Regional Development: The Importance of a Relationship with Government

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Abstract
This paper examines the role of Economic Development Officers (EDOs) in implementing policies aimed at assisting businesses to grow as a strategy of regional growth. Page’s (2006) policy framework (principles, policy lines, measures and practices) is used to examine the issues with implementation.

The strongest theme emerging from the findings is that the business owner/managers were very dissatisfied with the processes involved in applying for funding; the instruments, although, most suggested that they were more satisfied once the funding arrived. The business owner/managers identified public departments working as independent “silos”, the maze of bureaucracies and the long lead times as significant problems. Such findings provide a plausible reason to explain why Australian businesses have such a low take up of government programs aimed at promoting innovation via a collaboration strategy.

Keywords
Economic Development Officers, Regional Development, Government

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Introduction

Delivering appropriate assistance to businesses with the aim of enhancing regional development is the task of economic development officers (EDO) working in federal, state and/or local government departments to implement specific policies related to regional development. Using a public sector lens, EDOs are not supposed to be policy makers, however, Stewart (1999) argues that because they are in a position to use the strategies provided by policy makers, they use their understanding of often competing policies to prioritise the implementation of some policies and perhaps neglect others.

Federal government policies provide the umbrella framework (broad objectives, funding options, accountability directives etc.) from which state and local governments develop specific policies for their state and region, and processes for assisting businesses to apply for available funding. For many countries entrepreneurial Small, Medium Enterprises (SMEs) provide the “engine” for employment growth in a region and without which, regions contract with catastrophic outcomes for employment and the provision of essential services and community improvement. Hence, governments often intervene to assist SMEs to become innovative so that they can be more competitive in the market place. Within SMEs, innovations refer to any new process that improves the efficiency and effectiveness of doing business (Scozzi, Carvelli, & Crowston, 2005).

Industry cluster development is one model used by governments to assist businesses to build capability and capacity and improve their competitive advantage over time (Inkpen and Tsang, 2005; Enright and Roberts (2001). Within the Australian context, the aim of government policy has been to develop policies aimed at promoting collaboration amongst businesses at the federal, state and local level. However, previous research has identified that policy implementation depends on the interpretation of the original message, resource availability and the existing organisational culture. Poorly defined policies, and/or poorly resourced policies rarely get implemented. Consequently, the original policy objectives are often modified during the implementation phase (Brunetto & Farr-Wharton, 2005; Stewart, 1999).

One way of analysing policies is to use a policy framework to identify which specific factors are impacting on policy outcomes during the implementation process. A typical lens for examining the efficacy of policies aimed at assisting businesses to grow as a strategy of regional growth is Page’s (2006) policy framework. It perceives outcomes as a reflection of four components (principles, policy lines, measures and practices). He argues that the federal government provides the principles (the direction of policies for regional development policies...
will be implemented); federal, state and local government departments provide the
policy lines (that identify specific strategies to be used to address specific issues)
as well as the measures (that are used to implement a specific program); whereas
the work practices of EDOs employed to implement the policies are affected not
only by the programs, strategies and instruments used to implement the policies,
but also the bureaucratic and managerialist implementation context that governs
budgets, work culture and expected outcomes (Page, 2006).

This paper focuses on the perceived effectiveness of policies assisting businesses
to grow as a strategy for promoting economic growth from the perspective of the
EDOs and from clients (businesses). As such the research examines the impact of
EDO practices (Page, 2006) on policy outcomes. However, Alford (2002) argues
that there are two issues that must be addressed when delivering a public product:
firstly, public sector bureaucrats must develop a meaningful service provider-
client relationship with the individual clients who express a preference to receive
the public product, and secondly, if the first issue is addressed, then it is likely
that the government agencies will meet their responsibilities to the wider
community (citizens that vote in the democratic political process). Alford (2002)
argues that there are specific requirements for engaging effectively with the client
if they are to provide a service (such as helping businesses to grow) that in turn
benefits the community at large (leading to increased employment and regional
development). Further Kelly (2005) argues that the public sector has difficulties
measuring the value of the services provided by public sector bureaucrats. The
major problem appears to be the will of government to want to measure
performance in terms of accountability rather than the attainment of a
performance goal related to improving the client’s business outcomes. The new
paradigm emphasises responsiveness to the business client, whilst still achieving
government accountability manageralist measures (such as visiting x number of
clients, but not necessarily delivering a value-adding service). This issue is
captured in the following research question:

“How effective are government strategies and practices in supporting business to
grow from the client’s perspective?”

