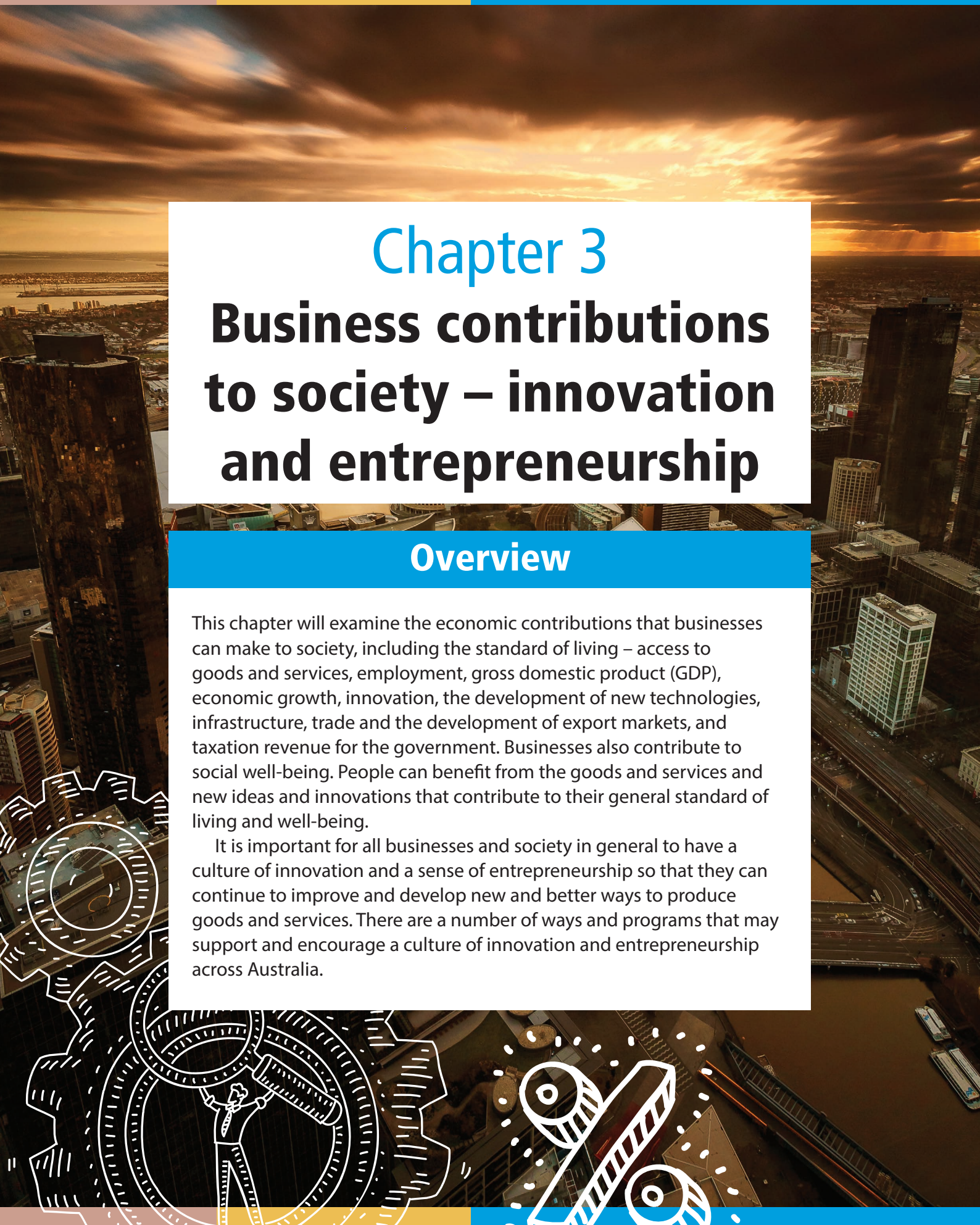


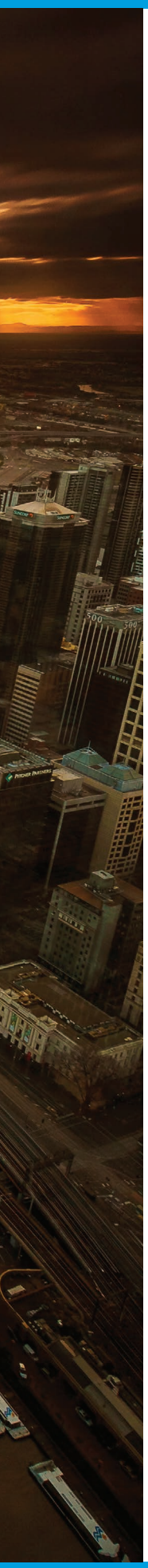
Chapter 3
Business contributions to society – innovation and entrepreneurship

Overview

This chapter will examine the economic contributions that businesses can make to society, including the standard of living – access to goods and services, employment, gross domestic product (GDP), economic growth, innovation, the development of new technologies, infrastructure, trade and the development of export markets, and taxation revenue for the government. Businesses also contribute to social well-being. People can benefit from the goods and services and new ideas and innovations that contribute to their general standard of living and well-being.

It is important for all businesses and society in general to have a culture of innovation and a sense of entrepreneurship so that they can continue to improve and develop new and better ways to produce goods and services. There are a number of ways and programs that may support and encourage a culture of innovation and entrepreneurship across Australia.

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Key terms

- balance of payments
- Better Life Index (BLI)
- business hub
- business mentorship
- council grants
- exports
- Global Innovation Index (GII)
- gross domestic product (GDP)
- imports
- infrastructure
- mixed market economy
- OECD
- well-being

Key knowledge

In this chapter you will learn about:

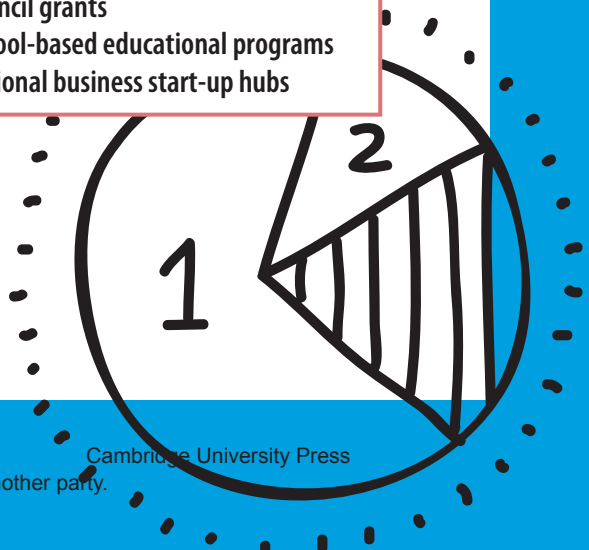
- the contribution that businesses make to the economic and social wellbeing of a nation
- the methods by which a culture of business innovation and entrepreneurship may be fostered, such as government investment in research and development, council grants for new businesses, business mentorships, school-based educational programs in entrepreneurship, and the creation of regional business start-up hubs.

