

Evaluating Business Retention and Expansion as a Tool for Regional Development

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Abstract

Australia's economic and political policy settings have changed to align with a global market economy. These changes have impacted heavily on the businesses sector and in particular on Australia's regional business and regional economies. In order to assist regional commercial sectors operate more effectively in this environment, a program called Business Retention and Expansion was developed. The Business Retention and Expansion (BR&E) program was specifically designed to assist the commercial sector of regional communities to work more effectively together through improved connectivity, alliances and partnerships. The outcome is to develop a business operating environment at a regional scale that is more competitive in this new global environment.

This paper outlines the findings of a pilot study evaluating the effectiveness of the BR&E program conducted in the Innisfail region of Queensland, Australia. The Innisfail BR&E Program was designed to investigate the impact of using an action learning approach to develop ownership and leadership within this Queensland community. The project focussed on strong local knowledge and involvement and community interaction, underpinned by expertise from the University Sector and the Queensland Government.

Introduction

There are more than half a million businesses currently operating in regional Australia: they are its wealth creators and job providers. These locally based businesses provide the strength and growth for regional communities. They also form the foundation of the national economic diversity fundamental to ensuring robust growth in the good times and to guard our standard of living when the economy spirals downward (Keniry et al., n.d.). Vibrant communities that are internationally competitive and sustainable in today's changing markets are essential for Australia's future prosperity. However globalisation, government policy, technological change and climatic variations produce ripple effects that impact on regional economies and even the smallest rural town (Keniry et al. n.d.; Cocklin and Alston, 2001; Gray and Lawrence 2001).

In the last decade, patterns of social and economic wellbeing have varied across regions. While some areas of rural Australia have experienced difficulty, others have thrived (Cocklin and Alston, 2003; Sorensen, 1999-2000; Plowman et al., 2003). Additionally, one of the paradoxes of globalisation is that regions and localities have emerged as key spatial units of economic activity and innovation with their performance impacting on the national economy (Keniry et al. n.d.; Speers, 2003). The impacts of globalisation are generally viewed from a national perspective, however it is at the regional scale that its effects are most keenly felt. The weight of change forced by globalisation will register most strongly in rural and regional Australia. Metropolitan communities suffer from the same adjustment forces but outside urban centres employment choices are more limited and therefore the consequence of structural change is larger and the impact more visible (Speers, 2003).

Within this environment of flux, the extent to which regional communities can influence their own economic destiny without strategic government support and resourcing has been debated (Eversole, 2003; Cavaye et al/ 2002; Gray and Lawrence, 2001; Cocklin and Alston 2003), however the precept of all modern community economic development practice national and international, is that communities do have some capacity to influence local job creation, income and infrastructure, better manage change and improve both their economic and social environment (REC 2002). This hypothesis is supported by numerous Australian and international community success stories in the literature (Plowman et al., 2003; Paton, 2006; Woodhouse and Janssen-May 2004) and on countless websites (DSDTI, 2005; ISU, 2006; Moss, 2004; Jobs Now, 2004; Flaming, 2004), including those noted.

For twenty years Jacobs (1985) has reminded us that current vibrant and successful cities were all once relatively backward supply regions, commenting

Development is a do- it- yourself process; for any economy it is either do it yourself or don't develop. All of today's highly developed economies were backward at any one time, yet transcended that condition (Jacobs, 1984, p.140, cited RBDA n.d.).

Porter (1990, cited RBDA n.d.) value adds to this point with his theory that competitive advantage is not bestowed on communities but developed through

regionally bound network relationships between businesses, suppliers, customers, competitors and government and other institutional organisations.

For those wishing to influence the economic health of communities and regions where ever they are located, the question must be: “What are the characteristics and qualities of communities that demonstrate an ability to develop their own relative economic status?” Schaffer (1990) suggests that operating in their area of influence on economic viability, communities must gain an understanding of how small open economies change over time and develop a capacity for leadership, social cohesion and decision-making capacity. He also indicates that economically viable communities must have the ability to notice and respond to changing socioeconomic circumstances.

In a climate where globalisation offers communities access to world wide markets whilst at the same time making their own locality and industries vulnerable to exploitation from firms outside their region (Jansen and West, n.d.) the long term survival of regional businesses depends in part, on the key factors identified by Schaffer (1990), Porter (1990) and Jacobs (1984). It is a knowledge and understanding of their own local business environment, and an ability to operate more effectively through improved local leadership, connectivity, alliances and partnerships, that best positions regional business to operate competitively in this new global milieu.

