

Regional Entrepreneurship – Developing a Holistic Framework for Stimulating Regional Enterprise

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ABSTRACT

This paper examines the process of regional entrepreneurship and the triggers and barriers that may serve to stimulate new venture creation within regional, rural and remote communities in Australia. The findings from a previous research into entrepreneurship motivators within a small rural community are examined, along with their implications. The need for a holistic approach to the stimulation of entrepreneurship and enterprise development within regional communities is highlighted, along with a framework for regional enterprise development. The paper calls for the creation of a community enterprise facilitation process that combines strategic regional economic development with micro-level small business support services that offer tailored solutions to the needs of local regional communities.

Keywords: *regional enterprise, entrepreneurship, employment creation, and facilitation.*

REGIONAL ENTREPRENEURSHIP – ITS IMPORTANCE AND CHALLENGES

Within regional economies the importance of small firms is frequently amplified. For example, the opening or closure of a café or automotive repair shop in a small country town can have a significant impact on the community through infrastructure, employment generation, local wealth distribution and provision of services.

Throughout the developing world micro-businesses offer an alternative to the lack of employment opportunities provided by the public sector or large firms. From rural Africa to urban South America, micro-business is the main source of economic advancement for women, young people, ethnic minorities, the poorly educated and the migrant (Halvorson-Quevedo 1992).

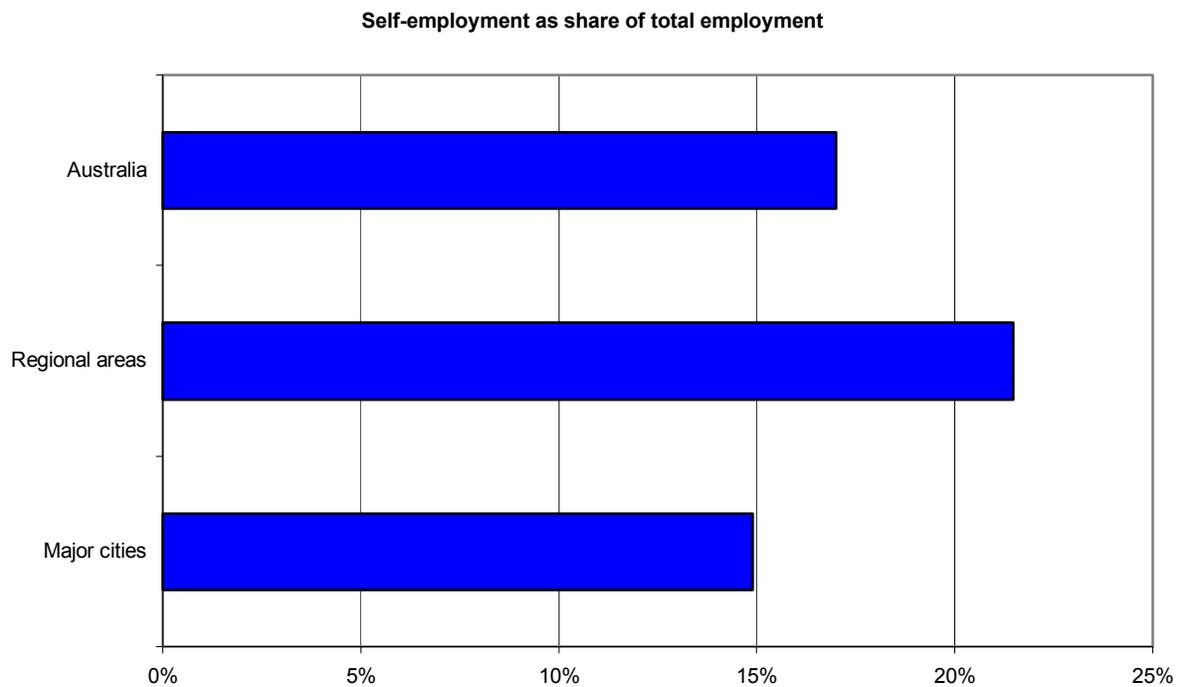
Uneven distribution of wealth and opportunity is a problem facing governments throughout the world, with economic and social divisions emerging within countries as human and financial capital flow unevenly from one region to the next. Sustainable economic development within regional economies requires growth in both employment and per capita incomes (Mathur 1999). However, for many regional economies the decline of traditional industries leads to steady erosion in the employment base and a commensurate fall in per capita incomes. Where the establishment of a few large employing firms or government owned enterprises couldn't secure such employment and income growth, the only alternative is self-employment or entrepreneurship in the form of new venture creation (Shumpeter 1934).

The Importance of Small Firms and Entrepreneurship in Regional Australia

Within Australia the importance of regionally based small firms is significant. Regional business communities provide employment and wealth creation opportunities, as well as enhancing the quality of the infrastructure and social environment. Of particular importance is the capacity of small firms to assist

in the diversification of regional industry (Keniry, et.al. 2003). This can reduce the dependency of such communities on single industry models that frequently lead to a loss of employment and population growth when such industries experience periods of decline.

Although Australia's regional economy has been traditionally associated with rural or farm-based enterprise and mining or resource sector activities, the range of regional industries engaged in such sectors as manufacturing, tourism and services is significant (AIG 2001). An examination of the level of self-employment as a proportion of total employment within Australia suggests that regional communities enjoy a higher concentration of self-employed persons than in urban areas (BTRE 2003). Figure 1 illustrates this trend suggesting that regional and remote communities may be home to a large number of self-employed.



source: (BTRE, 2003)