(Source: VCAA Business Management Study Design, 2017–2021, p8)

What's ahead

Contribution of businesses	Methods to foster innovation and entrepreneurship
– economic well-being – social well-being	– government investment – council grants – school-based educational programs – regional business start-up hubs

Figure 3.1 Business contributions to society



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3.1 Contribution to the economic well-being of a nation

well-being a good or satisfactory condition of existence, usually centred on health, happiness and prosperity

mixed market economy an economy based on both privately owned businesses and the government (public sector) providing goods and services

Businesses, regardless of their size, contribute to the economic and social **well-being** of a country in many ways.

Economic contribution of businesses in Australia

In a **mixed market economy** (i.e. includes both the public (government) sector and privately owned businesses) such as Australia has, businesses contribute significantly to the well-being of the population. Businesses enhance economic and social well-being in a number of ways, such as:

- employment
- economic growth/gross domestic product (GDP)
- international trade
- taxation revenue
- infrastructure
- research and development
- social contribution.

Employment

Businesses employ workers and provide them with an income to purchase goods and services. People employed by businesses produce or deliver goods and services for others. Paid work is important, and employment levels are closely linked to economic growth and living standards.

According to the Australian Bureau of Statistics, small and medium-sized businesses employ approximately 70% of the total workforce in Australia, and it is important for the government to develop policies to ensure that these businesses are supported and encouraged to employ as many people as possible.

ACTIVITY 3.1

1 Using your favourite search engine, find the latest Australian Labour Force statistics online at the Australian Bureau of Statistics website. Identify trends in the employment rate between May 2018 and May 2019 and what the current rate is.
2 Using the same link that you used in question 1, answer the following questions:
   a What proportion of people are employed in full- and part-time work?
   b Has the rate of unemployment increased or decreased in the past six months? Give one reason why this may have happened.
3 Describe how businesses can contribute to the employment opportunities of Australians.

Economic growth/gross domestic product (GDP)

gross domestic product (GDP) the total value of all goods and services produced within a country, usually measured over one year

Economic growth can be defined as the value of production of goods and services in an economy in a given period of time (usually one year). **Gross domestic product (GDP)** is the main measurement of economic growth in Australia. Economic growth is important for any nation as it provides the chance to ensure improved living standards. If the value of production increases each year, then the standard of living of the people in Australia will also increase.

If businesses provide a wide variety of goods and services, people in the community will benefit from this. The standard of living will not be as high if there is a limited choice and availability of goods and services.

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CASE STUDY
3.1

Australia and its GDP

AUSTRALIAN ECONOMY GREW BY 1.0%

Australia's gross domestic product (GDP) grew by 1.0% in the March quarter 2018, following a 0.5% rise in the December quarter. The Australian economy has grown 3.1% through the year.

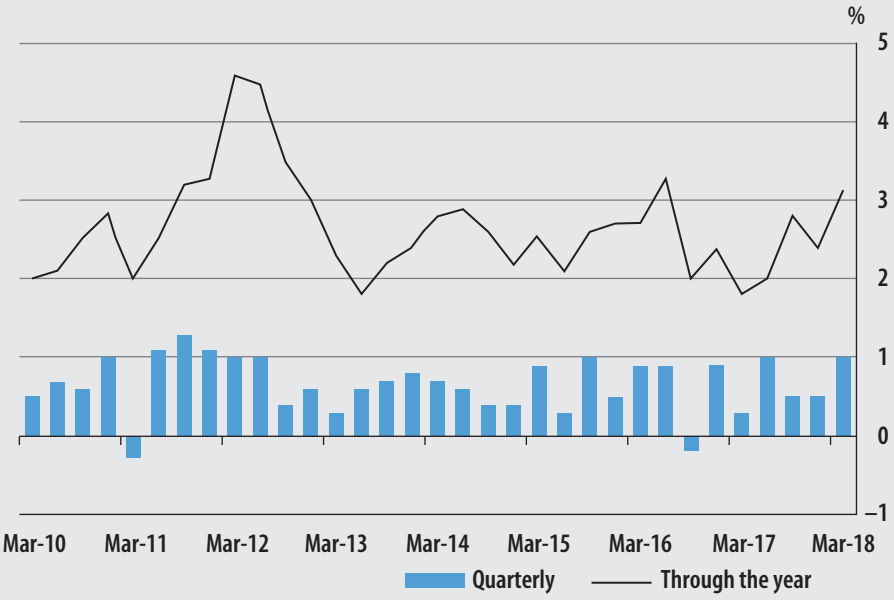


Figure 3.2 Gross domestic product, volume measures: seasonally adjusted

EXPORTS CONTRIBUTED TO GROWTH

Exports of goods and services rose 2.4% following a fall of 1.5% in December. Through the year exports of goods and services are up 4.6%. Exports of goods were up 2.9% driven by non-rural exports (3.3%) with mining commodities, Liquefied Natural Gas (LNG), Coal, Iron Ore and Non-Monetary Gold the main drivers.

CONTINUED ITEM

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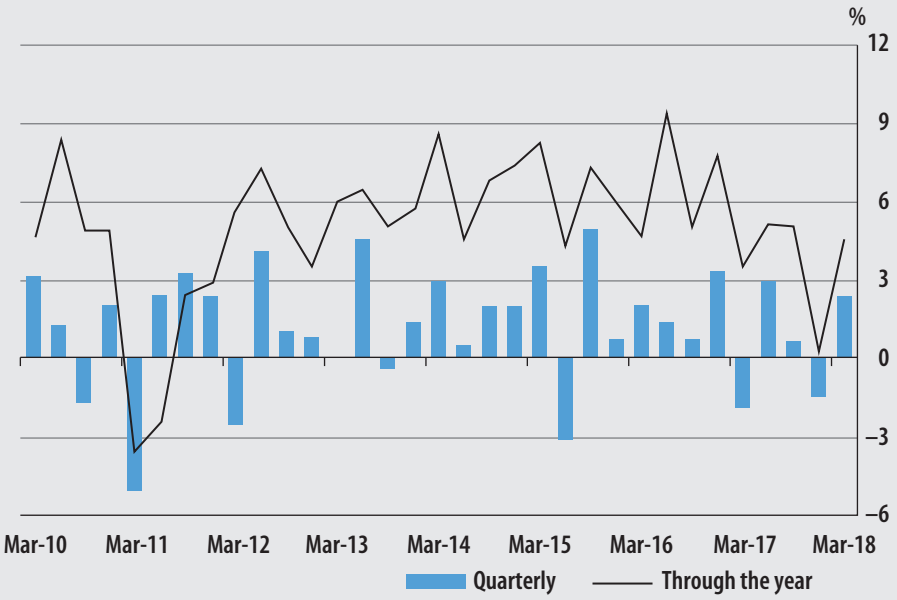


Figure 3.3 Exports of goods and services, volume measures: seasonally adjusted

STRENGTH IN PRIVATE BUSINESS NON-MINING INVESTMENT CONTINUES

Private business non-mining investment rose 3.6% this quarter, to be up 14.0% through the year. This growth was driven by machinery and equipment and continues the longer term trend of private business non-mining investment offsetting the decline in private business mining investment. Private business mining investment fell 6.0% this quarter and is down 16.4% through the year.

