



## Surviving and Thriving in North Queensland: Social Capital in Action

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### Introduction

Many communities and local economies in regional Australia have suffered negative impacts through national and global economic trends resulting in the forced restructuring of industries. This has been particularly apparent in communities once dependent on the dairy industry (Davidson 2002) and is an issue currently affecting communities reliant on the sugar industry.

Baum *et al.* (1999) provide a comprehensive assessment of the differing economic impacts of such trends on locales throughout Australia highlighting particular difficulties faced by many small towns in regional areas. The spatial differentiation of the impacts of economic restructuring is also confirmed by a wide range of studies of regional development (see e.g. Collits 2000, Howard & Buultjens 1999, Lawson & Dwyer 2002, Lloyd *et al.* 2000, Maude *et al.* 1995; National Economics 2002; Productivity Commission 1999; Stimson & Baum 2001).

Contemporary community economic development theory offers a number of strategies to assist small communities seeking to find their niche in the global economy. While not exhaustive, the list of community responses may include strategies such as:

1. *Increase the local capture of dollars* (i.e. reduce leakage) through 'buy local' campaigns, improving streetscape and appearance of businesses, developing supply chains between local companies, and promotion of the community and local events.

2. *Improve the efficiency and productivity of existing firms* through education programs to build technical, managerial and e-commerce expertise, collaboration between local firms, and improvement of local infrastructure.
3. *Encourage new local business start-ups and expansions* through developing business incubators, encouraging mentoring approaches from existing firms, ensuring appropriate local laws, value adding to existing businesses, and attracting venture capital.
4. *Increase the flow of money into a community* through attracting an external employer or exporting more goods and services.
5. *Recapture dollars taxed away by Governments* through the development of projects that attract Government funding and encouraging local people to access the full range of financial benefits available (such as social security payments).

(List adapted from Cavaye 2000, pp. 95-98.)

A program which builds on a number of these strategies is the Business Retention and Expansion (BR&E) Program. The BR&E Program was recently implemented in the small North Queensland community of Malanda. The nature of the program and its anticipated impacts suggests that social capital is a key ingredient in the success or failure of such community-based economic development programs.

## Business Retention and Expansion

BR&E is a program which covers a variety of community economic development strategies. It does this by encouraging local business to work cooperatively in the achievement of shared goals to facilitate the development of local businesses. The concept was developed in the United States of America over 25 years ago. Since then, BR&E Programs have spread across many states of the USA, and into Canada, Europe, South Africa and Australia.

The process is used to assist businesses to survive and grow in their local communities. It is based on the belief of many community developers that one of the easiest ways to generate new jobs and investment in a community is to support existing businesses to grow (Centre for Community, Economic and Workforce Development 1999; Ilvento 1999; Kenyon 2002; Kinsley 1997). The program is focussed on existing companies as they are considered to be more committed to the community in the long term, thus encouraging sustainability in the local economy.

BR&E is a flexible program which can be adapted to suit the needs and size of individual communities. It involves mapping and building on the existing business base. It is critical to understand the local business environment, the issues, pressures, problems and general outlook, so as to integrate and support their growth. Communities may also use this information to encourage new entrepreneurs by giving locals the opportunity to fill identified gaps in the local economy. BR&E builds and strengthens regional economies through a micro economic, community-driven (bottom up) approach.

BR&E is a much-used policy intervention tool by many communities around the world. However, the importance of social capital in ensuring a successful BR&E program has not been explored as a discrete and key ingredient in the process. Within this article this linkage will be illustrated through reference to the BR&E program operated in Malanda.

## About Malanda

Malanda is a small community of around 1,000 people in Eacham Shire on the Atherton Tablelands in North Queensland. The nearest major centre is Cairns around 84 km to the north-east. Similar to

many inland, rural regions in Queensland, the Eacham Shire's traditional agricultural industries (dairy, timber, maize and potatoes) have suffered a gradual decline due to market pressures and industry restructuring. This decline has had consequential negative impacts on small business, population growth and the availability of services.

Malanda's heavy reliance on its tropical dairy industry since the late 1800s was due in part to the highlands climate of the region. However, the size of the dairy industry has decreased from 600 dairy farms on the Atherton Tablelands fifty years ago to less than 200 farms today (Eacham Historical Society 2003). In 2000, the Queensland Department of Primary Industries estimated that the dairy industry in the Tablelands had a value of \$100 million (Bureau of Transport Economics 2000).

Since dairy industry deregulation in 2000, there has been a loss of approximately \$12 million annually to the economy of the district (Eacham Historical Society 2003). A socio-economic impact study on dairy deregulation undertaken in 2001 highlighted that businesses in Malanda were nearly 60 per cent reliant on dairy farmers business, and predicted a 42 per cent loss in that business over the two years to 2003 (Malanda BR&E Taskforce 2003).