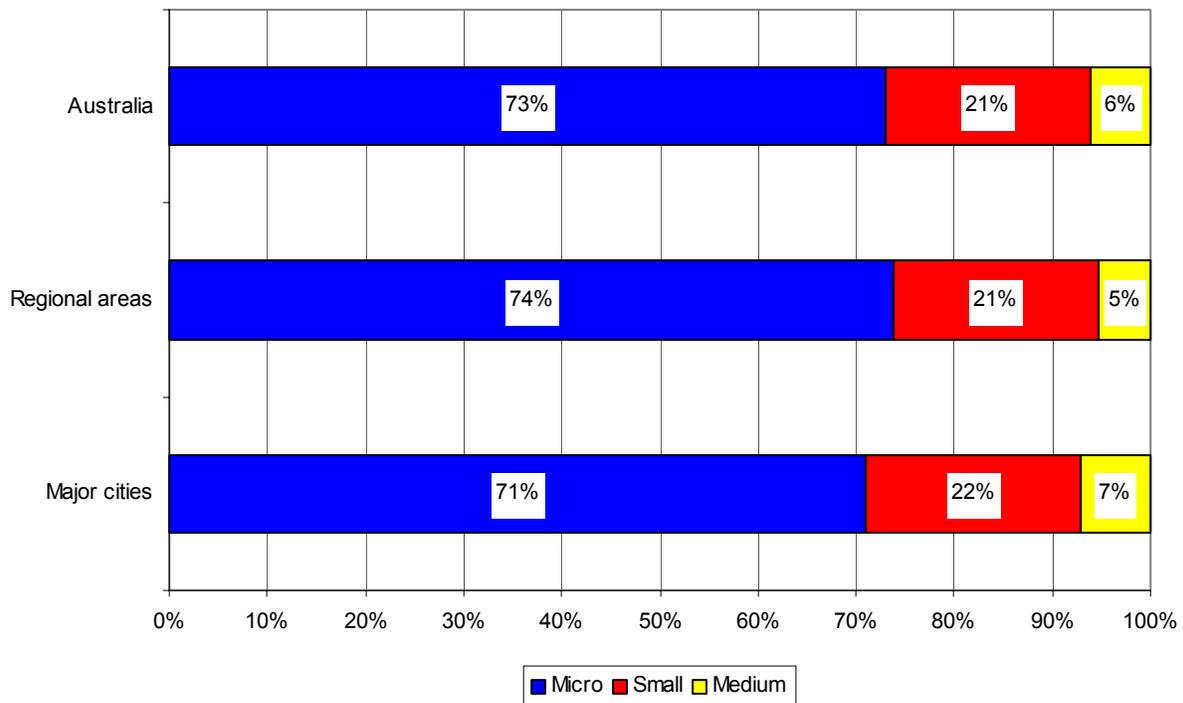
Figure 1: Self-Employment in Regional Australia

There are an estimated 355,100 businesses operating in regional and remote Australia, employing an estimated 2.6 million persons (BTRE 2003). Australia's regional industries therefore comprise about 36 percent of all the nation's businesses and employ around 31 percent of its workforce. This makes regional industry and the entrepreneurial management that lays behind it an important element in the long-term sustainability of Australia's economy.

In terms of the size of firms in Australia's regional areas, the pattern across regions is one of a high proportion of micro-enterprises (those employing fewer than 5 employees), with many small firms

(those with between 5 and 20 employees), and a small number of medium or large firms. This pattern of small business concentration is shown in Figure 2, where it can be seen that regional and remote areas of Australia frequently have a higher concentration of micro-enterprises than the city areas.

Micro-enterprises within Australia are often family owned and operated businesses that provide the primary means of income and wealth creation for those families thereby making them an important element in the social as well as the economic life of their communities. Creating and sustaining small business ventures within regions is therefore a key factor in economic development.



source: (BTRE, 2003).

Figure 2: Micro, Small and Medium firms as a proportion of all firms by Remoteness

The Challenges Facing Regional Entrepreneurship

Most small firms, regardless of where they are located face challenges in at least five key areas. The first of these is financial management and the ability to secure sufficient cash flow to cover operating costs. The second relates to their ability to effectively market their goods and services and generate new sales, particularly within local markets. A third problem is their capacity to control production operations and manage quality. Fourth is their ability to find, recruit and retain suitable employees and manage such staff as the business grows and expands. Finally, small firms face problems with finding and securing physical

resources and fixed assets, particularly those items that require substantial capital investment requiring the business to take on either substantial debts or find external equity financing (Creedy & Johnson 1983).

Within regional areas small firms have similar problems, but must also deal with additional challenges due to their remoteness or other factors. Research by the U.S. Small Business Administration found that rural and regional small businesses were confronted with specific challenges in accessing technology, transportation and services. Such firms faced higher fixed costs than their counterparts in urban areas making it more difficult for them to remain competitive (SBA 2001). A study undertaken in Australia by the Department of Transport and Regional Services produced similar findings. Its conclusions were that Australian regional business faced unique challenges associated with greater distances, lack of access to finance, skilled labour, services and transport and communications infrastructure (Keniry, et.al. 2003). The study also observed that government policy had not been as effective as it should be:

“Regional Australia is continuing to experience uneven growth, as indicated by income levels and employment. Previous government actions based on tax incentives and subsidies have proven to be blunt and relatively ineffective. The implication is that policies designed to only attract external ‘footloose’ capital are not effective in the long-term” (Keniry, et.al. 2003).

FACTORS THAT TRIGGER ENTREPRENEURSHIP

Entrepreneurship is a complex concept that has many definitions and meanings. Within the context of small business the creation of new ventures or new innovations within product or market combinations is frequently associated with entrepreneurship (Lumpkin & Dess 1996). Entrepreneurs are defined as those individuals who create business ventures for the creation of profit and growth, and who make use of innovation and strategic behaviour to achieve these goals (Carland, Hoy, Boulton & Carland. 1984). While not all small business owners are entrepreneurs, the process of new venture creation is strongly associated with entrepreneurship.

The creation of new business ventures is a process that can be triggered by a variety of factors, some of which may be psychological, some social and some economic in nature (Cromie 1994). Many would be entrepreneurs are motivated to launch a new venture out of a desire to fulfil a personal dream or ambition (Mazzarol, Volery, Doss & Thein 1999). Others may be driven by a sense of achievement (McClelland 1961), a desire for autonomy (Bryson, Keeble & Wood 1993), or greater personal control over their affairs (Greenberger 1988). Some may seek to follow an economic opportunity identified in the market (Baumol 1968), or they may engage in self-employment out of necessity due to loss of employment (Hinz & Jungbauer-Gans 1999).

Whatever the motivation the nascent entrepreneur will need to be willing to take a calculated risk (Brockhaus 1980), and be able to operate in an environment of uncertainty and ambiguity (Schere 1982). It is likely that such individuals will be assisted by a capacity for determination and an internal locus of control (Brockhaus & Horwitz 1985). There is some evidence to suggest that a person's past employment history (Ronstadt 1988), family background (Matthews 1995; Scott & Twomey 1988), gender (Buttner & Rosen 1989), education levels (Storey 1982), ethnicity (Aldrich 1980) and even religion (Weber 1930) may serve to trigger their decision to launch a new venture. However, while such factors are likely to influence entrepreneurial behaviour, none of them have been found to operate significantly as triggers or barriers to new venture creation (Aldrich 1990).

