



# Business Connect Program Evaluation

*Independent Evaluation for NSW Treasury*

Final evaluation  
June 2021



**For more information, please contact NSW Treasury**

**Email: [connect@treasury.nsw.gov.au](mailto:connect@treasury.nsw.gov.au)**

**Phone: 02 4908 4823**

**Website: [nsw.gov.au/businessconnect](https://nsw.gov.au/businessconnect)**

### **About Accenture**

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialised skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services — all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 624,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at [www.accenture.com](http://www.accenture.com).

# Contents

Executive Summary	<b>4</b>
1. Introduction	<b>10</b>
2. Case for Intervention	<b>14</b>
3. Process Evaluation	<b>22</b>
4. Outcomes Evaluation	<b>34</b>
5. Economic Evaluation	<b>42</b>
6. Recommendations	<b>46</b>
Appendix	<b>54</b>

**Business Connect  
has supported  
37,534 small  
businesses in NSW  
since 2017 and met  
or exceeded targets**

**Business Connect key achievements January 2017 – December 2020\***



**37,534 unique small businesses supported<sup>2</sup>**



**Over 134,000 hours of one-on-one support<sup>2</sup>**



**Over 76,000 hours of event support<sup>2</sup>**



**92% average advisory and event satisfaction rating<sup>1</sup>  
(75% target)**



**89% of customers likely to recommend program<sup>1</sup>  
(75% target)**



**82% overall performance rating<sup>1</sup>  
(75% target)**



**58% of businesses supported are female owned<sup>2</sup>  
(45% target)**



**6% of NSW Indigenous businesses are supported by Business Connect<sup>2,3</sup>  
(5% target)**



**4% of businesses supported are 65+ year old owned<sup>2</sup>  
(4% target)**

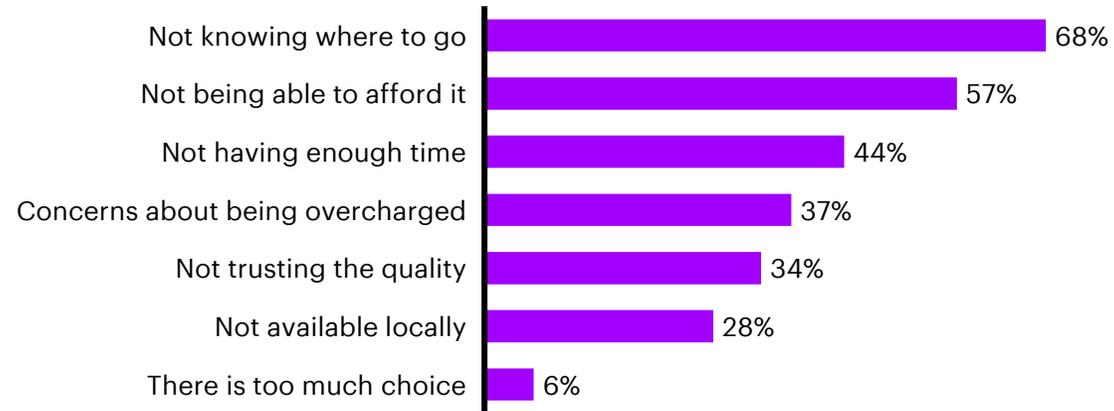
Source: (1) Micromex Survey data 2017-2020 (2) Business Connect CRM data (3) ABS 2016 Census Data

Notes: \* Includes projection of Jul-Dec 2020 figures. From Jan 2017 – March 2021 actual total unique businesses = 39,485

**Business Connect fulfils a clear need, with more than half of small businesses not knowing where to go for the business planning and other support needed or not being able to afford it**

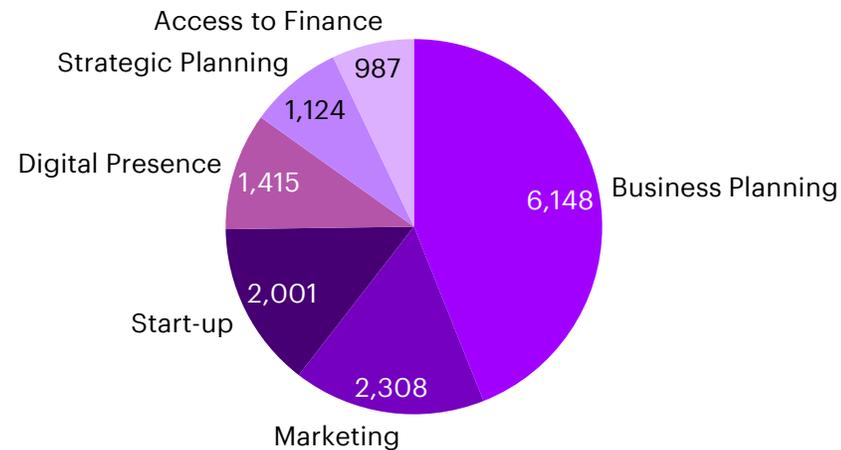
### Barriers to accessing information and advice for small businesses<sup>1</sup>

*% of Have Your Say Survey respondents*



### Top business issues that Business Connect has assisted with<sup>2</sup>

*Average # of businesses per year who accessed Business Connect with these issues from Jan 2017 – Dec 2020*

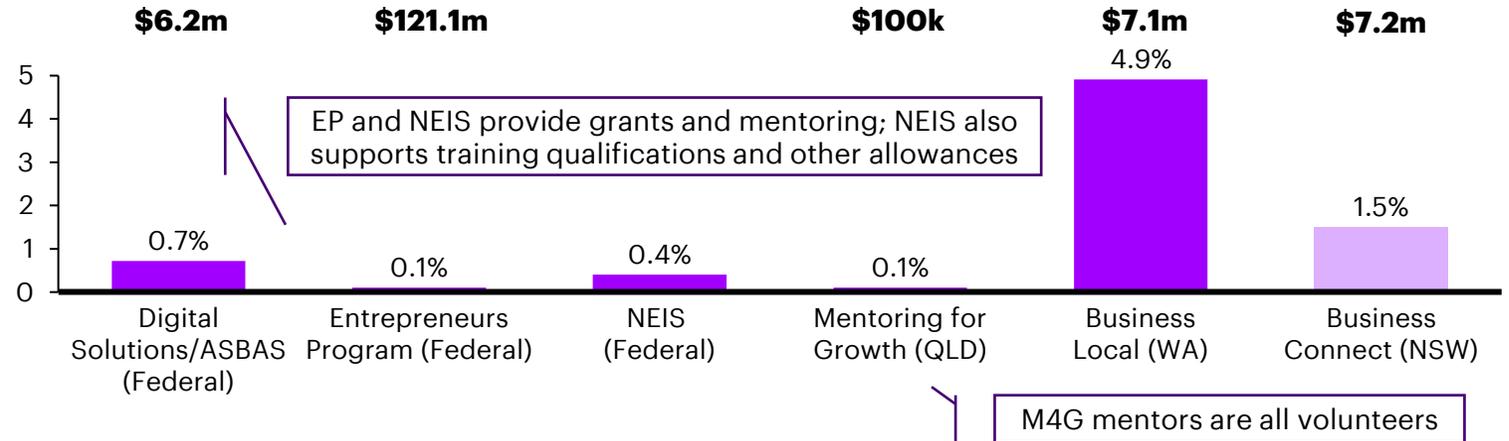


Source: (1) Have Your Say Survey (2021) (2) Business Connect CRM data

**Business Connect reaches a relatively high share of small businesses (1.5%) and plays an important role in avoiding business failure**

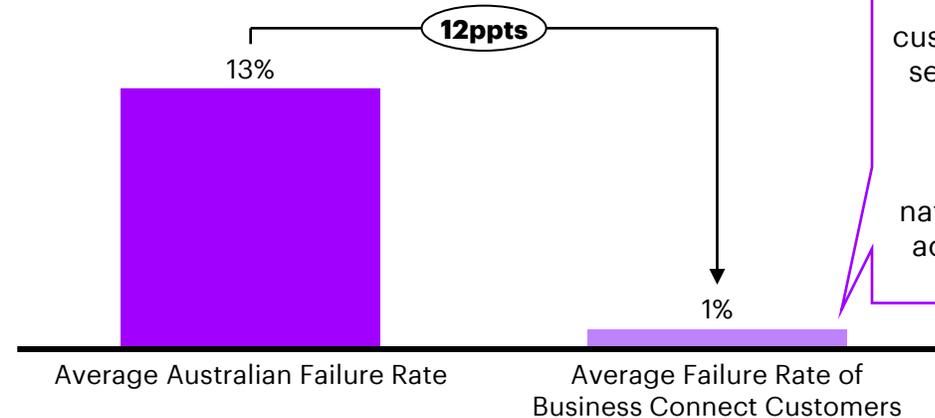
**Average yearly penetration rate and funding of business advisory services for different programs<sup>1,2</sup>**

*% average rate within relevant jurisdiction (federal or within state); \$AUD*



**Average failure rates of small business in Australia and through Business Connect<sup>1,3,4</sup>**

*% average failure rate of small businesses*



On average, **12%** of BC customers considered closing or selling their business in the 12-months leading up to participating in Business Connect, in line with the national failure rate, but only 1% actually exited after engaging with the program

Source: (1) ABS 8165.0 2019-20 (2) Stakeholder Interviews (3) Business Connect CRM data (4) Micromex Survey data

**Business Connect**  
has had a positive  
**impact\*** on its  
**outcomes of**  
**supporting**  
**businesses to start,**  
**grow and adapt, and**  
**increase confidence.**

*\*As no specific targets have been set for these outcomes, it is difficult to say to what extent the program has achieved its outcomes*

**Outcomes delivered by Business Connect from January 2017 – December 2020\***

**5,170**

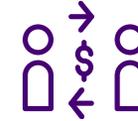
*Intenders supported to start<sup>2</sup>*



**New business starts**

**51%**

*Customers supported to grow/sustain<sup>2</sup>*



**Businesses sustained (grow/sustain)**

**17ppts**

*Increase in confidence<sup>2</sup>*



**Increased business confidence**

**55%**

*Regional customers<sup>1</sup>*



**Regional businesses supported**

**15,120**

*Referrals made<sup>1</sup>*



**Businesses access other support programs and commercial services**

**25,245**

*New jobs supported<sup>2</sup>*



**New jobs supported**

Source: (1) Business Connect CRM data (2) Micromex Survey data  
Notes: \* Includes projection of Jul-Dec 2020 figures

**The program delivered economic benefits of \$42.8m and net economic benefits of \$14.1m, with a benefit-cost ratio of 1.5**

**Net economic benefits of the Business Connect Program**

NPV, 2021 \$m AUD

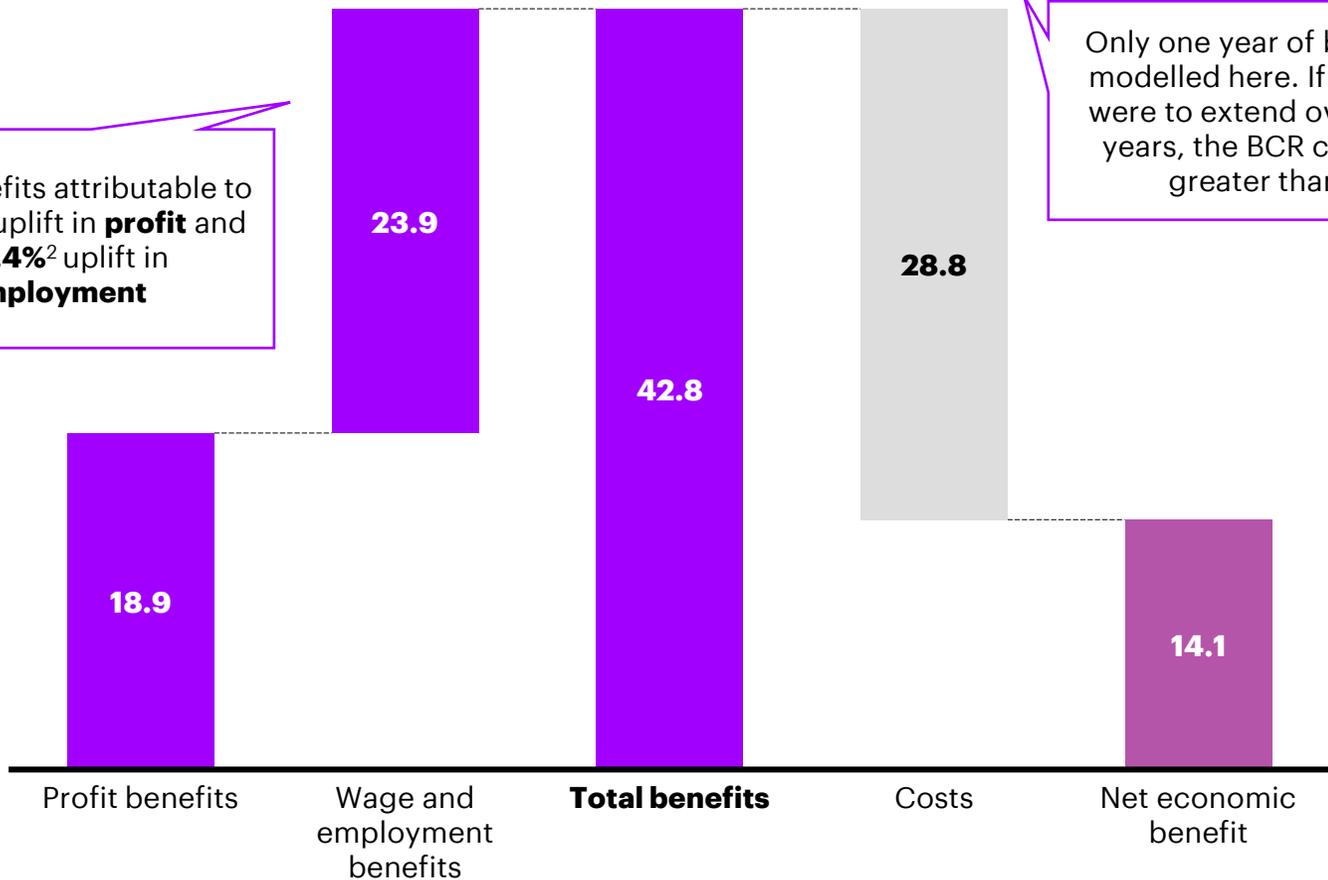
- Benefits
- Costs
- Overall

Total benefits attributable to a **4.59%**<sup>1</sup> uplift in **profit** and a **12.4%**<sup>2</sup> uplift in **employment**

**Benefit-cost ratio: 1.5**

This is lower than the previous BCR of 1.8, largely due to a lower profit uplift and higher industry specific displacement rates

Only one year of benefit is modelled here. If benefits were to extend over three years, the BCR could be greater than **3**



Notes: (1) The uplift is lower than the ex-ante CBA which highlighted that profit growth is expected to be 13.7% (2) This uplift is consistent with the ex-ante CBA which highlighted that employment growth from comparable programs is likely to be 12.6%

# This impact could potentially be improved through changes in access, support and delivery

## Potential options and rationale



**Who receives support and how much?**

- Options**
1. Keep as is with no restrictions
  2. Triage to establish best level of support to intenders

- Rationale**
- Intenders make up 23% of all customers and would benefit from advice upfront to test whether a business idea is viable
  - Besides NEIS, which has eligibility criteria and limited places, no other program offers free, tailored advisory to intenders in NSW
  - Data suggests some intenders could be more efficiently supported with targeted workshops and seminars, leaving more one-on-one consultations to new and established businesses
  - Advisors have identified some intenders as challenging to assist, not willing to listen to advice and/or are not committed to starting their business



**How is it delivered?**

1. Consider a voucher program to increase flexibility and customisation

- Qualitative feedback indicates some issues with competitive neutrality, variability of advisor quality and lack of certain specialty advisors
- A training voucher program for SMEs in NZ had positive outcomes



**What type of support?**

1. Keep as is, but increase subject matter expert advisors
2. Create industry-based specialties where general and specialised advice is tailored to industry

- Stakeholders would like to see more specialised advisors who can address emerging business issues including insurance, data capabilities, exporting, government tenders and financial software
- Focus on under-served industries to produce more meaningful impact
- For general enquiries of not-in-focus industries, Business Concierge should handle all government transactions and identify other programs and services businesses are eligible for (e.g. Digital Solutions, NEIS, EP)

**1. Introduction:**  
**This independent evaluation of the Business Connect program assesses the case for the program, implementation, outcomes and economic impact**



# Since 2017, the Business Connect program has provided advisory services and skills training to small businesses

The Business Connect program was established by the NSW Government in 2017 with aims to support small businesses to start up, create jobs through growth, help established small and medium enterprises (SMEs) become sustainable and increase business confidence across NSW. Prior to this, the Government had provided other similar advisory programs for businesses, with the most recent precursor to Business Connect being Small Biz Connect, which ended in 2016.<sup>1</sup>

Business Connect services are provided by ten independent services providers based across NSW and include specialist and multicultural service providers. Provider advisors deliver one-on-one advice sessions, workshops and events to small and medium business owners, and provide a range of online tools and resources. The advice provided is commonly focused on business planning, starting-up or marketing. More recently, small businesses have needed support in managing the various crises to hit the state, including bushfires, COVID-19 pandemic and flooding. Here Business Connect has drawn on skills and experience across the advisor network and provided advice on disaster recovery, new business models and information on how to access grants and other forms of relief.

Since the inception of Business Connect until December 2020, 37,534 small businesses have been supported, with over 211,300 hours of business advisory support.

