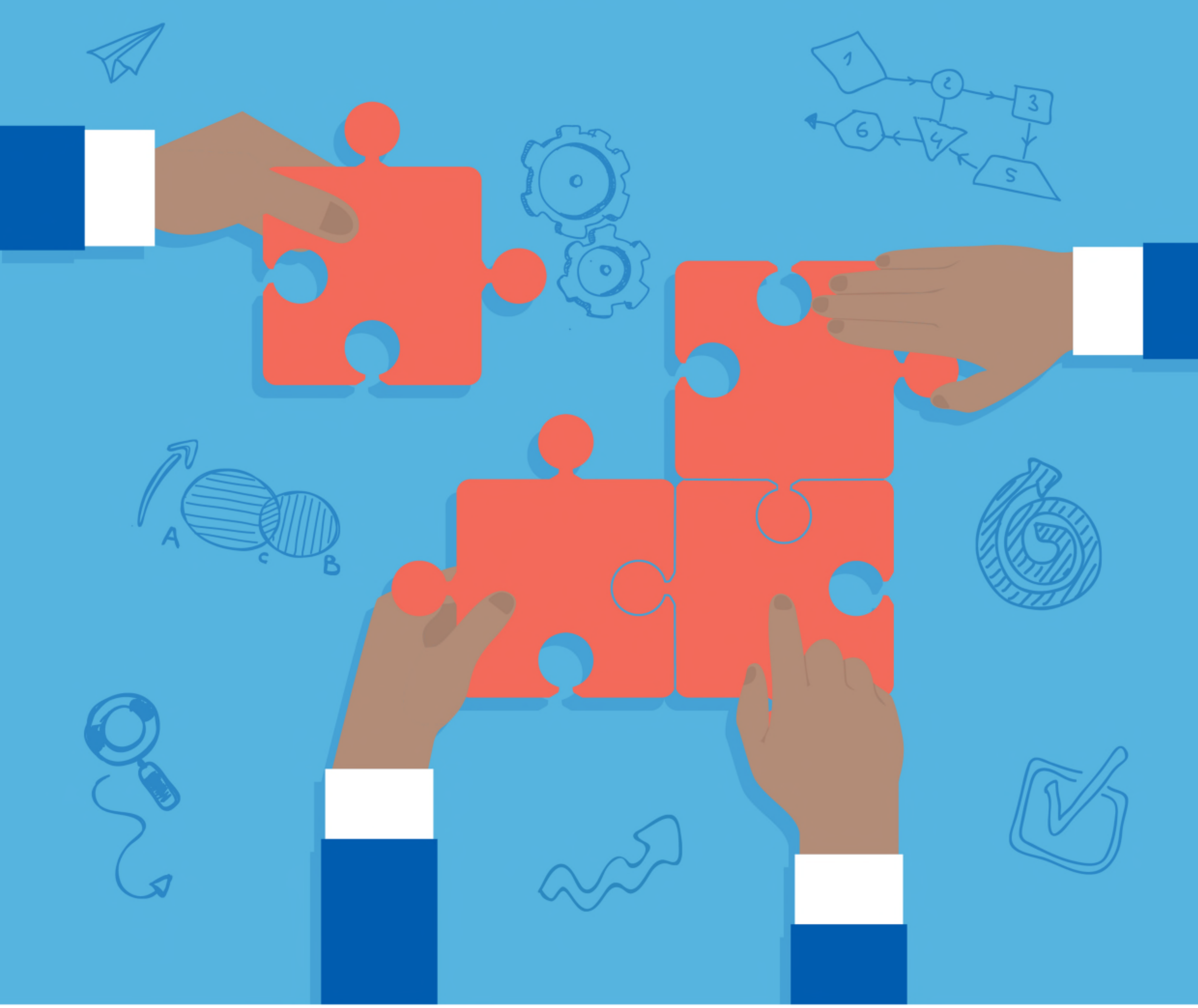
Released under FOI Act

Australian Government
Department of Industry, Innovation and Science

Office of the Chief Economist



Evaluation Strategy

2017–2021

WWW.INDUSTRY.GOV.AU/**OCE**

Released under FOI Act

Further information

For information on other department initiatives please see the department's website at: www.industry.gov.au/OCE

For more information or to comment on this publication please contact:

Dr Katherine Barnes
Evaluation Unit
Department of Industry, Innovation and Science
GPO Box 2013
CANBERRA ACT 2601

Telephone: +61 2 6102 8901

© Commonwealth of Australia 2017

ISSN: 2208-9268

Copyright

This work is copyright. Apart from use under Copyright Act 1968, no part may be reproduced or altered by any process without prior written permission from the Australian Government. Requests and inquiries concerning reproduction and rights should be addressed to chiefeconomist@industry.gov.au

For more information on the work of the Office of the Chief Economist please access the department's website at: www.industry.gov.au/OCE

Creative Commons License

With the exception of the Coat of Arms, this publication is licensed under a Creative Commons Attribution 3.0 Australia Licence.

Creative Commons Attribution 3.0 Australia Licence is a standard form license agreement that allows you to copy, distribute, transmit and adapt this publication provided that you attribute the work. A summary of the licence terms is available from http://creativecommons.org/licenses/by/3.0/au/deed.en
The full licence terms are available from http://creativecommons.org/licenses/by/3.0/au/legalcode

The Commonwealth's preference is that you attribute this publication (and any material sourced from it) using the following wording:

Released under FOI Act

Contents

Page 3 of 38

Released under FOI Act

Introduction

This Evaluation Strategy (the Strategy) provides a framework to guide the consistent, robust and transparent evaluation and performance measurement of programs and policies in the Department of Industry, Innovation and Science (the department).

Evaluations, reviews and performance monitoring provide assurance that policies and programs are delivering outcomes as intended, performance is tracked — allowing for correction to occur — and informs future policy and program design. As Australia is called to adapt to changing economic and policy environments, the evidence gained from evaluations and other forms of performance measurement and assessment supports the decision-making of government.

For the government, and this department, the continual questioning of how we are performing is a critical part of good performance management and accountability. We need to know:

- have we achieved what we set out to do?
- how are we progressing in achieving the department's strategic objectives?
- could we have done things better?
- should we continue to do this or do something else?

Through asking these types of questions we gain an understanding of what works and what doesn't work and why, what is being done well and what is not, what should be pursued and what should not. This knowledge can improve the design and implementation of effective interventions.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) established a core set of obligations that apply to all Commonwealth entities. The Enhanced Commonwealth Performance Framework has brought an increase in external scrutiny, and introduced new requirements for strategic planning, measuring and assessing performance, and reporting.

The department published its first Strategy in 2015. In 2017, an *Evaluation Strategy Post-Commencement Review* (the Review) was conducted, seeking internal and external stakeholder feedback to assess the department's overall evaluation skills, capability and attitudes; and identify where improvements could be made.

In response to the Review, the Strategy has been updated and revised (*Evaluation Strategy 2017-21*). This revision updates the original Strategy's approach to evaluation in the department and provides guidance on evaluation activities and internal governance arrangements. The principles outlined in this Strategy will strengthen evaluation and performance measurement capacity in the department and support building a culture of evaluative thinking, ultimately leading to better resource allocation and decision-making and the evolution of programs.

This Strategy:

- outlines the department's approach to performance measurement and reporting, according to good evaluation practice
- establishes a protocol for policy and program areas to plan for evaluation across the lifecycle of a program
- provides a strategic, risk-based, whole-of-department approach to prioritising evaluation effort, and illustrates how evaluations may be scaled based on the value, impact and risk profile of a program
- describes how evaluation findings can be used for better decision-making

Released under FOI Act

- describes how the department is building evaluation capability and a culture of continuous improvement
- outlines how the department will measure its progress in implementing this Strategy.

The Strategy is not intended to be a complete guide to evaluation and performance measurement. It is supported by a range of internal and external resources including:

- the department's guidance material and templates for planning and conducting an evaluation
- the department's templates for Evaluation Ready
- the department's Performance Measurement and Reporting Framework
- the Department of Finance Enhanced Commonwealth Performance Framework
- the Australian National Audit Office Better Practice Guide — Successful Implementation of Policy Initiatives.

This Strategy is divided into four sections which outline:

1. Principles and planning
2. The Evaluation Ready process
3. Advice for conducting evaluations
4. Learning and capability.

Page 5 of 38

Released under FOI Act

1. Principles and planning

Performance measurement and reporting

The department's performance measurement and reporting framework supports the implementation of the Enhanced Commonwealth Performance Framework under the PGPA Act.

The Enhanced Commonwealth Performance Framework enables Commonwealth entities to develop the necessary links between their performance information and their external reporting. Entities are encouraged to adopt performance measurement methodologies that better assess the results of activities and articulate their performance story. The framework introduces a more transparent and cohesive form of performance reporting related to the activities of an entity in achieving its purpose.

- The department conducts performance planning and reporting on an annual basis through five key documents:
- Corporate Plan
- Strategic Plan
- Portfolio Budget Statements
- Portfolio Additional Estimates Statements
- Annual Performance Statements.

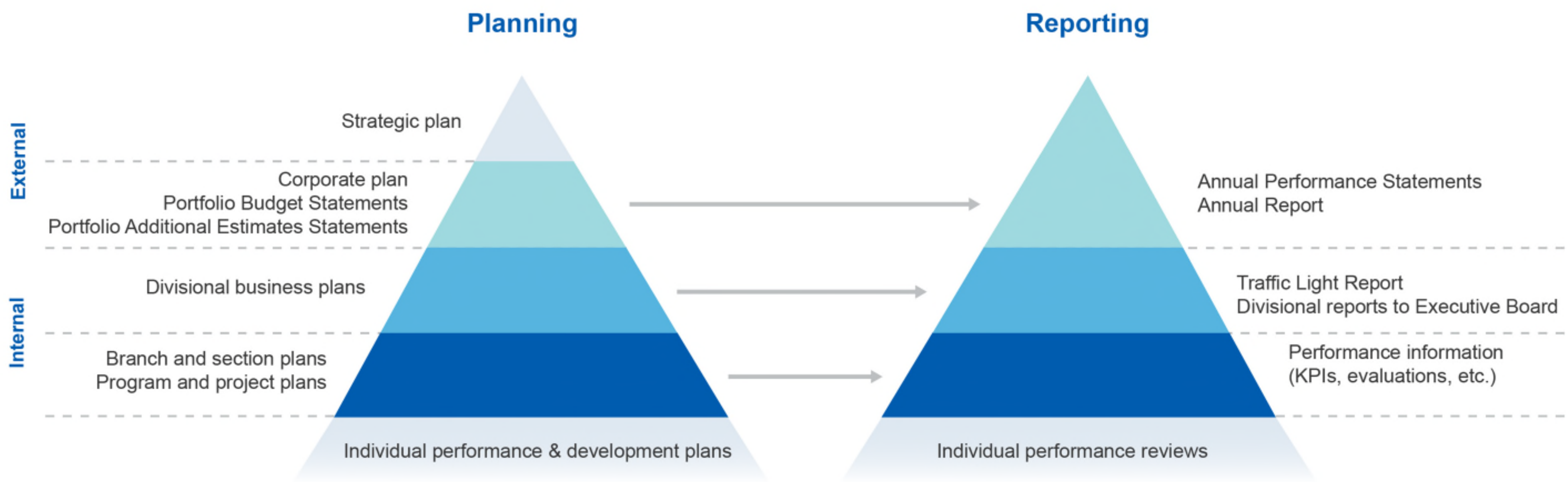
The department's Strategic Plan is an overarching document designed for planning and performance management. This Plan provides a high-level overview of its strategic direction and key areas of focus by articulating the department's vision, strategic priorities, objectives and challenges over a four-year period. The Corporate Plan, Portfolio Budget Statements (PBS) and Annual Performance Statements are the core elements of the Enhanced Commonwealth Performance Framework.

