

THE WINSTON CHURCHILL MEMORIAL TRUST OF AUSTRALIA.

Report by Stuart Thorn

2003 Churchill Fellow

"Developing regional capacity through community - based enterprise"

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1. Précis and Acknowledgments

This report details the findings from a 2003 Churchill Fellowship visit to the United States of America and Spain undertaken in 2005.

The purpose of my study was to investigate shared workshops and business incubators, of particular interest were incubators with a commercial kitchen facility.

My study trip and the experiences would not have been possible without;

- The financial assistance given to me by the Winston Churchill Memorial Trust
- The support given to me by my referees Ms Sushila Desai, Mr Trevor Halamicek and Mr Laurie Dillon
- Mr Cameron Wold, University of Idaho Boise Idaho for his time and hospitality
- Ms Connie Loden, Executive Director, Heart of Wisconsin Business and Economic Alliance, Wisconsin Rapids for her encouragement and willingness to show me around her community.
- My family, Angus and Marie for their love, support, encouragement and permission to drop out of their lives for 8 weeks.

2. Executive Summary

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Fellowship objective

"Developing regional capacity through community - based enterprise"

Fellowship highlights

1. **Wisconsin Community Leadership Summit** and associated events. This event was a highlight because of the open and public acknowledgment community project participants received for their efforts. Good contacts made on programmes applicable in my work.
2. **6th Gathering of the Social Enterprise Alliance**, Milwaukee, Wisconsin. This was an "add-on" event that I became aware of only days before my departure from Australia. This event was a standout because of the resources and networks it provides practitioners of community development, particularly those seeking sustainability in their outcomes.
3. **Boise, Idaho**. I had the opportunity to spend time with Cameron Wold an acknowledge leader in Business Incubator development in America. Cameron was generous in his time and organised a number of meetings for me with the academics / practitioners associated with the University of Idaho and Boise State University
4. **Bilbao, Spain**. Bilbao is a regional centre that has been transformed over the last decade. The secret that lies behind its achievements are simple: hard work and training.
5. **Barcelona**. Because of it's raw energy and enthusiasm for all things.

The major lessons and conclusions revolve around leadership, cohesive vision borne out of broad well-facilitated consultation process that empowers communities through the value given to their participation.

I intend to continue to work with communities to ensure they are informed and have the opportunity to actively participate in their regions destiny.

Findings

Key findings / thoughts that have occurred to me as an outcome of my trip

- That community development goes hand in hand with economic development
- Community development requires community engagement
- Community engagement is the result of giving / encouraging all members of the community to have an active role in all aspects of community life. This will usually involve experienced facilitators to provide focus.
- Community activism is the result of members being given the opportunity to voice their opinion and having that opinion respected once expressed.
- Government initiatives / support are of value if they meet an actual need rather than a perceived need.
- The role of foundations in American society is significant cover all activities from housing the homeless feeding the hungry, providing meaningful employment for the disadvantaged etc. However the need is much greater in the US than in Australia where the Government (tax payer) takes on many of these responsibilities.
- Passive Welfarism a term used by Noel Pearson and one, which has been applied to Australian society in general – rightly or wrongly I'm not sure.

Where to from here.

- I am off to New Zealand in a couple of weeks to have a look at an interesting incubator operating out of Dunedin.
- I have commenced work on a major community / economic development project in the Huon Valley which will see the development of another community owned bank in the region.
- I am investigating the possibility of attending the 7th Gathering of Social Enterprise Alliance next year to present a paper on community banking and the community benefits it brings.

3. Programme

Denver Colorado March 28th - April 3rd

- Denver Enterprise Centre

Washington District of Columbia April 4th to April 10th

- Arlington Arts Incubator

Eau Claire, Wisconsin April 12th to 15th

- Wisconsin Community leadership Summit

Wisconsin Rapids, Wisconsin April 15th to 17th

- Community Foundation of South Wood County – Community Workshop

Milwaukee, Wisconsin April 17th to 21st

- The 6th Gathering of the Social Enterprise Alliance

Spokane, Idaho April 21 to 25th

- Bonner Business Centre

Missoula, Montana April 27th

- Montana Community Development Corporation (MCDC)

Boise, Idaho April 27th to 29th

- Idaho Small Business Development Centre – Boise State University
- Business and technology Incubator – University of Idaho
- TECenter – “Technology Incubator” Boise State University

London May 3rd to 6th May

Bilbao / Mondragon, Spain 7th May to 13th

Barcelona, Spain 13th to 20th

4. Introduction

Background

I have been interested in share-workshops / business incubators /Co-operatives for a number of years. Growing up in regional South Australia cooperatives played a large part in everyday life from cooperatively owned shops and stores through to cooperatively owned wineries.