The internationally used Business Retention and Expansion (BR&E) Visitation Program, incorporates these elements and is a tool specifically designed to improve viability and growth in regionally based businesses. The BR&E project conducted in Innisfail was designed to:

- (a) evaluate the effectiveness of the methodology in improving a regional economic environment and the capacity for transferring best practice BR&E to other communities, and
- (b) assess the merits and effectiveness of strategic outside interventions using action learning methodology to cultivate leadership and ownership and develop economic growth within a community.

In this paper, the literature, the extensive community development experience of the Project Manager and input from the evaluation process and key stakeholders is drawn upon to employ a SWOT analysis (strengths, weaknesses, opportunities, threats) to appraise the process of the Innisfail project. A qualitative approach was deemed appropriate as the research could not be limited to what was able to be measured.

The study determined that the BR&E program provides communities and government with an effective economic development model that enhances a locality’s economic environment, positions it well to deal with change and strengthen its social fabric.

The Innisfail BR&E Visitation Project in Context

In response to the Queensland Government’s commitment to assist communities affected by dairy deregulation, the Department of State Development, Trade and Innovation (DSDTI) funded two BR&E projects in the communities of Malanda and Crows Nest/Goombungee in 2002.

The Innisfail BR&E Program was also an initiative of the Queensland Government through DSDTI, this time conducted in partnership with the Institute for Sustainable Regional Development (ISRDI) - Central Queensland University (CQU), the Johnstone Shire Council and the Innisfail Chamber of Industry, Commerce and Tourism Inc. It aimed to extend and value add to the approaches previously used by the DSDTI, through strengthening its partnership approach and bringing in an external organisation to provide support and guidance for the local community. The project manager was an ISRDI staff member who provided oversight and direction for the locally based Innisfail coordinator.

The Innisfail program was undertaken between July 2005 and February 2006. Innisfail is the largest town in the Johnstone Shire. The Shire has previously been reliant on the agricultural sector, predominantly sugar and bananas. And even prior to the devastating cyclone of March 2006, the Johnstone Shire Council and the business community of Innisfail sought new opportunities for the Shire.

The Johnstone Shire Council has developed a regional strategic plan (completed in December 2005) and it was considered that the BR&E project would complement these strategic planning activities. The business community welcomed the BR&E initiative to assist in its endeavours to broaden its economic base and to establish Innisfail as a major service centre in the region.

BR&E objectives of the Innisfail project were: local employment growth; maximising business efficiency and competitiveness; growing existing businesses and identifying incentives and opportunities for new ventures; identifying the concerns of existing businesses and providing an immediate response; encouraging and supporting the community to establish and implement strategic action plans for economic development; and assisting the community to establish a broad based coalition to sustain long term economic development efforts.

Background

The BR&E Visitation Program is a well recognised community economic development technique used effectively worldwide. BR&E is one approach that can and will create change at the business and community level (Flaming, n.d.) It is a community sponsored approach that incorporates the formation of a local Taskforce and the use of a structured interview process conducted by local volunteers to ascertain the issues, needs and perceptions of existing local businesses. The information obtained provides the basis for actions to address immediate business issues and enables the development and implementation of community economic development action plans.

The Innisfail BR&E Program was designed to investigate the impact of using an action learning approach to develop ownership and leadership within the Queensland community of Innisfail. The project focussed on strong local knowledge and involvement and community interaction, underpinned by expertise from the University Sector and the Queensland Government. It had two facets:

1. the successful implementation of a BR&E Program in Innisfail, and
2. utilising this experience to refine the roll out of BR&E to best suit Queensland needs, and to develop generic handbooks and support material

that would engender the maximum self reliance for other communities wishing to employ the program in their area.

Appraisal of Innisfail BR&E

Using the familiar SWOT analysis technique, the authors explore the strengths and weaknesses, opportunities and threats of the Innisfail BR&E experience and then discuss the advantages and potential of the Business Retention and Expansion model of economic development.

Strengths of Innisfail BR&E

Committed and Skilled Coordinator.

