



# Effectiveness of Small Business Victoria's Support Programs





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Victorian  
Auditor-General

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Victorian Auditor-General's Office

*Auditing in the Public Interest*

The Hon. Bruce Atkinson MLC  
President  
Legislative Council  
Parliament House  
Melbourne

The Hon. Ken Smith MP  
Speaker  
Legislative Assembly  
Parliament House  
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on the *Effectiveness of Small Business Victoria's Support Programs*.

Yours faithfully



D D R PEARSON  
*Auditor-General*

23 March 2011



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# Audit summary

The small business sector makes a vital contribution to the state's economy. There are over 470 000 small businesses which account for 96 per cent of all businesses. These employ 43 per cent of the private sector workforce. It is estimated that the sector accounts for 35 per cent of the gross state product.

In August 2006, *Time to Thrive* (TTT), the \$98 million small business policy statement, outlined the overall framework to support the sector. Various departments and agencies across government were involved in the delivery and implementation of TTT programs.

Small Business Victoria (SBV), a branch within the Department of Business and Innovation (DBI), previously the Department of Innovation, Industry and Regional Development, provides advocacy for small businesses and develops strategies to address issues impacting on the small business environment.

This audit focused on TTT's eight programs delivered by SBV: the Business Victoria website also known as World Class Service (WCS); the Fair Payments Policy Advocacy; and a suite of six support programs designed to assist current and prospective small business operators to start or grow their businesses. Four-year funding for these eight programs comprised \$38.4 million of the total \$98 million TTT budget.

The objective of this audit was to assess the effectiveness of SBV's support programs. The audit examined whether:

- business cases underpinned the development of support programs, and whether these were effectively designed to address identified sector needs
- monitoring and evaluation of programs were regular and results used to inform program management and delivery
- the objectives of the support programs were being achieved.

## Conclusions

The TTT and its two major support programs, the WCS and Fair Payments Policy Advocacy, were appropriately planned by SBV. They were underpinned by robust business cases which included an analysis of the options considered to address the identified needs.

On the other hand, the six remaining programs did not have business cases analysing the options from which they were selected. This meant that there was limited assurance that these six programs represented best use of their \$20.4 million budget allocation.

All programs were appropriately implemented by SBV.

All programs were monitored and evaluated regularly to inform program management and delivery. SBV can improve its evaluations by using efficiency indicators and more objective effectiveness indicators, in addition to relying on the feedback of program participants.

The programs' objectives were achieved over the four-year period 2006–10. Participating small business operators, both current and prospective, found that the programs assisted them in obtaining relevant business information and making better-informed business decisions.

While the support programs were well received, participation rates were low. Given the significant infrastructure created through WCS, there is potential for the state to get better leverage from its investment through increased participation rates.

The low rates of participation means that a significant number of current and prospective small business operators have not benefited from subsidised assistance that could better prepare them to start or grow their businesses.

## Findings

### Effectiveness

The programs' objectives were achieved over the four-year period 2006–10. The objectives were to:

- equip small business operators with the skills and relevant information to better and more efficiently manage their business
- assist those intending to start their businesses to be more informed of regulatory requirements
- increase the proportion of small business invoices paid by government agencies within 30 days.

SBV evaluations revealed that:

- the proportion of small business invoices paid by government agencies within 30 days increased from 77 per cent in 2004 to 90 per cent in 2009
- small business operators who participated in the programs reported that they gained skills and relevant information to manage their businesses more efficiently
- prospective small business operators who participated in the programs reported that these assisted them in gaining better understanding of regulatory requirements.

Australian and international studies indicate that there is a direct correlation between business growth and participation in support programs.

In terms of program uptake, less than 6 per cent of Victorian small businesses access SBV's workshops, seminars, festival events and/or mentoring services. This participation rate, while comparable with those in other Australian jurisdictions, is low. A higher participation rate would not only benefit the sector, it would also provide a better return on government investment in the programs, such as the WCS website.

### World Class Service estimate of reduction in regulatory burden

In 2006, the Department of Treasury and Finance (DTF) estimated the total regulatory burden across government at \$1.03 billion per annum.

In 2009, SBV reported that WCS's annual contribution to the reduction of regulatory burden was \$33.3 million. The Victorian Competition and Efficiency Commission (VCEC), the agency tasked to independently verify computations of this nature, was unable to verify this estimate because SBV did not use the endorsed computation methodology—the Standard Cost Model. VCEC noted that it 'considers the savings claimed [to be] significantly overstated'.

DTF has since replaced the Standard Cost Model with Regulatory Change Measurement as the required methodology in computing reduction in regulatory burden. SBV is currently preparing a computation under the new Regulatory Change Measurement model.

## Program planning and implementation

### Business case and implementation plan

The development of TTT was appropriately informed through an extensive consultation process which identified small business sector needs.

TTT and its two principal support programs, WCS and the Fair Payments Policy Advocacy, were underpinned by robust business cases. Of the \$38.4 million allocated for all eight programs, WCS received \$18 million for 2006–10 and an additional \$10.75 million was allocated for 2010–13. Ongoing costs starting from 2013–14 were estimated at \$4 million per annum. The Fair Payments Policy Advocacy program had no budget allocation.

The six remaining programs, however, did not have business cases analysing the costs and benefits of the range of options from which the programs were selected. SBV advised that other options were in fact considered, however, this analysis was neither documented nor included in the TTT business case.

The absence of documentation evidencing the consideration of possible options meant that during the planning phase of these programs, there was less assurance that the total of \$20.4 million allocated over a period of four years represented the best and most cost effective way to address the identified needs.

Implementation plans developed for TTT and its eight support programs outlined how identified needs were to be addressed. These plans clearly addressed accountability arrangements, risk management, expected outcomes, communication, reporting cycle and performance measures.

### Small business support programs by other agencies

As the lead agency advocating for the sector, it was important for SBV to have a good understanding of all support programs available to Victorian small businesses. However, as SBV had not conducted a thorough mapping and analysis of these programs across government, there is limited assurance that duplication and inefficiencies in the delivery of support programs were minimised.

### Time to Thrive Performance Monitoring Framework

SBV developed the TTT Performance Monitoring Framework (the framework) in conjunction with DBI's Strategy and Policy unit, to track how TTT is achieving its objectives. The performance measures identified in the framework included relevance, efficiency and effectiveness indicators.

SBV advised, however, that resourcing and operational issues did not allow it to use the framework to evaluate TTT as a whole. This was a missed opportunity. Using the framework would have complemented the program-specific evaluations, and provided relevant information on:

- how the programs worked together to achieve TTT objectives
- key lessons learned and opportunities for improvement in the design and delivery of future policy programs
- how efficiently resources had been used in the delivery of TTT.

### Program monitoring and evaluation

SBV regularly monitored and evaluated its programs and used evaluation results to inform program management and delivery.

From 2006 to 2010, SBV planned and commissioned 21 evaluations across the eight support programs. With the exception of the eChange program which was evaluated once in its two years of implementation, all the other programs were evaluated at least twice between 2006 and 2010.

SBV's evaluations focus primarily on participant feedback as the measure for program effectiveness. While this is an appropriate evaluation approach, more objective performance indicators would allow SBV to better measure programs' effectiveness. For example, the indicators could have included measuring the net gain in the number of small businesses correlated with the number of start-ups assisted by support programs.