In the mid 1980's when I joined the Designer Makers Tasmania Co-Operative Society Ltd. At that time I was like most graduates from Art School, I needed somewhere to work but did not have the necessary finances to make it happen by myself. The Co-op enabled me to leave Art School one day and start a professional career in a fully equipped workshop the next. Over time I became involved in the general running of the facility and became a director and then managing director for a 3-4 year period. Over the years 40 individuals went through the facility. Many went on to national and international careers in furniture design, many continue to make a living from the facility and others decided that it a fulltime career in the arts wasn't for them and have gone on to other things.

In my current position I have spent considerable time developing up a "Value-added Foods" incubator concept for Southern Tasmania. The concept had been investigated in the early 1990's and was seen to be feasible. In my work as a Business Enterprise Centre Manager I had spent a great deal of time working with a group of organic producers who were interested in increasing the viability of their enterprises. One of the options discussed was to value add there produce enabling them to increase their return as well as service a larger market through the aggregation of produce.

Around the same time as this I was working with the Dover and Geeveston Communities investigating the establishment of banking services in the region. I assisted the community through this process and in May 2003 we opened two branches of the Geeveston & Dover Community Banks.

The Churchill Fellowship enabled me to investigate these opportunities for communities and for small business in more detail.

What is a small business incubator? The Commonwealth Governments definition is

*"A small business incubator is a facility designed to assist new and growing businesses to become established and profitable by providing, advice, services, and support. Business incubators are known to reduce the failure rate of new start up business. In doing so they create jobs and assist local economic development"*¹

5. Findings

My overseas study trip can be broken down to two distinct components, small business incubators and community development projects and programs

Business Incubators

Business Incubators in Australia generally provide a wide range of services to clients / tenants. In *Incubation Works*ⁱⁱ the authors refer to Australian Best Practice Standards developed by Australian and New Zealand Association of Business Incubators (ANZABI). Standards covered areas such as incubator set up, incubator management, incubator services and incubator performance. Each area has clearly defined sub set of criteria, which as a whole assist in the development, and successful operation of incubators in general.

The main focus of my trip was to look at business incubators that had a value added food or a commercial kitchen component. I visited five incubators in total, the Denver Enterprise Centre, Arlington Arts Incubator, Bonner Business Centre, the University of Idaho – Business and Technology Incubator and the TECentree Technology Incubator of Boise State University.

The Denver, Bonner and University of Idaho incubators all had a value added food / commercial kitchen component as well as servicing general-purpose tenants. The kitchen areas varied from 7,900 square foot site at Denver to Sandpoint, which was barely larger than a restaurant size.

The Denver site was really geared up for multiple users working with batch production techniques. It is possible to have 8 -16 tenants and their employees working on site at anyone time. Access was round 24/7 enabling maximum use of the facility. The types of products being produced ranged from ice cream, baked goods such as cookies through to a range of barbeque sauces. End users included local restaurants / hot food outlets through to ski resorts and supermarket chains.

The Bonner site in comparison was very small, it would be difficult for more than 2 users to utilise the facility at anyone time. Again the products being produced were barbeque sauces and baked goods.

The University of Idaho's facility was interesting primarily because of its connections to the University. The facility was staffed by a qualified food technologist and also had a Director who took overall responsibility for the centre and it's development. The users of the facility included the usual small producers and because of the staffing qualifications and their association with the University the Centre was also undertaking some research on behalf of industry client. The Centre was also assisting in the development of a mobile chicken slaughterhouse which could be moved between growers as required. This facility will enable growers to produce a superior product through the reduction of transportation and related stress on their chickens.

Whilst in the United States I took the opportunity to visit the Arlington Arts Incubator in Arlington Virginia. Their role was much different than that

undertaken by the other business incubators. The local county owes a number of facilities that are utilised by performing and visual artists. The “incubator” is managed by Arlington County, Cultural Affairs Division. The area serviced by the County

“has undergone a transformation over the last 20 years. Once the population was largely homogenous, now one in four residents is foreign born; there are more than 30 languages spoken in the area. Yet before the projects inception, this onetime Washington D.C., bedroom community was a changing metropolis with an unchanging arts program. The Division’s mandate was changed from serving the needs of a small number of non-professional artists and arts organisations to serving the cultural needs and interests of the entire community”ⁱⁱⁱ

Through close partnerships with the County, business and community the “incubator” has been able to increase the number of Arts events by 500% and grow the audience base threefold. From the “tenants” perspective they have been able to develop a range of successful programs and through innovative use of resources these “tenants” have grown into stand-alone companies and arts professionals.

