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Australian Institute of Health and Welfare

Australian Institute of Family Studies

Closing the gap clearinghouse

Success factors for Indigenous entrepreneurs and community-based enterprises

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Summary

What we know

- There are successful Indigenous entrepreneurs and community-based enterprises that create prosperity for individuals and communities across Australia.
- The estimated number of self-employed Indigenous people has risen from 4,600 in 1991 to 12,500 in 2011 (Hunter 2013).
- The combined income of the top 500 Indigenous corporations registered with the Office of the Registrar of Indigenous Corporations was almost \$1.61 billion in 2011–12 (ORIC 2013).
- Since its inception in 2009, Supply Nation (a membership body aimed at linking Indigenous businesses to contractors), has recorded more than \$78.8 million in purchases and more than \$45.6 million in contracts between member organisations and Indigenous businesses.
- Indigenous community-based enterprises often have to operate within an environment of complex social and cultural obligations. Accordingly, defining 'success' for Indigenous businesses, particularly community-based enterprises, is difficult.
- Indigenous organisations and government departments are increasingly asking for statistical information to measure Indigenous economic activity.



What works

The research and case studies examined for this resource sheet suggest the following practices have helped Indigenous businesses and community-based enterprises:

- government programs that assist Indigenous people to access finance that has otherwise not been available through commercial avenues
- services that provide financial and business advice and ongoing support
- membership bodies (such as Supply Nation) that link Indigenous businesses into the supply chains of large companies and government agencies.

What doesn't work

The following have been barriers to business success:

- starting Indigenous community-based enterprises with poor organisational governance and lack of business planning and financial literacy
- failing to provide sufficient ongoing support to Indigenous entrepreneurs and access to financial capital.

What we don't know

- There is a lack of evaluation data or documentation to determine the number of Indigenous businesses and their products and services, including data about entrepreneurs and community-based enterprises.

Introduction

This resource sheet reviews the available literature on the key factors that have underpinned successful Indigenous entrepreneurs and community-based enterprises. It also explores the different characteristics of Indigenous entrepreneurs and community-based enterprises. Where possible, it also looks at the outcomes of government programs that have aimed to help these different types of Indigenous businesses. For the purposes of this resource sheet, the term 'Indigenous entrepreneurialism' (or 'entrepreneur') has been used to refer to Indigenous-owned private and commercial businesses that are run for a profit. Likewise, the term 'community-based enterprise' has been used to refer to businesses that have a more communal purpose (they are also known as 'community-managed' and 'social' enterprises). The two terms used in this resource sheet are defined below and were selected for convenience and because they were commonly used in the literature.

Indigenous economic development is defined as the involvement by Indigenous people in employment, business, asset and wealth creation in the communities and regions where they live (HRSCATSIA 2008). One key aspect of improving Indigenous economic development is through Indigenous people operating their own private businesses or community-based enterprises (refer to the definition above). In the case of successful Indigenous entrepreneurs, self-employment and ownership of enterprises is believed to help individuals, families and communities improve self-sufficiency and decrease reliance on government welfare (Furieux & Brown 2008; HRSCATSIA 2008).

This resource sheet is based on a literature review of approximately 30 sources. The review process used various search terms (for example, Indigenous economic development/Indigenous business; social enterprises, entrepreneurship) and research databases containing peer reviewed articles (AIFS Library catalogue; all of the EBSCO and Informat databases and collections) and general online resources from government or Indigenous community organisations.



It was difficult to find rigorous evaluations of government or other programs that were aimed at improving Indigenous economic development. Accordingly, the research is largely made up of a combination of case studies, literature reviews, program descriptions and analyses, internal organisational evaluations and research institute publications. Despite the limitations of the existing literature, important insights can be gleaned from the information.

Background

The research describes two important types of Indigenous businesses that enhance individual or collective economic development in Indigenous communities. These are Indigenous entrepreneurs and community-based enterprises.