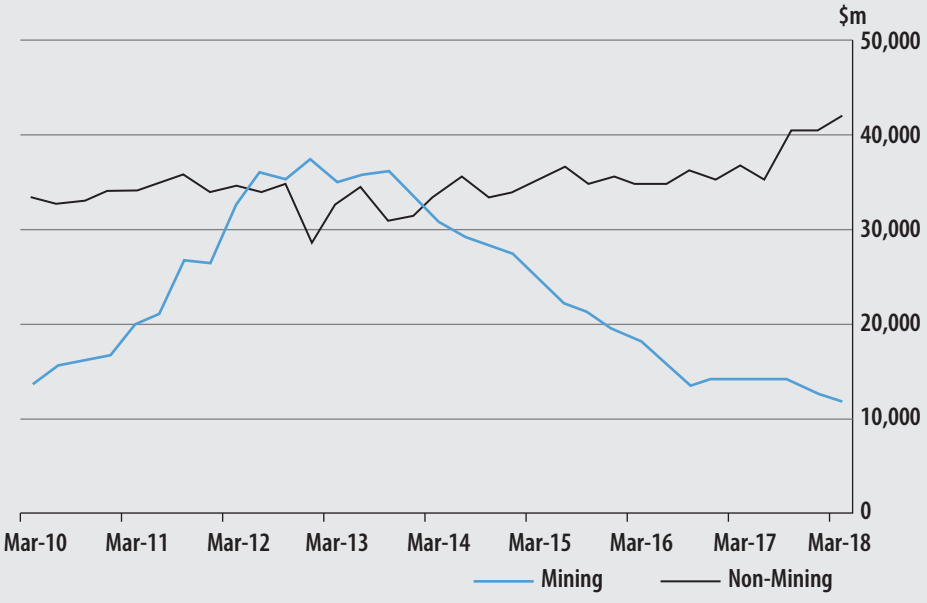


Figure 3.4 Private business investment – mining and non-mining, volume measures: seasonally adjusted

CONTINUED STRENGTH IN GOVERNMENT EXPENDITURE

Total government final consumption expenditure rose 1.6% this quarter and remains strong through the year. Continued spending on health, aged care and disability services were the main contributors. State and local government expenditure also had strong growth with a rise in employee expenses, particularly in frontline services.

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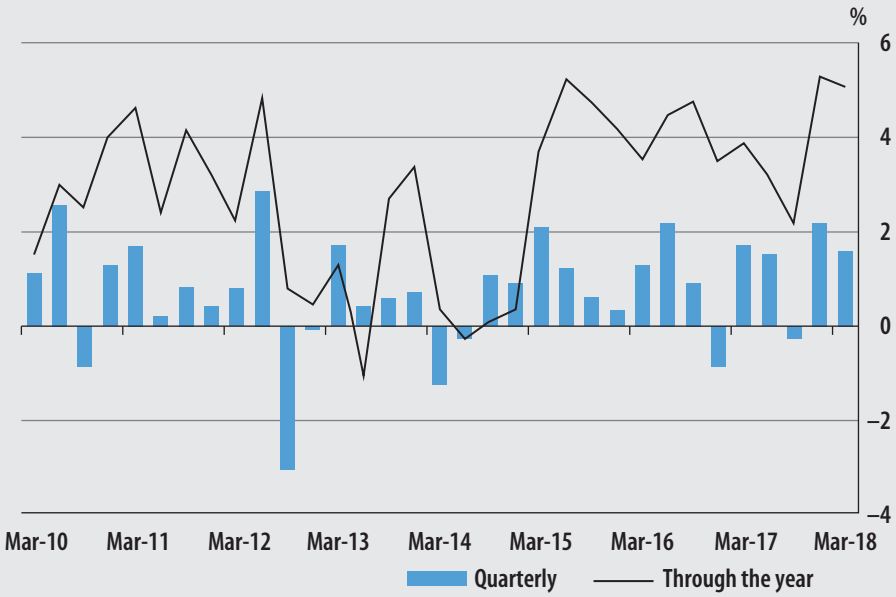


Figure 3.5 Government final consumption expenditure, volume measures: seasonally adjusted

(Source: ABS website, 'Australian National Accounts: National Income, Expenditure and Product, Mar 2018')

ANALYSIS

1 Outline the trends in economic growth and GDP since 2010.
2 Describe the domestic factors that may have contributed to economic growth in Australia.
3 Analyse the link between GDP, international trade, private investment and government expenditure.

International trade

International trade is important to a nation as it gives businesses and individuals access to goods they may not otherwise be able to purchase. Businesses can also use imported parts and materials in the production of goods in Australia. The level of trade between one country and another can be measured using the **balance of payments**, which measures the movement of money and capital in and out of a country. It includes total **imports** and **exports**. Many businesses import and export goods and services, which give people access to a greater variety of goods and allow businesses to earn revenue by selling products to other countries. Over the past few years, the federal government has signed free trade agreements with a number of countries, including China, Japan and South Korea. Agreements still in negotiation include those with Peru and the European Union.

balance of payments a record of the total value of money and capital and imports and exports between one country and another

imports goods and materials that come into Australia from other countries

exports goods and materials that Australia sends to other countries as part of trade

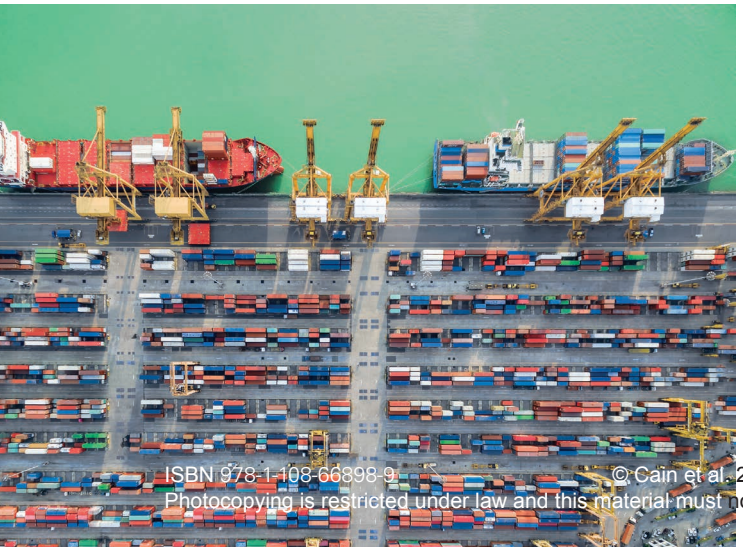


Figure 3.6 Importing provides access to more goods and services.