Evidence of the regional decline in agricultural industries generally in the Shire is also provided via census data which reveal that in 1996 agriculture, forestry and fishing accounted for 21.9 per cent of all employees in Eacham Shire, but by 2001 this had declined to 19.6 per cent. Similarly, the employment share in manufacturing (including the manufacturing of dairy produce) fell from 10.1 per cent to 8.8 per cent over this period.

## BR&E in Malanda

As the impact of restructuring in the dairy industry takes effect, the community of Malanda is coming to terms with how to first stabilise and subsequently grow the area's economy. One of the community's responses to its changed circumstances was to implement a BR&E program. A partnership between the Malanda Chamber of Commerce and the Queensland Department of State Development<sup>1</sup> was formed to support the community in undertaking the program.

The program commenced in late 2002 with the establishment of a locally based Taskforce of approximately ten volunteers from the Malanda

business community and Eacham Shire Council. The Taskforce was responsible for steering the project and coordinating implementation of the actions resulting from the program. Thirty-two community volunteers undertook 113 local business interviews (approximately 65% of the total number of businesses in Malanda). The purpose of the interviews was to identify key impediments to business development and opportunities for future business expansion.

The ideas and issues raised in the business interviews provided the basis for action to resolve business expansion impediments, as well as the development and implementation of longer term community business development action plans. Key issues identified included imminent business closures, lack of public transport, opportunities for business collaboration of mutual benefit, the need to revitalise and promote Malanda, and opportunities for new business enterprises.

The Taskforce organised immediate follow-up to 'easily resolvable' issues raised by local businesses and therefore gained credibility and further community support for the program and the resulting Business Development Action Plans. For instance, the Taskforce organised for a Council works employee to visit a business owner and fix the 'smelly rubbish bins out the front of the shop' that were perceived to be impacting negatively on the amenity of nearby businesses.

The subsequent Business Development Action Plans focused on three main themes:

- business retention, development and expansion;
- fostering new business and investment attraction; and
- marketing Malanda.

The Program formally concluded in July 2003. The Malanda business community is now implementing the Business Development Action Plans which resulted from the Program. Already, the community has achieved some important outcomes as detailed below.

### *Business retention, development and expansion*

- *Retained and Revived Business* - Several Malanda businesses experiencing difficulties were assisted through the BR&E process. In particular, advice of an imminent business closure was received at a business interview.

The Taskforce Chairman immediately made a follow up visit to identify the issues and to ascertain if the closure could be prevented. The Taskforce then worked with the businesses and the Council to address and resolve the issues. This included negotiating with Council to reduce prohibitive regulatory impediments. It also involved assisting with ideas on how the business could be better marketed.

- *Business Expansions* - The Malanda BR&E Program contributed to the expansions of four businesses in Malanda. The BR&E Taskforce offered support to these businesses and assistance to improve their business operation.
- *Creation of Two Industry Clusters* - The BR&E process directly resulted in the creation of Accommodation and CBD Traders Groups. Relevant local businesses in these industries are working in collaboration to develop initiatives to improve their respective industries. These Groups have developed Action Plans with activities to support each other and promote mutually beneficial industry development. The Accommodation Group aims to attract more overnight visitors to the area and investigate public transport issues. The CBD Traders Group is working to improve the trading environment in the CBD by facilitating property improvements and business expansion, particularly utilising Council CBD streetscaping as a catalyst for further development.
- *Tourism Industry Development* - To further develop its emerging tourism industry, Malanda was actively involved in the development and implementation of the Tableland's Tourism Strategic Development Strategy. This involved a range of stakeholders from industry and the three levels of Government and provides cohesion across the Atherton Tableland for current operators and those wishing to expand into the tourism market.
- *Upskilling* - There were training and knowledge enhancement benefits for volunteers and businesses through the provision of volunteer training and public seminars. As a result of the program, Queensland Department of State Development offered local business operators subsidised training in small business management, e-commerce and marketing. The BR&E Taskforce has also organised for the Commonwealth Small Business Answers Officer

to be available at a local business for half a day every week to help small businesses develop effective solutions to their business issues, and facilitate access to service providers.

### *Fostering new business and investment attraction*

- *New Business* - On completion of the program, seven new businesses had commenced operation in a variety of fields namely: business tourism and events management, secretarial service, personal fitness, holistic products retailing, flower arranging (e-business), tapestry weaving, and taxi services.
- *Improved Telecommunications* - Mobile coverage and broadband access were identified as key inhibitors to business. The Taskforce negotiated with Telstra to invest in infrastructure to improve mobile coverage and consequently coverage was upgraded in April 2003. Investigations are underway to improve broadband access.