Indigenous entrepreneurs

Foley (2006) and Hunter (2013) outlined the importance of Indigenous entrepreneurs to Indigenous economic development. Unlike Indigenous community-based businesses and employment of Indigenous people in non-Indigenous businesses, an Indigenous entrepreneur (like the general definition of an entrepreneur) runs a business to make profit and is an 'economic agent who organises and operates a business, taking on financial risk to do so' (Hunter 2013:7). The Australian Taxation Office defines entrepreneurial enterprises as stand-alone businesses, be they sole traders, partnerships or companies operating in the capitalist economy (ATO 2009). Hunter (2013) indicated it is difficult to measure the numbers of Indigenous businesses, but that Indigenous self-employment has increased steadily from 4,600 self-employed Indigenous people in 1991 to 12,500 in 2011. These data suggest a corresponding increase in the number of Indigenous entrepreneurs, as the self-employed have to bear the risk of their economic activity and hence are by definition entrepreneurial (Hunter 2013, 7).

Hunter also highlighted that the majority of these entrepreneurs are most likely to reside in the south east corner of Australia, in areas that have the best Indigenous education outcomes, higher general population densities and demand for goods and services (Hunter 2013). Foley argued that the common perception of Indigenous business as community-run ventures is inadequate and renders Indigenous entrepreneurs invisible, missing the fact that the majority of Indigenous people live in urban areas (Foley 2006, 2013). Foley argued that 'Aboriginal businesses remain statistically more prevalent in urban areas corresponding with Indigenous population concentrations' (Foley 2013:25). Interestingly, one study also suggested that in the case of Indigenous entrepreneurs, 'there usually is some aspect of cultural legitimacy and Indigenous identity and the desire to positively reflect Indigenous values in the surrounding mainstream community' (ORIC 2010:6). The Office of the Registrar of Indigenous Corporations noted that Indigenous entrepreneurship is the 'latest and perhaps least developed area of research in Australia ... that is clearly relevant to ... success' (2010:6). Hunter (2013) found that the most popular industries for Indigenous self-employed businesses are what could be considered mainstream industries and include freight transport, construction, building and cleaning services, carpentry, creative arts and other domestic or personal services.

Private, commercial Indigenous businesses had several definitions in the literature. Several studies defined an Indigenous business to be one that is more than one half owned and managed by an Indigenous person (for example, 51% owned), with some studies considering businesses that had 50% Indigenous ownership (for example, marriages and partnerships) as Indigenous businesses (ATO 2009; Foley 2006; HRSCATSIA 2008). Foley (2013) argued that the Indigenous 'majority' requirement for the definition of an Indigenous business is erroneous and limiting to other forms of Indigenous business ownership where there is less than 51% Indigenous ownership, but where the Indigenous owner is responsible for the decision making and management. Alternatively, the Australian Bureau of Statistics has a broader understanding and defines small to medium



privately owned Indigenous businesses as having at least one Indigenous owner (called 'Aboriginal and Torres Strait Islander-owned businesses') or one that has a majority of owners being Indigenous (called 'Aboriginal and Torres Strait Islander-owned and controlled businesses') (ABS 2012:5).

Community-based enterprises

In contrast, several studies describe Indigenous 'community-based enterprises' or 'social entrepreneurs'. These businesses have a more communal purpose and are not focused on individual profit. While still embracing basic business functions, these types of enterprises 'differ from most conventional businesses in that they are not based on utilitarian economic models but have broader political, social, cultural, environmental and economic goals' (Kerins & Jordan 2010:4; Loban et al. 2013) and try to resolve pressing social problems. The Australian Tax Office defined them as incorporated under state or federal legislation, often attracting tax concessions, and are usually not-for-profit organisations (ATO 2009). With these types of businesses, there is little or no profit distribution to members. In particular, Pearsons & Helms argued a key feature is their 'capacity to amalgamate both social capitals with cultural values, two elements that are vital for [Indigenous] entrepreneurial success' and that they are 'culturally acceptable to Australian Indigenous people' (Pearson & Helms 2013:52,53).

