DESERT KNOWLEDGE CRC

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Challenges affecting the operation of businesses in desert Australia

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Gido Mapunda

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University of South Australia

CHANGE YOUR WORLD. CHARLES DARWIN UNIVERSITY

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Abstract

Case study research was undertaken to gain insight into the challenges affecting the operation of businesses in desert Australia. In one desert region of the Northern Territory in Australia the owner-operators of three different discontinued businesses were interviewed with a focus on why they no longer operate in the region. The principal challenges identified by the interviewees were the lack of motivated, capable and reliable staff; poor business advice; criminal activity; inexperience; and misplaced trust.

Introduction

There is currently a research focus within the Desert Knowledge Cooperative Research Centre (DKCRC) on factors that appear to influence the survival of desert businesses that have been identified as successful. This research principally uses the case study approach. Even with multiple case studies of 'successful' businesses, there can be some uncertainty that the common elements did, in fact, contribute to success, rather than being coincidental. While support for these findings can be obtained from case studies of firms with different outcomes, to see whether those 'success factors' were missing, a separate analysis of businesses that ceased operating in a desert location can provide insights with regard to the challenges that led to disengagement from that business environment.

This paper presents the findings from such a study. Specifically, we detail three case studies of businesses that once operated in a desert location in central Australia but which closed the business down entirely, relocated or decided to close this branch of the business. The objective of the analysis is to highlight the principal factors that the owner-operators believe led to the closure of operations.

The report of the three case studies follows an overview of academic literature that defines and hypothesises the reasons for business failure. The last sections of this paper consolidate and summarise the findings from the case studies and relate this empirical evidence on challenges to desert business to the suggested causes of business failure in the literature.

Literature review

Academic literature suggests that business failures can be examined on the basis of:

- what one means by failure
- which failing business will shut down
- the reasons why businesses close down.

In the literature, defining business success is more common than defining business failure. By default, business failure is mostly considered as failing to achieve success. It is therefore necessary to understand conventional definitions of business success. Most writers discuss business success in terms of measures such as profitability or creation of surplus value (Taylor 2009). A glance at annual reports shows that companies report their activities through financial measures and competitive imperatives. The majority of documents report on business performances using financial variables, and these variables are predominantly the basis for setting motivational objectives (see, for example, Norris & O'Dwyer 2004, and

Norris & Innes 2005, where this was true even in firms that claimed a focus on the social and environmental outcomes of their decisions).

Nevertheless, since the late nineties (Elkington 1998a, 1998b) other dimensions of business involvement, such as social responsibility (Mitchell R et al. 1997, Mitchell M et al. 2008), have received more attention, and more recently the emphasis in the literature has shifted to the 3P approach (people, planet and profit) to business success (Finfrock 2008). In spite of these developments, the financial aspects continue to dominate discussions of business success and failures in the literature. Therefore, business failures typically deal with financial losses.

Given this focus on financial data, a natural progression leads one to ask: How much loss can businesses bear before they are considered failures? Are businesses considered failures only when they are shut down?

Business losses and failure

There is a fundamental difference between business losses and business failures. Losses are related to profit, where profit is the difference between revenue and costs incurred by businesses. So when a business incurs a loss, costs exceed revenue. Business failures, on the other hand, refer to businesses making losses to such an extent that they are unable to even recover the variable costs (Frank et al. 2007).

There is no escape from the notion that businesses shut down if they make losses and continue to fail to recover the bare minimum lowest average cost. Average cost comprises both fixed and variable costs in the short run. The lowest point of the average cost reflects the bare minimum that is needed to keep the firm afloat. The shut-down point of the firm therefore is when it is unable to even recover the variable costs. According to Frank et al. (2007, p.155) a 'firm should shut down and produce nothing in the short run when $P \times Q < VC$ for all levels of Q, or equivalently where $P <$ minimum of AVC' (where P is average unit price, Q is the quantity sold, VC is the total variable cost and AVC is the average variable unit cost).