Moreover, the TTT support programs are not measured against efficiency indicators that correlate outputs to the resources required to deliver them. Reporting on efficiency would provide assurance that the support services provided to small businesses are cost effective.

## Recommendations

Number	Recommendation	Page
1.	Given the correlation between business growth and participation in support programs, Small Business Victoria should more actively promote these programs.	14
2.	Small Business Victoria should collect and collate data on the demographics of registered users for the World Class Service website to identify small businesses from the rest of the users.	14
3.	For future funding proposals for support programs, Small Business Victoria should include an analysis of the range of options from which the endorsed programs were chosen.	22
4.	Small Business Victoria should establish efficiency indicators for monitoring and evaluating support programs.	29
5.	Small Business Victoria should apply its evaluation framework to the overarching <i>Time to Thrive</i> strategy.	29
6.	Small Business Victoria should develop more rigorous performance indicators to measure the effectiveness of its support programs.	29

## Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Business and Innovation with a request for comments or submissions.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments however, are included in Appendix A.



# 1 Background

## 1.1 Introduction

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The small business sector makes a vital contribution to the state's economy. There are over 470 000 small businesses comprising 96 per cent of all businesses and employing 43 per cent of the private sector workforce. It is estimated that the sector accounts for 35 per cent of the gross state product.

There is considerable diversity within the sector. According to 2007 Australian Bureau of Statistics figures, over 60 per cent of these small businesses are non-employing businesses, 32 per cent are run by women, 33 per cent by people over 50 years of age and 29 per cent by overseas-born migrants. Nearly 30 per cent of small businesses are based in regional Victoria.

Small business support programs need to acknowledge this diversity and, as was demonstrated in the *Time to Thrive* (TTT) strategy, offer assistance through the provision of:

- coordinated and relevant business information to a very large number of small businesses through low-transaction-cost methods, for example through the internet
- an environment that encourages the growth of small businesses, including macro-economic management, regulation review and tax reform
- support programs, where warranted, to eligible small businesses.

## 1.2 *Time to Thrive*

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In August 2006, TTT, the \$98 million small business policy statement, outlined the overall framework to support the sector. Various departments and agencies across government were involved in the delivery and implementation of TTT programs.

The key themes of TTT are:

- **Skilling small businesses for growth**—facilitating the delivery of programs that strengthen the management skills of current and prospective business operators
- **More time for business**—reducing the regulatory burden and delivering coordinated information services
- **A fairer deal for small business**—providing a supportive environment
- **Cutting the cost of doing business**—reducing taxes and charges.

To deliver these themes, eight programs were designed and delivered by the Small Business Victoria (SBV) branch of the Department of Business and Innovation (DBI):

- **World Class Service**—the Business Victoria website, [www.business.vic.gov.au](http://www.business.vic.gov.au), offers extensive information about government services with an aim to reduce the administrative compliance burden on small businesses. The website also supports phone and business centre interface with small businesses.
- **Small Business Workshops and Seminars**—held in partnership with local government and other organisations, provides business training to support small businesses.
- **Grow your Business Grants**—grants to fund independent specialists who can help with business plan development and/or strategic reviews to increase the business.
- **Small Business Mentoring Program**—low-cost, one-on-one and on-site mentoring for small businesses offered by the Small Business Mentoring Service (an independent, non-profit organisation funded by SBV).
- **My Business My People/Skills for Growth**—helps small businesses overcome skills shortages, and attract and keep a skilled workforce through better workforce planning and training.
- **eChange Workshops**—helps small businesses understand the capabilities of new technologies, and make informed decisions about using eCommerce in their business.
- **Energise Enterprise**—promotes links between the government and small businesses.
- **Fair Payment Policy Advocacy**—improves the cash flow of small businesses by encouraging government agencies to promptly pay their invoices.

## 1.3 Small Business Victoria

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SBV, a branch within DBI, previously the Department of Innovation, Industry and Regional Development, provides advocacy for small businesses and develops strategies to address issues impacting on the small business environment.

SBV assists in the development of small businesses by:

- providing coordinated and accessible information
- developing policies to promote a business environment that is conducive to small business growth
- facilitating the delivery of support programs to enhance the management skills of current and prospective business operators.



In addition to the World Class Service website, SBV's information for small businesses is also available from 18 Victorian business centres located throughout regional and metropolitan Victoria. These centres are open during business hours and provide:

- information on starting a business, licensing and registration
- access to a range of export, enterprise improvement, investment, small business and employment services offered by DBI
- information on federal government and statutory agencies' support programs.

SBV also provides the Victorian Business Line—a telephone hotline service available on weekdays from 8 am to 6 pm. Similar to the World Class Service website, small businesses are able to use the Victorian Business Line as a central access point for government resources and support programs.

In 2010, SBV started a pilot mobile business centre that offers free business coaching services to regional businesses. Between June and October 2010, the mobile business centre was made available in the Gippsland, Barwon South, Loddon Mallee and Grampians regions.

SBV is the agency primarily responsible for the delivery of the eight TTT small business support programs examined in this audit.

## 1.4 Other initiatives for small businesses

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SBV is not the only unit providing assistance and support programs to small businesses.

DBI plays a lead role in shaping and implementing policies that promote employment, growth and export opportunities for Victorian industries, including small business. In addition to TTT, DBI is principally responsible for delivering other key policies including:

- Opening Doors to Export and Global Opportunities
- Building our Industries for the Future
- Securing Jobs for your Future
- Innovation: Victoria's Future
- Tourism and Events Industry Strategy
- Using Design to Increase Business Competitiveness
- Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest.

These policies impact on small businesses and are delivered by units and divisions of DBI other than SBV.

The Department of Treasury and Finance, in coordination with various agencies across government, is primarily responsible for the delivery of TTT's Reducing the Regulatory Burden program.

In 2003, the Office of the Victorian Small Business Commissioner was established to promote greater fairness for small businesses through its four main functions:

- information and education
- dispute resolution
- review of government practices
- investigation of small business complaints, and dispute resolution.

Local councils, other state departments and federal agencies also provide and deliver various programs to support small businesses.

## 1.5 Audit objective and scope

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The audit objective was to assess the effectiveness of SBV's small business support programs.

To address the objective, the audit examined whether:

- business cases underpinned the development of support programs, and whether these were designed to address identified sector needs
- monitoring and evaluation of programs are regular and results are used to inform program management and delivery
- the objectives of the support programs are being achieved.

The audit was conducted in accordance with the Australian Auditing and Assurance Standards.

The cost of the audit was \$260 000.

## 1.6 Report structure

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Part 2 discusses the effectiveness of the eight support programs under review.

Part 3 looks into the planning and implementation of TTT and the support programs under review.

Part 4 examines whether monitoring and evaluation of programs were regular and results were used to inform program management and delivery.

# 2 Achievement of program outcomes

## At a glance

### Background

The objectives of the *Time to Thrive* support programs were to:

- equip small business operators with the skills and information to manage their business more efficiently
- inform those intending to start businesses of regulatory requirements
- increase the proportion of small business invoices paid by government agencies within 30 days.