While the personal characteristics and motivations of the nascent entrepreneur are potentially important trigger factors for new venture creation, the surrounding environment, particularly the social milieu in which the individual operates is likely to play an important role (Johannisson 1988). The level of support the nascent entrepreneur receives from their family, friends or community may also be of importance (Bull & Winter 1991).

The ability to secure access to finance has been viewed as a potential barrier to new venture creation (Cross 1981; Gartner 1985). However, the lack of venture capital financing is not likely to be a major impediment to the creation of new ventures (Bhide 2000), although it may impede their long-term growth. In some circumstances the lack of employment opportunities may serve to trigger new venture creation (Pennings 1982), as might general economic indicators and cycles at least within a regional context (Gould & Keeble 1984; Shutt & Whittington 1987).

The presence of business advisory services and government support schemes for new venture creation is likely to be beneficial to nascent entrepreneurs (Walker & Greenstreet 1990), as might be entrepreneurship education programs focusing on schools or universities (Romanelli 1989), and the establishment of business incubators (Young & Francis 1989). Although advisory services, education courses and incubators are likely to be of greater benefit to the post-founding novice entrepreneur. For the pre-foundation nascent entrepreneur the decision to launch a new venture is a dynamic process involving a complex mix of personal and contextual factors with interaction between potential barriers and triggers (Bird 1988).

Research into new venture creation within economically declining regions suggests that adverse conditions promote greater numbers of "necessity entrepreneurs" (those who establish businesses out of necessity due to unemployment or redundancy), who establish poorly resourced micro-enterprises that experience high failure rates and produce only modest levels of employment substitution (Yushuf & Schindelhutte 2000). Enhancing employment and economic growth within declining or depressed regions is more likely to succeed where new ventures are established by "opportunity entrepreneurs" (those who establish businesses in order to follow a market opportunity or personal ambition), who take advantage of innovation – via product or process – to operate within sustainable industries (MacPherson 1994).

FACTORS INFLUENCING ENTREPRENEURSHIP IN A REGIONAL COMMUNITY

Previous research undertaken into the factors that may serve to trigger or serve as a barrier to new venture creation suggest that there may be a combination of factors some internal and some external to the individual (Volery, Mazzarol, Doss & Thein. 1997). However while some personal and demographic characteristics may be important in influencing the decision to launch a new business, it is difficult to clearly demonstrate that such variables make a significant impact (Mazzarol, Volery, Doss & Thein. 1999). A potentially powerful motivation for many nascent entrepreneurs may be the desire such individuals have to pursue a personal ambition or realise a dream (Mazzarol, Volery, Doss & Thein. 2001).

Additional research conducted in regional communities within Australia suggests that similar forces apply to people regardless of their geographic location, but that there may be some differences in the relative influences such factors might have (Mazzarol 2002). The key trigger and barrier factors are outlined in Table 1.

Table 1: Trigger and Barrier Factors Influencing New Venture Creation

Trigger Factors	Barrier Factors
Desire to Invest	Risks and Costs
Desire for Creativity	Lack of Support & Information
Desire for Autonomy	Lack of Skills & Confidence
Desire for Status	Lack of Finance & Family Support
Market Opportunity	Hard Reality
Desire for Money	

The major factors likely to trigger the creation of a new venture were the desire to increase the income of the person concerned and their sense of a market opportunity that might be followed. The opportunity or desire to invest personal savings or money received from a redundancy payout was also potential triggers. On a personal level the individual was likely to be influenced by a desire to follow a dream and create something new that would allow them greater freedom or autonomy over how, when and where they worked. For some there was a desire to enhance their status within their community through self-employment. Working as potential barriers were the overall risks and costs of establishing the new business venture, and the lack of resources, skills and support to the nascent entrepreneur to get started. Also the hard reality of actually getting the new venture started encompassing fear of failure and the need to convince others of the merits of the idea.

The type of support they might require involved finding suitable premises and skilled labour, securing start up financing, finding partners and getting support from family and friends. A lack of skills in management or marketing was also a potential barrier, as were difficulties in understanding compliance costs and other regulatory information.

Differences between Urban and Regional Communities

A comparison of 253 people drawn from metropolitan and rural communities, as well as Aboriginal and non-Aboriginal communities found significant differences between these groups in relation to the relative importance that they placed on these various trigger and barrier factors (Mazzarol 2003). This research indicated that people in the rural community were more likely to place greater importance on the desire for autonomy and the desire to follow a perceived market opportunity than were their counterparts in the urban community. For the rural community, the more important barriers were perceived risks and costs and lack of finance and skills.

These findings suggest that nascent entrepreneurs within regional and rural communities may be as motivated, perhaps even more determined, as their urban counterparts to achieve independence through self-employment, and to follow their desire to fulfil their creative ambitions. However, such groups may also be faced with greater barriers in the form of lack of access to start up financing and managerial or marketing skills. Further, the regional community may also perceive that the risks and costs associated with their new venture might be greater. Regional communities experiencing economic stagnation or decline are likely to perceive such risks as being greater than might be the case in urban environments. Further, as noted earlier, the cost of doing business in regional areas is likely to be higher than in the major population centres and there may be less access to important infrastructure such as transport and communications (Mazzarol 2002).

Differences between Aboriginal and Non-Aboriginal Communities

An examination of the responses of Aboriginal people from the rural community found significant differences between them and their non-Aboriginal counterparts. One of the key differences was the higher importance placed on the desire for status as a trigger factor by the Aboriginal community as well as the desire to follow a market opportunity. The hard reality of actually getting the business going and convincing others of the merits of the concept were found to be significantly greater barriers to the Aboriginal respondents than their non-Aboriginal counterparts (Mazzarol 2003).

These findings suggest that Aboriginal nascent entrepreneurs may be motivated by the perception that starting their own business will enhance their social standing within the community – something that was not a strong motivator for the non-Aboriginal community. However, this positive motivation is likely

to be offset by the hard reality of trying to overcome both the fear of failure and the need to garner support from others for their business idea. Many Aboriginal communities find themselves socially and economically marginalised making it potentially more difficult to overcome the hard reality of starting the new venture. The need to secure start up capital and the general support from family and the wider community may be more challenging for many Aboriginal people who may lack role models and mentors within the business community.