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ACTIVITY 3.2

1 Find the DFAT webpage 'Australia's trade statistics at a glance'. Examine the trade between different countries and list the statistics for each country in order of importance.
2 Using the same page as question 1, click the 'Top 10 Exports/Imports' tab at the top of the page and answer the following questions.
   a Identify Australia's top three imports and exports.
   b Explain how these goods contribute to the well-being of Australia.
   c List the reasons why countries trade with other countries.



CASE STUDY **3.2**

Australia's strong economic performance and its effect on living standards

AUSTRALIA IS A TOP 20 COUNTRY

Australia is known as a country that is active at a global level.

Table 3.1 Australia's economic performance

Area/topic	Performance and success
Economy	• Australia is in its 27th consecutive year of annual economic growth, one of the few economies in the post-WWII period to achieve this – (2017–18). • Australia is the 2nd wealthiest nation in terms of wealth per adult after Switzerland. • The Australian dollar is the 5th most traded currency. • Australia is estimated to have the world's 13th highest GDP and 11th highest GDP per capita (per head or person). • The Australian Stock Exchange is the 16th largest stock exchange in the world.

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International trade and investment	• Australia is the number one global exporter of iron ore, coal and unwrought lead, the 2nd largest exporter of aluminium ores and the 3rd largest exporter of copper ores and zinc ores • Australia is the 4th largest global exporter of liquefied natural gas (LNG) (by quantity) • Australia is the 3rd largest global exporter of zircon and pearls and the 7th largest exporter of gold (by value) • Australia is the 2nd largest exporter of beef and lentils, the 3rd largest exporter of sugar, and the 5th largest exporter of wine (by value) • Australia is the largest global exporter of wool and 2nd largest exporter of cotton (by value) • Australia is the 9th largest global exporter of vegetables and 12th largest exporter of dairy products (by value) • Australia is the 15th largest exporter of orthopaedic appliances (by value) – (2017) • Australia receives the 10th largest international tourist spend from overseas visitors
Doing business	• Australia is ranked equal 2nd (with Japan) on the Web Participation Index • Australia is ranked 5th for economic freedom • Australia is ranked 5th on the Global Entrepreneurship Index • Australia is ranked 8th on economic resilience • Australia is ranked 11th on the Global Talent Competitiveness Index • Australia is ranked 12th on business environment for 2018–22 • Australia is ranked 14th on ease of doing business • Australia is ranked 15th on world digital competitiveness • Australia is ranked 19th on world competitiveness • Australia is ranked 19th on world talent
Education and training	• Australia is the 3rd largest destination for international students (tertiary) behind the United States and the United Kingdom

(Source: Department of Foreign Affairs and Trade website, 'Australia is a top 20 country', October 2018)

ANALYSIS

1 Examine the information on the economy, trade and investment. Explain what effect these have had on the living standards of Australians.
2 Describe why the other information in the table is important and the implications it has for the standard of living in Australia.

Taxation revenue

Businesses are a source of taxation revenue for the federal and state governments. If businesses make a profit, then they should pay company and other business-related taxes. This money can then be used by governments to provide services to the population. An individual running their own business also pays taxes. Many businesses also collect tax, such as the goods and services tax (GST), and pass this on to the federal government.

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infrastructure the foundations and investment needed to provide the means for the economy to operate, including transport, communications, education, power and electricity services

Infrastructure

Businesses all contribute to the provision of **infrastructure** in Australia. Various levels of government provide roads, transport, electricity, gas, internet and other essential services. While governments fund many of these projects, they often need businesses to build them, so governments can sign contracts and establish partnerships with the private sector. Many of the new freeways in Victoria, for example, have tolls that go back to the businesses that built them to recoup some of their costs.



CASE STUDY **3.3**

Transurban's partnerships with governments

Transurban manages and develops urban toll road networks in Australia and North America, and is listed as a top 20 company in Australia. It partners with governments to provide transport solutions and infrastructure through the management of existing road networks and involvement in transport policy debate.

Transurban has road and freeway networks across Sydney, Melbourne and Brisbane. Examples include CityLink (Melbourne), Cross City Tunnel, Eastern Distributor, Hills M2, Lane Cove Tunnel, M5 South West (Sydney) and Gateway Motorway (Brisbane).

ANALYSIS

1 Identify and explain why it is important for businesses such as Transurban to work with governments on infrastructure projects.
2 Discuss the benefits for communities, governments and Transurban in these types of partnerships.

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Research and development

Businesses are able to support the standard of living of Australians by continually looking at new and improved ways to provide goods and services. Both governments and the private sector are involved in research and development in Australia. Inventions and improvements in areas such as science, technology and medicine benefit society and contribute to improved well-being (see later in this chapter for more information on research and development).



Figure 3.7 Businesses often invent and innovate to benefit society.

ACTIVITY 3.3

1 Discuss how research and development can contribute to the well-being of people in Australia and around the world.
2 Evaluate why it is important for individuals and businesses to continually look for ways to develop new ideas.

Social contribution

While many of the points already discussed in this chapter have an economic or financial focus, businesses also contribute to the social well-being of a nation. When businesses provide employment, goods and services for customers, infrastructure, and research and development, they contribute to both the economic and social well-being of the country.

Australia is considered to be 'the lucky country' and in many ways it is; this is in part due to the contribution of all businesses. While GDP can be used to measure economic growth, there are also other measures that can be used to provide a more holistic approach.

The Organisation for Economic Cooperation and Development (**OECD**) publishes a survey every year looking at a range of measures of how people in a nation live. Australia ranks highly in this index and the contribution of businesses is part of the reason. One of the measures used is the **Better Life Index (BLI)**.

Australia's overall well-being as measured by the BLI is very strong, relative to most other countries. Australia's civic engagement is top-ranking, and it also enjoys an above-average rating in health status, environmental quality, personal security, jobs and earnings, education and skills, subjective well-being (general happiness) and social connections. Australia does, however, have a below-average rating in work–life balance, and there is an increasing gap between the richest and poorest in society.

Businesses also contribute to social well-being by trying to reduce their impact on the environment. Some businesses will look at ways to reduce waste, recycle components and minimise their impact on the environment by reducing carbon emissions and pollution. Large businesses in particular can have a significant impact on the environment.

OECD Organisation for Economic Cooperation and Development; an association of nations which promotes economic growth, prosperity and trade

Better Life Index (BLI) developed by the OECD to measure standards of living across many different areas; for example, housing, environment and social connections



Figure 3.8 Princess Mary of Denmark presenting to the OECD Forum. The OECD measures economic quality of life worldwide.