### Conclusion

The programs' objectives were achieved over the four-year period 2006–10.

Participating small business operators, both current and prospective, found that the programs assisted them to obtain relevant business information and make better-informed business decisions.

While the support programs were well received, participation rates were low. Given the significant infrastructure created through the World Class Service (WCS) website, there is potential for the state to get better leverage from its investment through increased participation rates.

### Findings

Small Business Victoria's (SBV) evaluation of the support programs was sound and the data collected could be reasonably relied upon. These evaluations revealed that program objectives were achieved over the four-year period 2006–10.

Less than 6 per cent of Victorian small businesses access SBV's workshops, seminars, festival events and/or mentoring services. This participation rate, while comparable with those in other Australian jurisdictions, is low.

### Recommendations

- Given the correlation between business growth and participation in support programs, SBV should more actively promote these programs.
- SBV should collect and collate data on the demographics of registered users for the WCS website to identify small businesses from the rest of the users.

## 2.1 Background

The objectives of the *Time to Thrive* (TTT) support programs were to:

- equip small business operators with the skills and information to manage their business more efficiently
- assist those intending to start their businesses to be more informed of regulatory requirements
- increase the proportion of small business invoices paid by government agencies within 30 days.

This part examines whether the objectives of the eight support programs were achieved during the four-year period since 2006.

## 2.2 Conclusion

The programs' objectives were achieved over the four-year period 2006–10. Participating small business operators—both current and prospective—found that the programs assisted them to obtain relevant business information and make better-informed business decisions.

While the support programs were well received, participation rates were low. Given the significant infrastructure created through World Class Service (WCS) website, there is potential for the state to get better leverage from its investment through increased participation rates.

The low rates of participation means that a significant number of current and prospective small business operators have not benefited from subsidised assistance that could better prepare them to either to start or to grow their businesses.

## 2.3 Program effectiveness

The objectives of TTT are aligned with *Growing Victoria Together* (GVT) as shown in Figure 2A.

**Figure 2A**  
***Time to Thrive's* outcome and services—**  
**links with *Growing Victoria Together***

GVT	Desired TTT outcome	TTT programs
More quality jobs and thriving, innovative industries across Victoria	<ul style="list-style-type: none"> <li>• Enhanced management skills of small business operators and start-ups</li> <li>• Reduced regulatory burden</li> <li>• Fairer deal for small businesses</li> </ul>	Information, mentoring, advocacy and business development services

Source: Victorian Auditor-General's Office.

The 21 evaluation reports commissioned by Small Business Victoria (SBV) between 2006 and 2010 indicate that the eight support programs delivered through TTT were well received by participants.

The survey methodology used for these evaluations was sound and the data collected to inform its analysis could reasonably be relied on. These evaluations found considerable evidence to demonstrate that the programs had assisted participating small business operators, both current and prospective, to start, run and grow their businesses. These results were consistent with views espoused by stakeholders during the audit.

### 2.3.1 Performance indicators

The effectiveness of TTT support programs was measured through surveys of those who participated in the support programs.

The key effectiveness indicators used to measure the achievement of program objectives were:

- usefulness of information provided in making informed business decisions
- overall program satisfaction
- likelihood of recommending the program
- contribution to the growth of the business, including sales, business improvements, profits and increased staff
- reduction in regulatory burden
- prompt payment by government of small business invoices.

Discussions on the effectiveness of the individual support programs are provided in the following paragraphs, starting with the two major ones, WCS and Fair Payments Policy Advocacy.

### 2.3.2 Effectiveness of individual support programs

#### World Class Service

The Business Victoria website developed under the WCS program, offers extensive information on services designed to reduce the burden of administrative compliance on small businesses. The website also supports phone and business centre interface with small businesses. The WCS had a budget of \$28.75 million from 2006–07 to 2012–13 with an estimated ongoing cost of \$4 million per annum thereafter. Expenditure at the end of financial year 2009–10 was \$18 million.

There were 76 000 registered users of the WCS website in September 2009. Not all WCS users, however, are small businesses. The website is accessible to students, researchers and the public. There is no available data to indicate which portion of the registered users are small businesses. Collecting and collating data on the demographics of registered users for the WCS website would allow SBV to identify small businesses from other users.

The 2009 WCS evaluation determined that 31 per cent of randomly surveyed small businesses were aware that the WCS website existed. Of these, 29 per cent (or 9 per cent of the surveyed sample) reported that they had accessed the website at some stage. This data does not represent actual or regular users of the website.

The evaluation results indicated that those using the WCS website needed fewer hours on average (206) to comply with government regulations compared to non-users (270). The evaluation found that WCS users spent an average of \$6 991 annually compared to that of non-users, \$10 837 to comply with regulations. This translates into a savings of \$3 846 annually for users compared to non-users.

### *World Class Service estimate of reduction in regulatory burden*

In 2009, SBV commissioned an evaluation report to estimate WCS's annual contribution to the reduction of government regulatory burden. The report estimated this to be \$33 million.

The *Victorian Guide to Regulation* requires estimates of this type (i.e. changes or reductions in government regulatory burden) to be verified by the Victorian Competition and Efficiency Commission (VCEC), which is the government's independent advisory body on business regulatory reform.

While noting that, 'the nature of the benefits of the World Class Service initiative is difficult to estimate', VCEC concluded that it was unable to verify the accuracy of the \$33 million computation because SBV did not use the Standard Cost Model (SCM). At that time, the SCM was the approved methodology for measuring or estimating reductions in regulatory burden.

VCEC noted that it 'considers the size of the administrative burden savings claimed [\$33 million] [to be] significantly overstated'.

Despite VCEC's inability to verify the estimate, the Department of Treasury and Finance incorporated the \$33 million in its *Reducing the Regulatory Burden: 2008–09 Progress Report*. It announced that, 'as a result of additional initiatives undertaken over the past year [including the World Class Service], the forecast net reduction in administrative burden is now \$246 million per annum'.

The then Minister for Small Business also issued a media release on 12 November 2009 reporting that the Business Victoria website 'is delivering a productivity benefit to Victorian businesses of \$182 million including contributing to Victoria's *Reducing the Regulatory Burden* targets'. While a breakdown of the \$182 million was not indicated in the media release, Figure 2B shows what this estimate consisted of.

**Figure 2B**  
**Media release on the productivity benefit of World Class Service**

Description	Amount
Contribution to reducing the regulatory burden (Victorian government regulations)	\$33 million
Other contribution to reducing the regulatory burden (federal and local government regulations)*	\$21.7 million
Small businesses operation and efficiency costs*	\$127.3 million
<b>Total</b>	<b>\$182 million</b>

Note: \* VCEC did not review the second and third components of this estimate. The *Victorian Guide to Regulation* only requires the review of contributions to the reduction of Victorian government regulatory burden, and not other regulations or productivity/efficiency gains.

Source: Victorian Auditor-General's Office based on Small Business Victoria data.

SBV's position was that it considered the strict application of the SCM 'infeasible' and that at the time 'there was no substantive evidence to indicate a reason to change the [\$33 million] estimate'.

