

## **THE MINING BOOM: CHALLENGES AND OPPORTUNITIES FOR SMALL BUSINESSES IN REGIONAL SOUTH AUSTRALIA**

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**ABSTRACT:** The Whyalla region is currently in a unique situation due to a 'boom' in the minerals resources industry in South Australia. This paper describes the outcomes of research by the Centre for Regional Engagement of the University of South Australia that aimed to determine the key challenges and opportunities that owner/managers of small businesses in the region were currently facing as a result of the mining boom. The study focussed on enterprises operating within the retail and services sector in Whyalla. The paper gives a background to doing business in Whyalla, outlines the challenges and risks and the perceived opportunities that were identified, and discusses the steps being undertaken by the firms to make the most of the opportunities and to protect their businesses against the threats. The results of the research will provide information useful to bodies such as the Whyalla Economic Development Board, in enabling them to support the firms where necessary so that the businesses are better placed to take advantage of the anticipated new opportunities in the market place.

### **1. INTRODUCTION**

South Australia is currently experiencing a mining boom, due to the discovery of many large mineral deposits around the state. There are now 40 operating mines in South Australia and at least another 200 applications for major exploration projects (The Advertiser, 2008a). In response, the State Government anticipates spending approximately \$20 billion on new port facilities, air strips, rail lines, and roads. The new infrastructure plans also include a desalination plant to be located near Whyalla and pipelines to provide water for the proposed \$7 billion Olympic Dam expansion and to towns on Eyre Peninsula. \$321 million worth of contracts have recently been given to South Australian companies, including companies in Whyalla, in relation to the Prominent Hill mine in the State's north (Whyalla News, 2008a).

The city of Whyalla is one of the industrial hubs of the Upper Spencer Gulf region with a population of approximately 22 500 people. Whyalla is growing significantly, recently recording its largest population growth in more than 30 years (The Advertiser, 2008b). The Mayor of Whyalla predicts its population will increase by 3 percent each year for the next five to ten years (Personal Interview, 2008). Whyalla's background and the current resource and mining

boom in South Australia has created an interesting and unique environment for investigating the small business community within the city. The current and future prospects of small businesses in this region is of great importance as businesses face a number of risks and challenges on the one hand, but they can also look forward to taking advantage of a number of opportunities. These challenges, risks and opportunities have been investigated in this research.

## **2. BACKGROUND TO THE RESEARCH**

### **2.1 The Mining Boom and Regional Small Business**

'Boom Towns' are those locations riding the wave of the resources boom or places impacted by major industrial developments. Some are regional centres which have grown over decades on the back of local mining industries while others are towns which have only recently surged due to new mining operations (Ryder, 2008). Over the past decade, many parts of regional Australia have experienced unprecedented growth through the resources boom and the resultant increases in investment, employment and income opportunities. Mining operations can provide substantial additional employment with higher earning potential than most other employment possibilities in the area. Along with direct employment and investment in public infrastructure such as transport, water and power, there is opportunity for downstream and lateral economic activity, particularly for small businesses, generating employment and income for non-miners (Weber-Fahr, et al. 2001, p. 9; McMahon, 2001). Another example of an Australian 'boom town' is Mount Isa, located in Queensland. In the period 2005-2006, Xstrata invested \$115 million to expand in the area and added 750 workers at its copper mine, as sales to China surged. This company was able to pay twice the average national wage, enabling a plumber working at Xstrata's Mount Isa mining complex to earn \$108 000 a year. As a result of the investment, property values in Mount Isa increased 40 percent and its population increased 28 percent in two years (Daley, 2005).

In South Australia, mineral exploration expenditure has increased 800 percent in the last five years and spending of \$323 million in 2007 has propelled the State to become Australia's second biggest spender on minerals exploration. This is already impacting favourably on the property market in Adelaide and elsewhere in the State; one of the consequences of this has been an increased demand for and a strong median price growth in housing within the so-called "Iron Triangle" towns of Port Augusta (48 percent), Whyalla (17 percent) and Port Pirie (22 percent) (Wilson, 2008). However, the resources boom brings a new set of challenges — shifting employment patterns and persistent skill shortages, growth in some regional centres as others decline, changing land and water use and widespread demand for infrastructure.