The department's overall planning and reporting framework is summarised in Figure 1.

Page 6 of 38

Released under FOI Act

Figure 1: The department's overall planning and reporting framework



Source: Department of Industry, Innovation and Science (2017), *DIIS Performance Measurement and Reporting Framework*, p.2

Page 7 of 38

Released under FOI Act

The department uses a hierarchy of performance criteria to measure and assess its performance (see Table 1). Three levels of criteria are applied to the department's ultimate outcomes; intermediate outcomes; and outputs and immediate outcomes.

Table 1: Overview of the department's performance measurement framework

Level of performance criteria	Results oriented performance measurement	Performance criteria set out in the Portfolio Budget Statements (PBS) and Portfolio Budget Estimates Statement (PAES)	Performance criteria set out in the corporate plan
Level 1	Ultimate outcome	Measure and assess how Australia is performing with regard to the department's outcome	Measure and assess how Australia is performing with regard to the department's vision
Level 2	Intermediate outcome	Measure and assess the impacts of the department's programs	Measure and assess the department's performance in achieving its purposes
Level 3	Outputs and immediate outcome	Measure and assess the effectiveness and efficiency of the department's subprograms and their components	Measure and assess the effectiveness and efficiency of the department's activities and their components

Source: Department of Industry, Innovation and Science (2017), *DIIS Performance Measurement and Reporting Framework*, p.3

The level 1 and 2 performance criteria are used to monitor key trends and conditions within the areas of the department's responsibility. These levels of criteria will generate performance information to achieve an improved understanding of 'where we are' and 'where we need to take action' in our effort to achieve the department's outcome, vision and purposes.

The level 3 performance criteria are used to measure the effectiveness and efficiency of the department's activities and components, such as policy advice, initiatives, services, projects and administered programs. Through this level of performance criteria, we can assess and report on the department's contributions to achieving the outcome, vision and purposes attributable to specific activities and components.

The department sets out its vision and four strategic priorities in the *Strategic Plan 2016-20*. The department's vision is to enable growth and productivity for globally competitive industries. The priorities are:

- supporting science and commercialisation
- growing business investment and improving business capability
- simplifying doing business
- building a high performance organisation.

Released under FOI Act

Impact of evaluation activity

Good performance information will draw on multiple sources that offer different perspectives on the achievement of a program's objectives. The performance story of a program is likely to be best supported through a diverse set of measures.

Evaluations provide a balanced performance story through their incorporation of program logic models, and assessment against outcomes. They provide meaningful information and evidence on a component's aim and purpose in terms of its effectiveness and efficiency and the activities that focussed on that purpose. Evaluations provide an opportunity to look beyond performance monitoring and reporting and consider how well the program is achieving its outcomes.

The department responds to growing demand for evidence-based analyses of policy and program impacts by applying robust research and analytical methods, both quantitative and qualitative, to determine and isolate what works in industry, innovation and science policies and programs.

Released under FOI Act

What is evaluation?

Evaluation is an essential part of policy development and program management. The continual questioning of what we are trying to achieve and how we are performing enables us to learn and improve what we do, ensuring that decision-making is informed by the best available evidence.

Policy and program evaluations involve collecting, analysing, interpreting and communicating information about the performance of government policies and programs, in order to inform decision-making and support the evolution of programs.

Evaluation helps to answer questions such as:

- is the policy contributing to the intended outcomes and are there any unintended outcomes?
- are there better ways of achieving these outcomes?
- how have programs been implemented?
- how are programs currently tracking?
- what has been the impact of the program?
- is the policy still aligned with government priorities, particularly in light of changing circumstances?
- should the current program be expanded, contracted or discontinued?
- is there a case to establish new programs?
- can resources be allocated more efficiently by modifying a program or a mix of programs?[1]

Evaluation is integral to continual improvement. It is a not a one-off, or 'tick the box' exercise. Evaluation supports:

- **Evidence-based Policy Development**
  - better informed decision-making
  - a stronger basis for informing government priorities
  - more efficient resource allocation
- **Learning**
  - shared learning to improve policy development and future program design and delivery
  - a culture of organisational learning within the department
- **Public Accountability**
  - the public accountability requirements of program sponsors and governments
  - the department's risk-management processes, helping to encourage greater public trust in government
- **Performance Reporting**
  - the analysis and assessment of balanced and meaningful performance information to report on progress in achieving strategic outcomes
  - an enhanced ability to achieve government priorities.

[1] Davis G & Bridgman P (2004), *Australian Policy Handbook*, pp.130-131

Released under FOI Act

Good evaluation practices

If evaluations are to be valuable to decision-makers across government, consistency in approach and planning are required. Evaluations should be conducted to a standard that ensures the information is credible and evidence-based.

The summary below outlines the key principles used to guide evaluation in the department.[2]

Evaluations should be…	Characteristics of the evaluation principles
Integrated	▪ evaluation is core business for the department and is not simply a compliance activity ▪ evaluation planning is undertaken at the new policy proposal (NPP) stage and completed early in the design of programs ▪ evaluation results are communicated widely and inform decision-making and policy development.
Fit for purpose	▪ the scale of effort and resources allocated to an evaluation is proportional to the value, impact, strategic importance and risk profile of a program ▪ the evaluation method is selected according to the program lifecycle, feasibility of the method, availability of data and value for money.
Evidence-based	▪ the department applies robust research and analytical methods to assess impact and outcomes ▪ collectors of administrative data strive to attain baseline measurements and trend data in forms that are relatable to external data sets.
Timely	▪ evaluation planning is guided by the timing of critical decisions to ensure sufficient bodies of evidence are available when needed.
Transparent	▪ all evaluation reports are communicated internally unless there are strong reasons to limit circulation ▪ the department will move towards publishing more content externally to strengthen public confidence and support public debate.
Independent	▪ evaluation governance bodies have a level of independence from the responsible policy and program areas

[2] Adapted from Department of the Environment (2015), *Evaluation Policy*, p.7

Released under FOI Act

Evaluations should be…	Characteristics of the evaluation principles
	▪ evaluators should be independent of the responsible program and policy areas.

Page 12 of 38

Released under FOI Act

The role of the Evaluation Unit

The Office of the Chief Economist (OCE) is responsible for providing objective, robust and high quality economic analysis to inform policy development. The Evaluation Unit (the Unit) is located in the Insights and Evaluation Branch (the Branch) of the OCE, providing a level of independence from policy and program areas. The increased accountability and scrutiny under the PGPA Act further reinforce the critical role of the Evaluation Unit as the authoritative source for guidance on evaluation.

The Branch produces evaluation reports and research output to measure the impact of programs and gain a better understanding of business characteristics, behaviour and performance. Amongst other activities, the Branch specialises in the econometric analysis of various dynamics of industry and firm performance, such as assessing the impact of participation in the department's programs. The Evaluation Unit applies mixed methods research approaches combining quantitative and qualitative research methods. The Unit also draws upon general and sector-specific expertise from the OCE and other areas of the department.

Working in collaboration with policy and program staff, the Unit is tasked with assessing the performance of the department's programs and providing evidence to influence future policy and program decisions.

The Unit maintains the department's four-year Evaluation Plan and reports progress against the Plan to the department's Executive.

The Evaluation Unit is responsible for:

- conducting or contributing to evaluations of departmental programs (post-commencement, monitoring and impact evaluations)
- scheduling and prioritising evaluations through the Evaluation Plan
- providing expert advice and guidance to program and policy areas in planning and conducting evaluations including developing templates and guidance materials
- strengthening the department's capability for evaluative thinking
- supporting programs to be Evaluation Ready, including developing:
  - program logic models
  - data matrices
  - a program evaluation strategy
- providing advice as members of Reference Groups, including drafting Terms of Reference
- maintaining a library of completed evaluations and sharing report findings to inform future policy and program design.

Support from the Evaluation Unit is provided when:

- costing evaluations during NPPs
- undergoing Evaluation Ready
- planning for an evaluation
- conducting an evaluation.

Released under FOI Act

Differences with other areas

Evaluation and Audit — what is the difference?

The roles of evaluation and audit are quite different. Both are important for ensuring accountability and contribute to performance reporting, but they approach it from different angles. Both are fundamental links in the accountability chain and contribute to better program management and endeavour to identify better practice. They share similar approaches and analytical techniques.

However:

- Audits are more closely aligned with compliance and risk.
- Evaluations have a strong focus on assessing policy design and program effectiveness (including measuring impact and return on investment), while audits are focussed on assessing the administration of a program (including checking compliance against regulations and considering risk management).
- Evaluations may look at the appropriateness of government policy (including whether the government was justified in intervening in the market). Audits do not.
- Evaluation findings can be provided directly to policy and program managers to assist with program design and delivery. Audits are usually provided to audit committees (or directly to the Parliament in the case of the Australian National Audit Office) to ensure independence.

Assurance and Audit Committee

The department’s Assurance and Audit Committee was established in accordance with the PGPA Act and provides independent advice and assurance to the Executive on the appropriateness of the department’s accountability and control framework, independently verifying and safeguarding the integrity of the department’s financial and performance reporting.

The Annual Audit Plan provides an overview of the delivery of internal audit services, which include General audits, ICT audits, Management Initiated Reviews and Assurance Advisory Services.