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Table 3.2 Results from the Better Life Index – Australia for income, employment and satisfaction with life

General happiness (satisfaction with life)	Workforce (employment)	Income per capita (average household)
• Findings show that Australians are generally satisfied with their lives. • Results show that Australians are above the OECD average.	• Australians work longer hours, with 13% of employees working above the OECD average number of daily working hours. • Australia's number of paid employees is above the OECD average: where 72% of Australians between the ages of 15 and 64 are in the paid workforce.	• Findings show that Australians earn more than the OECD average. • However, there is a wide gap between the poor and the rich, causing a difference in wealth distribution.

ACTIVITY 3.4

Go to the OECD Better Life Index website. Look at the most recent statistics for Australia and answer the following questions:

1 Analyse how Australia rates on the indicators set out in Table 3.2.
2 Establish whether there has been any improvement or a decline in these indicators.
3 Identify and explain any areas that may adversely impact on the quality of life of Australians.
4 Evaluate how businesses have contributed to these results.

CASE STUDY 3.3a *Minimising environmental impact by setting recycling targets*

Please see the Interactive Textbook to access this case study.

While businesses contribute in many ways to the social and economic well-being of a country, they can also negatively affect society. This could be through businesses reducing the number of staff they employ, decreasing their research and development budgets, cutting back on production of goods and services, paying less company and other taxes, or importing more goods than they export (this leads to issues with trade deficits, or shortfall). The impact of business activity on the environment may also affect the population's standard of living.

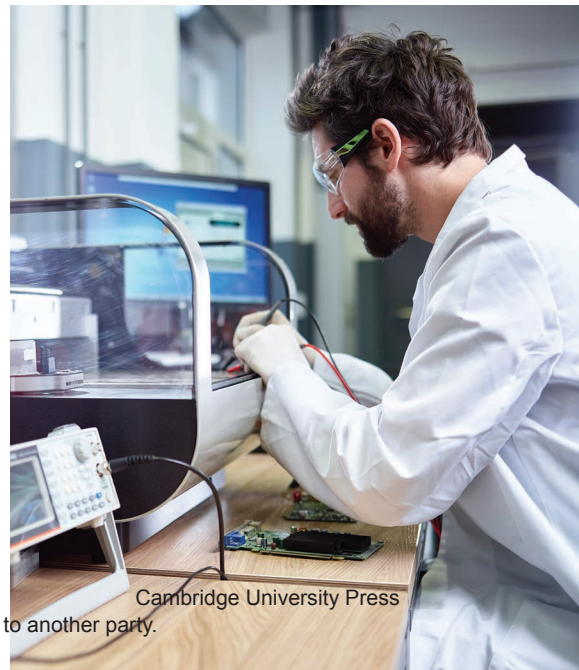


Figure 3.9 When businesses decrease their research and development budgets, it can negatively affect the social and economic well-being of the economy

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3.2 Building a culture of innovation and entrepreneurship

Global Innovation Index (GII) ranks countries in relation to their overall successes in innovation. It identifies the complex elements of innovation and also helps to promote long-term output growth, improved productivity and job growth by providing the tools to tailor policies.

All businesses need to ensure they develop innovative practices so that they can continue to grow. A sense of entrepreneurship will also instil a positive corporate culture (the values, beliefs and attitudes of people involved in a business), which encourages employees to take risks and look at ways to continually improve products and processes (see Chapter 2).

Innovation can be defined as an improvement or invention that enhances or extends a business and provides another product or service to the economy. Australian businesses and individuals have a solid track record of new ideas and inventions. Innovation can be measured using the **Global Innovation Index (GII)**, which seeks to identify the complex elements of innovation and also promotes long-term output growth, improved productivity and job growth by providing the tools to tailor policies.

It also provides information on the factors and the environment necessary to create innovation, and allows these to be evaluated.

Table 3.3 Examples of Australian innovations and inventions

Description	Innovation/ Invention
Artificial ice manufacturing was developed by James Harrison in 1879 so that meat could be exported to Great Britain.	Invention
Lawrence Hargrave undertook the first powered flight in 1894 with four box kites stitched together.	Innovation
The surf lifesaving reel was designed by Lyster Ormsby and built in 1906.	Invention
A pedal-powered radio was developed by Alfred Traeger in 1929 for the Royal Flying Doctor Service.	Innovation
The utility truck, or 'ute', was developed in 1934.	Innovation
The Hills Hoist rotary clothes line was developed in 1945.	Invention
In the 1940s, Howard Florey developed a way for penicillin to be manufactured and processed.	Invention
In 1952 the Victa lawn mower (a two-stroke engine rotary lawn mower) was invented by Mervyn Victor Richardson.	Invention
David Warren developed the black box flight recorder in 1953.	Invention
Baby safety capsules for cars were invented by Richard Heath and Colin Nagel, employees of Rainsfords (now known as Britax) in 1984.	Invention
Long-wearing contact lenses were introduced in 1991.	Innovation
Anti-counterfeiting technology for bank notes was developed for Australian currency, and first issued in 1992.	Invention
Spray-on skin for the treatment of burns victims was first developed in 1993 by plastic surgeon Fiona Wood and scientist Marie Stoner. It has now been approved for use in Australia, Europe, China and Canada.	Invention
Gardasil, the vaccine against the two main variants of the human papilloma virus (HPV) that cause cervical cancer, was developed over the 1990s, and approved for use in Australia in 2006.	Invention

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CASE STUDY 3.4

Overcoming roadblocks to promoting innovation in the workplace

YOUR COLLEAGUES ARE NOT DINOSAURS – IT'S WORKPLACE ROUTINES THAT MAKE INNOVATION DIFFICULT

In many sectors, the disruptive changes now occurring are so major that they have been described as the 'fourth industrial revolution'. In response, organisations are focusing on innovation. Unfortunately, many innovations do not make it through to implementation.

Many explanations are offered. One is change resistance, but this is oversimplified and usually inaccurate. A more nuanced view is that implementing innovations is much harder than thinking them up in the first place.

An essential factor in being able to implement innovations is to diagnose the sources of resistance. One major source is the routines we find in all organisations. Routines exist to enable the organisation to function more efficiently, and to help people carry out their jobs.

[But innovations can be disruptive, meaning that] routines would need to be rebuilt for the innovation to be successful.

Even a seemingly minor innovation can pose implementation conundrums. Often these are legitimate and have nothing to do with resistance to change.

The good news is that routines can often be flexible. However, 'flexing' or redesigning organisational routines is probably not going to happen in response to every promising prototype that comes out of the innovation lab.

FIVE WAYS TO PROMOTE INNOVATION

Based on an understanding of business routines some strategies can support the implementation of new routines and innovation. These include:

1 Analyse affected routines as part of the implementation plan. The scope should include micro-level routines (how people perform their jobs), meso-level routines

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(organisational systems, IT systems, processes, knowledge and shared understanding), and macro routines (inter-organisational or national policies and systems, legislation). Be realistic about the scale of the change required. Does the value of the innovation justify it?

2 Modify the innovation to reduce major disruption to routines. Can the innovation be modified so existing routines can be 'flexed' rather than disrupted completely? Can you remove or limit macro-level disruption, as these routines will be the hardest to change?