Attracting and retaining professional and skilled people to live and work in regional communities is critical to sustaining regional centres as viable entities into the future. A region that can offer the services supplied by professional and skilled workers supports the people who are living in the community and the businesses operating there, and provides the foundation for attracting new

residents and businesses – communities that are self-sufficient in terms of professionals and tradespeople are more likely to retain their residents and attract new ones (Secretariat for the Standing Committee on Regional Development, 2004). The Australian Government has a new vision for strengthening rural and regional Australia – one that will deliver better services for communities, investment in infrastructure, and innovation for our industries to help them grow, adapt and prosper (Commonwealth of Australia, 2008) – and is providing \$2.6 million in 2007-08 and a further \$11.7 million in 2008-09 to assist small business under the Building Entrepreneurship in Small Business Programme (BESB) (Commonwealth of Australia, 2007).

In Australia, a small business is defined as one having less than 20 employees for non-manufacturing enterprises and less than 100 employees for manufacturing enterprises (Meredith, 1994: 16). Small businesses are a vital contributor to both national and regional economic development, driving innovation, exports and jobs growth (Ministry Tourism and Resources, 2007; McKinsey & Co, 1994; O'Neill, 1993). Unique features of small businesses are that they often have centralised management, with poor management skills and a short range perspective (Reynolds, Savage & Williams, 1994). Many small businesses exhibit a strong desire for independence and avoid business ventures which impinge on their independence, and are more intent on improving day-to-day procedures. They usually face difficulties obtaining finance and consequently have fewer resources. As a result small businesses are generally reluctant to spend on information technology and therefore have limited use of technology and a lack of technical knowledge and specialist staff. In addition, small businesses tend to be time poor and find it difficult to quickly access reliable sources of information and advice (Macgregor, 2003).

It is important to acknowledge the strong influence of the owners' personal objectives and attitudes on the success of small businesses. For firms operating in the retail sector, location, ability to attract customers, attitudes of staff and the quality of product and service provided, are also key factors in small business success (Meredith, 1994: 18, 21).

## **2.2 The History of Whyalla**

Whyalla was originally founded in 1901 as Hummock Hill by the Broken Hill Proprietary Company Limited (BHP) because its deep water was in ideal proximity to the iron ore mining taking place at Iron Knob and the Middleback Ranges. In 1920 the town was renamed Whyalla and, after improvements to the jetty facility, iron ore was shipped to the newly built steelworks in Newcastle, New South Wales. From 1939 the shipyards were built, the population began to increase, and the town needed to develop. A hospital, new housing and schools were built. Between 1947 and 1957 the community developed rapidly, including new churches, sports associations and community associations. In 1958 Whyalla was selected by BHP as the site of a new steel plant. The population grew even more rapidly along with a building boom to cope with the demand. A strong migration program saw the population rise to over 34 000 people in the 1960s. In 1978 the shipbuilding slump resulted in the closing of the shipyards. The

population began to decline and Whyalla entered a difficult period in its history.

In 1991 the University of South Australia Whyalla campus was established as a result of the amalgamation of the Institutes of Technology and Colleges of Advanced Education in South Australia, and in 2000 OneSteel Ltd was formed after the steelmaking industries were divested from BHP. From 2004 OneSteel's investment in a blast furnace reline boosted confidence in Whyalla and marked the turnaround in the city's self-image. In 2005 the \$395 million OneSteel's Project Magnet began and since then the city has started to experience an upturn in its economy.

### **3. THE RESEARCH**

#### **3.1 Aims of the Research**

The purpose of the research was to investigate the challenges and opportunities of small businesses located in the Whyalla region of South Australia. Specifically, the research questions were:

1. What are the key challenges and risks encountered by small businesses in the retail and services sector?
2. What do owner/managers of small businesses in the retail and services sector perceive to be the opportunities available to them?
3. What steps are owner/managers of small businesses in the retail and services sector taking to protect their businesses against the challenges and risks and to take advantage of the opportunities?

The research was undertaken by the University of South Australia in collaboration with the Whyalla Economic Development Board (WEDB). The Whyalla campus of the University of South Australia is the only regional university campus in South Australia. It seeks to be responsive to its regional community and through its networks contribute to the learning and capacity building of the individuals and groups involved so that they have the skills necessary to contribute to and be rewarded for the development of their community (Penman & Ellis, 2003: 1). The WEDB aims "to promote the practical involvement of industrial and commercial companies in the development and general well-being of the community" and "to support the development and implementation of programs and projects that facilitate employment, economic and community development for Whyalla" (WEDB, 2006: 5). The findings of this research will provide useful information to bodies such as the WEDB, as a basis to supporting the small businesses where necessary so that they are better placed to take advantage of the anticipated new opportunities in the market place.

This paper reports on the background of doing business in Whyalla (what makes the Whyalla environment unique and how this influences doing business), the challenges and opportunities faced by Whyalla businesses, and the steps they have undertaken to overcome the risks and make the most of the opportunities.

