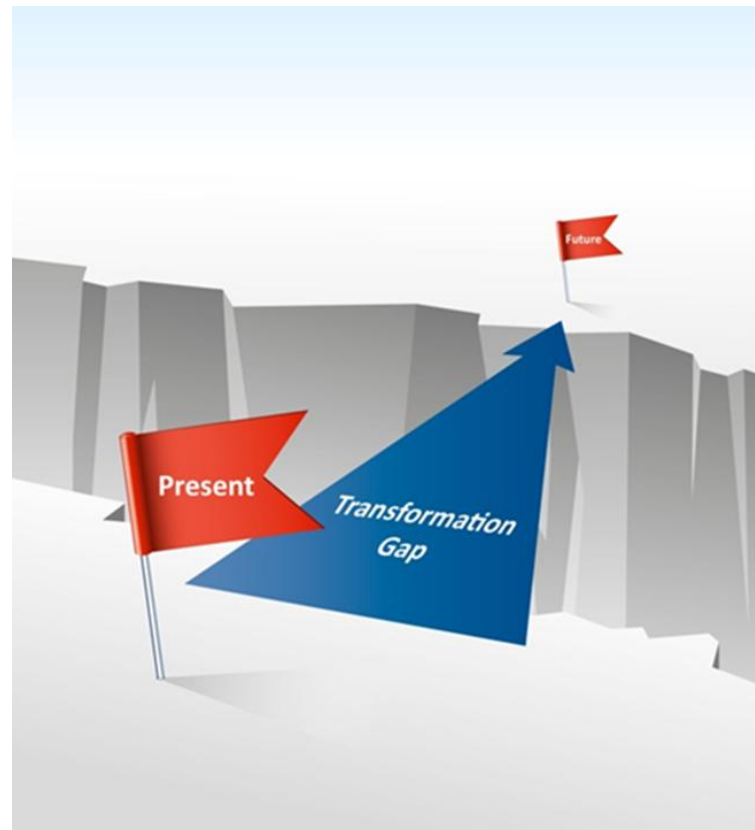


The Utopia Region Case Study



Sustainable regions have, at their heart, sustainably growing business communities.

These create local wealth.

And, they retain and create high value, sustainable jobs.

The Utopia Region wants to work with its business community to both retain and create sustainable jobs.

Utopia takes stock

Here's the overall demographic for their businesses.

Their overall job growth is in line with economic growth.

But, Utopia knows there's an opportunity to focus effort on potential high growth companies which can growth at 10-20% pa with assistance. And hence increase the rate of jobs growth.

Employment by Utopia Region's Businesses			
Employment Size	No Businesses	Average FTE/bus	Estimated FTE
Sole Proprietor	9,413	1.0	9,413
1-4 FTE	4,167	2.0	8,333
5-19 FTE	1,543	8.0	12,345
19-200 FTE	309	40.0	12,345
Totals	15,432	2.8	42,438

Utopia decides to do what all would-be entrepreneurs should do – market research. Koroni is representative of what they find a sustainable growth business looks like

Koroni’s growth is driven by retaining existing business and successfully writing new business.

In doing so it grows profitably and employs more people.

But how does it do this? Or, how does Utopia stimulate other businesses to achieve this state?

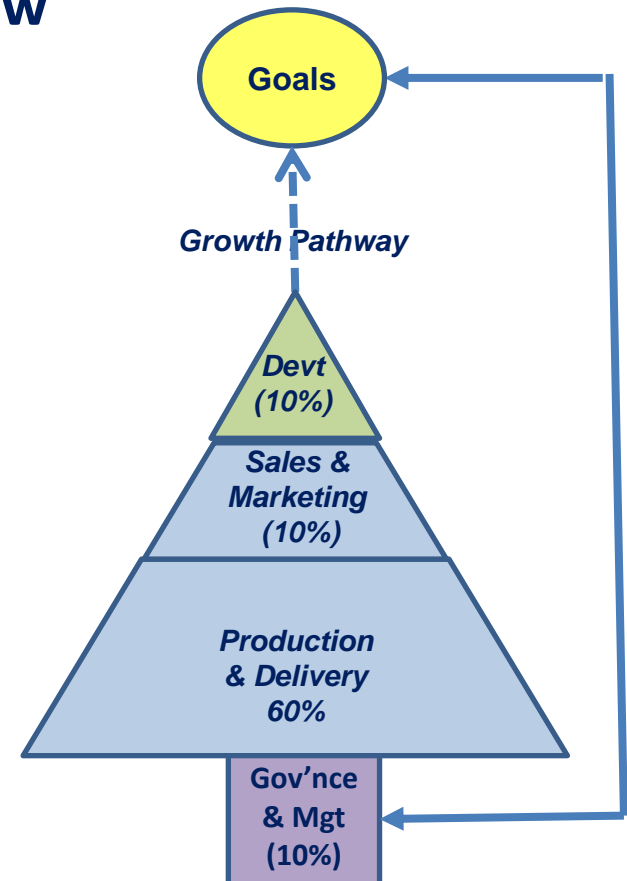
Koroni Pty Ltd		
Item	Year o	Year n
Sales (\$)	1,500,000	2,500,000
Costs (\$)	1,350,000	2,200,000
Profit (\$)	150,000	300,000
Productivity (Sales/FTE) (\$)	125,000	150,000
Total FTE	12	17

