Incubator Support Initiative Post-commencement Evaluation

Section 22 and 47F

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Abbreviations and acronyms

Abbreviation or acronym	Definition
ANAO	Australian National Audit Office
APS	Australian Public Service
ASL	Average Staffing Level
BGH	Business Grants Hub
CSM	Customer Service Manager
DIIS	Department of Industry, Innovation and Science
EP	Entrepreneurs' Programme
EP Committee	Entrepreneurs' Programme Committee
ISA Board	Innovation and Science Australia Board
KPI	Key performance indicator
NISA	National Innovation and Science Agenda
OECD	Organisation for Economic Co-operation and Development
PM&C	Department of the Prime Minister and Cabinet
R&D	Research and Development
RIF	Regional Incubator Facilitator

Executive summary

Between May and November 2018, the Evaluation Unit in the Department of Industry, Innovation and Science carried out a post-commencement evaluation of the Australian Government's Incubator Support initiative. Post-commencement evaluations generally follow a program's first year of operation and examine program design and initial implementation. They identify early issues, and recommend corrective action where needed.

This evaluation found that while initial implementation of the initiative has progressed well, there is room for improvement. A summary of the evaluation findings and recommendations is provided in table i below.

Incubator Support

The Incubator Support initiative (the initiative) is a measure under the National Innovation and Science Agenda[1] (NISA) and one of the four elements of the Entrepreneurs' Programme (EP). The initiative was announced in December 2015 as an $8 million initiative, had its funding increased to $23 million in May 2016, and was formally launched by the Minister in September 2016. The design of the initiative was later changed to better reflect the Australian Government's focus on regional development. This included lower co-funding requirements for regional activities and the establishment of Regional Incubator Facilitators (RIFs). At the same time, a public data outcome was added through the transfer of the DataStart initiative from the Department of the Prime Minister and Cabinet (PM&C) to DIIS. The initiative was re-launched in December 2017 with new program guidelines that reflected changes to the program design.

Incubator Support provides grant funding to incubators — business support organisations that help nurture innovative start-up firms by providing services such as seed funding, co-location, mentoring and access to networks.

The stated objectives of the initiative are to assist Australian start-up firms to develop the capabilities required to achieve commercial success; and develop Australia's innovation ecosystem, including in regional areas.

The initiative has two components:

- Expert in Residence (EIR), which provides incubators with grants of up to $100,000 for the secondment of national or international experts.
- New and Existing Incubators (NEI), which provides grants of up to $500,000 to help develop new incubators, boost the effectiveness of high performing incubators, or encourage incubators to work with data-driven start-ups.

Evaluation approach

The evaluation employed a mixed-methods approach, which included desktop literature review, stakeholder interviews (28 in total), and a survey of successful and unsuccessful applicants (64 applicants were contacted, with 20 responding to the survey).

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[1] DIIS (2015) National Innovation and Science Agenda Report, accessed online at:
https://www.industry.gov.au/data-and-publications/national-innovation-and-science-agenda-report

Evaluation findings

The evaluation found that there is a justifiable role for the Australian Government to support exports and innovation among Australian businesses. Nevertheless, we found that the value-add of direct government support for incubators is inconclusive — international empirical research about the impact of incubators on start-ups' performance is mixed.

Incubator Support has been found to fit reasonably well within the EP on the basis that it complements other elements that support later stage business development and has the efficiency benefits of some shared governance arrangements. The initiative has mostly been implemented as planned, although some changes were made to improve NEI application quality and better meet regional needs.

A desktop review of key documents found that in some cases stated outcomes lack clarity and consistency, making it difficult to determine whether the Incubator Support inputs and activities are appropriate. We also note that it may be more difficult for regional start-ups to achieve the intended outcomes. We suggest further research into the differences between incubators and start-ups in metropolitan versus regional areas, to explore what might be more realistic outcomes for regional start-ups.

Stakeholders surveyed are satisfied with the advice and support they have received. The governance processes are found to be mostly effective, but some changes could be made to increase efficiency. These could include: seeking the Minister's approval for NEI funding decisions to be transferred to the program delegate, based on the recommendations of the EP Committee; and sharing more information about the rationale, outputs, outcomes and evidence for the initiative's design with internal stakeholders.

Early outcomes for grant recipients are mostly positive. Stakeholder feedback focused mostly on positive intended outcomes. They said that the grant enabled them to access national and international resources and connections, provide better experts and mentors, develop regional relationships, and extend services to regional organisations. The evaluation found that the EIR application, assessment and reporting processes are suitable for participants. However, we found that the NEI application, assessment and reporting process could be improved. This could be done by providing further guidance for applicants on the type of information and level of detail required in the application.

Importantly, the evaluation also found that data collection would be more reliable and efficient if grantees were fully aware of all reporting and associated data collection requirements at the start of the project, and if reporting templates aligned with agreed data collection needs — noting that the incubator model creates some challenges for assessing performance. One of the issues we identified is that the department does not have much visibility of the kind of start-ups that access each of the incubators' services. The current design of Incubator Support limits the extent to which the department is able to define or collect information on characteristics of start-ups accessing services funded by Incubator Support.

To address these issues, we recommend that key performance indicators for Incubator Support be reviewed and that reporting templates be revised to align with agreed data collection needs. In addition, early awareness of reporting and associated data requirements should be reinforced among grantees in the interests of assuring the availability and quality of data submitted.

Concurrent with this evaluation, the Evaluation Unit, in consultation with relevant policy and program areas, has reviewed the Incubator Support program logic, data matrix and associated performance indicators.

Table i: Overview of evaluation findings and recommendations

Findings		Recommendations
1	**Need**	
1.1	There is a justifiable role for the Australian Government to support exporting activity and innovation among Australian businesses	
1.2	International evidence on the value-add of government support for incubators is inconclusive	
2	**Design**	
2.1	All outcomes need to be clear, consistent and integrated into the initiative's design	
2.2	Expected actual outcomes for the regional start-ups may not match the intended outcomes	Future research should investigate the extent of differences in outcomes and implementation between metropolitan and regional areas to inform future program design decisions
2.3	Incubator Support fits reasonably well within EP	
2.4	The department does not have much visibility of which start-ups access each of the incubators' services	See recommendations #2 and #3 below
2.5	Future evaluations should consider the time required by new incubators to become self-sustaining	
2.6	The current design may not be feasible if funding is reduced as is planned	
2.7	Staff resourcing arrangements require clarification in order to assess risks to ongoing management	
3	**Implementation**	
3.1	Outputs are consistent with the initiative's design and purpose	
3.2	The initiative has mostly been implemented as planned, although some changes were made to improve NEI application quality and better adapt to regional circumstances	
3.3	Incubators align moderately well with the intended primary target market	

Findings		Recommendations
3.4	It is difficult to determine the extent to which the program is reaching the intended start-ups	Require applicants to specify how they will help start-ups reach international markets, how they are meeting a need in a particular region or sector, and how they intend to track the start-ups they support
3.5	Early outcomes for grant recipients are mostly positive	
3.6	The EIR application, assessment and reporting processes are suitable for participants	
3.7	NEI applicants require further guidance on the type of information and level of detail required in applications	Provide further guidance for applicants to help clarify the type of information and level of detail required in NEI applications (see also recs #7 and #8 below)
3.8	Survey respondents are satisfied with the advice and support they have received	
3.9	Governance processes are mostly effective, but efficiency could be improved by delegating funding decisions, increasing information sharing, and clarifying roles and responsibilities	Investigate the merit of seeking the Minister's approval for NEI funding decisions to be transferred to the program delegate, based on the recommendations of the EP Committee
		Share more information about the rationale, outputs, outcomes and evidence for the initiative's design with internal stakeholders
		Clarify and clearly communicate roles and responsibilities, including for overall coordination, when making changes to the guidelines, application templates or related documents
4	**Performance assessment**	
4.1	Data collection would be improved if grantees were fully aware of requirements and templates aligned with agreed data collection needs	Customer Service Managers and Regional Incubator Facilitators should reinforce early awareness among grantees of their reporting and associated data collection requirements in the interests of assuring the availability and quality of data submitted
		Revise reporting templates to align with agreed data collection needs in accordance with the new program logic and data matrix for Incubator Support*
4.2	Indicators need to be reviewed to ensure alignment with program objectives and outcomes	Revise key performance indicators for Incubator Support, based on the new data matrix*
4.3	The incubator model creates some challenges for assessing performance	Clarify how information will be sourced from start-ups to assess whether the initiative is having its intended impact on the ultimate beneficiary

*The program logic and data matrix, including KPIs, have been reviewed and updated concurrently with this evaluation.

Management response

Response to report as a whole
Overall, the evaluation provides an objective assessment of the initiative that will strengthen its design and implementation.
Through its continuous improvement processes, the department is already implementing a range of actions, described below, that respond to the report.
We note that several of the report's findings and recommendations relate to data collection. We also note that — concurrent to this evaluation — the department's Evaluation Unit led the development of a new program logic and data matrix for the Incubator Support Initiative in consultation with Program and Policy teams. These products will guide the initiative's future data collection strategy.

Recommendation	Response
Future research should investigate the extent of differences in outcomes and implementation between metropolitan and regional areas to inform future program design decisions	**Supported.** The Regional Incubator Facilitators are likely to be leveraged to contribute to this body of research work, guided by the Policy area, as well as the Program Management team once a comprehensive data set is available.
Require applicants to specify how they will help start-ups reach international markets, how they are meeting a need in a particular region or sector, and how they intend to track the start-ups they support	**Supported.** Application and reporting templates will be revised as required to align with agreed data collection needs, in accordance with the new program logic and data matrix for Incubator Support. This will include the introduction of a 12 month Post Project report to expand the collection of outcome data for target start-ups. This approach is consistent with Recommendation 8 below.
Provide further guidance for applicants to help clarify the type of information and level of detail required in NEI applications	**Supported.** The Business Grants Hub (BGH) drafts Grant Opportunity Guidelines based on the Department of Finance approved template. This feedback can be incorporated in the next iteration of the ISP grant opportunity guidelines. The Hub has engaged the Department of Human Services' Experience Design Lab to run 3 projects over 2019 to test and receive feedback on BGH grant opportunity guidelines, grant agreements and reporting templates with the objective of improving the user experience for our customers. Lessons learned will be incorporated in all programs.
Investigate the merit of seeking the Minister's approval for NEI funding decisions to be transferred to the program delegate, based on the recommendations of the EP Committee	**Supported.** This will be investigated as part of the program's continuous improvement processes.
Share more information about the rationale, outputs, outcomes and evidence for the initiative's design with internal stakeholders	**Supported.** A strategy has been implemented to inform EPC members of grantee project outcomes, as well as providing similar information as part of the briefing process to the Minister as decision maker for the New and Existing program element. Further updates will be provided to relevant stakeholders as the program matures.
Clarify and clearly communicate roles and responsibilities, including for overall coordination, when making changes to the guidelines, application templates or related documents	**Supported.** The BGH has a project underway to better define roles and responsibilities for senior responsible offers and program managers at each stage of the program life cycle. This should assist in providing improved understanding for staff roles and accountabilities.

Response to report as a whole	
Customer Service Managers and Regional Incubator Facilitators should reinforce early awareness among grantees of their reporting and associated data collection requirements in the interests of assuring the availability and quality of data submitted	**Supported.** Operational guidance for Customer Service Managers and Regional Incubator Facilitators will be reviewed and updated as required, to reinforce grantees' early awareness of their reporting requirements.
Revise reporting templates to align with agreed data collection needs in accordance with the new program logic and data matrix for Incubator Support	**Supported.** Reporting templates will be revised as required, based on the new data matrix.
Revise performance indicators for Incubator Support, based on the new data matrix	**Supported**. Performance indicators will be revised as required, based on the new data matrix.
Clarify how information will be sourced from start-ups to assess whether the initiative is having its intended impact on the ultimate beneficiary	**Supported.** As identified above, the revised data matrix will set out how information will be sourced. The introduction of a 12 month Post Project report template for grantee incubators to complete will expand the collection of outcome data for target start-ups.

Introduction

The Incubator Support initiative (the initiative) is a measure under the National Innovation and Science Agenda[2] (NISA) and one of the four elements of the Entrepreneurs' Programme (EP). Incubator Support provides grants to incubators, with the aim of improving the capabilities and networks of start-ups.

The initiative was announced in December 2015 as an $8 million initiative, had its funding increased to $23 million in May 2016, and was formally launched by the Minister in September 2016. The design of the initiative was later changed to better reflect the Australian Government's focus on regional development. This included lower co-funding requirements for regional activities and the establishment of Regional Incubator Facilitators (RIFs). At the same time, a public data outcome was added through the transfer of the DataStart initiative from the Department of the Prime Minister and Cabinet (PM&C) to DIIS. The initiative was re-launched in December 2017 with new program guidelines that reflected changes to the program design.

For the purposes of the initiative, an incubator is defined as a 'business support organisation that fosters innovative start-ups, focused on international trade, through the provision of services such as seed funding, co-location, mentoring, professional services and access to business networks'.[3] Acting through incubators, the initiative aims to improve the capabilities and networks of start-ups. A start-up is defined for the purpose of the initiative as 'an innovative, adaptive early-stage and scalable company, with global potential'.[4]

Another term that is important to this initiative is 'innovation ecosystem'. This refers to an open network of organisations that interact with each other and operate within framework conditions that regulate their activities and interactions. There are three components of the innovation ecosystem:

- Innovation activities — the discrete activities that lead to discoveries with commercial potential including research & development (R&D), entrepreneurial activity, innovation funding (e.g. venture capital), and the generation of skills for innovation.

