Community –owned Indigenous businesses and Indigenous co-operatives across remote, regional and urban Australia: The role and overall performance

Submission to the Senate Enquiry into Cooperatives, Mutual and member owned Firms

Based on the research project: DETERMINING THE FACTORS INFLUENCING THE SUCCESS OF PRIVATE AND COMMUNITY-OWNED INDIGENOUS BUSINESSES ACROSS REMOTE, REGIONAL AND URBAN AUSTRALIA.
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Background:

The development of successful businesses by Indigenous Australians is an important part of the strategy for improving the quality of life for many Indigenous communities and Indigenous Australians. Indigenous businesses provide jobs for the Indigenous community, provide important pathways to Indigenous self-determination and provide new possibilities for Indigenous youth and Indigenous communities in urban, regional and rural Australia.

There are a number of forms of Indigenous business engagement and Indigenous entrepreneurship in Australia that are very different from each other. One important development over the past decades relates to partnerships between corporations and Indigenous community organisations. Some of these relate to Land Rights and the *Federal Native Title Act*. Other Indigenous enterprises are established as business co-operatives. Others are not-for-profit business enterprises established by Indigenous community organisations to provide goods and services to Indigenous communities that are not provided by non-Indigenous enterprises. Many of these are located in rural and remote areas of Australia. Other Indigenous businesses are micro, small and medium private enterprises.

However, there has been little research into Indigenous enterprises in Australia today, a necessary input into evidence-based policy development. New research into the different types of Indigenous enterprises currently in existence, the issues they face and the factors influencing their success is clearly an important priority. It is for this reason that *Indigenous Business Australia* (IBA) took the initiative to invest considerable money and resources to support this *Australian Research Council Linkage Grant* as the major Industry Partner. IBA is the major Australian institution with a brief to assist the growth in and success of Indigenous businesses. IBA wanted to get a clear picture of the contemporary Indigenous businesses landscape in Australia to fine tune its policies, programs and services in order to grow and strengthen the Indigenous businesses sector.

This research is the first large-scale study that incorporates a systematic analysis of the issues facing different types of Indigenous businesses across different locations. It is the first large scale (324 Indigenous entrepreneurs) and national (covering Indigenous enterprises in urban, regional and remote areas of all states and territories of Australia apart from Tasmania) quantitative analysis of the contemporary Indigenous business enterprise landscape, with a major focus on micro, small and medium Indigenous private enterprises. Indigenous private enterprises are the main focus of this research, although our research also included community-owned Indigenous businesses and Indigenous co-operatives. **This report extracts key aspects of this ARC Linkage Grant research project that relate to community owned Indigenous business and co-operatives**. As there has been almost no empirical research into Indigenous cooperatives and community owned enterprises across Australia we believe that the following summaries of some of the findings about their community contribution and overall performance will be relevant for the Senate Enquiry into Cooperatives, Mutual and member owned Firms.

The report focuses only on the results derived from the quantitative research methodologies research project. The quantitative research related to the whole project involved survey of 324 Indigenous entrepreneurs in private (n=263), community (n=51) and co-operative (n=10), enterprises in urban, regional and remote areas of all states and territories of Australia apart from Tasmania.

Results of the Quantitative Survey

Table 1 shows the key demographic characteristics of the survey. It compares the entrepreneurs engaged in private and community-owned enterprises and Co-operatives. Respondents from Indigenous co-operatives tend to be slightly older than the others and less likely to be women. **Nearly three-quarters of respondents in community-owned enterprises have an under-graduate or post-graduate university qualification, as do 7 out of ten informants involved in Co-operatives** and 6 out of ten informants involved in private enterprises. Compared to the average Australian entrepreneur, entrepreneurs involved in Indigenous enterprises are very highly educated. For the majority of entrepreneurs involved in Indigenous enterprises their current business s their first business and the majority of business enterprises **are involved in products related to Indigenous culture or people, particularly in community-owned enterprises and Co- operatives**.

Table 1 in the Appendix (**Industry category by region)** shows the industry concentration of those Indigenous enterprises surveyed. It shows that the **Indigenous co-operatives were most likely in the education and training, healthcare and social assistance, administrative and support services industries** with one co-operative enterprise in the professional, scientific and technical services industry and one in the rental, hiring and real estate industry. Community-owned enterprises were most common in the arts and recreation services industry, the professional, scientific and technical services industry and the education and training and administrative and support services industries.