Internal audit provides an independent and objective assurance and advisory service to the Secretary. This ensures the financial and operational controls designed to manage the organisation's risks and achieve its objectives are operating in an efficient, effective and ethical manner. Internal audit assists the Executive and senior managers to discharge their responsibilities effectively and improve risk management, control and governance including business performance. Internal audit also advises the Assurance and Audit Committee regarding the efficient, effective and ethical operation of the department.

The department’s four-year Evaluation Plan is provided to the Assurance and Audit Committee for noting annually. Final evaluation reports will be provided to the Committee for information.

Page 14 of 38

Released under FOI Act

Program Assurance Committee

The department's Program Assurance Committee (PAC) provides the Executive Board with assurance in relation to programs within its remit. This includes program monitoring and reviewing. The PAC supports Accountable Officers and Senior Responsible Officers to drive excellence in program design and delivery by providing an open forum for exchanging and sharing ideas.

The PAC facilitates peer learning, including risk and evaluation planning for programs. Evaluation activities are important to allow the PAC to monitor the performance of programs against key performance indicators and identify significant or systemic program issues. As a result, the PAC are significant stakeholders in Evaluation Ready and evaluations.

Page 15 of 38

Released under FOI Act

Program tiering

The department prioritises evaluation effort and resourcing based on the following criteria:

- total funding allocated for the program
- internal priority (importance to the department’s and Australian Government’s goals)
- external priority (importance to external stakeholders)
- overall risk rating of the program
- track record (previous evaluation, the strength of performance monitoring and lessons learnt).

The department’s four-year Evaluation Plan

The department has a strategic, risk-based, whole-of-department approach to prioritising evaluation effort. The scale of an evaluation should be proportionate to the size, significance and risk profile of the program (sometimes referred to as ‘fit for purpose’). Evaluative effort and resources should not be expended beyond what is required to satisfy public accountability and the needs of decision-makers.

The department’s Evaluation Plan covers a four-year period (over the forward estimates) using the tiering system to identify evaluations of the highest priority and strategic importance. Elements of the Evaluation Plan will be published externally by the department, including in the Corporate Plan and Annual Performance Statement.

The Evaluation Plan is developed in consultation with divisions, using the above criteria as a guide to how and when evaluations should be conducted. To reduce duplication and leverage effort, the department takes account of audit and research activity when developing its Evaluation Plan.

Page 16 of 38

Released under FOI Act

2. Evaluation Ready

Evaluation Ready

Planning for evaluation at an early stage helps identify the questions an evaluation will need to address and when, so that meaningful data can be collected to measure a program's outcomes and impact. The Evaluation Unit facilitates this planning as it works with policy and program delivery areas during the Evaluation Ready process (**Error! Reference source not found.**3). Evaluation Ready creates a monitoring and evaluation framework to ensure programs are prepared for future evaluations and helps instil an evaluative mindset from the outset.

At the heart of each program is a 'theory of change' by which policy planners determine the outcomes sought and how that change can be achieved.

Each of the following components of the Evaluation Ready process is crucial to ensuring a program is adequately prepared for future evaluations:

- setting out the program's theory of change (the program logic model)
- identifying key evaluation questions, indicators and data sources (the data matrix)
- selecting appropriate types and timing of future evaluations (combined with the logic model and data matrix in the program's evaluation strategy).

Both program and policy areas should be involved in Evaluation Ready.

The program logic, data matrix and a program's evaluation strategy are approved at the Executive Level (EL) level as they are completed. The General Manager of the policy area then approves a program's evaluation strategy as a whole following the Evaluation Unit's signoff. The strategy is then presented to the PAC for noting.

All Evaluation Ready templates can be found on the internal Evaluate website.

Program logic model

A program logic model is the visual representation of a program's theory of change and underlying assumptions.[3] It describes how an intervention contributes to a chain of results flowing from the inputs and activities to achieve short, medium and long-term outcomes.

Figure 2: Program logic model components

Notes: Amended from the department's program logic model template

[3] W.K. Kellogg Foundation (2004), *Logic Model Development Guide*

Released under FOI Act

The Evaluation Unit guides policy and program delivery areas to articulate the underlying theory of change which translates into the logic model. Underpinning the program logic are four factors:

1. the situation, which describes the need for government intervention, such as a market failure
2. the objectives which will address the need for the program
3. the assumptions that were made as part of the theory of change
4. external factors which could influence the performance and outcomes of the program.
5. The Evaluation Unit uses a rubric (see Appendix A) to assess whether program logics are appropriate before moving on to further stages of Evaluation Ready.

Data matrix

A data matrix is a tool for organising evaluation questions and sub-questions and developing plans for collecting the information needed to address them.[4]

The Evaluation Unit provides support for:

- developing evaluation questions from the program logic
- identifying performance indicators and data sources
- articulating data collection responsibilities and timeframes
- identifying the required data, including limitations of particular sources.

Program managers need to be aware of any administrative data they wish to capture prior to developing service documents (such as program guidelines, application forms and progress reporting) for the program.

Program evaluation strategy

A program's individual evaluation strategy outlines the rationale for future evaluation activity over the specified years and captures all the Evaluation Ready materials in a consolidated document. For each program, the strategy should cover:

- reasons behind particular types and timings of evaluation activity planned
- scope of each evaluation
- the relevant risks for the evaluation.

The program logic and data matrix will be included as attachments.

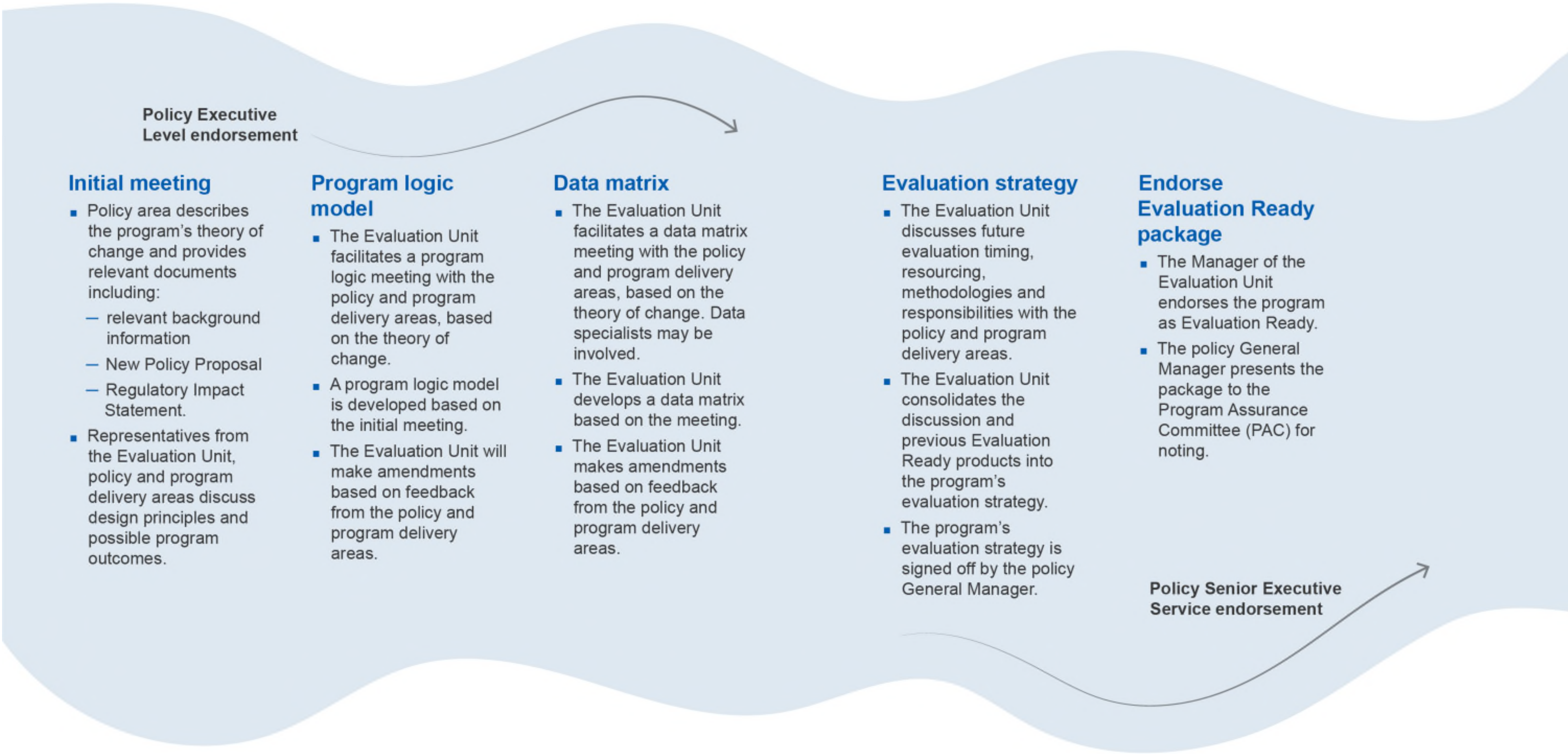
Tier One programs are expected to have a more detailed and comprehensive evaluation strategy including consideration of the strengths and limitations of available indicators and data sources.

Completing an evaluation strategy is important to retain corporate knowledge and ensure future staff have access to the thinking behind evaluation planning for their program. The Evaluation Unit prepares a program's evaluation strategy with input from the relevant policy and program areas. The evaluation strategy is subsequently endorsed by the General Manager of the policy area and as noted above, it is the responsibility of the policy area to present the program's evaluation strategy to the PAC for noting.

[4] University of Wisconsin (2002), *Enhancing Program Performance with Logic Models*

Released under FOI Act

Figure 3: Process map for completing Evaluation Ready



Source: Department of Industry, Innovation and Science (2017)

Page 19 of 38

Released under FOI Act

3. Evaluations

Approaches to evaluation

The decision to conduct an evaluation is strategic rather than simply routine. Decision-makers need to think through what they want an evaluation to address and when an evaluation should occur. Evaluations should be appropriate to the particulars of a given program; they are not a 'one size fits all' arrangement.

Evaluation activity has different purposes at different points in the program lifecycle. All policy and program areas need to consider evaluation requirements from the early policy and program design stage, ideally at the NPP stage. Policy and program delivery staff should consult the Evaluation Unit at this stage to develop their thinking about future evaluations of the program and provide preliminary costings for future evaluations.

The selection of an evaluation method should take into account the program lifecycle and feasibility of the method, the availability of data and value for money.