- Networks — the formal and informal linkages between people and organisations in the innovation system, including communities of practice (such as medical professionals and software developers), joint research

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[2] DIIS (2015) National Innovation and Science Agenda Report, accessed online at https://www.industry.gov.au/data-and-publications/national-innovation-and-science-agenda-report

[3] DIIS (2017) *Incubator Support Program Guidelines Version – November 2017*, accessed online at https://www.business.gov.au/assistance/entrepreneurs-programme/incubator-support-new-and-existing-incubators

[4] DIIS (2017) *Incubator Support FAQs,* accessed online at https://www.business.gov.au/assistance/entrepreneurs-programme/incubator-support-new-and-existing-incubators

arrangements, industry-research collaboration and public procurement of private sector research outputs.

- Framework conditions — the institutional environment and general conditions for innovation activities, networks and collaboration. These components collectively function to produce and diffuse innovations that have economic, social and/or environmental value.[5]

Objectives and outcomes

The objectives of Incubator Support are to:

- assist Australian start-ups to develop the capabilities required to achieve commercial success in international markets and realise their economic potential faster than they otherwise would
- develop Australia's innovation ecosystem including in regional areas.[6]

The intended outcomes of Incubator Support are to:

- support new Australian incubators targeting innovative start-ups to assist them to trade internationally
- expand the scale and operations of existing Australian incubators to increase innovative start-ups' chances of success in international markets
- develop new innovative Australian start-ups with a focus on international markets
- create opportunities for Australian start-ups to develop sustainable international businesses through access to open public data.[7]

The initiative seeks to achieve these objectives and outcomes by providing grant funding to business incubators through two components:

- **Expert in Residence** (EIR) provides business incubators with grants of up to $100,000 to:
  - increase the capabilities of incubators and improve the chance of commercial success for start-ups in international markets by organising and providing access to top quality research, managerial and technical talent through incoming and outgoing secondments of national or international experts.
- **New and Existing Incubators** (NEI) provides new and existing business incubators with grants of up to $500,000 to:

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[5] DIIS (2017), Australian Innovation System report, https://publications.industry.gov.au/publications/australianinnovationsystemreport2017/documents/australian-innovation-system-report-2017.pdf, pp. 7-8.

[6] DIIS (2017) *Incubator Support Program Guidelines Version – November 2017,* accessed online at https://www.business.gov.au/assistance/entrepreneurs-programme/incubator-support-new-and-existing-incubators

[7] Ibid.

- help develop new incubators in regional areas and/or sectors with high potential for success in international trade

- boost the effectiveness of high performing incubators, including funding support to expand their services and/or develop the innovation ecosystem

- encourage incubators to work with more data-driven start-ups that use public data as part of their business.

This evaluation

This report presents the findings and recommendations arising from a post-commencement evaluation of Incubator Support undertaken by the department's Evaluation Unit. The evaluation was undertaken from May to November 2018.

Authority for evaluation

EP is a Tier One evaluation priority in the department's Evaluation Plan 2017-2021. A post-commencement evaluation of EP was conducted in 2016, prior to Incubator Support being established. The post-commencement evaluation of Incubator Support was identified as a priority, with a view to gradually aligning the evaluation stages of all four EP elements.

Evaluation oversight

Oversight of this evaluation was provided by a Reference Group (see table ii), which endorsed the Terms of Reference (**Appendix A**), reviewed the findings and recommendations, and provided feedback on the draft report.

Table ii: Evaluation Reference Group members

Name	Role
General Manager, Insights and Evaluation Branch, Economic and Analytical Services Division	Chair
General Manager, Commercialisation Policy Branch, Science and Commercialisation Policy Division	Member
General Manager, Food, Chemicals and Business Facilitation Branch, Industry Growth Division	Member
General Manager, Entrepreneurs' Programme – Partnerships and Reform, AusIndustry	Member
General Manager, Entrepreneurs' Programme – Program Management and Delivery, AusIndustry	Member
General Manager, Grant Advisory and Enabling Services, AusIndustry	Member

Source: Incubator Support post-commencement evaluation Terms of Reference

Evaluation scope and purpose

According to the department's *Evaluation Strategy 2017–2021*, post-commencement evaluations typically follow a program's first year of operation and examine program design and initial implementation. This allows decision-makers to identify early issues regarding administration and delivery and take corrective action if needed.

The Terms of Reference outline the evaluation questions, which are grouped under need, design and implementation. Evaluation questions from the 2016 EP post-commencement evaluation were included for continuity and consistency.

This evaluation focuses on the time period September 2016 to June 2018. It focuses on the following overarching questions:

- What need is the Incubator Support initiative addressing?
- To what extent is the design of Incubator Support evidence-based and logically consistent?
- Were the set up phase and grant delivery process appropriate?
- Are governance arrangements effective?
- Are mechanisms in place for robust performance assessment of IS?

Methodology

A mixed-methods approach was used to gather wide-ranging qualitative and quantitative information about the need, design and implementation of Incubator Support. Data collection methods and sources are described below with further details in **Appendix B**.

Desktop literature review

A desktop review was conducted of program documents and literature, including:

- background policy documents (such as the November 2015 National Innovation and Science Agenda and February 2018 'EP policy rationale'[8])
- program documentation (such as Program Guidelines and Standard Operating Procedures)
- project applications, assessment and reports
- literature and reports on entrepreneurship
- website information about other relevant national and international programs

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[8] The 'EP Policy Rationale' is an internal departmental document (unpublished).

Stakeholder interviews

A total of 28 semi-structured interviews were conducted with a range of internal and external stakeholders between July and August 2018. As post-commencement evaluations focus on design and initial implementation, the majority of consultations were with internal stakeholders. Stakeholders interviewed were from the policy area, Business Grants Hub (BGH), program management, RIFs, Customer Service Managers, (CSMs), the EP Committee, and other relevant experts. Representatives of three incubators who responded to the survey and whose applications had been funded were also interviewed.

While the number of stakeholders that hold a particular view has not been specifically quantified, qualifiers such as 'a few', 'many' or 'the majority' are used to indicate the strength of support for a finding.

Further details about the interviews are in **Appendix B**. When quoting interviewees, this evaluation identifies them by the following categories:

- Internal stakeholder

- External expert

- Participant.

Survey

A survey was sent to the 64 Incubator Support applicants (successful and unsuccessful) who had applied for funding as at 31 May 2018. Survey questions covered the application and reporting processes, interaction with Incubator Support officials, and early outcomes. Twenty applicants responded to the survey, giving a response rate of 31 per cent. Respondents comprised eight EIR applicants (all successful) and 13 NEI applicants (seven successful and six unsuccessful). One respondent was both an EIR and NEI applicant.

The survey results and survey questions are in **Appendix D.**

Limitations of this evaluation

The interviews and survey are a key part of the evidence base for the evaluation findings and this should be taken into consideration in interpreting the findings. The range of stakeholders involved in the consultation process was arguably weighted towards those who are likely to have an interest in Incubator Support continuing, so there may be some bias. Given the self-selection bias inherent in voluntary survey methodology, and the relatively low response rate, the survey results should be considered to be indicative rather than statistically representative of the population of incubators that have applied for grant funding.

Structure of this report

This report is structured around the evaluation findings. The report commences with findings on need and progresses through to design, implementation and performance assessment. Recommendations are presented directly after the finding to which they relate.

1.   Need

1.1   There is a justifiable role for the Australian Government to support exporting activity and innovation among Australian businesses

According to the *Australian Innovation System Report 2015*, innovation 'is the core driver of business competitiveness and productivity', and creates more opportunities for new products, industries and markets.[9]

Exports are a significant contributor to Australia's prosperity, accounting for over a quarter of Australia's increase in GDP over the last 25 years. Innovative start-ups in particular make up a disproportionate contribution to Australia's growth in export sales.[10]

However, a relatively low proportion of Australia's income is from innovative goods and services compared with other OECD countries, and there is a low level of new-to-market goods and services.[11] Australian start-ups also have a relatively low three-year survival rate and reach smaller sizes on average.[12]

Australia's low innovation performance reflects a system failure. The innovation ecosystem is weakly networked, with a low level of collaboration between business and research sectors.[13] This system failure is also driven by firms' lack of access to the right skills[14] and a risk-averse business culture.[15] During consultations, a few interviewees stated that Australia's business culture limits the potential for commercialising innovation:

> *Australia's actually a remarkably conservative business culture and it's highly risk-averse…we're very good in invention, very good in innovation, but lousy at commercialisation, and that's partly because of conservatism.* – External expert.

In other countries, government policy has been a catalyst for the development of successful start-up hotspots. For example, US government innovation programs such as Small Business Innovation Research played a critical role in the growth of the Silicon Valley through the provision of grants and encouraging the commercialisation of research.[16] Government policies were also instrumental in promoting a start-up culture in South East Asian countries, such

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[9] DIIS (2015) *Australian Innovation System Report 2015,* p. 1

[10] Swanepoel, Tuhin (2016) DIIS Research Paper 7/2016: *Export behaviour and Business performance: Evidence from Australian Microdata,* p.4

[11] DIIS (2016) *Australian Innovation System Report 2014,* p. 3

[12] DIIS (2015) *Australian Innovation System Report 2015,* p. 50

[13] DIIS (2016) *Australian Innovation System Report 2016*, p. 12, 61

[14] DIIS (2015) *Australian Innovation System Report 2015*, p. 84

[15] DIIS (2015) *Australian Innovation System Report 2016*, p. 40

[16] Keller, M. R., Block, F. (2013) Explaining the transformation in the US innovation system: the impact of a small government program, *Socio-Economic Review*; p. 629–656

as by facilitating innovation networks.[17] Note that these particular programs are not incubator programs. A few interviewees said that Australia should seek to emulate the success of these countries and all of those consulted agreed that government should continue to support entrepreneurship through some means.

Overall, the evidence suggests that there is a justifiable role for the government to assist innovation and internationally oriented businesses, although it does not specifically confirm that incubators are the most effective vehicle for that assistance.

1.2   International evidence on the value-add of government support for incubators is inconclusive

International empirical research about the impact of incubators on start-ups' performance is mixed. A review of business incubators in the European Union concluded that incubators had a positive impact on start-up outcomes.[18] Another study found that evidence of the impact of incubators was inconclusive, although the authors indicated that this might have been due in part to the heterogeneity of models and contexts which reduces the comparability of evaluation findings.[19] A recent study of Australian start-ups also found that evidence of the impacts of incubators was inconclusive, with independent start-ups achieving similar results to start-ups supported by an incubator.[20]

The majority of interviewees stated that government support for incubators should be continued but a few disagreed, noting that there are already many incubators operating in Australia and there is no market gap.

> *I think there is no shortage of incubators, accelerators and co-working spaces in Australia. I don't think that there's a problem. I don't think that there's a need for any funding.* – External expert

Relatedly, a few stakeholders stated that while there is a need for the initiative in regional Australia, it is not as valuable in metropolitan areas where there is already a high saturation of incubators.

> *I suppose where I see the need for the program is more in those regional areas where maybe an incubator needed a little bit of help in getting started or needed further guidance in bringing together different stakeholders within a region. But for the more metro-based incubators and existing ones, I really don't think the situation would be any different for them.* – Internal stakeholder

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[17] OECD (2013), *Public Policy for Innovation in Innovation in South East Asia,* OECD Publishing

[18] European Commission Centre for Strategy and Evaluation Services (2002) *Benchmarking of Business Incubators*, EU Publications

[19] Rigby and Ramlogan (2016) *The impact and effectiveness of entrepreneurship policy*, Handbook of Innovation Policy Impact, Edward Elgar Publishing, pp 129-161

[20] Bliemel, Flores, de Klerk, Miles, Costa, and Monteiro (2016) *The Role and Performance of Accelerators in the Australian Startup Ecosystem*

Many interviewees stated that the initiative has a valuable role in promoting a more export-oriented focus among start-ups.

> *[Without Incubator Support] incubators and accelerators probably would continue to exist but they wouldn't necessarily address the specific access to international market issue, which is especially important in the Australian context.* – Internal stakeholder

Overall, it is difficult to draw conclusions about the value-add of government support for incubators in the Australian context at this stage. The operation of the Incubator Support initiative should generate useful evidence in this respect.

2.   Design

2.1   All outcomes need to be clear, consistent and integrated into the initiative's design

The desktop review found a lack of consistency in stated outcomes between key documents. For example, the stated outcomes for Incubator Support differ between the November 2017 program guidelines and the 2018 EP policy rationale.[21] Although there are similarities between the sets of outcomes, the program guidelines, which have been legislated[22], have a stronger focus on supporting innovative start-ups in international markets. The difference may reflect an attempt to 'operationalise' the outcomes, but this is unclear.