Table 1 Key Survey Demographics

Demographics	Whole Sample	Urban	Regional	Remote	Private	Community	Cooperative
Modal Age	40-49yrs	40-49yrs	40-49yrs	30-39yrs	40-49yrs	40-49yrs	**50-59yrs**
Gender (% Female)	40%	40%	42%	33%	39%	41%	**30%**
Indigenous	95.7%	96.6%	97.9%	87.8%	95.6%	83.8%	**100%**
Married/Defacto	80%	81%%	78%%	86%%	81%	79%	**80%**
Indigenous Partner	27.7%	27.4%	26.7%	31.4%	28.4%	28.9%	**12.5%**
Partner Involved in Business	52.3%	61.2%	44.2%	37.5%	57.3%	28.2%	**25%**
Indigenous Partner Involved in Business	59.2%	73%	47.8%	36.1%	62.7%	45.5%	**0%**
Technical/trade	21.5%	16.9%	22.2%	37.8%	23.3%	14.3%	**10%**
Business degree/diploma	18.7%	21.1%	16.7%	15.6%	17.1%	28.6%	**20%**
Other tertiary degree	28.9%	30.1%	30.1%	13.3%	28.7%	28.6%	**30%**
Postgraduate	13.4%	15.1%	15.1%	11.1%	13.2%	14.3%	**20%**
Owner	79.1%	86.1%	73.6%	66.7%	95%	7.3%	**10%**
First Time Owner	60%	59.1%	60%	63.4%	61.2%	52.5%	**75%**
Indigenous Products	53.7%	58.4%	52.9%	38.6%	50.8%	73.5%	**60%**
Involved in Export Market	15.4%	16.8%	14%	13.3%	14.2%	24.5%	**0%**

Some Key Findings

1. Community-owned Indigenous enterprises and cooperatives are motivated to achieve income and opportunity not only for themselves, but for their community. They generate significant social capital as well as private capital

One of the key findings to emerge from the research is that Indigenous entrepreneurs who operate, community-owned enterprises or cooperatives **are motivated to achieve income and opportunity not only for themselves, put also put a high value on serving community needs**. As *Table 2* shows, two in three (67%) Indigenous entrepreneurs who operate private enterprises have volunteered their time in local community activities and events that are not related to their business. More than half support local sport teams or cultural events and frequently provide unpaid advice to others. **This is even more frequent among Indigenous entrepreneurs engaged in**

community-owned enterprises or cooperatives. In other words Indigenous entrepreneurs are community leaders at the same time that they are economic leaders, which is remarkable considering how time-poor entrepreneurs are. This is seen in the finding that nine out of ten Indigenous entrepreneurs act as a positive role model for young people in their community. They also create significant *social capital* in their local communities, a contribution of Indigenous entrepreneurship in Australia that is not sufficiently recognized and acknowledged.

Table 2 Community Contributions of Private, Community and Cooperatively-owned Businesses

	Privately owned	Community owned	Cooperative	Chi-square/F-test
Community contributions				
Volunteer time to be involved in local community events or activities not related to their business	67%	61%	90%	0.596
Attend meetings of industry group	13%	32%	0%	5.127**
Been on management or organising committee	12%	19%	17%	1.480
Sponsor local sport teams or cultural events	54%	55%	70%	0.033
Provide services to Indigenous community	79%	96%	100%	7.838***
Provide discounted/free goods or services to Community Groups or Events:				
- Occasionally	36%	20%	0%	4.660**
- Frequently	36%	57%	80%	8.062***
Provide advice and support not paid for:				
- Occasionally	22%	20%	10%	0.075
- Frequently	56%	69%	80%	2.921*
Seek to employ Indigenous People	62%	94%	100%	18.704***
Give percentage of profits to community organisations and initiatives	17%	49%	40%	24.850***
Act as positive role model for young people in community	89%	92%	90%	0.346
Satisfaction and motivations				
Satisfaction contribution to community˜	4.00	4.16	4.70	3.542*
Importance helping future generations Aboriginal/TSI community*	4.77	4.84	5.00	2.438
Importance change mainstream Australia's perception of Aboriginal people*	4.73	4.90	4.90	4.298**

Notes: # 2-yes at least once per fortnight, 1- yes but less often than once per fortnight, 0 – no;
˜ 1-not at all satisfied, 2-slightly satisfied, 3-somewhat satisfied, 4 –satisfied, v-very satisfied;
* 1-strongly disagree, 2-disagree, 3-neither agree nor disagree, 4-agree, 5-strongly disagree

2. Most Indigenous community-owned enterprises and cooperatives did not receive any support in establishing their business enterprise, though they were successful in subsequently applying for government support.