All the facilities where successful to a degree, they all had successful graduates that had made the transition from start-up to a businesses creating employment and were able to operate independently of the supported incubator environment.

All the incubators particularly those with a food component had issues that were common across their practice.

- Appropriately qualified staff.
University of Idaho incubator had a food technologist on staff. This not only provides tenants with access expertise in the development of their products but also enable this incubator attract outside contract research opportunities which adds to their bottom line.
- Scale.
There is a size of operation, which enables the incubator activity to cover its overheads whilst providing a service that is affordable. The Bonner incubator suffers from the inability to accommodate more than one or two tenants in the kitchen at anyone time. Whilst the cost of establishing the facility would be obviously much cheaper it is unable to generate enough activity to cover its overheads.
- Seasonality.
For any incubators to be successful they must be utilised year round. The problem facing a number of the food incubators is seasonality of demand for the facility. The Denver site is heavily utilised by catering start-ups, the demand for catering services peaks during the ski season with a number of tenants supplying chalets, lodges and mountain restaurants with

product. One of Bonners tenants over comes this problem to a degree by being able to freeze the raw product for use later in the year.

- **Cost recovery.**
The recovery of the cost of utilities is an issue for all the kitchen incubators. Most rely on an honesty system of tenants documenting their start and finish times in the kitchen areas, a system which can be abused. There biggest issue the kitchen incubators face is the conflict between ease of access and cost recovery it is a decision between micro managing each users consumption or providing flexibility and ease of access and losing chargeable consumption. Each kitchen incubator I visited had opted for flat fees per hour, with a range of add on charges. The flat rate method means that the incubator is able to have a number of tenants utilising the same area and in some cases the same equipment at any one time. The down side is that whether you are just using space or using specialist equipment the charges were the same.
- **Training**
Business training for tenants appeared to be sporadic and on as required basis. There was a reliance on outside providers to provided specialist training in areas such as market development, business planning etc. The TECCenter incubator had a well-mapped program from acceptance in the incubator through various phases, stages and steps until the enterprise is deemed to be mature.
- **Graduation**
Graduation and the process used to affect it is an issue for a number of incubators. The process usually involves a mix of contractual agreement, space limitations and a reducing subsidy / increasing rent charge. Whatever the process is there is generally an impact on the incubator, such as loss earning, excess space to current requirement, the loss of profile gained through tenants.
- **Ownership /management**
Who owned the facilities and their expectations of ongoing support impacted on how the centres operated? Do they stick to their core activity which was nurturing entrepreneurs wanting to grow their businesses or did they take on tenants wanting access to space under good terms and conditions. Do you chase anyone willing to pay the rent or do you forgo income through adherence to principals.

Community Development

Whilst Incubators can be drivers of economic and community development there are a number of aspects that need to be considered before a community is willing undertake such a project.

As part on my study tour I attended two community development conferences and a weekend workshop.

This part of my trip was the most rewarding and informative. I became aware of the work being done in Wisconsin after a visit to Tasmania of Connie Loden Executive Officer of the Heart of Wisconsin Business and Economic Alliance. My visit to Wisconsin coincided with the "Wisconsin Community Leadership Summit" and associated "Entrepreneurial Communities Potluck". The Summit brought together a range of community organisations for an interesting mix of presentations and training seminars.

For me the highlight of the summit was the public acknowledgment of community initiative through the presentation of their "Rural Development" awards. The awards ceremony itself would appear to be a little "over the top" to a sceptical Australian eye, however the empowerment and kudos it gives to communities and participants is far-reaching and extremely beneficial. The work of a number of these communities is supported by a range of foundations and not-for-profits organisations and through this support they are able to make a significant difference in their communities. Programs run by such organisations include a community leadership network, entrepreneurial boot camps for start-up businesses, team works program for communities wanting to undertake a renewal process.

One of the highlights of my trip was the "6th Gathering of the Social Enterprise Alliance" in Milwaukee. This conference was the usual format of plenary session and keynote speakers. One of the standout presenters was John Bryant CEO of Operation Hope from Los Angeles. Operation Hope was "America's first non-profit investment banking organisation and a leading national self-help provider of economic empowerment tools and services for the underserved and the wealthless." The program took individuals through a process that lead them from being clients of "pay day lenders" through to responsible users of credit cards and on to traditional loan consumers.