The types of evaluations the Evaluation Unit conducts are:

- post-commencement evaluations
- monitoring evaluations
- impact evaluations.

A typical evaluation takes six months from commencement to finalisation.

The table below shows the fundamental issues to consider in determining the scale of an evaluation. There may also be times where Cabinet or legislation determine the type of evaluation and when it should be conducted.

Page 20 of 38

Released under FOI Act

Table 2: Characteristics which determine a program's tier and likely characteristics of the associated evaluation

	Tier One	Tier Two	Tier Three
Characteristics of program	▪ Significant funding ▪ Highest risk ▪ Strategically significant ▪ May be Flagship program ▪ High public profile and expectations ▪ Politically sensitive	▪ Moderate funding ▪ Medium risk ▪ New or untried program that requires testing of assumptions and or data ▪ Medium level of strategic importance ▪ Moderate public profile and expectations	▪ Relatively small funding or single payment grants ▪ Low risk ▪ Lesser strategic importance ▪ Not widely publicised ▪ Similar to other programs that have been subject to evaluation activity
Likely characteristics of evaluation	▪ Formal process ▪ Extensive consultation ▪ High resource allocation ▪ Central agencies may be involved ▪ Wide public release	▪ Greater level of data collection and analysis ▪ Multiple evaluation points during the development and implementation ▪ Regular process reporting	▪ Informal process ▪ Can be completed internally ▪ Limited data requirements ▪ Low resource allocation ▪ Limited consultation ▪ Low profile release
Evaluation Unit role	▪ Evaluation Unit leads the development of methodology/terms of reference ▪ Reference Group should be chaired by the General Manager of the Insights and Evaluation Branch or the Chief Economist ▪ Independent evaluator could be internal or external to the department	▪ Evaluation Unit may lead the development of methodology/terms of reference ▪ Reference Group should be chaired by the General Manager of the Insights and Evaluation Branch ▪ Independent evaluator could be internal or external to the department	▪ Evaluation Unit may be consulted on the development of methodology/terms of reference ▪ Upon request, the Evaluation Unit may provide evaluation advice ▪ The evaluator is likely internal to the department

Source: Department of Industry, Innovation and Science (2017)

Page 21 of 38

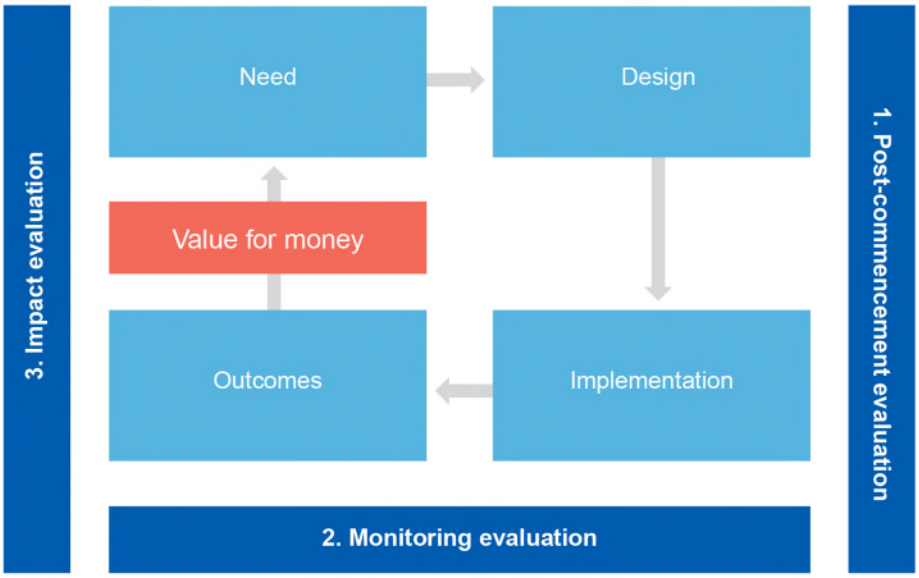
Released under FOI Act

Evaluation questions

An important part of planning for evaluations is to determine which evaluation questions need to be addressed during the life of a program. The department's approach to evaluation activities takes into account both the program evaluation hierarchy of Rossi, Lipsey and Freeman and the Department of Finance Expenditure Review Principles.[5]

The grouping of evaluation questions allows evaluation activities to focus on specific domains of the hierarchy. This should be considered when planning evaluations, as part of a program's evaluation strategy and scheduling evaluations on the department's Evaluation Plan.

Figure 4: Types of evaluations the department conducts in relation to program evaluation hierarchy



Source: Department of Industry, Innovation and Science

One year into a program a **post-commencement evaluation** can be conducted.

At the 18–24 month mark, the data collection and performance measures of a program can be tested through a **monitoring evaluation.**

Depending on the nature and timeframes of the program, after three to five years an **impact evaluation** can be conducted.

Ultimately, however, the choice of focus areas for an evaluation should reflect the needs of the program and policy areas. The evaluation Reference Group will decide which focus areas are appropriate before signing off on the Terms of Reference for each evaluation.

Post-commencement evaluation

Post-commencement evaluations 'check in' on a program soon after its commencement. This type of evaluation focuses on the initial implementation, design and delivery, to identify issues early on. Post-commencement evaluations typically occur 12 months post-program implementation and focus on reporting to internal stakeholders. Program managers have a responsibility to make the best use of public resources to ensure their programs achieve their

[5] Rossi P, Lipsey M, and Freeman H (2004), *Evaluation: a systematic approach*, Sage Publications; Department of Finance (2013), *Expenditure Review Principles*

Page 22 of 38

Released under FOI Act

outcomes. Post-commencement evaluations provide recommendations for decision-makers to take corrective action early on.

Monitoring evaluation

Monitoring evaluations draw on performance information to monitor the program's progress, following 18-24 months post-program implementation. They are usually suited to programs which are at a 'business as usual' stage in the program lifecycle and look at both short-term and medium-term outcomes. A monitoring evaluation provides an opportunity to test the program's data sources, to see whether they are providing the required performance information. This provides an indication of performance, contribution to the measurement of the department's strategic objectives and forms a basis for future reviews. Monitoring evaluations are primarily intended for internal stakeholders but can include external stakeholders.

Impact evaluation

Impact evaluations are usually large and more complex evaluations, which allow for the assessment of a program's performance. They assess the impact of a program and may determine its value for money. Where possible they would test this against a 'counterfactual': they seek to compare program outcomes with a prediction of what would have happened in the absence of the program and may include research about program alternatives to allow comparison of results. They may involve a cost-effectiveness or cost-benefit analysis.

Impact evaluations often use a mixed-method research approach to find objectively verifiable results and contribute to the measurement of the department's strategic objectives and outcomes. These evaluations commonly occur at least three years post-program implementation and measure the medium-term and long-term outcomes. Impact evaluations should be published externally to strengthen public confidence and support public debate.

An economic impact analysis investigates the impact a program or intervention has on participants, via quasi-experimental techniques. Similar to an impact evaluation, program participant performance (at the firm-level) is compared to a counterfactual or comparison group (to accurately measure attribution) in a range of measures including business turnover, employment, capital expenditure and survival rates. In contrast to impact evaluations, economic impact analysis typically does not account for broader social and environmental impacts.

Page 23 of 38

Released under FOI Act

Responsibility for conducting evaluations

Priority, scale and methodology will inform who will conduct an evaluation. Subject-matter or technical expertise should also be considered, as should resource availability, time and cost. Options include:

- engaging the Evaluation Unit to conduct the evaluation (subject to timing and resourcing considerations)
- seconding policy or program staff into the Evaluation Unit
- engaging an external consultant or academic.

There should be a level of independence from the areas responsible for policy and program delivery. For evaluations of lesser strategic importance or terminated programs, this could be through advice from the Evaluation Unit. Consultancies should be managed by the Evaluation Unit, for greater independence. Seconding individuals into the Evaluation Unit from the policy and program areas is a viable option to provide some independence, build capability and alleviate resourcing constraints. See Table 2 for further details on the Evaluation Unit's involvement with different tiered programs.

It is essential that evaluation funding is quarantined for planned evaluations and not redirected to other purposes.

Business Grants Hub

The Digital Transformation Agenda, announced as part of the 2015-16 Federal Budget, includes a Streamlining Grants Administration Program to improve the way grants are delivered across the Australian Government. AusIndustry, the department's service delivery division, has implemented a Business Grants Hub.

The department's Evaluation Unit provides evaluation services to programs on-boarded through the Business Grants Hub on a cost-recovery basis. These services assist policy planners and program managers in planning program performance measurement and conducting independent evaluations, which support policy and program improvements and provide accountability and transparency for government investment.

Evaluation Ready is required for all on-boarded programs

All programs managed by the Business Grants Hub are required to be Evaluation Ready (see Section 2: Evaluation Ready for further information). At the end of the Evaluation Ready service, clients will have:

- completed a program logic model and data matrix (performance indicators and data collection methods)
- determined the type and timing of evaluation(s) relevant for the program
- identified evaluation questions for future evaluations
- consolidated all these components into an evaluation strategy.

Evaluations conducted by the Evaluation Unit

Business Grants Hub clients may opt to engage the Evaluation Unit to undertake an independent evaluation of their program. Refer to Section 3: Evaluations for the types of evaluations the Unit conducts. If these additional services are not selected, the policy partner retains the responsibility to ensure an evaluation is undertaken in accordance with the Commonwealth Grants Rules and Guidelines.[6]

[6] Department of Finance (2017), *Commonwealth Grants Rules and Guidelines*

Released under FOI Act

Governance of evaluations

Office of the Chief Economist

For independence, the OCE both owns and is responsible for approving Tier One and Tier Two evaluation reports conducted by the Evaluation Unit.

The General Manager, Insights and Evaluation Branch or the Chief Economist signs off on the report.

For Tier Three programs, the Evaluation Unit's role is limited to providing advice and guidance if requested.

> Approval through the OCE provides a level of independence from policy and program areas.

Policy and program delivery areas

Policy and program delivery areas are major stakeholders for evaluation activities. Relevant General Managers typically participate in an evaluation Reference Group to provide area-specific perspectives and advice. Their support during the evaluation process is critical. Their management comments in response to findings and recommendations are attached to the final evaluation report and they attend the relevant Executive Board meeting which considers endorsement of recommendations.

The Accountable Officer is responsible for implementing the recommendations endorsed by the Executive Board.

> Policy and program delivery areas sit on the Reference Group.