#### **3.2 Research Method**

The research specifically involved a qualitative strategy of investigation

based on structured face-to-face interviews. Face-to-face interviews were chosen as they provide “rich and comprehensive data”, giving valuable insights and understanding (Sweeney, 2007). An advantage of interviews is that the interviewer can repeat questions, explain their meanings, and press for more information if a response is incomplete or not relevant (Burns, 2000: 583).

Three unstructured personal interviews were held with prominent members of the Whyalla community to investigate the unique past and prospective future of Whyalla. The first interview was conducted with a representative of the Whyalla Economic Development Board who was born in Whyalla, who had lived there ever since, and was once a small business owner in the city. This participant subsequently worked with the WEDB as a Business Development officer and has therefore spent a lot of time with small businesses in Whyalla. A further interview was held with the Economic Development officer at WEDB who also had previously held the position of City Manager with the Whyalla City Council. The third interview was conducted with the Mayor of Whyalla to determine his viewpoint both as leader of the Whyalla City Council and as a previous small business owner/manager.

Apart from these three interviewees, the other participants in the research project were the owner/managers of small businesses operating within Whyalla. The sample was confined to businesses from the retail and services sector as this sector had been identified by the WEDB as the one where the research was most needed. The initial selection was based on the following criteria: the business must be located in Whyalla; the business must be from the retail and services sector; and the business must employ fewer than 20 employees (Burgess, 2003). This limit aligned with the Australian Bureau of Statistics’ quantitative definition of a small non-manufacturing enterprise (Meredith, 1994). Potential participants meeting these criteria were identified from the WEDB database and written invitations to participate in the research project were sent to them. Eighteen small business owners were included in the final sample. During two of the interviews it was determined that the employees of two firms numbered 26 and 28 respectively, but due to their valuable contribution, it was decided to keep these firms in the sample.

In small businesses, ownership and management are not separated and control remains in the hands of the owners, which enables them to make choices about the allocation of resources. In a small business the attention given to and acceptance of a specific issue therefore depends on the personal attitudes of the owner/manager (Sweeney, 2007). The owner/managers of Whyalla-based small businesses were specifically chosen to access the potentially strongest influence within the firms. The use of structured face-to-face interviews (based on a questionnaire) as the primary research tool was appropriate in this part of the study as it allowed the owner/managers to define in their own terms the challenges and opportunities in their business (Neuman, 2003).

The interview questions were piloted on owner/managers of two small businesses in Whyalla that were not included in the main study. The specific aims of this preliminary investigation were to check that the questions captured the information required to complete the objectives of the research, identify any

ambiguities or problem areas and determine the time required to complete the interview. The interview questionnaire was also given to an academic who is an expert on data collection with a request to review its format and content and comment on its clarity, comprehensiveness and relevance. Changes were made to the questions on the basis of the responses.

The interview questions comprised a predetermined core of open-ended questions that also allowed the opportunity to probe and expand the participant responses to the structured questions. The interviewers explored what business managers said in as much detail as possible, to uncover new factors and ideas. Notes were taken during the interviews and the interviews were audio-recorded. Recording the interviews provided a back-up and allowed the researchers to participate in the discussions as well as taking notes. The interviews were transcribed and reviewed to ensure internal validity.

The first three interviews focussed on the history of Whyalla and the various aspects of doing business in Whyalla. The interviews with the small business owner/managers covered their perceptions of doing business in Whyalla, especially the challenges and opportunities facing the small retail and service businesses.

The interview transcriptions containing the data collected from the small business owner/managers were analysed and categorised using the NVivo8 software. It is acknowledged that collection and analysis of data in qualitative research is subjective and that together with the small sample size, this limits the degree to which the results can be generalised.

#### 4. INTERVIEW RESULTS

##### 4.1 The History of Doing Business in Whyalla

Both the history and present situation in Whyalla influenced the way in which its small businesses currently operate and how they will be conducting business for a sustainable future. A resident who was 'born and bred' in Whyalla and who had worked closely with small businesses in the region as an employee of the WEDB believed that the isolation of the city had made Whyalla "a bit different", stating:

*Businesses had a captured market. Between 1958 and 1999 BHP had a father-child relationship with the people in the town and the expectation was that the company would always look after them. In 2000 the BHP/OneSteel split happened. Many people didn't see a future in Whyalla when BHP pulled out and losing the BHP identity really hurt the town.*

Although it was reported to be "a scary time", a result of OneSteel downsizing was that people were paid to retire early and had additional money to spend on cars, homes, etc. This caused the Whyalla economy to be "very odd at the time" and this is still considered to be the case. For instance, the property market is declining in other areas of the State, but not in Whyalla. However, while a lot of people are now talking about what a booming town Whyalla is becoming, many are sceptical and there is caution indicated in the comment received that: "It is still a purpose-built town and exists for one main reason,

namely the operation of OneSteel” (2007, pers. comm. 28 November).