The economic activity of Indigenous businesses

The research indicates there are few data on the economic activity of Indigenous entrepreneurs or community-based enterprises and that there are no baseline data to assess the ongoing development of Indigenous businesses (ATO 2009; HRSCATSIA 2008). The report *Overcoming Indigenous disadvantage: key indicators 2011* found that, in 2008, Indigenous people had lower rates of self-employment than non-Indigenous people (7% compared with 11%) (SCRGSP 2011). Non-Indigenous people are 3 times more likely to own and run their own business than Indigenous people and, for Indigenous people, this factor is further influenced by remoteness. The largest difference in Indigenous and non-Indigenous self-employment rates occurs in very remote areas, with Indigenous people being almost 9 times less likely to be self-employed (HRSCATSIA 2008). The 2011 Census results regarding the characteristics of Indigenous owners and managers of businesses are also informative. The Australian Bureau of Statistics found that 6% of Indigenous people were owners or managers of businesses, with the majority in New South Wales (35%) and Queensland (27%), and with the most popular industries being construction, retail trade and rental, hiring and real estate services (personal communication from Department of Prime Minister and Cabinet, quoting a presentation by the Australian Bureau of Statistics in 2012).

Two studies highlighted how this general lack of information made it difficult to define what constitutes an Indigenous business (Hunter 2013) and to quantify what is meant by the 'Indigenous economy' (Altman 2001:8). Hunter argued that even if there were a universally accepted definition, the lack of specific data on Indigenous business would also limit the discussion about potential future businesses. According to the Office of the Registrar of Indigenous Corporations, the combined income of the top 500 Indigenous corporations was almost \$1.61 billion in 2011–12. These businesses (many of which are community-based enterprises) received approximately the same amount of revenue from self-generated income as from government funding (ORIC 2013). (Note: these findings are only indicative and are only representative of the organisations it administers and not of Indigenous businesses in general). The Business Council of Australia's 2013 survey of its member companies found that there had been an increase in the number of non-Indigenous companies who had knowingly used an Indigenous business in their supply chain (16 companies in 2009, increasing to 49 companies in 2013). The Business Council stated that its members had spent more than \$2 billion on Indigenous businesses and joint ventures in the past 12 months (BCA 2013).



Despite this lack of information, some of the key drivers common to both Indigenous entrepreneurs and community-based enterprises identified by the literature include:

- the desire for succession planning and for future generations not to have to experience the same hardships of their predecessors and giving something back to the community (ATO 2009; HRSCATSIA 2008)
- to escape, individually or communally, from poverty (Foley 2006)
- to provide for their families' needs (Foley 2006). (Note: Foley found this to be the fundamental motivator for Indigenous entrepreneurs, even above the idea of community culture.)

Indigenous culture and business

Some studies commented on the significant complex social and cultural context within which some Indigenous community-based enterprises operate. The House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs considered that 'generally Indigenous commercial or competitive advantage is in culture-based industries where the advantage is in the uniqueness of the product, not the quality or price' (HRSCATSIA 2008:20; see also FaHCSIA 2011). Other areas where Indigenous people can hold a competitive advantage are in land ownership and land and resource management. The Australian Government's *Indigenous Economic Development Strategy 2011–2018* reported that Indigenous Australians own or control approximately 20% of land in Australia and the resources attached to that land (FaHCSIA 2011). While it is beyond the scope of this paper to analyse the complexities of specific Indigenous culture based industries, the research indicated that some businesses use this cultural or geographical advantage in sectors such as creative industries (see Altman 2007; Arts Queensland 2011; HRSCATSIA 2008), natural resource management (see AIATSIS 2007; Fordham et al. 2010; Kerins & Jordan 2010), tourism (see Altman & Finlayson 1992; Whitford & Ruhanen 2009), and involvement in the mining sector (see Hunter 2013; Langton 2013).

In the case of community-based enterprises, some studies argued that one of the cultural challenges that affects Indigenous people is that commercial drivers in business 'may sit uneasily with cultural drivers, but Indigenous Australians are discovering ways to form businesses that are both commercially viable and culturally affirming' (HRSCATSIA 2008:10). Similarly, the Australian Tax Office outlined that an Indigenous culture of obligatory sharing is often a 'key "disabler" to business success' (ATO 2009:11).

Overview of Australian Government programs

There is a wide range of programs from Australian and state governments offering business support services to Indigenous people. For example, several Australian Government agencies run programs that provide services for Indigenous people, including:

- grants and lower cost loans
- government procurement policies and processes that encourage the use of Indigenous businesses (for example, Australian Government's Indigenous Opportunities Policy)
- business mentoring and business development assistance
- connections to other businesses and markets.