3 Develop new routines to replace the old ones. Organisations need routines to function efficiently. The innovation implementation process needs to include the design of new or changed routines.

4 Create a separate organisational unit or brand. New routines can be developed and trialled before being rolled out to the whole organisation.

5 Aim for a more agile organisation overall. Many apparently promising innovations genuinely do not justify the effort involved in implementation. However, if there is a regular pattern of innovations never making it out of the lab, a wider examination of your organisation's agility and change readiness may be required.

(Source: Mary Tate, 'Your colleagues are not dinosaurs – it's workplace routines that make innovation difficult', *The Conversation*, 14 August 2018)

ANALYSIS

1 Describe why innovation is important for businesses.
2 Explain two reasons why innovation may not progress to implementation.
3 Suggest how a business could try to overcome obstacles and resistance to new ideas.

Figure 3.10 Australians have developed many useful inventions, such as the Hills Hoist.

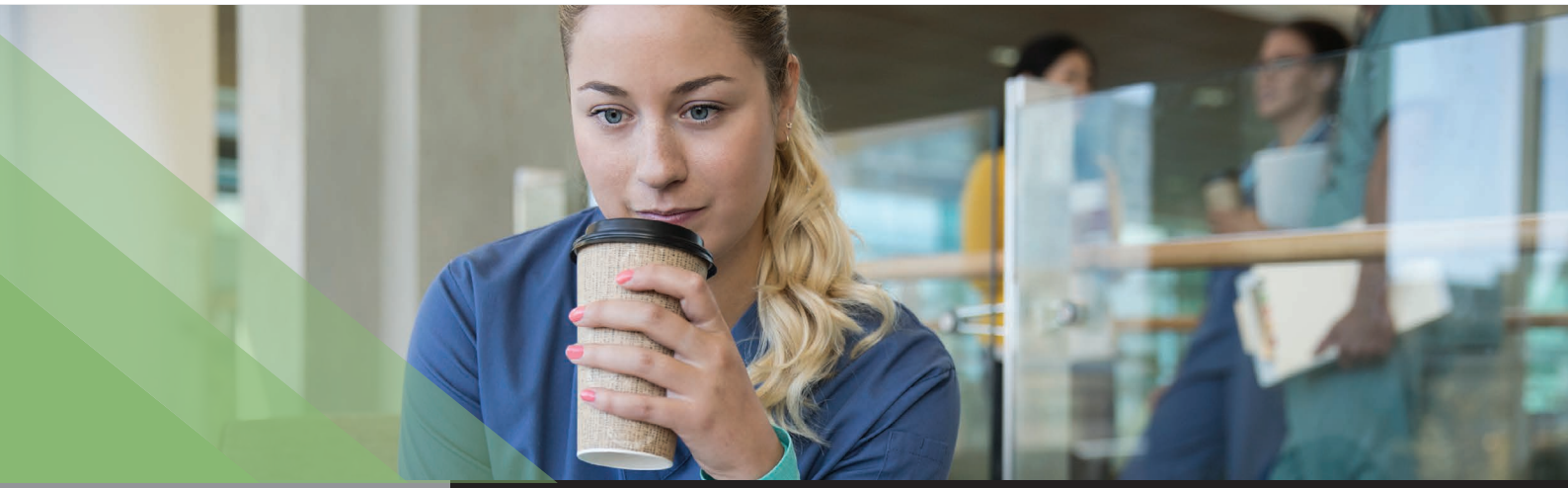


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Entrepreneurship

Entrepreneurship involves planning, designing, launching and running a business to make a profit. This requires initiative and often involves considerable risk (see Chapter 2).

Individuals, businesses and countries need the right skills to succeed in the global economy. As the economy has changed, knowledge has become increasingly important – successfully acquiring, managing and applying knowledge to business practices is the key to growth. Australia is performing well in the creation of knowledge. In the WEF Global Competitiveness Report 2016–17, Australia was ranked 22 overall in all of the countries involved in the study. While Australian businesses and individuals come up with many new ideas and innovations, not all of them are carried through to production, so there is capacity for greater innovative activity. One way to help Australian businesses to become more innovative and entrepreneurial is for programs and support mechanisms to be established by governmental and other bodies.



CASE STUDY 3.5

Night Fix: an innovative business targeting a gap in the market

After running a coffee van for a number of years, Steve Taylor was looking for a new challenge. A chance meeting with a nurse in Frankston gave him that challenge – her suggestion was to use his van to service night shift workers in hospitals, an untapped clientele base. Hospital cafes close by the early evening and many visitors and hospital staff would love to be able to buy a coffee, especially those working the night shift. Steve teamed up with his friend Shane Leighton, they did their research, and then began a trial using Steve's existing coffee van. The Facebook page for their business, Night Fix, sent out alerts of the van's location and arrival times, and word travelled fast. Before long, they purchased a second van.

The business owners have two separate routes and sell between 300 and 400 coffees a night. Between them they visit 15 locations, including The Alfred Hospital, Austin Health, St Vincent's Hospital and the hospital precinct in Parkville. They canvas a huge area from the eastern to northern, inner western and out to the southern suburbs of Melbourne.

ANALYSIS

1 Describe how this business idea developed.
2 Explain why this business idea has been successful.

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CASE STUDY
3.6

Australia's top female entrepreneurs

Australia has produced a number of successful female entrepreneurs. Some well-known examples are:

Name: Lesley Gillespie
Company: Bakers Delight
Established: 1980 (became a franchise in 1988)
Despite Lesley Gillespie saying that Bakers Delight was not founded on the assumption that there would be a store in all of Australia's shopping centres, the bakery franchise edges closer to achieving this each year. It now boasts more than 700 bakeries across Australia, New Zealand and Canada.

Name: Katie Page
Company: Harvey Norman
Established: 1982
As chief executive of Harvey Norman, Katie Page is one of only a handful (3.5%) of women to have the top job at an ASX 200 company. Alongside her husband and Harvey Norman founder, Gerry Harvey, Page controls the global homewares and electronics retail empire.

Name: Janine Allis
Company: Retail Zoo
Established: 2000
Founder of Boost Juice parent company Retail Zoo, Allis has stayed on board as executive director of Retail Zoo, which also owns Salsa's Fresh Mex, Cibo Espresso and Hatch Chicken Shop brands, and helped grow company revenue.

Name: Carolyn Creswell
Company: Carman's Fine Foods
Established: 1992
Carolyn Creswell is the founder of Carman's Fine Foods and a former Telstra Business Woman of the Year. Carman's muesli products are sold in all major Australian supermarkets, as well as local delis and cafes and stockists in 32 countries around the world.