From the US I then travelled to the Basque area of northern Spain. The purpose of this leg was to get an understanding of the impact of worker co-operative structures have had on the regions development. Co-operative in the region now employs in excess of 70,000 persons and business interests include banking, social welfare, insurance, manufacturing, distribution, foodstuffs, research, vocational training and a university.

There are a number of reasons for the success for the cooperatives

- *The vital role played by Arizmendiarieta, the driving force behind the Experience, with his grand vision of the future and his influence over both students and disciples when putting his ideas into practice.*
- *The personal nature of the co-operatives, in which people are given priority over capital, an attitude which results in a high level of worker involvement in the company, through direct participation in both the capital and the management. All this contributes to creating a positive atmosphere of consensus and collaboration.*
- *A decidedly business-like approach to the co-operative phenomenon, in which company profitability and planned, rigorous and demanding management efficiency are seen as basic principles.*

- *Re-investment of practically all resources generated.*
- *Ongoing adaptation to the changes taking place in the environment.*
- *Creation of efficient inter-cooperation instruments: both in the financial field and as regards social welfare, innovation and R&D, co-ordinated job management and situations of crisis.*
- *Finally, another key element in the success of the Mondragón Experience, both initially and today, is the importance attached to training, both as regards formal education, such as that provided by our University Faculties and Professional Schools, and as regards Lifelong Training linked to professional refresher courses and advanced courses.^{iv}*

The area itself is a combination of traditional farm and rural landscape mixed with significant industrial and urban developments. The Mondragon region is not geared up for visitors and little effort is made to encourage tourism. Additional difficulty is encountered by the political activities being undertaken by the Basque separatists, which further alienates visitors from experiencing the region.

The visit to Barcelona was to assess the impact of significant public art projects have on a regions development. Barcelona's public art came to world's attention during 1994 Olympic Games. Significant regional development preceded the games with whole areas being redeveloped to accommodate increased visitor numbers. At the time there was local objection to the demolition of the seaside slum areas in the cities attempts to turn Barcelona to the sea. Historically Barcelona has been a leader in architecture and town planning proposals. The work of Antoni Gaudi is known and appreciated around the world. Efforts to build on this historical foundation particularly under the influence of the Olympic Games led to a number of public works that have not stood the test of time i.e. they have become worn out and unloved in the intervening 10 years. The popularity of the work of Gaudi continues to grow to the extent that it is being loved to death. Visiting the Sagrada Familia is an endurance of queuing and forced interpretation and experience.^v

6. Conclusion and Recommendations

From the experiences I had whilst overseas and from what I know of economic and community development here in southern Tasmania to achieve long lasting sustainable development requires a frank and honest assessment of what the issues are, what opportunities the community can reasonably expect to develop and manage, and what resources are available to them to effectively achieve long term goals and aspirations.

The work in Wisconsin shows that for regional development must involve the community and they must be given the opportunity to have input into the

developments process. Through their work on community leadership, community engagement, open and heartfelt acknowledgement of achievement evolves much needed community cohesion and collective aspiration. All regions are going through a process of change and change can be a disabling process if the communities feel they are not given the opportunity to express their fears and concerns in a supportive environment.

- a. That regional communities have access to the resources necessary for them to develop regional perspectives based on local needs. Generally this would be a combination of cash and experienced committed community facilitators who understands the big picture and who can manage change and conflict in a professional manner.
- b. That all levels of Government continue to meet regional development based on need rather than particular funding programs run by various departments.
- c. That all levels of government continue to develop partnerships with regions and communities, partnerships that are equal in all respects and are valued by all parties.

The most important recommendation I can make is that regional communities start programs for leadership development. By this I mean empower and reward individuals within communities who are willing to take on responsibility for regional and community development. Without communities having a reasoned and well considered voice the decision making process will be undertaken by others.

ⁱ Ausindustry, "Guide to Proponents 2003"

ⁱⁱ Australian and New Zealand Association of Business Incubators, "Incubation Works, Case Studies of Australian small business incubators and their impact". pgs 10 – 13

ⁱⁱⁱ Arlington County, Cultural Affairs Division. "Arts Incubator, Arlington Virginia's Award winning model to create a vital arts presence in your community"

^{iv} http://www.mondragon.mcc.es/ing/contacto/faqs_i.html