These findings suggest that while the trigger and barrier factors to new venture creation are likely to be viewed in a similar manner across different community groups, there are some differences between them. Such differences as can be found appear to be related less to forces internal to the individual, and more to forces shaped by external environmental influences. As discussed above, the individual seeking to launch a new venture in a rural community is likely to face more barriers from lack of access to financing, business skills and the risks associated with establishing a business in a small, perhaps economically stagnant or declining region. The closure of banks and the lack of business support services such as accountants can further impede the new venture creation process in rural communities.

For marginalised social and economic groups such as indigenous populations the challenges of launching a new venture can be further compounded by lack of experience within the community of entrepreneurship, and the difficulties associated with overcoming the hard reality of establishing a viable business in an environment in which the indigenous culture lacks understanding of the new venture creation process, and the main-stream culture may be sceptical or even hostile to indigenous-owned enterprises. The allure of enhanced social status may be a major trigger for indigenous nascent entrepreneurs, however, the more pragmatic view of the experienced owner-manager suggests that the real focus should be on the risks and costs of setting up the new venture.

DEVELOPING A FRAMEWORK FOR REGIONAL ENTERPRISE

As discussed, regional and indigenous communities within Australia may need to overcome barriers to new venture creation that are slightly different from their counterparts in urban areas. Due to the higher costs of doing business in many regional areas the risks associated with a business start up may be perceived as greater. Access to start up capital may also be a problem more pronounced in regional communities than in urban ones. For Aboriginal communities the hard reality of overcoming fear of failure, and convincing others that they can succeed in their new venture may be significant obstacles to be overcome.

The Need for a Holistic Framework

Encouraging regional enterprise and entrepreneurship is likely to benefit from a more holistic framework that recognises the importance not only of the business, but also of the environmental context in which the new venture and its nascent entrepreneur is seeking to operate.

Figure 3 shows a model for Regional Enterprise Development. It suggests that the objective of achieving enhanced employment and new venture growth, increased population and a common or shared sense of community values and objectives can be achieved if consideration is given to the interdependency found between five key environments and the culture found in a particular region. The model draws from research undertaken by Gibb (1987; 1988), Levin (1993) and Morrison (2000), into the development of entrepreneurial behaviour and how to create environments conducive to the emergence of new business ventures.

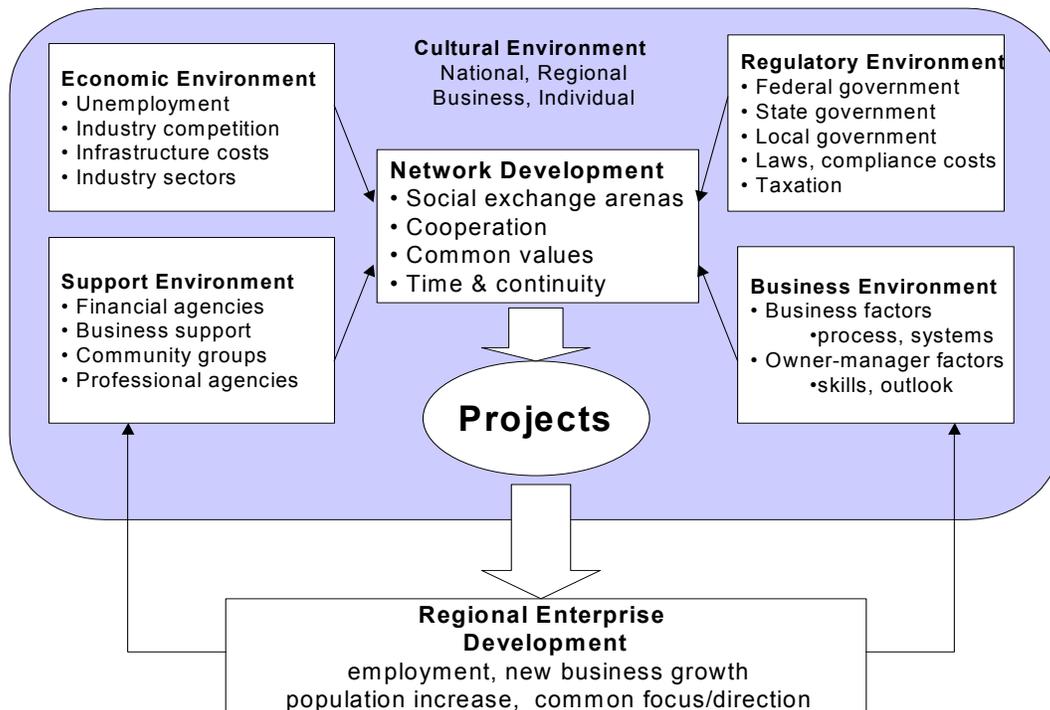


Figure 3: Integrated Regional Enterprise Development Model

The Cultural Environment

The importance of culture in encouraging entrepreneurship has been recognised within the literature at several levels (Gibb 1988). A symbiotic relationship exists between entrepreneurship and culture (Morrison 2000). This relationship involves a series of 'inputs' comprising such things as religion,

education, politics, family background, history, and the existence of role models and cultural and personal characteristics. These impact on the culture at national, regional, business and individual levels.

The importance of an enabling culture that tolerates risk, diversity and failure has also been recognised (NCOE 2000). It has been suggested that education for enterprise should commence as early as possible and involve children and nascent entrepreneurs participating in opportunities to experience and practice enterprise, as well as interacting with entrepreneurial role models while receiving formal skills and knowledge transfer and developing personal networks able to facilitate future business endeavours (Gibb 1987). Social networks have been recognised as important in facilitating new venture creation (Johannisson 1988), as has the level of social support and acceptance given to nascent entrepreneurs by their community (Bull & Winter 1991). Further, research into the relationship between community support for entrepreneurs and overall business success suggests that there are positive, reciprocal links. Entrepreneurs within local communities that invest in the region either via employment creation or donations to various causes are likely to receive enhanced loyalty from local customers and commensurate sales performance (Kilkenny, Nalbarte & Besser 1999).

The Economic Environment

Understanding the economic environment when seeking to formulate regional enterprise development policy is recognition that the structure and state of a region's industries is likely to have a significant influence on both the creation of new ventures and the development of others. For example, while entrepreneurs may be attracted to enter new markets in pursuit of higher economic returns (Baumol 1968), they may be barred from entry due to a range of industry dynamics impeding competition (Bain 1956). Most regions possess certain comparative advantages, usually in the form of natural features, location-specific or historical. However, successful regional economies specialise into a few key industries in which most of the firms are locally owned (Isaksen 1998).