Another unique aspect of Whyalla is that it has always had a high unemployment rate (8.9% in 2006) and there are third and fourth generations of unemployed. Whyalla also has the highest youth unemployment in the state (22.4% in 2006) (Workforce Information Service, 2008). However, some small retail businesses still find it hard to recruit suitable staff: “It is not about the business skills only, but mostly about soft skills and people skills - to interact with the customer to get dollars through the till”. It was also suggested that candidates do not have an interest in learning these customer service skills and that “perhaps it is an industry thing that people don’t want to work in retail due to the long hours and low wages” (2007, pers. comm. 28 November).

There was a perception that, in many cases, the business practices of owners who have had businesses for a long time have not changed, and that businesses lacked the resources to do something new and do not have the time to be innovative. Experience was also considered a problem, with the owner/managers not having a broad enough experience to do things differently (a good example of this is not having a presence on the Internet). One interviewee mentioned that for some, there was a lack of motivation to change:

*There is an attitude that “I’ve had the business for 20 years, therefore I know it all”, yet they’re limited in their business experience. There is no real drive for them either. They’ve paid off their house, they don’t have any debt and now they just rock up for work every day. The fire in the belly has gone; there is no real need to make a super income anymore.*

It was indicated that many of the small business owners did not understand how their business was being perceived and that consumer culture and attitude had changed. It was mentioned that business owners often believe that “they’re still in business so they must be doing it right” and that “they need to be aware of how outsiders see their firm”. It appears that there is a need to improve selling skills and customer focus, as evidenced by the comment:

*They spend money to get the customer into the shop and then they lose them by not giving them the attention they expect. They are friendly, but they don’t have sufficient selling skills. They spend so much on advertising but they are willing to let the customer walk out the door without trying to sell them something.*

Furthermore, the retail sector does not seem to work together: “They don’t make alliances, everyone is a competitor”. However, the WEDB aims to change this through interventions and the activities in which they involve businesses. For example, the ‘secret shopper’ research it conducted on benchmarking customer service. One hundred retailers attended a seminar provided by the WEDB to find out if they were included in the ‘secret shopper’ survey and what the customer feedback was in relation to their business. This was a unique situation, given that they were traditionally competitors. Following the research, the businesses were made aware through workshops that setting up alliances with other businesses could be a good way of doing business and that a business must be true to the cause of the customer. Here they learned the new ‘language’ of modern business. The message the WEDB aims to get across to small business

owners is “the fact that you’ve been in business for twenty years does not mean that you’re a successful business person, it just means that you’ve been in business for twenty years! It does not even mean that you’ve been good at it – it might just be due to a lack of competition”. The WEDB therefore tries to build a sense of community amongst the businesses, as they are more likely to increase their chance of attracting a regional market if they are seen as a cohesive retail community, rather than as competitors. Consultants were also hired to inform individual businesses of how to set up alliances (e.g. the car tyre business could set up an alliance with the coffee shop and hand out vouchers for customers to have coffee while waiting for their car tyres to be fitted).

#### **4.2 The Future of Doing Business in Whyalla**

According to the Mayor, Whyalla is the mining services hub of regional South Australia. Given the geographic proximity of Whyalla to mining ventures in the northern and western parts of the State, the Mayor believes that Whyalla is well positioned to grow the city’s population through the establishment of new entities that will service the sector, bringing new jobs and investment into the community. He stated that, with population growth and the future expansion of Whyalla there are the perfect opportunities for people that have had good small business training and who will seek assistance from relevant agencies to be able to present a business plan. He added: “there are opportunities that are fast approaching us which will no doubt have a positive impact on the city; there are many opportunities and is it happening so quickly” (2008, pers. comm. 20 February). This opinion is supported by the Chief Executive Officer of the WEDB who had previously reported that “growth in the mineral resources sector has significant potential flow-on benefits including opportunities for fly-in fly-out and drive-in drive-out from Whyalla with employees and their families basing themselves in Whyalla as a result of the city’s first class lifestyle, education, health, shopping and other facilities” (WEDB, 2006: 12). According to the representative of the WEDB, the mining boom and Olympic Dam project could either ‘make’ the Whyalla region prosper if people can focus on the opportunities, or it could ‘break’ the region and ‘suck up’ all its tradespeople.