Additionally, a few interviewees said that the initiative was developed quickly following the 2015 NISA announcement, constraining the time available for design and development of the initiative and possibly affecting the articulation of outcomes. Another contributing factor may be the timing of various program changes. For example, one of the stated outcomes in the guidelines is 'to create opportunities for Australian start-ups to develop sustainable international businesses, through access to open public data'. This outcome is elaborated in a factsheet but is not referred to in the EP policy rationale and was not mentioned by any interviewees. This may be because the open public data outcome was added to the Incubator Support Initiative in late 2017, through the transfer of the DataStart initiative from PM&C to DIIS. In any case, this evaluation found that the public data outcome is not well-integrated into the initiative's design.

Defining what success would look like is key to specifying intended outcomes. When asked how they would determine the future success of the initiative, responses from interviewees included: an increased number of incubators, an increased incubator survival rate, improved start-up networks, increased start-up survival rate, increased start-up productivity, and improved skills of participants. Some interviewees said that 'entrepreneurial education' and 'entrepreneurial careers' were essential features of Incubator Support.

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[21] DIIS (2018) 'Entrepreneurs' Programme Policy Rationale'

[22] DIIS (2017) *Industry Research and Development (Incubator Support Program) Instrument 2017*, accessed online at https://www.legislation.gov.au/Details/F2017L01576

I probably look at IS through the lens of a training ground almost, like a very hands-on training program for entrepreneurs, because I think more often than not, the reality is that the actual ventures that people take through these accelerators or incubators probably aren't going to be successful, but having gone through that process, those people will start another venture perhaps in the same industry, perhaps [not] or something else that is a little bit adjacent and that might be successful. So, it's about encouraging entrepreneurship but getting people into that mindset and thinking that entrepreneurship is a career option rather than just going and working at a bank. – Internal stakeholder.

Have we just created this initiative basically to test the waters with potential start-ups? Or have we created this to really get start-ups to be thinking about and behave like entrepreneurs in their actual profession, and doing that as a thing; being entrepreneurial, start-ups, pivoting new business, new market, ideas. – Internal stakeholder.

Overall, more clarity is needed about the outcomes for Incubator Support in order to determine whether the initiative's inputs and activities are appropriate. The review of the program logic, conducted concurrently with this evaluation, was one means of achieving this.

2.2   Expected actual outcomes for the regional start-ups may not match the intended outcomes

Changes to the initiative were introduced in late 2016, before its launch, to better reflect the government's focus on regional development. Overall, interviewees held diverse views about the appropriateness of this regional focus.

Some interviewees said the initiative provides opportunities for regional Australia, including for diversifying rural economies, engaging and retaining young people, and boosting employment. A range of interviewees, including representatives of regional incubators, also said that the reduced co-funding requirement for regional projects would make the grant more accessible for regional incubators. However, a minority of internal and external interviewees said the realities of regional contexts present a challenge for achieving intended program outcomes. Reasons included that they lack the density of networks, international connections and diversity of expertise needed to support successful entrepreneurship.

I would see the main difference [between regional and metro incubators] as access to quality people and quality deal flow. – External expert

[Regions] may have far lower levels of tertiary education and lower levels of professional services, a higher percentage of government services contributing to the economy. So there's significant structural, demographic and economic differences for regional centres, and…the chances are the incubator initiatives are most likely to be driven by a community based organisation, so not for profits, and may well depend on a particularly enthusiastic individual volunteering or working part time. – Internal stakeholder

In view of this, future research should investigate the extent of difference between incubators and start-ups supported in metropolitan and regional

areas, to predict the extent that intended outcomes are likely to be realised. If there are substantial differences, options for future design decisions include adjusting the initiative's outcomes for regionally based incubators and start-ups or adjusting the way the initiative is implemented in regional areas.

Recommendation 1: Future research should investigate the extent of differences in outcomes and implementation between metropolitan and regional areas to inform future program design decisions.

2.3   Incubator Support fits reasonably well within EP

Incubator Support was established in late 2016 and incorporated as an EP element two years after the EP was established. As described in the program guidelines, the intended outcomes of EP are to improve business capability, build effective business, research and commercialisation networks, improve business and commercialisation performance, and deliver value to participants. The outcomes of Incubator Support mostly align with these broader EP outcomes, as currently stated.

The majority of interviewees said that Incubator Support fits well within EP, while a small number suggested that it would fit better with other start-up focused initiatives. Among the other elements of EP, interviewees said that Incubator Support most closely aligns with Accelerating Commercialisation, as the Business Management and Innovation Connections elements focus on more mature firms. In relation to design, some interviewees noted that Incubator Support is the only element to target ultimate beneficiaries (start-ups) via an intermediary (incubators). Overall, this evaluation found that there is reasonable logic and support for Incubator Support to remain an element of EP.

2.4   The department does not have much visibility of which start-ups access each of the incubators' services

Through incubators, the initiative seeks to reach 'innovative, adaptive, early stage and scalable companies, with global potential'.[23] However, the 'intermediary' design limits the extent to which the department can understand or influence the types of start-ups accessing funded services, especially where incubators receive funding from other sources.

As discussed in section 3.4, applications and routine reporting requirements (progress reports, final reports etc.) provide only limited information about the specific start-ups that are benefiting from Incubator Support. Because it is unclear whether the start-ups benefiting from Incubator Support are appropriate targets for the initiative, it will be difficult to determine whether the long-term outcomes of the initiative are achievable.

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[23] DIIS (2018) *Incubator Support Frequently Asked Questions*, accessed at
https://www.business.gov.au/assistance/entrepreneurs-programme/incubator-support-new-and-existing-incubators

The 2002 study of European Union incubators concluded that 'it is essential that there is a clearly defined target market and that this is reflected in the admission criteria'.[24] The design of Incubator Support limits the extent to which the department is able to define and collect information on characteristics of start-ups accessing the initiative. This was considered during the concurrent review of the program logic and data matrix, which has produced documents which should result in improved data collection on the characteristics of start-ups.

2.5 Future evaluations should consider the time required by new incubators to become self-sustaining

Incubator Support allows new incubators to apply for funding for up to two years. While incubators may subsequently reapply, future funding availability and approval are competitive. A few interviewees expressed concern about the sustainability of this short-term funding approach, while a survey respondent described it as creating a 'cliff situation' for new incubators.

In the European context, the 2002 review *Benchmarking of Business Incubators* found that incubators are more likely to succeed when supported by a partnership of public and private sponsors. The review recognised public support as vital in the development phase, but stated that dependence on public funding should be reduced over time. However, the authors noted that it can often take several years before a business is able to attract sufficient private sector funding and/or generate sufficient income to cover operating costs.[25]

The new incubators funded under Incubator Support have not yet reached the two year point. Future evaluations should consider the time required to reach sustainability. This should inform the design of any future iterations of the initiative.

2.6 The current design may not be feasible if funding is reduced as is planned

Funding for Incubator Support is currently $23 million over four years until 2019-20, approximately $5.75 million per year on average. Without other action, based on the current funding profile, in 2020–21 this funding will be reduced to $2 million per year.

Approximately 35 per cent of current funds was expended over the 21 months from launch to 30 June 2018, with 65 per cent remaining for the next 24 months to June 2020. While grant approval and expenditure were initially slow due to a high proportion of low quality applications, the rate of approvals and expenditure has increased. In addition, the reduced co-funding requirement for regional projects is expected to make the grant more accessible for regional incubators.

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[24] European Commission Centre for Strategy and Evaluation Services (2002) *Benchmarking of Business Incubators*, EU Publications

[25] Ibid.

Interviewees considered current funding to be adequate but said the current design would not be feasible if annual funding drops to $2 million per year. In the lead up to this change, policy area interviewees said they are open to exploring different future designs at different levels of funding.

[If funding drops] the program in its current format would have to be completely redesigned…is that an opportunity…to take a different approach to say "We've tried that, do we do something different now? Can we try something different?" – Internal stakeholder

2.7   Staff resourcing arrangements require clarification in order to assess risks to ongoing management

Original program documentation foreshadowed staff resourcing at six Average Staffing Level (ASL) in the year of establishment and four ASL for the next three years.

A range of interviewee groups stated that those numbers did not allow adequate resourcing for program management, particularly following the mid-2018 AusIndustry restructure. There are currently two dedicated ASL in Program Management and the EL2 is shared with Accelerating Commercialisation. Because the current ASL is split across Accelerating Commercialisation and Incubator Support, it is difficult to assess the adequacy of resourcing for Incubator Support and any associated management risks.

The program management team was recognised by other interviewees as playing a critical role in coordinating with stakeholders, liaising with policy, supporting the EP Committee, supporting RIFs and CSMs and, at times, engaging directly with participants. Interviewee feedback about the program management team was very positive but there is a key person risk and capacity to proactively manage the program is limited.

We're reacting to things instead of having the time to sit down and actually think through things and plan for the future. – Internal stakeholder

The staffing level for Incubator Support carries some risks. This particularly affects the program management team, which is a lynchpin in coordinating the implementation of the initiative.

3.   Implementation

3.1   Outputs are consistent with the initiative's design and purpose

This section draws on a review of program data and documents and advice from program management to assess the outputs of the initiative. Although there are no set targets that the outputs can be compared against, we find that the number of grants and level of funding has been appropriate given the funding available.

Number of grants

As at 30 June 2018, the program had received 131 (57 EIR and 74 NEI) applications of which 82 (35 EIR and 47 NEI) were considered for approval and 53 (35 EIR and 18 NEI) were approved. One EIR project was subsequently terminated and one NEI project withdrawn, resulting in a total of 51 (34 EIR and 17 NEI) projects being funded under the initiative up to the end of 2017-18 (see table 3.1a).

All eligible EIR applications were approved, but a significant proportion (26 per cent) of EIR applications were found to be ineligible. Reasons for ineligibility varied, including: some applicants did not meet the definition of an incubator; some proposed activities were not considered appropriate; proposed experts were not considered appropriate for secondment; and/or it was not clear that the proposed expert had the skills and abilities needed to deliver the services outlined.

Of 47 NEI applications, eighteen (38 per cent) were approved, including three of seven regional applications. A significant proportion (28 per cent) were withdrawn prior to being considered for approval. The main reasons for withdrawal were inability to provide mandatory documentation, e.g. evidence of matched funding, or a change in circumstances that meant the applicant no longer wanted or was able to proceed with the project. Several applications that had been withdrawn were re-submitted at a later date and one application was withdrawn after approval.

Table 3.1a: Incubator Support applications and approvals

Applications	EIR	NEI	Total
Received	57	74	131
Ineligible	15	6	21
Withdrawn	7	21	28
Considered for approval	35	47	82
Approved	35	18	53
Not approved	0	29	29
Approval rate*	100%	38%	62%
Funded projects	34**	17***	51

*Approved applications as a proportion of applications considered for approval

** One EIR project terminated by mutual agreement

*** One NEI funding offer withdrawn as applicant could not meet the funding conditions

Value of grants

Incubator Support grant funding was originally spread evenly across financial years but in mid–2017 $3 million was re-phased from 2016–17 to 2017–18 and 2018–19. As at 30 June 2018, a total of $8.2 million ($1m EIR and $7.2m NEI) had been awarded to Incubator Support grantees. Thirteen grants with a total of $2.1 million were approved in 2016-17, while 38 grants with a total of $5.6 million were approved in 2017–18 (Table 3.1b). The program data shows that the value of grants approved almost tripled from 2016–17 to 2017–18 and the initiative appears to be tracking in line with the revised grant funding profile.

Table 3.1b: Incubator Support funding (and number of projects) approved by financial year

Financial year	EIR	NEI	Total
2016–17	$161,844 (8)	$1,939,474 (5)	$2,101,318 (13)
2017–18	$852,864 (26)	$5,239,500 (12)	$6,092,364 (38)
Total	$1,014,708 (34)	$7,178,974 (17)	$8,193,682 (51)

Source: Incubator Support program data to 30 June 2018

As shown in table 3.1c, the majority of funding and projects have been in NSW and Victoria, which have the largest innovation ecosystems in Australia.[26] A significant number of EIR projects have also been funded in Queensland, and several NEI projects in South Australia.

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[26] Weisfeld, Z. (2017), 'The rising success of startups down under: inside Australia's entrepreneurial ecosystem', *Forbes*, accessed online at https://www.forbes.com/sites/groupthink/2017/08/10/the-rising-success-of-startups-down-under-inside-australias-entrepreneurial-ecosystem/#61baf5411cda

Table 3.1c: Incubator Support funding (and number of projects) by component and jurisdiction

Jurisdiction	EIR	NEI	Total
ACT	$25,000 (1)		$25,000 (1)
NSW	$308,493 (9)	$3,214,035 (8)	$3,115,528 (17)
NT	$100,000 (1)	$500,000 (1)	$600,000 (2)
QLD	$222,125 (8)	$268,674 (1)	$465,799 (9)
SA	$20,000 (1)	$1,196,265 (3)	$1,216,265 (4)
VIC	$237,618 (9)	$2,000,000 (4)	$2,211,285 (13)
WA	$101,472 (5)		$101,472 (5)
Total	$1,014,708 (34)	$7,178,974 (17)	$8,193,682 (51)

Source: Incubator Support program data to 30 June 2018

Overall, the outputs delivered are consistent with the design and policy intent of the initiative.

3.2   The initiative has mostly been implemented as planned, although some changes were made to improve NEI application quality and better adapt to regional circumstances

Applications received for NEI in the early stages of the program were of poor quality, prompting some changes to the initiative to improve application quality. This section assesses the impacts of those changes, based on interviews and a review of program documents and data.