Commonwealth research agencies also conduct research into Indigenous economic development (for example, Australian Institute of Aboriginal and Torres Strait Islander Studies; Commonwealth Scientific and Industrial Research Organisation; Indigenous Land Corporation). While these programs exist, the Standing Committee on Aboriginal and Torres Strait Islander Affairs found 'the sheer number and complexity of programs and services was often confusing and daunting to emerging Indigenous entrepreneurs' (HRSCATSIA 2008:37).



This resource sheet doesn't attempt to list all the various government programs that are currently supporting Indigenous business; instead, it explores relevant programs and evaluations (if available).

Key success factors

Defining 'success' for Indigenous entrepreneurs and community-based enterprises is difficult and complex. For example, economic success alone is not the best measure of 'success' in community-based enterprises, for which many of the drivers are likely to include socially-driven objectives (Higgins-Desbiolles et al. 2010). The research indicates that there is no one definition of success. Foley (2006) argued that for small Indigenous entrepreneurs, survival for more than one year could be considered a success because survival is dependent on financial viability. In contrast, Fuller et al. (2003) took a broad view of small business success that considers the social contribution. Fuller argued that Indigenous small enterprises can be considered viable, or to be making a positive contribution, if the returns generated from it are greater than having not started the business at all. The Standing Committee on Aboriginal and Torres Strait Islander Affairs noted 'in Indigenous business, success can mean something more than balancing the books, and something less than continued expansion' (HRSCATSIA 2008:10).


Despite these complexities, this resource sheet will focus on what appears to have worked in practice. Given the substantive difference between entrepreneurs and community-based enterprises, the following key success factors have been grouped according to whether they are relevant to both business types or specifically to community-based enterprises.

Access to finance

Indigenous entrepreneurs often lack access to finance to support their businesses (ATO 2009; Dodson & Smith 2003; Foley 2006; Furneaux & Brown 2008). This may be due to low inter-generational transmission of wealth (that is, passing on of assets to children; inheritance) and because commercial sources of capital could be risk averse or less likely to lend to Indigenous people because of perceived high risk (ATO 2009). Community-based enterprises experienced not only this lack of access to financial capital, but also a lack of other forms of capital (for example, social, human and organisational capital) that are required for social and economic success (Dodson & Smith 2003; Furneaux & Brown 2008; Higgins-Desbiolles et al. 2010). Controversially, Foley (2006) found that when one spouse in the business is non-Indigenous, the couple generally experience easier access to financial capital in the early stages of a business than a couple that are both Indigenous. Foley argued 'obtaining financial assistance through commercial loans is almost impossible for Indigenous Australians' (Foley 2006:19). One study argued that any government programs that provide start-up funding to assist businesses needs to be coordinated and be based on a long-term commitment to helping businesses (Higgins-Desbiolles et al. 2010).

Several government-funded programs attempt to redress this issue, including some of the following models:

- For Indigenous entrepreneurs:
 - Low interest business loans (through Indigenous Business Australia (IBA)) and capital assistance schemes (ceasing program, former Department of Education, Employment and Workplace Relations) for Indigenous people with business proposals that don't satisfy mainstream bank lending criteria. In 2012–13, the IBA approved 95 loans worth a total of \$21.96 million, which was an increase in the number of loans approved in the previous year (IBA 2013). Despite IBA's loan approvals, one study noted how difficult it still is to obtain an IBA loan (HRSCATSIA 2008).

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- For community-based enterprises:
 - Indigenous Land Corporation’s (ILC) co-development of Indigenous enterprises, where management remains with the ILC until it is handed over to the Indigenous group once its capacity and corporate governance is developed.
 - Indigenous Social Enterprise Funding (operated through IBA), which provides grant funding on flexible terms of up to 5 years to Indigenous-owned organisations that are in start-up stage (SVA 2014). The Social Enterprise and Investment Funds is a mainstream program that also provides start-up funding for social enterprises businesses regardless of background.

