulty in sourcing supplies	302	2.74	48	2.69
Distance to major market centres	286	2.72	48	3.10
Lack of, or unreliable facilities/infrastructure	281	2.63	46	3.28
Cost of business registration	287	2.59	40	3.10
Crime and anti-social behaviour	299	2.57	44	2.23
Poor quality of products and services	283	2.37	44	2.95
Family conflict in running the business	250	2.00	40	2.00
Other	12	3.42	4	4.75

The top three areas both Indigenous and non-Indigenous entrepreneurs are seeking to develop in their businesses are (1) sales and marketing, (2) financial management and (3) product development and

quality control (Table 8.3). For non-Indigenous owners, the next three aspects to develop include productions/operations management, stocks control and human resource management. For Indigenous business owners, the next three aspects they seek to develop are productions/operations management, human resource management and managing intellectual property (IP) rights. Protection of IP rights is important for some Indigenous-owned businesses because their business offerings involve the use of Indigenous and cultural knowledge. These areas in need of development point to possible ways for governments, non-government organisations and other agencies to target their support for MSMEs.

Table 8.3: Aspects of the business non-Indigenous and Indigenous owners are seeking to develop

Aspect	Non-Indigenous		Indigenous	
	N	Average score	N	Average score
Sales and marketing	368	4.29	51	4.10
Financial management	362	4.08	53	4.32
Product development and quality control	331	3.81	50	4.06
Productions/operations management	310	3.70	50	3.94
Stocks control	291	3.38	46	3.37
Human resource management	309	3.37	49	3.71
Logistics	313	3.20	46	3.41
Managing intellectual property (IP) rights	248	3.06	36	3.42
Other	11	4.91	2	4.50

8.4 What is needed to grow the business

Table 8.4 below shows the areas that would help Indigenous and non-Indigenous owners grow their business.

Table 8.4: Aspects needed to grow non-Indigenous and Indigenous businesses

Needs	Non-Indigenous		Indigenous	
	N	Average score	N	Average score
Training	168	3.95	26	4.35
Improved access to new markets	339	3.86	47	3.74
Support in marketing	353	3.84	50	3.96
Improve quality of products/services	337	3.61	48	3.92
Better ICT	339	3.43	47	3.43
Mentoring	330	3.39	49	3.59
Access to loans and/or financing	332	3.37	48	3.48
Other	88	1.15	11	1.36

Although only about half of both Indigenous and non-Indigenous businesses identified improved training as a key need, all identified as factors needing support to grow business:

- improved access to new markets (slightly more non-Indigenous businesses said so)
- support in marketing (slightly more Indigenous businesses)
- improved quality of products and services (slightly more Indigenous businesses)
- better ICT (equal)
- mentoring (slightly more important for Indigenous businesses)
- access to loans and financing (almost equal, with Indigenous businesses slightly ahead on demand).

The areas of training respondents required included:

- ICT including website management, using software and videoconferencing facilities
- management skills, including business management, financial planning, and sales and marketing
- business expansion from start-up to growing the business
- up-skilling of new staff and customer relations
- professional development.

8.5 Advice to aspiring entrepreneurs

Finally, MSMEs were asked about any advice they might offer to aspiring entrepreneurs. The respondents offered many suggestions, which have been grouped as follows:

Research and planning: research your market and every aspect of your business; prepare the business plan; understand your obligations in business (e.g. taxation requirements, record keeping and others); and fully understand the risks of a new business.

Financial resources: secure your access to finance; make sure you have a reasonable payment and a supportive loan from a reliable financial institution; and have good financial management skills.

Human resources: have good human resource management skills; select your partners carefully; do not hire family if they do not fit with the business; utilise skilled people wherever possible; and surround yourself with good people who will go the distance with you.

Training and mentoring: ensure you get at least basic business training; undertake training to improve business skills, including marketing; choose mentors who have a good understanding of the principles of your market structure and business needs.

Networks: build up or join business networks; network with people who have done it before you; have a business support networking system in place.

Personal characteristics and motivation: don't go into business for the financial gain (initially); work hard to achieve your goal; mentally prepare yourself for long hours and hard work; and think big, do small and start now!

As one entrepreneur said: 'Know your market and know your products. Starting from scratch is the hard way – it takes money to make money, so don't go into business until you are sure you are ready, then make sure you have the support behind you'.

9: Summary of key findings and conclusions

9.1 Introduction

This study examined the performance of Indigenous and non-Indigenous businesses in desert and non-desert Australia.