Reference Groups

All Tier One and Tier Two evaluations conducted by the department are guided by a Reference Group. Unlike a Steering Committee, a Reference Group does not formally sign off on the evaluation report.

Reference Groups will typically be chaired by the General Manager of the Insights and Evaluation Branch. The Chief Economist may chair the Reference Group in specific cases.

The Reference Group comprises representatives of the evaluated program and policy areas. Membership of a Reference Group reflects the role, rather than the individual's expertise or experience. Staff with specific expertise or knowledge may be invited to serve in an advisory capacity on a case-by-case basis.

A Reference Group's key functions are to:

- approve the Terms of Reference of an evaluation
- provide input and oversight during the evaluation process.

A Reference Group typically meets three times, to: approve the evaluation Terms of Reference; discuss preliminary findings and recommendations; and provide feedback on the draft evaluation report. Further meetings can be scheduled if required.

> Reference Groups approve an evaluation's Terms of Reference.

Page 25 of 38

Released under FOI Act

Program Assurance Committee

Programs that have completed Evaluation Ready need to provide their evaluation strategy to the PAC for noting. The Evaluation Unit provides bi-monthly reports to the PAC on the Evaluation Ready status of programs.

Early findings and recommendations of evaluations conducted by the Evaluation Unit are socialised with the PAC for discussion. Upon endorsement of an evaluation report by the department's Executive Board, the final evaluation report is also provided to the PAC for noting.

Provide comments on early findings and recommendations of evaluations.

Executive Board

Chaired by the Secretary, the Executive Board is responsible for the overall governance, management, policy leadership and strategic direction of the department. It has responsibility for oversight of the department's evaluation activity, including:

- considering the evaluation report for approval, including whether the department will implement the recommendations
- determining whether the report will be published publicly in its entirety or executive summary only.

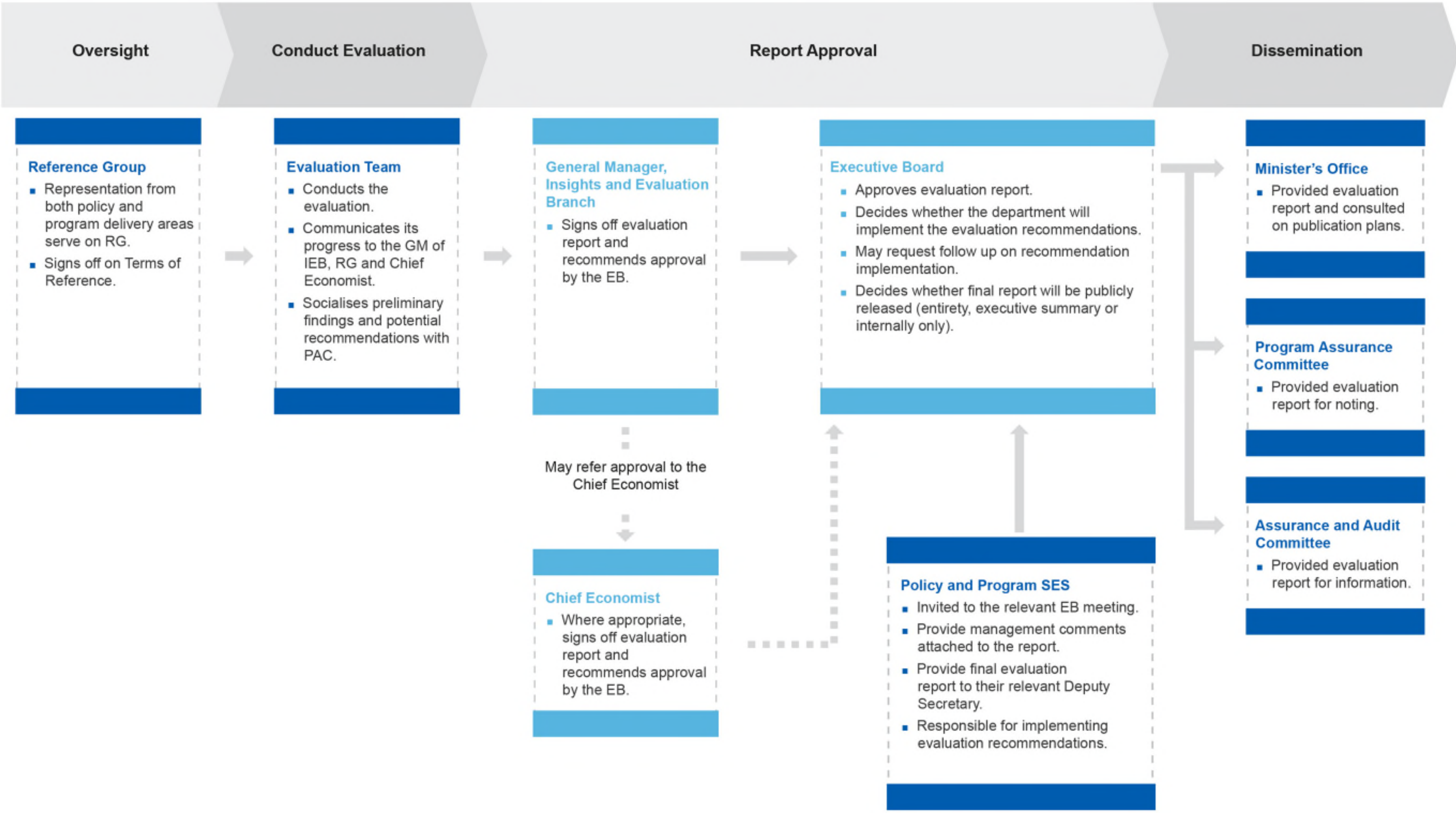
Program and Policy SES are invited to attend the relevant Executive Board meeting and provide management comments.

Determines whether the department will publish the evaluation report and whether recommendations are implemented.

Page 26 of 38

Released under FOI Act

Figure 5: Governance structure of Tier One and Tier Two evaluations conducted by the Evaluation Unit



Notes: **EB** Executive Board; **GM** General Manager; **IEB** Insights and Evaluation Branch; **PAC** Program Assurance Committee; **RG** Reference Group; **SES** Senior Executive Service

Released under FOI Act

4. Learning and capability

Lessons learnt

Policy making is a process of continuous learning, rather than a series of one-off, unrelated decisions. Effective use of organisational knowledge in policy development enables policy makers to learn from previous successes and failures to develop better policy. Program evaluations provide the evidence base to inform best practice expenditure of public funding and the development of policy.[7]

Evaluations increase understanding of the impact of government policy, programs and processes, and form just one of the key sources of performance information that help the department to assess whether it is achieving its strategic priorities. Along with research and audit findings, the outcomes from evaluations are a valuable resource; they support evidence-based policy and the continual improvement and evolution of programs.

Organisational learning uses past experiences to improve policy, recognising that the government may repeatedly deal with similar problems. Developing a culture of organisational learning can make an organisation more responsive to the changes in its environment and facilitate adaptation to these changes.[8]

It is expected that evaluation findings will be communicated widely across the department, particularly to inform decision-making, with resulting recommendations acted upon routinely. It is also expected that evaluation findings and emerging trends are captured, reported and communicated, and brought to the attention of the Executive Board as appropriate. Evaluation findings will also be disseminated to PAC, the Assurance and Audit Committee and the Minister's Office.

Completed evaluations

To improve the sharing of evaluation findings and make them accessible across the department, all evaluations commissioned or undertaken by the department will be accessible internally through a completed evaluations library. All completed evaluations will contain a one page lessons learnt summary. The completed evaluations library will be maintained by the Evaluation Unit and program and policy staff should provide copies of completed evaluations to ensure the collection is comprehensive. By default, all evaluation reports will be published internally.

The completed evaluations library provides significant insight to the approaches used to design policy and implement departmental programs. It captures the lessons learnt from completed evaluations of programs, so future programs can learn from past experience – whether positive or negative.

Presentations

The Evaluation Unit can communicate the findings and recommendations of evaluations conducted by the Unit. This includes:

- all staff presentations
- specific presentations for the evaluated program or policy areas.

[7] Department of Industry and Science (2014), *Policy Development Toolkit*
[8] Ibid

Page 28 of 38

Released under FOI Act

Evaluation capacity building

Building capacity and capability in performance measurement and evaluation is not limited to technical skills and knowledge. Performance measurement and evaluation need to be integrated into the way we work and think.

Fostering a culture of evaluative thinking

As we are called to adapt to changing economic and policy environments, measuring how we are performing and providing credible evidence becomes paramount. This cannot be achieved without a shift to a culture of evaluative thinking and continuous improvement.

Organisational culture significantly influences the success of evaluation activity and requires strong leadership. This department is building a supportive culture, led by the Executives, that encourages self-reflection, values results and innovation, shares knowledge and learns from mistakes.

Without such a culture, evaluation is likely to be resisted, perceived as a threat rather than an opportunity or treated as a compliance exercise.

To develop a culture of evaluative thinking the department requires:

- a clear vision for evaluation and continuous improvement
- clear responsibilities and expectations to empower staff, along with appropriate training and guidance material
- knowledge-sharing and tolerance for mistakes to encourage learning and improve performance
- a culture of reward to showcase effective evaluations
- support for the outcomes of robust evaluation to build trust, welcoming the identification of problems or weaknesses.[9]

Building capability

A culture of evaluative thinking and capability building go hand in hand — both are required to achieve a high level of evaluation maturity within a high-performing organisation.

Conducting an evaluation requires significant knowledge, skill and experience. The department is committed to building performance measurement and evaluation capability and technical skills to support staff in planning and conducting evaluations and undertaking performance monitoring.

Learning continues for staff in the Evaluation Unit and across the department in specialised evaluation techniques and methods. The Evaluation Unit is made up of evaluation professionals who are members of the Australasian Evaluation Society (AES) and other professional organisations. The Evaluation Unit encourages its staff to undertake or maintain formal training in evaluation and related areas.

The role and responsibilities of the Evaluation Unit include building capability through providing expert advice and guidance, and ensuring the department is meeting its external reporting accountabilities.

---

[9] ACT Government (2010), *Evaluation Policy and Guidelines*

Released under FOI Act

Gaining evaluation experience

Staff often increase their evaluation awareness and knowledge during Evaluation Ready workshops. For further hands-on experience in evaluation, formal arrangements can be made for staff of evaluated programs to be seconded into the Evaluation Unit for the duration of the evaluation. At times, opportunities to work in the Evaluation Unit may be available on the Skills Marketplace and the Unit encourages rotation expressions of interest from graduates.