Access to financial and business advice and support

Several studies indicated that a lack of financial and business advice and support negatively affect Indigenous entrepreneurs and community-based enterprises and often lead to business failure (HRSCATSIA 2008). Financial literacy is ‘the platform for improvements in Indigenous self-employment’ (Hunter paraphrased in ATO 2009:9); in contrast, poor financial literacy limits Indigenous people. Financial literacy is understood as the ‘ability to make informed judgments and to take effective decisions regarding the use and management of money’ (ATO 2009:9). Access to business expertise and mentorship, particularly early on in a proposal, is viewed as an essential enabler of Indigenous business (ATO 2009). The IBA found that, as the number of Indigenous businesses are growing and professionalising, the need for good financial advice is growing and that many businesses were not currently receiving good advice (SVA 2013). Developing business skills ‘within Indigenous communities has been shown to have a significant, positive impact in terms of community development’ (Whitford & Ruhanen 2009:6). These necessary skills include business planning, marketing and promotion, budget and cashflow management, inventory, human resources, networks and partnerships (IBA 2013; Whitford & Ruhanen 2009).

Based on anecdotal evidence, some studies claimed that the practical involvement of women and the immediate family and the support of parents were also considered important contributors to business success (ATO 2009; Whitford & Ruhanen 2009). Women can be ‘crucial to the success of businesses as they tended to have a holistic view, are able to maintain systems and processes, and build self-esteem’ (ATO 2009:12).

Reality testing business ideas

Many Indigenous community-based enterprises are believed to fail because their business plans have not been based on a realistic assessment of the target market. Dodson and Smith argued that many Indigenous communities proceed to start up ‘a never-ending variety of new business projects that are uninformed by wider “whole of community” needs and realities’ that are characterised by a haphazard approach to development (Dodson & Smith 2003:11). In a study of several Queensland-based Indigenous tourism businesses, Whitford and Ruhanen found that many businesses were based on the assumption that success would occur primarily because of a unique Indigenous cultural service without planning for the actual tourism service requirements of the business, or assuming these skills would be ‘picked up along the way’. Whitford and Ruhanen argued that this is setting businesses up for imminent failure, and instead, a candid reality check is needed to ensure that the business has some, if not all, of the generic core skills necessary to operate a business (Whitford & Ruhanen 2009).



Financial literacy training

A program that aims to address these basic ‘financial literacy’ skills is the IBA’s Into Business workshops, which help Indigenous participants to determine the viability of their business ideas and plan the next stage in their business. During 2012–13, a total of 380 people completed the workshops (IBA 2013). In addition, the IBA’s MURRA program, which provides more advanced business training to experienced Indigenous entrepreneurs at the Melbourne Business School, is another example of ongoing support for Indigenous businesses. Another example is the North Australian Indigenous Land and Sea Management Alliance’s Livelihoods Program that assists small-to-medium Indigenous businesses with feasibility testing, business planning, governance training, raising capital, and developing partnerships (refer to NAILSMA 2012). An additional example of a community based financial literacy program is the *MPower* program in Cape York (Box 1).

Box 1: Case study of improving financial literacy: Cape York Partnership’s *MPower* program

A community-based example of developing financial literacy skills is the Cape York Partnerships’ *MPower* program. An extension of the family income-management scheme, this program (run in Aurukun, Coen, Hope Vale and Mossman Gorge as part of the Cape York Welfare Reform agenda) is a money management program for families to meet their basic material needs. The program links community-based ‘*MPower* coaches’ (some of whom are Westpac bank employees) with Indigenous families to determine their budget, their goals and then support them to achieve it. The Cape York Partnerships hopes the program will help families rebuild social norms, assets and achieve aspirations through learning financial literacy.

Source: CYP (2013).

One successful community training organisation that is assisting Indigenous businesses with capacity building is the Darebin Enterprise Centre’s (DEC) Indigenous Business Incubator based in Melbourne (Box 2).

Box 2: Case study of an Indigenous Business Incubation program

The DEC helps Indigenous entrepreneurs and Indigenous community organisations start new businesses and strengthen existing enterprises. The program includes:

- identifying business opportunities and conducting pre-feasibility studies on proposed ventures
- helping proprietors develop business plans
- helping proprietors seek the necessary capital for the roll-out and development of enterprises
- providing mentoring support and evaluation
- providing advice for future actions in businesses
- assistance in networking for enterprises.