9.2 General findings

- Although two-thirds of the Australian landmass is considered to be desert, about one-fifth of the MSMEs investigated are in desert areas. Of these, only one in four is Indigenous-owned.
- More than half of all businesses in the study are established non-Indigenous businesses that have been operating for more than three years. One in ten is an established Indigenous owned business and the remainder are either start-ups or newly established Indigenous and non-Indigenous businesses.
- Among Indigenous-owned MSMEs surveyed, agriculture, forestry and fishery, arts and recreation (including tourism) and cafes and restaurants are the most popular business activities. Non-Indigenous businesses tended to be in the retail trade or in cafes and restaurants. Arts and recreation/tourism were the most popular desert business activities. Retail was the most popular non-desert activity.
- Four out of five businesses surveyed are operated by owners or co-owners; the rest by hired managers. Most of owners or hired managers are men.
- Owner-managers tended to have attained Vocational Education and Training qualifications, while more hired managers have an undergraduate degree.
- The majority of Indigenous businesses in the study are managed by owner-managers, and of those that hire managers more are non-Indigenous than Indigenous.
- Both Indigenous and non-Indigenous business people interviewed in the study cited their main reasons for starting a business as creating employment for themselves and/or family members. They also wanted to be their own boss, improve their income and change their lifestyles.
- Less than half of all business people surveyed belong to business networks, which may be because a large proportion of businesses in the study were micro-businesses. There is a larger percentage of desert entrepreneurs who belong to networks, but membership is low among Indigenous entrepreneurs.

9.3 Critical success factors

The majority of respondents in the study (95% Indigenous and 78% non-Indigenous) considered their businesses to be successful. In many cases, this perception may be related to feelings of personal achievement in a challenging environment. They variously described success as meaning:

- they had achieved their aims
- they are getting constant work or business and their business is growing
- the client base is growing and new clients are coming from word-of-mouth referrals
- profits are good
- staff are happy.

Rating factors that contribute to the success of their business on scale of 1 to 5, there was general agreement across the board from both Indigenous and non-Indigenous entrepreneurs that key factors (scores from 3.8 to 4.6) include:

- good quality products and services offered to customers
- good choice of products and service to sell
- good staff
- good management skills
- reliable suppliers
- use of information and communications technology
- reliable suppliers
- proper financial management
- reliable power supply and other utilities
- attractive sales and marketing techniques.

Other factors they agreed were important include:

- good economic conditions (slightly more important to Indigenous business)
- good location (again, slightly more important to Indigenous business)
- availability of raw materials/equipment
- access to capital or financing (slightly more important to Indigenous business)
- good transport facilities.

Respondents also ranked innovation and business advice as important factors for success.

Significantly, government support was not perceived to be a major factor, although it was rated as more important by Indigenous entrepreneurs compared to non-Indigenous, scoring 2.45 from non-Indigenous and 3.09 from Indigenous businesses respectively. Overall, only 24% of non-Indigenous SMEs and about 40% of Indigenous businesses claimed that they had received some support from government bodies. In desert areas, about 18% of non-Indigenous and 59% of Indigenous SMEs claimed to have received some support from government.

9.4 Performance

SMEs involved in this survey reported annual turnovers ranging from less than \$20 000 to more than \$5 million. Of the non-Indigenous respondents, the largest sector (about 26%) reported a turnover of \$100 000–\$500 000. About 17% – the micro-businesses – had a turnover of \$20 000. Only a small number (4%) reported a turnover of more than \$5 million. Indigenous businesses show a similar profile on percentages: 31% reporting a turnover of \$100 000–\$500 000; 12% below \$20 000 and 4% reporting \$5 million or more.

More than half of all respondents reported that their business had made a profit over the past 12 months, with only a minor difference between Indigenous businesses (56%) and non-Indigenous SMEs (51%). Almost a quarter of non-Indigenous businesses and 20% of Indigenous businesses reported a loss.

Personal ratings of business performance show remarkable consistency across Indigenous and non-Indigenous businesses. Again on a scale of 1 to 5, where 1 is very low and 5 is very high, with minor variations respondents rated their performance highest on these criteria:

- customer satisfaction
- credibility with customers
- personal satisfaction or fulfillment
- operational measures such as productivity and delivery times
- staff satisfaction.

They gave a more modest, but still positive, response to ratings for occupational health and safety, staff retention, status in the community, turnover of accounts received or payable, financial independence and stability and sales growth. They rated themselves lowest on interstate or international competitiveness, market share, interest of family members to get involved in business, job creation and, consistent with high ratings for customer satisfaction, lowest for customer complaints. These lower scores are likely to reflect the local nature of many of the businesses in the survey.