As *Table 3* below shows, **most Indigenous community-owned enterprises or cooperatives did not receive any support in establishing their business enterprise**.

Table 3: Support Received during Business Establishment by Business Ownership

Type of Support	N	Respondents		
		Private	Community	Cooperative
None of the below	134 *50.4%*	127 *53.6%*	5 *22.7%*	2 *33.3%*
Colleague/employer/other business owner	40 *15%*	36 *15.2%*	4 *18.2%*	
Family relations with business experience	28 *10.5%*	27 *11.4%*	1 *4.5%*	
Business advisor/mentor/coach	33 *12.7%*	29 *12.3%*	2 *9.0%*	*2* *33.3%*
Family relations without business experience	15 *5.6%*	13 *5.5%*	2 *9.1%*	
Not with the business at this time	15 *5.6%*	5 *2.1%*	8 *36.3%*	2 *33.3%*
Total	265	237	22	6

However, ***Table 4*** **below shows that community-owned enterprises or cooperatives have been very successful in receiving grants funding from Governments to support their enterprise activity**: 96.3% of community-owned enterprises and 83.3% of cooperatives were successful in their grant applications for funding from government sources.

Table 4 Government Assistance in Establishing Business by Business Ownership

Government Assistance	Applied For			Received			Success Rate		
	Private	Community	Cooperative	Private	Community	Cooperative	Private	Community	Cooperative
Grant funding	43 *15.4%*	27 *79.4%*	6 *66.7%*	21 *25.3%*	26 *86.7%*	5 (50%)	48.8%	96.3%	83.3%
Equity provision	3 *1.1%*	1 *2.9%*		1 *1.2%*	0 *0%*		33.3%	0%	
IBA Into Business workshop	33 *11.8%*			23 *27.7%*	1 *3.3%*		69.7%		
Other IBA business advice or mentoring	43 *15.4%*	1 *2.9%*		31 *37.3%*	2 *6.7%*		72.1%	200%	
Did not seek these forms of government assistance	152 *54.5%*	5 *14.7%*	3 *33.3%*						
Total	279	34	9	83	30	5			

3. Indigenous enterprises in Australia are critical to the creation of jobs for Indigenous men and women in Australia

Indigenous businesses provided good opportunities of employment for Indigenous people. People with an Indigenous background accounted for about 56% of total employment created by our sample businesses (1,973 out of 3,524 persons). About 73% of businesses mentioned that they would prefer to employ Indigenous over non-Indigenous people. However, on many occasions businesses had difficulty recruiting appropriate Indigenous employees although they would have liked to employ them. About 56% of businesses in our sample indicated that the proportion of Indigenous employment would increase in the next few years. ***Table 5*** **shows that in more than two in three community-owned Indigenous enterprises (68%) Indigenous men and women comprise more than half of the workforce employed there. The figure is slightly higher in Indigenous Co-operatives (70%).**

Table 5 Percentage of Indigenous Employees

Percentage of Employees that are Indigenous	N	Respondents					
		Urban	Regional	Remote	Private	Community	Cooperative
0%	16 *5%*	6 *3.6%*	8 *7.4%*	2 *4.5%*	10 *3.8%*	4 *8.5%*	2 *20%*
1-10%	2 *0.6%*	2 *1.2%*			2 *0.8%*		
11-25%	20 *6.2%*	9 *5.3%*	6 *5.6%*	5 *11.4%*	19 *7.3%*	1 *2.1%*	
26-50%	66 *20.2%*	32 *18.9%*	18 *16.7%*	15 *34.1%*	53 *20.2%*	10 *21.3%*	1 *10%*
51-67%	32 *10%*	17 *10.1%*	10 *9.3%*	5 *11.4%*	22 *8.4%*	9 *19.1%*	1 *10%*
68-75%	12 *3.7%*	6 *3.6%*	3 *2.8%*	3 *6.8%*	5 *1.9%*	7 *14.9%*	
76-100%	173 *53.9%*	96 *56.8%*	63 *58.3%*	14 *31.8%*	150 *57.3%*	16 *34%*	6 *60%*
Total	320	168	108	44	261	47	10

Another key finding of this research that relates to the contribution of Indigenous businesses to Indigenous employment is shown in Table 5. This shows that male Indigenous entrepreneurs tend to employ male Indigenous workers while female Indigenous entrepreneurs tend to employ female Indigenous workers. This is the case across private, community-owned and Co-operative Indigenous enterprises. **This means that a key part of any strategy to reduce Indigenous unemployment is to encourage greater economic performance in existing Indigenous businesses and to introduce innovative strategies to encourage new Indigenous businesses formation in private, community-owned and Co- operative Indigenous enterprises**.