There is a need to examine *why* firms actually fail in business. This is a different question from *when* are firms said to fail in business. The focus of this paper is to understand the reasons for failure of businesses. Once again, in this literature failure is defined with reference to business success.

According to Tony Steven, CEO Council of Small Business of Australia (in Chapman n.d.), business success in the twenty-first century is based on five pillars as follows: (1) planning, (2) marketing, (3) systems, (4) motivation and (5) discipline. These pillars are applicable to large businesses as much as to those that are independently owned and operated.

Planning

Most business advisors point to the importance of planning. 'There is a well known saying in business that business owners do not plan to fail, they merely fail to plan. This saying draws on the results of small business studies which show that owners who plan their businesses are much more likely to survive and prosper.' (Department of Economic Development 2004a, p. 5).

Plans help focus thinking and help create an opportunity for critical thinking. This does not mean those businesses that plan will not fail. It only means that business plans enable businesses not only to better understand the key steps necessary in the decision-making process, but they also provide an analytical framework.

Reasons for failure are many. Often a significant number of businesses do not use business planning as a management tool. The lack of connectivity between planning and management is attributed to inexperience and lack of time, trust and openness (Robinson & Pearce 1984).

Several barriers exist in preventing entrepreneurs and managers in many small to medium enterprises (SMEs) from using business plans as management tools. These barriers are a reflection of individual personal traits as well as spatial features of businesses and their operating environments.

d'Amboise and Muldowney (1988) describe the personality of individuals engaged in failed business. Examples from the literature show that they tend to include proprietors who (a) have vaguely conceived business goals (d'Amboise 1974, d'Amboise & Gasse 1980, Rice & Hamilton 1979); (b) exhibit satisficing behaviour (Simon 1955); and (c) place more emphasis on employee wellbeing rather than increase in profits or expansion of market share (Bamberger 1983).

Marketing

Marketing is an integral part of the management process. It involves 'identifying, anticipating and satisfying customer requirements profitably' (Department of Economic Development 2004b, p. 11).

While marketing aims not only to target but also to satisfy the requirements of customers, profitability is still the key word. The fundamental aspect of business, and therefore marketing, is the needs of the customer.

Key elements to success have been identified by Beaumont & Tregeagle (2007) as: (1) having well-defined marketing objectives; (2) defining a target market; (3) analysing the business market position both in the industry as well an in terms of customer base; and (4) developing a marketing strategy including product pricing as well as place. Failure in any of these aspects of marketing could result in business failure.

Systems

Business systems are developed and evolved through what has been considered a 'modularity' approach. Modularity is a complex design strategy for organising products and processes that are independent and yet operate as an integrated whole.

The efficiency of a system design depends largely on how subsystems function and interrelate to the total system. In other words, for businesses to succeed these subsystems must be concisely defined, unambiguously recognised and must combine to completely represent the activities of the firm (Baldwin & Clark 2000).

The effectiveness of business systems largely depends on the robustness of the design rules and their visibility as well as the way they are communicated and monitored. It is not enough

to have good design architects of systems – they also need to be followed through with proper management (Yan & Hu 2008).

Motivation

Business motivation, especially in an SME, is an essential force for dealing with both intrapreneurship as well as entrepreneurship to sustain the growth of the firm. Motivation is needed to embrace and deal with the key elements of Porter's Five Forces. These are potential entrants, substitutes, power of suppliers, buyers, and the degree of competitive rivalry. A firm's activities are judged in working with these forces and are often expressed through financial variables (Griffiths & Hall 2005).

Discipline

Finally, business success or failure is a reflection of the extent of discipline that exists in the firm. Those firms that report success are often regarded as exhibiting financial as well as process discipline, which is largely an outcome of transparency and effective management.

Business success, therefore, largely depends upon how firms can continuously design and redesign their internal processes in response to the reality they face. Businesses are considered to have failed if they do not reconfigure roles and responsibilities to manage value chains (Bolton & Thompson 2000).

