

## **Different Strokes for Different Folks – Stimulating Entrepreneurship in Regional Communities**

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### **Summary**

This study examines the perceptions of different communities toward a set of triggers and barriers to the creation of a new business venture. Drawing on a sample of 253 respondents the perceptions of six different sub-populations were examined including: those who had already launched a business venture (owner-managers) and those who had not (nascent entrepreneurs); persons located in urban and rural areas; and indigenous and non-indigenous communities. Findings suggest significant differences exist between these communities in how they perceive the importance of various triggers and barriers. These findings are discussed in the context of regional economic development with recommendations for future policy by government and non-government agencies seeking to generate more new venture start-ups

### **Entrepreneurship in Regional Communities**

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.<sup>[1]</sup> 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.<sup>[2]</sup>

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.<sup>[3]</sup> 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.<sup>[4]</sup>

This study seeks to examine the findings of two studies that examined the perceptions of nascent entrepreneurs toward a series of factors considered likely to serve as triggers and barriers to new venture creation. It aims to determine whether there are differences between people from rural and urban environments, and different cultural or community groups, in terms of their attitudes toward such triggers and barriers. Through such an analysis it is hoped that greater insights might be obtained as whether rural and regional communities may pose a different problem to urban communities in relation to new venture creation

### **The Factors Influencing New Venture Creation**

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.<sup>[5]</sup> Many would be entrepreneurs are motivated to launch a new venture out of a desire to fulfil a personal dream or ambition.<sup>[6]</sup> Others may be driven by a sense of achievement <sup>[7]</sup>, a desire for autonomy <sup>[8]</sup>, or greater personal control over their affairs.<sup>[9]</sup> Some may seek to follow an economic opportunity identified in the market <sup>[10]</sup>, or they may engage in self-employment out of necessity due to loss of employment.<sup>[11]</sup>

Whatever the motivation the nascent entrepreneur will need to be willing to take a calculated risk <sup>[12]</sup>, and be able to operate in an environment of uncertainty and ambiguity.<sup>[13]</sup> It is likely that such individuals will be assisted by a capacity for determination and an internal locus of control.<sup>[14]</sup> There is some evidence to suggest that a person’s past employment history <sup>[15]</sup>, family background <sup>[16][17]</sup>, gender <sup>[18]</sup>, education levels <sup>[19]</sup>, ethnicity <sup>[20]</sup> and even religion <sup>[21]</sup> 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.<sup>[22]</sup>

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.<sup>[23]</sup> The level of support the nascent entrepreneur receives from their family, friends or community may also be of importance.<sup>[24]</sup> The ability to secure access to finance has been viewed as a potential barrier to new venture creation.<sup>[25][26]</sup> However, the lack of venture capital financing is not likely to be a major impediment to the creation of new ventures.<sup>[27]</sup> In some circumstances the

lack of employment opportunities may serve to trigger new venture creation <sup>[28]</sup>, as might general economic indicators and cycles at least within a regional context <sup>[29][30]</sup> The presence of business advisory services and government support schemes for new venture creation is likely to be beneficial to nascent entrepreneurs <sup>[31]</sup>, as might be entrepreneurship education programs focusing on schools or universities <sup>[32]</sup>, and the establishment of business incubators.<sup>[33]</sup> 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.<sup>[34]</sup>

### **The Triggers and Barriers to New Venture Creation**

In a study of 93 nascent entrepreneurs (48 starters and 45 non-starters who had abandoned the original venture idea), identified nine factors (six triggers and three barriers) to new venture creation.<sup>[35]</sup> Analysis found no significant differences in the way starters and non-starters evaluated the importance of these factors. However, the desire to create, use talents or follow a dream (*Creativity*) was rated of greater importance as a trigger factor than the others, suggesting that this may be a more important motivator for many people than financial gain.<sup>[36]</sup> While there was little apparent difference between starters and non-starters in their overall evaluation of the importance of these factors, there were some differences found between successful new venture initiation and various demographic characteristics. An association was found between abandonment of the new venture idea and gender, previous employment experience and whether the individual had recently been made redundant.<sup>[37]</sup> For example, women were found to be more likely than men to fall among the non-starters, as were persons who had previously been employed by the government or who had recently suffered a redundancy. While these findings were inconclusive due to the small sample size, they suggest that environmental rather than personality factors might play a stronger role in the new venture creation process. Many of the non-starter women had abandoned their idea due to family pressures (e.g. pregnancy, lack of support from a spouse), while public servants or those who had been made redundant were lacking in confidence due to the influencing environment from which they had emerged.