SCM has since been replaced with the Regulatory Change Measurement methodology. As with the SCM, departments and agencies are required to use this in computing contributions to reduction in regulatory burden. The \$33 million estimate is now considered out-dated and SBV is currently preparing a computation under the Regulatory Change Measurement model. A new estimate is expected before the end of the 2011–12 financial year.

### Fair Payments Policy Advocacy

Fair Payments Policy Advocacy aimed to improve the cash flow of small business by encouraging government agencies to promptly pay invoices from small businesses.

The 2009 evaluation of this program found that for the period 2006 to 2009, 90 per cent of small business invoices were paid within 30 days.

Of the remaining 10 per cent paid outside 30 days, nearly half related to disputed goods and services and was therefore not considered by departments as 'technically late'.

The 90 per cent payment rate is a significant improvement from the 77 per cent reported by VAGO in 2004.

### Other support programs

SBV's evaluation reports reveal that participants of the six other programs indicated that the programs were effective in assisting them to start, run and grow their businesses. Participant feedback on these programs is tabulated in Figure 2C.

**Figure 2C**  
Key program indicator comparisons

Indicator	eChange (2008) %	Energise Enterprise (2010) %	Grow Your Business (2009) %	My Business My People (2009) %	Small Business Mentoring Program (2009) %	Small Business Workshops and Seminars (2009) %
<b>Overall satisfaction with the program—very satisfied and satisfied</b>	88	93	91	91	78	93
<b>Usefulness of information in making more informed decisions about the business or future business—extremely and somewhat useful</b>	95	92	91	91	82	91
<b>Better business decisions in managing the business—yes</b>	72	90	87	93	67	69
<b>Likelihood of recommending the program—highly likely and likely</b>	93	na	96	90	86	95
<b>Value for money of the program—very good and good</b>	95	na	95	86	79	94

Source: Victorian Auditor-General's Office based on Small Business Victoria data.

## eChange Program

This program was designed to develop small businesses' understanding of eCommerce technology and solutions. In the two years that the program was offered, 19 website development and training packages were delivered to 224 participating businesses.

Ninety-five per cent of participants rated the program as value for money. Ninety-five per cent indicated that the information and advice received was somewhat useful or extremely useful in making more informed decisions about their businesses.

Seventy-two per cent of participants indicated that they were able to improve their businesses as a result of what they learned from the program by means of:

- creating or improving their website
- improved marketing of their products and services
- gaining a better understanding of eCommerce solutions.



## Energise Enterprise

Energise Enterprise runs an annual festival that promotes links between government and small businesses.

The 2010 evaluation of the Energise Enterprise festival (the festival) reported that over 30 000 small business operators and 6 000 prospective business operators participated in festival workshops, conferences, seminars and other events. The total number of attendees increased 13 per cent from 38 123 in 2009 to 43 483 in 2010. Thirty per cent of attendees were from regional Victoria.

Of the 2010 attendees, 90 per cent indicated that 'they gained additional skills and knowledge from events they attended', 93 per cent reported that they were satisfied with the festival overall, and 92 per cent indicated that the events were relevant to their small business needs.

## Grow Your Business

The Grow Your Business program provides small business grants to engage independent specialists who can help with business plan development and strategic reviews to increase the business.

For the period 2006 to 2010, 423 business development grants were provided to small businesses. Evaluation results in 2009 indicated an overall participant satisfaction rate of 91 per cent, with 78 per cent indicating that the strategic and business plans developed from the grant money assisted them in making better informed business decisions.

Eighty-seven per cent of respondents indicated that they found the information obtained through the program useful in making better business decisions, particularly in terms of:

- managing the growth of the business
- marketing their products and services
- managing business operations.

Moreover, while 17 per cent indicated that they had started to increase export sales as a result of the information and guidance provided in the program, a further 57 per cent anticipated increased profits as a result of their participation.

## My Business My People/Skills for Growth

This program provides small businesses with independent specialists to assist them to overcome skills shortages and attract and keep skilled employees through better workforce planning and training.

Evaluations completed in February 2009 indicated a 91 per cent satisfaction rating for My Business My People. Skills for Growth replaced My Business My People in April 2009.

SBV reported that as at April 2010, there were 2 250 businesses registered in Skills for Growth against a target of 1 200, and 1 150 workforce plans were approved against a target of 1 010.

Overall, respondents indicated Skills for Growth's positive impact in having more staff participate in necessary training. No information was available on the feedback from small businesses on the effectiveness of the training undertaken by their staff.

### Small Business Mentoring Program

The Small Business Mentoring Program—an independent, non-profit organisation funded by SBV—provides one-on-one and on-site mentoring for small businesses.

For the four-year period 2006 to 2010, the program delivered an average of 1 500 mentoring sessions annually, including the provision of mentoring services to over 600 businesses affected by the February 2009 bushfires.

The results of the 2009 evaluation indicate an overall participant satisfaction rate of 78 per cent, and 82 per cent indicated that they found the information useful and it had helped them make better informed decisions.

Sixty-seven per cent of respondents reported that they had improved their business as a result of what they learned from the mentoring sessions, and 25 per cent indicated that the program contributed to increased profits.

### Small Business Workshops and Seminars

This program provides business training on various management issues for small businesses. The workshops are held in partnership with local government and delivered by private service providers.

During the period 2006 to 2010, 16 857 current and prospective business operators across the state attended 1 292 workshops and seminars.

In November 2009, program participants gave the seminars and workshops a 93 per cent satisfaction rating, and 91 per cent of respondents indicated that they considered the information provided was useful in making informed business decisions.

Thirteen per cent of respondents indicated that they had increased staff following participation in the workshop or seminar, and 39 per cent of these operators stated that information provided in the workshop/seminar assisted them to make the decision to employ additional staff.

### 2.3.3 Uptake of programs and small business attitude towards government

Less than 6 per cent of small businesses access the workshops, seminars, festivals and/or mentoring services. This participation rate is comparable with that in other Australian jurisdictions.

In a survey commissioned by SBV in 2009, nearly three-quarters (73 per cent) of randomly selected small businesses were not aware of the services offered by SBV. Nearly seven in ten (69 per cent) were not aware of the WCS website and, of the 31 per cent that were, nearly two thirds (63 per cent) did not know that the service was being provided by the state government.

Australian and international academic and industry literature indicates that there is a direct relationship between business growth and participation in information support programs. Small businesses that participate in support programs tend to perform better than those that do not.

These studies reveal that many current and prospective business operators do not, or are reluctant to, participate in support programs because:

- they are preoccupied in running the business and have little or no time for external training
- they do not perceive immediate value from these programs, i.e. they question the ability of the programs to answer their immediate needs and prefer to rely on their own judgement or those of trusted friends
- they may be unaware of available training opportunities
- many of them do not have formal education qualifications and are not keen to seek external advice or training.

Given that less than 6 per cent of small businesses participate in SBV support programs, there is a significant number of current and prospective business operators who are not benefiting from subsidised assistance that may better prepare them to grow or start their businesses.

SBV should consider more effective means of informing and encouraging the sector to participate in its support programs. This would not only benefit the sector, but would provide a better return on government investment in the programs, such as the WCS website.