The operational environment that firms face plays a very significant influence on business success/failure. According to Bolton and Thompson (2000), at the time of the start up businesses take the conditions of operational environments as given. These are things that the firms 'cannot change or influence easily'. However, as the firms reach a stage of maturity – and, depending on the nature of the industry, location and market share – they can influence the forces influencing the environments in which they operate.

Summary

The literature refers mostly to business success rather than failures. Success is a function of the firms' internal and external environments and the capability and capacity of individuals to respond to changes of any of the variables influencing these environments. Failure is a reflection of not achieving the necessary profit or surplus value that businesses were set up to achieve.

The literature on business failure reflects the result of mainly theorising, but also some empirical evidence, from large and small to medium sized businesses, typically in urban locations. There was not any evidence that businesses in remote and/or desert regions were studied in the few reported projects. Furthermore, on the basis of employee numbers, desert businesses tend to be micro-businesses, not even reaching the status of small business. This paper therefore reports on three case studies of desert-located businesses.

Method

All businesses studied in this project had operated in the same desert region in the Northern Territory, Australia. Businesses that no longer operate out of this location were identified by compiling a list of deregistered businesses and through personal contacts in that region. Attempts were made to trace the owners of such businesses but most had left the region and were not traceable, and some declined the opportunity to contribute as the memory was too painful to relate.

Data presented and analysed in this paper principally relate to three different businesses. Primary data were collected from the owner-operators during interviews that were largely unstructured. Two of the businesses had ceased to operate entirely, while the other closed operations in the region but continued successfully over the web and through outlets in Melbourne.

The interview sessions commenced with an outline of the interest of the researchers in the challenges to operating a business in the particular desert region under study. An undertaking of anonymity was given. The interviewees were asked to describe their business, including its origins and operations. Their responses led to follow-up prompts, and detail was obtained about such matters as structure, financing, advice obtained, operating detail, product, customer base, how they tried to overcome the operating challenges they met, and why they closed the operations in this area.

The paper also refers to secondary data that were obtained from incidental sources. These sources include (a) local residents and a security guard; and (b) owner-operators of a fast food outlet.

Briefly, the two different outcomes for the businesses were as follows:

- Cases A and B comprise two closed businesses. The owner-operators were interviewed for approximately two hours each during which an extra degree of sensitivity to the interviewees' circumstances was exercised.
- Case C involves a business that ceased operations in the focus region but continued in Melbourne, over the web and through international networks.

After the interviews with the business owners in Cases A and B were conducted, two owner-operators of a business that had changed hands were questioned while they worked in their fast food outlet. Issues that were raised in Cases A and B were explored with this husband and wife team individually.

Results

In the case study descriptions the comments, to the extent possible, are expressed in the terms used by the interviewees.

Case A

The first case study was investigated through an interview with the husband and wife who had taken over a bakery. The couple, who are referred to as Mr and Mrs Baker, had engineering and hairdressing backgrounds, respectively. They decided to become entrepreneurial to diversify their income sources for the sake of risk avoidance, and started to invest in industrial property. When a business in one of their properties was struggling the tenants of this property indicated a desire to sell the business and put all their energies into their other, competing, bakery. Mr and Mrs Baker decided to take over the business in their property, which operated as a bakery and coffee shop. Mr Baker had a full-time position in a different profession and Mrs Baker managed and worked full-time in the bakery.

It became apparent to Mr and Mrs Baker that the business was too small ('low volume') for the size of the property. The property had a 200 metre frontage and 500 metre depth, so it was decided to rent out the back part of the premises. It was difficult both to find suitable tenants and to work out a fair way to split common costs.