Many interviewees said that the early NEI applications did not match the expected standards. A review of program documents confirms that there was a low rate of EP Committee support for applications in 2016–17. Some interviewees also noted the poorer quality of Incubator Support applications compared with Accelerating Commercialisation applications, which are also assessed by the EP Committee but which benefit from intensive support from advisors. Many interviewees highlighted that the low number and poor quality of regional applications were an early concern for the initiative. This was confirmed by a review of program documents.

In response to the above issues, changes were made to the guidelines, supplementary guidance developed, a formal feedback process for draft applications introduced, the role of RIFs introduced, and the co-funding requirement reduced for regional applicants.

All of the interviewees consulted were positive about the changes made, and a few, including EP Committee members, also said that the changes have led to some improvements. A review of program data showed that the rate of EP Committee support for applications overall increased from 20 per cent in 2016–17 to 61 per cent in 2017–18.

In relation to regional application number and quality, the review showed little change, with one of three regional applications supported in 2016–17 and two

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of four supported in 2017–18. Program management and CSM interviewees said that the RIFs were likely to contribute to improved regional application quality. However, at the time of the evaluation consultations, the RIFs had only recently started and the EP Committee was yet to receive any NEI applications that had received RIF advice.

While the above changes may have contributed to improved application quality overall, it was too early to assess the impact of changes on regional applications.

Figure 3.2: Proportion of applications supported by the EP Committee
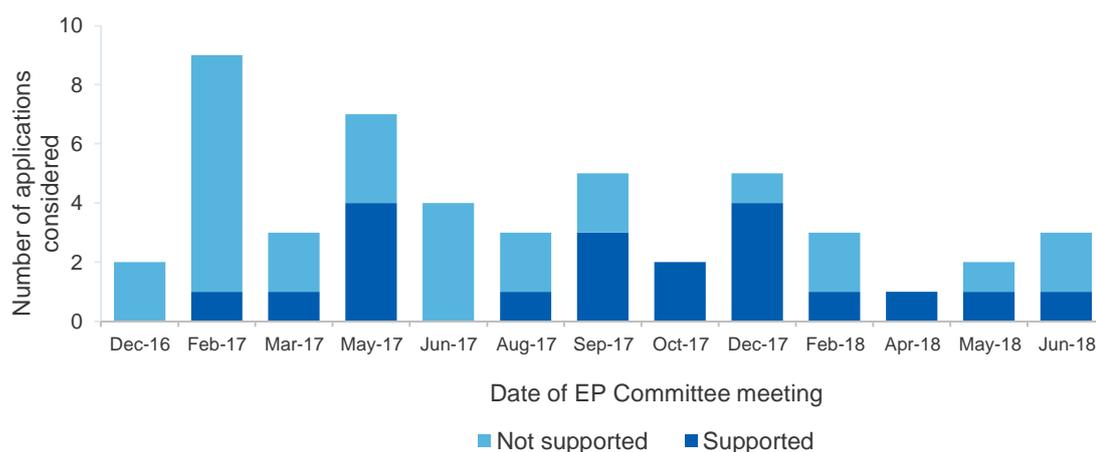
3.3   Incubators align moderately well with the intended primary target market

According to program guidelines, Incubator Support targets incubators that have the potential to foster high-growth start-ups with a focus on international markets. Interviews also confirm that the incubators supported needed to be of high quality. The analysis of alignment to target market in this and the following sections is based on interviews, key program documents, and a review of nine applications (three EIR and six NEI) and eight reports (four NEI progress reports and four EIR final reports) selected at random.

An analysis of the program data indicates that the incubators funded represent a diverse range of models. The majority are private incubators, while a smaller number of university incubators, economic development incubators and basic research incubators have also been funded (figure 3.3a).[27] The majority support start-ups of all stages, while a smaller proportion target scale-ups, early

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[27] Private investment incubators are aimed at developing business activities and attracting additional financial resources. 'University' incubators are interested in development of intellectual assets. 'Basic research' incubators use fundamental research to develop technologies that can be commercialised later by patents and licensing. 'Economic development' incubators promote entrepreneurship in the area with a focus on industry competitiveness, jobs, etc. [Barbero, J.L., Casillas, J.C., Ramos, A., Guitar, S. (2012), 'Revisiting incubation performance: How incubator typology affects results', *Technological Forecasting and Social Change*, 79(5) pp. 888-902]

stage ventures or nascent entrepreneurs (figure 3.3b). Almost half have a generic focus rather than focusing on a particular industry or sector. Almost a quarter of grant recipients have an information technology focus, and the remainder represent diverse industries and sectors (figure 3.3c). The majority of incubators funded provide generic growth services rather than specific services (figure 3.3d).

Figure 3.3a: Funded incubators by incubator model
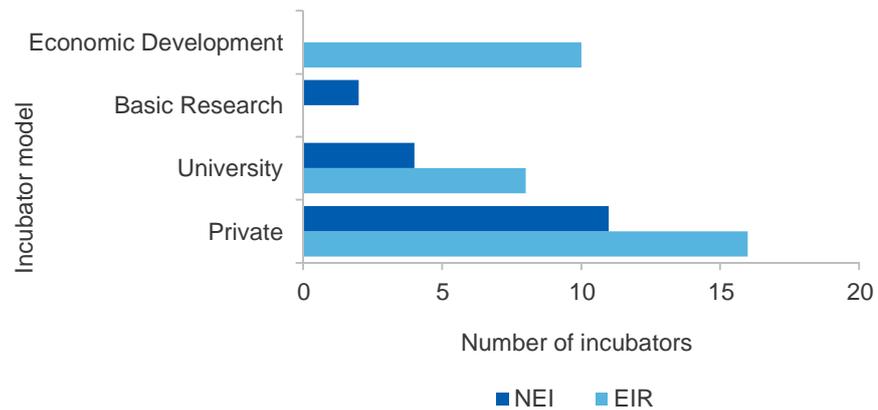
Source: Incubator Support program data

Figure 3.3b: Funded incubators by venture stage they support
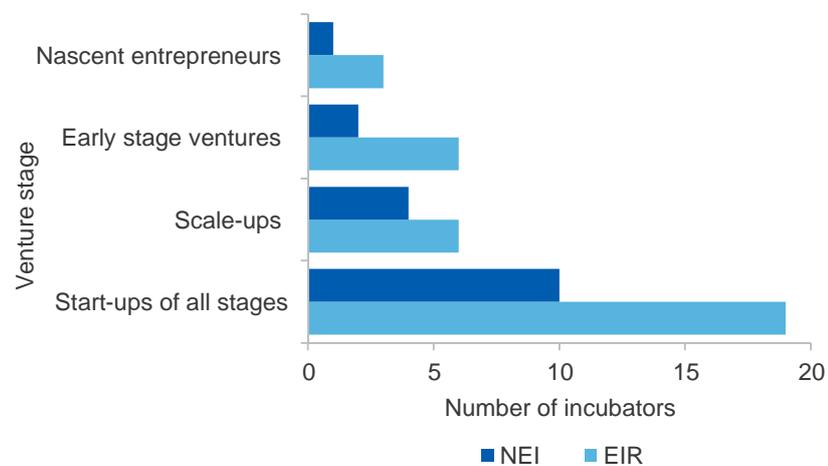
Source: Incubator Support program data

Figure 3.3c: Funded incubators by industry or sector
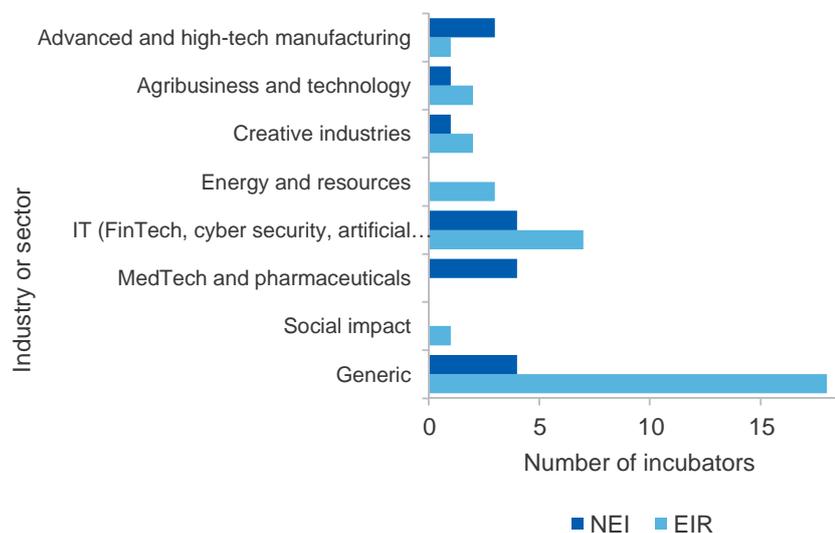
Source: Incubator Support program data

Figure 3.3d: Funded incubators by central service provided
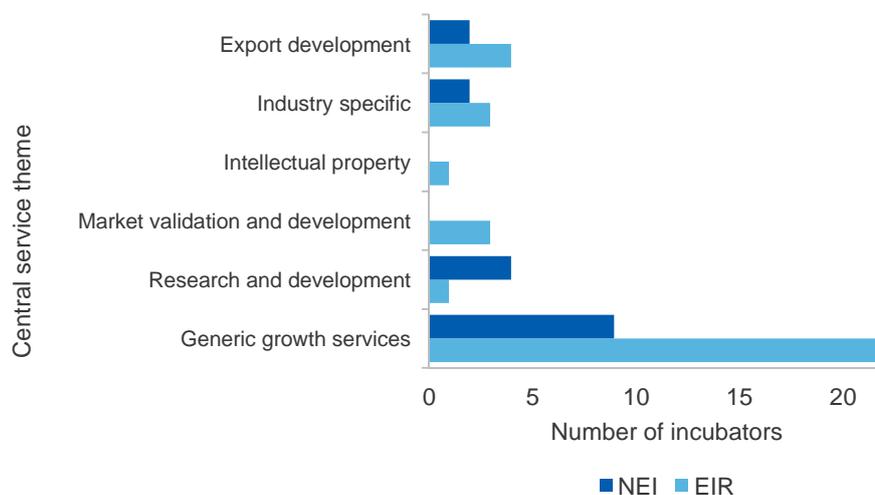
Source: Incubator Support program data

The international focus of the initiative is established in key program documents and was emphasised during interviews. Of the applications reviewed, all showed that their leadership or incoming experts had some international experience and the majority made clear linkages between proposed activities and international markets. A few applications, however, did not specify how they planned to help start-ups reach international markets.

The review of applications demonstrated that there is a focus on the quality of incubators, by proving the expertise of the people involved. This aligns with

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some comments by interviewees about the central importance of the incubator's quality. In their applications, incubators emphasised their credibility through testimonials, detailed expert résumés and addressing of merit criteria. Assessment commentary by CSMs generally focused on the quality of the incubator and the credentials of people involved. EP Committee minutes included some detail indicating a similar focus. While most interviewees who commented were confident that the incubators supported matched the target market, one interviewee was less confident about the quality of some incubators supported.

It was difficult to determine the extent to which incubators were meeting a need or addressing a gap within a particular region or sector. Many of the applications reviewed did not provide this information, and this was noted in some CSMs' assessments.

Overall, incubators funded appear to align moderately well with the intended primary target market. However, this could be improved by requiring applicants to specify how they intend to help start-ups reach international markets, and to demonstrate that they are meeting a need in a particular region or sector.

Recommendation 2: Require applicants to specify how they will help start-ups reach international markets, how they are meeting a need in a particular region or sector, and how they intend to track the start-ups they support.

3.4 It is difficult to determine the extent to which the program is reaching the intended start-ups

Information about start-ups reached through the initiative is provided by some grantees in documentation submitted as part of formal reporting requirements. However, there is not enough information available to assess whether the initiative is reaching the intended start-ups. The analysis in this section is based on a review of a sample of applications and on stakeholder interviews.

One merit criterion asks about the 'expected impact and benefits of the project' but only some of the EIR and NEI applications reviewed included details about the start-ups intended to benefit. Those who do provide this information only outline the details of a small sample of start-ups. Where information was provided, the type of information about start-ups varied.

Where applications and progress reports reviewed did provide information about start-ups, those start-ups align with the intended beneficiaries of the initiative. The start-ups profiled were developing innovative, new-to-market IT and med-tech products that could be scalable to international markets.

It is difficult to determine the extent to which the initiative is reaching the intended start-ups through the incubators supported. This could be improved by requiring applicants to describe the type of start-ups they plan to target and how they intend to target, screen and track them. See further discussion in section 4.3 on performance assessment.

3.5 Early outcomes for grant recipients are mostly positive

This section is based on survey responses and draws on early stage outcomes as reported by applicants. At this stage any outcomes reported are prospective only.

In response to open-ended survey questions about outcomes and impacts, respondents' feedback focused mostly on positive intended outcomes. They said that the grant enabled them to access national and international resources and connections, provide better experts and mentors, develop regional relationships, and extend services to regional organisations. One respondent said that as a result of the expert's advice on commercialisation pathways, founders had accessed other funding and investment. Successful NEI applicants stated that the grant enabled them to expand their support services for start-ups, including into new regions. One interviewee said that EIR has attracted significant expertise and will likely have a large impact and positive spillover effects.