This paper has four parts. The first part provides a targeted review of the policy
frameworks for support business growth including policies specifically related to
promoting clustering within Australia. This is followed by a review of factors
affecting EDO practices and the clients’ perspective of value for a public good.
The second part describes the methods used to collect data. The third part reports
the results and uses the discussion section to identify the similarities and
differences in perspective of EDOs and businesses in relation to public policies
promoting business development in Australia. Finally, the paper concludes and offers suggestions for future research.

**Background**

**Australian policy lines and measures for promoting business growth**

As stated, the federal government provides the umbrella policy framework in relation to growing businesses. For example, the Department of Industry, Innovation, Science, Research and Tertiary Education is responsible for developing policies related to small business and/or promoting innovation. It states that its aim:

> the Department is a focal point for the development and consideration of small business policy issues within Government. It is responsible for promoting and maintaining links across the Australian Government departments and agencies responsible for implementing elements of the Government's small business policies.


The federal government’s assumption underpinning policies promoting clustering is:

> ... the idea that cluster-based policies can be beneficial to economic development has arisen from practical observations of the inter-firm networking and institutional support in regions such as Silicon Valley, (USA), Baden-Wurtenburg, (Germany), and the industrial districts of Central and North Italy. (Department of the Environment, Transport and the Regions (DETR), 2000, 25).

However, the implementation of policies promoting clustering has not been successful in Australia. There are numerous reasons. Firstly, Australian businesses have a low take up of government initiatives aimed at growing business (Brunetto & Farr-Wharton, 2005). This is supported by the Australian-Innovation Systems Report (Department of Industry, Innovation, Science, Research and Tertiary Education, 2011):
Australia’s record on collaboration on innovation with all organisations is still below the OECD average but is relatively high domestically, particularly for small and medium enterprises (SMEs)... Most other OECD countries appear much more likely to develop innovations that are new to international markets than Australia (Innovation Systems Report (2011, 25, 30).

Hindle and Rusworth (2002) argue that one reason for the poor take-up has got to be that the Australian government is ranked 18th in its provision of support for businesses. The findings suggest that at a federal level, established clusters are perceived as the mechanism for driving innovation in Australian businesses, however, the method of funding the policies is limited.

At the state level, different state governments have attempted to implement the federal policies at a state level, each with a particular objective depending on the priorities of the state. In the case of the Queensland State government, the policy is called Smart Queensland: Smart State Strategy 2005-2015 which has policy objectives entitled “Making the right connections: investing in strategic alliances and networks” and “Building the foundations for a sustainable innovative society” (See Smart Queensland, Smart State Strategy 2005-2015). The key for achieving the strategies are to (1) use Queensland’s natural resources, (2) establish collaborations and (3) promote knowledge, creativity and innovation. This means that at a policy level, the state aims to build effective partnerships amongst SMEs. This is particularly evident in the policy entitled “Networks and alliances”. There are numerous programs specifically aimed at assisting different state industries. Additionally, EDOs are given a mandate to promote networks and this mandate is evident in the policy of different economic development programs offer by local governments within Queensland (Brunetto & Farr-Wharton 2008).