Variations in regional economies can be examined in terms of factor conditions (e.g. natural resources, availability of skilled labour and venture capital) are clearly important to the creation and sustaining of industries within a region (Krugman 1991). Also of importance are the demand conditions, the availability of supporting and related industries, and the strategy, structure and rivalry existing between local firms within the region (Porter 1980). Where the level of local demand for regional products and services is weak attention must shift to national or international market expansion. Further, a geographic concentration of firms in a particular area can assist in increasing the intensity of the interactions within the system and can provide opportunities for pooling skilled labour, accessing intermediate inputs and encouraging technological or innovation spill-overs through which ideas, knowledge, products and processes can transfer from one firm or industry to another via formal and

informal networks (Baptista 1998). Such interaction can assist firms to become more competitive when seeking to enter national or international markets.

The Regulatory Environment

Government regulation and de-regulation policy is of primary concern within this framework (Gibb 1987). Of particular importance will be local government planning activities as these frequently impact directly on the operation of small firms (Porter 2001). Models that highlight the role of local government and local economic development agencies within regional economic development strategies have been trialled in other countries (Botchway, Goodall, Noon & Lemon 2002). These suggest the need for long-term strategic planning, medium-term emergent positioning comprising policy responses to internal and external environmental change, and ongoing activities designed to collect data, build alliances and implement strategies within the wider community. Such models are likely to have value when applied by local government or regional development agencies although many may not be as proactive in the face of uncertainty as might be desired.

Lack of coordination between the three tiers of government or their agencies is a critical area for consideration and attention. Government agencies and policy makers can assist in the formation of new business ventures (Walker & Greenstreet 1990). However, their influence is frequently indirect and may be best applied via attention to the development of public infrastructure such as the education system (Romanelli 1989), or the establishment of business incubators (Young & Francis 1989). Government policy directed at encouraging enterprise within regions should focus on “*removing obstacles, relaxing constraints, and eliminating inefficiencies*” rather than attempting to ‘pick winners’ or decide the composition of the industrial landscape (Porter 2000).

The Support Environment

The Support Environment considers the availability within the region of sources of specialist advice and information as well as finance (Gibb 1987). A supportive infrastructure of business advisors (e.g. accountants, lawyers, technical specialists and venture capital) has been recognised as critical to the successful development of entrepreneurial firms (NCOE 2000). Firms within the same region, but operating in separate industries, can still share common supporting and related services or products, such relationships can be leveraged to enhance the overall supply chains of the entire region, rather than working against each other for incremental advantages (Anderson 1994).

Successful regional economies are characterised by close cooperation between firms and other institutions (OECD 2000). Entrepreneurs, in particular small business owner-managers, require the ability to regularly access collaborative networks of both a social and professional nature. Such networks are

important to linking venture capital to enterprise initiatives, source professional advisors, and share market intelligence and innovations. Formal business chambers and industry associations can supply such social exchange arenas or milieux. However, these agencies are frequently either too formal or too narrowly focused to encourage the level of exchange required in a dynamic environment. Informal networks of entrepreneurs have been sourced to the existence of either large numbers of small entrepreneurial firms located together in a particular region, and within a region that possesses a culture that is conducive to information sharing and networking (NCOE 2000).

Successful regions also require access to competent financial institutions including venture capital investors who are local. While not all fast growing small firms need venture financing (NCOE 2001), the investment community should be able to provide both funding and mentoring (Kenney 2001). Early stage business ventures benefit significantly from assistance from 'business angels', wealthy individuals – usually local successful entrepreneurs – who offer guidance and serve on company boards (Oats 1992).

The Business Environment

The Business Environment encompasses the actual work place experience of the business management and employees within specific firms (Gibb 1987). The ease of doing business within the region is dependent on a range of conditions encompassing both economic and social variables. Two key aspects of the business environment need to be considered. The first relates to the entrepreneur or owner-manager and their managerial skill and competence. The second relates to the firm itself and how well designed and developed this entity is. Entrepreneurs can be nascent (pre start-up), novice (early stage start-up) or habitual (experienced) with varying levels of experience (Westhead & Wright 1999). They can also be motivated by necessity or opportunity. Habitual entrepreneurs may be either serial or portfolio in nature. The former having launched a new venture only to sell or abandon it and move onto another, while the latter retain each business and build a portfolio.

Ideally, regions should contain a mix of such entrepreneurs and there should be opportunities for them to interact both socially and professionally (Useem 1997). Where the economic environment is harsh and government welfare support for unemployment is low, the proportion of necessity entrepreneurs is likely to rise (Yushuf & Schindelhutte 2000). While nascent and novice entrepreneurs may attract the most attention from government agencies seeking to assist new venture creation, it is frequently the portfolio entrepreneurs who have the greatest potential for generating new business and employment opportunities (Westhead & Wright 1999).

With respect to the design and development of the firms it should be noted that for most small firms, the only persons employed are the owners, and even where additional jobs are created, the type of work generated is frequently less durable than within larger firms. Many small business start-ups are lifestyle firms, in which the owner is seeking to create a modest income and with limited growth

aspirations (McMahon 1998). The nature of the small firm at time of start-up is therefore of importance. If the business has been created with strong resources, and its founders have a desire for significant growth, the impact such a business can have on job creation is likely to be high. Thus the issue is not the quantity of small business start-ups but their quality (OECD 2003).

For regions seeking to encourage additional employment through the creation and growth of small firms the challenge is to encourage those entrepreneurs who have a desire and the capacity to grow sustainable employment generating firms. For example, faced with the need to create 100 new jobs in a regional area the choice may be between attracting one large firm with the capacity to generate by itself all the employment, four small firms with 25 employees or 20 micro-enterprises with 5 employees. Analysis of small business survival rates suggests that the best options are either the single large firm or the 20 micro-enterprises. This is due to higher mortality rates among the slightly larger firms. However, the large firm option is inherently more risky as any failure will remove all employment from the region (Duncan & Handler 1994).

Regional economic development policy should recognise that few small firms will actively seek to employ large numbers of workers and most will be focused on life-style rather than growth. Attention should be given to encouraging those enterprises that have the potential for growth and therefore employment. In the United States these firms have been recognised by the term *Entrepreneurial Growth Companies* (EGC) (NCOE 2001). These EGC firms are growth oriented and embrace innovation with a desire to quickly expand beyond their regional boundaries to become established in national or international markets. It is important to note that such firms are not necessarily high technology and generally do not require significant injections of venture capital from foundation (Bhide 2000).