Koroni growth, like nearly all growth companies, is driven by its successful investment in developing and winning new business

See its profile:

- 10% of annual Sales invested in Development on an ongoing basis;**
- 10% in Marketing (existing and new business)**
- 60% in Production & Delivery**
- And 10% in managing itself**

So now Utopia has to think about stimulating investment in growth by its growth potential companies.



OK, Utopia gets this. What does this mean?

Utopia needs to help more businesses recognise the need for, and to make, good Development investment decisions. And execute them well:

- Validating customers and markets;
- Ensuring selling, producing and delivering the offering is within their competence;
- Checking the choice best option for return on their investment;
- Knowing they can fund this development.



It all comes down to the 10% of successfully planning what's to be developed.

What businesses would Utopia look for in its Koroni-hunt?

Likelihood of best returns from:

Vulnerable Growth SMEs

- If they validate their opportunities, build capacity

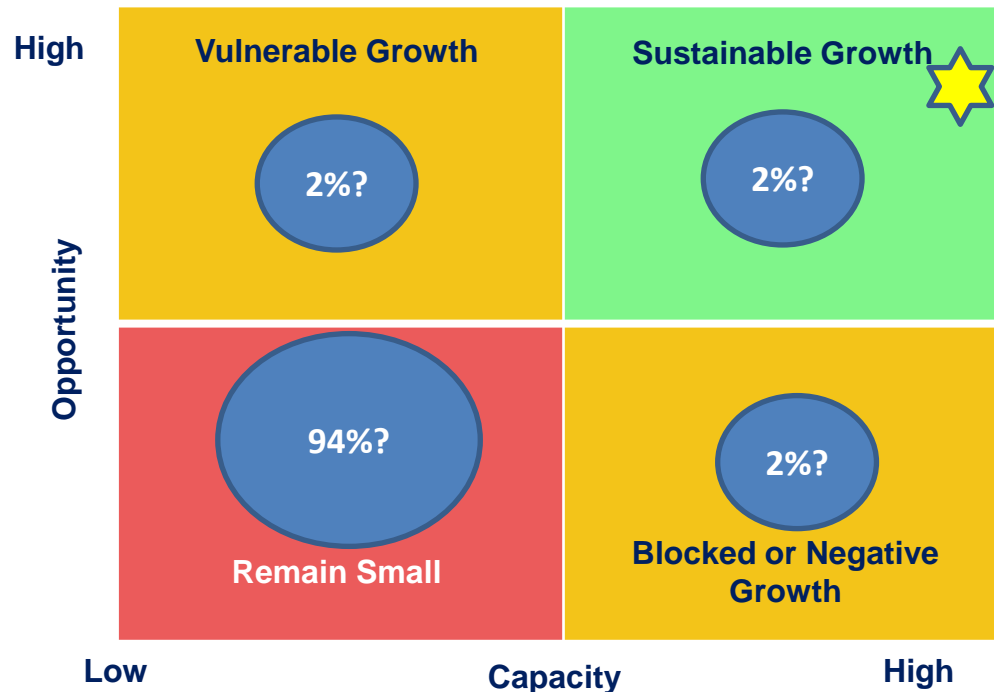
Blocked or Negative Growth SMEs

- If they validate their capacity. Then identify, validate, capture opportunities