#### **4.3 Challenges and risks**

The main themes emerging from the interviews in relation to the perceived challenges and threats reported by the business owner/managers were identified as: attracting and retaining capable employees; competition from large businesses; attracting more customers; the unique characteristics of customers in Whyalla; keeping up-to-date with new products and business methods; maintaining adequate cash flow; the location of the store; long hours of work; and occupational health and safety concerns.

##### *4.3.1 Attracting and retaining capable employees*

Attracting and retaining capable employees was identified as a major challenge by six small business managers. The reasons varied from people leaving to join the mining industry to the fact that there were not enough



tradespeople in Whyalla due to its ageing population. The manager of a service firm indicated that their business was “only as good as” their tradespeople; that these specific people were “all aging” and difficult to acquire; and that there were no people currently studying through the TAFE system in this field. Furthermore, the methods of doing business were changing and the tradespeople had generally “gone through the old school” and were not familiar with modern trends and techniques. Another business manager also spoke of the ageing population. He was of the opinion that we underutilise our more senior people who he believed would be happy to pass on their experience “with a view of getting some form of financial benefit from it”, adding also that “there is a personal satisfaction as well, which is vitally important”.

A specialist service business owner identified personnel as an obvious challenge and commented: “Qualifications and continuity would be the biggest factor for me”. He explained that his business offers a job that doesn’t suit a lot of people, adding: “when you get a good operator with these specific skills you like to hang on to them but because they usually have a lot of ability, their services are sought by other companies”. Having staff who were “locals with families” was the “single biggest plus factor” in maintaining their employment. Some of the younger people that he employed stayed for only a short term “because if they are any good they can pretty well go anywhere they want to and they do”.

Business managers also identified the acquisition of “appropriate and suitable staff”, particularly those with the ‘soft skills’ as one of their greatest challenges. Remuneration against other industries was also an issue as the small businesses did not have the capacity to pay as much as larger companies. One manager commented:

*It is a big issue because we are not in a position to pay, you know, 70, 80, 90,000 dollars a year. Remuneration is a challenge as businesses compete to keep good long term employees financially satisfied, so they’re not tempted to move and earn the money out at the mines.*

#### 4.3.2 *Competition from large businesses*

Competition from larger businesses was also identified as a big challenge (the biggest challenge in many instances). Some of the comments received were:

*It’s a risk for my business because Adelaide businesses are big and they have got about three or four stores and they know the opportunities that are coming into this town.*

*The challenge is keeping up with the multi nationals that will come in. It’s a well known fact that multi nationals and franchises are going to all the regions; especially with the mining boom, they’re just following.*

*Well, obviously other companies will see the opportunity to come to town and rape and pillage, so to speak, so the locals need to be prepared to provide that service to retain that business and not let it walk out of town.*

It was believed that the City Council, when classifying a building as a heritage site, was not helping small businesses compete against new larger businesses, threatening their sustainability. This was considered to be detrimental to existing firms as the small business “can’t expand and knock it down”, whereas the larger businesses “come in on new land and they’ll have a clear run”.

Already traders located in the older, eastern part of Whyalla, known as the City Plaza, were suffering due to the competition from the large Westland Shopping Centre. The Mayor noted that: “there are a lot of vacant shops in the main street now and I guess that’s mainly because of the huge retail growth in the western part of the city”. On the positive side he commented: “But things are turning around now with more confidence and the future population growth within Whyalla so, there are not as many vacant shops in the City Plaza area now”. His advice to the City Plaza traders has always been not to try and compete with the major retailers, but “to come up with something that’s unique in its own right where people need to come to your shop; if businesses offer the correct products at the right prices, the customers will choose to spend their money there” (2008, pers. comm. 20 February).

In the clothing sector it seems that “the biggest challenge of all is to keep ahead of the game, because there are so many big retailers out there who are dominating the market”. Another clothing retailer agreed that people prefer to go to the larger retailers (like Target and Harris Scarfe) to find what they need and added: “I’m always the third one on the list”. The manager of another business that sells clothing agreed that the larger retailers can get a lot different products at good prices: “We can’t compete with Target. We find that difficult because they buy so much in volume and then they’re a lot cheaper”. Freight charges were also an issue: “being in Whyalla and like country areas we get hit with freight where the cities don’t so therefore the competition there is they haven’t got freight charges on top of their goods either so that’s a hard one”. Another risk for small businesses is that the larger companies poach their staff (“they come in and they have no staff”) and small businesses therefore have to pay more money to hold their staff.