Most EIR survey respondents said there were no negative outcomes or impacts associated with applying for an EIR grant. Most negative impacts identified by NEI respondents related to the application process. However, one NEI respondent said that receiving 50 per cent of their funding up-front half-way through the financial year created an unnecessary tax burden, and one noted the unexpected extensive travel required to support and nurture regional communities.

Overall, a number of positive outcomes were identified during stakeholder consultations while few negative outcomes or impacts were identified, other than the workload associated with NEI applications which is discussed in section 3.7.

3.6 The EIR application, assessment and reporting processes are suitable for participants

The EIR component is based on assessment of eligibility for requests up to $50,000 inclusive, and eligibility and merit for requests from $50,000 up to $100,000. The application, assessment and reporting processes are relatively simple and straightforward, with funding decisions made by the departmental program delegate. Survey respondents were generally satisfied with EIR and no major concerns were raised about its implementation. This section is based on applicant responses to the survey, stakeholder interviews, and the review of three EIR applications and four EIR final reports selected at random.

EIR application

The eight EIR survey respondents rated the level of application effort as 'low' or 'moderate' (see figure 3.6a) and were 'satisfied' or 'very satisfied' with the application process (see figure 3.6b). Respondents considered the level of effort required to be appropriate, with one commenting that it achieved a good balance between effort and accountability. One respondent noted that being able to extract a copy of the application for their records was an improvement on the previous year. Improvements suggested by respondents were to pre-populate the form for applicants already in the system, improve the web

interface, and make the process scalable according to the amount of funding requested.

Figure 3.6a: EIR applicants' ratings of the level of effort required
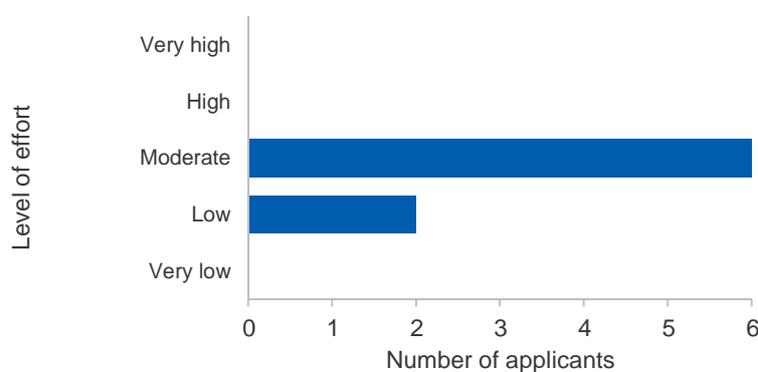
Source: Incubator Support survey July 2018

Figure 3.6b: EIR applicants' satisfaction with the application process
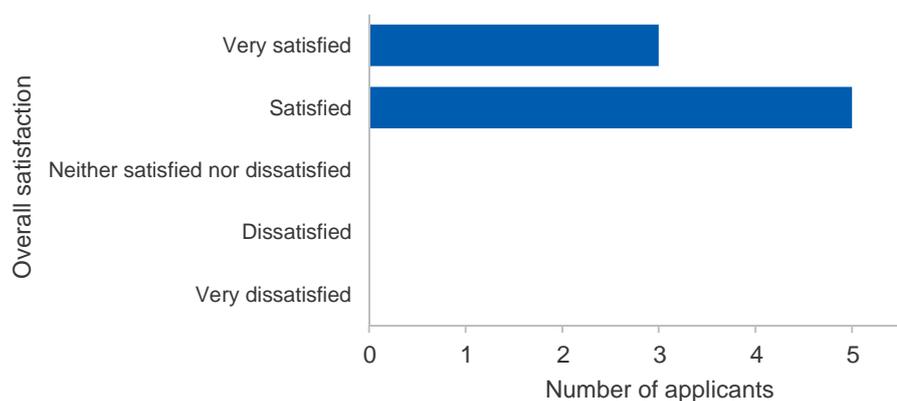
Source: Incubator Support survey July 2018

A review of a sample of four EIR applications confirmed that the application template appears relatively simple to complete. It requires only basic information about the incubator, the project budget, key activities and anticipated outcomes, and details of the proposed expert secondee. All four applications reviewed were less than twenty pages in length. Many internal interviewees stated that the guidelines are difficult for applicants to interpret and need to be more clearly presented (discussed further in 4.7). Overall, the application process for EIR is appropriate.

EIR assessment

The majority of stakeholders were satisfied with the assessment process for EIR. One concern raised by a survey respondent was that approvals 'seemed to take a while'. One survey respondent said that timing delays in funding approvals can impact on being able to confirm timing with the expert, resulting in the loss of a window of opportunity.

EIR reporting

Six survey respondents said they had completed an EIR project report. Respondents said that reports took a week or less to complete and they were 'satisfied' or 'very satisfied' with the reporting process. They described the reporting process as 'simple and straightforward' and as achieving 'a good balance between information required for the funding requested'. Most said they did not think any changes were required, however one suggested using a 'standard incubator reporting platform'. Of the four final EIR reports reviewed, all of the applicants indicated that activities and expenditure were conducted in accordance with their funding agreements.

Overall, the EIR application, assessment and reporting process appear to be both suitable for participants and working well. The reporting templates may, however, need to be reviewed following finalisation of the program logic and data matrix to ensure that data collection adequately supports later evaluation. See further discussion at section 4.3 below.

3.7   NEI applicants require further guidance on the type of information and level of detail required in applications

Most issues raised about implementation of the initiative related to the NEI component. This is not surprising given the increased complexity and grant size of NEI compared with EIR. The NEI application, assessment and reporting requirements are correspondingly more demanding. This section is based on applicant responses to the survey, stakeholder interviews, and a review of six NEI applications and four NEI progress reports selected at random.

NEI application

Respondents were asked to indicate how long it took to develop and submit their application, and were prompted to record time taken rather than duration over which the application was developed. The median[28] time spent by the 13 NEI respondents on developing their application was 25 days. Successful applicants invested more time (median 30 days) developing their application than did unsuccessful applicants (median 23 days). Most respondents, including the majority of successful applicants and half of unsuccessful applicants, rated application effort as 'very high' (figure 3.7a).

Respondents' level of satisfaction with the application process was mixed. Even among the seven respondents whose application had been successful, only three were 'satisfied' (figure 3.7b). Respondents described the application as 'detailed' and 'difficult', and the process as 'drawn out'. Issues raised were that application questions were not intuitive and a large amount of supporting documentation was required. Respondents suggested that the application be shortened and made more logical, and that further guidance be provided about the detail and attachments required. One respondent suggested that applicants be given the opportunity to present to the EP Committee.

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[28] The median was used as the measure of central tendency given the range of responses (five to 390 days) and presence of outliers.

Figure 3.7a: NEI applicants' rating of the level of effort required
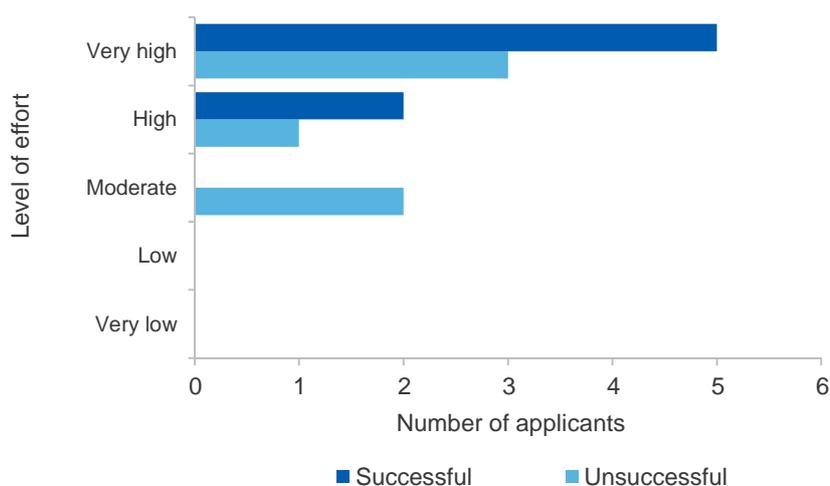
Source: Incubator Support survey July 2018

Figure 3.7b: NEI applicants' level of satisfaction with the application process
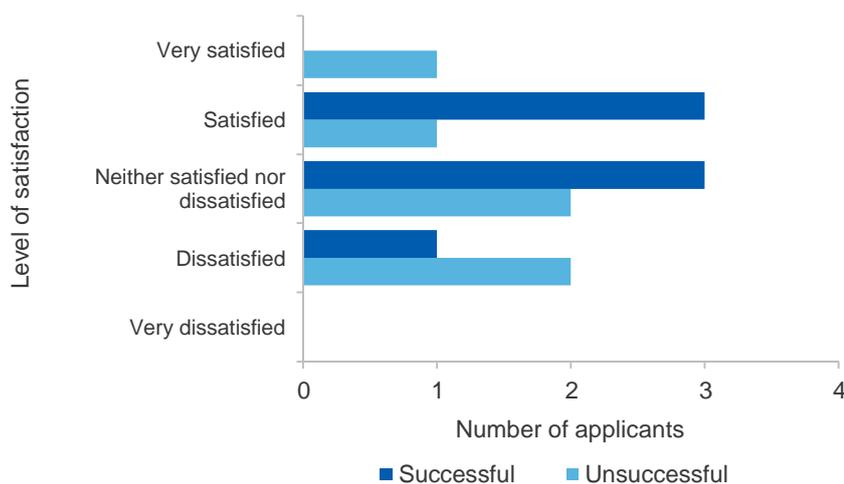
Source: Incubator Support survey July 2018

Six interviewees (mainly CSMs and RIFs) said that further changes to the guidelines were needed to make them easier for users to navigate. CSMs said that although improvements had been made recently, the application form could be clearer, more specific about requirements, and include limits on attachments. The majority of CSMs suggested including examples of eligible activities to improve clarity, perhaps using fictional incubators.

The review of six successful NEI applications found that applications are accompanied by a large number and volume of supporting documentation. Most applications reviewed were over 100 pages in length, with one close to 200 pages, and information presented in supporting documentation was not always consistent. In some cases, applicants did not include explanatory text against the merit criteria categories, just links to attachments. While the document review did not find the amount of text in the application form to be an issue, this may be because it is resolved through CSM feedback to

applicants prior to final submission. CSMs said that the large volume of information received as part of each application adds to the time required to assess an application.

Changes are clearly needed to increase clarity of requirements for applicants and make extracting relevant information easier for the CSMs and the EP Committee. The process would benefit from additional guidance to applicants about information required and how to present this clearly and succinctly.

Recommendation 3: Provide further guidance for applicants to help clarify the type of information and level of detail required in NEI applications.

NEI assessment

CSMs assess NEI applications against eligibility and conduct preliminary merit assessments. Program management reviews applications and preliminary assessments and sends eligible applications to the EP Committee. The EP Committee assesses applications against merit criteria and makes recommendations to the Minister. The Minister makes the decision on funding.

Two policy interviewees commented on flexibility being a key feature of the initiative's design and assessment process. However, this flexibility appears to contribute to a lack of clarity when it comes to the assessment of applications. The majority of CSMs interviewed described the assessment criteria as 'vague', and some CSMs described them as less straightforward than those for Accelerating Commercialisation applications. This adds to the time needed to complete assessments.

All CSMs interviewed wanted more support and guidance on assessment, particularly against merit criteria, with one suggesting the scoring system be made less subjective. However, some other interviewees were concerned that CSMs did not have the necessary technical knowledge to conduct merit assessments. A review of program data found reasonable consistency between CSM and EP Committee assessments where scores were rated low or high, but less consistency for applications in the middle.

Rather than seeking to improve CSMs' technical capability to assess merit, effort would be better spent improving application guidance to reduce the workload associated with assessment, keeping expectations of preliminary assessments by CSMs realistic, and relying on the expertise of the EP Committee for assessments against merit.

NEI reporting

The NEI reporting requirements are relatively simple and require incubators to validate that funds were used appropriately. All four NEI reports reviewed indicated that activities are progressing in accordance with expectations, barring minor external delays, and that expenditure was appropriate. In some cases, expenditure was lower than originally expected, but was expected to be carried forward into the next cycle.

The reporting requirements for NEI are straightforward and do not require extensive detail. The report is intended to check that the funded activities are

progressing according to expectations set out in the agreements. No survey respondents or interviewees raised any major concerns about the reporting process. Four of the seven NEI survey respondents had completed a report. For those four, reporting took between 'less than a day' to 'a week' and none reported that they were dissatisfied with the process.

As stated above, the reporting templates may need to be reviewed following finalisation of the revised program logic and data matrix to ensure that data collection adequately supports later evaluation.

3.8 Survey respondents are satisfied with the advice and support they have received

EIR and NEI survey and interview respondents were mostly very positive about their engagement with CSMs and other AusIndustry officers. Some respondents had also interacted with a RIF and the majority were positive about their experiences.

Despite frustrations expressed about the NEI application process, and irrespective of NEI application outcome, both EIR and NEI survey respondents described the departmental officials they had had contact with as being 'accessible, 'helpful', 'engaged, informative, collaborative', 'professional', and 'knowledgeable'. They described the assistance received as 'prompt' 'timely', 'useful' and 'efficient'. There was little negative feedback, although one respondent reported a lack of consistency across officials, while another said feedback was provided too late. The three EIR and NEI participants interviewed were also very positive about their interaction with CSMs.