CONTINUED ITEM
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Table 3.4 Australia's top female entrepreneurs in 2018 according to Smart Company data

Rank	Name	Company	Revenue
1	Gina Rinehart	Hancock Prospecting	$4.45 billion
2	Katie Page	Harvey Norman	$3.16 billion
3	Vicky Teoh	TPG	$2.49 billion
4	Maxine Horne	Vita Group	$674.6 million
5	Lesley Gillespie	Bakers Delight	$595 million
6	Naomi Milgrom	The Sussan Group/ ARK Holdings	$459 million
7	Janine Allis	Retail Zoo (Boost Juice)	Over $350 million
8	Yenda Lee	Bing Lee	$320.6 million
9	Charlotte Vidor	Toga Group	$285 million
10	Lorna Jane Clarkson	Lorna Jane	$280 million
11	Sue Hollis	TravelEdge	$250 million
12	Iris Lustag-Moar	Lustig and Moar	$171 million
13	Gillian Franklin	Heat Group	$130 million
14	Sarina Russo	Sarina Russo Group	$122 million
15	Diana Williams	Fernwood Fitness	$113.8 million
16	Violet Roumeliotis	Settled Services International	$113.4 million
17	Jo Hogan	Mecca Brands	More than $100 million
18	Irene Patsalides	Mirenesse	$100 million
19	Barb de Corti	Enjo	$100 million
20	Carolyn Creswell	Carman's Fine Foods	$100 million

(Source: 'Australia's Top Female Entrepreneurs 2018', *SmartCompany*, 2019.)

ANALYSIS

Examine the examples in this case study.

1 Why do you believe these women were successful? What characteristics does an entrepreneur need to have?
2 Research three pieces of information about one of the successful entrepreneurs (for example, how long the business has been running, whether the business has expanded into other areas).
3 What has happened to each of the businesses now? (You may need to do some further research.)

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Methods to foster a culture of innovation and entrepreneurship

There are a number of different methods by which a culture of innovation and entrepreneurship can be encouraged. These include:

- government commitment to investment in research and development
- council grants for new businesses
- business mentorships
- school-based education programs focusing on entrepreneurship
- creation of regional business start-up hubs.

Government investment in research and development

High-growth firms can be stimulated and supported via the adoption of economic policies by governments at all levels. The teaching of entrepreneurship and development of entrepreneurs is regarded as an important role for universities and of economic significance.

Government procedures and programs that support entrepreneurial systems result in countries with elevated levels of technological entrepreneurship. For example, the United States, United Kingdom, Israel and South Korea share a number of features, including:

- delivering entrepreneurship in schools and engaging university students in a variety of entrepreneurship offerings
- ensuring that on a national scale, technology entrepreneurship is of significance
- ensuring that entrepreneurs think globally, through including policies that educate and introduce youth to the finest international ecosystems and cultures.

Singapore has invested over $1 billion to expand creation and entrepreneurship over time and to change the country's economy from labour-driven to productivity-driven industries by supporting entrepreneurship research and innovation.

The federal government has a program to encourage entrepreneurs in Australia that forms part of the National Innovation and Science Agenda. The program offers support to businesses using four elements:

- **Accelerating Commercialisation** – helps small and medium businesses, entrepreneurs and researchers to commercialise novel products, services and processes
- **Business Management** – experienced Business Advisers and Facilitators review business operations, including business direction, strategy, growth opportunities and supply chain. They provide a report with strategies for business improvement and work with you to make them happen.
- **Incubator Support** – assists New and Existing Incubators to improve the prospects of Australian start-ups achieving commercial success in international markets, through helping them to develop their business capabilities.
- **Innovation Connections** – experienced Innovation Facilitators work with your business to identify knowledge gaps that are preventing your business growth. The outcome is an Innovation Facilitation Report.

Practical support for businesses includes:

- advice from people with relevant private sector experience
- co-funded grants to commercialise new products, processes and services
- funding to take advantage of growth opportunities
- connection and collaboration opportunities.

(Source: Australian Government Business website, 'Entrepreneurs' Programme')

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The National Innovation and Science Agenda assists innovators with access to funding. Undertakings include:

- adjusting bankruptcy regulations to encourage entrepreneurship
- providing resources, mentors, funding and access to business networks to support innovative start-ups to refine concepts
- granting businesses entry to more diverse funding options from the public, such as generating funds through crowd-sourced equity funding
- allowing small businesses to compete in winning government contracts and tenders some changes have been made in government processes
- tax breaks to encourage investment.

In an effort to motivate and induce high-performing employees, the government has enabled businesses to offer employees' shares. Businesses are now able to enter and extend global markets through multiple contacts. The government also assists innovative start-ups in regional and agricultural areas by granting access to public data and scientific research.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO), associated businesses and universities receive funding from the federal government to support research. The government backs research and development in science and for innovative and up-and-coming businesses. It provides funding to the workforce to assist in the development of research skills in areas such as engineering, mathematics, science and technology. The government also examines applied research, which looks at real-world applications of learning to support the private sector. Privately run businesses also invest and implement practices and ideas based on such research.

council grants include money and incentives provided to businesses and individuals to pursue business ideas and development

business mentorship a person or program that offers knowledge, advice and experience to another person with regard to all aspects of running a business. Mentoring can be a highly effective way to provide people with the skills needed to develop a successful business.

ACTIVITY 3.5

Go to the National Innovation and Science Agenda website and use the information on science, innovation and support to develop a pamphlet, brochure or blog post on some of the main programs on offer to support new businesses to innovate.

Council grants for new businesses

Many local councils provide support and grants for businesses in their local area. The City of Melbourne, for example, offers a range of programs including seminars, business consultation programs, business networks, business breakfasts and the Melbourne Licensees Forum. These **council grants** are available in areas such as start-ups, business growth grants, and relocation and expansion grants.

Other opportunities include 'grants and assistance finders' – online tools that help a business owner locate grants. Some programs available include Grants Victoria, where a business owner can search for government grants and assistance, GrantGuru Business, Business Victoria and the Victorian Department of Transport, Planning and Local Infrastructure.

Figure 3.11 Mentoring programs are offered in each state.



Business mentorship

Mentoring for small businesses is encouraged and supported by the Australian Government. At a state level, there are **business mentorship** programs to help small business owners. For example, Victoria has a range of programs and schemes such as Business Victoria's Small Business Mentoring Program, Future Industries, New Energy Technologies, Victoria–Israel Science Innovation and Technology Scheme (VISITS) and the Future Industries Sector Growth Program.

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ACTIVITY 3.6

1 Go to your local council website or the Business Victoria website and investigate the types of business grants available for small and start-up businesses.
2 Describe the support available and explain why your local council would offer these programs.

School-based educational programs

Different levels of government and associations also run educational programs and competitions for students at secondary and, sometimes, primary school level. Many competitions are also run in universities for business and commerce students.