## Key figures



**\$35m in funding for 4 years**



**>211,300 hours of business advisory support**



**37,534 businesses supported**

## Small business customer profiles

<b>Intender</b>	individuals with a business idea and/or the intention to start a new business
<b>New business</b>	a registered new small business (with an ABN) which has started to trade but is not yet fully established
<b>Established business</b>	a small business with an ABN that is trading as a mature business (generally with fewer than 20 employees)
<b>Exitier</b>	owner of a small business who is thinking of closing or selling their business

# This evaluation assesses the program's case, processes, outcomes and economic impact and provides recommendations for the future

1

## Case for intervention - market failure

This section assesses the **rationale** for the **program** over time and reviews **past** and **current market failures**.

It **identifies existing sources** of business **information and advice** and how readily **accessible** these are, and the **extent** to which **government intervention is needed** to achieve intended outcomes.

In the appendix, the program is **compared against NSW Government priorities** and how well it aligns to these priorities.

2

## Process – design and implementation

A deep-dive is taken to review the **program design elements**, including **activities, customers, delivery, and providers**, and assess **customer satisfaction** levels with these.

The extent of **service uptake** across target groups (business stage, demographics, location) is measured and any **barriers to delivery** are identified.

**Areas for improvements** are highlighted.

3

## Outcomes – impact and benefits

Program **outcomes** are **evaluated** to identify key intended and unintended **impacts** of the **program**.

The extent to which desired **outcomes** were felt by target number and type of SMEs is assessed.

In the appendix, the **range of direct and indirect benefits** which can be **attributed** to program are listed.

4

## Economic – cost benefit analysis

The economic evaluation comprises an analysis of whether **investment** in the program has **delivered the anticipated levels of economic benefits**.

Actual **program benefits** (increased profits and jobs created and sustained) **are compared to costs** to obtain net benefits. These are then **compared against NPV/BCR of the 2020 12-month funding extension business case**.

5

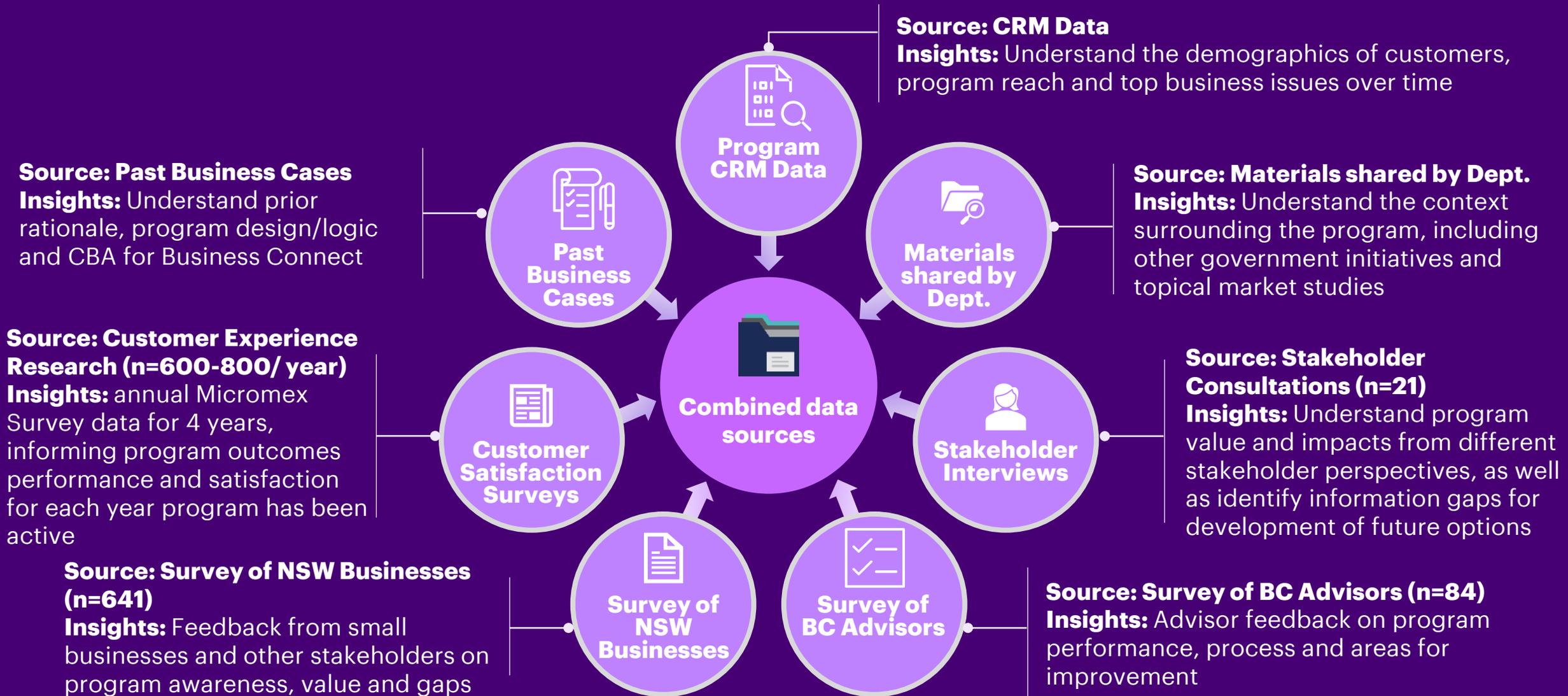
## Recommendations

Based on the full evaluation, **program logic revisions and design options to be explored in the business case** are recommended.

**Options presented explore levers** that have been identified as **potentially impacting program reach or outcomes**.

**Final recommendations on program continuity** are given, based on above and the economic evaluation.

# Sources for the evaluation include survey and CRM data, stakeholder interviews, past business cases and other materials



**2. Case for  
intervention:  
Small businesses  
continue to need  
trusted and accessible  
advisory services to  
start, grow and  
be sustainable**



# Small businesses are an integral economic driver for NSW; more than 800,000 employ ~41% of the private sector workforce

A small business is defined as an actively trading, unincorporated or incorporated business that employs less than 20 people<sup>1</sup>



**800,000**

Small Businesses in NSW, comprising of **98%** of all NSW Businesses<sup>2</sup>



**235,000**

Small businesses in regional NSW, comprising of about **29%** of all NSW small businesses<sup>2</sup>



**120,000**

Small businesses on average enter the NSW market, comprising around **15%** of all businesses in NSW year-on-year<sup>2</sup>



**1.60 million**

People employed by small businesses in NSW comprising **41%** of the total private NSW workforce<sup>3,4</sup>



**\$360 billion**

Contributed by small businesses to Sales and Service Revenue in NSW (**32%** of all Sales and Service Revenue)<sup>4</sup>

# Small businesses in NSW must overcome a range of challenges to start and thrive

On average, 120,000 small businesses start in NSW each year. According to ABS data, one in two will fail in the first four years. Each year, an average of 13% of small businesses fail<sup>1</sup>.

In a survey conducted by the Australian Centre for Business Growth which explored the top reasons for SME failure in Australia, inadequate market research, marketing and sales, poor financial management, and underestimating the impact of externalities were listed as the top three reasons for failure.

2020-21 disruptions to NSW small businesses, such as bushfires, COVID-19 and floods, presented small businesses with new and significant challenges. At its peak in 2020, 334,385 NSW businesses were supported by Job Keeper<sup>2</sup> to avoid laying-off employees. From July to September 2020, an average of 53% survey respondents claimed a decline in revenue of 30% or more due to the pandemic<sup>3</sup>.

Many businesses have needed support to navigate the range of local/state/Commonwealth assistance available and identify the best way forward.

## Average yearly exit/failure rate of small businesses in NSW<sup>1</sup>

13%

Percentage of small businesses from 2017-2020 in NSW that exited/failed on a yearly basis<sup>1</sup>

## Top reasons for SME failure, 2014-18 n = 650<sup>2</sup>

% of respondents



Source: (1) ABS 8165.0 2019-20 (2) Data collected by the Australian Centre for Business Growth at the University of South Australia's Business School (2014-18, n=650)

# While there is a large number of private advisors, small businesses still struggle with finding the right information

There are various avenues through which business owners and managers can obtain business information and advice. This includes the private market, government and industry associations, in addition to online resources.

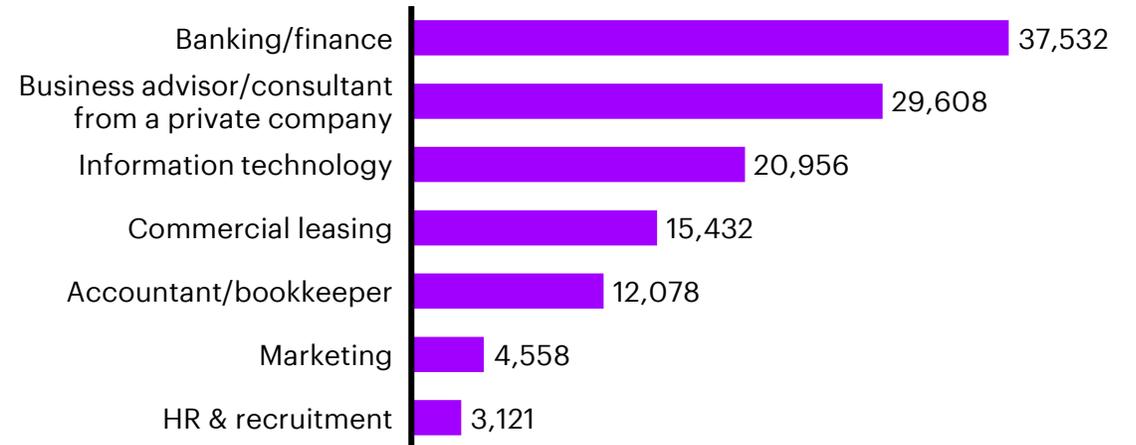
Private market professional services are specialised information and advice service providers. In NSW, there are more than 37,000 banking/financing businesses, almost 30,000 consultants or business advisors and more than 12,000 accounting and bookkeeper businesses.

Despite the large number of private services, an average of 43% of small businesses find it 'very difficult' or 'difficult' to find information or advice on getting help in a crisis, selling or existing a business, managing day-to-day operations, or growing or adapting a business.

Qualitative data indicates a possible 'paralysis analysis' paradox: lots of information or private services available overwhelm small business owners who do not know how it relates to their own business. As a result of not knowing what to do, they do nothing (an MYOB article also references the paralysis analysis for small businesses<sup>3</sup>). This may explain why 43% of owners claim difficulties in finding information or advice relevant or applicable to their business.

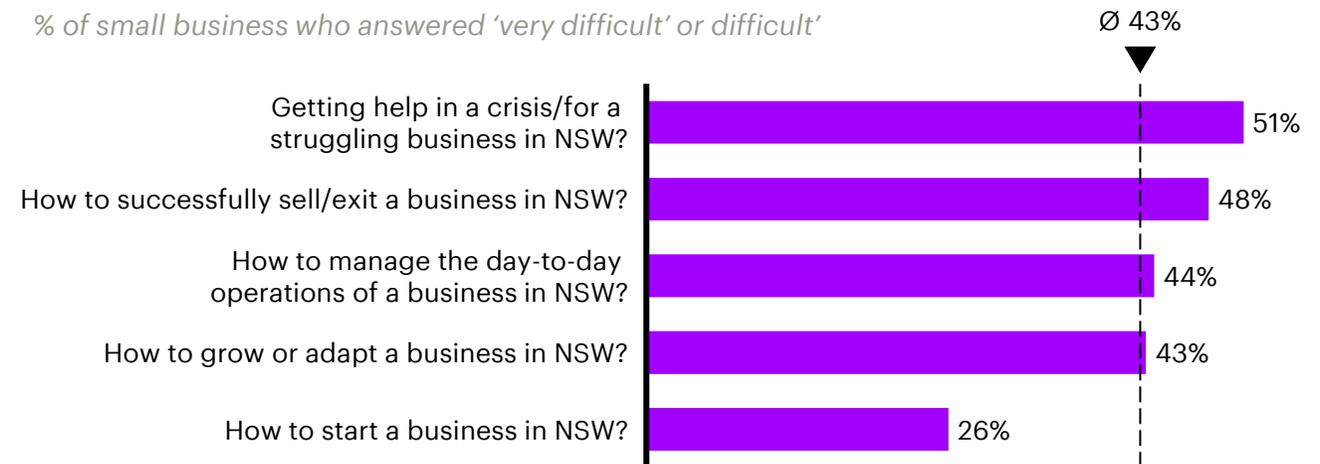
## Private market services in NSW (non-exhaustive)<sup>1</sup>

Number of Businesses



## Answer to: how difficult or easy is it for small businesses to find information or advice on...<sup>2</sup>

% of small business who answered 'very difficult' or 'difficult'



Source: (1) ABS 8165.0 2019-20 (2) Have Your Say Survey (2021) (3) 'Analysis paralysis - when too much research is bad for business', Alisa Page, MYOB AU, February 2019

# Information asymmetries are a major barrier to small businesses accessing or purchasing advice

Small businesses generally have limited management overhead and time, compared with larger firms. Small business owners tend to find themselves with very little capacity to evaluate the need for business advice and to seek it out.

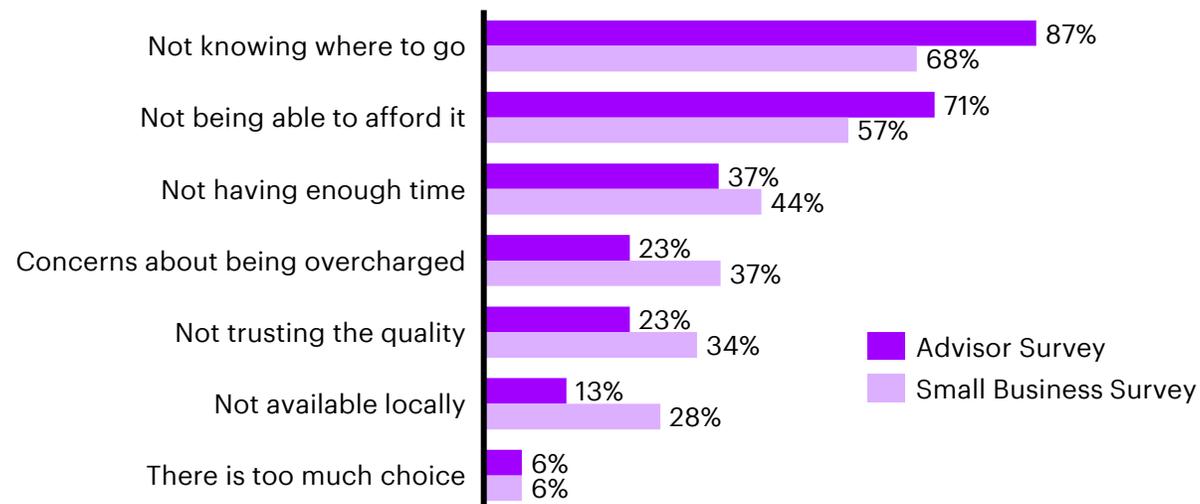
Information asymmetries are present in the advice market when small businesses who would benefit from business advice do not access it. This could be due to them not knowing where to go, being overwhelmed from too much information (e.g. analysis paralysis), being unsure of what advice would be of value, or having concerns around quality, trust and being overcharged. All these uncertainties can result in small business owners being unwilling to pay for advice.

In a UK study that looked at barriers to take up and use of business advice<sup>3</sup>, doubts about the benefits and value of assistance in relation to the expense and time involved was cited as the most common form of market failure experienced by businesses (55% of SMEs said it was definitive reason for not seeking advice, 26% said it was the main reason).

Similarly, NSW small businesses and advisors highlighted some of these uncertainties: not knowing where to go for advice, not having enough time, having concerns over being overcharged and not trusting the quality. 46% of Business Connect customers said they were unwilling to pay for private market services and 38% said they were unsure.

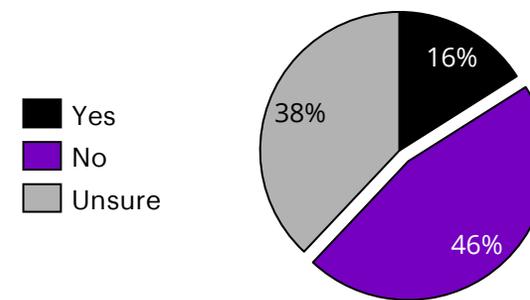
## Answer to: what barriers, if any, are there to accessing information and advice for small businesses?<sup>1,2</sup>

% of Have Your Say small businesses and Advisor Survey respondents



## Answer to: if Business Connect services had not been available, would you have paid for private sector services instead?<sup>1</sup>

% of Have Your Say Business Connect customers



An Asia-Pacific survey by CPA Australia found that Australian small businesses had the highest rates of **not** seeking business advice compared with 11 other countries (37.9% compared to the average 17.7%)<sup>4</sup>

Source: (1) Have Your Say Survey (2021) (2) Accenture Advisor Survey (3) Research to understand the barriers to take up and use of business support, BMG Research and Middlesex University, July 2011 (4) CPA Australia Asia-Pacific Small Business Survey 2020-2021 p78

# There is strong international and domestic evidence that business advice has a positive impact on business outcomes

Small businesses need support to tackle the key challenges they face in starting, running and growing. Support in the form of business advice is proven to have a positive impact on the outcomes small businesses can achieve.

A meta-analysis of 23 evaluations on business support and advice programs from OECD countries found that there was a positive impact on at least one business outcome in 14 out of 23 evaluations conducted, including employment, sales/turnover and profits.<sup>1</sup> These advice programs had varied level of support and took place in different countries including UK, Mexico and Sweden.

Domestically, business advice programs such as Entrepreneur’s Programme (Commonwealth), Mentoring for Growth (QLD) and Business Connect (NSW) have added to the evidence that business advice has a positive impact on outcomes.