The perceived causes of operating difficulties are categorised into four groups relating to employees, financial issues, the market and competition, and business decisions and experience. The comments were as follows:

Employees

- It was an 'employee's market' as there was a lack of motivated applicants
- There was high turnover due to the supply of jobs exceeding demand for jobs
- There was a high turnover due to the transient population
- With the high turnover they were constantly training staff
- Staff were not conscientious (for example, they needed to be told to clear tables but then left them dirty again after the next customer)
- There was lack of customer service
- Staff seemed to be there to collect wages, not to do work: they spoke on mobile telephones when they should be serving; they lacked good manners; and owners needed to wash the floors after the staff had washed them
- Owners could not get staff with appropriate skills/attitude
- Conscientious workers go to building sites out of town as they pay $80–$100+ per hour for willing workers despite lack of experience
- Owners could not get the assistance of a qualified baker
- Cleaners often 'did not show' and they needed to keep place spotless as they were in the food industry.

Financial

- The cost of the building was too high
- Operations did not even contribute to mortgage payments on the building (the owners lose less now, owning an empty building, than they did when they operated a business in it)
- The business needed a 'massive turnover' to cover costs (thousands of loaves a day); they lacked experience to do this and there was not enough time despite working excessive number of hours (Mrs Baker experienced burnout due to working 12 hours a day)
- Labour cost was high (an award rate of $17.50 per hour for employees could not be borne by the business)
- They needed to increase turnover to cover costs but did not have the capacity to do so:
    - They lost some customers due to incapacity to cope with increased customer demand at peak times of the day, yet at other times in the day there was only a trickle of customers (owners did not appear to have taken on part-time staff to cope with peak demand periods)
    - They were not prepared to invest more in the business for more capacity when they were not confident that it would be rewarded.

Market and competition

- People from whom they bought the business successfully continued with their other outlet just down the road
- Transporting output from the bakery to remote settlements had been 'sown up' by another baker; however, transporting to the bush would have added costs or purchase of vehicle and hire of driver, which the business could not bear
- There was a lack of walk past traffic
- Owners felt that the business was located at 'the wrong side of town', 'too far out'.

Business decisions and experience

- The prior assessment of turnover was erroneous (the accountant, who was a partner in the business, used the wrong turnover figures in the proposal)
- The owners accepted the word of the previous owners that demand was cyclical and would be sufficient in winter to make up for summer deficit, but the expected demand did not eventuate
- There was lack of support from the previous owners who had promised to assist with the business
- The owners had lack of experience in business
- They had lack of appropriate skills and training in this industry.

In summary, the principal problems identified by the interviewees were lack of motivated, conscientious staff; high costs of the business when running at low volume; inability to be competitive; misplaced trust in others; and lack of experience and training. The issues that received the greatest attention by the interviewees were the frustrations and difficulties arising from the poor labour market and the inability to reduce costs and stimulate demand. However, in conversation it became clear that the business could not cope with greater demand anyway.

The researchers viewed the premises of the operation and found that it was located in an industrial estate close to busy roads that were well supplied by multi-national and other similar fast food outlets. Any delay in serving at lunchtime to customers who worked locally on the industrial estate would result in lost business due to the limitation on their time and the alternative choices. At other times of the day the low demand would be understandable due to the location of the business and the availability of competing bakeries on more readily accessible and prominent sites.

Case B

The business in Case B was a restaurant and the data were collected from one of the two owners, who is referred to as Ms Cook. The restaurant was recognised locally and by tourists for its specialised product. The range of products increased over a period of time with market testing being done prior to the introduction of products. Business demand existed in both wet and dry seasons. The marketing and product strategy was developed to continuously operate throughout the year, targeting both domestic and international markets.

Two people, one with an accounting background and one with a financial management background, decided to become entrepreneurial to increase their income sources and to satisfy their needs to achieve business success. They started to invest in the business and ran a bistro. As they needed someone with experience in running a restaurant they hired a restaurant manager with a background in tourism and hospitality. There was a promise to make this manager a shareholder in the business at a later stage.