A follow up study of these trigger and barrier factors within a small rural community was undertaken drawing a sample of 161 respondents.<sup>[38]</sup> This study found a similar factor structure to the earlier study comprising of the triggers: *Status, Autonomy, Money, Creativity* and *Market Opportunity*; and the barriers: *Risks & Costs, Support & Information, Skills & Confidence*, and *Finance & Family*. Unlike the first study the sample

drawn for this second study comprised many people who had not launched a small business venture and included many people from the Australian Aboriginal community. Despite these differences the study found similar results in terms of how people rated the importance of these trigger and barrier factors. Of most importance were the trigger factors *Creativity*; *Autonomy* and *Money*. These factors are outlined in Table 1.

**Table 1: Triggers and Barriers to New Venture Creation**

<b><u>Factor</u></b>	<b><u>Description</u></b>
Trigger Factors:	
1. <i>Invest</i>	Desire to invest personal savings, redundancy or retirement payouts, and desire for a good salary or to replace a lost income.
2. <i>Creativity</i>	Desire to take advantage of talents, create something new, realise a personal dream and to have an interesting job.
3. <i>Autonomy</i>	Desire to work at a location of choice, make one’s own hours and be your own boss.
4. <i>Status</i>	Desire to increase the individual’s status or prestige, maintain a family tradition or follow the example of another person;
5. <i>Market Opportunity</i>	Desire to take advantage of a market opportunity and positive economic indicators.
6. <i>Money</i>	Desire to earn more money and retain the full financial benefit from their labour;
Barrier Factors:	
Volery, Mazzarol, Doss and Thein (1997) study:	
1. <i>Lack of Resources</i>	Lack of skills in marketing and financial management, lack of information on how to start and difficulties in securing financing or premises.
2. <i>Compliance Costs</i>	Government or regulatory establishment costs, taxation, lack of assistance and labour.
3. <i>Hard Reality</i>	Risks greater than expected, task more difficult than expected, uncertainty about the future and fear of failure.
Barrier Factors:	
Mazzarol (2002) study:	
1. <i>Risks and Costs</i>	Taxes, fees, uncertainty of future, risks greater than expected, bad economic outlook, compliance with government regulations.
2. <i>Support &amp; Information</i>	Lack of premises, difficulties finding labour, lack of information and help in starting or finding a partner.
3. <i>Skills &amp; Confidence</i>	Fear of failure, lack of financial, marketing skills, task more difficult that expected.
4. <i>Finance &amp; Family</i>	Difficulties securing start up finance lack of savings and lack of support from family and friends.

## **Methodology**

The methodology used in this current study draws together the findings from these two earlier studies combining the data sets from the original samples and creating a final overall sample of 253 cases. The original 93 cases were drawn from within the metropolitan area of a state capital city, and had been selected due to their

having either recently launched a new business venture (e.g. within the previous two years), or had made attempts to do so (e.g. registered the business or undertaken a course in business start up) but had abandoned the idea. The remaining 160 cases were drawn from a rural community located in a farming region approximately 300 kilometres from the city from which the first sample was drawn. Although these two samples were drawn at different time periods (five years apart), the same scale items were used in both questionnaires.

Of the 253 cases in the combined sample, 63 percent were from the rural community, 55 percent were male, and 45 female and 14 percent were of Aboriginal ethnicity. Within the sample 54 percent were owner-managers of small firms. Of these owner-managers 65 percent were located in the regional area and other 34 percent in the urban. Following the combination of these two databases a principal component analysis was undertaken to examine the factor structure and make comparisons with that found in the two earlier studies. This statistical process examines interdependence among variables and identifies possible underlying dimensions or “factors” which the indicator variables are measuring. An examination of the way in which different variables depend on each other makes it possible to determine which variables are measuring the same thing and which measure something else. Such an analysis can also serve to reduce the many variables in the data set to a more manageable number of multiple item dimensions.