Targeted advice on strategic and operational decisions can increase efficiencies in how resources are used, leading to reductions in costs and rises in productivity. As seen with the domestic programs, rises in productivity is measured by improved turnover, profit and employment figures.

## Impact on business outcomes from domestic business advice programs

Business advice program	Business outcome achieved
<b>Entrepreneur’s Programme<sup>3</sup></b> (Commonwealth)	<ul style="list-style-type: none"> <li>75% of participants increased turnover, and 60% increased their workforce</li> <li>70% of businesses actively exporting at the commencement of the service increased export revenue</li> </ul>
<b>Mentoring for Growth<sup>2</sup></b> (QLD)	<ul style="list-style-type: none"> <li>98% of grant and mentoring recipients reported a positive impact on profit, employment or turnover</li> </ul>
<b>Business Connect<sup>4</sup></b> (NSW)	<ul style="list-style-type: none"> <li>47% of customers experienced a positive result on at least one economic impact (profit, employment or turnover)</li> </ul>
<b>OECD<sup>1</sup></b> (Global meta-analysis)	<ul style="list-style-type: none"> <li>53% of evaluations had a positive impact on the outcome of employment</li> <li>63% of evaluations had a positive impact on the outcome of turnover</li> <li>40% of evaluations had a positive impact on the outcome of profit</li> </ul>

Source: (1) What Works Centre for Local Economic Growth - Evidence Outcomes Table; (2) Consultation with Mentoring for Growth program manager (3) EP Monitoring Evaluation report 2020 (4) Micromex Survey data

# Business Connect addresses the market failure by providing free business advice and supporting small business growth

By providing free and subsidised business information and advice to small businesses, Business Connect addresses the market failure of information asymmetry. Being free, small business owners who become aware of the program do not need to spend time evaluating whether it is worth their money. Being funded by the Government ensures a certain quality and can help with issues around trust.

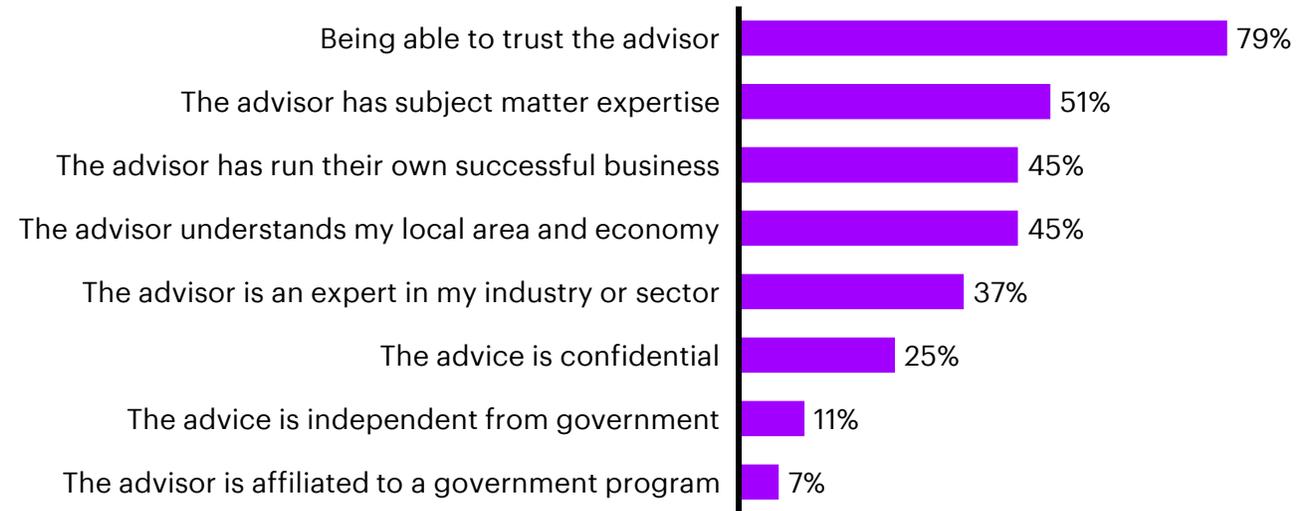
The top important attributes cited by small businesses when receiving information and advice include being able to trust the advisor (79%), advisor is a subject matter expert (51%), has run their own business (45%), and understands the local area and economy (45%).

Business Connect is delivered by independent, trusted providers that have subject matter expertise and have run or are running their own businesses. As providers are spread across the regions, they can leverage local knowledge and networks and provide targeted referrals.

As seen in section 3, the program has a proven positive impact on its customers' outcomes.

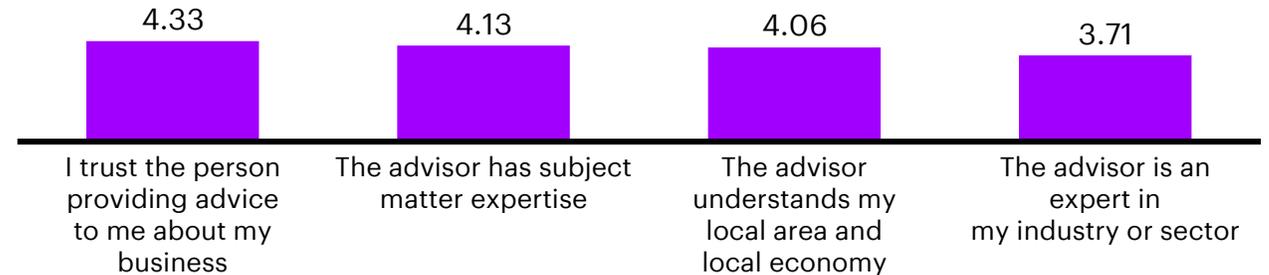
## Answer to: when receiving business information and advice, which of the following attributes are most important?<sup>1</sup>

*% of Have Your Say Business Connect customers*



## Answer to: how would you rate your experience of Business Connect against the following attributes?<sup>1</sup>

*average of mean rating scale (1 – very dissatisfied – 5 – very satisfied)*



Source: (1) Have Your Say Survey (2021)

# Business Connect is the only program in NSW that provides free or subsidised tailored business advice without eligibility criteria

**Business Connect is the only advisory service provided by government that is available to all NSW intenders and small businesses, regardless of business size and with no minimum eligibility criteria, which can provide tailored one-on-one general and specialised advice.**

While Service NSW Business Concierge serves the same target audience and is free, it is seeking to position itself as a 'one stop shop' and first entry point to government resources for NSW residents who want to start a business or have a business. Its core function is to assist NSW residents with government transactions and connect them to other government resources (it has the most up-to-date information on support, grants and relief offered and can assist individuals with applications).

What Business Concierge cannot do, however is provide tailored business advice. The other programs which do provide advice are not open to everyone and have eligibility requirements.

If Business Connect ceased to exist, individuals wanting to start a business and small business owners in NSW would not have access to free, tailored business advice and, as a result, not realise the economic benefits.

## List of government provided programs and services for NSW small businesses

	Primary aim and audience/customer
<b>Business Connect (NSW)</b>	Provides <b>free and subsidised targeted business advice and information</b> via advisors (in-person or online) to any NSW resident who owns or intends to start a small business
<b>Service NSW Business Concierge (see appendix for more information) (NSW)</b>	Connects NSW residents with <b>government support and assistance with government transactions</b> (online portal, phone and in-person case managers)
<b>Service NSW Easy to do Business / How-to guides</b>	Provides <b>templates, videos and guides</b> for anyone looking to open either a café, restaurant or bar business or a construction business
<b>NEIS (Commonwealth)</b>	Offers limited placements (8,600/yr) for Australians with a viable business idea to receive, <b>business training, financial assistance</b> (stipend and rent allowance) and <b>mentoring</b> to start their business
<b>Entrepreneur's Programme (Commonwealth)</b>	Provides small and medium businesses who want to accelerate growth and innovation with <b>grants and mentoring</b> . Participants must meet certain eligibility (business turnover, years of operation, product maturity, etc.)
<b>Digital Solutions ASBAS (Commonwealth)</b>	Provides subsidised targeted <b>digital advice*</b> to small businesses with a registered ABN

\*During COVID, Digital Solutions also provided general business advice  
Source: (1) Consultations with directors and program managers

**3. Process: the Business Connect program has been well designed and implemented, with opportunities for improvement identified**



# In four years, Business Connect has delivered 211,300 hours of business support in the form of advice and events

In four years, Business Connect has provided 211,300 hours of support. More than half of these hours each year have been one-on-one advisory sessions between an advisor and a customer, and the rest business skills training events.

Group events include:

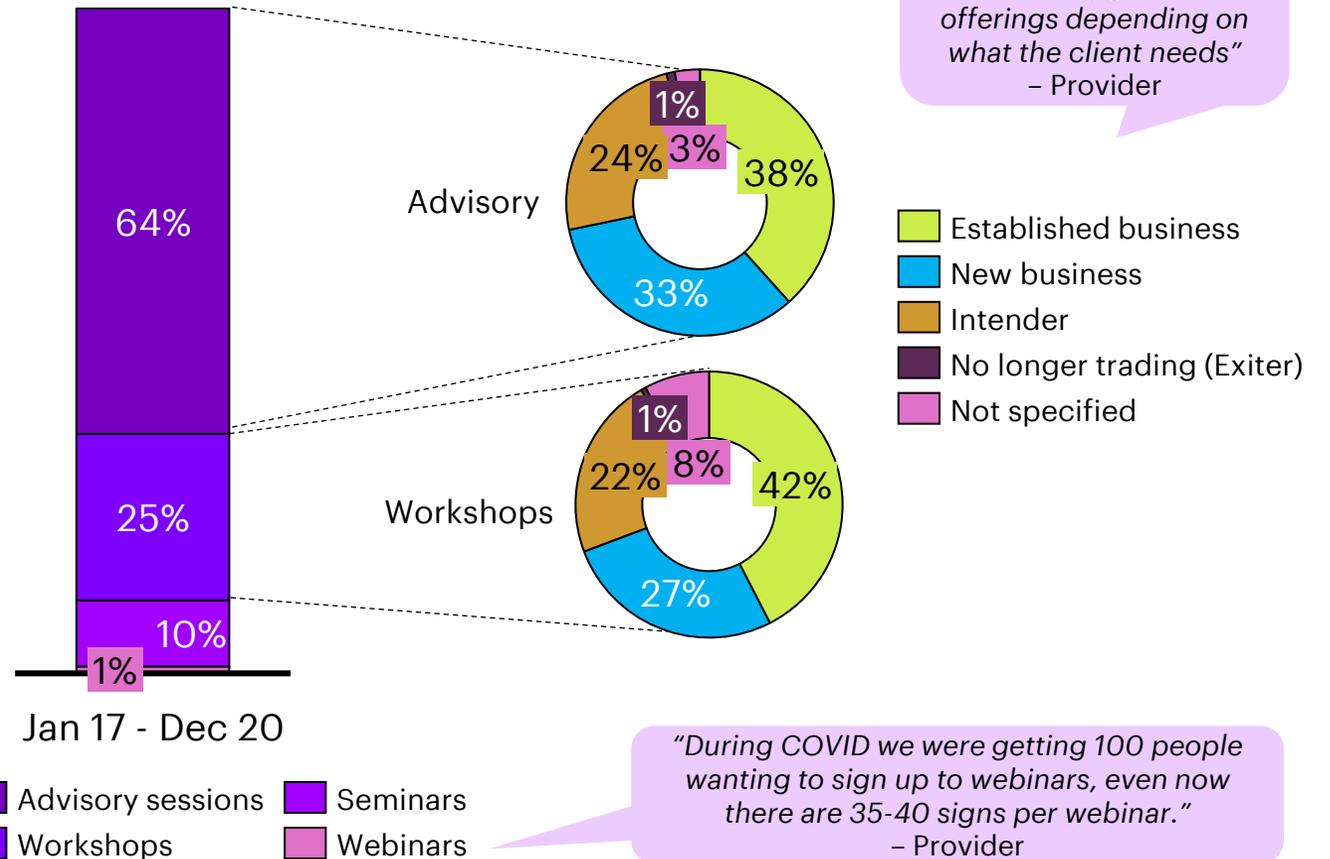
- **Workshops:** face-to-face or online business skills training in a group setting on a specific business, finance or management skills subject or topic
- **Seminars/webinars:** face-to-face or online business skills training of business information to a group to address an identified training need and promote peer learning and local collaboration through network and group discussion

Additional program funding in FY20 and FY21 enabled engaging additional advisors to provide increased hours of support to small businesses affected by COVID-19. Although the total number of hours increased by 9,200, most of these hours went towards group events. Qualitative feedback suggests that the increase in group events was needed to meet the sharp increase in demand of business seeking information and advice. Webinars in particular increased in 20-21 in response to COVID and changing needs.

## Support delivered through Business Connect

yearly # of hours and % breakdown of event types from Jan 2017-Dec 2020

**211,300** Total hours of business support provided by Business Connect



*"The program is well designed; it allows us to create a jigsaw of offerings depending on what the client needs"*  
- Provider

*"During COVID we were getting 100 people wanting to sign up to webinars, even now there are 35-40 signs per webinar."*  
- Provider

Source: (1) Business Connect CRM data (2) Quotes: stakeholder consultations

## Even though COVID-19 altered the delivery of program services, the shift to online was well accepted by stakeholders

Prior to 2020, while providers had contractual obligations to deliver at least 60% of services at a mobile location (which includes online), program services were delivery mostly in person rather than online. When disruptions from COVID presented in the last quarter of FY20, all services shifted to online.

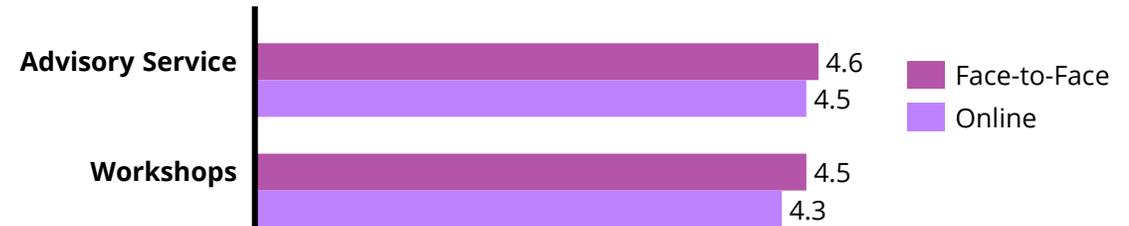
Survey results from June 2020 show this shift did not affect the participant satisfaction ratings of events, as ratings remained high and there was marginal difference between face-to-face and online engagement ratings. When program advisors were surveyed, they validated that customers received the shift to online well, scoring an average of 4.2/5 (4 = well received).

Qualitative feedback has highlighted that for some regional customers, in-person is still the best approach, as there is no other business support nearby and they may be strongly impacted by poor internet connectivity. For other regional customers, online activities may be better suited to their situation (e.g. dealing with mental health issues).

Most advisors felt the shift to online benefited them in some way, scoring an average of 4.1/5 (4 = well received). Some benefits associated with online delivery include time saved on not commuting, and an improved sense of wellbeing and safety (especially for providers who had concerns around female advisors meeting with business owners they did not know).

### Comparison of participant rating of online vs. face-to-face service delivery<sup>1</sup>

mean average rating (scale is 1 = Very Poor to 5 = Excellent) in 2020



*"Rural communities and business owners really appreciate it when advisors come out to see them in person, it makes them feel more connected and better supported."*  
- Stakeholder

*"Online meetings are very effective for Clients and Advisors, they eliminates travel time, are convenient, can be changed as needed easily, screens can be shared etc. They ensure clients are not distracted at their business premises and can focus."*  
- Advisor

*"I am a new business, I live in a rural area of Northern NSW and am climbing out of PTSD. I just wanted to say thank you for the wonderful selection of online course. They save lots of time, lots of money in travel and help the environment and help people like me who can feel pressured post-trauma because we are building knowledge and skills in a non-threatening way at home."*  
- Customer

Source: (1) Micromex Survey Data 2020 (2) Quotes: stakeholder consultations; feedback email to Treasury

# COVID-19 also became one of the most important business issues for customers seeking advice, along with business planning

Before the pandemic, the most common business issues customers sought advice on were business planning, marketing and start-up, with on average 10,000 businesses accessing support for these issues each year.

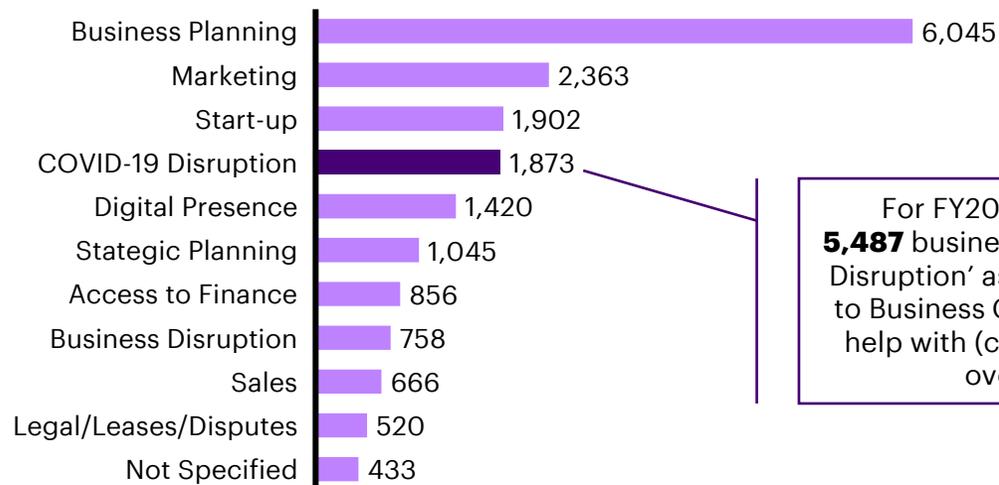
In 2020, COVID-19 created new challenges for small businesses. From July to December 2020, over 5,400 business sought advice from Business Connect on COVID-19 Disruption, making this the second most popular issue for customers that year.