> *Something that was really, really good about it… they weren't trying to trick us, or trip us up. They were trying to help us. I think that working relationship was super positive and actually made it ultimately an enjoyable experience.*
> – Participant

Only seven survey respondents had had contact with a RIF (the survey was conducted just two months after the RIFs commenced), and most of them were happy with the support they had received from RIFs. All five EIR survey respondents who had contact with a RIF were 'satisfied' or 'very satisfied' with the advice they received. Of the two NEI survey respondents who had contact with a RIF, one was 'very satisfied' with advice received, while the other was 'dissatisfied'.

Overall, in surveys and interviews, it was clear that the interactions between the program and applicants were generally considered to be positive and constructive.

3.9 Governance processes are mostly effective, but efficiency could be improved by delegating funding decisions, increasing information sharing, and clarifying roles and responsibilities

The ANAO's former Better Practice Guide on Public Sector Governance identified three key focus areas for achieving good governance: performance

orientation; transparency and integrity; and effective collaboration.[29] The analysis of governance in this section is based on internal program documentation and stakeholder interviews.

The governance of NEI could be made more efficient

The Minister has overall authority for Incubator Support. In relation to the NEI component, the Minister has directed the Innovation and Science Australia (ISA) Board to provide merit assessments, and in turn the ISA Board has delegated this power to the EP Committee, members of which are appointed by the Minister.[30] For EIR, the Minister has delegated decisions on funding to the program delegate (the General Manager, EP Program Management and Delivery).

The roles and responsibilities of the EP Committee are formalised in Terms of Reference. The Committee is required to make recommendations to the Minister on NEI application merit assessments and provide other advice on non-financial administration matters relating to Incubator Support (as part of the EP more broadly).[31] Many interviewees described the EP Committee role positively:

> *The EP Committee skills and background are probably one of the strengths of the Incubator Support program…AusIndustry is not really in a position to make the kind of assessments that the EPC make... coming from the start-up venture capital, early stage commercialisation background, [EP Committee members] have skills in that background.* – Internal stakeholder

While some interviewees said ministerial approval of NEI grants was appropriate during the early phase of implementation, the majority said that this was no longer necessary and could be delegated to the department. While the Minister may make a decision that is contrary to the EP Committee's recommendation, as at 30 June 2018 this had not occurred. Consistency with Accelerating Commercialisation, for which the EP Committee conducts a merit assessment and makes a recommendation to the program delegate who makes the decision, would be desirable. The evidence suggests that NEI funding decisions should be transferred to the program delegate, as this would reduce decision times, which were raised as a concern by many interviewees and a few survey respondents, and reduce workloads. However, given the stage in the program cycle, the merit of such a change should first be assessed.

Recommendation 4: Investigate the merit of seeking the Minister's approval for NEI funding decisions to be transferred to the program delegate, based on the recommendations of the EP Committee.

The ANAO emphasises the importance of programs being agile and responsive to shifts in conditions and priorities. The design and delivery of Incubator

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[29] ANAO (2014) *Public Sector Governance: Strengthening performance through good governance.* This ANAO Better Practice Guide has since been withdrawn from the ANAO website.

[30] IR&D Act 1986; Minister's Entrepreneurs' Programme Direction No. 1 of 2016

[31] DIIS (2018) 'Entrepreneurs' Programme Committee Terms of Reference'

Support has been improved since it was launched, including through additional support for regional applicants and a formal process for providing feedback to unsuccessful applicants.

Clear and timely communication between stakeholders would improve the performance orientation of the initiative by enabling more effective decision-making. Almost all stakeholder groups interviewed wanted to receive more information about one or more aspects of the program's rationale, outputs and outcomes. EP Committee members said that they would like feedback on outcomes of funded incubators to help refine future recommendations. Some CSMs, RIFs and BGH representatives said that they would like feedback about program outputs and outcomes to help them assess how they were performing. Some program management interviewees wanted to know more about the research that informed the program design. A range of interviewees indicated that they wanted more feedback on the program in general as well as on their performance.

> *I haven't had enough exposure to say which ones are working well or not…we don't get any feedback post our involvement at a committee level.* – External expert

As many interviewees indicated that they were committed to getting more feedback about the program, it is likely that sharing more information about the design, delivery and outcomes of the program would enhance the initiative's performance orientation.

Recommendation 5: Share more information about the rationale, outputs, outcomes and evidence for the initiative's design with internal stakeholders.

Governance is open and transparent

The Incubator Support initiative ensures transparency and integrity of processes by adhering to the ISA Board's Declaration of Interest (DOI) procedures. CSMs, the EP Committee and the Minister are required to follow DOI procedures when assessing applications.[32] Procedures for managing conflicts of interest are also set out in the program guidelines, CSM procedures, and the EP Committee's Terms of Reference.

No issues about transparency or integrity were raised during interviews. One interviewee said that processes put in place to manage potential conflicts of interest in relation to the EP Committee members were working well. This was supported by a review of EP Committee meeting minutes, which confirmed that the established DOI processes are routinely followed.

> *The committee takes the [DOI] processes very seriously…they take a very hard line on how they deal with conflicts, I think that's really impressive and it's one of the best I've seen.* – Internal stakeholder

Transparency is ensured through the establishment of robust measures, including to manage potential conflicts of interest when assessing applications.

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[32] DIIS (2018) 'EP Committee Terms of Reference and Assessment Guide'; DIIS (2017) CSM Standard Operating Procedure

These measures appear to have been implemented effectively and are working well.

Collaboration is mostly effective, but roles and responsibilities could be clarified

Interviewees were mostly satisfied that relationships between areas were collaborative, although a few stakeholders felt that responsibilities were unclear when coordinating with Business Grants Hub (BGH).

Program management and policy area interviewees said that they communicate well with each other.

> *I think at the officer level, there's a good program and policy relationship.* –
> Internal stakeholder

Incubator Support was one of the earlier programs to go through BGH and was described by one interviewee as a 'test case'. Program management and policy interviewees said that significant negotiations were needed to align standardised grant practices with the design intent of Incubator Support, and that this impacted the setup phase of the initiative. A BGH interviewee also noted that it took time for some policy decisions on key features of the program to be resolved.

Interviewees generally agreed that collaboration and coordination had improved by the time changes were made to incorporate the regional component. BGH interviewees said this was the result of improvements in overall coordination, including clarifying roles and responsibilities, formalising communication processes, and developing clarifying process documentation. Most interviewees said roles were now more clearly delineated, but some said this could be further improved.

Overall, collaboration has improved following early challenges and is expected to continue to improve as BGH matures and processes are further refined. However, roles and responsibilities, including for overall coordination, may need to be further clarified and more clearly communicated when changes are made to the guidelines and associated documents.

Recommendation 6: Clarify and clearly communicate roles and responsibilities, including for overall coordination, when making changes to the guidelines, application templates or related documents.

4.   Performance assessment

4.1   Data collection would be improved if grantees were fully aware of requirements and templates aligned with agreed data collection needs

Stakeholders across all areas considered data capture and use to be a major concern in the design and implementation of Incubator Support. Current data collection is unlikely to be adequate for effective monitoring and evaluation.

A program logic and data matrix (showing indicators and data sources against evaluation questions) were developed for EP as a whole and for Incubator Support through the 2016 NISA 1.0 process. However, when the new regional changes were introduced in December 2017, policy and program areas agreed that they should be updated. The program logic and data matrix have been revised in parallel with this evaluation. In the interim, however, the lack of an updated agreed program logic and data matrix has contributed to the lack of clarity on outcomes and target markets, and consequently on data collection requirements.

> *There has to be a conscious decision, are we only seeking data from the incubator, or are we seeking data from their participants? If it's the latter, do we have mechanisms to realise that?* – Internal stakeholder

The major sources of data are the application forms and project reports submitted by applicants. Application forms collect information about the incubator, planned project activities, budget (for NEI) and evidence of demand, but not necessarily about start-ups.

Application templates could be refined to further standardise the data collected. Progress reports for NEI and EIR collect limited information as they seek only to understand how the funded activities are tracking and if the conditions of funding have been met. The final report for NEI requires more extensive data, but while the final report template is provided to grantees at the time of funding negotiations, grantees may not be fully aware of their data collection requirements and this will make later reporting difficult. It is important that grantees are fully aware of all reporting and data collection requirements at the start of the project.

The updated data matrix developed alongside this evaluation details data collection requirements for evaluation. Based on the data matrix, there are presently gaps in the data available about participant satisfaction with the program, characteristics of start-ups and the outcomes for start-ups. Reporting templates should be aligned with the agreed data collection needs in the future.

Recommendation 7: Customer Service Managers and Regional Incubator Facilitators should reinforce early awareness among grantees of their reporting and associated data collection requirements in the interests of assuring the availability and quality of data submitted.

Recommendation 8: Revise reporting templates to align with agreed data collection needs in accordance with the new program logic and data matrix for Incubator Support.

4.2 Indicators need to be reviewed to ensure alignment with program objectives and outcomes

Indicators and measures need to be reviewed to ensure that they are not potentially perverse or difficult to interpret. An example of a potentially perverse indicator is the original key performance indicator (KPI) 'number of incubators

in new regions or sectors'. While many interviewees stated that Incubator Support should, and does, focus on the quality of incubators, this KPI creates a potentially perverse incentive to prioritise the quantity of incubators supported.

An example of an indicator that is difficult to interpret is 'number of networks', a question included in the final report template. One final report indicated that 200 networks had been established, while another said that five new networks had been established. Such quantitative information is, on its own, difficult to interpret or compare.

This evaluation therefore recommends that new key performance indicators for Incubator Support be agreed, based on the new data matrix.[33]

Recommendation 9: Revise key performance indicators for Incubator Support, based on the revised data matrix.

4.3   The incubator model creates some challenges for assessing performance

The ultimate beneficiaries of Incubator Support are intended to be start-ups. Section 3.4 noted that few incubators have provided information so far about the start-ups accessing their services and benefiting from the initiative. However, beyond this, it is difficult to source information about start-ups for a number of reasons.

The 'incubator as intermediary' design makes it challenging to collect data on start-ups supported and difficult to ascertain the validity of information collected by incubators. Stakeholders noted that it is difficult to source information about the progress of start-ups after they have 'graduated' from the incubator. To address this issue, one option could be for the department to contact start-ups directly to collect information about the services they have received.

Interviews with grantees indicated that some of the start-ups reached may not lie within the target market of the initiative. One respondent mentioned start-ups they were working with, some of which appear unlikely to have scalable models or the potential to expand internationally.

Apart from this, interviewees also said that it is difficult to precisely define the start-up of interest given the mutable nature of entrepreneurship. For example, entrepreneurs may try establishing several businesses before they find an idea that works or, alternatively, may overtly intend to establish a business, sell and move on.

> *One of the things that I think is worth noting is that it's very difficult to define a start-up. In some ways, you can use age as a descriptor but often a start-up will go through a very long germination period where a small group of founders are working on the idea, testing it, throwing things back and forth, going down a particular track, realising it's not going to work, changing*

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[33] The revision of the data matrix undertaken in parallel to this evaluation included the specification of indicators of efficiency and effectiveness, which should inform the determination of key performance indicators.

direction, going down another track and it may be the same organisational structure through that. – Internal stakeholder

Overall, there is a need for greater clarity about how the initiative will collect data from start-ups.

Recommendation 10: Clarify how information will be sourced from start-ups to assess whether the initiative is having its intended impact on the ultimate beneficiary.

5.   Conclusion

This post-commencement evaluation of Incubator Support has found that the initiative has broadly been well-implemented.

However, a number of issues have been identified.

In particular, stakeholders across all areas identified data capture and measuring performance to be major concerns in the design and implementation of the initiative. Going forward, a key priority for Incubator Support will be ensuring that data relevant to measuring the initiative's performance is appropriately captured.

To address this, the evaluation recommends that:

- New performance indicators for Incubator Support be developed.[34]

- Reporting templates be revised to align with agreed data collection needs in accordance with the revised program logic, data matrix and KPIs for Incubator Support.

- Grantees be made aware of all reporting requirements at the start of the project.

The evaluation also notes that intended outcomes need to be clear, consistent across key policy and program documents and integrated into the program design. Future research should examine whether the expected outcomes are appropriate for regional areas given that start-ups in regional areas are likely to find it more difficult to succeed.

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[34] The revision of key performance indicators has been undertaken in parallel with this evaluation.

Appendix A   Incubator Support initiative post-commencement evaluation Terms of Reference

The Department of Industry, Innovation and Science (DIIS) will undertake a post-commencement evaluation of the Incubator Support (IS) element of the Entrepreneurs' Programme (EP). The evaluation will be overseen by the EP Monitoring Evaluation Reference Group (and conducted by the department's Evaluation Unit (EU) in the Economic and Analytical Services Division (EASD).

Background

The IS initiative is one of the four elements of EP and aims to improve the prospect of Australian start-ups achieving commercial success in international markets. It was announced in December 2015 as part of the National Innovation and Science Agenda (NISA) and launched in September 2016. The $23 million initiative supports incubators to deliver a range of services to Australian start-ups such as seed funding, co-location, mentoring, professional services and access to networks. It provides funding through two components, both of which require matched funding from applicants:

1. The New and Existing Incubators component aims to develop new incubators in regions with high potential for success in international trade and boost the performance of existing successful incubators.