Collitis (2000, cited Kenyon *et al.*, 2001; Schaffer, 1990) indicates that local leadership and knowing the local economy are two key elements in rural community renewal. Every BR&E Coordinator requires a high level of people skills; experience and local knowledge and a demonstrated commitment to the process. Fortunately the documented success of Queensland BR&E programs indicates that such people can be found even in small communities (Paton 2006; Malanda Report 2002; Woodhouse and Jansen-May, 2004). For example, the Innisfail project coordinator was a highly qualified and experienced 4th generation Innisfail local with community and business credibility and extensive networks.

Good local Taskforce –diverse, skilled and committed.

The Innisfail Taskforce consisted of a diverse group of committed people with a high level of leadership skills and knowledge of the local economy. The encouragement of diversity in every dimension is essential to a community's social and economic viability (Plowman *et al.*, 2003). Diversity is also acknowledged as an essential trait of a healthy community (Adams cited Kenyon, n.d. (b)). The value of diversity is further noted by the REC (n.d.) and by Littrell (n.d.) who suggest that a multiplicity of perspectives offers a better potential of achieving a sound outcome than listening to just one or two view points.

Good local partnerships

The Innisfail BR&E program brought people and organisations together. Once together they developed a synergy, rather than just working cooperatively. The prime focus of all those involved in the process was improving the economic environment of their community. The Aspen Institute (1996, cited Kenyon, n.d. (a)) suggests that when community organisations come together to consider and plan the future, this provides a strategic community agenda and is an indication that the community's capacity to address its own issues has been enhanced.

Innisfail had an identified need for the BR&E Program

Following the successful Malanda BR&E Program conducted by the Department of State Development (DSD) in 2002-03, the Innisfail Chamber of Commerce identified the potential for a similar program to enhance the business environment of its own community. This need was clearly articulated by members of the Chamber, to all relevant people and organisations of influence. A development principal well noted in

the literature is that any process focused on reinvigorating a community must recognise that the existing concerns and situations of people involved are the only possible starting point (Cavaye 2000 (b); Littrell n.d.; Ife 1995).

A focus on strengths of the community

In traditional BR&E Visitation Programs, 'Red Flag' (crisis) issues are a prime focus of attention. This approach works well where an area is experiencing crisis, however in a community limited largely by a lack of information and/or an accumulation of small impediments, this focus may draw attention away from that community's existing strengths. Whilst Innisfail is working to develop strategies and actions that address business concerns, it also decided to recognise, value and work to enhance the positive elements, such as the diversity of businesses, in its economic environment.

John McKnight and John Kretzman (cited Kenyon, 1999) note that "Communities have never been built upon their deficiencies. Building Communities has always depended upon mobilizing the capacities and assets of people and place". This must be borne in mind even when utilising the BR&E process.

Positive attitudes generated by the interaction between community and business

Feedback from Innisfail evaluations indicates that the interaction between the Coordinator and selected businesses was very constructive (Paton 2006). The media coverage and promotion of local businesses was also identified as being extremely positive. Most importantly, the interaction between participating businesses and the volunteer interviewers was identified as being extremely constructive. Volunteer Interviewers responding to the evaluation process were affirmative about their experience with BR&E and their dealings with the businesses. The local media proactively supported the project and the local radio station contributed advertising as in-kind support.

The Centre for Small Town Development, Kalamunda (Western Australia) suggests that two of the precursors to creating and maintaining a vibrant community include a positive community mindset and a positive local newspaper (Kenyon 1997 cited Kenyon n.d. (b)).

Community and Organisational Empowerment

Another forerunner to community viability identified by the Kalamunda group is a community based focal point and organisation responsible for facilitation, coordination and management of local economic development (Kenyon 1997 cited Kenyon n.d. (b)).

The Chair of the Innisfail Chamber of Commerce stated at a public forum that partnering with well recognised and credible organisations such as ISRD, DSDTI and the Johnstone Shire had greatly increased the credibility, capacity and profile of his organisation and ideally positioned it in the community, to work in partnership with others to drive economic development in Innisfail.

Alignment of the Innisfail BR&E with the Johnstone Shire Economic Plan

One of the reasons that Innisfail was selected as the area for the BR&E externally provided pilot study was the perception by the DSDTI staff in Cairns that the BR&E Program and the Johnstone Shire Economic Plan complemented each other. This proved true, even though the Economic Study was completed before the BR&E began. Washington State Business Development (2003) found that BR&E is a cost effective and flexible tool for economic development that can provide “the cornerstone of your economic development effort”.