### *Marketing Malanda*

- *Community Events and Promotion* - The efforts of the Accommodation and CBD Clusters have resulted in the development of tourism packages which capitalise on local events by encouraging day visitors to stay overnight in Malanda. Collaborative partnerships have been developed with local businesses, and the promoters of events including the Malanda Show Society, the monthly Malanda Markets, and the Malanda Film Festival. The community is also planning and raising funds to organise more local events such as 'Festival Malanda'.
- *Cultural Heritage* - The Malanda Dairy Heritage Centre opened in 2002, with Heritage Trails and Council assistance, to help develop tourism and preserve the history of dairy farming in Far North Queensland. However, soon after the commencement of the BR&E Program, the Centre experienced difficulty and closed. The BR&E Taskforce supported the Council in reopening the Centre. The BR&E process resulted in a new emphasis on community involvement, attracting tourists to Malanda, and providing exposure of other Malanda businesses.

## BR&E and Social Capital

The accumulation of social capital within a community is commonly associated with features of society such as membership in voluntary associations, informal association among people, community festivals and social events, and societal norms such as high levels of trust, generalised reciprocity and a sense of community cohesiveness. It is a resource that may be useful in facilitating the achievement of variety of ends (Bourdieu 1986, Coleman 1988, Onyx & Bullen 2000, Putnam 2000, 1993, Tymon & Stumpf 2002).

Over the last decade, social capital has become an increasingly popular research topic, and its effect on a range of socio-economic outcomes has been well documented. While writers such as Bourdieu (1986) and Coleman (1988) preceded him, Putnam (1993) is commonly credited with bringing the concept to the forefront of popular debate. His groundbreaking study of Italian society concludes that social capital had a significant and positive influence on the economic development of that society. This theory has been subject to considerable further research with the balance of evidence supporting his conclusions (see e.g. Bureau of Transport and Regional Economics, 2003, Knack & Keefer 1997, Narayan & Pritchett 1999, Productivity Commission 2003, Robison & Hanson 1995, Svendsen & Svendsen 2000, Whiteley 2000, Woolcock 1998).

The basic argument linking social capital with economic development is grounded in information theory of economics. It is based on the premise that social capital can make other forms of capital more efficient (Putnam 2000, Cavaye undated) through reducing transaction costs associated with distrust and the need for costly monitoring procedures such as contracts and insurance (see e.g. Casson 1991, Douma & Schreuder 1992, Torsvik 2000, Williamson 1975).

Information theory and trust however, are not the only link between social capital and economic development. Narayan and Pritchett (1999) in their study of the development of social capital in Tanzania identify several further links between the two.

First, community cooperative actions will assist in solving the 'tragedy of the commons' whereby scarce resources are exploited to the point of extinction by individuals acting within a sphere of narrow self-interest. Community norms which

emphasise cooperation will generate awareness within the community of the consequences of inappropriate and selfish action by individuals. This will allow social pressure and sanctions to come to bear on offenders. Thus, society's allocative efficiency is improved through cooperation.

Second, the 'diffusion of innovation' describes a situation whereby the early adoption of good and innovative ideas is facilitated through wide association between society members. Related to this, in a society with high levels of social capital, individuals or groups may feel encouraged to pursue higher returns through engaging in high-risk economic activities or innovative practices. Social capital will act as a social safety net, minimising potential negative economic and social consequences. Narayan and Pritchett refer to this as 'informal insurance' (see also Boisjoly *et al.* 1995).

Clearly, a successful BR&E program taps into all these elements of social capital. The very nature of the program demands a high degree of trust and cooperation among community members. It requires a willingness to voluntarily commit time and effort to ensure the program's initial launch and ongoing success. A community in which personality clashes and conflict are allowed to infiltrate and negatively influence community decision-making will have difficulty in operating a successful BR&E program.

The willingness of Malanda's business community to share information and ideas through the interview process and the formation of industry cluster groups is clear evidence of Narayan's and Pritchett's concept of the avoidance of the 'tragedy of the commons'. The BR&E process ensures that negative practices that are impinging on business success are identified and eliminated. This sharing of ideas to improve business operations in collaboration with others is also evidence of Narayan and Pritchett's 'diffusion of innovation'.

Clearly, such a level of cooperation also involves considerable trust, in that information collected through the business interviews may be commercially valuable. Participants must have a high degree of confidence that this information will not be used in a manner, which is detrimental to their business. The willingness of some local business operators and Council to provide free office space and administrative support for the BR&E Project also indicates the high level of cooperation and trust in the Malanda community.