Sustainable Growth SMEs

- If they improve their opportunities and capacity

Star indicates sustainable high growth >20%pa

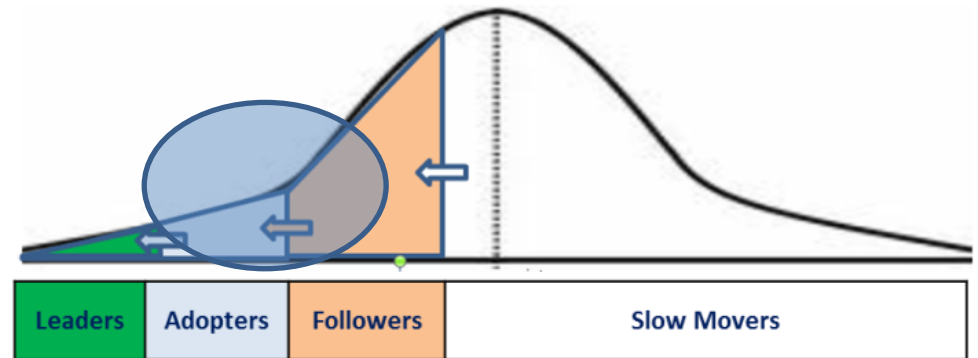


And within those groups who would be the best targets?

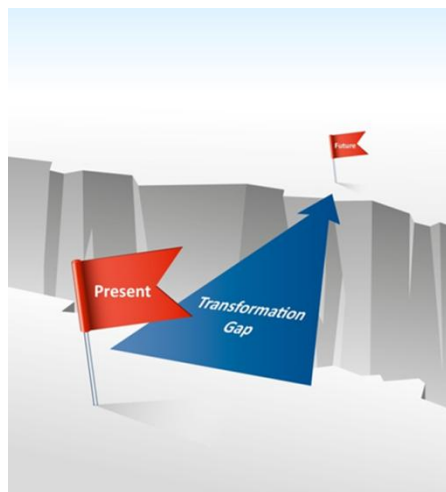
This will accelerate adoption of successful growth practices in the Region.

So:

- Not the 'usual suspects' who're doing it already;
- But the next lot.



The Opportunity





Crunching some numbers

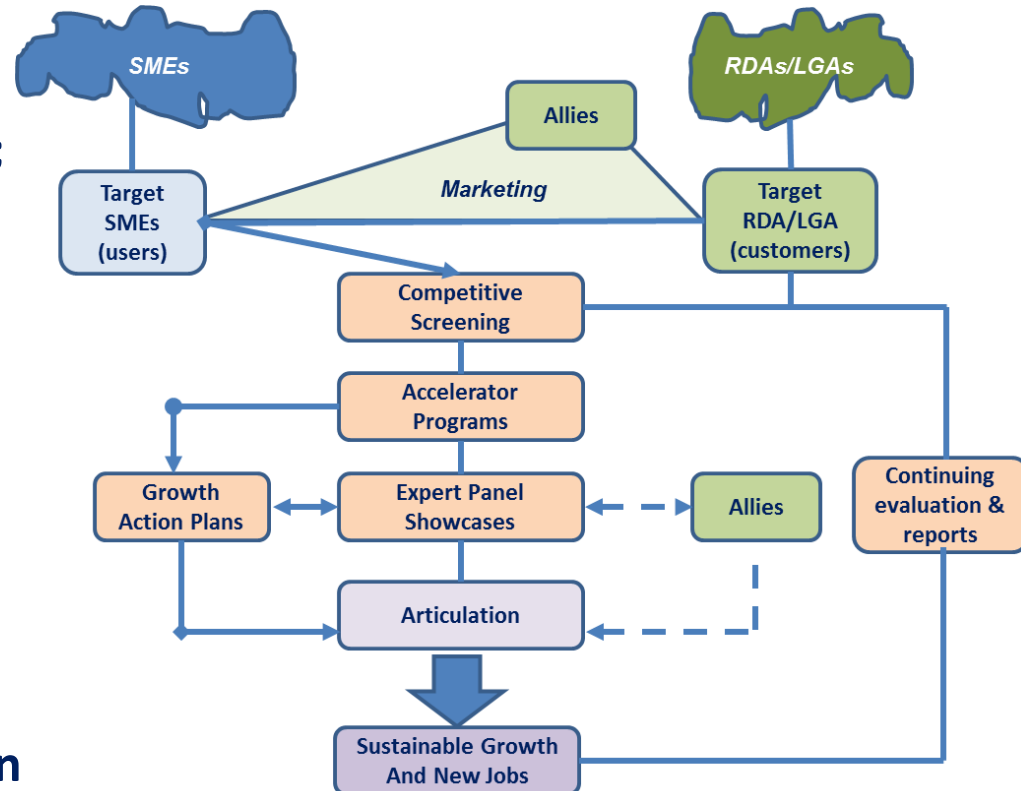
Utopia takes a look, but is conservative:

- ❑ Calculates the pool is 6% of the total but only 33% of this is likely to respond;
- ❑ Uses an overall growth figure of 5% pa (sustainable over three years);
- ❑ Sees the opportunity to catalyse the creation of around 380 new sustainable jobs over three years;
- ❑ *If the targeted companies each invest around \$50-100k in development each year.*

Utopia's Job Creation Arithmetic	
Total companies (no)	15,432
Estimated Growth Companies (%)	6.0%
Estimated Growth Companies (no)	926
Estimated companies susceptible to interventions (%)	33.0%
Susceptible companies (no)	306
Average employment (FTE)	8.0
Susceptible employment base (FTE)	2,444
Increase in Sales Growth from intervention (%) maintained over 3 Years (FTE)	5.0%
New jobs (within companies - no flow-on) over 3 Years (FTE)	385

Utopia builds a Program

1. Conscripts a local network – LGA economic development teams and chambers of commerce to tap businesses on the shoulder;
2. Selects suitable expert services provider/s;
3. Has provider/s run information sessions on growth for interested businesses;
4. Competitively selects best businesses for a ‘Development Planning and Execution Program’ and has provider/s run it;
5. Rigorously assesses results



Like any business contemplating a development investment, Utopia runs the costs and returns

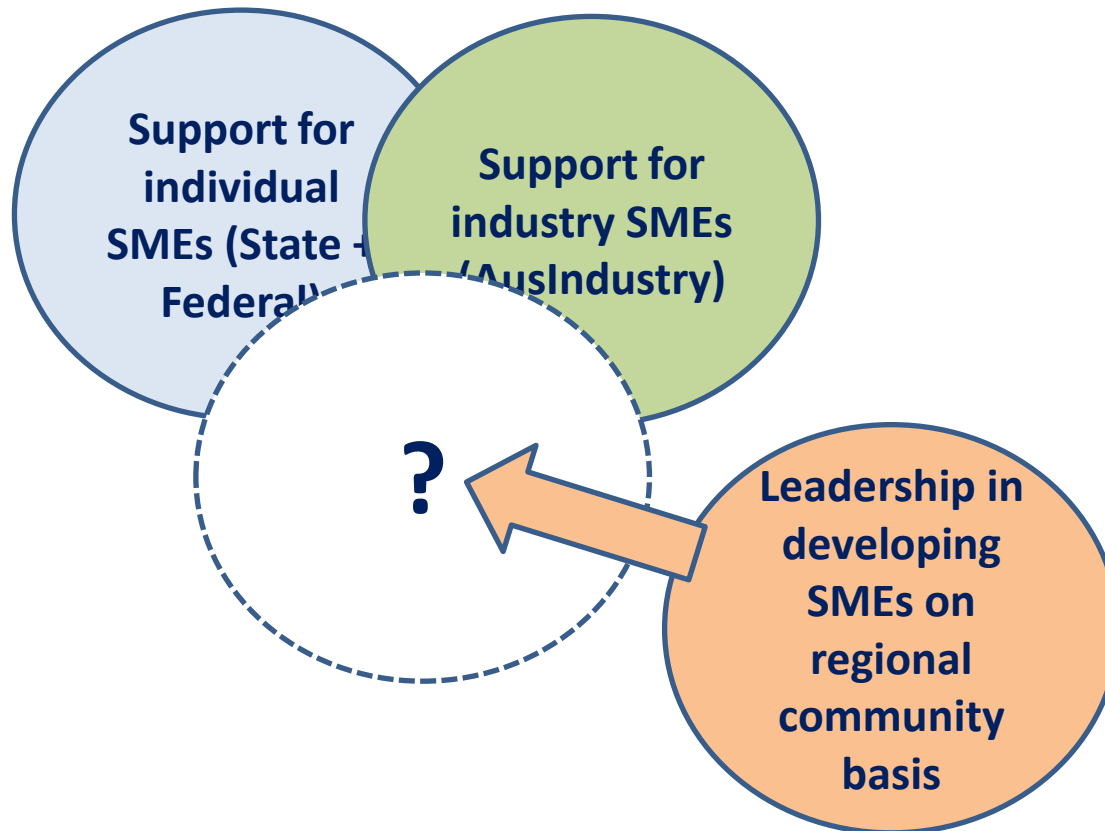
Costs

- ❑ Expert service providers costs \cong \$10k per SME;