The business was taken over as an existing restaurant. However, in a relatively short period of time the market niche was created to sell a specialised product. The business adopted what they believed were all possible management, marketing, financial, staffing and accounting strategies. However, the business was delisted within six months of its operation due to financial mismanagement.

The perceived causes of operating difficulties identified by the interviewee are categorised into three groups: financial issues, business decisions and experience, and business regulation. The comments were as follows:

Financial

- Mismanagement
- The lack of an appropriate ordering process
- Inadequate checks and balances for financial controls.

Business decisions and experience

- Inaccuracy in the forecast of cash flows
- The accountant, who was a friend and partner in the business, did not create appropriate accounting and audit systems
- The owners accepted the word of the manager and did not question and validate the takings and the discrepancy between income and expenditure and receipts
- The interviewee was a silent partner in the business and should have been more involved.

Business regulation

- The lack of a liquor licence

In this case study there was a strong focus on Ms Cook's misplaced trust in the abilities of her partner and the appointed manager. There was also recognition that Ms Cook could have taken a closer interest in the business and overseen what was happening more diligently. The researchers noticed prominent favourable reviews of the restaurant in their hotel room literature.

Case C

The subject of the final case study was an Aboriginal art business. The owner-operator, who was the interviewee and is referred to here as Mr Mark, had worked for many years in Aboriginal communities facilitating the trade of products such as emu eggs and massage oil. He developed a keen interest in one particular product: Aboriginal paintings. Through contacts made at that time he developed a business selling Aboriginal art. He maintains contact with the communities and individuals with whom he previously worked and has further developed personal contacts among the members of several Aboriginal communities. Mr Mark provides supplies and, in some cases, accommodation, for artists experiencing difficulties with regard to organisation and personal issues. He has been promoting Aboriginal art for almost 20 years.

This business was operating very successfully over web pages and through a gallery in Melbourne. It was believed that credibility would be enhanced if there was an outlet in the region, which forms the focus of this case study. Mr Mark was already travelling to this region every month for a weekend, spending approximately $100 000 in the region on each visit (an appreciation of the size of this industry comes from the statement that at least 20 other dealers would be spending similar monthly amounts in this region alone).

Mr Mark expected the tourist sector in this region to increase business but also gave an estimate that only about five per cent of his business was through galleries, most being from regular international clients and web contacts. Consequently, the increase in gallery business would not have provided a substantial boost to the business overall. It would, however, provide a base for receiving and guiding international clients.

Mr Mark bought a house and took his family to live in the region for a three-month period, but his family were not happy to remain so they all relocated to Melbourne. The house is currently used for his monthly visits. Mr Mark now owns two other houses in the same region, for the use of artists. Some artists occasionally work in the gallery in Melbourne.

The gallery in the desert region was closed after a few years of operation. The interviewee's comments are grouped into five classifications: staffing, criminal activity, lack of cooperation, financial issues, and owner absence. The comments were as follows:

Staffing

- It is impossible to get good staff
- Advertisements in newspapers and on television did not produce suitable applicants
- One employee was a snake catcher and had to keep leaving the gallery when he received an emergency call
- The agencies 'were not interested' in filling positions. For example, Centrelink had the position on their books for 18 months but the owner did not receive any calls from them, whereas in other locations they are always on the telephone to clarify or just update the owner on the situation
- There is a need for both a staff agency tailored to the Territory and for staff induction into business
- There is a need for staff who can at least pronounce the names of artists correctly as true collectors would not return to the gallery if the names were mispronounced
- One gallery manager was discovered to have been accepting paintings and selling them on without recording them; instead, she pocketed the proceeds
- The same gallery manager had been discovered to frequently leave the gallery unattended
- Another gallery manager was found to have a full-time position in a motel and thus frequently left notes on the door stating when she would be back, being away more than she was present
- The racist attitude of gallery managers was a significant problem when suppliers were all Aboriginal artists, and one of the objectives of having the gallery was to have a base for the artists to call in
- 'Governments and employees could not care less. Governments have a take or leave attitude. Employees know there is a skills shortage so they could not care less for your business. If you don't like what they do they will have no problem finding another place to work. Or they are already holding two jobs. So they don't have to hold to their part of the bargain.'