The collaboration by local accommodation providers, restaurants, tourist attraction operators and the theatre to develop and offer tourism packages is tangible evidence of the benefits to be gained through the sharing of knowledge and ideas. In particular, the Malanda Film Festival benefited from the community support and this collaborative method of business marketing. The town was crowded with visitors who came to the town especially for the Film Festival and stayed for accommodation and shopping.

The use of volunteers to run the program was also crucial and the manner in which the program was embraced by the people of Malanda indicates a high level of commitment from community members. The conduct of the interviews and their subsequent analysis required a significant investment of resources in the form of time but also ensured that transaction costs which would otherwise be incurred through the engagement of consultants were avoided. In this way the program was able to run at minimal financial cost to the businesses involved.

The large number of community volunteers eager to collaborate and participate in the program is indicative of a cohesive community with high levels of social capital. The community was engaged through social events such as the Chamber of Commerce Christmas party and by word of mouth. As people socialised and networked with other small business owners in town, energy for the project increased. Local business people who were respected in the town encouraged others to participate in building a healthy community.

## Concluding Comments

In the face of serious and negative economic impacts resulting from structural adjustment of the dairying industry, Malanda has embraced a community driven approach to regional business development and taken an active role in shaping its own future. This initiative has empowered the Malanda community to expand and retain its local businesses. The program has facilitated increased employment, a more diversified economy and better standards of living.

BR&E is a flexible program which can be adapted to suit the particular situation and context of a variety of communities. However, an evaluation undertaken by the Queensland Department of State Development found that there are several

fundamentals which may affect the level of success of the program. These include:

- A demonstrated level of community support for the project. Informal and formal community leaders must be committed to the program and the future of their community. (In Malanda, these leaders formed the BR&E Taskforce.)
- Driving issues/concerns - A slight level of dissatisfaction and a feeling that things could be better helps build community motivation and enthusiasm. (There was a high level of unease following dairy deregulation, compounded by declines in other agricultural industries and the resulting flow-on effects to other industries.)
- Existing competitive economic advantages on which to build. (Prior to the Program's commencement, Malanda had secured Government funding to establish the Malanda Dairy Heritage Centre and the St Vincents Aged Care Centre which provided catalysts to further development in tourism and health care services.)

The success of the Malanda BR&E program can, at least in part, be attributed to the cohesiveness and supportiveness of businesses and community members working together. It is clear that the support from the local Chamber of Commerce, Eacham Shire Council, and the State and Federal Governments helped the community's volunteers to translate a strong community spirit into tangible outcomes for the economic and social prosperity of Malanda.

Community volunteers participated as interviewers, taskforce and working group members, and offered support through active participation in public meetings. Local businesses were keen to participate in the program. Furthermore, the business and general community showed a strong desire to work together for the future prosperity of their town. Competition and personal agendas were laid aside and an environment of trust ensued.

Drawing on evidence from theoretical and empirical research on social capital, and the demonstrated evidence of the successful operation of the BR&E program in Malanda, it is argued that communities which exhibit high levels of social capital are in a much better position to develop and run a successful BR&E program. This suggests that the level of social capital within a community should be a key consideration in determining the appropriateness of attempting to implement the program within that community.

In acknowledging the benefits of social capital for the successful implementation of community economic development projects such as BR&E, it is also important to note the cautionary words of Gray and Lawrence (2001). They point out that the development of social capital cannot and should not be considered a cure-all for society's ills and a means to shift responsibility from Government to communities. The existence of social capital may certainly be considered a plus for many communities. However, the example of Malanda indicates that it is most effective when used to harness and build on existing competitive and comparative advantages and other resources that support community economic development, such as Government development programs.

### Afternote

The success of the Malanda community in undertaking the BR&E Initiative has generated interest from several other Queensland communities in running BR&E programs. In May 2003, the Barcaldine community in Western Queensland invited the Malanda BR&E Coordinator to speak at a public meeting on the program and its success. Over 100 local businesses attended this meeting. In July 2003, the Barcaldine community commenced their own BR&E Initiative.

Similarly, in January 2004 the Crows Nest and Goombungee communities in the Darling Downs will commence a joint BR&E Program with the support of the Queensland Department of State Development and Innovation and the respective local councils.

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### Disclaimer

The views expressed in this paper are those of the authors and should not be regarded as necessarily reflecting the views of the Queensland Government or the Queensland Department of State Development and Innovation.

## Endnote

<sup>1</sup> Following the Queensland State election in February 2004, the former Department of State Development is now the Department of State Development and Innovation.

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