- ❑ Own management overheads \cong 20%
- ❑ Total cost, say, \$12k per SME
- ❑ Less SME contribution, say, \$5k per SME
- ❑ Net Utopia cost per SME \cong \$7k

Returns

- ❑ Average likely direct job creation per SME over 3 years = 1.25 FTE
- ❑ Average cost to Utopia per new job = \$5.5k
- ❑ Likely development investment by SME over 3 years \geq \$150k
- ❑ Likely leverage on Utopia funding in flow of other funding support per SME = 5x or \$27.5k (based on Victorian example)

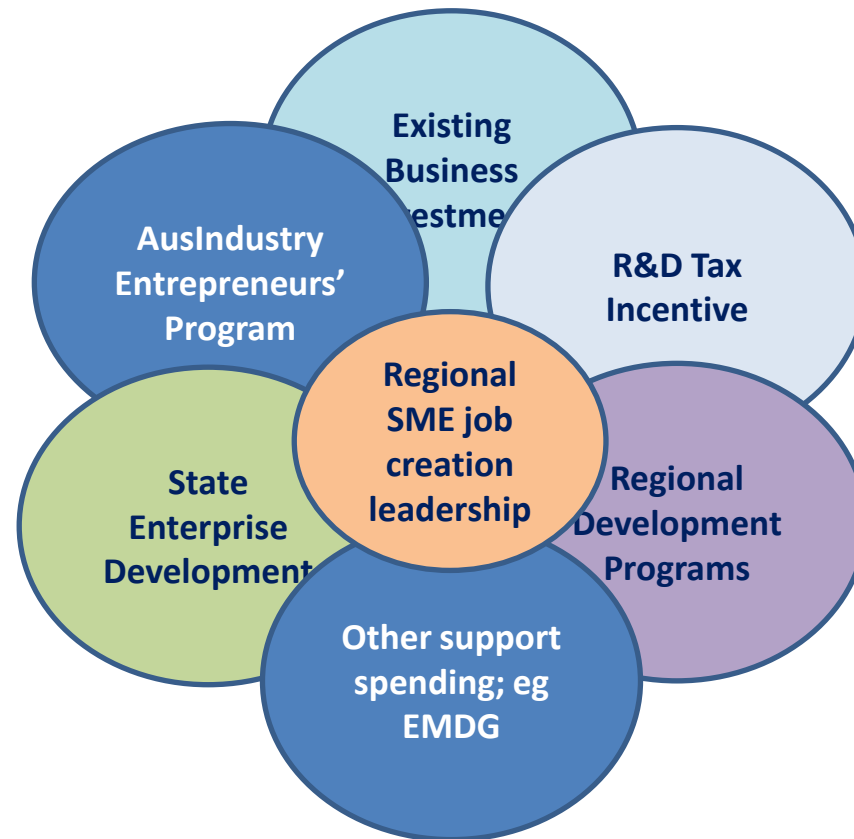
Question: A double up or leadership opportunity?



Answer: It's a leadership opportunity ...



... which focuses everyone else



Regional Labour Market Implications

Pros

- Increases the demand for skilled employees;
- Once rolling, job creation should compound up;
- Jobs will tend to flow to areas of a region's competitiveness;
- Strengthening business growth skills will have unforeseen but worthwhile consequences including in regional innovation;
- Regional stakeholders have to provide effective leadership – will suit Leaders, and Adopters

Cons

- If this was easy, it would be commonly done already - Interventions need to be really well run with a strong evaluation feedback loops;
- Pool of growth potential SMEs is finite;
- Need to avoid local cannibalisation of less agile companies;
- Regional stakeholders have to provide effective leadership – will not suit everyone