#### 4.3.3 *Attracting more customers*

A number of managers indicated that they find getting enough customers into the store challenging. More customers would mean that “money wouldn’t be an issue and the number of staff wouldn’t be and nothing else would be an issue”. It also seems to be a challenge to meet customers’ needs “because in this day and age they just vary so much and people have very high expectations”. The manager of a local clothing store described one of the biggest challenges as “a mental one, which is about educating people to shop locally”. The owner stated that “it is tough times for business this year” and that the ‘boom’ is only happening in the mining industry and its associated businesses. According to her, contractors come into the city and take their money back to their families in other cities and states.

#### *4.3.4 Characteristics of the customer in Whyalla*

Some business owners referred to the unique characteristics of Whyalla customers due to the isolation of the city. One commented: "I've heard stories of older people who haven't even been to the other side of this town, you know, who live up this end and they just do their little bits and they've never ever been to Westlands". This owner believed that "if more people came into Whyalla and locals mingled with more people from outside, it might help open up a lot of closed-mindedness".

Customers in Whyalla were also seen to be price sensitive. One manager said "there's a high percentage of families that have always lived out of that type of Target shopping; they go for cheap not for quality", though she added that it is turning around as "younger people now in their 20's and in their 30's look more for quality". Only one manager disagreed, saying it was not true that "people buy cheaper stuff in the country". According to him people in Whyalla are willing to pay high prices because they recognised the fact that one has to pay more to buy something of quality.

#### *4.3.5 Business and product knowledge of owner/manager*

Several managers referred to service and product knowledge as being challenges. The owner of a new business believed that keeping up with trends and constantly identifying what people want and then trying to find it, was difficult. The manager of a technology-focused business indicated that "learning more about the industry in the town" was his biggest challenge. A clothing retailer identified her biggest challenge as "never having owned a business before" and "learning how to fit the product".

Time management and having a strategic outlook were also mentioned as challenges: "You would really like to be able to make comprehensive lists of the direction you're going to take, the different things you want to do, but the day-to-day running of things just takes over, and so those sorts of things just don't happen no matter what good intentions you have and what you want to do, there just isn't any more time and so things like that fall by the wayside". Another manager pointed out that small businesses should not to become complacent because "there's only three businesses of this type in the town and the money is still coming in". He emphasised that "you still have to stick to your marketing and your customer service". The manager of a specialist shop mentioned that one of the greatest challenges for the business was marketing - "getting people to know you're there". For another owner, getting the contacts and building up a list of suppliers was really difficult. Others were challenged by the fact that they had minimum purchase levels imposed upon them and needed to wait until they had sufficient orders before being able to buy from some suppliers.

#### *4.3.6 Finances*

Cash flow was also a challenge for some small business managers. The owner of a new business commented that: "when one starts a business most of the money goes into the business so one has very limited funds until you've got a very well established business to draw out nice wages for yourself and your

family". They had been operating for three years and struggled with "the ups and downs of a business financially". It appears that people in Whyalla are now spending less on luxury items and more on housing and household goods. The manager of a business selling such non-essential items reported: "everybody's building houses and most of the stores are finding spending is down because people are spending on building their house and furnishing it". A motor dealer referred to the negative vibes around high interest rates, but believed "the mining boom will probably offset that".

#### 4.3.7 *Location of the business*

Two business managers indicated that the location of their business within Whyalla presented a challenge. Many businesses at the east end of the town consider that the City Council directs a lot of money towards the geographic centre of the city, namely the Westland Shopping Centre area; the biggest risk for them was "a whole Westlands centric mentality in Whyalla". One manager commented: "we battle against everybody, not just with the population as a whole or shoppers, but we battle with our Council". It was believed that the Whyalla customers should be educated about the fact that there is more than one shopping precinct in Whyalla.

#### 4.3.8 *Long hours*

Trying to cope with the long hours of work was another major challenge for business owners. One owner reported: "I'm doing between 80 and 90 hours a week now and always have had since the beginning". This was partly due to not being able to afford more staff: "if you had the money for more staff then that wouldn't be an issue". The owner added: "some days you just feel like you're going to fall over". It is therefore also a risk if the manager's health suffers because of the long hours. Another manager referred to the impact on family adding: "Family, kids, my kids, no time for your children, we work long hours".

#### 4.3.9 *Legislation*

The manager of a very specialised type of business indicated that their industry had special challenges from an occupational health and safety perspective. This business often uses dangerous equipment in a unique environment where they can't afford to make mistakes. This added special considerations that are "an ongoing and difficult challenge to manage because the environment and the jobs are so variable that it's impossible to come up with a structure that covers every eventuality".