A review of policies promoting clustering and/or innovation suggest that the Australian government has been slow to recognise the intrinsic structural problems presently hindering economic growth and development (Enright and Roberts, 2001), and those tasked with implementing business policies promoting clustering often work in silos facing similar bureaucratic agenda that make achieving goals difficult in government (Brunetto and Farr-Wharton, 2008). Waits (2000) argues that the way economic policies are implemented and funded in turn affects the way linkages develop because it can affect the type of infrastructure (universities and research facilitates, training centres) and supporting industries that maintain the network of firms. However, unlike other countries, Australian businesses have traditionally been characterised by low levels of collaborative activities (Enright and Roberts, 2001, Brunetto and Farr-Wharton, 2008).
The factors affecting EDOs practices

Stewart (2012) argues that policy implementers play a strong role in shaping policy by the way they interpret and set the parameters for implementation. However, Brunetto and Farr-Wharton (2005) identified that a number of factors compromised ECOs ability to implement regional development policies. In particular, they found that the tendency of government departments to operate as silos lead to EDO’s having to work in a “minefield” of different departments each containing some information necessary for securing funding for businesses. This means that an EDO employed by a local government would need to know which state and/or federal government department is likely to have funding that can business can apply for and in some cases, there are schemes whereby if a business sis successful in obtaining funding at the state level, the federal government will match the funding and vice versa. Hence, EDOs must have knowledge of the intended target group of the different schemes as well as the differing criteria for applying for the schemes, and such tacit knowledge is likely to take years to accumulate.

However, the biggest issue for EDOs implementing economic development policies in Australia is that they work within public bureaucracies or hybrid entities and therefore are expected to meet the goals of multiple stakeholders – including the government, business and the public at large. Farr-Wharton et al (2005:305) found that EDOs did not “have a supportive bureaucratic machinery sustaining their efforts” and therefore their findings were that EDOs found it difficult to negotiate the bureaucratic terrain in which they operated and that this compromised their ability to deliver services effectively to businesses.

Client’s perspective

The Australian government is only recently considering that perhaps there is a competing paradigm evident in the way the performance of public sector bureaucrats is evaluated. Kelly (2005) argues that the performance of public enterprises can be improved if the performance of public sector bureaucrats is measured by qualitative measures such as impact on a client’s business performance rather than quantitative measures (which are easy to capture such as the number of clients visited), but are ineffective in determining performance effectiveness. He argues that such a shift in paradigms requires the decentralisation of management, a new focus on improving service quality, and an understanding of how to capture customer satisfaction. However, the government has adopted poor measures for assessing citizen satisfaction and Kelly (2005) argues that the present system uses poor measures of performance, making public
sector bureaucrats undertake activities that meet government accountability standards, but are not delivering a meaningful service to clients. Similarly, Propper and Wilson (2003) argue that finding evidence-based effective public sector performance management measures is still a big issue in the UK and USA. Some new measures have been implemented, but the results are mixed. Hence, the whole issue of how to ensure and measure effective practice (Page, 2006) so that public policy can be successfully implemented is clearly still “work in progress”.

Methods

This study used quantitative (frequencies) and qualitative research methods (interviews) to identify those businesses interacting with EDOs. In particular, because government funding for businesses occurs only after interviews with EDOs, this paper uses the funding processes as a means of capturing business’ experience with EDOs. Specifically, the paper explores whether EDOs implement policies promoting networking and other strategies specially targeting fast growing SMEs intent on adopting growth strategies. The ECOs are tasked with delivering public services related to implementing policies promoting growth of businesses. Cresswell (2009) describes quantitative research as a means of identify trends and qualitative research as a way of understanding the meaning that different groups give to a particular problem. He argues that the interview process involves examining phenomena to develop generalised themes from which to interpret the meanings of the data.

Criterion-based sampling was used to identify who to survey and interview. In particular, specific business owner/managers were chosen for interviewing based on EDO’s recommendations in five regions around a capital city in Queensland, Australia. Specifically, EDOs recommended business owner/managers based on two criteria: (a) SME’s growth rates, (so that “fast-growing” SMEs within sectors were captured) and, (b) those SME’s strategically supported by the EDOs at the state and/or regional government level.