Supporting guidance material

The Evaluation Unit has developed comprehensive guidance material to support on the job learning. The topics covered range from planning for an evaluation to how to conduct an evaluation or develop a Terms of Reference. The material is designed to be used in conjunction with advice available from the Evaluation Unit.

The Evaluation Unit offers targeted learning on program logic and developing performance measures, as part of Evaluation Ready. The Unit also contributes to policy development and program management training in the department.

Evaluation maturity

Developing and maintaining evaluation maturity is an ongoing process that must be balanced with other organisational objectives. This Strategy establishes a framework to guide the department through the stages of maturity which encompass good evaluation practices.[10]

To establish a baseline from which we can identify strengths and weaknesses and priorities for improvement, the Evaluation Unit has assessed the department's current evaluation maturity. While it is following best practice in some elements of evaluation maturity, overall it is between the 'developing' and 'embedded' stages of maturity.[11]

The Evaluation Maturity Matrix is adapted from:
ACT Government (2010), *Evaluation Policy and Guidelines*, p.17
[11] Department of Industry, Innovation and Science (2017), *Evaluation Strategy Post-Commencement Review*

Page 30 of 38

Released under FOI Act

Table 3: The department's Evaluation Maturity Matrix

Principle	Beginning	Developing	Embedded	Leading
Integrated	▪ Awareness of the benefits of evaluation is low. ▪ Evaluation is seen as a compliance activity and threat. ▪ Fear of negative findings and recommendations leads to a perception of 'mandatory optimism' regarding program performance. ▪ Insufficient resources allocated to evaluation activities. ▪ Evaluation and performance measurement skills and understanding limited, despite pockets of expertise.	▪ Appreciation of the benefits of evaluation improving. ▪ Evaluation is being viewed as core business for the department, not simply a compliance activity. ▪ A culture of evaluative thinking and continual improvement is introduced and communicated across the department. ▪ Skills in performance measurement and evaluation developed through targeted training and guidance materials. ▪ Evaluation website and guidance materials developed. ▪ The role of the Evaluation Unit is widely communicated. Unit seen as the authoritative	▪ A culture of evaluative thinking and continual improvement is embedded across the department, with lessons learnt being acted upon. ▪ Evaluation is seen as an integral component of sound performance management. ▪ General evaluation skills widespread. ▪ Improved skills and knowledge in developing quality performance measures. ▪ Evaluation Unit team members have high order skills and experience which are leveraged by the department. ▪ Evaluation Unit team members hold and are encouraged to	▪ Evaluations motivate improvements in program design and policy implementation. ▪ Demonstrated commitment to continuous learning and improvement throughout the agency. ▪ Department is recognised for its evaluation and performance monitoring expertise, and innovative systems and procedures.

Page 31 of 38

Released under FOI Act

Principle	Beginning	Developing	Embedded	Leading
		source for advice. ▪ Developing further expertise in the Evaluation Unit.	undertake formal qualifications in evaluation and related subjects.	
Fit for Purpose	▪ Frequency and quality of evaluation is lacking.	▪ Guidelines for prioritising and scaling evaluation activity are used.	▪ Priority programs are evaluated. ▪ Evaluations use fit for purpose methodologies.	▪ Evaluation effort is scaled accordingly. ▪ Specialist and technical skills well developed to apply appropriate methodologies.
Evidence-based	▪ Data holdings and collection methods are insufficient or of poor quality.	▪ Planning at program outset improves data holdings and collection methods. ▪ Developing skills and knowledge in applying robust research and analytical methods to assess impact and outcomes. ▪ Quality of evaluations is improving.	▪ A range of administrative and other data is used in the assessment of performance. ▪ Robust research and analytical methods are used to assess impact and outcomes. ▪ Evaluations conform to departmental standards.	▪ The department continually develops and applies robust research and analytical methods to assess impact and outcomes. ▪ Evaluation and performance measurement conform to recognised standards of quality.
Timely	▪ Effort and resources are allocated in an ad hoc and reactive manner with little foresight. ▪ Developing performance information at the	▪ Evaluation activity is coordinated. An evaluation plan is in place and regularly monitored. ▪ Strategically significant and	▪ The department employs strategic risk-based, whole-of-department criteria to prioritise evaluation	▪ The department's approach to evaluation and performance planning is seen as the exemplar.

Released under FOI Act

Principle	Beginning	Developing	Embedded	Leading
	inception of a program is ad hoc and of variable quality.	risky programs are prioritised. ▪ Planning for evaluation and performance monitoring is being integrated at the program design stage. ▪ All programs are assessed for being Evaluation Ready.	effort. Evaluation plans are updated annually and progress is monitored on a regular basis. ▪ Planning for evaluation and performance measurement is considered a fundamental part of policy and program design. ▪ All programs have program logic, performance and evaluation plans in place.	▪ All programs have been signed off and are Evaluation Ready.
Transparent	▪ Findings and recommendations held in program and policy areas. ▪ No follow up on the implementation of recommendatio ns.	▪ Findings and recommendation s viewed as an opportunity to identify lessons learnt. ▪ Evaluations are available in the completed evaluations library to improve the dissemination of lessons learnt and inform policy development.	▪ Findings widely disseminated and drive better performance. ▪ Website and guidance materials are a valuable resource for staff. ▪ Evaluation findings and reports are published where appropriate.	▪ Findings are consistently used to optimise delivery and have influence outside the department.

Page 33 of 38

Released under FOI Act

Principle	Beginning	Developing	Embedded	Leading
Independent	▪ Independent conduct and governance of evaluations is lacking. ▪ Evaluations are conducted and overseen by the policy or program areas responsible for delivery of the program.	▪ There is an improved level of independence in the conduct and governance of evaluations.	▪ All evaluations include a level of independence.	▪ Evaluations conducted by the Evaluation Unit are viewed externally as independent.

Source: ACT Government (2010), Evaluation Policy and Guidelines

Reviewing the Evaluation Strategy

This Strategy will be periodically reviewed to assess whether it is meeting the needs of the department. The measures of success will include that it is:

- consistent with the PGPA Act
- efficiently allocating evaluation effort
- leading to more effective conduct of evaluations
- fostering a culture of evaluative thinking
- ultimately contributing to more effective programs.

Results of the review will be communicated to the Executive Board. The review will include an assessment of the department's level of evaluation maturity two years on, a needs assessment and provide concrete examples of progress.

Page 34 of 38

Released under FOI Act

Appendix A

Program logic rubric

Section of program logic	Requires improvement	Satisfactory	Good (includes all 'satisfactory' criteria plus those listed below)
Overall	▪ The logic linking activities/outputs to outcomes is not convincing. ▪ Arrows not well matched to timescale. ▪ Theory of change ill-defined or not evidence-based. ▪ Not comprehensive across the columns. ▪ Some components incorrectly placed in columns. ▪ Doesn't fit on one page.	▪ Adequately represents the views of the main stakeholders: policy, program and Evaluation Unit. ▪ The theory of change is clear and indicated by arrows. ▪ The outcomes are realistic relative to the inputs and activities (not changing the world). ▪ Uses active, not passive voice. ▪ The focus is evaluative rather than promotional. ▪ All components are in correct columns. ▪ Outputs and/or outcomes are linked to activities. ▪ The logic linking activities/outputs to outcomes is plausible. ▪ Fits on one page. ▪ Has been cleared/approved at GM level or other where appropriate. ▪ Has been presented to PAC for noting.	▪ The template has been adapted to a sensible extent to capture differences between programs. ▪ A key is provided where useful/applicable. ▪ Acronyms are explained. ▪ Isn't cluttered, with a suitable level of detail. ▪ The logic linking activities/outputs to outcomes is based on evidence.
Inputs and participation	▪ Is either not comprehensive or is inaccurate in relation to inputs, stakeholders.	▪ Inputs section includes staffing.	▪ Includes in-kind inputs where relevant.

Page 35 of 38

Released under FOI Act

Section of program logic	Requires improvement	Satisfactory	Good (includes all 'satisfactory' criteria plus those listed below)
	▪ Omits staffing and/or administered funding. ▪ Lists government under participation (unless the program targets government as the beneficiary).	▪ Inputs section includes formal external inputs where the department is not the sole funder. ▪ Funding for inputs is broken down by administered and departmental, where known. ▪ Inputs section includes a clear timeframe for funding, either across the lifetime of the program or other clear timeframes. ▪ Participation section identifies target recipients for the program. The focus is on beneficiaries, not deliverers of it, such as government. ▪ If many participants, these are grouped into logical subgroups.	▪ Clarifies target market — distinguishes between primary and secondary beneficiaries. ▪ Participation is represented so as to align with activities and outcomes. ▪ Includes all stakeholders impacted, not just program participants. ▪ Concise.
Activities and/or outputs	▪ Too much detail on generic administration processes such as for granting programs. ▪ Outputs are confused with or substitute for outcomes. ▪ Activities don't link to outputs and outcomes.	▪ Identifies who does what to whom. ▪ Separates Commonwealth and participant activities as necessary. ▪ Shows ordering of key activities and links to outcomes. ▪ Activities/outputs are directly related to objectives and can be monitored and assessed. ▪ Avoids too much detail on generic administration processes such as for granting programs.	▪ Uses action verbs to identify activities. ▪ Outcomes are informed by evidence and experience / lessons learnt.
Outcomes	▪ Outcomes are not comprehensively identified. ▪ Outputs are confused with outcomes.	▪ Identification of outcomes is suitably comprehensive.	▪ Uses feedback loops if appropriate.

Released under FOI Act

Section of program logic	Requires improvement	Satisfactory	Good (includes all 'satisfactory' criteria plus those listed below)
	▪ No theory of change (no connecting links between boxes or every box connects to every other box). ▪ Outcomes are aspirational and/or not able to be assessed. ▪ Simply restates policy objectives. ▪ Doesn't consider short/medium/long-term outcomes. ▪ Links between shorter and longer-term outcomes aren't convincing. ▪ Outcomes are out of proportion to inputs.	▪ Articulates who the outcomes relate to (who is benefiting/being affected). ▪ Uses evaluative, not promotional language. ▪ Language is proportional increase and not just number. ▪ Provides realistic timeframes for outcomes. ▪ Uses SMART indicators.[1] Outcomes that can't be measured are clearly indicated. ▪ Outcomes align with objectives. ▪ Outcomes are well connected with a logical flow from short-term to long-term. ▪ Demonstrates logic links and clearly articulates anticipated changes. ▪ Doesn't restate activities/outputs. ▪ Links between shorter and longer-term outcomes are plausible	▪ Marks external factors and assumptions in links. ▪ Outcomes link backwards to outputs and activities. ▪ Links such as between shorter and longer-term outcomes are based on evidence.
External factors and assumptions	▪ Not included or not clearly identified. ▪ Not supported by evidence.	▪ Key external factors and assumptions identified.	▪ Assumptions supported by evidence/theory of change and risks. ▪ Informed by lessons learnt. ▪ Assumptions comprehensively state the conditions required for the program to function effectively.