Network Development

Network development within the region is of key importance to the ability of a regional development framework to operate successfully (Ostgaard & Birley 1994). Successful regional economies are also observed to possess networks to other knowledgeable milieux located elsewhere in the national or international economy. Most networks form between firms as part of the production or supply-chain process (Isaksen 1998). Four factors have been identified as important to the creation of effective networks (Schieffloe 1985). The first involves shaping areas for social exchange or the establishment of *social exchange arenas* in which community stakeholders can meet and exchange. Second, there must be the creation of a desire for cooperation. This is not always easy to achieve and is often contingent on the third factor, having common value systems. This is frequently achieved through the identification of tangible projects that can unite stakeholders and concentrate resources. Finally, there is a need for time and continuity in the social exchange process to allow stakeholders the opportunity to develop trust, empathy and understanding with each other (Levin 1993).

STIMULATING REGIONAL ENTREPRENEURSHIP

Regional economic development strategies designed to stimulate new venture creation, increase employment and opportunity frequently fail to deliver successful outcomes due to a lack of cooperation and coordination between the three levels of government, the public and private sector and the academic or scientific research community. Each group has its own sub-culture, objectives and self-interest. This results in a reduction in the overall effectiveness of all the programs and money spent to improve the economic conditions of a region. Achieving optimal economic development outcomes that can provide the conditions conducive to entrepreneurship requires bringing these separate groups together to achieve enterprise development initiatives able to assist the formation and growth of business ventures.

Stimulating regional enterprise and entrepreneurship requires consideration of the entire range of key environmental factors outlined in Figure 3. However, from a regional economic policy development perspective the creation of effective network development is more likely to occur through identifying projects that can serve as communities of interest for entrepreneurs and the other stakeholders (e.g. government agencies, business support service providers). From a practical viewpoint these projects should be commercially attractive to all stakeholders.

Securing the support and involvement of participants from each of these environments is unlikely to be easy but may be explored through community surveys and via facilitated meetings at which enterprise opportunities can be discussed and explored (Mazzarol 2002). Such research provides the opportunity to identify community needs, to canvass opinion and to recognise opportunities. The general process involved is illustrated in Figure 4. As this model shows the key ingredients are the individual entrepreneur or what may be termed *community enterprise initiators*; the *community enterprise facilitators* who can provide the support network environment needed for assisting new venture creation and business development, and who can participate in building the network development environment; and the development of *network exchange forums for innovation and enterprise*. These forums are the social exchange arenas outlined in Figure 3.

The stock of entrepreneurs or enterprise initiators within any particular regional community is likely to be determined by the enterprising characteristics inherent in the general population and influenced by the trigger and barrier factors discussed above. Stimulating entrepreneurship within regional communities is therefore likely to require enhancing triggers while reducing barriers. In seeking to achieve this, the role of the enterprise facilitator becomes important (Watson, Hoarth-Scott and Wilson, 1998).

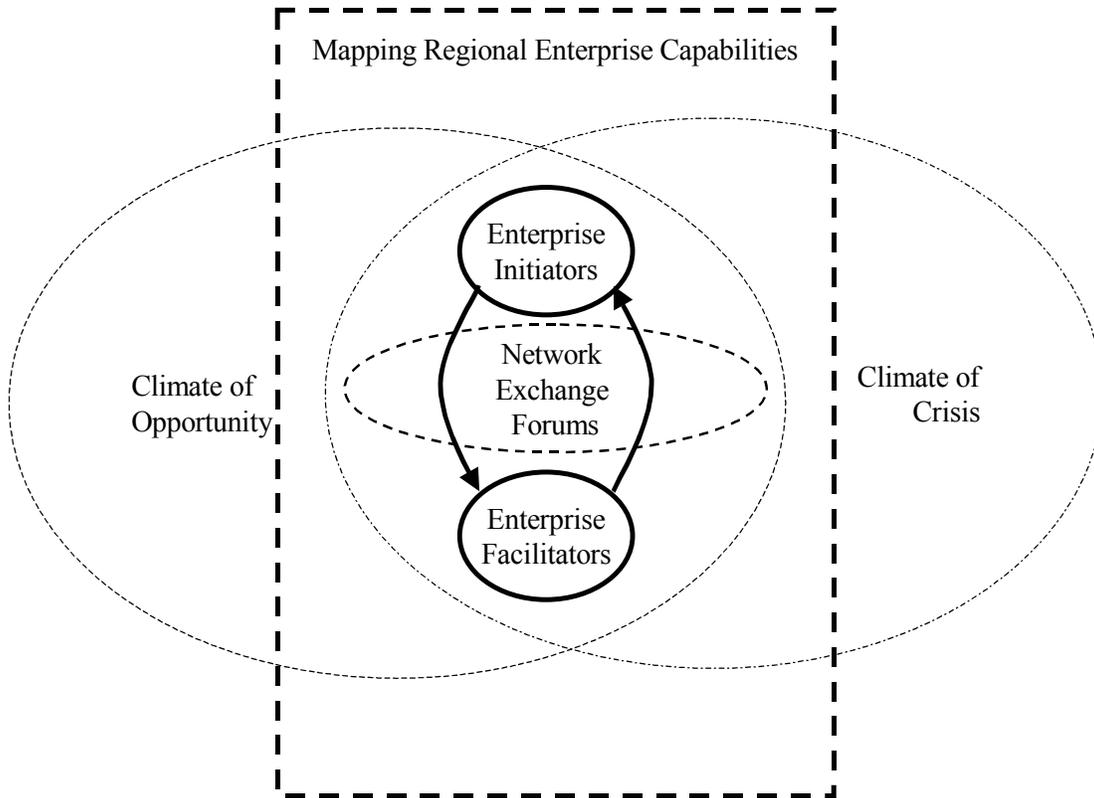


Figure 4: Key Factors Supporting Regional Enterprise Development

Facilitating Regional Enterprise

Enterprise facilitators are not new and have been a feature of small business start up and assistance programs in many countries including Australia since at least the 1980s (Moran 1995). At least two broad small business assistance models have been identified. The first of these is the consultancy model, where the entrepreneur identifies a problem requiring external support and seeks a suitable consultant to assist. The second is that of the extension model, where the entrepreneur is required to source support from a designated service provider. The second model is common in rural or farm support programs (Massey 2003). In Australia, the concept of an enterprise facilitation service led to the creation of the Business Enterprise Centres (BEC) network during the 1980s. This model comprises a small business counselling service that is supported by public funding so as to offer either a free service or one that is subsidised and therefore low cost. It is closer to the extension model than the consultancy model. More recently the Australian Federal Government has established the *Small Business Answers Officers* program locating small business assistance advisors throughout regional areas usually under contract.