Table 6 shows that abut three in four private, community-owned and Co-operative Indigenous enterprises prefer to employ Indigenous workers. **Table 7 shows that community-owned and Co-operative Indigenous enterprises surveyed predicted greater growth in indigenous employment than did Indigenous private enterprises surveyed.**

Table 6 Employment Preferences

Preferred Applicant	N	Respondents					
		Urban	Regional	Remote	Private	Community	Cooperative
Indigenous	230 *72.8%*	133 *79.2%*	70 *67.3%*	27 *61.4%*	186 *72.4%*	35 *74.5%*	7 70%
No preference	86 *27.2%*	35 *20.8%*	34 *32.7%*	17 *38.7%*	71 *27.6%*	12 *25.5%*	3 *30%*
Total	316	168	104	44	257	47	10

Table 7 Predicted Indigenous Employee Numbers

Indigenous Employee Numbers	N	Respondents					
		Urban	Regional	Remote	Private	Community	Cooperative
Increase	178 *56%*	104 *61.9%*	57 *53.8%*	17 *38.6%*	140 *54.3%*	29 *60.4%*	7 *70%*
Decrease	4 *1.3%*	2 *1.2%*	2 *1.9%*		4 *1.6%*		
Stay the same	59 *18.6%*	29 *17.3%*	18 *17%*	12 *27.3%*	50 *19.4%*	8 *16.7%*	1 *10%*
Unsure	77 *24.2%*	33 *19.6%*	29 *27.4%*	15 *34.1%*	64 *24.8%*	11 *22.9%*	2 *20%*
Total	318	168	106	44	258	48	10

5. **The majority of Indigenous enterprises surveyed demonstrate expansion across a range of business dimensions, but this is stronger in community-owned and Co-operative Indigenous enterprises.**

As *Table 8* shows, **community-owned and Co-operative Indigenous enterprises demonstrated stronger growth than private Indigenous enterprises surveyed**. This is true when considering the purchase of additional plant and equipment, increasing staff numbers, moving to bigger premises and establishing additional offices/outlets/shopfronts. **Co-operative Indigenous enterprises perform stronger than community-owned Indigenous enterprises across all these categories.**

Table 8 Indicators of Business Growth

Growth Activity	N	Respondents					
		Urban	Regional	Remote	Private	Community	Cooperative
Purchased additional plant and equipment	194 *59.7%*	88 *68.8%*	75 *83.3%*	31 *75.6%*	156 *74.6%*	29 *72.5%*	8 *88.9%*
Increased number of staff	118 *36.6%*	58 *45%*	39 *43.3%*	21 *51.2%*	85 *40.5%*	24 *60%*	8 *88.9%*
Moved into bigger premises	84 *25.8%*	45 *34.9%*	29 *32.2%*	10 *24.4%*	64 *30.5%*	16 *40%*	9 *100%*
Established additional offices/outlets/ shopfronts	70 *21.5%*	38 *29.9%*	24 *26.7%*	8 *19.5%*	48 *23.1%*	16 *40%*	6 *66.7%*
Total	258	127	90	41	208	40	9

6. Indigenous community-owned and Co-operative Indigenous enterprises tend to be satisfied or very satisfied with their experience as entrepreneurs.

The survey also asked Indigenous entrepreneurs about their degree of satisfaction across a wide range of measures of satisfaction: As *Table 9* shows, most satisfaction comes from the contribution that they make to the community. **Community-owned Indigenous enterprises report higher satisfaction with the recognition and support that they get from the local Indigenous community than private enterprises or Co-operatives.** Least satisfaction relates to the hours worked and the support that they receive from the local non-Indigenous community. All Co-operatives were satisfied with the business overall, compared to 63.3% of Indigenous community enterprises and 71.7% of private enterprises.