Notes: [1] **SMART** Specific, Measurable, Attainable, Relevant, and Time-bound

Source: Department of Industry, Innovation and Science (2017)

Page 37 of 38

Released under FOI Act

Connect with us

@economist_chief

https://au.linkedin.com/in/**cullymark**

www.industry.gov.au/**oce**

Australian Government
Department of Industry, Science, Energy and Resources

Office of the Chief Economist

Incubator Support Initiative Post-commencement Evaluation

Section 22 and 47F

February 2019

For further information on this research paper please contact:

Evaluation Unit

Department of Industry, Science, Energy and Resources

GPO Box 9839

Canberra ACT 2601

Phone : +61 2 6102 8901

Email: Evaluation.Unit@industry.gov.au

Creative Commons Licence

© Commonwealth of Australia 2020

Creative Commons
Attribution 4.0 International Licence
CC BY 4.0

All material in this publication is licensed under a Creative Commons Attribution 4.0 International Licence, with the exception of:

- the Commonwealth Coat of Arms;
- content supplied by third parties;
- logos; and
- any material protected by trademark or otherwise noted in this publication.

Creative Commons Attribution 4.0 International Licence is a standard form licence agreement that allows you to copy, distribute, transmit and adapt this publication provided you attribute the work. A summary of the licence terms is available from https://creativecommons.org/licenses/by/4.0/

Wherever a third party holds copyright in material contained in this publication, the copyright remains with that party. Their permission may be required to use the material. Please contact them directly.

Attribution

Content contained herein should be attributed as follows:

Department of Industry, Science, Energy and Resources, Commonwealth of Australia, Incubator Support initiative Post-commencement Evaluation The Commonwealth of Australia does not necessarily endorse the content of this publication.

Requests and inquiries concerning reproduction and rights should be addressed to chiefeconomist@industry.gov.au.

Disclaimer

The views expressed in this report are those of the author(s) and do not necessarily reflect those of the Australian Government or the Department of Industry, Innovation and Science.

This publication is not legal or professional advice. The Commonwealth of Australia does not guarantee the accuracy or reliability of the information and data in the publication. Third parties rely upon this publication entirely at their own risk.

For more information on Office of the Chief Economist research papers please access the Department's website at: www.industry.gov.au/OCE

Contents

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

Released under FOI Act

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).

---

[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

Released under FOI Act

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.

Released under FOI Act

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

[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:

---

[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

Released under FOI Act

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

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

Released under FOI Act

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

[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

Released under FOI Act

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

---

[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*

Released under FOI Act

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.

---

[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.

[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.

---

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

[25] Ibid.

Released under FOI Act

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.

Released under FOI Act

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.

[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.

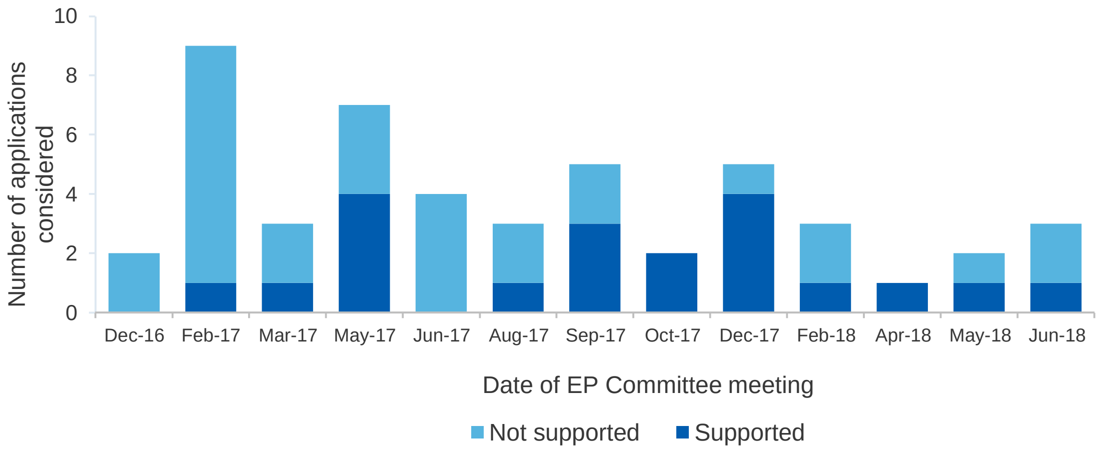
In response to the above issues, changes were made to the guidelines, supplementary guidance developed, a formal feedback process for draft applications introduced, the role of RIFs introduced, and the co-funding requirement reduced for regional applicants.

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 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

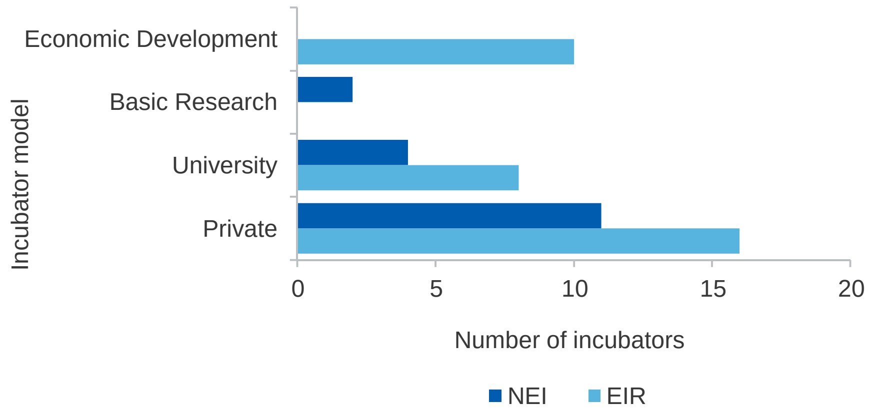
According to program guidelines, Incubator Support targets incubators that have the potential to foster high-growth start-ups with a focus on international markets. Interviews also confirm that the incubators supported needed to be of high quality. The analysis of alignment to target market in this and 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

[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]

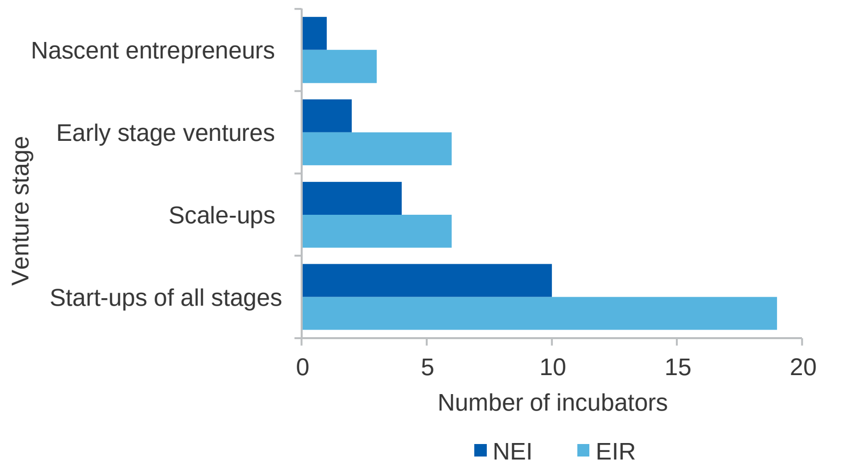
stage ventures or nascent entrepreneurs (figure 3.3b). Almost half have a generic focus rather than focusing on a particular industry or sector. Almost a quarter of grant recipients have an information technology focus, and the remainder represent diverse industries and sectors (figure 3.3c). The majority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

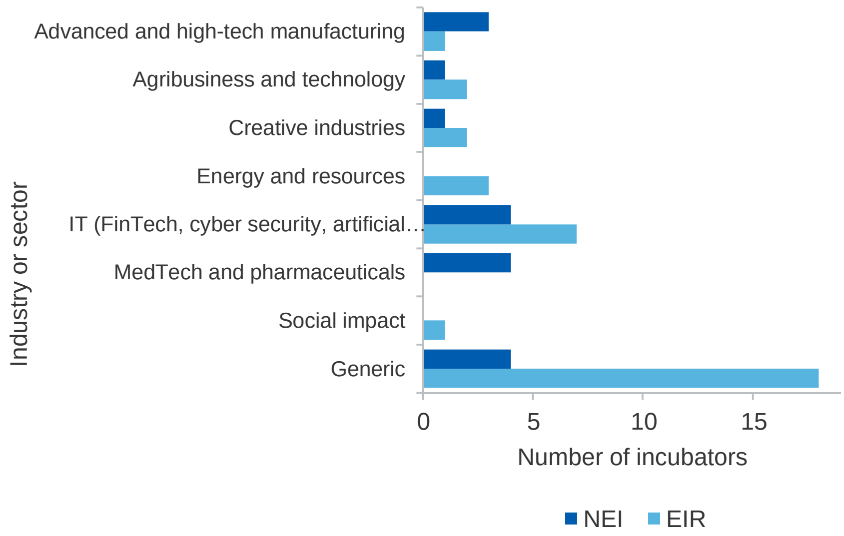
Figure 3.3b: Funded incubators by venture stage they support



Source: Incubator Support program data

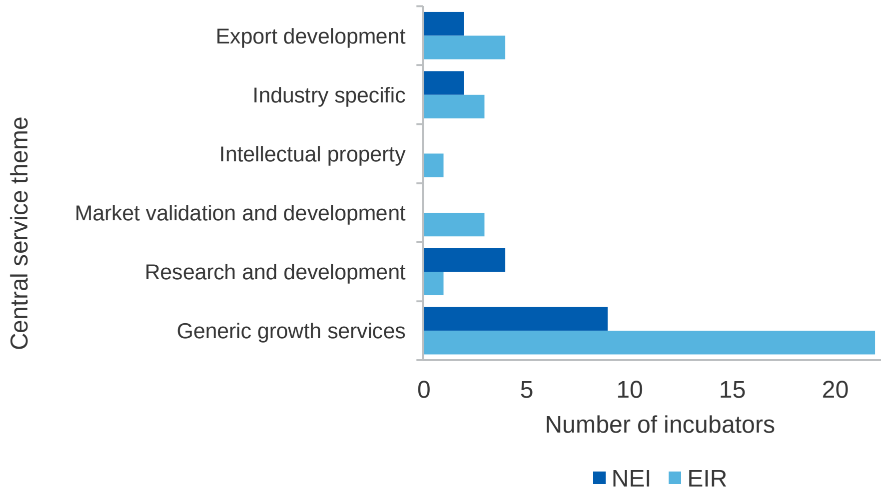
Released under FOI Act

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 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.