As the economy begins to rebuild and businesses start adapting to new business models, stakeholder interviews indicate that small businesses will need advice on:

- **Insurance:** understanding why insurance is important and what is the right level of insurance (given recent natural disasters and insurance industry consolidation)
- **Government tenders:** guidance on how to respond to tenders (in response to greater interest to supply government in light of other markets slowing down)
- **Export assistance:** better linkage to Austrade services
- **Software for cashflow:** general overview of platforms (e.g. Xero, MYOB) and the value they can provide

## Top 10 business issues that Business Connect has assisted with

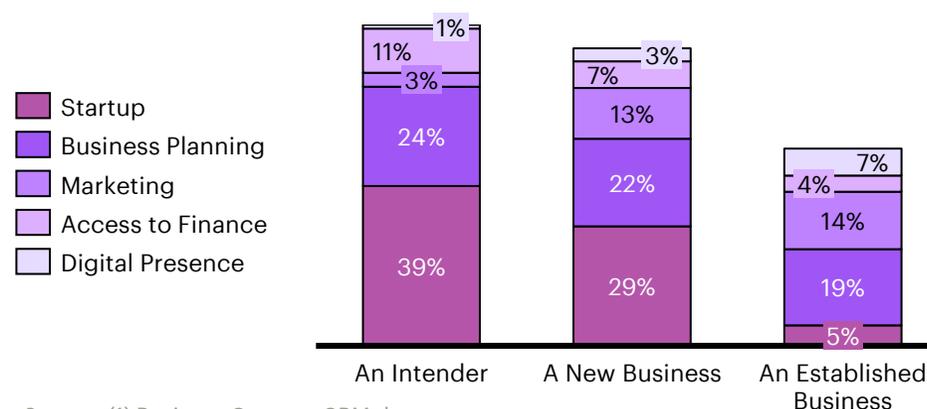
average # of businesses who accessed Business Connect with these issues from Jan 2017 – Dec 2020\*



For FY2021 (Jul – Dec 20), **5,487** businesses listed 'COVID-19 Disruption' as the issue they went to Business Connect advisors for help with (chart shows average over 4-years)

## Top 5 business issues that Business Connect has assisted with by Business Stage

average % of businesses who accessed Business Connect with these issues from Jan 2017 – Dec 2020\*



Other in demand topics for established businesses include:

- Strategic Planning (7%)
- Sales (6%)
- Business Disruption (5%)
- HR, Staffing and Retention (3%)
- Commercialisation and Innovation (3%)

Source: (1) Business Connect CRM data  
Notes: \*Includes projection of Jul-Dec 2020 figures

# Each year, Business Connect increased its reach; in 4 years it has served 37,534 businesses or 5% of all small business in NSW

In total from 2017 to 2020, Business Connect has served 37,534 unique NSW small businesses, which is approximately 5% of all small business in NSW.

As the uptake rate of the program increased year-on-year, the proportion of business stages remained relatively constant, with established businesses making up ~42%, new businesses ~34%, intenders ~23% and exiters ~1%.

By industry, Arts and Recreation Services has had the highest average uptake across the four years with 8.2%, when measured against FY2020 total small businesses in the Arts industry in NSW. This is likely due to the specialised provider that services creative professionals and that works closely with Create NSW to promote the Business Connect service. Qualitative feedback has indicated that there are limited, if any, other information and advisory services that creative professional can access.

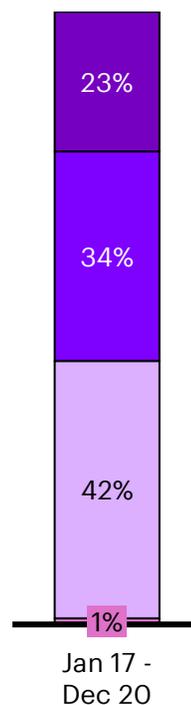
Information, Media and Telecommunication (3.2%), Retail Trade (2.6%) and Education and Training (2.6) were the other top industries by uptake rate. All remaining industries had an average uptake rate of 1.3%.

## NSW small businesses supported by Business Connect and uptake rate<sup>1,2</sup>

total # of businesses and % breakdown of business stage; % uptake rate (Jan 2017-Dec 2020)

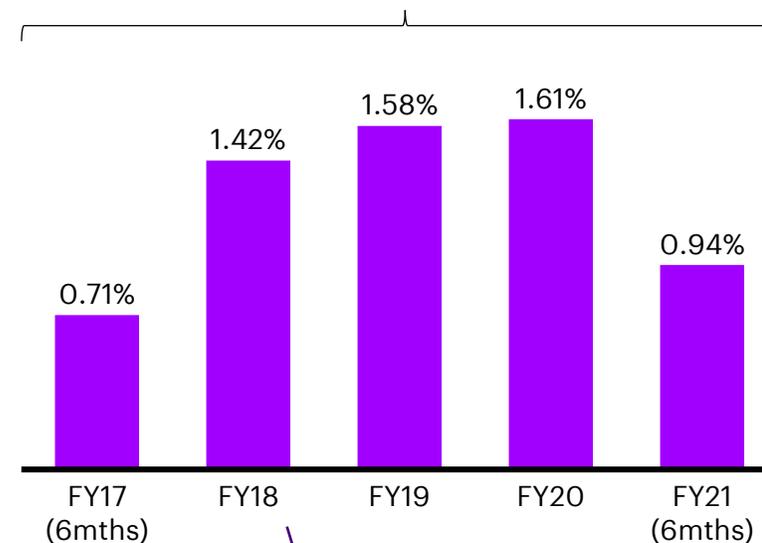
**37,534**

Unique small businesses in NSW supported by Business Connect



**~5%**

Proportion of NSW small businesses



- Intender
- New Businesses
- Established Businesses
- No longer trading (Exiters)

Yearly percentages are slightly higher than 5% (6.3%) as the same business may have accessed the program in multiple years

Source: (1) Business Connect CRM Data (2) ABS 8165.0 2019/20  
Notes: Industries for NSW is done by the number of businesses

## Business owners served met demographic targets in line with the state's priorities on women, ageing and Aboriginal businesses

Business Connect had several targets to meet regarding the demographic profiles of its customers. These include targets on number of women, +65 age group and Aboriginal business owners.

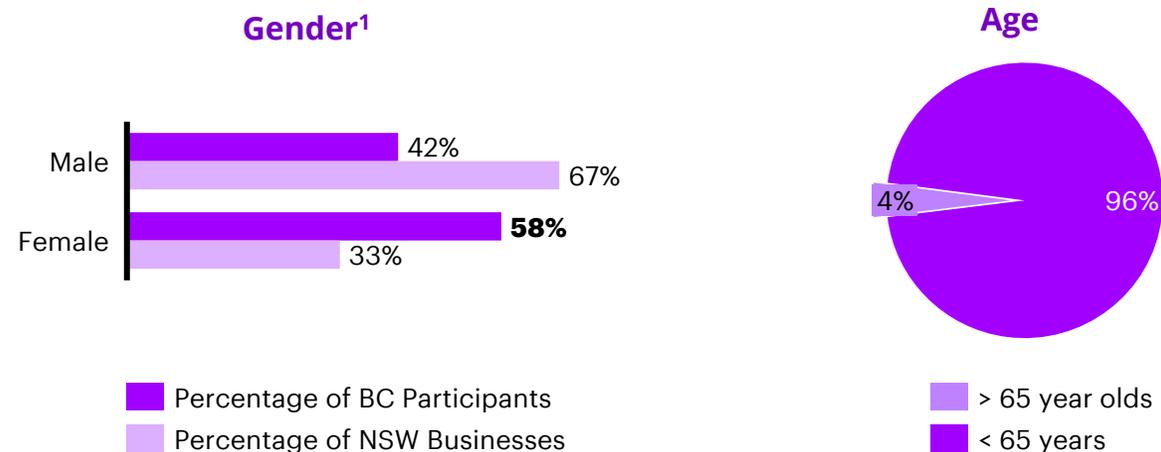
The NSW Women's Strategy from 2018-22 details that annually, 45% of Business Connect customers must be women. The program achieved this target each year, with women on average making up 58% of Business Connect customers over the four years (2017-2020)

The NSW Ageing Strategy sets out that 4% of Business Connect contacts are aged 65 years or older. Up until December 2020, 4% of Business Connect customers were aged 65 years or over, meeting the target.

The OCHRE strategy targets that at least 5% of all Aboriginal owned and operated SMEs in NSW are supported by the NSW Government's small business advisory services each year, this includes Business Connect and the AEDO program (run by Training Services NSW). As of June 2020, 6% (238 of the 4,300) of Aboriginal-owned business were supported by Business Connect, exceeding the 5% target.

### Gender and age demographics

average % of Business Connect customers from Jan 2017-Dec 2020



### Share of Aboriginal-owned businesses supported by Business Connect<sup>1</sup>

# of Aboriginal-owned businesses, FY 2020



Source: (1) ABS Census 2016 (2) Business Connect CRM data

## However, some business owners were more difficult to assist, such as those lacking business acumen and commitment

Business Connect is open to all NSW residents who own or intend to start a business in NSW. This results in a very diverse pool of customers. Advisors identified several customer types that are more challenging than others to assist. These customers tend to require more time, persistence or coaching.

Customers who lacked business knowledge and acumen were those most frequently cited as being difficult to assist.

Lacking commitment in taking the advice given, or an inability to listen to the advice, was the second top mentioned reason.

While there are multicultural advisors and events available in several languages, some advisors still stated that language or multicultural barriers existed. Many advisors indicated that they used the free interpreters available for languages not covered by the multicultural advisors, including Auslan.

In the past year, advisors also had to manage customers with vulnerable states of mental health who required emotional support and confidence building before being able to receive advice.

### Answer to: are some participants more difficult to assist than others? Why?

ordered by frequency of mentions (top-bottom)

- Lack of business knowledge / acumen
- Mindset / lack of commitment / inability to listen to advice
- Multicultural / language barriers
- Education levels (e.g. literacy and digital)
- Mental health

*"I work with refugees. When language is a barrier we work with refugee organisation interpreters so language is not really an issue. These are best done face to face." -Advisor*

*"People who expect their advisor to do their work for them, rather than advise them on what they need to do; people who have surprisingly ambitious business proposals, given their skills and experience; people with low literacy skills attempting something inadvisable (e.g. creating a completely new complex digital platform); people with cognitive impairments who require a little extra kindness and patience." -Advisor*

*"Some only want to hear you say what they are already think / believe to be the case. Some are very responsive and some are just not listening." -Advisor*

*"Many small businesses along the coast are running on empty after bushfires, COVID and floods. This has increased mental health issues. What I see as easy they see as difficult or impossible. I work towards achieving small goals with them to improve their confidence and self worth." -Advisor*

Source: (1) Accenture Advisor survey (2) Quotes: stakeholder consultations

## Still, the program achieved its customer satisfaction targets every year, exceeding 3 of 4 targets by 14 ppts or more

In addition to demographic targets, Business Connect also had a range of customer satisfaction targets to achieve. These involved targets on customer engagements, likelihood of recommending the program to another business, and overall performance rating.

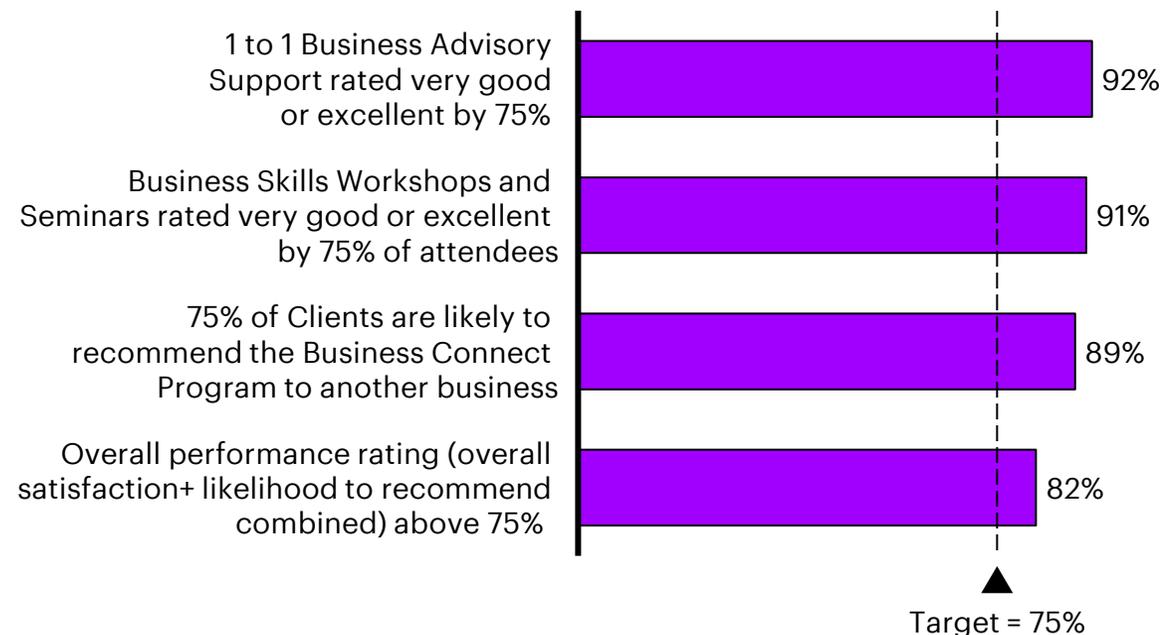
Customer engagements in the form of one-on-one advisory sessions, and workshops and seminars had a target of 75% of customers or attendees rating the engagement as 'very good' or 'excellent'. Over the four years, one-on-one advisory averaged 92% and workshops and seminars averaged 91%, well surpassing the target.

Workshops and seminars were seen by most as being efficient in educating on general topics (prior to the more in-depth consultations) and providing a valuable networking experience. However, some stakeholders questioned the quantity of group events and their impact, claiming some topics may be too generic or that audiences may not feel comfortable asking questions in a group setting about their private business issues (e.g. problems on cash flow, etc.)

Despite this, over the four years, 89% of customers were likely to recommend the program to another business, and the overall performance rating was 82%; both in excess of the 75% target.

### Business Connect participant customer satisfaction ratings

% of customers or event attendees, Jan 2017-Dec 2020\*



*"Rather than group events, people prefer to explain their problem to an advisor and have an ability to connect to the advisor about how to solve their problem"*  
– Stakeholder

*"At group events businesses won't ask specific questions on the issue related to them as often they feel embarrassed to discuss in a group forum"* – Government

Source: (1) Micromex Survey Data 2017-2020 (2) Quotes: stakeholder consultations  
Notes: \*Includes projection of Jul-Dec 2020 figures

## Program providers were also rated highly, scoring 8/10 in satisfaction; key advisor traits proved important to customers

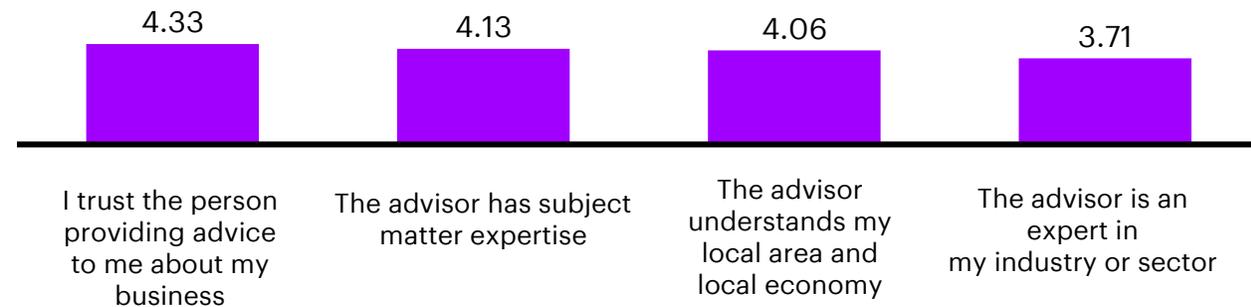
Business Connect is delivered by 10 independent providers based across NSW. These providers and their advisors must comply with contract terms that specify expectations around the provision of business information and advice one-on-one sessions and events.

Business Connect customers rated the overall performance of the providers very well, scoring an average 8 out of 10 from Jan 2017 – Jun 2020. Research suggests that customers value specialised services and innovative practices.

Business Connect advisors performed well against attributes small businesses value when receiving information and advice. Participants were very satisfied with program advisors being trustworthy, having subject matter expertise and understanding the local area and economy.