In total 650 businesses were approached, of which 248 responded to be surveyed (38.7%). Within this group, 84 of the 248 businesses (33.8%) had worked with EDOs to secure funding via specific programs from the federal, state or local government. The data from this study is from the 84 businesses that have interacted with EDOS whilst applying for government funding. Thirty five interviews were then conducted with senior manager/owners of these businesses to identify the issues involved when working with EDOs. Interview data were transcribed, analysed by searching for “commonalities and differences” across
emerging themes and then frequencies for each category were determined (Ghauri & Gronhaug, 2002). The systematic patterns that emerged were then used to draw conclusions to address research questions.

**Results**

Table one identifies the characteristics of Australian businesses captured in this study that received government funding during the period 2006-2010 were analysed. The findings suggest that approximately a third of the businesses surveyed had received government funding. The majority of the firms were involved in Food and Beverage, Boat Building and/or Manufacturing. The majority had been in business for at least ten years and employed at least 10 employees. A large majority grossed over one million dollars, and the majority of those grossed over five million dollars. Interestingly, over seventy per cent belonged to a business network and stated that the EDO had been the person initially encouraging them to attend a business network. The incidence of joining a business network was highest amongst the food and beverage, boat builders and manufacturing businesses. Details about the businesses are presented below.
Table 1: A summary of the characteristics of the businesses who receive government funding

<table>
<thead>
<tr>
<th>Regions</th>
<th>Type of business</th>
<th>Length of time in business</th>
<th>Number of employees</th>
<th>Gross Income</th>
<th>Belong to business network</th>
<th>Govt involvement/ Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>F&amp;B*- 5</td>
<td>20&gt;10yrs (67%)</td>
<td>28 &gt;10 ees (85%)</td>
<td>24&gt;$1m</td>
<td>25</td>
<td>30/77</td>
</tr>
<tr>
<td></td>
<td>BB*- 7</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>M*- 11</td>
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<td></td>
<td>T*- 2</td>
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<td></td>
<td>R*- 5</td>
<td></td>
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</tr>
<tr>
<td>B</td>
<td>F&amp;B*- 3</td>
<td>8&gt;10yrs (54%)</td>
<td>14&gt;10 ees (91%)</td>
<td>11&gt;$1m</td>
<td>12</td>
<td>15/38</td>
</tr>
<tr>
<td></td>
<td>BB*- 5</td>
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<td></td>
<td>M*- 4</td>
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<td></td>
<td>R* - 3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>C</td>
<td>F&amp;B*- 3</td>
<td>10&gt;10yrs (71%)</td>
<td>10&gt;10ees (69%)</td>
<td>12&gt;$1m</td>
<td>10</td>
<td>14/43</td>
</tr>
<tr>
<td></td>
<td>M*- 5</td>
<td></td>
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<td></td>
<td>R* - 6</td>
<td></td>
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<tr>
<td>D</td>
<td>F&amp;B* - 1</td>
<td>6&gt;10yrs (80%)</td>
<td>6&gt;10 ees (80%)</td>
<td>7&gt;$1m</td>
<td>5</td>
<td>8/46</td>
</tr>
<tr>
<td></td>
<td>M*- 4</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>R* - 3</td>
<td></td>
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<tr>
<td>E</td>
<td>M* - 6</td>
<td>7&gt;10yrs (61%)</td>
<td>7&gt;10 ees (62%)</td>
<td>10&gt;$1m</td>
<td>8</td>
<td>12/44</td>
</tr>
<tr>
<td></td>
<td>R* - 6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>51/84</td>
<td>65/84</td>
<td>64/84</td>
<td>60/84</td>
<td>84/248</td>
</tr>
</tbody>
</table>

*F&B – Food & Beverage
*BB – Boat Building
*M – Manufacturing
*R – Remainder (Tourism, healthcare services, building products, creative industries, training)

Secondly, interviews were conducted with thirty five business owner/managers that had interactions with EDOs. At least five of the businesses interviewed came from each of the five regions, although the majority came from region A and B.

Eight of the businesses were from food and beverage, ten from boat building and eleven from manufacturing firms. Of the remainder, two were in tourism, three were from healthcare services and one was from the creative industries.