The DEC provides intensive services for Indigenous businesses, generally providing these services over a longer period of time. The DEC model has also been used in the Indigenous Business Hubs in the Northern Territory that provided support for Indigenous businesses across Darwin.

Sources: DECL (2014); HRSCATSIA (2008).

Another example of a financial literacy program that is supporting Indigenous people is the MoneyMob Talkabout (MMT) program in the communities of the Anangu Pitjantjatjara Yankunytjatjara Lands in South Australia (Box 3).



Box 3: Case study: MoneyMob Talkabout

The MoneyMob Talkabout (MMT) program in the Anangu Pitjantjatjara Yankunytjatjara communities of South Australia brings two-way learning to people in remote Indigenous communities to help them positively manage their money. Teams visit remote communities and spend time listening and learning about how money is viewed and used in Indigenous communities while sharing knowledge and information through a series of fun, engaging and culturally appropriate learning experiences.

A rigorous evaluation of the MMT was completed in 2013. It used a mixed methods approach (including surveys and case file audits) to determine the program's effect on the community (including MMT and non-MMT clients). The evaluation found that while many community members still had complex barriers to improving their financial literacy, the MMT clients were more likely to have developed basic financial management skills (for example, know their bank balance, saved some money, be able to access some money from their bank in an emergency) than were non-MMT clients (Pryor & Garner 2013).

For more information see: Pryor & Garner (2013) and <<http://www.moneymobtalkabout.com.au/>>.

Networks and partnerships

Developing partnerships and having access to business networks are repeatedly highlighted in the research as critical to success. Business networks 'are important avenues for business advice and increased access to suppliers and customers' (ATO 2009:11). It is noted that Indigenous people, particularly in remote and regional areas, lack the networks to support and encourage enterprises (ATO 2009; HRSCATSIA 2008). In the worst cases, Foley noted that the entrepreneurs interviewed as part of his study, all 'shared a common experience of negative discrimination from mainstream Australia following their entry into business. This usually took the form of suppliers' representatives being negative towards them' (Foley 2006:20). Where Indigenous community-based enterprises have been successful, one factor that is common is their strategic engagement in partnerships to support their objectives, including with government, businesses and other community groups (AIATSIS 2007).

One example of effectively encouraging these networks between Indigenous and mainstream businesses is Supply Nation (formerly the Australian Indigenous Minority Supplier Council pilot project), a membership body that seeks to integrate majority-owned Indigenous businesses into the supply chains of large Australian corporate entities and government agencies (PwC 2011). It does this by connecting its members (certified Indigenous suppliers, Australian companies and government agencies) when a 'buyer' is seeking Indigenous goods or services. There appears to be a broad range of Supply Nation certified Indigenous businesses and cover industries, including arts and crafts, transport, hospitality services, security services, employment services and cosmetics. Supply Nation highlighted that it also has strategic goals to target specific industry sectors and locations in 2014, including construction, mining and resources and the government and defence sectors (Supply Nation 2013).

A post-implementation review indicated the concept was achieving significant success in the first two years of the pilot project that led to Supply Nation (PwC 2011). Examples of the successful connections made through Supply Nation are listed on its website (see <www.supplynationorg.au>). Currently Supply Nation works with 124 member organisations and 232 Indigenous suppliers (217 certified Indigenous suppliers and 15 emerging Indigenous suppliers). Since 2009, Supply Nation has recorded more than \$78 million in purchases and more than 700 transactions between members (Supply Nation, personal communication).

Despite this success, Hunter argued that Supply Nation could broaden entry requirements for its certified Indigenous businesses, so that 'the pool of potential Indigenous ... [businesses] would expand considerably and enhance the prospects for linking Indigenous businesses with other companies' (Hunter 2013:18; see also Foley 2013). Supply Nation stated that the rationale behind its member entry requirement for business to be



51% Indigenous owned goes a long way to growing the Indigenous business sector, even though its suppliers are recognised as a fraction of all the Indigenous entrepreneurs identified in recent census data. It stated that majority owned Indigenous businesses are an important part of the business sector and a growing contributor to Indigenous employment. Accordingly, they need special attention and articulation in government policy and programs (personal communication from Supply Nation).