### **Factor Analysis**

A principal components analysis with varimax rotation to provide the simple structure needed for interpretation was used to examine both the trigger and barrier variables. All items were examined prior to the analysis using a Kaiser-Myer-Okin measure of sampling adequacy (MSA).<sup>[39]</sup> This is acknowledged as one of the best measures of determining the suitability of a set of data for subsequent factor analysis.<sup>[40]</sup>

The first principal component analysis undertaken was with the 20 trigger variables and this was found to have an MSA score of 0.84, suggesting the data was suitable for future analysis. The rotated factor matrix presented in Table 2 shows five trigger factors that had eigenvalues greater than one. Overall, these five factors explained 62 percent of the variance in the model. The reliability of the factors was also tested, and Cronbach alpha coefficients ranged between 0.64 and 0.84 suggesting an acceptable level of reliability within each factor scale.<sup>[41]</sup> As shown in Table 2 the factor structure generated from this analysis was similar to that obtained from the original factor models developed from the two samples when analysed separately.

**Table 2: Rotated factor matrix of the triggers**

<b>Variable</b>	<b>Factor 1</b> Market Opportunity	<b>Factor 2</b> Status	<b>Factor 3</b> Creativity	<b>Factor 4</b> Autonomy	<b>Factor 5</b> Money.
Positive economic indicators	.767				
Invest super/redundancy package	.706				
Invest my personal savings	.666				
Maintain a family tradition	.647				
Provide comfortable retirement	.568				
Take advantage of a market opportunity	.491				
Increase my status/prestige		.794			
The need for a job		.755			
Follow the example of another person		.675			
Realise my dream			.746		
Create something			.740		
Take advantage of my talents			.633		
Keep a large part of the proceeds			.527		
Have an interesting job			.514		
Make my own hours				.874	
Chance to be my own boss				.659	
Work at a location of my choice				.621	
See task through from start to finish				.518	
Chance to earn more money					.845
Chance to receive a salary based on merit					.761
Eigenvalue	6.48	1.86	1.45	1.34	1.21
Percent of variance explained	32.4	9.29	7.26	6.69	6.03
Cumulative percent	32.4	41.7	49.0	55.7	61.7
Cronbach alpha	.84	.79	.69	.74	.64

Only loadings > .5 are shown

The second principal component analysis undertaken was with the 18 barrier variables and this was found to have an MSA score of 0.91, suggesting the data was also suitable for further analysis. The rotated factor matrix presented in Table 3 shows four barrier factors with eigenvalues greater than one. Overall, these four factors explained 65 percent of the variance in the model. The reliability of the scales used to measure these factors was also tested, and alpha coefficients range between 0.73 and 0.86 suggesting an acceptable level of reliability. Table 3 shows this factor structure.

**Table 3: Rotated factor matrix of the barriers**

<b>Variable</b>	<b>Factor 1 Support &amp; Information</b>	<b>Factor 2 Risks &amp; Costs</b>	<b>Factor 3 Hard Reality</b>	<b>Factor 4 Finance &amp; Skills</b>
Lack of suitable premises	.735			
Lack of info on business start-up	.734			
No one to turn to in order to help me	.698			
Lack of support from family and friends	.677			
Difficulty finding the right partner	.653			
Difficulties finding suitable labour	.585			
High taxes and fees		.776		
Compliance with government regulation		.668		
Risks greater than initially expected		.624		
Bad economic indicators		.478		
Fear of failure			.826	
Task was more difficult than expected			.614	
Problems convincing others of idea			.565	
Uncertainty of the future			.443	
Lack of savings or assets				.766
Difficulty in obtaining finance				.703
Lack of managerial/financial expertise				.524
Lack of marketing skills				.518
Eigenvalue	8.07	1.44	1.28	1.00
Percent of variance explained	44.8	7.97	7.13	5.16
Cumulative percent	44.8	52.8	59.9	65.1
Cronbach alpha	.86	.77	.73	.81

Only loadings > .5 are shown

### Relative Importance of the Factors

The relative importance of each of these nine trigger and barrier factors were undertaken using pairwise *t*-tests of the differences between their mean scores. Summing the means of each item within the factor scale generated a series of derived variables. Table 4 provides comparison of how the nine factor variables were ranked in terms of their relative importance to the entire sample. It can be seen that the factor which respondents rated highest in terms of its importance was the trigger *Creativity*, followed in equal second place by the triggers *Money* and *Autonomy*. The barrier factors *Risks & Costs* and *Finance & Skills* were ranked in third place followed by the trigger *Market Opportunity* and the barriers *Hard Reality* and *Support & Information* in fourth. The trigger *Status* was ranked last. This importance rating structure was identical to that found in the initial analysis of the urban-based sample.<sup>[42]</sup> It suggests that overall the nascent entrepreneur is likely to place the highest importance on the desire to create something, follow a dream, use their talents and have an interesting job. Of secondary importance is the desire to make more money and receive a salary based on merit, which is of equal importance to the desire for autonomy in setting hours, work location and self-direction.