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## **Recommendations**

1. Given the correlation between business growth and participation in support programs, Small Business Victoria should more actively promote these programs.
  2. Small Business Victoria should collect and collate data on the demographics of registered users for the World Class Service website to identify small businesses from the rest of the users.
-

# 3 Program planning and implementation

## At a glance

### Background

Recognising the significant contribution of small businesses to the state economy, government strategy seeks to promote and assist the growth of the sector. In August 2006 *Time to Thrive* (TTT), a four-year \$98 million package of programs addressing small business sector needs, was announced.

### Conclusion

TTT and its two major support programs, the World Class Service (WCS) and Fair Payments Policy Advocacy, were appropriately planned by Small Business Victoria (SBV). They were underpinned by robust business cases which included an analysis of the options considered to address the identified needs. However, TTT's six remaining programs did not have business cases analysing the options from which they were selected. This meant that there was limited assurance that these six programs represented best use of their \$20.4 million budget allocation over four years.

All eight programs were appropriately implemented by SBV.

### Findings

- The development of TTT was appropriately informed through an extensive consultation process which identified small business sector needs.
- TTT and two of the eight support programs—WCS and the Fair Payments Policy Advocacy—were underpinned by robust business cases.
- The six remaining programs, however, did not have business cases analysing the costs and benefits of the range of options from which the programs were selected.
- Implementation plans developed for TTT and its eight support programs outlined how identified needs were to be addressed. These plans clearly addressed accountability arrangements, risk management, expected outcomes, communication, reporting cycle and performance measures.

### Recommendation

For future funding proposals for support programs, SBV should include an analysis of the range of options from which the endorsed programs were chosen.

## 3.1 Background

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When properly done, a business case provides decision-makers with a higher level of confidence that a particular proposal is well considered and has more merit than other options.

An implementation plan sets out how government policy, such as *Time to Thrive* (TTT), will be delivered and implemented.

This part examines the business cases and implementation plans for TTT and the eight support programs.

## 3.2 Conclusion

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TTT and its two major support programs, the World Class Service (WCS) and Fair Payments Policy Advocacy, were appropriately planned. They were underpinned by robust business cases that included an analysis of the options considered to address the identified needs.

However, TTT's six remaining programs did not have business cases analysing the options from which they were selected. This meant that there was limited assurance that these six programs represented best use of their \$20.4 million budget allocation.

## 3.3 Relevance

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The large number, and diverse nature, of small businesses presents significant challenges to the provision of tailored support and assistance.

The provision of relevant and effective support programs therefore requires a sound appreciation of the diverse nature of small businesses and their particular needs.

### 3.3.1 Business cases

The Department of Treasury and Finance's (DTF) *Lifecycle Investment Guidelines* (the guidelines) is the current iteration of guides that set a framework for planning public sector investments. While the guidelines are mandatory for asset proposals with a total investment of at least \$5 million, departments and agencies are encouraged to apply them to both asset and non-asset proposals regardless of budgetary commitments.

The guidelines indicate that the business case should:

- **assess the business need**—evidence-based, and agreed drivers and assumptions underpinning the business need should be clearly articulated
- **consider options for the best solution**—the preferred option needs to be substantiated to show how it meets government and departmental objectives better than other alternatives
- **articulate a compelling case for the proposal**—key issues and recommendations must be clearly communicated to assist executive decision-making.

### *Time to Thrive*

The development of TTT was appropriately informed through an extensive consultation process and the business case complied with DTF guidelines. It:

- articulated identified small business sector needs
- indicated the options available to address these needs
- demonstrated how the preferred option would meet government and departmental objectives.

### *Consultation process*

The development of TTT followed extensive consultation that allowed for the identification of small business needs.

Forty-seven written submissions were received and nine public forums were conducted across the state following the release of the issues paper, *Victoria's Small Business Statement*, in July 2005. Also, an inter-departmental committee chaired by the Department of Business and Innovation (DBI) was convened to provide strategic guidance for the development of TTT.

The significant consultation undertaken demonstrated SBV's commitment to seek the views of stakeholders and enabled SBV to identify sector needs that could be addressed by government intervention.

### *Small business needs*

The public consultation indicated that current and prospective small business operators face a number of issues. Figure 3A lists some of those issues.

**Figure 3A**  
**Issues facing small business operators and intenders**

For current small business operators	For prospective small business operators
<ul style="list-style-type: none"> <li>• Finding quality staff</li> <li>• Lack of sales/work</li> <li>• Competition/big business</li> <li>• Rising costs/cash flow (productivity)</li> <li>• Regulatory compliance and red tape (federal, state and local government)</li> <li>• Lack of time to do the business</li> </ul>	<ul style="list-style-type: none"> <li>• Planning the business</li> <li>• Marketing products and services</li> <li>• Employing staff</li> <li>• Researching relevant services</li> <li>• Obtaining business licenses</li> <li>• Understanding business structures</li> <li>• Understanding business finance</li> </ul>

Source: Victorian Auditor-General's Office based on Small Business Victoria data.

Some of these issues are beyond the direct control of the state government, for example federal and local government regulations, lack of sales, profitability, lack of time, competition with big business, marketing and sales.

The business case for TTT recommended a role that focused on:

- skilling current and prospective small business operators by assisting them to develop their business and management proficiency
- providing coordinated business information to allow operators more time for their businesses
- promoting a fairer environment by addressing unfair market practices and anti-competitive practices.

### Support programs

In addition to the business case for TTT, business cases were developed for WCS and Fair Payment Policy Advocacy programs.

The six remaining programs; however, did not have business cases analysing the costs and benefits of the range of options from which the programs were selected. The justification for these initiatives was contained within the business case for TTT. However, no options analysis was included in the justification. SBV advised that other options were considered, however, this analysis was neither documented nor included in the TTT business case.

The absence of documentation evidencing the consideration of possible options meant that there was less assurance that the total sum of \$20.4 million allocated to these programs over a period of four years represented the best and most cost effective way of addressing the identified needs.



**World Class Service**

The business case for WCS complied with the DTF guidelines.

As indicated in Figure 3A, regulatory compliance and bureaucratic red tape were identified as major concerns for small businesses. Over 200 agencies across federal, state and local governments administer regulations affecting the sector. From the perspective of current and prospective small business operators, obtaining the relevant regulatory information is a difficult undertaking.

The WCS business case referred to research commissioned by DBI and the Organisation for Economic Co-operation and Development which both highlighted the state of confusion among current and prospective small business operators when attempting to access business information. Figure 3B lists some of the key findings.

**Figure 3B**  
**Key issues with accessing business or regulatory information**

Research commissioned by the Department of Business and Innovation in 2006	Organisation for Economic Co-operation and Development 2001 report on Australian businesses
<p>Current and prospective small business operators:</p> <ul style="list-style-type: none"> <li>• often do not know who to contact in government for information or advice, and it takes multiple attempts to find the right person for information</li> <li>• have difficulty navigating and finding the relevant parts of comprehensive information sources 'It's great that there is so much information available, but I still cannot find what I want'</li> <li>• do not become aware of regulatory requirements in a timely manner</li> <li>• seek information from a range of sources including accountants, advisors, friends, and industry bodies, sometimes incurring unnecessary costs and receiving incomplete, outdated, or unreliable information</li> <li>• generally find the regulatory system difficult to understand and often are not confident they have fulfilled their regulatory requirements.</li> </ul>	<p>Of current and prospective small business operators:</p> <ul style="list-style-type: none"> <li>• 70 per cent are not clear which agency to approach for information</li> <li>• 75 per cent do not find it easy to contact the appropriate source of information</li> <li>• 80 per cent cite receiving inconsistent answers from government agencies</li> <li>• over 50 per cent say answers received are not responsive to their needs.</li> </ul>

Source: Victorian Auditor-General's Office based on Small Business Victoria data.