### Answer to: how would you rate your experience of Business Connect against the following attributes?<sup>2</sup>

average of mean rating scale (1 – very dissatisfied – 5 – very satisfied)



Source: Have Your Say 2021 Survey

## To keep improving delivery, advisors cited improved promotion, increased customer hours and additional resources

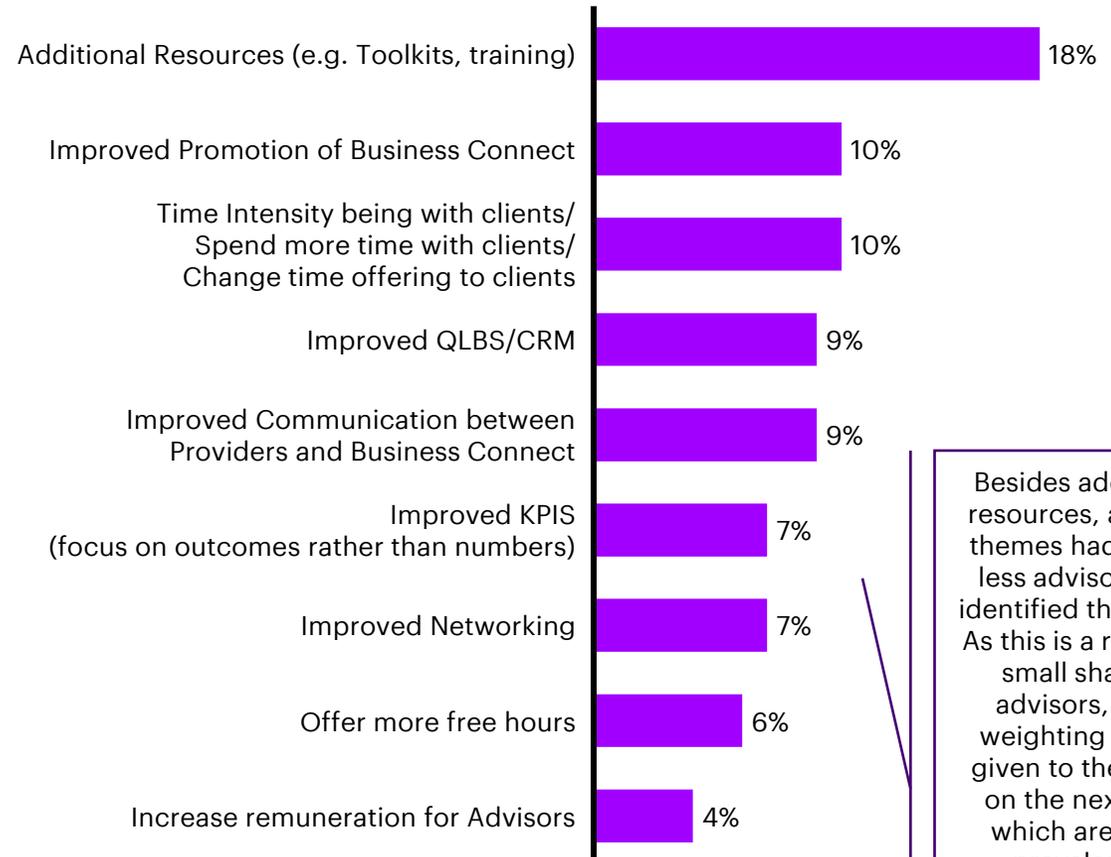
Advisors were asked to identify improvement areas for the program. Key themes which emerged include additional resources, improved program promotion, increased remuneration and administration and design issues. Many of these issues are linked to the time-intensity of being an advisor.

Many advisors felt that wages received are lower than those paid in the private market and would like an increase. This however may be more a reflection of arrangements between providers and advisors, rather than the Business Connect fees. Base and specialist fees paid by the program appear to be in line with professional services hourly rates. Additionally, provider contracts with the program allow for travel and administration in billable hours.

Other areas for improvement identified included better communication with program managers, additional resources to facilitate delivery and stay on top of business issues, and improvements related to program design (hours offered to customers and improvement of KPIs).

### Answer to: what could be improved within the Business Connect program for business advisors/service providers<sup>1</sup>

*% of advisors who identified improvement theme (free-text question, no answer choices provided)*



Besides additional resources, all other themes had 10% or less advisors who identified the issues. As this is a relatively small share of advisors, more weighting can be given to the issues on the next slide which are more prevalent or systemic.

Source: (1) Accenture Advisor Survey (2) Business Insider Australia, Matt Prouse (Xero) 'How to weigh up whether your small business needs an accountant – and how much it will cost' June 2018

## Some of these improvements are systemic issues Business Connect can address with providers moving forward

Providers and advisors have given feedback on a few issues related to program implementation that Business Connect can address or clarify moving forward.

For advisors:

- **Clarity between the role of a provider vs. Business Connect:** advisors have requested performance feedback and training<sup>1</sup>, which is the responsibility of the provider to deliver to advisors. Business Connect can highlight these concerns with providers to try and bridge this gap and ensure consistency in onboarding and talent development (e.g. for example sharing best practices). For specific actions that the program wishes the advisors to take, such as when to refer to Business Concierge, Business Connect should provide set procedures.

From a provider standpoint:

- **Contract duration:** ensuring the next tender for providers covers a duration of at least 2-3 years, as was the case when the program launched (with the 12-month extension, many providers struggled in attracting and retaining good talent).
- **Improved and timely communication with Business Connect managers:** providers would like the opportunity to give input on any changes and what practical impacts they may have, before they are implemented
- **Flexibility in contracts:** less rigidity on contract terms (see Context/clarification for details).

### Context and clarification of feedback received

#### Context / clarification

Training and onboarding is the responsibility of service providers. The Department supports by providing diagnostic and reporting system training, handbooks and templates. The Department also invests in advisor professional development with an annual conference, including keynote speakers and master classes, regional advisor trainings in consultation with provider managers throughout the year, and a twice-yearly meeting with program managers to brief on program performance, challenges and opportunities.

Customers provide feedback immediately after an interaction with an advisor, as well as through a yearly customer satisfaction survey. This feedback is related back to providers, but some advisors claim they do not see this feedback. Business Connect can work with providers to ensure they are passing on timely feedback to advisors.

Source: (1) Accenture Advisor Survey

#### Feedback

*“There is no standard training or systematic approach to helping advisors along the journey. The success of the program is very dependent on how good the advisor is.”*  
– Stakeholder

*“We need feedback as to how clients are finding sessions with their advisor. Feedback is a one-way street at the moment, so no clarity.”*  
- Advisor

# Quotes from Advisor Survey on barriers and improvements

## Hours

*"Do not make the same hours available for every client. You have to qualify for greater than 2 or 4 hours."*

## Compensation

*"A fee for customers who don't show and additional time for administration rather than just covering the session times."*

## Flexibility in delivery

*"In regional areas people seem to like in-person delivery of events, so a more balanced approach would work well there. To service the whole state, online delivery works best for the majority of people, and everyone is used to it now after COVID."*

*"Adopt an approach of either letting the 'provider' take full responsibility for its business advisors or bring all advisors under one Government -based organisation (like Business Connect). Currently, advisors receive direction from their provider AND Business Connect."*

## Outcomes

*"I think the core area of improvement would be the NSW government understanding/recognising that these programs don't deliver big, hairy results for all clients. But rather thousands of little, consistent improvements that make a HUGE difference."*

*"Focus on outcomes, not numbers. This will require less emphasis on numbers of hours."*

## Marketing and promotion

*"Getting above the noise of the many other competing Govt services clawing for recognition and notice e.g. Service NSW who might triage a simple request like 'how to get an ABN', but removes the capacity of the person asking that question for a conversation about the business he wants to start, its viability, if buying that cafe is a good idea, what will be the financials outcomes of paying that asking price, how many coffees will you need to produce, turning up to work 7 days with a smile for each customer...and therefore not go ahead with something that could be negative life impacting."*

*"More, consistent, marketing and of the right kind in CALD industry/communities/LGA's (their language and business influencers to promote WOM)."*

## Additional resources

*"Some regular - say quarterly - sessions for advisers - a presentation of program updates, new assistance, tools. I have attended one of these - it was very helpful and informative. It was run by the Dept."*

**4. Outcomes:  
Business Connect has  
supported new  
businesses, increased  
business confidence  
and referrals, and  
supported new jobs**



# Business Connect sought to impact six outcomes to support business start up, growth, sustainability and confidence

## Specified program aim:

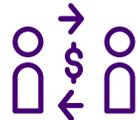
To support small businesses to **start up**, create jobs through **growth**, help established small to medium enterprises (SMEs) become **sustainable** and increase business **confidence** across NSW<sup>1</sup>

## Outcomes



### New business starts

Increase in new business starts supported



### Businesses sustained (reduced failure rate)

Help businesses enhance their survival, long term viability and profitability



### Increased business confidence

Ensure business owners are more confident in starting, growing and sustaining their businesses



### Regional businesses supported

To assist businesses to drive economic growth and prosperity in regional NSW



### Businesses access other support programs and commercial services

Help businesses adopt high quality advice that equips them with the knowledge and tools to respond to change



### New jobs supported

New jobs are supported by the program

*Currently, the Business Connect program does not have specific targets for these outcomes, making it difficult to measure an intended or desired effect*

# Business Connect played an important role in supporting 64% of the ~5,000 intenders that became new businesses

A key goal of the Business Connect program is to support those individual who intend to start a business.

From program launch in January 2017 through to December 2020, 5,170 program customers went from intending to start a business to starting-up and running a business. As an average, this is approximately 53% of program intenders each year.

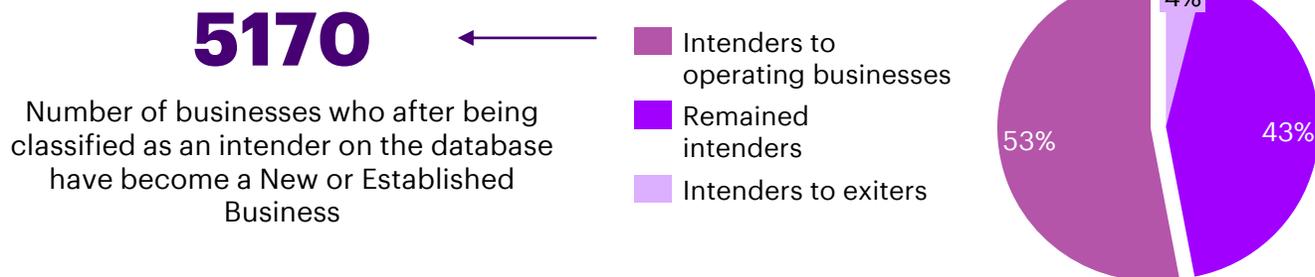
Business Connect played a role in the success of many of these new businesses. 64% of intenders / new businesses said Business Connect services helped their business through the start-up phase (to 'a large extent' or 'some extent').

The target segment however does not appear to be the focus, as intenders only make up ~23% of Business Connect customers. Just 1 in 29 businesses that started in NSW in FY18-20 have accessed Business Connect support, providing ample opportunity to grow the level of support to this target audience.

Additional data on outcomes achieved by intenders compared with new and established business can be found in the appendix to help inform business case options on the level of support intenders should receive.

## Number and proportion of intenders supported to start<sup>1</sup>

% and #, Jan 2017 – Dec 2020\*



**64%**

Average proportion of Business Connect intenders that went on to start a business who attribute Business Connect support as having contributed 'to a large extent' or 'to some extent' to being able to start their business

## Share of total NSW new businesses<sup>3</sup> supported by Business Connect<sup>2</sup>

# of new small businesses, Jul 17 – Jun 20



Source: (1) Micromex Survey Data 2017-2020 (2) Business Connect CRM data (3) ABS 8165.0 2019-20

Notes: \*Includes projection of Jul-Dec 2020 figures

## The program has helped more than half of its new and established business customers grow, and it has reduced the failure rate compared to national standards

Business Connect sought to help small businesses grow and be sustainable by adapting to change and ensuring profitability.

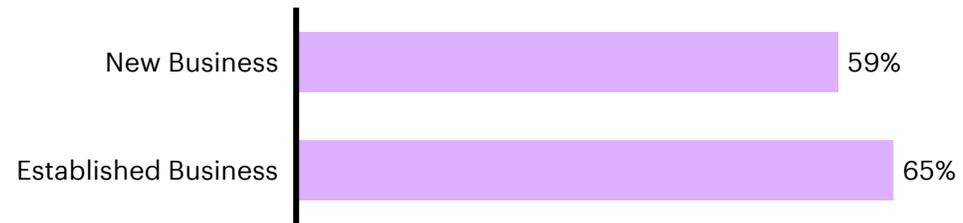
From 2017 to 2020, an average of 59% of new businesses and 65% of established business customers indicated that Business Connect contributed to them being able to grow or sustain their business.

In this time frame, an average of 12% of new businesses and established businesses stated that they had considered closing or selling their business in the 12 months leading up to when they first approached Business Connect (potential exiters). This is close to the national average failure rate of 13% for small businesses. Over the years, Business Connect customers have averaged a 1% failure rate, suggesting that the program makes a considerable positive difference in reducing business failures.

In 2020, COVID-19 presented challenges to many small businesses. Of those businesses who indicated that they had experienced a disruption or change due to the pandemic, 62% attributed growing or sustaining their business at least a little due to Business Connect.

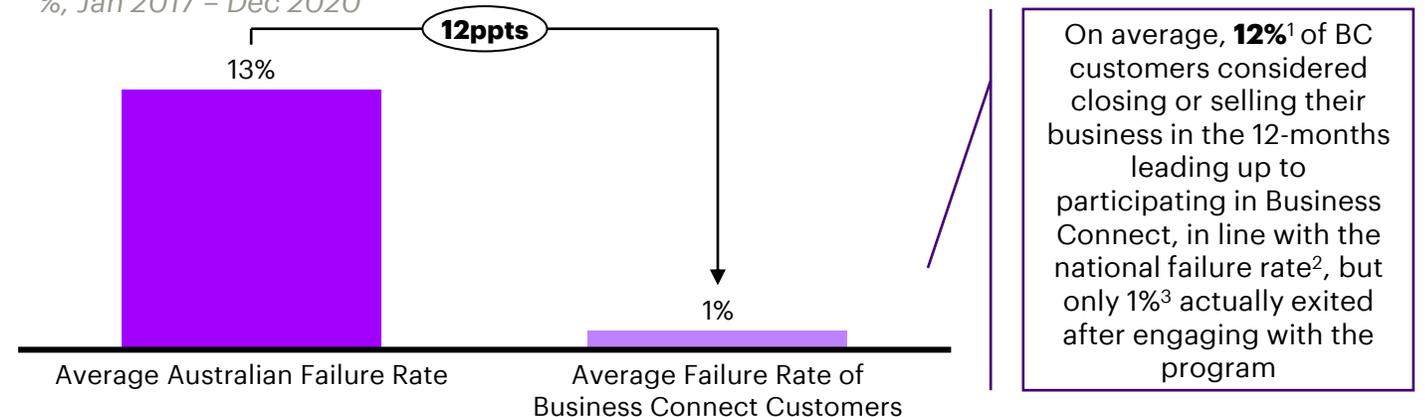
### New and established business customers that indicated Business Connect contributed to them being able to grow or sustain their business<sup>1</sup>

%, Jan 2017 – Dec 2020\*



### Average failure rates of small business in Australia and through Business Connect

%, Jan 2017 – Dec 2020



**62%**

Percentage of businesses in 2020 that experienced disruption/change due to COVID-19 and attributed growing or sustaining their business at least a little to Business Connect<sup>3</sup>

Source: (1) Micromex Survey Data 2017-2020 (2) ABS 8165.0 2019-20 (3) Business Connect CRM Data

Notes: \*Includes projection of Jul-Dec 2020 figures

# 68% of businesses felt confident after participation in Business Connect, up from 51% before accessing support

Business Connect sought to build the confidence in business prospects of small businesses in NSW by having experienced advisors provide information and advice.

To measure the program’s impact on business confidence, customers were asked to state their level of confidence in their business prospects before and after participating in Business Connect. An average of 51% of customers across all business stages stated that they were ‘fairly’ or ‘extremely’ confident before participating in the program. After participating in the program, 68% of customers stated that they were ‘fairly’ or ‘extremely’ confident, an increase of 17 percentage points (average over 2017-2020).

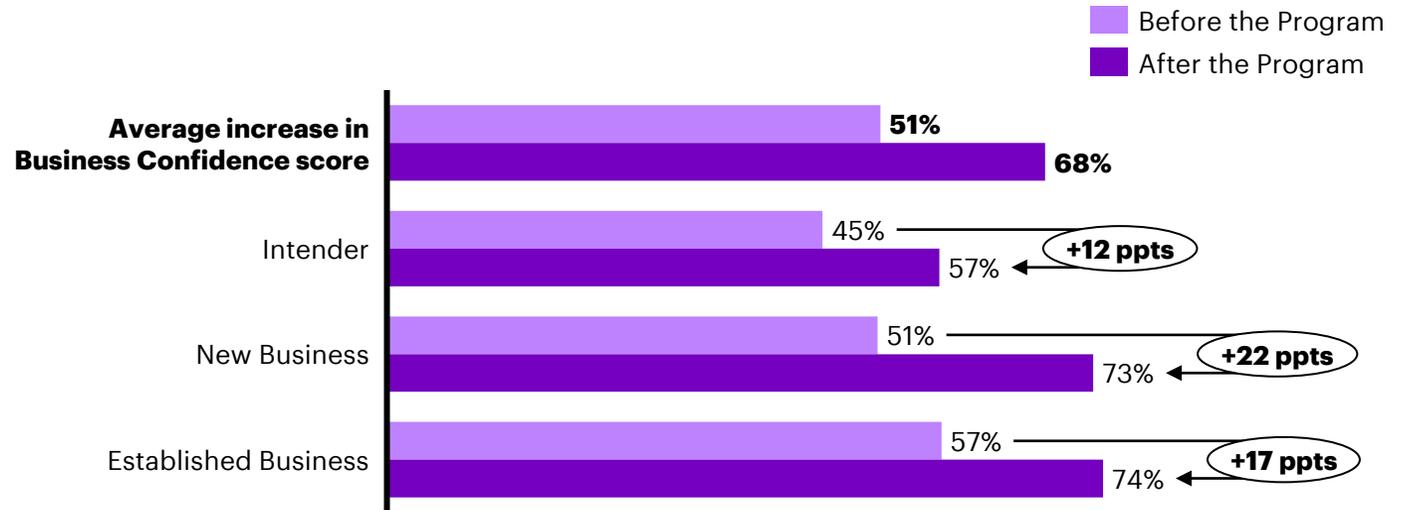
By business stage, new businesses had the higher average increase in business confidence over the four years at 22 percentage points, while intenders had the lowest average increase at 12 percentage points.