### **4.4 Opportunities for businesses in Whyalla**

The themes that emerged when analysing the data in relation to the owner/manager's perceived opportunities for their business as a result of the 'mining boom' were far less. The two main categories of 'opportunities' were the increasing population in Whyalla and increased tourism.

#### *4.4.1 Whyalla's increasing population*

Eight of the respondents referred to the increase in numbers of people moving to Whyalla as an opportunity for their business. This increase in population was attributed to the opportunities presenting in the mining area. Some of the comments received were:

*I think it's growth in population and more small industries, you know, to support the mining factor, I mean it's all going to revolve around the mining industry isn't it?*

*You get more demand for your products and the more profit you make the bigger and the better business you could make.*

*More people in Whyalla will make it better for everyone.*

One manager commented that “we’re hoping by the year 2022 that we will have it (the population level) back to around 30-35 000 people”.

#### *4.4.2 Tourism*

Another manager believed that tourism provided opportunity, especially as their business was located on a main thoroughfare. A number of respondents thought that Whyalla specifically offered opportunities not found in other parts of the country. One manager said that “South Australia has improved and Whyalla has improved”. They mentioned new premises being established, a lot more accommodation being built, and the upgrade of the foreshore area. Another manager commented: “Even just the last few weeks as I look around I can see new buildings going up ... every time I turn around there’s something new, which is great.” The name itself – ‘Whyalla’ - was also perceived to create an opportunity for all businesses. One owner added: “I will become more known once I’m online on the web; you know, I might be easier to find just because people recognise the name Whyalla”.

#### *4.4.3 New business opportunities*

The new deep water port exports (due to OneSteel’s Project Magnet) in the Whyalla area opened up new opportunities for one business. This was the only business that seemed to have directly benefited from new industrial opportunities.

### **4.5 Steps taken to combat threats and make the most of opportunities**

When the steps identified by the respondents as those taken to protect their business, overcome risks, and take advantage of opportunities were analysed, the following themes emerged: improving customer service; modernising the business and keeping up-to-date with trends in the industry; employing capable staff and treating them well; diversifying product lines; and pricing competitively.

#### *4.5.1 Improved Customer service*

The majority of managers mentioned the importance of good customer

service and after sales service as a means of overcoming the threats and challenges. Their comments included:

*Customer service goes a long way in getting people back into your shop and some people don't mind paying a few dollars more if they're getting the service that they want. We in this business go out of our way to help the customer and to treat a client in a personal way - if they've got any problems we're always be out there to help them. The customers know we are honest.*

*We give good after sales service. In Whyalla many people work 12 hour shifts they would open the shop after hours for the customer, so the husband/partner has a chance to look at the product and select as well.*

*We train our employees to be friendly to people, asking what people want. If we do have a query or a question or a suggestion we always take it on board.* Many were of the opinion that larger retail shops do not give the same quality service as a small business, and that this gave them an advantage.

#### 4.5.2 *Keeping up to date with products and the business*

Several business managers reported that they aimed to protect their business by keeping up-to-date with products and the nature of the retail sector in general. Modernising the business was another strategy undertaken to overcome the challenges, with one manager commenting:

*Old businesses tend to have old problems. We're trying to streamline everything; right now we're getting rid of dead stock that's been accumulating for 38 years, we're trying to get our staff right up with modern trends and educate them, and ... trying to give the best service in the town.*

Two managers referred to the fact that they benchmarked with shops located in Adelaide. One manager often travels to the capital city to "look at what's going on there and bring the information back to Whyalla". Another manager, who was planning a shop upgrade, spoke of "going to the shopping centres in Adelaide, and just having a nosey around to seek new ideas".

#### 4.5.3 *Capable employees*

Many businesses were already employing apprentices and qualified tradespeople in preparation for future expansion as a result of the 'boom'. It was also reported that an important step in protecting the business against challenges and risks was to maintain a "happy workplace". One manager commented that:

*We're also employing extra sales staff now so they're trained up and ready for the extra inquiry when it comes. The other thing that I think is very important, and we're doing, is creating a friendly working environment to provide a quality of life because it's not always just about money. We're actually building a new shop in new bigger premises, so we're investing in a new facility. Again, we need to have room for those extra staff and we try to get ready before it happens.*

Another manager said he is "proactive all of the time with the personnel requirements". He maintains a register of qualified people who talk to him about

opportunities in the industry and encourages those who he thinks could offer something to his business.