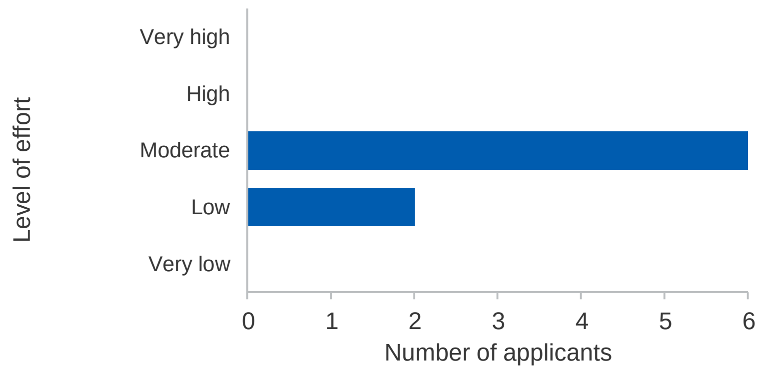
3.6 The EIR application, assessment and reporting processes are suitable for participants

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

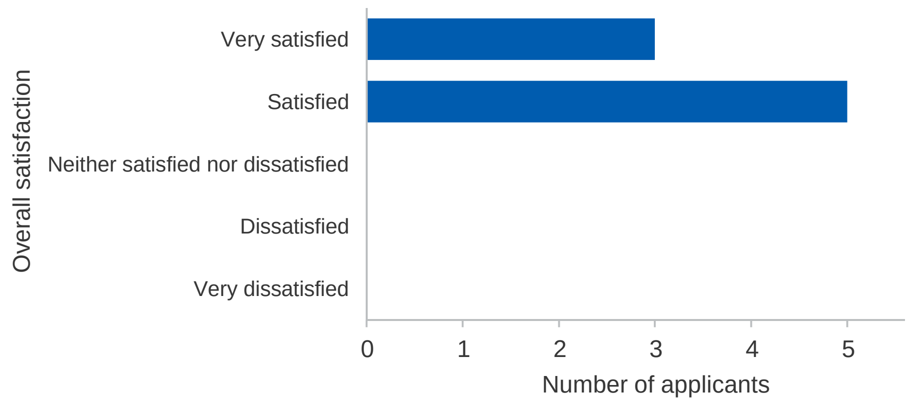
The eight EIR survey respondents rated the level of application effort as 'low' or 'moderate' (see figure 3.6a) and were 'satisfied' or 'very satisfied' with the application process (see figure 3.6b). Respondents considered the level of effort required to be appropriate, with one commenting that it achieved 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.

Released under FOI Act

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

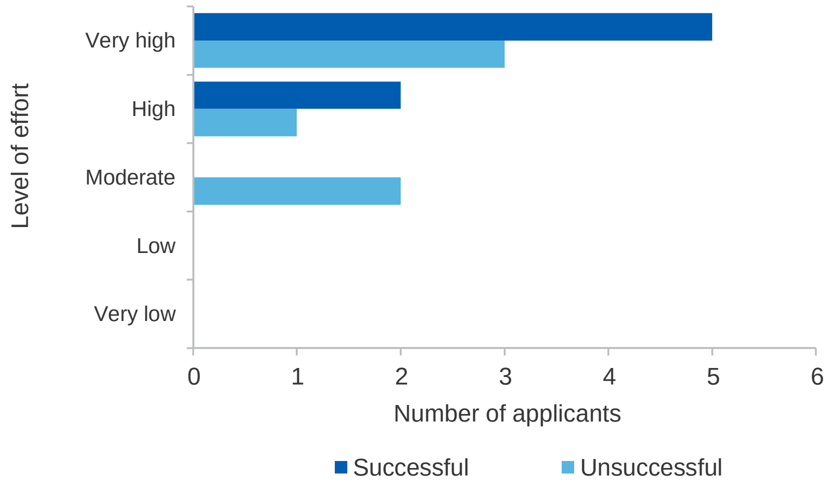
Respondents were asked to indicate how long it took to develop and submit their application, and were prompted to record time taken rather than duration over which the application was developed. The median[28] time spent by the 13 NEI respondents on developing their application was 25 days. Successful 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.

---

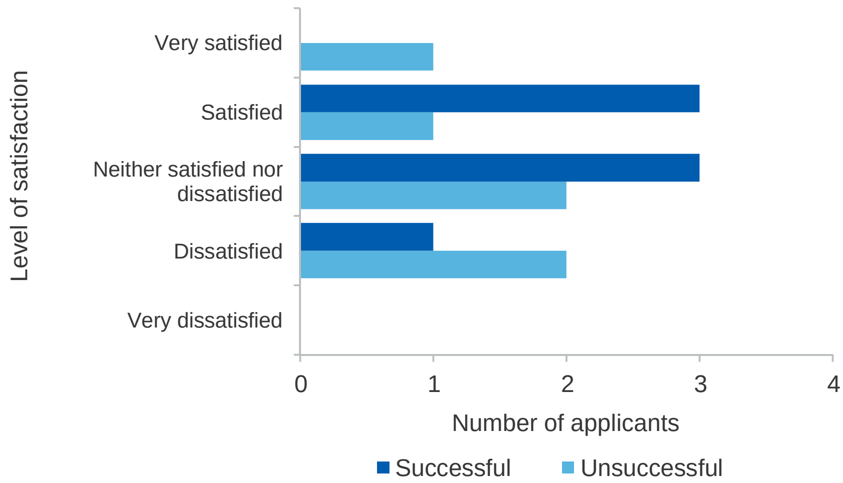
[28] The median was used as the measure of central tendency given the range of responses (five to 390 days) and presence of outliers.

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

Released under FOI Act

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

Released under FOI Act

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

Released under FOI Act

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

[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.

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

Released under FOI Act

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*

---

[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.

Released under FOI Act

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.

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

Released under FOI Act

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?

---

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

Released under FOI Act

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

[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.

Released under FOI Act

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.

[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

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

Released under FOI Act

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.

---

[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).

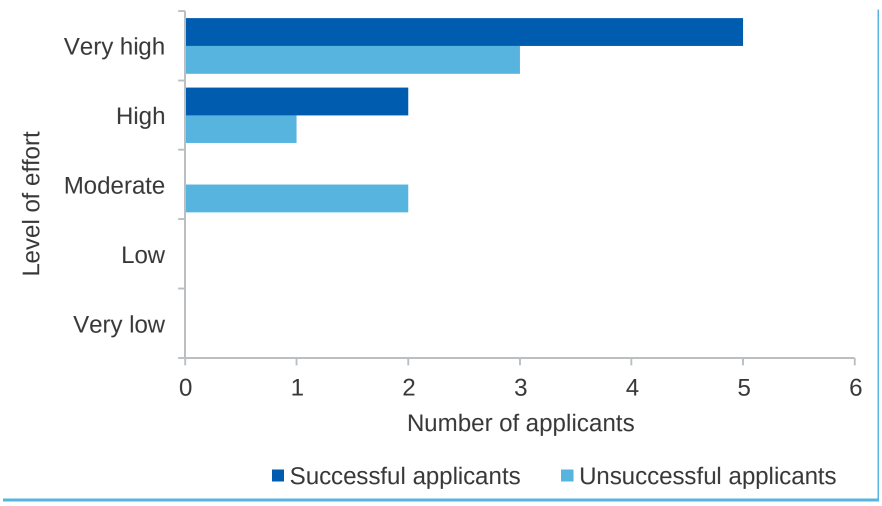
Respondents rated the level of effort it took to complete the application as ‘moderate’ (two), ‘high’ (three) or ‘very high’ (eight). Successful applicants generally rated effort higher than unsuccessful applicants. Reasons for the ratings given included that it took a lot of effort to understand what 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, <u>not</u> 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

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

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.		
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

Released under FOI Act

Australian Government
Department of Industry, Science, Energy and Resources

FOI Answers – LEX 67013

1. ***Completion dates of Assurance and Audit Committee reviews since 1 January 2016 as per ss. 6 & 7.6 Fraud and Corruption Control Plan.***
    - 3 March 2016
    - 26 May 2016
    - 23 August 2016
    - 29 November 2016
    - 28 February 2017
    - 23 May 2017
    - 31 August 2017
    - 21 November 2017
    - 4 June 2018
    - 31 August 2018
    - 20 November 2018
    - 3 June 2019
    - 30 August 2019
    - 21 November 2019
    - 18 June 2020
    - 28 August 2020

2. ***Completion dates of AusIndustry Support for Business divisional fraud risk assessments since 1 January 2016 as per ss. 6 & 7.6 Fraud and Corruption Control Plan.***
    - 25 October 2016
    - 16 December 2019
    - 21 August 2020

3. ***all Incubator Support Initiative internal audit reports by Legal, Audit and Assurance as per s. 14.2.***
    No (zero) internal audit reports have been prepared since 1 Jan 2016 on the Incubator Support Initiative.

4. ***all Incubator Support Initiative compliance reviews as per s. 14.4.***
    No specific compliance activities have been undertaken on the Incubator Support Initiative (ISI) beyond normal evaluation and grants administration processes.

    In terms of managing the compliance of ISI, the following is noted:

    - A post-commencement evaluation was conducted on the ISI between May-November 2018, under the *Department of Industry, Innovation and Science: Evaluation Strategy 2017-21.*
    - The post-commencement evaluation focussed on the following:
        - *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?*

Page 1 of 2

Released under FOI Act

  - *Are mechanisms in place for robust performance assessment of IS?*
- The final post-commencement evaluation report has not been made publically available.

5. all Incubator Support Initiative audit reports that address:

- insider threats as per s. 5.4, or
- employment screening as per s. 13.2, or
- leave policies as per s. 13.3, or
- conflicts of interest as per ss. 5.2 & 13.4, or
- cyber and digital awareness as per s. 5.5, or
- ICT compliance as per ss. 13.5 & 14.5.

None (zero) – refer to Q3, no audit reports have been prepared on the Incubator Support initiative.

Page 2 of 2