

Indigenous Entrepreneurs Fund

BUSINESS ADVISORY SERVICES MODEL REVIEW

In January 2017, the former Department of the Prime Minister and Cabinet (the Department) completed an open and competitive procurement process to secure the services of six Business Advisors to deliver business advisory services to Indigenous businesses in regional and remote Australia under the Indigenous Entrepreneurs Fund (IEF). The 12-month trial started in April 2017.

An internal review was undertaken between January and March 2018 to inform the continuation of the business advisory service from April 2018, following the 12 month trial period.

Based on the findings, the former Minister for Indigenous Affairs extended the trial for a further 12 months to April 2019 and approved a number of changes to improve the service delivered to Indigenous businesses. The trial was again extended to 30 June 2019 to coincide with the end of the IEF program.

Background

The Business Advisors were selected based on their business acumen, an understanding of the context in which Indigenous businesses operate, and their cultural competence to examine the specific circumstances of Indigenous entrepreneurs in order to deliver the service.

Business Advisors were located in the Department's regional offices to allow them to work closely with Departmental staff. This was to build business capability in the Department as well as to ensure services were tailored to the specific needs of the geographic area. Advisors acted on referrals received from the Department and also initiated work with businesses through their own engagement with Indigenous businesses and relevant stakeholders throughout the region, including Community Development Program (CDP) providers.

Review Approach

The review was informed by:

- The first Interim Report from each of the providers (conducted six months into the contract period)
- One on one review meetings with Regional Managers and their relevant officers, and a follow up group meeting with Regional Managers in March 2018
- Analysis of feedback, complaints or issues arising from IEF applicants
- Testing of observations and findings with the Department's regional network and with Business Advisors
- Further consultation with Regional Managers on the resulting proposed changes to the model.

Key themes

- A. Business advice services were in high demand and the model was insufficient to service the required levels of support
1. There were complexities in the management of the Advisory Service in all regions due to the variability in geographical locations; programs and policies across other governments at all levels; and the types of businesses accessing the Advisory Service.
 2. There were strong government procurement and private sector opportunities emerging for Indigenous businesses in regional and remote Australia. Advisors assisted businesses in positioning themselves to leverage these opportunities. Some clients realised significant benefits from these opportunities with the assistance of Business Advisors.
 3. Demand for the Advisory Service exceeded expectations across all regions with caseloads in some areas at capacity. The regions that Advisors operated in were large, with long distances required for travel. One Advisor was not enough in any of the regions and there was inconsistency in the Advisors' approaches and outcomes.
 4. There was a central dichotomy with the IEF that placed a private sector operating model in the midst of a public sector process. This, coupled with capacity issues listed above, led to some tension in managing the Advisor's expectations for fast paced results.
 5. The majority of applicants approaching the Department had little more than a business idea. Most had no business plan and had conducted little or no research into the financial requirements or the market viability of their proposal. This resulted in a significant workload for Advisors, as well as for Departmental staff.

DEPARTMENTAL RESPONSE

The Department varied continuing contracts to ensure the Advisory Service leveraged other existing and available service providers so that entrepreneurs and business owners could connect with the right service based on their business needs. Although this was not a new requirement, the contract variation refined and prioritised leveraging to reduce the backlog of Indigenous people seeking assistance.

- B. Grants were considered the primary source of funding, rather than concessional or commercial sources of funding
1. Many potential applicants entered the business advisory process with unrealistic expectations that a concept alone would be funded straight away and there was a general lack of understanding of business finance requirements.
 2. Businesses approaching the Department with little more than a business idea required substantial development before they could consider funding options, including commercial finance. However, the connection with the 'IEF Business Advisor' title created an expectation that if the applicant was meeting with the Advisor, they would receive an IEF grant.
 3. This led to applicants not considering other funding options. Greater emphasis to ensure that a grant, especially an IEF grant, was not necessarily the end point of the business transaction was required. Greater communication was necessary to ensure, for instance,

that some applicants understood their idea may have a low chance of success, or that alternative assistance could be sought from IBA or Many Rivers.

DEPARTMENTAL RESPONSE

IBA was included as part of the network within the leveraging process to provide a direct connection particularly to IBA products and services. These changes improved the customer experience.

C. Performance issues with existing contractors

1. Advisors' technical and client service skills were varied across the regions.
2. There appeared to be a general lack of understanding, or discussion, between applicants, Advisors, and staff about financial impacts to a business following a successful grant funding application, such as tax implications, continued maintenance on plant and equipment, insurance and licensing.
3. There was no causal link between a successful grant application and Advisor involvement. Many IEF proposals were approved that were not assisted by an Advisor.
4. The IEF model was missing a quality control framework particularly within the Advisors' own operating frameworks. The Department was unaware of the Advisors' having their work quality checked within their own organisations.

DEPARTMENTAL RESPONSE

The Department varied continuing contracts to ensure the Business Advisory Service providers had suitable quality checks in place within their organisations and provided reports on these checks as required by the Department.