In the next decade it is estimated that 75% of the fastest-growing jobs will rely on STEM (science, technology, engineering and mathematics) skills. To meet the needs of these industries, the federal government has allocated money to support several programs, including:

- school STEM initiatives such as programs such as Embracing the Digital Age and Artificial Intelligence in Schools
- STEM professional partners in schools
- Digital Technologies Massive Open Online Courses
- Digital Technologies in Focus
- Digital Literacy School Grants
- Australian Digital Technologies Challenges and Dive into Code
- digIT (ICT Summer Schools)
- Science by Doing
- Primary Connections: Linking Science with Literacy
- reSolve: Maths by Inquiry
- Digital Technologies Hub
- resources for teachers such as access to real data to support student learning through real-life examples
- VET (Vocational Education and Training) – students can be involved in industry-based training as part of their VCE.

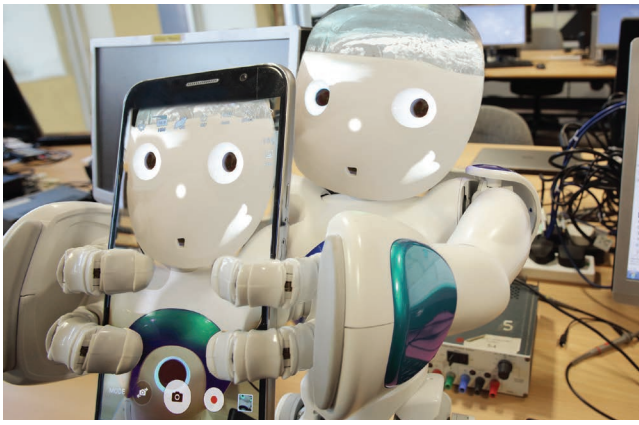


Figure 3.12 A large number of future jobs will require STEM skills.

Initiatives such as running a small business for the local community are becoming increasingly popular for schools that offer commerce-related subjects and business management as part of their curriculum.

Creation of regional business start-up hubs

A **business hub** can be described as a place where businesses and individuals are able to go for work and networking without renting their own office space. These spaces can be used for meeting clients, meeting other business people or technology use where it might not be possible from home, and some hubs also provide childcare services. Sometimes it is as simple as someone wanting a different place to work to get out of the home office space. In many cities in Australia and around the world there are hubs for people to use.

business hub a place where businesses and individuals go to seek support and have a place and space to use without necessarily setting up their own office

As the economy is changing, the faces of agriculture and regional industries are also changing. Regional start-up hubs offer individuals the same opportunities as their city counterparts, such as networking and communication opportunities, particularly when distance can be a limiting factor.

ACTIVITY 3.7

1 Investigate your local area and find out if there are any business hubs.
2 Outline why governments and local councils support such places.

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CASE STUDY
3.7

Coworking spaces: an important resource for entrepreneurs

In both Melbourne and Sydney there has been a move towards developing coworking spaces. This set-up allows different businesses and those who may be self-employed or freelancing to share a working space. It is a way to gain support and connect with other entrepreneurs dealing with similar issues. It also removes much of the isolation that can come with working from home or working alone and replaces it with a supportive community. There can be opportunities to bounce ideas off the network of co-workers, and talk about what is working or not working.

Twospace is a Sydney-based start-up that challenges people to 'office differently'. It is turning restaurants and bars (usually unused during the day) into coworking spaces.

ANALYSIS

1 Describe the concept of a 'business hub'.
2 Outline the benefits of 'coworking' for entrepreneurs.
3 Suggest why a business hub could use restaurants and bars during the day. What would be the flow-on benefits for the owners of these businesses?

ACTIVITY 3.8

Investigate at least one person from the table on the right and answer the following questions.

1 What business did they start or do they run?
2 What experience do they have?
3 How successful is their business?

Name	Business
Gina Rinehart	Hancock Prospecting
Vicky Teoh	TPG
Naomi Milgrom	ARJ Group
Maxine Horne	Vita Group
Yenda Lee	Bing Lee
Christina Quinn	VIP Petfoods
Charlotte Vidor	Toga Group

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Chapter summary

- Businesses contribute to the economic and social well-being of a nation or country.
- Approximately 70% of the Australian workforce is employed by small and medium businesses.
- Businesses contribute to the economy through:
  - employment
  - economic growth (GDP)
  - international trade
  - taxation and revenue
  - infrastructure
  - research and development.
- Businesses also contribute to the general well-being of society.
- All businesses need to develop innovative practices.
- Innovation and entrepreneurial cultures are important.
- Entrepreneurship is the process of designing, launching and running a new business.
- Innovation and entrepreneurship can be encouraged by:
  - government investment in research and development
  - council grants for new businesses
  - business mentorship
  - school-based educational programs in entrepreneurship
  - regional business start-up hubs.



Chapter summary tasks

1 Copy and complete the following table – some of it has been done for you.

Contributions of businesses to the economy		
Contribution	**Positive**	**Negative**
Gross domestic product (GDP)	Businesses produce goods and provide services to the economy, which increases GDP.	
Employment		When businesses reduce their staff this can lead to greater unemployment.
Balance of payments and trade		
Research and development (innovation)	Businesses can encourage employees to discover new ways of doing things, which benefits society.	
Infrastructure growth		
Pollution/waste reduction		Businesses can contribute to pollution through the scale and size of their operations.

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2 Describe how businesses contribute to the economic and social well-being of a nation.
3 Explain how economic growth is measured.
4 Explain why businesses import and export goods and how this contributes to the well-being of Australians.
5 Providing infrastructure is important. Discuss how businesses support this.
6 Describe how a business can support society through research and development.
7 Describe why it is important for businesses and governments to promote and support innovation and entrepreneurship.
8 Define the Global Innovation Index (GII).
9 Explain why local councils offer programs to support new businesses in their area.
10 Describe why STEM is important for the future of the Australian economy.

Extension questions

1 You have been employed as a reporter for Open Media and have been asked to present on the contribution of businesses to Australia. You are to argue that businesses do contribute in a positive way to the economy. You may use a PowerPoint presentation, Prezi, blog, podcast or video to make your presentation.
2 Read the quotes below regarding innovation and entrepreneurship. Pick two quotes and explain how they relate to the idea of building a culture of innovation and entrepreneurship.
   a David Rohrsheim, general manager of Australia and New Zealand at Uber:
   In order to become a genius, you must first risk being seen as a fool.
   b Naomi Simson, founder and CEO of RedBalloon:
   Goals without routines are wishes; routines without goals are aimless.
   c Lisa Messenger, founder and CEO of The Messenger Group:
   Hire fast, fire slowly.
   d Fred Schebesta, founder of Finder.com.au:
   Focus on the one thing that you can be the best in the world at and just do that over and over again.
   e Daniel Flynn, co-founder and managing director of Thankyou:
   Leadership is learning, just in front of more people.
   f Mitch Harper, co-founder of Bigcommerce:
   Get really good at learning.
   g Ruslan Kogan, founder of Kogan.com:
   Make sure your business has a competitive advantage and work relentlessly to flaunt it.
   h Nicolette Maury, managing director of Intuit Australia:
   Be the best version of yourself.
   i Eugene Trautwein, vice president of worldwide customer support at Commvault:
   Put yourself in the other person's shoes.

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