Factors for Indigenous community-based enterprises

Culture is embedded

In community-based enterprises, having culture embedded within the business and its operations is vitally important for success (Pearson et al. 2011; Russell-Mundine 2007; Whitford & Ruhanen 2009). Embedding culture has many aspects, but generally means running a business and management structure in a way that ‘preserve[s], protect[s] and promote[s] Indigenous culture’ (Whitford & Ruhanen 2009:40). Culture can be embedded in various ways including: rigorous approval process for cultural issues; incorporate educational elements into products; information on cultural protocols protections (Whitford & Ruhanen 2009) and in designing governance structures according to traditional forms of governance (Russell-Mundine 2007). Russell-Mundine described one community-based enterprise that ensured its corporate structure was consistent with traditional governance by having each participating family group represented by an Elder on its decision-making body.

Embedding culture is considered important for several reasons, including:

- many Indigenous groups, particularly in remote areas, still maintain cultural practices (Altman & Finlayson 1992)
- cultural practice can sometimes be the product (for example, tourism).

Where a business aims to support the broader community, it should be ‘embedded in existing social structures and cultural connections with the country’ (Pearson et al. 2011:5).

Pearson et al. warned, ‘an overt focus [by a business] on economic features to the detriment of “socio cultural and environmental issues” may account for the failure of many Indigenous entrepreneurial ventures’ (Pearson et al. 2011:5). An example of embedding cultural decision making structures into a business is the Gumatj Clan enterprise (Box 4).

Box 4: Case study of embedding culture: Gumatj Clan enterprise in East Arnhem Land (Northern Territory)

The Gumatj Corporation (GC), which is a Yolgnu clan, operates a small timber and construction business on the Gove Peninsula. Through this business, the GC aims to pursue sustainable economic development for the community. Since its establishment in 2007, the GC has planned, designed and constructed bunkhouses, Indigenous housing and operational facilities to support its cattle station business and the community. One of the key success factors behind the GC is its organisational structure that integrates Yolgnu clan structures and law with pragmatic rules. The GC employs an entrepreneurial organisational arrangement governed by community-based ideals and is considered a ‘promising framework for Australian Indigenous entrepreneurship’ (Pearson et al. 2011:14). For example, the organisational structure remained true to Yolgnu culture by having an executive council of 6 family Elders who were responsible for decision making and communicating orally rather than relying solely on written documentation.

Sources: Pearson et al. (2011); Pearson & Helms (2013).



Good governance

Successful Indigenous community-based enterprises are underpinned by good governance and take steps to avoid poor governance (AIATSIS 2007). The Standing Committee on Aboriginal and Torres Strait Islander Affairs outlined 'Indigenous enterprises function best when Indigenous control is maximised in a strong corporate governance structure' (HRSCATSIA 2008:31). Dodson and Smith highlighted that 'building "good governance" is identified as the key ingredient—the foundation stone—for building sustainable development in communities' (Dodson & Smith 2003:v). Dodson and Smith (2003) also outlined several ingredients underpinning good governance, including stable organisational structure, capable and effective institutions, clear rules for roles and responsibilities and decision making, separation of powers, dispute resolution processes, financial and administrative management systems, effective and realistic development strategies, and a strong cultural 'fit' with the local community. Russell-Mundine also highlighted the importance of 'the need to establish professional and administrative record systems' (2007:425). The Office of the Registrar of Indigenous Corporations reported that the most common symptoms of Indigenous corporate failure stem from governance-related issues, in particular inadequate process for financial records, inadequate annual general meetings, or poor record keeping of members' records (ORIC 2010).

Strong community participation

Community-based enterprises that are linked to the community are successful when they develop and maintain strong community engagement and participation (AIATSIS 2007; Whitford & Ruhanen 2009). One study reported that when Indigenous corporations failed it was mostly because of directors and staff failing in their performance of their duties (ORIC 2010). Therefore, the benefits of Indigenous businesses involving their communities include:

- ensuring community support (Russell-Mundine 2007)
- increasing the use of local knowledge and expertise (AIATSIS 2007)
- most importantly, increasing accountability to the community (AIATSIS 2007).