Regional businesses had marginally higher increase in business confidence after participating in the program, compared to metro businesses.

At the start of the pandemic, only 17% of small businesses were ‘fairly’ or ‘extremely’ confident, but this increased over time to pre-pandemic levels, returning to 52% in 2021<sup>2</sup>.

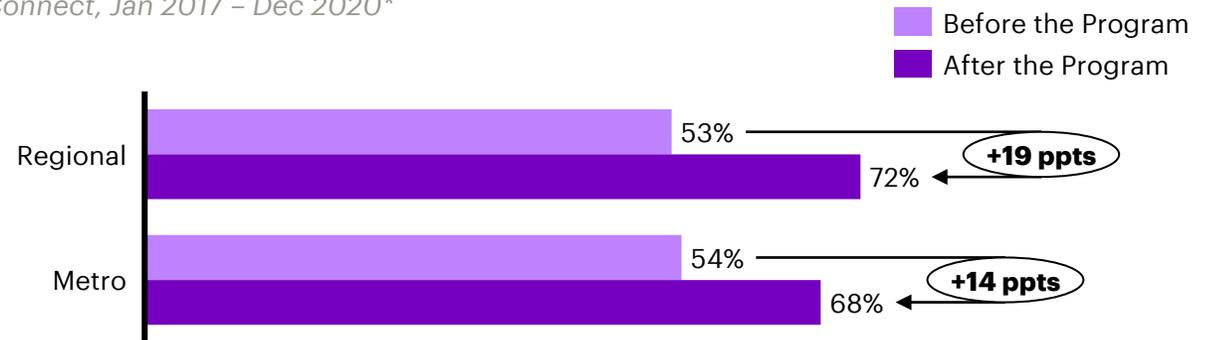
## Business confidence score by business stage<sup>1</sup>

% of customers who said they are ‘fairly’ or ‘extremely’ confident before and after participating in Business Connect, Jan 2017- Dec 2020\*



## Business Confidence score by Regional vs. Metro<sup>1</sup>

% of customers who said they are ‘fairly’ or ‘extremely’ confident before and after participating in Business Connect, Jan 2017 – Dec 2020\*



Source: (1) Micromex Survey Data (2) NSW SME Online Tracking Survey 2021- Wave 1  
 Notes: \*Includes projection of Jul-Dec 2020 figures

## 55% of business supported by the program were in regional areas, averaging 3.5% uptake of total regional businesses in NSW

In 2020 there were 235,000 small businesses operating in regional NSW, which accounts for 29% of total small businesses in NSW. Regional businesses are a large driver of the NSW economy, contributing 25.5% to the NSW Gross State Product<sup>1</sup>.

From January 2017 – December 2020, Business Connect served a total of 23,350 regional businesses across NSW, comprising 55% of all businesses supported by Business Connect.

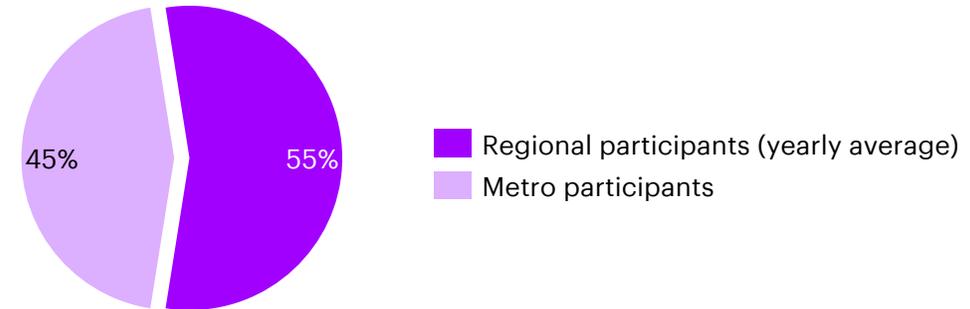
In financial years 18-20, this equates to a yearly average of 3.5% of all regional business operating in NSW that are supported by the program. This is higher than the average uptake in metro areas of 2.8% (a higher share of funding was allocated to regional areas due to perceived additional market failure). Figure 8 shows the spread of uptake by region, with Riverina (7.7%) and Far West and Orana (4.9%) having the greatest uptake and New England and North West (2.2%) and Mid North Coast (2.0%) having the least.

Qualitative feedback highlighted the importance of strong relationships with local councils, chambers and Regional NSW BDMs in promoting the program (and the provider) to small businesses.

Source: 1. Regional NSW 2018, 'Why Regional NSW'

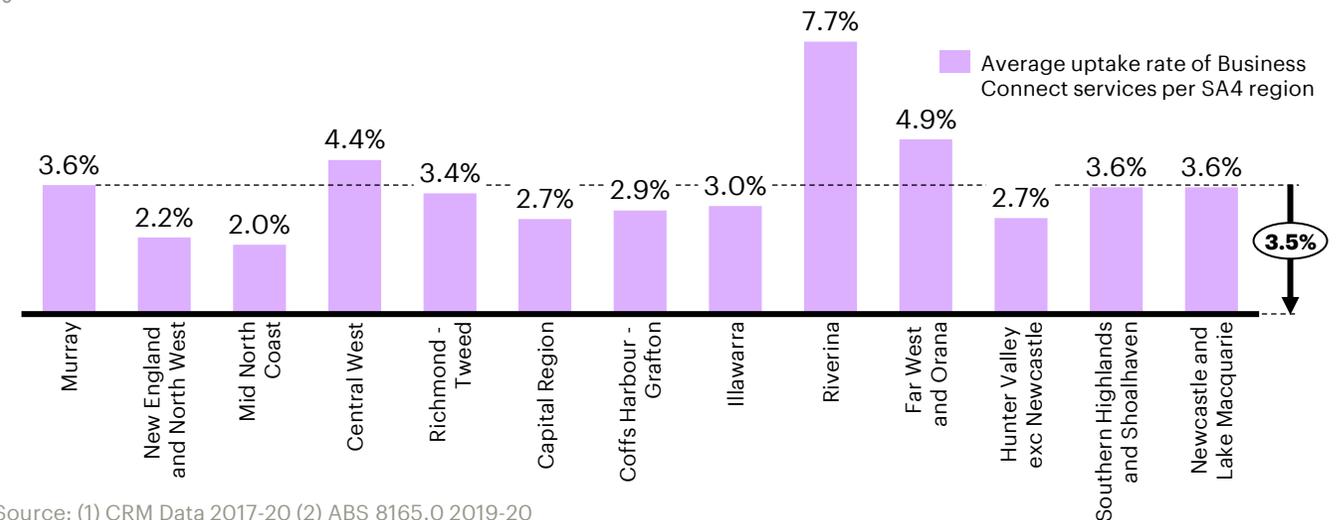
### Business Connect customers by location<sup>1</sup>

%, Jan 2017-Dec 2020\*



### Average percentage (FY 18-20) of regional businesses who accessed Business Connect support<sup>1</sup> against NSW small businesses per SA4 area<sup>2</sup> (June 2020)

%



Source: (1) CRM Data 2017-20 (2) ABS 8165.0 2019-20

Notes: \*Includes projection of Jul-Dec 2020 figures

## Business Connect advisors made >15,000 referrals connecting small businesses to other programs and services

As business advice leads to positive impacts on small business outcomes, a goal for Business Connect was to increase the use of advisory services among small businesses.

As referenced in the case for intervention section, 46% of customers would not have accessed advisory services without this program. Additionally, from 2017 through 2020, Business Connect advisors have referred customers onto 15,120 other programs or services.

This indicates that Business Connect plays an important role in connecting small businesses with government programs (8,700 referrals) and professional services (6,300 referrals). With the launch of Service NSW Business Concierge, the Business Connect program should revisit this outcome in the business case as a key function for Business Concierge is to refer customers to government resources (overlap in referral role will cause confusion stakeholders).

39% of customers stated that their Business Connect advisor offered to / referred them to other service providers for additional business support and assistance, with new businesses being marginally more likely to have been offered a referral/referred.

### Referrals Business Connect advisors made<sup>1</sup>

#, Jan 2017 – Dec 2020\*

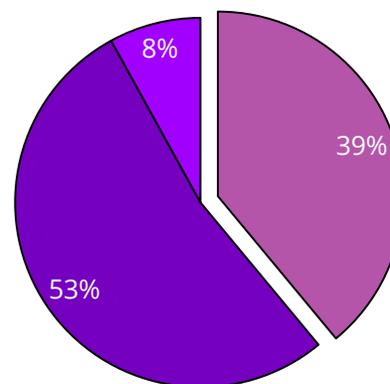


**15,120**

Referrals Business Connect advisors made to other programs or services – approximately 8,700 to government programs and 6,300 to the commercial sector

### Average percentage of customers who indicated that a Business Connect advisor referred - or offered to refer - them to another service provider for additional support and assistance<sup>2</sup>

%, Jan 2017 – Dec 2020\*



Yes No Can't say

#### Breakdown of those offered a referral (4-year average)

Intender	New Business	Established	Exitier
40%	<b>44%</b>	37%	24%

Source: (1) Business Connect CRM data (2) Micromex Survey Data 2017-2020

Notes: \*Includes projection of Jul-Dec 2020 figures

# Business Connect has helped support close to 25,000 new jobs

One of the overarching objectives of the Business Connect program is to help support job growth in the NSW economy. Since inception to December 2020, Business Connect has helped support 25,245 jobs, with each year seeing an increase over the last.

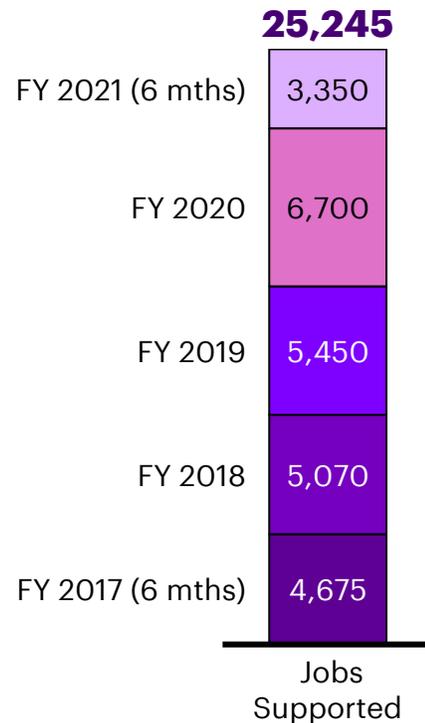
To capture the jobs supported by Business Connect, businesses are asked in a survey how many full-time employees (FTEs) they had at the start of the financial year and how many FTEs they had at the end of the financial year. The difference between the two is calculated and then multiplied by an annualised figure of the number of businesses that were supported by Business Connect.

This methodology of asking businesses at the start and end of the financial year the number of FTEs they had and calculating the difference does provide a picture of a potential increase in employment. However, it is difficult to attribute the extent of which the Business Connect program was responsible for change in a business's employment levels.

Given that over half of Business Connect customers are sole traders who do not have employees and may not intend to hire any, the number of new jobs supported is more meaningful when considering it is relevant to approximately 45% of Business Connect customers. More so considering that many customers were impacted by disruption in 2020.

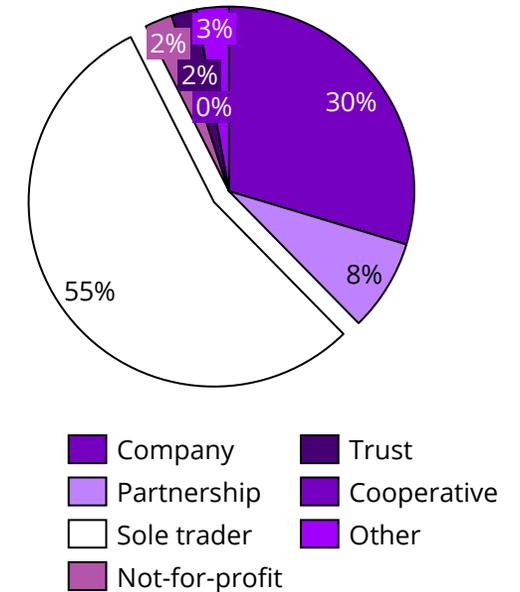
## Number of new jobs that Business Connect has supported<sup>1</sup>

# of Jobs Supported, Jan 2017- Dec 2020\*



## Average business structure breakdown<sup>2</sup>

%, Jan 2017- Dec 2020



Notes: (1) Calculation for 2020 (applies to all years) is based on the following – On average businesses indicated they have increased their full-time equivalent (FTE) staff from 3.3 in the 2018-19 financial year to 4.0 in the 2019-20 financial year (up to February 2020/prior to COVID-19) – an average increase of 0.7 FTE's per business. Business Connect had dealt with approximately 7,190 unique businesses (excluding multiple contacts, those who only dealt with External consultants, etc.) over a 39 week period, which equates to approximately 9,587 clients in a 12 month period – this potentially equates to approximately 6,711 new employees for those businesses in a year (although we cannot say that the Business Connect program contributed to all of that estimated growth).

\* Includes projection of Jul-Dec 2020 figures  
Source: (1) Micromex Survey Data 2017-2020 (2) Business Connect CRM data

**5. Economic Cost Benefit Analysis (CBA): The program delivered total net economic benefits of \$14.1m, with a benefit-cost ratio of 1.5**



# The program's economic impact can be estimated by the increase in profits and wages of the businesses who participated

The economic value of Business Connect is based on the incremental increase in profits and wages for businesses who have used the program. Wage benefits can be driven by businesses who have hired employees as a result of starting or expanding their business, increasing the hours of existing employees or retaining workers that would otherwise be retrenched.

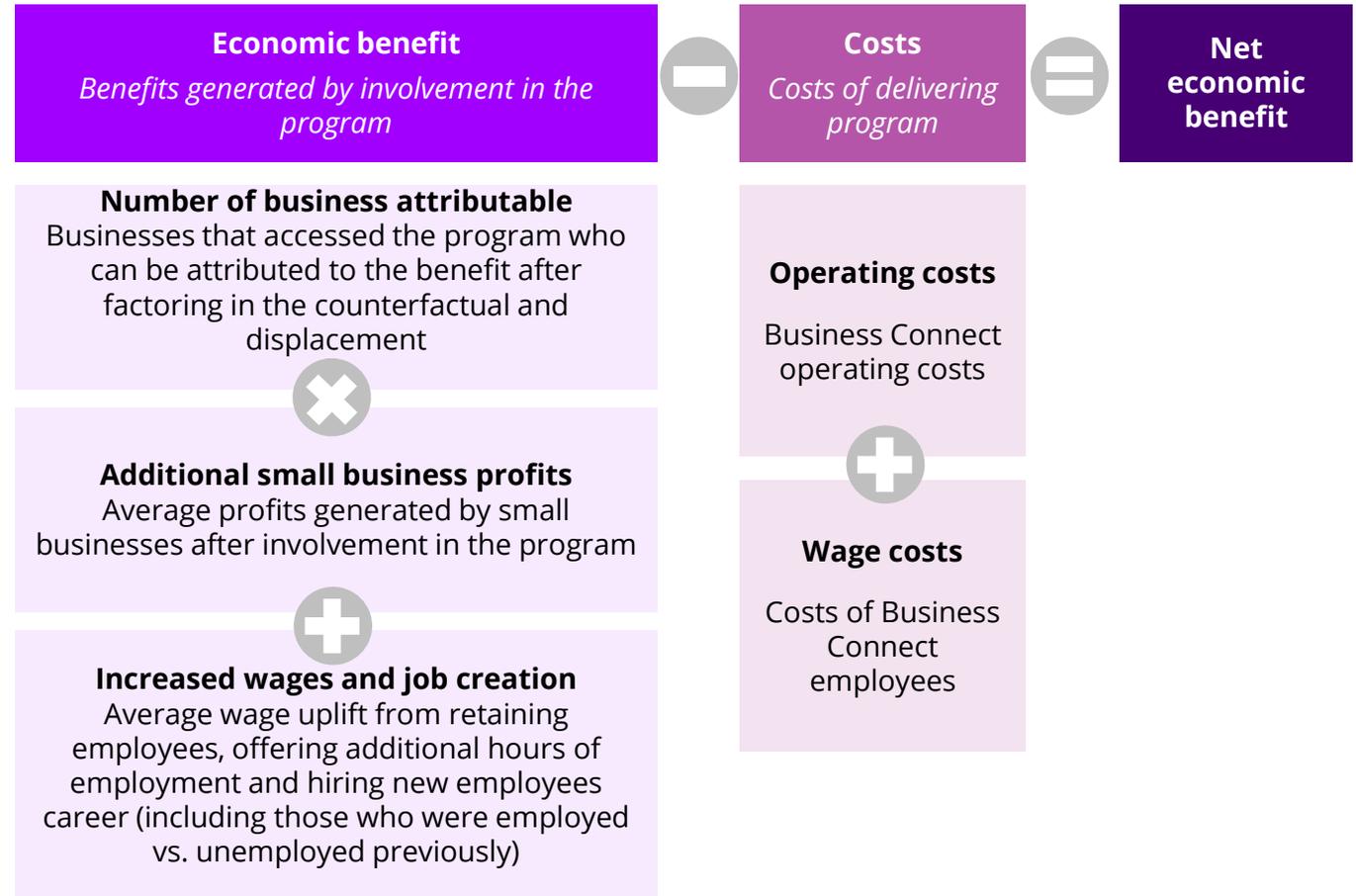
Similarly, profits to businesses are also associated with either increasing operations or avoided losses.