**Table 4: Relative importance of the factors**

<b>Factor variable</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>t-value</b>
	1=not important at all, 5=very important		
1. CREATIVITY (Trigger)	4.26	0.62	
2. MONEY (Trigger)	4.11	0.83	2.27*
AUTONOMY (Trigger)	3.98	0.79	
3. RISKS AND COSTS (Barrier)	3.50	1.00	6.44*
FINANCE AND SKILLS (Barrier)	3.47	1.12	
4. HARD REALITY (Barrier)	3.26	1.01	3.17*
MARKET OPPORTUNITY (Trigger)	3.16	1.02	
SUPPORT AND INFORMATION (Barrier)	3.06	1.13	
5. STATUS (Trigger)	2.65	1.20	4.82*

\* indicates significant at the 5% level between the mean scores above and below the broken line.

#### **Comparison of Urban and Rural Respondents**

To gauge an understanding of how rural and urban-based respondents viewed these factors a binary logistic regression analysis was undertaken. The presence of a dichotomous dependent variable precluded the use of linear regression. The chosen form of analysis for the study was logistic regression. Logistic regression is suitable when a categorical variable is regressed against any combination of discrete and continuous variables.<sup>[43]</sup> It identifies the variables that classify membership of one or the other groups, which comprise the dependent variable. In this case it was used to identify the characteristics that classified membership of either urban or rural respondents.

The nine factors identified from the factor analysis were regressed on the dichotomous dependent variable. The SPSS Logistic Regression procedure was used to develop the model. A total of 230 of the 253 cases in the sample were used to estimate the model. Twenty-three cases were not included because their responses were missing data for one or more of the variables. The final model, which contained six significant terms, is shown in Table 5. All these factor variables were significant at the 0.05 level. After six steps the model produced a -2 log likelihood of 186.41 with an R-square of 0.56 suggesting a modest predictive ability.

**Table 5: Logistic Model for Urban and Rural Cases**

Model Term	Coefficient	Significance level
MARKET OPPORTUNITY (trigger)	+ 1.42	.000
STATUS (trigger)	- 0.71	.002
CREATIVITY (trigger)	- 0.89	.009
AUTONOMY (trigger)	+ 0.62	.039
RISKS AND COSTS (barrier)	+ 0.71	.002
FINANCE AND SKILLS (barrier)	+ 0.73	.000
Constant	+ 5.48	

The variables in the model were the factors *Market Opportunity*, *Status*, *Creativity*, *Autonomy*, *Risks & Costs*, and *Finance & Skills*. The model suggests that rural and urban cases can be differentiated in terms of these factors with each positive coefficient indicating that rural cases were more likely to be influenced by these triggers and barriers than their urban counterparts. An examination of the mean scores for each sub-population using an independent samples *t*-test procedure confirmed this. Rural-based cases were found to be significantly more likely to rate the triggers *Market Opportunity* and *Autonomy* higher in overall importance than their urban counterparts. At the same time, they rated the barriers *Risks & Costs* and *Finance & Skills* of greater importance. Both trigger factors of *Status* and *Creativity* were found to have negative coefficients and *t*-tests could not find significant differences between urban and rural cases on these items. An examination of the goodness of fit of the model found that it correctly classified 83 percent of the 230 cases used in the analysis. These results suggest that the model estimated by the regression analysis was statistically reliable.

#### **Comparison of Aboriginal and Non-Aboriginal Respondents**

A further logistic regression model was produced to examine the relationship between Aboriginal and non-Aboriginal cases. A total of 220 of the 253 cases in the sample were used to estimate the model. The remaining cases were excluded due to missing data for one or more of the variables. The final model, which contained five significant terms, is shown in Table 6. All these factor variables were significant at the 0.05 level. After six steps the model produced a  $-2$  log likelihood of 66.23 with an R-square of 0.71 suggesting the model has good predictive ability.