For regional enterprise facilitators to be effective they must be highly networked individuals who need to have a sound understanding of the economic, regulatory, support and business environments operating within the region. It is important that they be able to secure the support of local, state and federal government agencies, as well as the local business community. Attention needs to be given to mapping the region's enterprise capabilities. This requires understanding the cultural, economic, regulatory, business and support environments occurring within the region and having the capability to communicate with key representatives from each. A critical role for the enterprise facilitator is to provide leadership in the creation of network exchange forums through which communities of interest can be formed. This should aim to draw together the private sector with government agencies to develop and implement coherent locally based industry strategies to support local entrepreneurial activities (Ceglie & Dini 1999).

Facilitators can be either individuals or organisations. As individuals they should be capable of developing networks and bringing people together to achieve common goals. When working with nascent entrepreneurs it is important for facilitators to have the ability to enhance the trigger factors likely to stimulate new venture creation, while assisting to reduce barrier factors. Organisational facilitators are likely to be community-based entities that are public-private partnerships rather than totally private or totally public institutions. Local Government Agencies (LGA) are a potentially important participant in such entities given their close proximity to a regional community (Nolan 2003).

Climates of Crisis and Climates of Opportunity

Stimulating enterprise and entrepreneurship in regional communities is likely to require the facilitator to overcome inertia and barriers to new enterprise activity. To unite the community into taking action and securing commitment for coordinated action on tackling enterprise projects it may be necessary to generate a *climate of crisis*, which suggests that unless steps are taken the long-term outlook may not be positive. Concerns over declining population levels, rising unemployment or loss of infrastructure may be suitable – and legitimate – grounds upon which such a crisis might be built. In conjunction with this crisis situation the facilitator must also create a *positive climate of opportunity* within the community that may encourage new business start-ups, or permit the sharing and trust necessary for innovation. The creation of this opportunity climate is important to the enhancement of those factors likely to trigger new venture creation.

In a study undertaken in the small rural community of Tambellup, Western Australia (population 720), the climate of crisis surrounding the town was triggered by the loss of its bank and the perception that additional infrastructure would disappear without a renewed effort at economic revival. Led by local government the community established a community bank and a business incubator and BEC. Further, research of the community found a significant dissatisfaction among younger people with the long-term

economic outlook, and a high proportion of people seeking a change of employment perhaps leading to self-employment (Mazzarol 2002).

Faced with well-recognised climates of crisis it is likely to be easier for enterprise facilitators to rally community support and attract the active participation of government agencies. However, at the individual level the enterprise facilitator will need to address the various potential barriers to new venture creation and seek to implement strategies designed to alleviate them. Table 2 outlines these potential barriers and suggested strategies.

Table 2: Barriers to New Venture Creation and Possible Strategies for their Alleviation

Barriers	Suggested Strategies
<p><i>Support & Information:</i></p> <ul style="list-style-type: none"> • Lack of suitable business premises • Lack of information about start up • No one to help with start up assistance • Lack of support from family & friends • Difficulty finding right partner • Difficulty finding suitable labour 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Local business incubators • Local business registration and start up centre • Small business advisory services • Programs promoting enterprise and local entrepreneurship • Business mentoring/networking service • Local job placement and training programs targeted at local industry needs
<p><i>Finance & Skills:</i></p> <ul style="list-style-type: none"> • Lack of start up capital and difficulty in obtaining finance • Lack of managerial and financial skills • Lack of marketing skills 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Pooled funds for seed capital and micro-financing via incubators • Small business management education programs • Regional marketing programs designed to assist local industry
<p><i>Hard Reality:</i></p> <ul style="list-style-type: none"> • Fear of failure/Uncertainty of future • Task more difficult than expected • Problems convincing others of the merits of the idea 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Business mentoring/networking/coaching services • Small business management education programs • Programs promoting enterprise and local entrepreneurship

Locally based small business advisory and support programs offer a potentially useful means for stimulating entrepreneurship and new venture creation within regional communities. However, such services need to be effectively resourced and supported by government and local industry. As shown in Table 2, a service designed to address many of the key barriers to new venture creation is likely to need a high level of resources. While the design of such a service will depend on the needs of the local community, the range of activities that it might engage in could include: small business facilitation and counselling, incubation, education and training, networking and mentoring, regional marketing, micro-financing and the wider promotion of entrepreneurship among the general community. Such a range of services are currently being offered by enterprise or small business advisory centres at different locations throughout Australia, however, many are under-resourced and do not always have a coherent strategy supported by government and industry stakeholders.

Stimulation Enterprise and Entrepreneurship by Focusing on Triggers

In conjunction with the need to address the barriers to new venture creation, the stimulation of enterprise and entrepreneurship activity in regional communities also requires attention to be given to enhancing the factors likely to trigger entrepreneurial behaviour. These triggers and possible strategies to enhance them are outlined in Table 3. Unlike many of the barriers, these triggers are less easy to address via direct skills development or counselling services. For example, one of the strongest triggers is the creativity drive that underlies the entrepreneurial process (Caird 1993).

Stimulating this is likely to be a more indirect activity, potentially enhanced by the creation of small business starters' clubs where nascent entrepreneurs can meet to discuss the options of establishing a business, exchange ideas and obtain mutual support. It may also be worthwhile creating counselling services that offer nascent entrepreneurs the opportunity to profile their individual talents and determine whether self-employment is a viable option for them. Regional job and career counselling services need to comprise an enterprise creation focus that highlights the merits of self-employment as opposed to more conventional job seeking. This is particularly relevant within regional communities where employment growth may have reached a plateau or even commenced a decline. To effectively achieve this is likely to require a greater alignment of the activities of business advisory and support services, with employment services. Frequently these two services are delivered via different agencies and the culture and orientation of each is at odds with the strategic direction of the other. Bringing such services together may be problematic due to there being under the responsibility of different government agencies. However, in broad terms the benefits of enhanced synergies at the local level for such services are significant.