In Innisfail, local practice also showed that BR&E can make a major contribution to providing the necessary ownership and action required to move an Economic Plan towards effective implementation.

Weaknesses of Innisfail BR&E

Problems with the timing

It should be noted that several Innisfail people involved with the project believed that it had come too late to achieve its maximum potential. The community was in crisis 5-7 years ago and began requesting support for a BR&E process several years ago. At the time of the project, due to a multiplicity of factors the local socio-economic environment was improving, thus, there is less incentive for people to proactively engage in a BR&E process. The literature (Schaffer, 1990; Kenyon *et al.*, 2001) suggests that a healthy level of dissatisfaction with the current state of affairs is a necessary factor if communities wish to reinvigorate their economy. Whilst people in Innisfail have displayed a high level of commitment to the BR&E process, community feedback indicated that the peak period of community discontent had dissipated as the local economy improved (Paton 2006). The issue had lost momentum. Ife (1995) suggests that it is imperative that community be able to determine the pace of developmental processes in their area, however unexpected time problems at the beginning of the Innisfail program placed unintended pressure on the community to meet the project milestones. Future projects need to be better synchronised to meet economic needs.

Initial inaccurate estimates of the number of local businesses to be surveyed

Washington Business Development (2003) suggests that one of the important criteria for starting a BR&E Program is a complete inventory of local businesses. There was no comprehensive Innisfail business database established at the start of the Innisfail project. This lack of information led to an overestimation of the businesses operating in the area, generating unnecessary concern for the Taskforce relating to its capacity to engage enough volunteer interviewers within the project timeframe.

The Innisfail Taskforce compiled a single database from a variety of sources, identifying 700+ relevant businesses, much fewer than the 2000 originally estimated. This dramatically lowered the number of surveys that needed to be conducted to give a valid sample. Establishment of an accurate and relevant local business database should be a priority for all future BR&E projects.

Problems in getting sufficient numbers of Volunteer Interviewers

As previously noted, the limited broader community awareness of the Innisfail BR&E process arising from problems with the timeframe was perceived to have had a flow on effect, impeding the engagement of volunteers. In future projects, in principal support from volunteers should be sought as soon as early as possible in the process.

Opportunities

Mentoring community

Cavaye *et al.* (2002) note the value of an ‘outside expert’ in community development processes and further add that “Many groups grow, plateau and then decline. In such cases, strategic iterative approaches from outside the community may also acknowledge and applaud effort, extend skills, refocus and re-energise the group, and to heighten the benchmarks.” (Cavaye *et al.* 2002, p.21).

Bringing in an ‘outside’ project manager for the BR&E process provides the opportunity to generate both reflective and experiential learning within the Taskforce group and additionally provides the opportunity for some less intensive but supportive mentoring of the implementation groups, once the program has formally finished.

Improving the survey questionnaire

The format of the survey questionnaire used in Innisfail has been further developed and refined. The Innisfail survey intermixed questions relevant to only that community with standard questions that could be asked in any area. During the analysis phase it became apparent that local questions would be best located in a block at the end of all the other questions. There had also been scope for ambiguous answers, arising from the actual wording of the questions.

Build recognition of existing community strengths

The traditional BR&E Program places a high value on its crisis or ‘Red Flag’ issues. This approach may work well in many areas, however experience in Innisfail indicates that there is opportunity for supporting communities to recognise, value and build on their strengths and assets. This is particularly important for communities that undertake BR&E to further grow an economy that is already reasonably sound.

Threats

Power of personality

Vandeberg *et al.* (1994, cited Paton, n.d.) suggest that shared or dispersed leadership is a requirement for effective organisational and community interaction. Yet, there is the potential in small communities for one person to become the prime driver of BR&E and to be identified with the program. For BR&E to be successful and truly locally owned, it must be recognised as a collaborative community owned approach. Whilst the local Coordinator will become ‘the face of the program’, they must at all times be inclusive of others: promoting Taskforce members and volunteers, sharing responsibility and encouraging ongoing active involvement of others in the BR&E process.