The WCS business case discussed how the provision of coordinated business information would assist growth within the sector. Specifically, the business case argued that the preferred option, the WCS, is the appropriate support program because it is designed to:

- provide and maintain a complete set of regulatory information and management tools—online learning, worksheets, calculators, checklists, etc.—from one point of contact
- offer real-time, real-person support to help businesses understand this information
- answer inquiries regardless of the responsible agency
- provide case management where business needs span multiple regulatory areas.

### *Fair Payments Policy Advocacy*

In early 2004, a contractual fair payments clause was introduced requiring departments to pay suppliers within 30 days of receipt of invoices. The objective was to improve cash flow certainty for small businesses.

The business case for Fair Payments Policy Advocacy tracked the evolution of the program and discussed options and potential financial, commercial and administrative issues.

The identified need for the extension of the program referred to the August 2004 VAGO report, *Report on Public Sector Agencies – Results of special reviews and other studies*, which found that an average of 77 per cent of invoices from small businesses were processed outside the 30-day period. The review noted that the delay in payment was 'likely to be creating difficulties' for businesses.

To address the identified need, the business case argued for the extension of Fair Payments Policy Advocacy beyond departments to include other government agencies. It was also intended that consideration be given to extending the policy to local governments.

### *Remaining programs*

Apart from references in the TTT business case, no separate business cases were developed for the six remaining programs:

- Small Business Workshops and Seminars
- eChange Workshop
- Grow Your Business grants
- Small Business Mentoring Program
- Energise Enterprise
- My Business My People.

The TTT business case indicated that these six programs were aimed at filling a gap in the market for advice, information and services for start-ups and business operators. The intention was to build on existing programs being offered by SBV to develop critical business skills by offering 'flexible, accessible, tailored and focused' services.

SBV advised that other options to deliver these services were considered but these discussions were not documented when the TTT business case was developed.

The failure to document the options considered to address the identified need, and to articulate a compelling case for the reliance on the existing suite of programs, brings into question whether they represented the best use of the \$20.4 million allocated to fund the programs. A separate business case for these six programs could have addressed this issue.

### 3.3.2 Support programs by other agencies

While this audit focused on evaluating the effectiveness of SBV-delivered support programs, it is important to note that the aggregate impact of government's support to the sector— including those programs delivered by other agencies—depends on whether these complement, duplicate or compete with one another.

Our review of other small business support programs offered by government; for example the small and medium enterprise (SME) Market Validation Program delivered by the innovation unit in DBI, and *Reducing the Regulatory Burden* delivered primarily by DTF, indicates that the bulk of total public sector expenditure on services for small businesses is delivered by agencies other than SBV.

As the lead agency advocating for the sector, it is important for SBV to have a good understanding of all programs available for the sector. SBV provides informed advice and feedback to state-provided—often industry specific—small business services. However, although it aims to minimise duplication in support activities, SBV has not conducted a thorough mapping and analysis of small business support programs and policies across government. There is therefore little assurance that duplication and inefficiencies in the delivery of support programs across government are minimised.

## 3.4 Implementation plans

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The Department of Premier and Cabinet requires policy and strategic statements such as TTT to have implementation plans (IP). These set out how the policy will be delivered and implemented. The agency tasked to deliver the statement is responsible for developing the associated IPs.

### *Time to Thrive* global and individual program implementation plans

The global IP for TTT, and individual program IPs for the support programs developed by SBV, appropriately included information on task distribution, risk management, the reporting cycle and performance measures.

These plans were useful in clarifying the operational parameters of TTT and were implemented as intended for the four-year period from 2006 to 2010.

### *Distribution of tasks*

The global IP specified that primary responsibility for the delivery of the programs rested with the then Minister for Small Business. However, the fair payments cutting business costs and reducing the regulatory burden programs were considered whole-of-government issues, and the then Premier, Treasurer and Minister for Finance therefore shared the responsibility for their overall delivery.

SBV was tasked to work with the relevant departments and agencies for the implementation of the programs.

SBV worked closely with the office of the then Minister for Small Business and the various departments and agencies to implement the support programs.

### *Risk management*

The TTT IP flagged the risk that the potential uptake of the programs and services may be quite low. It was also indicated that the risk was minimal considering the extensive consultation undertaken, and the high level of demand for similar programs that existed prior to TTT. The IP indicated that SBV will engage with industry associations to mitigate this risk.

SBV implemented a variety of campaigns to promote awareness of, and encourage participation in, the support programs. Print media and the WCS website were used to advertise the various programs. Promotional materials were also distributed through the department's business centres and local government offices.

### *Reporting cycle*

The global IP required SBV to submit annual updates on the progress of TTT's implementation to the then Premier and Treasurer. The IP foreshadowed regular reviews to determine participants' outcomes as a result of the support programs.

Since 2006, SBV has submitted the required four annual TTT progress reports to the then Premier and Treasurer, and conducted 21 evaluations across the eight support programs. This will be discussed in greater detail in Part 4.

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## **Recommendation**

3. For future funding proposals for support programs, Small Business Victoria should include an analysis of the range of options from which the endorsed programs were chosen.
-

# 4 Program monitoring and evaluation

## At a glance

### Background

Program monitoring and evaluation are important components of accountability. Clear and regular evaluation reporting is important because program managers need to account for how well public money is being spent and what this expenditure has achieved. It also provides a means to address areas requiring improvement.

### Conclusion

The eight programs were monitored and evaluated regularly to inform program management and delivery. Small Business Victoria (SBV) can improve its evaluations by using efficiency indicators and more objective effectiveness indicators, in addition to relying on the feedback of program participants.

### Findings

- SBV regularly monitored and evaluated its programs and used evaluation results to inform program management and delivery. From 2006 to 2010, SBV planned and commissioned 21 evaluations across the eight support programs.
- SBV's evaluations focus primarily on participant feedback as the measure for program effectiveness.
- *Time to Thrive* support programs were not measured against efficiency indicators that correlate outputs to the resources required to deliver them.

### Recommendations

Small Business Victoria should:

- establish efficiency indicators for monitoring and evaluating support programs
- apply its evaluation framework to the overarching *Time to Thrive* strategy
- develop more rigorous performance indicators to measure the effectiveness of its support programs.

## 4.1 Background

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Effective program monitoring and evaluation are components of good governance and promote accountability. Clear and regular evaluation allows program managers to demonstrate how well public money is being spent and what this expenditure has achieved. It also identifies areas that require improvement.

## 4.2 Conclusion

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The monitoring and evaluation of the eight programs were regular and results were used to inform program management and delivery.

The use of efficiency indicators and more objective effectiveness indicators, rather than relying heavily on the feedback of program participants, would strengthen Small Business Victoria's (SBV) evaluation methodology.