Not all businesses who use the program are expected to benefit as some may have purchased advisory services under a counterfactual, and others may displace other businesses depending on their industry.

The net economic benefits and benefit cost ratio are then assessed by modelling and discounting benefits and costs over the period of the program.

In the appendix section there is detailed information about the assumptions and sources used in this analysis.

## Economic benefit analysis framework



# The program delivered total gross economic benefits of \$42.8m and net economic benefits of \$14.1m, with a benefit-cost ratio of 1.5

The time period for this cost-benefit analysis (CBA) is from January 2017 – December 2020. The achievement of program objectives in this time frame has resulted in a positive net economic benefit and benefit cost ratio (BCR) of 1.5.

The wage uplift was driven by the key outcomes of starting businesses where new employees are hired, and the retainment of existing businesses through maintenance of employment. Based on surveys of businesses, each business using the program employed the equivalent of 0.5 FTE, on average. This equates to an average 12.4% uplift in employment, directly as a result of using business connect services<sup>1</sup>.

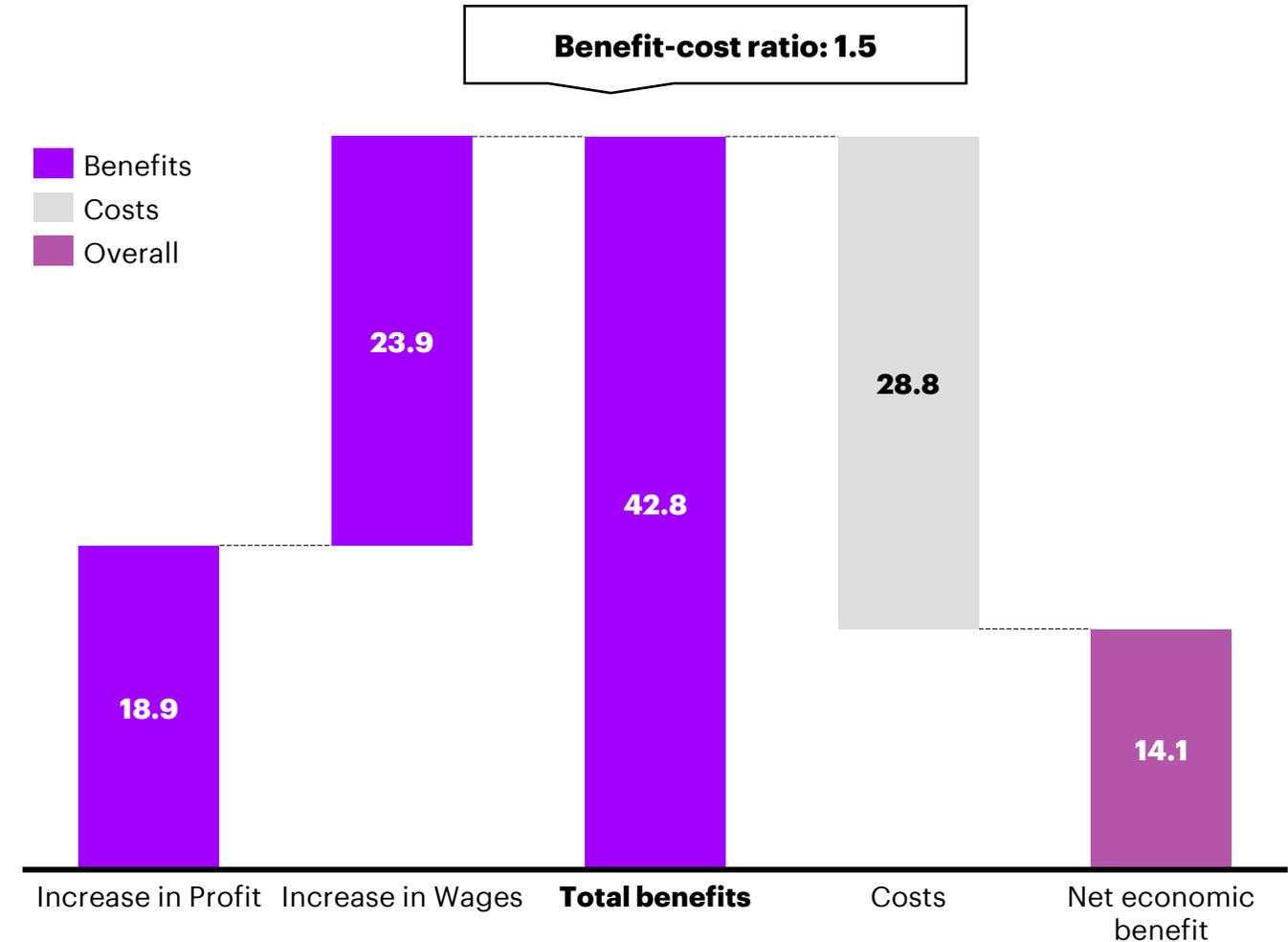
In addition, business starts, maintenance of business viability and increased confidence led to higher profitability. Surveys of businesses who use the program identified that on average a 4.6% uplift in profit as a result of using business connect services<sup>2</sup>.

The CBA has been modelled under conservative assumptions, where only one year of benefits have been included following the business connect services. If benefits of three years are included, the benefit cost ratio could be over 3.

The appendix section contains sensitivity analyses of these results.

## Net economic benefits of the Business Connect Program

NPV, 2021 \$m AUD



Notes: 1. This uplift is consistent with the ex-ante CBA which highlighted that employment growth from comparable programs is likely to be 12.6% 2. The uplift is lower than the ex-ante CBA which highlighted that profit growth is expected to be 13.7%

## However, the benefit-cost ratio of 1.5 is lower than the 1.8 benefit-cost ratio calculated in the previous business case

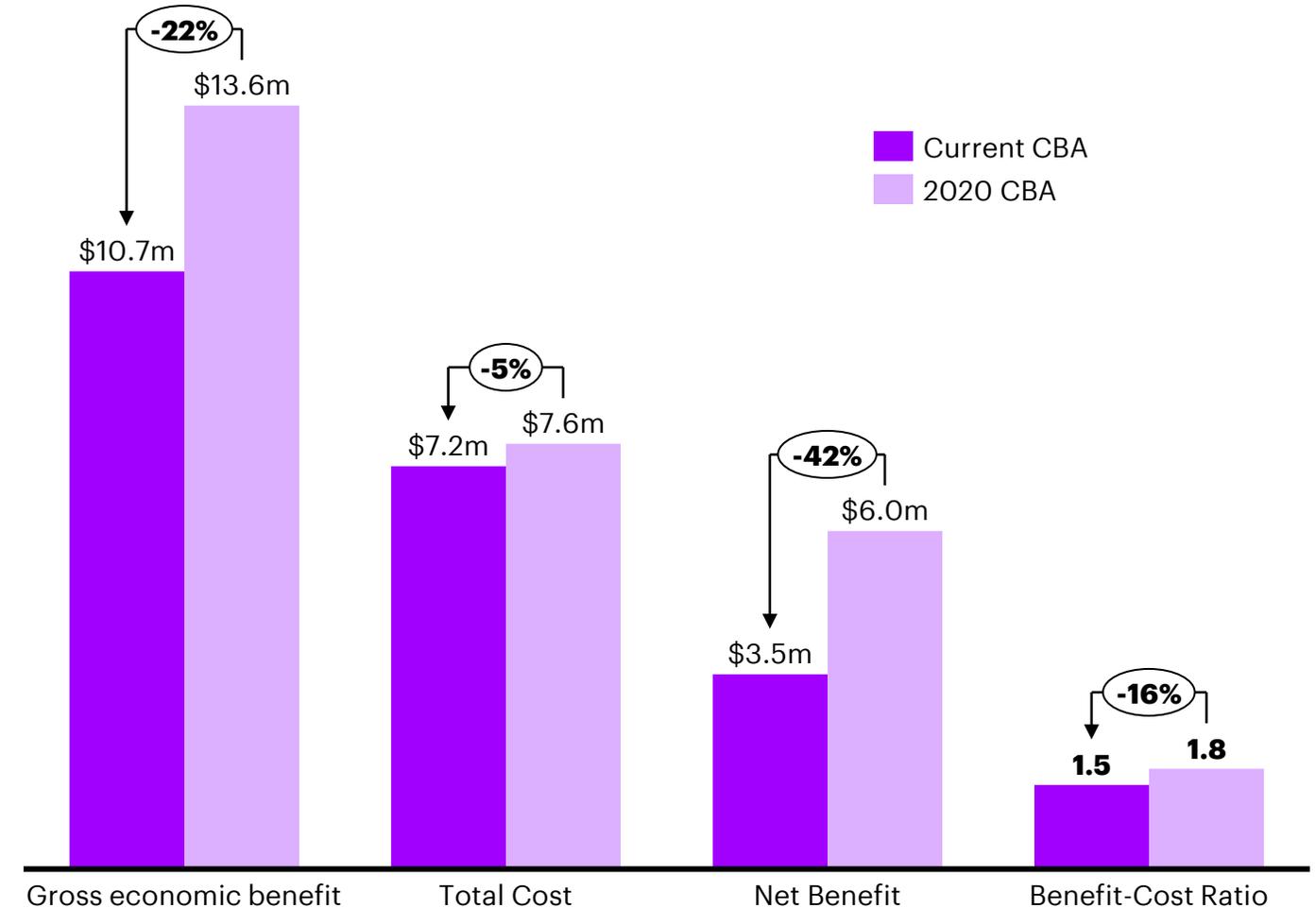
A yearly average of the four-year CBA period analysed in this evaluation is shown on the right. The previous CBA was conducted in 2020 as part of the 12-month funding extension of the program. In comparing the results, the BCR calculated in this evaluation was 1.5, lower than the 1.8 calculated in the last CBA.

The difference in the BCR across the two CBAs can be attributed to the higher gross economic benefit calculated in the 2020 funding extension. The three major components that explain this difference are:

- **Displacement** – The previous CBA used a 50% displacement rate across all industries, whereas this evaluation used an industry-specific rate resulting in a higher average rate of 76%.
- **Profit uplift** - The profit uplift used in this analysis was obtained from the Have Your Say survey which showed that businesses who used the program on average experienced a 4.59% uplift in profit. The previous CBA used literature review-based assumptions of 13.7% for profit uplift\*.
- **Latent demand** – This evaluation used the Have Your Say data which said 65% of customers would not have sought advice if the program had not been available; while the last CBA used literature which assumed 28% of small businesses would not have sought advice if the program had not been available. This shows the proportion of businesses benefiting from the program was higher than initially estimated.

### Performance comparison of average benefits and costs from 4-year CBA to 2020 CBA for 12-month funding extension

NPV, 2021 \$m AUD



\* The difference in profit uplift may be due to the literature assumption being based on an 'uncontaminated sample' which did not receive any other form of business advice or support outside of program in question, which would result in all benefit being attributed to the program. On average, 60% of Business Connect customers (Micromex Survey 2017-2020) were seeking information or advice from elsewhere, possibly diluting the effect of the program.

**6. Recommendations:  
Business Connect  
should continue  
based on  
implementing options  
to improve outcomes  
outlined  
in a business case**



# This evaluation recommends revising the program logic to address market changes since launch and program learnings

This evaluation has identified potential areas in the program logic for revision:

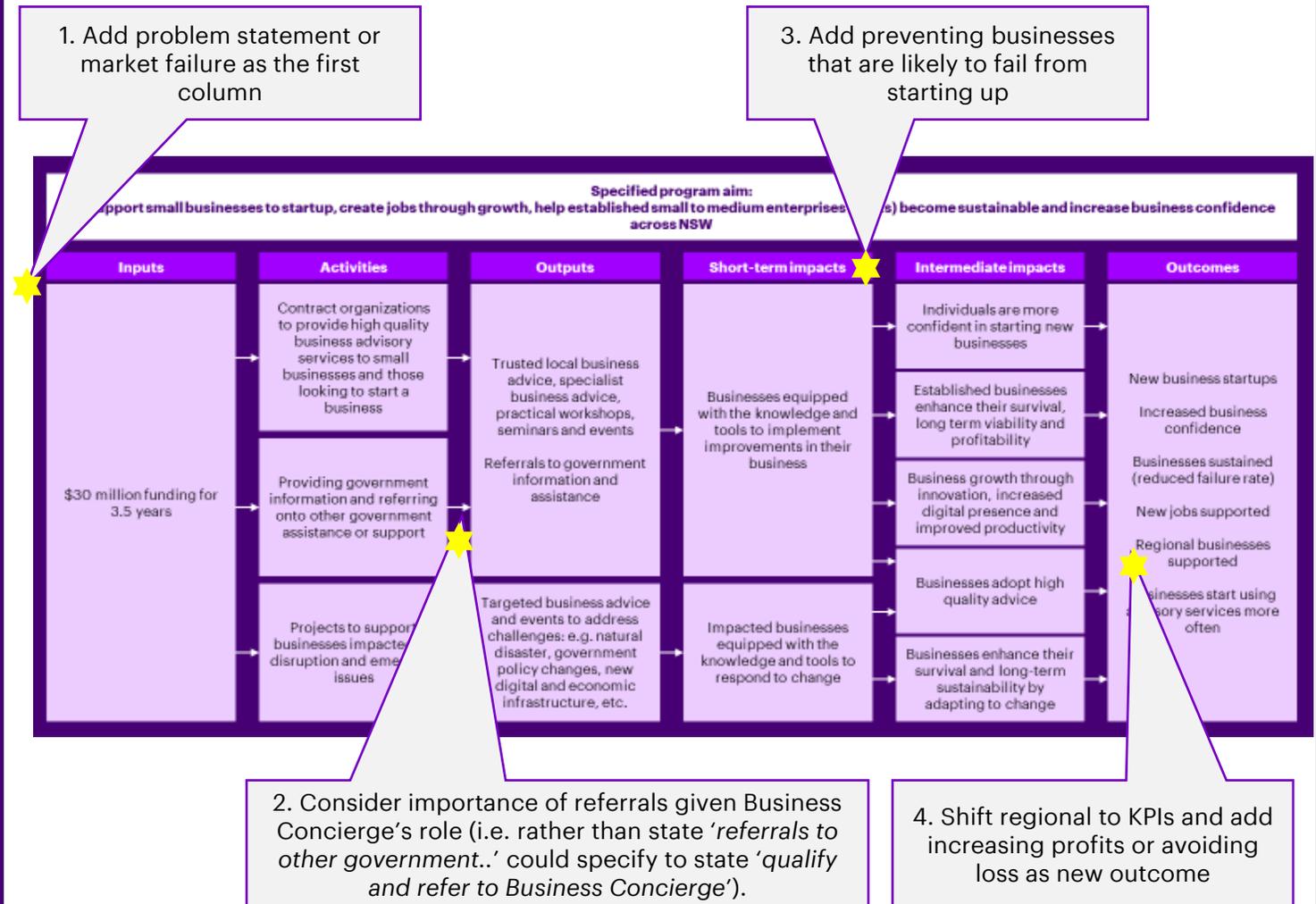
**1. Problem statement:** A program logic typically illustrates the logical linkage between the identified need or issue that a program is seeking to address; its intended activities; their outputs; and the intended program outcomes<sup>1</sup>. It is recommended that a problem statement is included that describes the market failure.

**2. Activities / outputs:** As Service NSW Business Concierge has emerged since Business Connect was introduced<sup>2</sup>, there is a need to define each service's role and responsibilities regarding referrals, which may impact the Activities/Outputs.

**3. Short-term impacts:** Provider feedback<sup>3</sup> has shown that one of their major benefits impacting the short-term is preventing bad businesses from starting-up.

**4. Outcomes:** review and consider setting targets for each outcome as measuring the degree of impact Business Connect has on outcomes is difficult without set targets or a control group<sup>1</sup>. Consider shifting *regional businesses supported* to program KPIs instead (like gender / ATSI targets). Consider adding *increasing profit or avoiding loss* as a new outcome.

## Existing Business Connect program logic and suggested reviews and revisions



Source: (1) NSW Treasury 2016, NSW Government Program Evaluation Guidelines (2) Consultations with Service NSW (3) Consultation with Business Connect providers and Accenture Advisor Survey

# To expand Business Connect's impact, there are three design components recommended for assessment in the business case

The evaluation has shown that there are opportunities to increase the impact of the program through improved promotion, tailoring of support based on business stage and deepening specialisation.

There are several elements to consider that will be assessed in the business case, which are based on who receives the support and to what extent, what type of support they receive and how its delivered. These elements have been developed based on feedback from advisors, industry and participants.

Central to the foundation will be key enablers that include building program awareness through councils, chambers and other marketing, strengthening partnerships with other key government services such as Regional NSW, Training Service NSW and Resilience NSW, increasing engagement with providers and establishing a formal governance framework.

A clear governance framework outlines governance structure, key stakeholders and respective roles and responsibilities. It should also cover project reporting, monitoring and evaluation and any supporting assurance arrangements<sup>1</sup>.

## Potential design levers to increase impact for consideration in the business case<sup>2</sup>

### Design options



#### Who receives support and how much?

*Who the program should prioritise, based on greatest impact on outcomes*



#### What type of support?

*Whether the program should provide more or less general vs. specialised advisors, based on the market failure*



#### How is it delivered?

*Type of provider contracts, based on satisfaction ratings and outcomes*

### Program enablers

Build program awareness

Strengthen partnerships with other programs

Advisor engagement and training

Establish a formal governance framework

Source: (1) NSW Treasury 2016, NSW Government Program Evaluation Guidelines (2) Developed based on the Have Your Say survey feedback, and interviews with advisors, industry and participants

# Targeting services by business stage could support each cohort more efficiently

**Business Connect customers are eligible for 4 hours of one-on-one advice and up to 60 hours\* of subsidised advice.**

Consultations<sup>1</sup> suggest some intenders may be more efficiently managed through early referrals to Business Concierge or with targeted intender workshops and seminars. Other programs use intender group events to upskill people who are thinking of starting a new business, given they face many similar issues.