Unreal expectations

Savage (1993) in his Renegotiation Map developed to assist with resolving conflict in church congregations in America indicates that unmet expectations have the capacity to generate discontent. At all times, those working to involve communities in BR&E must be open and honest about the potential for communities to access funding, and the opportunities arising from involvement in the program. Communities must be given the understanding that the outcome of the program will be dependant on their own input. BR&E is not a soft option; it is enjoyable for all those involved but it also takes commitment and work.

Discussion

In a rapidly changing environment, communities and governments seek to develop and promote adaptive strategies that will help their economies and communities thrive. This has led to the recognition and growth of a variety of approaches that support communities to address their own needs. Models such as the BR&E Program offer an already tested 'off the shelf' process to follow but provide scope for local adaptation.

While there are an enormous variety of economic development models available, they are generally classified into six group types. Each grouping consists of models that use roughly similar approaches. The most widely recognised groupings are (REC 2002):

1. *Strategic Planning Models* that utilise community analysis, visioning and goal setting, strategy development and monitoring;
2. *Community Capacity Building Models* acknowledge that economic development is a multifaceted process that requires leadership development, networking and skill building to develop appropriate strategies for business development;
3. *Economic Strategy Models* that focus on building economy by attracting new employers and enhancing the efficiencies of existing businesses;
4. *Asset Based Models* support communities in enhancing their social, economic and human assets. They assist people, and recognise and redefine their community assets and develop linkages between them;
5. *Enterprise Facilitation Models*, initiated by Ernesto Sirolli, depend on a facilitator to help local people develop business opportunities. A community board works with the facilitator who locates resources for clients who want to begin a new business or enhance an existing one; and
6. *Systems Models* recognise communities as interacting networks that derive economic and community development from improving the function of the whole 'system' of interaction.

The BR&E process is not easily categorised, incorporating both Community Capacity Building and Economic Strategy approaches.

Carroll and Stanfield (2001) suggest that long term community viability is dependent on incorporating new economic activity into the existing economic base without damaging the current social infrastructure. Additionally, they note that many of the accepted approaches eventually fail because they have not acknowledged the essential value of social and commercial interrelationships as the foundation of the local

economy. BR&E provides a tool that draws the best elements from two well accepted Models and enhances the local social fabric concurrently with improving the economic environment. This permits the socio-economic structure to evolve at a pace that enables a community to retain the norms and values that define its existence.

The importance of this social and economic interrelationship is demonstrated in the Innisfail project where 86.7% of the businesses surveyed indicated that they were locally owned. Word of mouth was the most common recruitment method, followed by hiring straight from school and personal contact (Paton 2006).

Analysing the strengths, weaknesses, opportunities, threats of the Innisfail BR&E project indicates that based on that experience, the BR&E Program provides a very useful tool to mentor communities elsewhere into a healthy economic state.

Immediately prior to Cyclone Larry the Innisfail community was enthusiastically demonstrating ownership of issues and opportunities identified in the survey and moving to address them. In January 2006, five Working Action Groups were established around the themes of: Promote the Destination; Growing Stronger Businesses; Employment; Communication and Facilitating Industrial Development. Additionally, a Customer Survey Group was established, Local Champions identified and Red Flag issues actioned. Cyclone devastation slowed the momentum, however the Taskforce providing oversight for the ongoing community implementation of the BR&E Strategies and Action Plans recommenced meeting on the 30th of May 2006.

Vaughan et al. (1985, cited Schaffer, 1990, p. 78) notes:

Viable communities not only discuss and plan ways to solve local development problems, they actually implement solutions.

The key strengths identified in the Innisfail BR&E program appear to be innate to the process wherever the program is rolled out so long as the program recommendations for diversity and community ownership are followed. The strengths of the BR&E Program and its potential for successful outcomes make it a valuable tool for rural communities everywhere.

Many of the weakness identified in the Innisfail process can be attributed to the fact that the Innisfail program was a Pilot Project and a learning experience for all those involved. Additionally, there was a cascade effect connected to some of the problems, as they flowed into and contributed to each other. Yet the process, as delivered in Innisfail can be further refined to deliver a smoother role out and offer the potential for even better outcomes.