The provision of competitive salaries and monetary incentives were also used as a means to overcome the challenges of finding suitable employees. One manager adding:

*We pay sales bonuses on top of salaries as an incentive and we also look to train our staff wherever we can e.g. take them away to events like the expo and introduce them to our distributors and new products, etc.*

#### 4.5.4 *Diversify*

Four businesses mentioned that they diversified their products as a step undertaken to protect their business. Some managers referred to “picking up sidelines to help to get the people in” and “cunning business practices” to overcome the challenges. This included selling different types of products and providing services that were not part of their core business to lure more customers into their store. Another business has started importing product from overseas and wholesaling it to other stores. Some of the comments received were:

*We’re expanding on the different lines that we do, try and make it a little bit more diverse, something you know will bring in a large range of people.*

*Over the last four to five years, increasing the choice to customers has actually given us a better position.*

#### 4.5.5 *Good prices*

One business manager referred to good prices as a basis for dealing with challenges, saying: “Basically we just try to keep the costs down as low as what we can but obviously we have to make money - that’s what we’re here for.” They therefore try not to overprice things. One manager mentioned the importance of very good suppliers and backup. Another manager emphasised the importance of careful costing:

*It really is a fundamental part of operations (that) you get that cost base mix right; you’ve got to earn enough money to meet the new requirements in business, keep capital equipment and maintenance up-to-date, safety requirements up-to-date, and payment for the employees, but not charge so much that the contractors look elsewhere.*

## 5. DISCUSSIONS AND CONCLUSIONS

The city of Whyalla is well placed to capitalise on the opportunities that are expected to flow from the proposed mine expansion at Olympic Dam and the development and operation of new mineral projects in the region. Local businesses should also gain from the growth in Whyalla as a city. However, the findings of this research indicate that many small businesses in Whyalla are facing challenges despite the so-called ‘boom’ in the mining industry. While some businesses see an improvement and benefits (mostly those firms related to the mining industry in some way) others are experiencing problems as they train

their employees and then lose them to the mining industry because they are unable to compete with the high level of wages being offered. The ability to attract capable employees and then adequately remunerate them to retain their services was identified as a major challenge. It is suggested also that the potential of many firms is being limited by a current skills shortage which is expected to only worsen as it is predicted 14 000 additional jobs related to the mining industry will be created by 2015 (The Advertiser, 2008c). Competition from large multi-national businesses, attracted by the city's growth, was also seen to be a threat by the existing small businesses. Some retailers believe the 'boom' is not being reflected in their sector: "Where is the boom?" one retailer asked, "Big companies and multi-nationals are reaping the rewards ... multi-national retail stores are the ones getting bigger and slowly taking over. Eventually we won't have any small business left" (Whyalla News, 2008b). Other challenges included keeping up-to-date with new products and trends in the industry; identifying what people want and meeting their expectations; and adequately marketing the business. Attracting more customers into the store was an important issue. For some businesses the location of their store away from the main shopping precinct presented challenges to attracting custom. Often insufficient cash flow and the inability to employ additional staff resulted in long hours of work with a negative impact on health and family. Many businesses lacked the resources, broad experience, and time required to make changes and try new ways of doing business.

The main areas of opportunity were perceived to be the population growth in the city and establishment of new enterprises as a result of the regional mining activity, bringing new jobs and investment. However, while it was anticipated that these opportunities would provide the potential to attract additional tourists and an increased customer base, it appears that the businesses in the retail sector need to work together to encourage people to shop locally.

The provision of quality, personal, service to customers was seen to be an important factor in overcoming the risks and challenges facing the small businesses. Being friendly, listening to the customer, and giving good after-sales back-up, were believed to give a competitive edge, encouraging customers to return to the store even if prices were a little higher. However, careful selection of suppliers and attention to not over pricing goods were also important. Other steps being undertaken by the firms to combat threats and prepare for opportunities, were to employ capable staff and develop a pleasant work environment in recognition that enjoyment at work and 'quality of life' were sometimes more important to employees than the level of monetary reward. The payment of bonuses and the provision of training were also used as incentives to retain staff. The owner/managers were also taking steps to keep abreast of new products and changes in the industry. They benchmarked their store against similar ones in the capital city and upgraded and modernised their premises. Diversification, including the provision of products and services beyond core business, was another protection measure.

There remains, however, the question of whether the business practices of small business owners/managers will be sophisticated enough to benefit from the



opportunities - and for those who have been in business for a long time and have little debt, even if they have the motivation. It is suggested that some business managers lack real business skills and future orientation and are not constantly thinking about improvement and progress. Here is where bodies such the economic development board can play an important supportive role in encouraging and developing the business acumen of these business owners/managers to improve the situation of small businesses, and address the skills shortage, in the Whyalla region.

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