2. The Expert in Residence component aims to provide access to top quality research, managerial and technical talent through secondments of expert advisors with a background in successful commercial start-ups.

A post-commencement evaluation of EP was conducted in 2016. The IS initiative was not included as it was not yet established. The evaluation of IS has been identified by EP policy and program staff as a priority project to align the evaluation stages of all four EP elements and prepare for the EP monitoring evaluation.

Authority for evaluation

EP has been identified as a 'Tier One' evaluation priority of high strategic importance. The department's *Evaluation Strategy* establishes a principle to undertake a post-commencement evaluation following a program's first year of operation. This type of evaluation typically examines the design and initial implementation of a program. It allows decision-makers to identify early issues regarding program administration and delivery and take corrective action if needed.

Evaluation scope and timing

The IS post-commencement evaluation is anticipated to begin in the first week of May 2018 and to be completed within six months. Evaluation questions will be structured around three areas of Peter Rossi's evaluation hierarchy:[35]

1. The need for the initiative.
2. The initiative's design and theory.
3. The initiative's processes and implementation.

The evaluation will include questions from the 2016 EP post-commencement TOR for continuity and consistency.

Evaluation questions

Need

1. What need is the IS initiative addressing?

    1a. What was the need that led to the IS initiative?

    1b. How strong is the evidence of the need for government intervention?

Design

2. To what extent is the design of IS evidence based and logically consistent?

    2a. Are the eligibility criteria for IS appropriate? Is the target market suitable?

    2b. Is the initiative funded to the right level? Is the resourcing (ASL) adequate?

    2c. Are IS inputs, activities, outputs and outcomes consistent with addressing the IS policy problem?

Implementation

3. Was the set up phase of IS effective and is the grant delivery process appropriate?

    3a. Are the IS outputs being delivered consistent with the design and policy intent of the initiative?

    3b. What aspects of IS were implemented as planned and what had to be changed? Why?

    3c. Is there evidence of any unintended outcomes, either positive or negative, for either the program, its staff, or participants?

    3d. What are the characteristics of participants and are they in line with the targeted group? If not, why not?

    3e. To what extent are the application and reporting requirements for participants suitable?

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[35] Rossi, P., M. Lipsey & H. Freeman, 2004, *Evaluation: A Systematic Approach*, SAGE

3f. How satisfied are program participants with their interaction with the program?

4. Are IS governance arrangements effective?

4a. How well do the IS governance arrangements compare against the ANAO's good governance focus areas?[36]

4b. Are there areas for improvement?

5. Are mechanisms in place for robust performance assessment of IS?

5a. Is the data collected appropriate for the effective monitoring of inputs, outputs and outcomes of the IS element?

5b. Is the right information available, at the right time and in the right format to manage the program effectively?

Methodology

The evaluation methodology and the extent to which the above questions can be explored will depend on the availability and accessibility of data at the time of review. The evaluation methodology will include document review and interviews with internal program staff and management. The evaluation may consult external stakeholders including grant recipients and unsuccessful grant applicants.

Evaluation resourcing

The EU will be responsible for conducting the evaluation. Time will also be required from the policy and program areas to provide the relevant data for the evaluation and take part in stakeholder interviews and other data collection activities.

Governance

The evaluation's governance will follow that outlined in the department's Evaluation Strategy. The evaluation's reference group members are:

- General Manager, Insights and Evaluation Branch, Economic and Analytical Services Division (Chair)

- General Manager, Commercialisation Policy Branch, Science and Commercialisation Policy Division

- General Manager, Food, Chemicals & Business Facilitation Branch, Industry Growth Division

- General Manager, Entrepreneurs' Programme – Partnerships and Reform, AusIndustry Support for Business Division

- General Manager, Entrepreneurs' Programme – Program Management and Delivery, AusIndustry Support for Business Division

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[36] ANAO (2014) *Public Sector Governance: Strengthening performance through good governance.* This ANAO Better Practice Guide has since been withdrawn from the ANAO website.

- General Manager, Grant Advisory and Enabling Services, AusIndustry Support for Business Division

Membership is based on the role rather than the individual. If members are not available to attend a meeting, they are welcome to send a proxy in their place. The Reference Group is anticipated to meet for an update about preliminary findings and to provide feedback about the final report.

Appendix B   Methodology

Approach

A mixed-methods approach incorporating quantitative and qualitative data was used to inform the findings of this evaluation. Data was collected through interviews with stakeholders, a survey of Incubator Support applicants, and a review of documents, literature and program data. Where possible, data sources were triangulated to establish the strength of evidence for a finding.

Limitations

The interviews and survey are a key component of the evidence base for the evaluation findings. As the stakeholders consulted were arguably likely to have an interest in Incubator Support continuing, this may have introduced a positivity bias. Given the inherent selection bias with voluntary survey methodology and the relatively low response rate, the survey results should be considered as indicative rather than statistically representative of the views of previous Incubator Support applicants.

Interviews

Semi-structured interviews were used to gather wide-ranging, qualitative information about the **need**, **design** and **implementation** of the initiative.

Twenty eight semi-structured interviews were conducted either face-to-face or by telephone with a range of internal and external stakeholders. As post-commencement evaluations focus on evaluating the program's design and initial implementation,[37] the majority of those interviewed were internal stakeholders. See table B1 for a breakdown of interviewees by stakeholder group.

Questions for each interview were adapted to be relevant to the interviewee's position and experience. As interview guides were not standardised, the number of interviewees that held a particular view could not be quantified. As such, the qualitative findings included in this post-commencement evaluation should not be considered statistically representative. We have endeavoured to ensure the validity and reliability of all information incorporated in this report by coding and analysing interview responses through coding platform MAXQDA.

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[37] DIIS (2019) *Evaluation Strategy 2017-2021*

Table B1: Stakeholders consulted, by subgroup

Stakeholder type	Number (and level, where relevant) of people interviewed
External experts	
EP Committee	2
Other relevant experts	1
Internal stakeholders	
Policy area	5 (GM, EL and APS levels)
Program Management	8 (GM, EL and APS levels)
Customer Service Managers	3
Business Grants Hub	2 (GM and APS levels)
Regional Incubator Facilitators	4
Participants	
Participant incubators	3
TOTAL	**28**

Notes: Consultations included stakeholders who were currently or previously involved with Incubator Support

Survey

A structured survey of Incubator Support applicants was used to gather feedback about the implementation and outcomes of the initiative.

The survey was sent to all of the applicants who had applied for an Incubator Support grant up to 31 May 2018, including both successful and unsuccessful applicants. The survey included questions about the application process, reporting process, contact with department officials, and early outcomes. Out of the 64 total applicants, 20 responded to the survey. The survey included open and close-ended questions.

The summary of survey findings and survey questions is in Appendix D.

Desktop review

We reviewed internal documents detailing the need, design and implementation of the Incubator Support initiative, as well as early stage outcomes. We also conducted research to understand the context of the Incubator Support initiative.

Table B2: Documents referred to, by focus area

Focus area	Documents referred
Need	Incubator Support initiative Cabinet documents National Innovation and Science Agenda Report 'EP Policy Rationale' DIIS reports (e.g. OCE publications) External research
Design	Incubator Support initiative Cabinet documents Incubator Support initiative Program Guidelines (original and current) 'EP Policy Rationale' Legislative authority document External research Incubator Support initiative program logic and data matrix (original)
Implementation	Incubator Support Program Guidelines (original and current) CSM Standard Operating Procedures EP Committee Terms of Reference EP Committee meeting minutes Applications Reporting templates, progress reports (for NEI) and final reports (for EIR) NEI and EIR merit assessments ANAO Guidance Program database
Performance Assessment	Incubator Support initiative program logic and data matrix (original) Applications Progress reports (for NEI) and final reports (for EIR)

Appendix C   Response to Terms of Reference questions

Table C1: Evaluation questions and section of this report where they are addressed

Overarching evaluation questions	Evaluation questions	Section addressed
What need is Incubator Support addressing?	What was the need that led to the Incubator Support initiative?	1.1, 1.2
	How strong is the evidence of the need for government intervention?	1.2
To what extent is the design of Incubator Support evidence based and logically consistent?	Are the eligibility criteria for Incubator Support appropriate? Is the target market suitable?	2.2, 2.4
	Is the initiative funded to the right level? Is the resourcing (ASL) adequate?	2.6, 2.7
	Are IS inputs, activities, outputs and outcomes consistent with addressing the IS policy problem?	2.1, 2.2, 2.5, 2.6
Were the set up phase and grant delivery process appropriate?	Are the IS outputs being delivered consistent with the design and policy intent of the initiative?	3.1
	What aspects of IS were implemented as planned and what had to be changed? Why?	3.2
	Is there evidence of any unintended outcomes, either positive or negative, for either the program, its staff, or participants?	3.5
	What are the characteristics of participants and are they in line with the targeted group? If not, why not?	3.3, 3.4
	To what extent are the application and reporting requirements for participants suitable?	3.4, 3.5, 3.6, 3.7
	How satisfied are program participants with their interaction with the program?	3.6, 3.7, 3.8
Are governance arrangements effective?	How well do the Incubator Support governance arrangements compare against the ANAO's good governance focus areas?[38]	3.9
	Are there areas for improvement?	3.9
Are mechanisms in place for robust performance assessment of IS?	Is the data collected appropriate for the effective monitoring of inputs, outputs and outcomes of the IS element?	4.1, 4.2, 4.3
	Is the right information available, at the right time and in the right format to manage the program effectively?	4.1, 4.2, 4.3

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[38] ANAO (2014) *Public Sector Governance: Strengthening performance through good governance.*

Appendix D   Analysis of applicant surveys

The purpose of the Incubator Support survey was to seek feedback from applicants about their interaction with the program. The survey questions are included in Table D3.

All 64 incubators who had submitted an eligible application by the end of May 2018 were invited to participate. Twenty applicants responded, comprising eight EIR applicants and 13 NEI applicants, with one applicant having applied for both EIR and NEI. All of the eight EIR survey respondents had been successful[39] while seven of the 13 NEI respondents had been successful and six had been unsuccessful.

Results

Application process

The findings about the application process for EIR and NEI were very different, with EIR respondents more satisfied with the EIR application process than the NEI applicants were with the NEI application process. This is likely to be because the application process for NEI is relatively more demanding.

Expert in Residence

Respondents indicated that they had no significant concerns with the application process for EIR. They were mostly satisfied and the process did not take them a long time to complete. The average number of days of effort to complete the application was four (median six days, range two to 20 days). Correspondingly, respondents rated the level of effort required as 'low' (two responses) or 'moderate' (six). Most of the applicants were 'satisfied' (five) or 'very satisfied' (three) with the application process.

Respondents said the level of effort was 'appropriate' and 'pretty smooth overall'. One respondent commented that the EIR application process struck the right balance between effort of applying and accountability, and the ability to keep the application form for their records was an improvement.

Respondents' suggested improvements were to pre-populate the form for incubators already in the system through a prior application, improve the web interface, and make the process scalable depending on the level of funding requested.

New and Existing Incubators

NEI applicants who responded to the survey had mixed views about the application process, but were overall less satisfied than EIR applicants. This was due to a variety of issues including the time taken to complete the application, the supplementary documentation required and the time taken to process the application.

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[39] EIR applicants who request up to $50,000 are funded, provided their application is eligible.

Respondents were asked to indicate how long it took to develop and submit their application, and were prompted to record time taken rather than duration over which the application was developed. Given the large range in responses (five to 390 days) and presence of outliers, the median was used as a measure of central tendency. The median time spent by the 13 NEI respondents on developing their applications was 25 days. Successful applicants invested more time (median 30 days) developing their applications than unsuccessful applicants (median 23 days). Most respondents rated application effort as 'very high', with a larger proportion of successful applicants rating application effort as 'very high' compared with unsuccessful applicants (figure D1).

Respondents rated the level of effort it took to complete the application as 'moderate' (two), 'high' (three) or 'very high' (eight). Successful applicants generally rated effort higher than unsuccessful applicants. Reasons for the ratings given included that it took a lot of effort to understand what information was required and to obtain supporting documents.

The level of satisfaction with the application process was mixed, with respondents 'dissatisfied' (three), 'neither satisfied nor dissatisfied' (five), 'satisfied' (four) or 'very satisfied' (one). Successful applicants were generally more satisfied than unsuccessful applicants, but even among successful applicants only three out of seven were satisfied.

Some respondents described the application as 'detailed', 'difficult' and 'drawn out'. Comments included that: 'many incubators may not have the staffing capacity to complete an application without assistance'; 'crossing two financial years' was problematic; file size restrictions were unnecessary; the 'application questions are not user-intuitive'; and 'engagement with DIIS was long and drawn out'.

Recommended changes included making the application form shorter and more logical and providing more advice to applicants, including about how much detail to provide in the response space and attachments.

