

# Nurturing Innovative Rural Businesses

Dr John Wolfenden  
Associate Professor Bernice Kotey

## Key Points

- Innovative and resilient small businesses are an important part of the ability of rural communities to be adaptable and to 'weather the storms of change'
- An integrated partnership-based approach is needed to help strengthen the small business sector of rural communities
- A key focus should be on capturing and harnessing local knowledge and 'can-do' attitude
- Resilience thinking provides a robust framework in which to work with the small business sector to achieve good regional development outcomes

# A World of Change

- The application of a rising flow of new knowledge in both the physical and social sciences
- The simultaneous discovery of new resources, offset by the continual depletion of existing stocks
- The need to sustain the earth's rapidly expanding human population
- Domestic macro-economic policy coupled with evolving global trade and finance settings
- Increasing environmental regulation, at all spatial scales from the global to the local

(from Kotev, Sorensen, Reavell 2010)

## Local Change

- The impact of price fluctuations on profitability of farm enterprises
- Changes to water allocations - competing demands for environmental water
- Reduced production in many irrigation areas due to bulk sale of water through market trading
- The impacts of climate change on the water cycle (water yields, droughts and floods)
- The various social, economic and environmental impacts of coal and gas mining

## Resilient Communities?

- If Australia really does value the concept of 'the rural', then people will need to continue living in rural areas. We need resilient rural communities.
- The study of resilience gives us insights in to how entities (organisations, people, organisms) respond to significant change
- It can also help us to understand how to be more adaptable and thus more able to survive change

## What is resilience?

- The ability (of a system, or person, or organism) to bounce back after some disturbance
- Is used in many contexts including:
  - Human health (particularly mental health)
  - Disaster recovery
  - Sustainability of ecosystems
  - Economic systems
  - Organisations

# Resilience Concept Package 'Resilience Thinking'

<b>Resilience</b>	<b>The capacity to bounce back after disturbance</b>
Adaptability	What we can do in advance to help things return more or less to 'normal' after some disturbance
Transformability	The ability to create an essentially new system when circumstance demand this
Scale	It is important to consider influences from both above and below the system of interest (hierarchies) and also both short-term and long-term responses. Hierarchies can be dynamic and have multiple inter-level connections.
Thresholds	In many systems, once thresholds have been crossed, it is difficult (if not impossible) to return to the previous state. (Resilience Alliance website)

## Focus on Small Business

- Our overall project for the Cotton CRC was to look at nurturing small and medium businesses
- The overall contribution of small businesses (employing 0 to 19 staff) is a major part of the Australian economy
  - Nearly half of all industry employment
  - Over a third of industry value-added

(Australian Government 2011 - Key Stats on Small Business)
- Anecdotal information suggests that these contributions are much higher in rural areas

## Small Business & Resilience

- Innovation in small business supports the cycle of *creative destruction* which "... while creating new sources of value, also destroy(s) the value of older and established companies" (Australian Government 2011)
- *Creative destruction* is synonymous with the adaptive cycle of resilience thinking
  - Innovation can result in either adaptation (more resilient system) or transformation (new/emergent system)
- Small business and/or community thresholds can be crossed leading to significant decline (and sometimes successful reinvention and growth)

## Small Business & Resilience

- Small business – useful focus for localism policy
- Australian localism seeks to diversify rural and regional economies away from agriculture in order to drive ‘growth, liveability and sustainability’ (Crean 2011:1 quoted in Hogan et al 2012)

## Propositions

- Resilient rural communities *should* continue to be an important part of the Australian landscape
- The rural small business sector has the potential to help enhance the overall resilience of rural communities in several respects
- Resilience-thinking can be applied as  
    ‘resilience-in-action’  
in support of enhanced resilience of the small-business sector (and thus the broader rural communities of which they are a part)

# Insights for small business from previous research



Cooperative Research Centre for  
**IRRIGATION FUTURES**

Technical Report No. 01/07

## **Resilience Management** A Guide for Irrigated Regions, Communities and Enterprises

John Wolfenden, Michael Evans, David Essaw, Fiona Johnson,  
Andrew Sanderson, Glen Starkey and Bill Wilkinson

January 2007

# Insights for small business from previous research

Our research identified a number of indicators of resilience and of the ability to be adaptable. These included:

- Diverse community networks
- Diverse economic base
- Low relative debt levels
- Industry/government partnerships
- Capacity building
- Knowledge sharing
- Integrated approaches and collective solutions
- Mechanisms for incorporating learning into planning

# Insights for small business from previous research

Our research identified a number of indicators of resilience and of the ability to be adaptable. These included:

- Innovation
- Adoption
- Diversification
- Reflective institutions
- Local empowerment to change

## Resilience thinking in action

- The above indicators can be used as part of an overall strategy for each community
- Surveys and assessments can be undertaken to determine the resilience 'score' for each community, and strategies implemented to help improve overall resilience
- This can be undertaken either for the community as a whole, or just with a focus on the small business sector

# Resilience thinking in action

- What overall innovation are we proposing?
  - Equipping Chambers of Commerce and other organisations to provide stronger foundations for small business success.
- Would include such business support activities as:
  - Helping businesses improve internal processes such as customer service, building markets, taking stock of performance (monitor, evaluate, adapt)
  - Facilitate networks for information and support
  - Implement mentoring
  - Production/dissemination of training materials

## Resilience thinking in action

- Prepare a local 'why do business here' prospectus – look at local endowments and resources, what existing businesses there are, identify support networks and people (this would be intended to encourage new entries and thus enhance diversification)
- Such material could also be used to support existing businesses looking to enhance their viability

## Resilience thinking in action

- These ideas have been generated from working with the Chambers of Commerce in Moree and St George
- A critical threshold for the Chambers is busyness – small business operators have very limited time to engage with strategic activity or even business improvement
- Can we find a way to help them past this threshold?

## Resilience thinking in action

- We propose a coherent and structured approach based generally on resilience principles
- The emphasis will be on identifying weaknesses in community resilience and taking steps to remedy some of these - among other things this will involve building adaptability within small businesses
- A partnership model is proposed - we have trialled this with some success in Moree and St George with partnerships being formed between the Chamber of Commerce, local council and the local cotton community (work in progress)

# Program of Support

- Based on building and harnessing local human and social capital
- A localism approach incorporating values such as:
  - Capturing of local solutions and knowledge
  - Facilitating / supporting local decision making
  - Communities managing their own risks
  - Building strong and sustainable leadership
  - Helping locals take control over their own destinies
  - "We are not the problem, we are part of the solution"

## Program of Support

- Funding of a part-time project officer for each Chamber being assisted
- Preparation of a strategy for each town (based on the objective of improved resilience)
- Development of support materials for training and mentoring
- Support for local Chamber members to provide mentoring to others
- Preparation of local prospectus for each town
- General advice and mentoring for Chamber members during the life of the program

## Key Points – Recap

- Innovative and resilient small businesses are an important part of the ability of rural communities to be adaptable and to ‘weather the storms of change’
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- Resilience thinking provides a robust framework in which to work with the small business sector to achieve good regional development outcomes

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