The first question they were asked was to describe the nature of their interactions with EDOs. In every case, the EDO had visited their businesses in the field and a relationship had formed over a period of time. Approximately a quarter knew the EDO “well” because they had had to work with them closely in order to complete
the paperwork attached to applying for funding. Another quarter knew the EDOs “somewhat”. The remaining half had a more formal working relationship with EDOs that pertained only to completing paperwork together (less than five interactions). The majority of the EDOs were from the regional level of government working directly for the local government or a hybrid, and the remainder were from the state government. In almost all cases, the EDOs were also involved in some way in supporting the development of a business network or cluster.

The second question business owner/managers were asked was to explain what type of services they were offered by the EDOs. In the majority of cases, the EDOs had been instrumental in getting businesses to join networks. Approximately a quarter of the businesses were satisfied with the services provided by the government. A typical example is the comment from a healthcare business manager:

The [EDO] officer encouraged me to join the X network. They have given me options for applying for funds to grow my business. I am very satisfied with their support.

Similarly, a food and beverage owner/manager stated:

We wanted an export licence. They have also given us some ideas on how to expand our business. We are very satisfied with them.

The remaining three quarters were satisfied with the services offered, however, in each case, they commented on the problems associated with working with the government. A typical response is the one given by another food and beverage firm:

[They] encouraged me to join the [region A] women’s business network. I am now going through the process of getting [state government] funds, but it is proving to be almost too difficult to undertake. I know I will need more help from them [govt] as my exports grow ...I hope to get an export development grant. The EDOs are good value. They have given me great market intelligence.

Similarly, a manufacturing owner/manager stated:

Local ECO is active in encouraging us to join the network. He has given me lots of good business contacts and has helped me with advertising and promotions. They have given me a “louder voice”, added credibility to my image. The problem is that in business we need to work quickly to take advantage of an opportunity. Government seems to take months to implement an idea. The documents are not simple and this method of securing development funds puts the small SME at a disadvantage.
The problems identified by the majority of the businesses that have received assistance from EDOs were (a) red tape associated with working with a bureaucracy, (b) the silo mentality of government departments and (c) the long lead period involved in applying and receiving government funds. A food and beverage firm stated:

[The] government can really help in [providing] financial support for training. They have helped us get into new markets. They are also good for getting into the export markets because they provided us with translation services. The biggest problem is that you have to deal with different [government] departments to get anything done. [Each department] provide different things… no integration and they often push their own barrow when another department may already have an ideal solution or program that you could use… they wouldn’t tell you about, that for sure!!

A building material firm stated:

[We] have had a R&D grant from AusIndustry to develop specific products. We have had a good relationship with DSDI [state government department] since early 1990s, but applying for funds is a bureaucratic nightmare. [It is] worth it in the end though, because we now have a laboratory with people working full time on R & D. Because of that we have sustained growth of between 15-40%. So we are very thankful for their help.

A boat building firm stated:

We need DSDI/local EDO involvement to grow my business ... with their help they can take your business to another level, but it is a labyrinth to get decisions from them. You have to understand their unwritten rules … they want you to succeed …but it seems to me that they don’t know the unwritten rules about who gets funded [from federal government] and even they are confused about the number of times the official rules change about who is eligible for funding. A good EDO can give you a road map about what funds are available and might even know how to get you through the maze … but most EDOs don’t have that knowledge.

A similar story was evident from a manufacturing firm:

Red tapes means dealing with government and that is bad news … but if you can preserve, the government can help businesses like mine that don’t have the financial resources. Austrade has helped me establish good relationships with potential customers overseas and acted in my
best interests. They gave us help in export development that really made a difference.

The final question asked businesses to comment on the best aspect of dealing with the government. The responses varied with a majority stating that their businesses had grown and despite the difficulties in dealing with the government bureaucracy, most appreciate the subsequent growth that resulted from the assistance given. Additionally, a minority identified the support given by the EDOs within a network. For example, four of the boat building firms (the bigger firms) that belonged to a business network supported by a local EDO had recently taken part in joint tenders for both private and public sector contracts. They stated that they would never have considered the possibility of working together before joining the network. Also, all of the larger boat building firms employed apprentices, and ten of the firms sent employees for training with a state government research body (QMI), after consultation with EDOs mostly taking place within the networking forum. A similar outcome was evident from the food and beverage businesses, especially in two regions where the networks had been in businesses, they had begun marketing their products together for exporting purposes with the help of the EDOs at the regional and state level.