Examples in the literature of ways to increase community participation include:

- meetings
- social functions
- information sessions
- regular consultation
- participatory planning
- approval processes involving the community
- establishing a council to bridge the gap between management and the community (AIATSIS 2007; Whitford & Ruhanen 2009).

Conclusion

Many Indigenous entrepreneurs and community-based enterprises are achieving success. Those community-based enterprises that have been successful have been generally underpinned by embedding culture and their community in their business operations, have access to finance, and they conduct their businesses on the basis of sound governance, business advice and networks. While areas for improvement have been identified, some key programs appear to be working to support Indigenous entrepreneurs, including the IBA's loans program and Supply Nation's successful linking of Indigenous businesses with large Australian buyers.



Appendix A

The Closing the Gap Clearinghouse Assessed collection includes summaries of research and evaluations that provide information on what works to overcome Indigenous disadvantage across the seven COAG building block topics.

The table below contains a list of selected research and evaluations that were the key pieces of evidence used in this resource sheet. The major components are summarised in the Assessed collection.

To view the Assessed collection, visit <http://www.aihw.gov.au/closingthegap/collections/>.

Assessed collection items for *Success factors for Indigenous entrepreneurs and community-based enterprises*

Title	Year	Author
BCA 2013 Indigenous engagement survey results and progress report	2013	Business Council of Australia
Recent growth in Indigenous self-employed and entrepreneurs	2013	Hunter B
Indigenous social entrepreneurship: The Gumatj Clan Enterprise in East Arnhem Land	2013	Pearson C & Helms K
Analysing key characteristics in Indigenous corporate failure	2010	Office of the Registrar of Indigenous Corporations
Indigenous tourism businesses in Queensland: criteria for success: an Australian case study towards the development of a national diagnostic tool for Indigenous tourism businesses	2009	Whitford M & Ruhanen L
Open for business: developing Indigenous enterprises in Australia	2008	House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs
Organising for success: policy report: successful strategies in Indigenous organisations	2007	Australian Institute of Aboriginal & Torres Strait Islander Studies
Key factors for successful development of Australian Indigenous entrepreneurship	2007	Russell-Mundine G
Indigenous Australian entrepreneurs: not all community organisations, not all in the outback	2006	Foley D



Related Clearinghouse resource sheets and issues papers

Title	Year	Author
Improving labour market outcomes through education and training	2014	Karmel T, Misko J, Blomberg D, Bednarz A & Atkinson D
Supporting healthy communities through arts programs	2014	Ware V-A
Engagement with Indigenous communities in key sectors	2013	Hunt J
What works? A review of actions addressing the social and economic determinants of Indigenous health	2013	Osborne K, Baum F, Brown L
Engaging with Indigenous Australia: exploring the conditions for effective relationships with Aboriginal and Torres Strait Islander communities	2013	Hunt J
Strategies to enhance employment of Indigenous ex-offenders after release from correctional institutions	2012	Graffam J & Shinkfield A
Improving Indigenous community governance through strengthening Indigenous and government organisational capacity	2012	Tsey K, McCalman J, Bainbridge R & Brown C
Effective practices for service delivery coordination in Indigenous communities	2011	Stewart J, Lohoar S & Higgins D

Abbreviations and acronyms

DEC	Darebin Enterprise Centre
GC	Gumatj Corporation
IBA	Indigenous Business Australia
ILC	Indigenous Land Corporation
MMT	MoneyMob Talkabout

References

ABS 2012. Defining Aboriginal and Torres Strait Islander-owned businesses, Australia, 2012. Information paper. ABS cat. no. 4732.0. Canberra: ABS. Viewed 1 March 2014, <[http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4732.0Feb 2012](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4732.0Feb%2012)>.

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Terminology

Indigenous: ‘Aboriginal and Torres Strait Islander’ and ‘Indigenous’ are used interchangeably to refer to Australian Aboriginal and/or Torres Strait Islander people. The Closing the Gap Clearinghouse uses the term ‘Indigenous Australians’ to refer to Australia’s first people.

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