9.5 Business models

Based on ABS classifications, 62% of businesses in the study were micro-businesses with almost one-third being small business enterprises. Only 7% were medium-sized enterprises.

Predictably, 56% of all businesses were micro-businesses under non-Indigenous ownership, with Indigenous-owned micro-businesses accounting for 5.9% of all businesses. More than half of all Indigenous-owned businesses surveyed fall into this category. Slightly less than a third were classified as small businesses (26% of non-Indigenous and 4.8% of all Indigenous-owned businesses). Almost all of the remaining 7.4% were medium-sized businesses under non-Indigenous ownership.

There is a variety of business models operating across these businesses. Of the businesses surveyed 38.3% were companies (33% non-Indigenous and 6% Indigenous owned); 37.3% were sole proprietorships (35% non-Indigenous and 2% Indigenous); 16.4% were partnerships (14% non-Indigenous and 3% Indigenous); and the remainder (6% of non-Indigenous and 1% Indigenous) were classified as 'other', which covers cooperatives, incorporated associations, trusts and non-profit enterprises.

9.6 Development and growth of Indigenous businesses

A supportive environment is a critical element in the growth and development of any business. Many of the businesses in the survey receive broad support from a number of government and non-Government agencies that provide:

- business and financial advice, mentoring and training
- business start-up support
- apprentice initiatives
- income subsidies
- new product development grants
- export development grants.

There is also specific support for Indigenous businesses covering a similar range, which respondents say helped them develop business plans, invest in new equipment, hire trainees and employ additional staff.

Businesses report the need for support in:

- lower levels of business tax (61% non-Indigenous and 60% Indigenous)
- access to low interest loans (53.7% non-Indigenous and 54.5% Indigenous)
- sponsored training and education (47.7% non-Indigenous and 40% Indigenous)
- seed funding or grants (40.8% non-Indigenous and 38.2% Indigenous)
- less red tape (45.1% non-Indigenous and 32.7% Indigenous)
- assistance to reach new markets (24.2% non-Indigenous and 21.8% Indigenous).

As well as endorsing many of these, Indigenous SMEs reported specific support that would help sustain and grow their businesses:

- simplifying tax reporting
- creating business hubs
- access to long-term mentoring to develop business
- fair trading for Indigenous business
- building skills with business and management training.

9.7 Some conclusions

Small businesses represent an opportunity for economic independence for Indigenous people, hence it is critical to consider entrepreneurship from the Indigenous point of view as well if we are to understand how best to support the growth and development of entrepreneurship among Indigenous Australians.

Economic development and independence through the establishment and growth of small businesses are important ways by which Indigenous people can overcome the impoverished socio-economic circumstances that they face (IBSA 2005; Fuller et al. 1999). According to Fuller, economic independence through entrepreneurial activities in small business is one possible solution to welfare dependency.

Indigenous entrepreneurs say they feel their businesses are not ‘on track’ because:

- they cannot access adequate funding to develop the business
- they lack credible advice on business development
- they lack confidence and knowledge in various aspects of managing and operating their business.

They have similar needs to non-Indigenous business people and concur in the need for development support for sales and marketing, financial management, product development and quality control. Indigenous business people say, however, that they also want to develop:

- product and operations management
- human resource management
- managing intellectual property rights (IP), which is a critical element because of the number of Indigenous-owned art, cultural and tourism ventures.

To realise the potential of Indigenous business, there is a need for policy development that recognises and understands the similarities and differences between Indigenous and non-Indigenous entrepreneurs. Policy needs to be improved to be responsive and culturally appropriate to the needs of both types of entrepreneur. Policy for Indigenous business should specifically recognise the discourse of Indigenous business people cited above and specifically take into account factors they identified as important, including their lack of confidence about the future.

Although only about half of both Indigenous and non-Indigenous businesses identified improved training as a key need, all identified the following as factors needing support to grow business:

- improved access to new markets (slightly more non-Indigenous businesses said so)
- support in marketing (slightly more Indigenous businesses)
- improved quality of products and services (slightly more Indigenous businesses)
- better ICT (equal)
- mentoring (slightly more important for Indigenous businesses)

- access to loans and financing (almost equal, with Indigenous businesses slightly ahead on demand)

The evidence suggests that a combination of internal and external factors is critical for the success of a business. In particular, product or service offering, human resources and supporting systems (e.g. ICT) are important. While funding was not the top factor indicated, entrepreneurs pointed to the importance of funds for the growth of the businesses. There is a need for funding to be more accessible and funding processes to be more user-friendly. For Indigenous businesses, mentoring that involves both internal (recruitment of more experienced staff to play a mentoring role) and external (business development agency or association and network) support is needed.

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