As has been noted, Innisfail requested a BR&E Program for several years, however anecdotal evidence indicates that economic crisis had already passed by the time the BR&E Program began. Completing the BR&E survey, the majority of businesses interviewed recorded that business was 'good' or 'very good' (Paton 2006). However, as has been noted a certain level of community dissatisfaction is essential in any program focused on reinvigorating a community. The level of disgruntlement in Innisfail was still high enough to deliver a successful result.

The observation from Innisfail is that BR&E Programs raise the community's appreciation of the value of local business to the community. Project evaluations indicate Volunteer Interviewers found their interaction with business were informative, talked about the non confidential aspects of the project and enhanced community knowledge about the importance of the local economy and their interaction with it (Paton 2006).

The Malanda (Malanda Report) experience with a community in crisis indicates that the greater the desire for change at the start of the project, the easier it is for communities to identify areas for improvement. However, communities where the discontent is connected to the accumulative affect of small problems may still benefit from BR&E if there is demonstrated commitment to the process. Community 'buy-in' in Innisfail was demonstrated by in-kind support from Johnstone Shire Council, the Innisfail Chamber of Commerce and the local radio station in addition to the volunteer time of the Taskforce and interviewers.

The challenges in Innisfail connected to problems with timing and engagement, highlight the importance of early publicity and community promotion and awareness in building goodwill and a positive attitude within the community, encouraging businesses to participate, and promoting Volunteer recruitment.

The development of the type of comprehensive business database compiled for Innisfail and the collection of locally relevant statistics arising from the survey provide extremely useful tools to supporting economic development in an area well after the BR&E project itself is completed.

During the Innisfail data collection and analysis process some difficulties with the way the questions were framed and grouped arose. As a consequence a more user friendly questionnaire has been developed, with a consistent frame, but adaptable enough to meet the needs of differing localities.

Care must be taken with all BR&E Programs that they don't become linked or identified with one person. No single leader can solve all of a community's problems and they can in fact cultivate elitism, highlight sectoral differences and promote the idea that the solution to community problems rest with them (Cavaye *et al.* 2002). The partnership approaches and shared decision making that are a fundamental part of BR&E and in themselves go a long way to address this concern. Although identified as a potential risk to Innisfail and future projects, evaluation forms from Innisfail indicate that in that area volunteers became engaged for appropriate reasons such as caring about their community. This bodes well for future projects but single person leadership will always have the potential to have a negative impact on the process if it is allowed to develop without being recognised. Shared and dispersed leadership should be encouraged at every phase of future BR&E Programs.

The BR&E Program presents government with opportunities to provide mentoring and support for 'can do' communities at the time of their BR&E Program and for a follow on period. Cavaye *et al.* (2002) suggest that the introduction of an 'external expert' can be a cost effective approach to providing an initial catalyst, whilst also allowing local community leadership, participation and self reliance and defusing the influence of local politics.

They note that strategic intervention from outside a community may help ameliorate to some extent the natural organic process of groups growing, 'plateauing' and declining. Strategic iterative approaches from outside the community can also continue to acknowledge effort, enhance skills, refocus and revitalise the community and ensure targets are maintained or heightened.

Further exploring the issue of ensuring genuine 'sustainable regional development' suggest that a new form of government, community and business interaction is now required, lamenting that unfortunately it can be difficult to engage people in a positive way where communities are already in decline and suffering from service depletion and decentralisation. In the study undertaken by Herbert-Cheshire and Lawrence (2002) seeking to identify models of enhanced support for towns and regions experiencing decline they note that government and community need to form a partnership that focuses on community building; and that governments must resource communities without fostering dependency upon government funding. The BR&E program is a relatively new tool and presents an effective approach to positive community engagement and sustainable economic development.

Conclusion

The BR&E Program provides an economic development model readily adapted to meet specific community or industry needs. Each process will contain similar elements but the final outputs and outcomes may vary in each community – and yet each community can consider its BR&E successful. This uniqueness should be valued and promoted and communities encouraged seeing their particular project as custom made by them for them.

Carroll and Stanfield (2001) remind us that the sustainability of economic development programs is linked to preserving the locality's social integrity and note that economic development can be 'pathological' if the economic change undermines the community base or increases its susceptibility to 'macroeconomic fluctuations'. They advise that "Development programs must be designed to harbour core community values while offering new economic opportunities". The BR&E Visitation Program provides communities and government with just such a tool. It is a valuable Model for economic development that also enhances the social fabric of the localities where it is utilised.

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