**Table 6: Logistic Model for Aboriginal and Non-Aboriginal Cases**

Model Term	Coefficient	Significance level
MARKET OPPORTUNITY (trigger)	+ 2.17	.003
STATUS (trigger)	+ 1.63	.000
CREATIVITY (trigger)	- 2.79	.001
MONEY (trigger)	- 1.25	.044
HARD REALITY (barrier)	+ 1.20	.017
Constant	+ 2.99	

In this model the trigger factors were once again *Market Opportunity*, *Status*, *Creativity*, and *Money*, while the sole barrier factor was *Hard Reality*. As shown by the coefficients the model suggests that Aboriginal people are more likely to be influenced by opportunities in the market, the chance to increase their social status and the barrier of facing the fear of failure and convincing others of the merits of their idea. The goodness of fit of the model found that it correctly classified 93 percent of the 220 cases used in the analysis. These results suggest that the model estimated by the regression analysis was statistically reliable.

#### **Comparison of Owner-Managers and Non-Owner Managers**

A final logistic regression model was produced to examine the relationship between persons who had already launched a business venture or were established owner-managers of small firms, and those who were not. A total of 224 of the 253 cases in the sample were used to estimate the model. The remaining cases were excluded due to missing data for one or more of the variables. The final model, which contained two significant terms, is shown in Table 7. All these factor variables were significant at the 0.05 level. After two steps the model produced a  $-2 \log$  likelihood of 293.42 with an R-square of 0.09 suggesting the models predictive ability is not strong.

**Table 7: Logistic Model for Owner-Managers and Non-Owner-Managers**

Model Term	Coefficient	Significance level
STATUS (trigger)	- 0.47	.000
RISKS AND COSTS (barrier)	+ 0.38	.034
Constant	+ 0.53	

In this model the trigger factor was *Status*, while the barrier factor was *Risks & Costs*. As shown by the coefficients the model suggests that owner-managers are less likely to be influenced by status as a trigger but more likely to consider the barrier of risks and costs of launching a new venture than their counterparts who have not had the experience of owning and managing a business. The goodness of fit of the model found that it correctly classified 65 percent of the 224 cases used in the analysis. These results suggest that the model estimated by the regression analysis was statistically reliable.

### **Discussion of Findings**

These three regression models suggest that significant differences can be found between the community groups comprising the various sub-populations contained within the sample. Table 8 shows the factor variables associated with each community group as identified by the logistic regression models. The table shows whether the factor variable had a positive or negative coefficient. It can be seen that the rural community group was differentiated from the urban group by the barriers associated with *Finance & Skills* and *Risks & Costs*, as well as the triggers *Market Opportunity* and *Status*. While rural communities are likely to have as much desire for creative ambition and a desire for independence, they may suffer from difficulties in obtaining new venture financing and management or marketing skills. Analysis of the findings from the rural community sample undertaken in an earlier study found that this was a particular concern among younger age groups (e.g. under 40 years old) who also indicated problems in finding suitable education and training programs in their local area.<sup>[44]</sup> In a similar way, rural communities might also face increased difficulties in relation to the risks and costs associated with launching a new venture. Rural communities, particularly those experiencing economic stagnation or decline, pose potentially greater market risks than might found in urban settings. Higher costs of operation caused by geographic distance from major population centres may also be an issue, although these may be off set by lower costs of land and rents.

**Table 8: Comparison of Trigger and Barrier Factors for Community Groups**

<b>Community Group</b>	<b>Positive Factor variables</b>	<b>Negative Factor variables</b>
Rural-Urban	FINANCE AND SKILLS (barrier) RISKS AND COSTS (barrier) MARKET OPPORTUNITY (trigger) STATUS (trigger)	CREATIVITY (trigger) AUTONOMY (trigger)
Aboriginal- Non Aboriginal	MARKET OPPORTUNITY (trigger) HARD REALITY (barrier) STATUS (trigger)	CREATIVITY (trigger) MONEY (trigger)
Owner-managers/ Non Owner-managers	RISKS AND COSTS (barrier)	STATUS (trigger)

For the Aboriginal community the chance to follow a potential *Market Opportunity* may be offset by the *Hard Reality* of overcoming a fear of failure, gaining support from others for the idea and taking on the challenge of the task itself. Australian Aboriginal communities are largely marginalised both socially and economically and the chance for self-employment is likely to be seen by many as a means of increasing their social status. This is to be compared with the non-Aboriginal population who generally rate *Status* as being of least importance as a trigger. However, this social and economic marginalisation is likely to make the hard reality of launching a new venture even greater than for non-Aboriginal communities. For example, in the rural community from which the sample was drawn, the majority of respondents were employed within community enterprise schemes designed to provide unemployment relief. Unlike the non-Aboriginal community who could frequently point to family or friends who had experience of self-employment, the Aboriginal community had few such role models.