## 4.3 Monitoring

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In addition to regularly keeping tabs on the achievement of program milestones, SBV collected data on performance measures for the eight support programs.

### 4.3.1 *Time to Thrive* annual progress reports

The required progress reports on the *Time to Thrive* (TTT) support programs were submitted by SBV to the then Premier and the Treasurer between 2006 and 2010. These 'status reports' focused on the achievement of program milestones. They highlighted whether the programs were proceeding and being implemented as scheduled. The fourth report stated that all of the components of TTT and the support programs were implemented in accordance with the implementation plans.

In terms of performance information, the progress reports focused on activity and expenditure:

- number of workshops/seminars and cancellations
- number of attendees/participants for seminars/workshops, and users for the website
- amount of grants allocated in dollar terms.

While providing some basic information on the progress of these programs, the reports did not provide insights into their effectiveness by including information on whether the programs were achieving their objectives.

### 4.3.2 *Time to Thrive* performance monitoring framework

In 2008, midway through the implementation of TTT, SBV in conjunction with the Department of Business and Innovation's (DBI) Strategy and Policy unit, developed the TTT performance monitoring framework (the framework). The framework was designed to evaluate whether the objectives of the TTT strategy were being achieved. The performance measures identified in the framework included relevance, efficiency and effectiveness indicators.

This framework, however, was not used to evaluate TTT. SBV noted that, in addition to the lack of resources available to use the framework, it had concerns about its retrospective application. SBV explained that it considered that because the framework was developed two years after TTT was first introduced, it did not have the relevant baseline data on which to compare subsequent data on the performance of the strategy.

While it would have been optimal if baseline data were established on the efficiency and effectiveness indicators, using the framework would still have been useful in evaluating the impact of the programs from 2008 to 2010. A report using the framework could have provided SBV with valuable information on the effectiveness of TTT as a whole, including:

- how the programs worked together in achieving TTT objectives
- key lessons learned and opportunities for improvement in the design and delivery of future policy programs
- how efficiently resources have been used in the delivery of TTT.

SBV advised, however, that following the expiry of TTT on 30 June 2010 it used some components of the framework as an analytical tool to develop the business case for its funding bid for 2010–11 to 2013–14.

## 4.4 Evaluation

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SBV commissioned a total of 21 evaluation reports across the eight support programs. The evaluation reports enable the programs to be assessed in terms of their impact on program participants and provide an indication of whether the programs have achieved their set objectives.

With the exception of the eChange program which was evaluated once in its two years of implementation, all of the programs were evaluated at least twice between 2006 and 2010.

## 4.4.1 Methodology used in the evaluations

The survey methodology for SBV evaluations was sound and the data collected could be reasonably relied upon. The findings of SBV's evaluations were also consistent with those espoused by stakeholders to VAGO during the audit.

In addition to an assessment of their impact and achievement of objectives, the evaluations identified issues that impacted on program implementation. This information was applied in the subsequent implementation of the programs.

### Sample size

The program evaluations, except those for the Fair Payments Policy Advocacy, relied on telephone interviews and/or online surveys to obtain participants' perception and assessment of the programs.

At each program event participants were requested to indicate their willingness to be contacted for future program evaluations. Those who agreed were included in the sample groups for the respective evaluations. Figure 4A shows the response rate for some of the evaluations.

**Figure 4A**  
**Program evaluation – participant sample sizes**

Evaluation	Sample size	Count of completed interviews	Evaluation sample (%)
Small Business Mentoring Program 2009	526	281	53.4
Small Business Workshops and Seminars 2009	677	376	55.5
Grow Your Business 2009	49	23	46.9
Energise Enterprise 2009	1 577	854	54.0
My Business My People 2009	213	116	54.5
eChange 2008	48	32	67.0

Source: Victorian Auditor-General's Office from Small Business Victoria evaluation reports.

Interviews with respondents were conducted by telephone by independent market research firms. The high response rate was because multiple attempts were made to get in touch with respondents. It was reported that at least ten attempts were made to contact participants in order to minimise sample loss.

In the case of the World Class Service (WCS) evaluation, 800 interviews were completed. This comprised of 668 respondents (84 per cent) randomly chosen from all registered Victorian small businesses, and 132 respondents randomly chosen from registered WCS users. This enabled comparisons between the experience of WCS users and non-users.



## 4.5 Organisation for Economic Co-operation and Development framework for evaluation

Research studies confirm that it is difficult to measure the impact of government support programs on small business. The reliability of attributing outcomes to a particular program or programs is fraught with difficulties. Methodological problems identified include complexities of accurate sampling and response bias.

The Organisation for Economic Co-operation and Development devised the *Framework for the Evaluation of SME and Entrepreneurship Policies and Programs* in 2007 (the OECD framework). It seeks to assist governments to assess the effectiveness of their support programs for small businesses.

The OECD framework ranks evaluation types into six steps. Figure 4B summarises the hierarchy of evaluation types from one to six in terms of the ‘sophistication’ of the approach.

**Figure 4B**  
**Organisation for Economic Co-operation and Development evaluation types**

Steps	Description
1	Take up of programs
2	Recipients' opinions
3	Recipients' views of the difference made by the assistance
4	Comparison of the performance assisted with typical firms
5	Comparison with matched firms
6	Taking account of selection bias

*Source:* Victorian Auditor-General's Office from the *Framework for the Evaluation of SME and Entrepreneurship Policies and Programs*, Organisation for Economic Co-operation and Development, 2007

The higher the step, the more confidence can be had that improvements experienced by small businesses can be attributed to their participation in the support programs.

The first step reflects the use of output performance measures such as the number of participants and/or users of support programs. The second and third steps are usually associated with ‘subjective’ evaluations, such as participant satisfaction and participant’s perception of how the service assisted in making better-informed business decisions.

The fourth to sixth steps demonstrate greater rigour in the evaluative approach, such as utilising a control group to address potential sample bias.

### 4.5.1 Small Business Victoria's evaluations

SBV's evaluations focused primarily on participant feedback as a measure of program effectiveness. This is a valid approach to evaluation and is similar to that used by other jurisdictions, for example Western Australia, in evaluating the effectiveness of small business support programs.

In terms of the OECD framework, however, most of the evaluations commissioned by SBV fall into one of the first three steps described in Figure 4B. They involve reporting on:

- output performance measures, i.e. number of workshops offered, number of participants, etc.
- subjective performance information on participants':
  - opinions, e.g. satisfaction with, and perception of, the value for money proposition of the programs
  - views of the impact brought about by the programs, e.g. better informed decisions made because of participation in the program.

Some parts of the annual survey on the use of the WCS, however, involved elements of the fourth to sixth steps, for example comparing the length of time it took WCS website users to comply with government regulations with that of those who did not use the website.

SBV should include more sophisticated performance indicators such as those described in steps four to six of the OECD framework when evaluating the effectiveness of the small business support programs it offers.

## 4.6 Use of evaluation to inform program delivery

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Evaluation results were used by SBV to inform program management and delivery. Some examples of this are:

- Interim measures to enhance the user-friendliness of the SBV website were undertaken shortly after an evaluation report identified this as a problem for users.
- Course subjects and content for workshops and seminars were re-developed following an evaluation report indicating existing and prospective small business operators' preference for training topics.
- Promotional initiatives were undertaken to enhance interest in the Small Business Workshops and Seminars and Skills for Growth programs following evaluation reports indicating that targets for the number of participants were not being met.