Figure D1: NEI applicants' ratings of the level of effort required
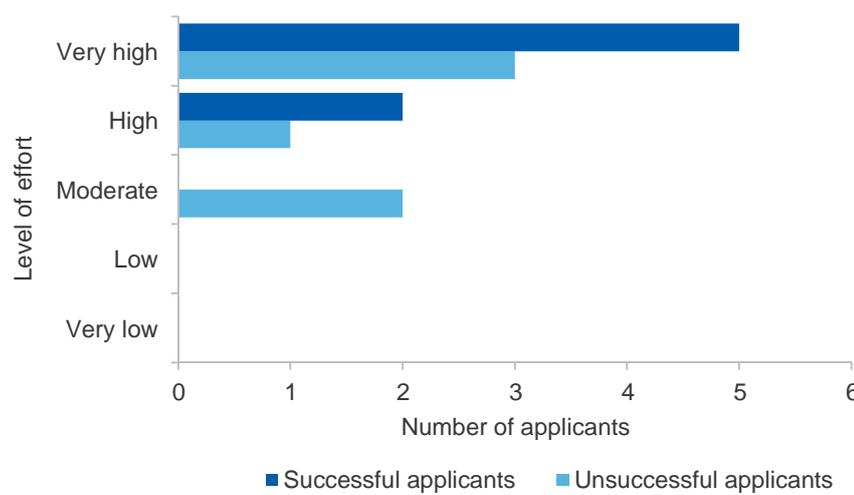
Source: Incubator Support survey July 2018

Figure D2: NEI applicants' rating of their satisfaction with the application process
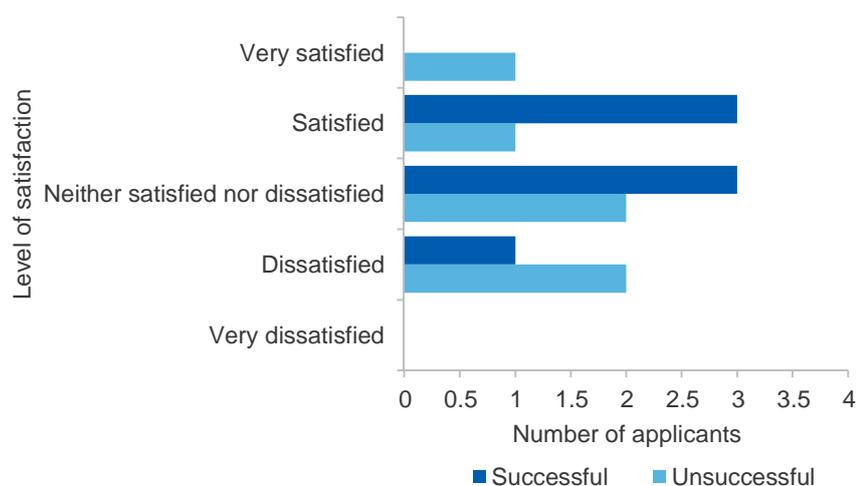
Source: Incubator Support survey July 2018

Reporting process

Most of the EIR applicants and some of the NEI applicants who responded to the survey had completed a progress or final report. Overall, respondents were satisfied with the reporting process and did not have any significant concerns. They indicated that it did not take much time to complete the report.

Expert in Residence

Of the eight respondents, six had completed a report, one had not, and one did not answer this question. Of the six respondents who had completed a report, five said it took 'two to four days' and one said it took 'less than a day'. Three were 'satisfied' with the reporting process and three were 'very satisfied'

Respondents described the reporting process as simple and straightforward with sufficient time allowed. The majority of respondents did not think any changes were required, although one suggested that the department consider using a standard incubator reporting platform.

New and Existing Incubators

Of the seven successful applicants who responded to the survey, four had completed a report and three had not. Among the four who had completed a report, one indicated the report took 'more than a week' to complete, one took 'a week', one took 'two to four' days, and one 'less than a day'. One respondent was 'neither satisfied nor dissatisfied' with the reporting process while three were 'satisfied'.

One respondent recommended the process be streamlined in future, while another commented that it needs to be acknowledged that adjustment will need to be made to a proposed project from approval to implementation.

Contact with CSMs and RIFs

Most of the respondents who had contact with AusIndustry staff, such as Customer Service Managers (CSMs) and Regional Incubator Facilitators (RIFs), stated that they were happy with their interaction, noting that they were generally helpful and effective.

Expert in Residence

Of the eight respondents, seven had had contact with a CSM or other AusIndustry officer, and one did not answer this question. Three respondents were 'satisfied' with the assistance provided, three were 'very satisfied', and one was 'neither satisfied nor dissatisfied'.

The type of assistance respondents said they required was generally clarification about eligibility and guidance on application and reporting requirements. Respondents were positive about the assistance received, which was described as being 'timely', 'useful', of 'quality', and 'efficient'. Officials were reported as being 'pleasant', 'helpful', and 'engaged, informative, collaborative'.

Respondents were positive about their engagement with RIFs. One respondent commented that the RIF showed high initiative and was very well connected. Another commented that their face-to-face engagement with the RIF was excellent.

New and Existing Incubators

Of the 13 respondents, nine reported having had contact with a CSM or other AusIndustry officer, while four had not, and this breakdown was similar for both successful and unsuccessful applicants.

Of the nine who had had contact with a CSM, one had contact 'once', four had contact 'two to five times', two had contact 'five to ten times' and two had contact 'more than ten times'. One respondent was 'dissatisfied' with the assistance received, one was 'neither satisfied nor dissatisfied', four were 'satisfied' and three were 'very satisfied'

Almost all respondents were very positive about the assistance received. Officials were described as being 'very forthcoming and helpful', 'accessible', 'professional', 'very knowledgeable' and 'prompt' in responding. However, one respondent commented that clarity and consistency was an issue at times due to having contact with a number of people. Another said that feedback was provided too late.

Of the eight respondents, two reported having contact with a RIF, while eleven had not. One respondent who had contact with a RIF was 'dissatisfied' with the advice provided and one was 'very satisfied'.

One respondent sought advice about the information the EP Committee needed to make a decision and commented that they received good, thorough advice. The other said the RIF sought advice from them and appeared more focused on finding new applicants than assisting with implementation.

Impacts and other feedback

Overall, respondents were mostly positive about the impacts of applying for Incubator Support. Respondents who applied for EIR were generally more positive than applicants for NEI, who identified some negative aspects associated with the time taken in the application process.

Expert in Residence

Positive impacts

Survey respondents identified the following positive impacts of applying: access to international and national resources and connections; delivery of an inspiring workshop; better servicing of scale-ups by providing experts/mentors; work funded helped raise awareness about their new regional incubator; development of regional relationships and extension of services to regional organisations.

Negative impacts

Most survey respondents said there were no negative impacts of applying for EIR. One respondent stated that timing delays in funding approvals impact on being able to confirm with the expert.

New and Existing Incubators

Positive impacts

Successful applicants identified that the grant enabled them: to continue supporting Australia as a 'global powerhouse'; to expand their support for start-ups into new regions and develop a new regional model; to accelerate the expansion of services; support incubator establishment and engagement with academia and industry; to increase recognition; and to run a second program.

Unsuccessful applicants indicated that they subsequently reallocated funds to another project that would have greater impact, and learnt about the information required and how to present it. One suggested that a one-page feedback would be useful for future applications.

Negative impacts

Successful applicants identified a number of negative impacts. One stated that the process was 'long, drawn out, sometimes stressful' and not developed with regional incubators in mind. This was consistent with another who identified that regional communities require more assistance and 'nurturing', which resulted in extensive travel requirements. Another commented that receiving 50 per cent of their funding up-front half-way through the financial year created an unnecessary tax burden. One stated that developing the proposal and application created a large workload for staff.

Unsuccessful applicants commented that: 'the application took too much time'; they 'wasted five days of effort'; 'the process is too bureaucratic'; and they 'could not proceed with the project without the funding'.

Survey of participants

Table D3: Incubator Support survey

Question	Type of response	Response options
YOUR APPLICATION		
During which financial year did your organisation apply for IS?	Multiple Choice – Radio buttons	2016-17 Financial year 2017-18 Financial year
Were you closely involved with the application process for your organisation?	Multiple Choice – Radio buttons	Yes No
Which type of grant did your organisation apply for? Please tick all that apply	Multiple Choice – Check Boxes	New and existing incubators Experts-in-residence
Was your application for X successful? If you have applied more than once please record the results of your most recent application. [Conditional – appears based on 3]	Multiple Choice – Radio buttons	Yes No
APPLICATION PROCESS		
Approximately how much time did it take your organisation to develop and submit the application? Please record total time, not the time period over which input was provided.	Text box – Single line	Text box day/s
For the amount of funding your organisation requested, how would you describe the level of effort required to complete the application?	Multiple Choice – Radio buttons Single line text box for optional further comments	Very low Low Moderate High Very high Text box
In a few words, what factors influenced your rating?	Text box – Multiple lines	Text box
Overall, how satisfied or dissatisfied were you with the application process? Please let us know how you feel about the process, not the outcome of the process.	Multiple Choice – Radio buttons Single line text box for optional further comments	Very satisfied Satisfied Neither satisfied nor dissatisfied Dissatisfied Very dissatisfied Text box

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Question	Type of response	Response options
If you could make a change(s) to improve the application process, what would it be?	Text box – Multiple lines	Text box
REPORTING		
Has your organisation submitted any reports; e.g. progress or final reports? [Conditional – appears if 'yes' to 4]	Options	Yes No
Approximately how much time did it take you to complete the progress report? Please record total time input for your organisation, not the time period over which input was provided. If you have submitted more than one, please tell us the average, and provide details. [Conditional – appears if 'yes' to 6a]	Multiple Choice – Radio buttons Single line text box for optional further comments	Less than a day Two to four days A week More than a week → open text for how long
Overall, how satisfied or dissatisfied are you with the reporting process? [Conditional – appears if 'yes' to 6a]	Multiple Choice – Radio buttons Single line text box for optional further comments	Very satisfied Satisfied Neither satisfied nor dissatisfied Dissatisfied Very dissatisfied Text box
In a few words, what factors influenced the rating you gave for 6c? [Conditional – appears if 'yes' to 6a]	Text box – Multiple lines	Text box
If you could make a change to improve the reporting process, what would it be? [Conditional – appears if 'yes' to 6a]	Text box – Multiple lines	Text box
CUSTOMER SERVICE MANAGERS/AUSINDUSTRY STAFF		
Have you contacted, or been contacted by, a Customer Service Manager or other AusIndustry officer in relation to your application and/or reports?	Multiple Choice – Radio buttons	Yes No Uncertain
Who did you contact/who were you contacted by?	Multiple Choice – Radio buttons	Customer Service Manager Other AusIndustry officer Both Uncertain
How many times has your organisation contacted, or been contacted by, a Customer Service Manager or AusIndustry officer in relation to your application and/or reports? [Conditional – appears if 'yes' to 7a]	Multiple Choice – Radio buttons	Once Two to five times Five to ten times More than ten times Uncertain

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Question	Type of response	Response options
In a sentence or two, what type(s) of assistance did you require? [Conditional – appears if 'yes' to 7a]	Text box – Multiple lines	Open text
How satisfied or dissatisfied were you with the assistance provided? [Conditional – appears if 'yes' to 7a]	Multiple Choice – Radio buttons With single line text box for optional further comments	Very satisfied Satisfied Neither satisfied nor dissatisfied Dissatisfied Very dissatisfied Text box
In a few words, what factors influenced the rating you gave for 7e? [Conditional – appears if 'yes' to 7a]	Text box – Multiple lines	Text box
REGIONAL INCUBATOR FACILITATORS		

In May 2018 the program implemented changes to IS guidelines with the introduction of four Regional Incubator Facilitators. Regional Incubator Facilitators are employed to:

Provide advice and mentoring

Provide support to develop local and international networks

Promote joint applications and knowledge sharing between regional and metropolitan incubators

Provide feedback on draft New and Existing Incubator applications (including metropolitan applications), and feedback to unsuccessful applicants.

Question	Type of response	Response options
Have you contacted, or been contacted by a Regional Incubator Facilitator?	Multiple Choice – Radio buttons	Yes No
In a sentence or two, what type(s) of advice did you require? [Conditional – appears if 'yes' to 8a]	Text box – Multiple lines	Text box
How satisfied or dissatisfied were you with the advice provided by with the Regional Incubator Facilitator? [Conditional – appears if 'yes' to 8a]	Multiple Choice – Radio buttons With single line text box for optional further comments	Very satisfied Satisfied Neither satisfied nor dissatisfied Dissatisfied Very dissatisfied Text box
In a few words, what factors influenced the rating you gave for 8c? [Conditional – appears if 'yes' to 8a]	Text box – Multiple lines	Text box
IMPACTS		

Question	Type of response	Response options
Have there been any positive impacts for you/your organisation as a result of applying for an IS grant? Please include anticipated as well as any unanticipated impacts.	Text box – Multiple lines	Text box
Have there been any negative impacts for you/your organisation as a result of applying for an IS grant? Please include anticipated as well as any unanticipated impacts.	Text box – Multiple lines	Text box
FEEDBACK		
Do you have any other feedback or ideas that you would like to share?	Text box – Multiple lines	Text box
CONTACT		
The evaluation team may contact a sample of applicants to follow-up on responses provided to this survey.		
Would you be happy for a member of the evaluation team to contact you for a short telephone interview?	Multiple Choice – Radio buttons	Yes No
Name [Conditional – appears if 'yes' to 5i]	Text box – Single line	Text box
Organisation [Conditional – appears if 'yes' to 5i]	Text box – Single line	Text box
Preferred contact number	Text box – Single line	Text box