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Critical success factors
for Aboriginal businesses
in the desert

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Critical success factors for Aboriginal businesses in the desert

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Outback Night Camp: Aboriginal cultural tourism in the desert

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Background

In the past decade, there has been an increasing push for economic independence for Aboriginal people (SCATSIA 2007). However, despite improvements in Aboriginal employment rates, the labour force participation of Aboriginal Australians remains low (CYI 2007, SCATSIA 2007, SCRGSP 2007). The unemployment and underemployment problem in remote and desert areas is even more severe because of the lack of job opportunities in these areas.

Micro, small and medium enterprises, or MSMEs, offer pathways to promote participation in economic activities and income generation and increase economic self-sufficiency. However, there is a high failure rate of small and medium enterprises, especially in the first five years. The situation is more challenging in desert areas because of the very nature of desert environments. These environments affect the way businesses operate and influence the performance of businesses. Desert regions in Australia are characterised by high variability, small population, lack of services and poor infrastructure. Many desert areas are located in remote areas and are often far from market centres. The lack of critical mass poses a challenge for businesses operating in desert areas. Nonetheless, there are MSMEs that have overcome the barriers of distance and remoteness and are thriving in the desert, showing that it is possible for businesses to succeed in desert areas if the necessary ingredients are present. Some of the critical factors that lead to successful businesses in desert areas are described below.

Critical success factors for desert businesses

The success of businesses is affected by a myriad of internal and external factors. Business start-up and the consequent performance of a business are influenced by the goals, motivation and the personal commitment of the entrepreneur. Business success is also affected by the ideas and willingness to innovate, the personal abilities and skills of the business owner/manager and supporting staff or employees, and availability and access to resources including start-up capital, operating expenses and labour resources (Rola-Rubzen In review). But personal or internal factors are not sufficient. Often, the successful performance of a business is influenced by factors exogenous to the business enterprise. For instance, the presence of external supporting mechanisms such as business development organisations (whether government or non-government) can encourage the development of new businesses and can provide the impetus and support for small and medium enterprises. The economic and market environment as well as socio-cultural factors are also critical. A business needs to be aware of its target market as well as the market and economic conditions that may affect the business to be able to respond to market challenges that may arise. Businesses also thrive when a supportive policy environment exists (see Figure 1).

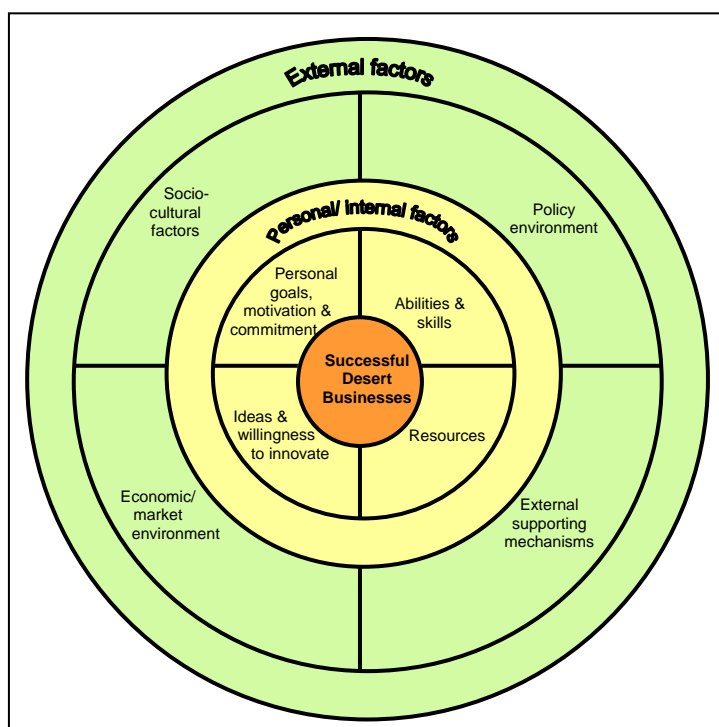


Figure 1: Factors influencing the success of businesses

Source: Rola-Rubzen In review

Although many businesses have survived, mainly due to the personal determination and commitment of the entrepreneurs, those that thrive are the businesses where the factors mentioned above are present.

Constraints faced by small businesses

Starting and growing a business in the desert can often be a challenge, especially for Aboriginal entrepreneurs. Many existing and potential entrepreneurs encounter several barriers that constrain them from either starting or growing their business.

Even when an individual or a community has a good idea for a business enterprise, they have to contend with the limited resources they have available. Starting a business requires capital for set-up as well as for operational expenses. Most Aboriginal businesses cannot access formal financial sources such as banks because of their inability to meet stringent requirements, including collateral requirements. Some individuals or communities are also reluctant to approach formal institutions for funding due to cultural and social factors. While there are some programs available to support starting Aboriginal MSMEs, at times completing the forms, particularly without external assistance, can be a daunting task for some. Some are not even aware that such supporting programs exist.

Many potential entrepreneurs also lack knowledge and skills on how to start and operate a business. Some lack skills in managing the business and in marketing the products. Another barrier to the business is small local demand, hence the importance of knowing how to access markets. At times, the ability to reach and attract outside markets is crucial to the success of the business. The high transportation costs, particularly for remote areas, are also an issue, as they increase the input costs of the business and raise the marketing costs. Therefore, creative ways are often required to overcome the barriers encountered by existing and potential MSMEs. For instance, networking, use of information technology, collaborative marketing and developing better linkages in the supply chain offer strategic ways of overcoming distance and remoteness (Rola-Rubzen In review).

What needs to be done

To encourage the emergence and growth of MSMEs in the desert, particularly Aboriginal MSMEs, the barriers to starting-up and growing a business should be removed. There is a need to provide access and support to enterprise education and training including business planning, marketing and management. Apart from the training, special schemes such as mentoring are often needed. Likewise, improving access to resources is critical. In particular, access to credit and financial resources is important. Innovative funding mechanisms such as micro-credit that can be delivered quickly and in a timely manner, and with simple requirements, need to be investigated. Credit delivery that is socio-culturally appropriate is likely to be more successful than conventional models of financial access.

At a macro-level, the provision of infrastructure and basic services is paramount. There is a close link between economic independence, and health and education. One cannot expect an individual or community to develop a business if basic health, housing and education is lacking. Similarly, entrepreneurs will not be able to pursue opportunities offered by new information technology such as the world wide web if they do not have access to the Internet. Information and communication technologies can offer significant potential for networking, market research, accessing markets and service delivery that can overcome the distance barrier. But without the right infrastructure and the know-how, this opportunity cannot be fully harnessed.

Providing a supportive environment is also important in facilitating the growth and improving the chances of success for MSMEs. Programs that support Aboriginal entrepreneurs, recognising their values and culture will foster a conducive climate that will facilitate participation in economic opportunities. There have been some successful programs geared towards improving the economic participation of Aboriginal people including engaging in business enterprises. These need to be investigated, particularly the successful programs and business models. It is true that 'one size does not fit all' when it comes to desert MSMEs; hence the importance of finding out the various models that work and do not work and determining the conditions under which they are likely to work. Genuine engagement with Aboriginal people is vital in understanding their goals and aspirations and in understanding how best to support them. On-the-ground programs that will fast-track economic participation should be coupled with long-term initiatives that will foster lasting changes.

Finally, it is important to effectively communicate programs to the targeted clientele or beneficiaries and to provide mechanisms that will facilitate the uptake of these programs. It is through such combined efforts that successful and enduring businesses can exist and have an improved participation in economic activities in the desert.



Business in arts: Ceduna Aboriginal Arts & Culture Centre

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