- When a bottle-neck in the completion of Skills for Growth program Workforce Action Plans was identified, a system was introduced that placed a cap on the number of business registrations that service providers can take until the backlog on Workforce Action Plans have been cleared.
- When it was identified that applications from ineligible small businesses were causing inefficiencies in the approval of Grow Your Business grants, the guidelines were revised to clarify the program's eligibility requirements.

SBV's use of evaluation data to inform program management and delivery is commendable.

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## Recommendations

4. Small Business Victoria should establish efficiency indicators for monitoring and evaluating support programs.
  5. Small Business Victoria should apply its evaluation framework to the overarching *Time to Thrive* strategy.
  6. Small Business Victoria should develop more rigorous performance indicators to measure the effectiveness of its support programs.
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# Appendix A.

## *Audit Act 1994* section 16— submissions and comments

### Introduction

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In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Business and Innovation with a request for submissions or comments.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

## Submissions and comments received

**RESPONSE** provided by the Secretary, Department of Business and Innovation



### Department of Business and Innovation

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Ref: D2011/23973

Mr D D R Pearson  
Auditor-General  
Level 24  
35 Collins Street  
MELBOURNE VIC 3000

11 MAR 2011

Dear Mr Pearson

#### **PERFORMANCE AUDIT: EFFECTIVENESS OF SMALL BUSINESS VICTORIA'S SUPPORT PROGRAMS**

I refer to your letter dated 25 February 2011 enclosing your proposed report, which I understand is to be tabled in Parliament later this month. Thank you for the opportunity to provide comments for inclusion in the report.

I acknowledge that your final report has taken into account the Department's comments provided in response to your preliminary draft report, and that agreement was reached on all but one of VAGO's conclusions. Furthermore, the Department notes the six recommendations made in your report and these will guide the development of future small business support programs.

I am pleased to note that, as the objective of this performance audit was "*to assess the effectiveness of SBV's support programs*", your report concludes that all of the eight programs examined achieved their objectives over the four-year period 2006-10. It is, however, disappointing that this vital overall conclusion to the audit is subordinate in your *Audit Summary* to lower-order conclusions made with regard to the use of business cases.

Your remaining conclusions in the final report are generally positive and you report that you found all of Small Business Victoria's programs were appropriately implemented. Indeed, you have commended Small Business Victoria for its use of evaluation data to inform program management and delivery.

I wish to comment in particular of the VAGO conclusion that, of the eight programs reviewed in its report, two programs were supported by robust business cases while six programs were not. I note that your report does not provide a program breakdown of the total \$38.4 million budget allocation for the eight programs examined. I would contend that while a strategic approach to program development was undertaken, full-scale and costly business cases were not required to obtain funding for each and every program individually.



**RESPONSE provided by the Secretary, Department of Business and Innovation –  
continued**

To ensure a full understanding in this matter, the Department again provides the following disaggregated program information:

1. Small Business Workshops and Seminars, \$4 million over four years, funded by the Victorian Property Fund, Department of Justice, allocated in 2002;
2. Grow Your Business grants, \$2.5 million over four years, from the 2006-07 State Budget, the program commenced in 2003;
3. Small Business Mentoring program, \$2.5 million over four years, allocated in the 2006-07 State Budget, the program commenced in 1986;
4. My Business My People, \$11 million over four years, from the Victorian Government Skills Statement, allocated in 2005;
5. eChange workshops, \$0.4 million over eighteen months, allocated in the 2006-07 State Budget;
6. Energise Enterprise small business festival did not receive any specific budget allocation;
7. World Class Service \$18 million over three years, allocated in the 2006-07 State Budget; and
8. the Fair Payments Policy, not allocated funding.

The report acknowledges that robust business cases were provided for 7 and 8 above.

Rather than applying the Department of Treasury and Finance business case approach intended for major asset investment projects, Small Business Victoria's strategic planning and delivery process comprised:

- identification of stakeholder/customer needs analysis, estimation of need and demand;
- linkage to Government policy and Departmental strategic priorities;
- program delivery;
- identified service products/characteristics to meet identified need;
- identified options/method of service delivery;
- desired performance outcomes, satisfaction levels and timelines for delivery;
- periodic evaluation to assess achievement of program objectives; and
- process of continuous improvement which refines program focus and delivery in light of the review of evaluation results.

Given that the report has concluded that program objectives have been achieved utilising the process described above, I consider that the processes are both thorough and effective. I also consider that the processes provide assurance that the planning, implementation, evaluation and ongoing refinement of program focus and delivery provides value for money for the State's investment in business support/development programs.

Overall, while a comprehensive options analysis is critical for major investments, this will often be inappropriate for smaller investments such as the \$400,000 budget for Small Business Victoria's eChange workshops, or in cases where the range of options is limited or the appropriate option is immediately apparent, as in the case of the My Business My People skills program.

Should you wish to discuss the contents of this letter, please contact [REDACTED] Executive Director, Small Business Victoria on [REDACTED]

Yours sincerely



**HOWARD RONALDSON**  
Secretary





# Auditor-General's reports

## Reports tabled during 2010–11

Report title	Date tabled
Portfolio Departments: Interim Results of the 2009–10 Audits (2010–11:1)	July 2010
Taking Action on Problem Gambling (2010–11:2)	July 2010
Local Government: Interim Results of the 2009–10 Audits (2010–11:3)	August 2010
Water Entities: Interim Results of the 2009–10 Audits (2010–11:4)	August 2010
Public Hospitals: Interim Results of the 2009–10 Audits (2010–11:5)	September 2010
Business Continuity Management in Local Government (2010–11:6)	September 2010
Sustainable Farm Families Program (2010–11:7)	September 2010
Delivery of NURSE-ON-CALL (2010–11:8)	September 2010
Management of Prison Accommodation Using Public Private Partnerships (2010–11:9)	September 2010
Soil Health Management (2010–11:10)	October 2010
Sustainable Management of Victoria's Groundwater Resources (2010–11:11)	October 2010
The Department of Human Services' Role in Emergency Recovery (2010–11:12)	October 2010
Access to Ambulance Services (2010–11:13)	October 2010
Management of the Freight Network (2010–11:14)	October 2010
Security of Infrastructure Control Systems for Water and Transport (2010–11:15)	October 2010
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2009–10 (2010–11:16)	October 2010
Restricting Environmental Flows during Water Shortages (2010–11:17)	October 2010
Victorian Registration and Qualifications Authority (2010–11:18)	October 2010
Acquittal Report: Results of the 2009–10 Audits (2010–11:19)	February 2011
Effectiveness of Victims of Crime Programs (2010–11:20)	February 2011
Motorcycle and Scooter Safety Programs (2010–11:21)	February 2011

Report title	Date tabled
Construction of Police Stations and Courthouses (2010–11:22)	February 2011
Environmental Management of Marine Protected Areas (2010–11:23)	March 2011
Managing Drug and Alcohol Prevention and Treatment Services (2010–11:24)	March 2011
Local Community Transport Services: the Transport Connections program (2010–11:25)	March 2011

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