Discussion

This paper examined how effective the practices (Page, 2006) of EDOs are in implementing government policies aimed at supporting innovative behaviour using business networks/clusters as well as selectively funding particular projects. EDOs have the responsibility to implement the policy lines (specific strategies aimed to promote growth of businesses, including promoting business networks) and measures (such as (a) funding via particular programs to promote exporting, research and development, training and joint tendering; and (b) criteria related to determining which businesses are funded and supported). The policy line expressed in the Innovation Policy Report (2011) is that collaboration between businesses promotes innovation, which in turn promotes business growth. However, the same report identifies that Australian businesses appear to have a low incidence of collaboration on innovation, well below the OECD average.

The issue is to what extent the practices of EDOs may be one factor explaining Australian businesses low level of collaboration. As stated, from Stewart’s (2012) perspective, policy implementers can play a big role in shaping policy by the way they interpret and set the parameters for implementation. Stewart (2012) argues the issue can be different government departmental policies contradicting other
policies, rather than government across the three level of government presenting a coherent policy line, line and strategies.

The findings from this study suggest that EDOs are strongly involved in encouraging selected businesses to join business networks as part of a package that involves providing knowledge, business links, and support in applying for government funding. One emerging theme from the interviews from business owner/managers also identified that the more experienced, committed EDOs also appear to provide a “road map” for businesses to help them negotiate through the “maze” of different government departments. Therefore the findings suggest that EDOs appear to be implementing the policy lines and instruments. In terms of Alford’s (2002) perspective, the issue appears to be that the benefits to the wider community are compromised because of the complexity of the bureaucratic machinery, irrespective of how well the EDOs do their job.

However, the strongest theme emerging from the findings is that the business owner/managers were very dis-satisfied with the processes involved in applying for funding – the instruments, although, most suggested that they were more satisfied once the funding arrived. The business owner/managers identified public departments working in silos, the maze of bureaucracies and the long lead times as the biggest problems. Such findings provide a plausible reason to explain why Australian businesses have such a low take up of government programs aimed at promoting innovation via a collaboration strategy. These findings appear to be in direct contradiction with the governmental remedies suggested by Kelly (2005). As stated, he argues that for a shift in paradigms involving the decentralisation of management, a new focus on improving service quality, and a better understanding of how to capture customer satisfaction (Kelly, 2005). The findings suggest that these changes are overdue.

The implication of the finding is that Australian policies specifically aimed at promoting collaboration amongst business are flawed because the essential ingredient for successful implementation are limited, which in turn has limited outcomes. EDOs are the main conduit for implementing policies affecting SMEs. Some have adequate knowledge and experience, but many don’t. There appears to be no process for capturing and transferring the vital tacit knowledge about how to apply for funding (instruments) held by some EDOs and required by others. Hence the organisation is remiss in its lack of training and mentoring of EDOs to make them effective actors in using the instruments. Secondly, the contexts in which the policy lines are implemented are also a limiting factor. Red tape and “silo” organisational cultures within different governments related to delivering business policies appear to limit the support that can be delivered to clients. The implementation of reforms was supposed to address these very issues; however,
the research findings would suggest a contrary position that must be addressed by
government if implementation has a chance of being successful, either from a
client’s perspective or from a regional development’s perspective.

Conclusion

This paper examined the effectiveness of government strategies and practices in
supporting business to grow from the client’s perspective. The findings from the
businesses suggest that the problem appears to be focused on the bureaucratic
structures in which the policy strategies are implemented, rather than the
practices of EDOs. The implications of the findings is that if the government is
serious about implementing policies promoting innovation, then the bureaucratic
structures delivering the programs must be reformed to improve customer
satisfaction. Only then can the community at large benefit from increased
business growth leading to increased employment and other regional benefits.

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