Criminal activity

- Paintings were stolen off the floor
- A gallery manager was held at knife point and then locked in a store room
- Damage to property; for example, mud was repeatedly thrown at the windows
- There is nothing for locals to do
- Children are often poorly supervised by parents.

Lack of cooperation

- There is no coordinated effort in the region to introduce visitors to the region to the art work
- Mr Mark tried to coordinate efforts, including having tours offered by local bus company, but without success
- The region 'has not got its act together'
- There is lack of support from art centres around the region and beyond for a coordinated approach
- The interviewee gave many examples of how cooperative effort could promote the business of all; he repeatedly met with resistance.

Financial

- Set-up costs far exceed those in larger centres, due largely to the high airfares to the region (Qantas monopoly), cost of hired transport and high motel costs
- Set-up costs for this region were quoted as in excess of $120 000 compared with half that for Mr Mark's previous gallery in Melbourne, and currently $10 000 for a new gallery in a prime location in Melbourne
- Set up of an outlet in the region is hindered, taking far longer, as a newcomer does not know who to go to for supplies/work and there is not a good network for advice
- It's a close-knit community and you need connections to get anywhere
- Overhead costs in the region are very high (for example, 'rents are not rural prices', and cabinets and lighting are much more expensive than in Melbourne)
- A good gallery manager is very expensive as the other galleries have increased their salary each time a good employee has tried to leave the region and
- Gallery managers' salaries are known to be $65 000 – $75 000 due to the need to pay a premium for reliability.

Absence

- Mr Mark needed to be permanently 'on the ground'
- Regular absence hindered the returns that could have been made
- Misplaced trust in gallery managers became apparent but Mr Mark was unable to be hands on
- Trying to settle in the region at a time of sustained high temperatures was not wise due to the impression created in family members.

To summarise, the reasons for closing this outlet include the inability to recruit good staff, criminal activity, frustration with the lack of coordination of the firms in the industry, lack of support from the industry for suggested initiatives, family members being intolerant of the extreme weather conditions, high costs, poor policing, and lack of activities for local residents to become engaged in.

Mr Mark showed a caring attitude to the Aboriginal population, giving explanations for poor conduct rather than engaging in blaming. He provides materials and housing to some of his artists and appears to have a real concern for their welfare. He would like to encourage more trade in the area but believes that government activity and incentives will be required, such as tax concessions, start-up concessions, better policing, greater deterrents to the trade of copy art (e.g. trade mark 'Aboriginal Art' like the French trade marking of the term 'champagne' and have high penalties for breaches) and more suitable activities for the entertainment of local residents.

Discussion

In all three cases the first problem cited related to finding good, reliable staff. In the two cases in which the owner was not supervising operations there were incidences of illegal activity by their managers. In one case this was said to be significant enough to lead to the bankruptcy of the business.

The opportunity was taken to ask the owners of a business that had changed hands whether they found staffing to be a problem. The response from the two owners individually was an overwhelming 'yes'. Enquiries were made about the owners of another closed business, as the researchers were expecting to be able to speak to the owners at the bar they ran. The information supplied by local residents was that the bar had been forced to close due to losing its licence after being found guilty of permitting underage drinking. Another bar that was to be studied had also closed very recently, due to an extensive fire in the building. Could these be other incidences of appointed staff that were less diligent than they should be in the interests of their employer?

Three related issues that become apparent from the three case studies are the high costs of set up and operation, lack of suitable advice for inexperienced owners, and lack of understanding of the market and competition. All of the interviewees related incidences of misplaced trust: in the person they bought the business from in Case A; in the appointed managers in Cases B and C; and in the business advisor in Cases A and B. Even the experienced business owner in Case C suggested that there was a need in the area for an appropriately resourced person who would serve as an advisor for this specific location, as experience elsewhere 'does not necessarily equip you well for operating here'.