Table 3: Triggers to New Venture Creation and Possible Strategies for their Enhancement

Barriers	Suggested Strategies
<p><i>Creativity Drive:</i></p> <ul style="list-style-type: none"> • Realise my dreams and create something • Take advantage of my talents and have an interesting job 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Starters' clubs or networking forums to foster ideas generation and mutual support • Counselling services designed to profile individual talents and guide future venture targeting within employment services
<p><i>Market Opportunity:</i></p> <ul style="list-style-type: none"> • Take advantage of market opportunity • Positive economic outlook • Desire to invest and provide for long term financial security 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Local industry marketing and opportunity identification programs • Industry database and performance benchmarks • Programs promoting enterprise and local entrepreneurship using local success stories
<p><i>Desire for Autonomy:</i></p> <ul style="list-style-type: none"> • Make my own hours, be my own boss and work at location of choice 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Business mentoring/networking services targeting ideas exchange among local nascent entrepreneurs
<p><i>Enhancement of Status:</i></p> <ul style="list-style-type: none"> • Increase my status and prestige 	<p><i>Creation of:</i></p> <ul style="list-style-type: none"> • Programs promoting enterprise and local entrepreneurship, plus local small business networking groups

The creation of a climate of opportunity within a regional community is likely to be enhanced if there is a clear sense of the opportunities that might be available locally, and evidence that others have succeeded in creating local business ventures. Enterprise facilitators should possess reliable data on industry activity within their region and this should include case studies and the promotion of local entrepreneurs as success stories. While there is always the risk of provoking a negative reaction to the 'tall poppy', the promotion and celebration of local entrepreneurs offers the ability to identify and recognise local successful role models for other to emulate.

Local industry marketing programs designed to identify future market opportunities and collectively brand a region and generate increased sales are also important possible initiatives. Regional marketing campaigns have been successfully trialled in various parts of Australia, mainly targeted at tourism and agribusiness sectors. They require the participation of local small businesses and benefit

substantially from the support of local government. However, facilitators must lead such programs, as they are difficult to create and implement if undertaken by the local business community or government alone. This is because they require a degree of neutrality within their management team to avoid accusations that they are being used to advance the interests of a particular company or community group.

CONCLUSIONS AND RECOMMENDATIONS

For agencies seeking to encourage new venture creation and employment growth the evidence suggests that a holistic approach is required combining a sound foundation of research including consideration of both social and economic variables. Further, there must be locally based enterprise facilitators who can work closely with the community, but also serve as a link to people and resources beyond the region. The creation of a facilitative agency that can serve as a network exchange forum or social exchange arena can be of value. Such agencies must be carefully designed so as to compliment rather than duplicate existing public and private organisations tasked with economic development. The effectiveness of such agencies is also likely to be contingent on the commitment and goodwill of the participants. Finally, there must be practical projects that can result in tangible improvements in local community facilities, business growth, social or environmental conditions. Once such a process is commenced the cycle of activity needs to be renewed.

From a policy perspective the process of encouraging new venture creation in rural and urban communities requires attention to be given to a dual track approach that focuses simultaneously on two ends of a continuum. At one end is the individual nascent entrepreneur, at the other is the industry within which this individual is seeking to establish and operate their business. When seeking to develop policies to support the new venture creation process attention should be given to the personal circumstances and environmental context of the individual entrepreneur not just their firm. While planning the venture is an important issue, of greater importance is determining the needs of the nascent entrepreneur with regard to overcoming possible barriers while focusing their attention on key triggers. At the other end of the continuum is the need to focus on industry development policies that can enhance the market opportunity factors and reduce the perceived risks and costs associated with starting the new venture.

In seeking to understand the importance of this issue public policy should acknowledge that entrepreneurs come in several varieties and each type is likely to require different policy responses. The first consideration in this taxonomy is whether the entrepreneur is driven by opportunity or necessity? By nature, necessity entrepreneurs tend to be undercapitalised and lacking in strong market or product development capability. Such nascent entrepreneurs are likely to be driven by trigger factors associated with desire for money and enhanced social status. This compares with the opportunity entrepreneur who is more likely to be motivated by the triggers of creativity drive and following of a perceived market

opportunity. Such individuals are typically among those that develop sustainable, growth-focused businesses with the potential to employ.

Also of importance is how experienced the nascent entrepreneur and their immediate social milieu is in terms of business. For individuals who can draw upon the experience of family or friends as role models or potential advisors, the barrier factors can be more readily faced and overcome. Business advisory services within regional communities can provide substantial assistance to nascent entrepreneurs but must be capable of addressing more than just the regulatory and compliance issues associated with planning the new venture. Of greater importance is the need to address the mental orientation or attitudes of the nascent entrepreneur. Advisory agencies must be willing and capable of providing supportive counselling and mentoring services designed to overcome such barriers as fear of failure, lack of skills, and even lack of family and community support.

Enterprise facilitators – whether individuals or organisations – need to adopt a holistic framework that offer, or can access, a wide range of services to address the needs within a particular community. Such agencies should be able to draw together at their local level the various resources of local, state and federal government, as well as the local business community. While micro-level small business support programs designed to directly assist the nascent or novice entrepreneur are important, they must be guided by a process of strategy that seeks to shape the long term economic development of the region within which the enterprise is to take place. This requires ongoing strategic dialogue between actors representing all the major environmental communities highlighted in Figure 3.

Assistance should be provided to all industries not just political favourites. Of particular importance to new venture creation is the provision of reliable information for nascent entrepreneurs on the outlook for specific industry sectors, anticipated changes in market structure, competitiveness issues and benchmark data to assist owners to measure business performance and aid planning. Such data is frequently difficult to acquire or involves substantial cost or time. Publicly funded agencies tasked with encouraging new venture creation should collaborate with industry and government partners in collecting and collating such data, and translating it into usable reports.

Finally, attention should be given to indigenous enterprise to enhance the self-employment capacity of such communities and reduce dependency on government income support. Aboriginal communities are more likely to experience significant barriers from a lack of business skills and confidence and securing finance and family support than non-Aboriginal people. Their ability to secure effective business support and information in the form of mentoring and training is likely to be critical to success. In addressing such needs, enterprise development agencies need to possess indigenous counsellors and mentors, while maintaining a good understanding of the social and cultural context in which the indigenous nascent entrepreneur is located.

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