In terms of the differences between those who were already owner-managers and those who were not, the focus appears to be on their assessment of *Risks & Costs* and the relative importance of self-employment as a means of enhancing *Status*. The owner-manager group might be expected to view risk and cost in a more objective manner given their direct experience with operating another business venture. However, the real point of difference is in the area of *Status*, where the owner-managers were much less likely to see the creation of a new venture as a source of social status.

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. This was the situation in the rural community from which the sample was drawn. This community had lost its town banking service two years prior to the survey being conducted and had to create a community bank which it ran in partnership with an adjacent rural shire. Despite this the community lacked full commercial banking services and had no locally based bookkeeping or accounting services, forcing the business community to travel over 100-200 kilometres to larger towns for such support.

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.

### **Recommendations for Policy Makers**

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 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 *Risks & Costs*.

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 *Money* and *Status*. This compares with the opportunity entrepreneur who is more likely to be motivated by the triggers of *Creativity* and *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 of *Risk & Cost*, *Finance & Skills* and *Hard Reality* 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. As this study suggests, the need for such advisory services is likely to be greater in rural communities and among socially and economically marginalised groups such as indigenous communities. In these circumstances the enterprise support agency needs to be staffed, trained and supported to tackle what might be an intensive level of counselling and mentoring of nascent entrepreneurs. Attention should be given to policies that encourage and reward successful, experienced small business owner-managers to network with other like-minded entrepreneurs both within their region and nationally. Government agencies should encourage collaborative networking among successful entrepreneurs in order to foster innovation and competitive benchmarking. Where possible, the nascent and novice entrepreneur should be partnered with an experienced colleague to assist in their personal and professional development. While not an easy process the ability to match nascent and novice entrepreneurs with experienced owner-managers is likely to have a significant impact on the establishment and survival rates of these new ventures.

At the other end of the continuum, government policy should concentrate on establishing focused industry programs to encourage the growth of existing industries and to the enhancement of innovation and international competitiveness. 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. Our own research within the Australian Aboriginal community suggests that there is strong desire and ability to achieve employment and even self-employment.<sup>[45]</sup> However, Aboriginal people generally have less family and personal experience of self-employment. Aboriginal people 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. Further, such problems are likely to be typical of indigenous communities throughout the world. 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.

### **Conclusions and Limitations**

This paper has outlined the findings of a study that analysed the differences between urban and rural community groups, indigenous and non-indigenous groups as well as owner-managers and non-owners of small firms in terms their perceptions of a series of triggers and barriers to new venture creation. The study found that significant differences exist between such groups, and that such differences appear to be associated more with environmental than personal characteristics. The study has several limitations. First, the two samples that comprised the database used for this analysis were drawn at different time periods thereby creating the possibility of external environmental factors influencing the findings. Second, the cross-sectional nature of the surveys used in the research design fail to fully capture the complex process associated with new venture creation. Third, the sample was drawn within a single country and the rural sample from a single shire area.

Despite these limitations the study suggests that nascent entrepreneurs within rural and urban contexts, or from different socio-cultural groups may require different types of assistance with respect to new venture

creation. While there may be a generic level of support required in relation to planning the venture itself, the enterprise support agency or advisory service is likely to need customisation to meet the specific needs of rural or indigenous communities. In these contexts the focus is likely to be upon a more personalised counselling and mentoring service building the confidence of nascent entrepreneurs and assisting them to overcome barriers while focusing on key triggers to motivate them to launch the new venture. While the need for such counselling and mentoring assistance is already recognised by those advisory services that seek to operate in rural or indigenous communities, there is little systematic attention given to this need and how best to deliver such assistance. Future research should focus on examining best practice examples of new venture creation within rural and indigenous communities with lessons learnt for future policy frameworks.

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