Table 9 Satisfaction with Business

Factor	Percentage of Respondents- Satisfied or Very Satisfied						
	% of Total	Urban	Regional	Remote	Private	Community	Cooperative
The contribution business makes to the community	73.8	75	72.4	72.7	71.5	81.6	**90**
The lifestyle that comes from running a business	59.7	61.3	56.1	62.3	61.1	52.1	**70**
With business overall	71.2	73	63.6	82.2	71.7	63.3	**100**
Recognition received from local Indigenous community	59.8	64.1	53	50	57.6	73.4	**50**
Support received from local Indigenous community	57.9	60.4	57	50	56.2	71.7	**60**
Support received from mainstream Australian community	53.6	49.1	57	63.2	53.7	50	**66.7**
The number of hours worked in the business	52.3	50.3	53.3	57.8	52.3	55	**50**

Appendix

Table 1 Industry category by region

Industry	N	Australian Small Business*	Respondents					
			Urban	Regional	Remote	Private	Community	Cooperative
Professional, scientific and technical services	68 (21%)	11.9%	42 (24.9%)	21 (19.1%)	5 (11.1%)	59 (22.4%)	8 (16.3%)	1 (10%)
Arts and recreation services	44 (13.6%)	1.3%	26 (15.4%)	12 (10.9%)	6 (13.3%)	33 (12.5%)	11 (22.4%)	0 (0%)
Construction	43 (13.3%)	16.8%	12 (7.1%)	23 (20.9%)	8 (17.8%)	41 (15.6%)	2 (4.1%)	0 (0%)
Administrative and support services	29 (9%)	3.7%	19 (11.2%)	6 (5.5%)	4 (8.9%)	21 (8%)	6 (12.2%)	2 (20%)
Retail trade	27 (8.3%)	6.5%	17 (10.3%)	10 (9.4%)	4 (8.9%)	26 (9.9%)	1 (2%)	0 (0%)
Education and training	25 (7.7%)	1.2%	12 (7.1%)	8 (7.3%)	5 (11.1%)	15 (5.7%)	7 (14.3%)	3 (30%)
Information media and telecommunications	19 (5.9%)	0.9%	12 (7.1%)	3 (2.7%)	4 (8.9%)	14 (5.3%)	5 (10.2%)	0 (0%)
Other services	15 (4.6%)	4.3%	5	6 (5.5%)	4 (3%) (8.9%)	14 (5.3%)	1 (2%)	0 (0%)
Healthcare and social assistance	12 (3.7%)	4.7%	3 (1.8%)	9 (8.2%)	0 (0%)	6 (2.3%)	2 (4.1%)	3 (30%)
Accommodation and food services	9 (2.8%)	3.4%	5	1 (0.9%)	3 (3%) (6.7%)	5 (1.9%)	3 (6.1%)	0 (0%)
Rental, hiring and real estate services	8 (2.5%)	10.9%	2 (1.2%)	3 (2.7%)	3 (6.7%)	6 (2.3%)	1 (2%)	1 (10%)
Public administration and safety	6 (1.9%)	0.3%	4 (2.4%)	1 (0.9%)	1 (2.2%)	6 (2.3%)	0 (0%)	0 (0%)
Wholesale trade	5 (1.5%)	3.6%	4 (2.4%)	1 (0.9%)	0 (0%)	5 (1.9%)	0 (0%)	0 (0%)
Mining	4 (1.2%)	0.4%	2 (1.2%)	2 (1.8%)	0 (0%)	4 (1.5%)	0 (0%)	0 (0%)
Manufacturing	4 (1.2%)	3.9%	0 (0%)	3 (2.7%)	1 (2.2%)	3 (1.1%)	1 (2%)	0 (0%)
Agriculture, Forestry and Fishing	3 (0.9%)	9.5%	2 (1.2%)	1 (0.9%)	0 (0%)	2 (0.8%)	1 (2%)	0 (0%)
Financial and insurance services	2 (0.6%)	7.9%	2 (1.2%)	0 (0%)	0 (0%)	2 (0.8%)	0 (0%)	0 (0%)
Transport, postal, warehousing	1 (0.3%)	6.3%	0 (0%)	0 (0%)	1 (2.2%)	1 (0.4%)	0 (0%)	0 (0%)
Total	324		169	110	45	263	49	10

* Source: DIISRTE (2012)