The lack of suitable advice can mean that the set-up costs and/or the operating costs are underestimated, suitable control systems are not put in place, and the ability of operating capacity to meet the demand required for a profitable operation is not correctly analysed. An advisor specifically for this region is also likely to better forecast demand and guide owners with regard to the competitive strategies that can be undertaken. For example, Mr Baker repeatedly compared their business with a multi-national fast-food chain, although they would normally be accepted as being in a different market and a different operating environment.

Findings in this study support a number of aspects of business success/failure identified in the literature. For example, inexperience and lack of time (Robinson & Pearce 1984) can be identified, with all cases suffering from lack of suitable or relevant business experience. There was also a time factor that led to insufficient supervision of operations (in Cases B and C).

An aspect of Case A was the under-developed appreciation of competitive rivalry (as in Porters' Five Forces in Griffiths & Hall 2005). Likewise, there was some evidence of vaguely conceived business goals (d'Amboise 1974, d'Amboise & Gasse 1980, Rice & Hamilton 1979), the main imperative being to diversify income. The existence of the business in Case A appeared to be based on the desires of the owners, with insufficient consideration of the needs and desires of the customer. Hence, there seem to have been poorly defined marketing objectives, target market, market position and strategy.

The lack of clarity with respect to the business goals appears to relate to poor forecasting and poor business advice, which was also highlighted in Cases B and C (these prerequisites for success are discussed in Department of Economic Development 2004a, 2004b). However, the

owners in Case B did adapt their product offerings to create a successful niche market. Unfortunately, they did not also adapt the inadequate control system (Bolton & Thompson 2000).

Summary and conclusion

This study of micro business in a desert region has found some relevance in the theoretical models relating to success and failure in large business and SMEs. It has also revealed additional issues of specific importance to the desert region studied.

The findings that are consistent with our cited literature on success in the operation of SMEs can be addressed in the format of the five pillars of success. Relating to planning, the vaguely conceived goals that were identified in some cases, and the failure to use plans due to lack of time and experience, are consistent with the work of d'Amboise (1974) and Robinson and Pearce (1984), respectively. With regard to the marketing pillar, we found evidence of failure to satisfy customer requirements profitably (see Department of Economic Development 2004b), and Ms Cook identified system failures and the failure to follow systems (see Yan & Hu 2008). The relevance of Porter's Five Forces (Griffiths & Hall 2005) to these businesses also became apparent, as did the discipline required (Bolton & Thompson 2000) to continuously redesign internal processes in response to the reality they face.

New findings that relate to micro business in the region studied can be presented in the same format. With regard to planning, difficulties arose due to having insufficient local area knowledge and the significant difference between operating in the study region and operating the same business in other locations. For marketing, specialised knowledge was again required and there seemed to be issues due to a non-professional business approach used by people in two of the cases, who were essentially investors who became business owners without operating experience. With regard to systems, the recommendation from the more experienced business operator was that there was a need for a local experienced advisor, better collaboration between businesses, and promotion of support and support networks. Our observation was that in two of the three businesses the owners tended to be motivated toward the expected financial gains whereas they needed a greater focus on the customer and managing the business. Finally, greater discipline was required to adapt, to follow processes and to be disciplined at start up in making the head rule the daydreams.

Two major factors that emerged but are unlikely to be identified from studies of successful businesses are the impact on business outcomes of owners being absent and the problems related to securing and retaining reliable staff. This is consistent with our observation that the problems encountered related to the remoteness of the location rather than the aridity of it.

In conclusion, it is clear from this preliminary study that key issues that need to be addressed for the continuation of businesses in desert Australia relate to the ability to appoint good staff, understand the operating environment, have adequate control systems, and find ways to contain costs or be provided with incentives to operate in this 'taxing environment'.

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