Feedback to date<sup>3</sup> shows the existing model (support via advisory sessions and group events) for new and established businesses works well. While customers and advisors have requested more free hours, previous program pilots indicate that 2 hours of free one-on-one advisory is the optimum, and anything over will make it harder to convert businesses to paying. Currently, fewer than 9% of Business Connect customers pay each year<sup>2</sup> and similar programs (Digital Solutions and Mentoring for Growth) offer one or two free sessions only. The business case should review the number of free hours provided to all customers.

With the demographic targets around regional, women, Aboriginal and +65-year-old customers, consultations suggested that information asymmetries may be greater in these populations. Having targets may therefore be sensible, but these may need to be balanced with state representation as data does not show a clear economic justification to favour a cohort over others (i.e. females and regional customers are not significantly more likely to deliver outcomes so a more balanced representation may increase uptake and as a result outcomes realisation).<sup>6</sup>

## Recommended target recipient options for the business case

### Options

1. Keep as is with no restrictions

2. Triage to establish best level of support to intenders

*On first contact, advisors can qualify intenders and refer them to Business Concierge, channel towards events or online resources where more generalist advice is needed, or set up with one-on-one consultation if they are more advanced /committed in their business idea*

### Rationale

- Intenders make up 23% of all customers<sup>2</sup> and of those who go onto to start a business (~53%) have similar likelihood of experiencing increase in profit and turnover as other business stages and a greater likelihood of increasing the number of FTEs<sup>6</sup>
- Besides NEIS program, which has eligibility criteria and limited places, no other program offers free, tailored advisory support to intenders in NSW
- Advisors have identified some intenders as challenging to assist, not willing to listen to advice and/or are not committed to starting their business
- Consultations suggests intenders could be more efficiently supported with targeted workshops and seminars (as WA Business Local does), leaving more consultation hours to new and established businesses
- Depending on the need of the intender, targeted events could give general start up information (highlighting key resources like Business.gov.au for detailed information, guides and templates to start a business; Service NSW Business Concierge for government transactions and grants, etc.) and refer through those who would benefit from an advisory session to check business idea viability and gain confidence

\*Customers can access further support (above 60 hours) if this additional support will result in one or more program outcomes  
Source: (1) Consultations with Investment NSW, Service NSW, WA Business Local, Mentoring for Growth (2) CRM Data 2017-20 (3) Micromex Survey 2017-2020 and stakeholder consultations (4) ABS Census 2016 (5) ABS 8165.0 2019-20 (6) See appendix slides for supporting data

# Adding more advisors who can provide specialised information and advice could result in greater outcomes

Presently, Business Connect advisors provide general and selected specialised information and advice. There are a range of specialist advisors covering access to finance, procurement, creative industries and multicultural topics, and then a select few advisors on other topics (for example, bushfires). When customers need other specialised services (e.g. accounting, tax), Business Connect advisors will provide referrals to services outside the program.

Specialist issues (e.g. digital presence and access to finance) are some of the most common issues faced by businesses. Recommended business case options explore the possibility of increasing the number of specialist advisors and creating industry-based specialties.

Industry-based specialties could focus on those which are underserved, industries which face higher barriers or have lower displacement rates (e.g. mining, manufacturing) to increase economic outcomes\*.

In all options, the provision of general information and advice is present, given that a key barrier for small business owners is not knowing where to go for information and advice. General advisors are needed to address common issues and identify any specialised advice that may be needed and refer appropriately.

## Recommended type of information/advice options for the business case

### Options

1. Keep as is, mix of generalist and select specialist advisors who can refer customers to other specialists not provided by program

2. Have mix of general and specialist advisors, but increase number of specialties to address in demand topics not currently addressed

3. Create industry-based specialties\*, where industry specialists can provide general and specialised advice tailored to a particular industry

### Rationale

- Top three business issues customers seek advice on are delivered by generalist advisors (business planning, start up, marketing)
- 68% of respondents cite 'not knowing where to go' as top barrier to accessing information and advice<sup>1</sup>; implying need for general advisor to assess and refer if needed

- Business NSW and NSW Small Business Commissioner suggest BC advisors are not well prepared to handle emerging business issues including insurance, exporting, government tenders and financial software
- 4<sup>th</sup> and 6<sup>th</sup> most popular business issues for Business Connect customers are specialised issues (digital presence and access to finance)

- Focus on an under-served industry and produce more meaningful impact, as seen with Creative industries provider<sup>^</sup> whose customers were 8% more likely to increase profits and 7% more likely to increase turnover than any other provider<sup>1</sup>.
- For general enquiries of not-in-focus industries, Service NSW should handle all government transactions and OneCX or Service NSW will triage businesses to relevant support (all other options would have this support regardless).

\*A more detailed consideration of appropriate industries will be addressed in the business case

<sup>^</sup>Creative Industries specialists were originally engaged to support a creative industries development strategy – the strategy was retired.

Source: (1) Have Your Say Survey 2021

# Providing contract flexibility or implementing a voucher system may better meet customer needs

**Business Connect is currently delivered by independent providers who conduct one-on-one advisory sessions and run group events.**

Before COVID-19, engagements were mostly delivered in-person. During and since the pandemic, online delivery has become more popular. The impact of this shift has been minor; customers provided similarly high satisfaction ratings for both delivery forms. While the emphasis on in-person should remain, the online option should also be offered.

Recommended options for delivery models relate to using independent contractors. 11% of customers have said it is important that advice is independent from government<sup>2</sup>. Providers have raised issues with the rigidity in contract terms\*, claiming the lack of flexibility limits their ability to best serve customers. Other stakeholders suggested variability in advisor quality and competitive neutrality concerns could be addressed with a voucher system (i.e. it would allow for new specialist advisors). In both options, there are trade-offs that the business case has to explore, as with more flexibility and more advisors there is an increased risk of quality variability.

Qualitative feedback from some stakeholders questioned the impact of workshops and seminars, seeing more value in the in-person advisory sessions. Again, customers provided very similar high satisfaction ratings for in-person vs. group events, justifying the need for both. In times of high demand (e.g. COVID-19), group events have allowed for greater reach.

## Recommended delivery mode options for the business case

### Options

1. Keep as is using independent providers, but allow greater flexibility in contract terms\*

2. Provide vouchers and increase number of registered BC advisors so business can access the advisors they need

### Rationale

- Providers and advisors have complained of delivery contracts being too rigid; they would prefer greater flexibility
- Some participants have complained about receiving unsolicited referrals, which could stem from advisors wanting to meet KPIs on referral numbers

- Some stakeholders have raised concerns on the competitive neutrality of program, variability of advisor quality and lack of certain specialty advisors
- A training voucher program for SMEs in New Zealand had positive outcomes among customers who were able to receive training on business planning, systems, capital raising, exporting, intellectual property, marketing and other business growth related topics<sup>1</sup>

Sources: (1) Supporting Economic Recovery: What We Can Do For Small Business (Alphabeta/NAB, July 2020) (2) Have Your Say Survey (3) Micromex Survey 2017-2020

# A business case assessing each option is recommended to decide the best way for Business Connect to continue

Business Connect has been highly successful at supporting small businesses in NSW.

This evaluation has identified areas for improvement, including increasing the program's awareness and advisor engagement and training.

Three program design components have been recommended for assessment in the business case, with each identified option linked to increasing the program's reach or impact on outcomes.

To assist with future evaluations, the Department could consider running a series of pilots or randomised controlled trials to further understand which design components create the greatest impact on outcomes.

Given the sensible BCR of 1.5 and the \$14.1m in net economic benefits, as well as the intangible value small businesses attribute to the program, Business Connect should continue to run in the future.

## Selected quotes on potential program improvements

*"Business Connect should be measured against intended KPIs – for example jobs created, increase profits etc. and should be able to give more tailored advice to ensure this is met."*  
- Stakeholder

*"There needs to be flexibility. Issues are changing rapidly, and you need the capacity to respond faster about getting advice out – whether it is localised or more industry specific."*  
- Stakeholder

*"Would be great to have updated, more modernised business templates and more clarity."*  
- Advisor

*"Allow for more tailored and industry specific advice through Business Connect in the future and let Service NSW do the more mundane transactional activities."*  
- Stakeholder

*"NSW needs to review Business Connect against other service offerings, to properly determine it's role in the business support ecosystem. It is often too similar to Service NSW Concierge and people question what the difference is."*  
- Stakeholder

*"Advisors should also have an expiry date, as their real-life business experience does become dated and irrelevant. Program performance should adapt to focus on quality engagement and not just a numbers game."*  
- Customers

*"There needs to be advice on all of the responsibilities a small business has that is found in one place. Currently there is the ATO, Service NSW, Fair work, Workcover, Superannuation, ASIC – it is all incredibly complex."*  
- Customers

# Quotes from customers on the value of Business Connect (from Have Your Say survey)

*"The Business Connect program is a fantastic initiative enabling me to participate in events as an attendee, and also deliver/present on topics to help business owners with their bookkeeping and accounting requirements. Business Connect provides a wonderful source of learning, guidance and bringing businesses and local communities together by connecting people with like problems, interests and aspirations. I am very grateful for the support provided through the Business Connect program which has enabled me to expand my business and employ my first staff member in June 2021."*

*"I am really grateful for the amount of support that is available. I often forget that as a Sole Trader, I am not actually on my own. As I don't read/listen to the news and participate very little in social media, a BUSINESS CARD size resource list of relevant contacts/agencies would be handy to have above the desk. A visual reminder is useful and less intrusive than mobile messages."*

*"Business connect gave my business invaluable support navigating the NDIS. Founded in 2009 my business was growing organically so when the NDIS started we registered and have grown to support the most vulnerable in society. Business connect has been the lifeline to enable my specialised business to thrive."*

*"I am so grateful to Business Connect. I have received wonderful advice and support, for which I'd never have been able to afford. The Advisors have been helpful, friendly, professional and an absolute blessing to myself as I try to get my business off the ground. I have referred others to Business Connect because of the quality of the services. The fact that it is free is just amazing. I'm very grateful to the NSW Government for providing this service and hope that they continue to do so. Thank you!"*

*"The limited advice I have received has been fantastic. We have simply not been ready to act on it due to the stage of development of our software. I will most definitely be seeking further advice as we progress ... and I would likely be seeking more than the permitted hours, so extend the hours!"*

*"Despite the limitations, you provide an essential service, and anytime anyone tells me they want to start a business, I tell them to start with you, so keep going!"*

*"I'm so grateful for the help I've received. I've only just started consultations but so far it's really helped me clarify priorities, schedule my time, and plan for business growth."*

*"Fantastic program; especially all the online services offered throughout the pandemic. They are also recorded which is great, so you can watch and rewatch as many times as you need. Thankyou."*

*"Thanks so much for the program. Progress in \$\$ is slower as we start out, building infrastructure around the business has greatly benefitted from the program which will provide success medium and longer term (as wanted). Well done, thanks and keep it up!"*

*"All the workshops I have done have helped enormously. I particularly value the recordings so I can view at my leisure, although I also enjoy connecting with other small businesses in live sessions."*

*"I'm so grateful that this service has been available to me - it has started my business on a much stronger basis and given me the confidence to proceed with it."*

*"The program is fantastic. We would be lost without it. We have found this year so stressful trying to grow our business. Most stressful is knowing which lawyers and accountants to trust and if we are being severely ripped off. The Business Connect Program has empowered us (my wife and I) and connected us with such great professional advice. We have felt lost and very anxious at times. We do not come from a business minded family, we are scared of taking financial risks. We are now feeling more confident and sure of our planned success. This is such an important service. We are planning to hire two new staff soon- the support has helped greatly with planning."*

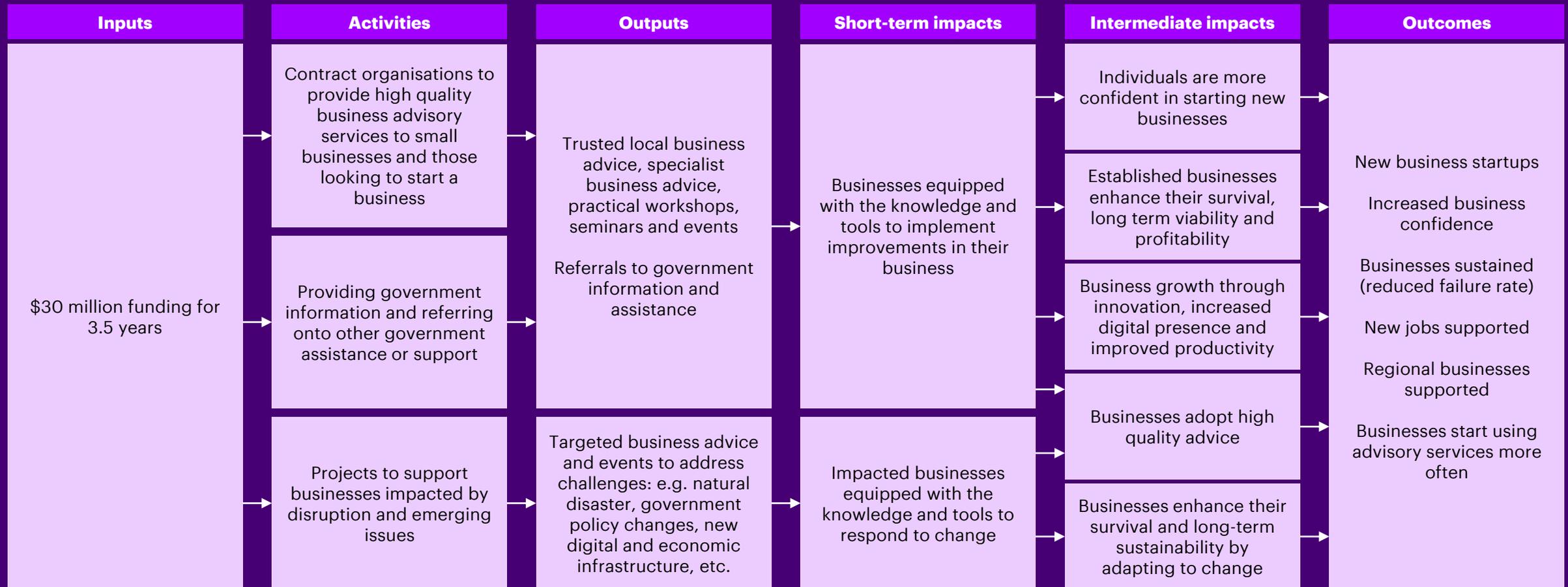
*"I very much appreciated Business Connect's services when I began business planning four years ago, before being taken overseas for family matters. Now that I'm getting ready to start the business again, I'm happy to know that Business Connect services will still be available to me."*

# Appendix

# Business Connect program logic

## Specified program aim:

To support small businesses to startup, create jobs through growth, help established small to medium enterprises (SMEs) become sustainable and increase business confidence across NSW



# Representatives from the following organisations were consulted during this evaluation

## Organisation:

- Business NSW
- Creative Plus
- Digital Solutions ASBAS
- Entrepreneur's Programme
- Investment NSW
- Mentoring for Growth, QLD
- NSW Small Business Commissioner office
- Regional NSW
- Service NSW
- The Business Centre
- Training Services NSW
- WA Business Local
- Western Sydney Business Centre
- New Enterprise Investment Scheme (NEIS)

# Economic impact assumptions

	Parameters	Description	Reference
Lifetime calculation	• Discount rate	• All values given as net present value (NPV) in 2021 Australian dollars, discounted at a discount rate of 7% per year	• NSW Treasury (2020), Business Connect: 12-month extension of funding – Cost Benefit Analysis
	• Duration	• Values discounted over a 1-year period, assuming a business will realise the full benefit in the year of involvement in the program	• NSW Treasury (2020), Business Connect: 12-month extension of funding – Cost Benefit Analysis
Counterfactual	• % who wouldn't have purchased another service	• Percentage of businesses who would have not paid for a private sector service if Business Connect was not available – 65% said they would have not purchased another service anyway (i.e. Deadweight Loss / latent demand)	• Have your say Survey (2021)
Displacement	• % of industry that is foreign owned	• Percentage of Australian small businesses that are owned by foreign interests. It is assumed that the higher the existing NSW competitor base, the higher the level of displacement - Range from 0% to 48% (Average of 13%)	• ABS 8167.0 2017-18 – Characteristics of Australian Businesses • Based on consultations with CEE
	• % of output for each industry that is exported	• Percentage of NSW output per industry that is exported outside of NSW. It is assumed that the higher proportion of a business's sales that is exported outside of NSW, the lower level of displacement for businesses in NSW – Range from 0% to 76% (avg. 15%)	• Remplan Data – adapted from ABS 2017/18 National Input Output Tables, and ABS June 2019 Gross State product • Based on consultations with CEE
Employment	• Average FTE Wage	• Average wage paid per industry per year for small businesses (0-19 employees) as of June 2019 – Range from \$11,087 - \$101,285 (Average of \$41,784)	• ABS 8155.0 2018-19 – Australian Industry
	• Employed vs. unemployed	• Proportion of additional employees that were employed vs. unemployed before businesses hired them – 47% employed before vs. 53% unemployed before	• Have your say Survey (2021)
	• Additional Employees	• Weighted average of the number of additional employees that Business Connect customers employed as a result of information and advice received – 0.120 FTE	• Have your say Survey (2021)
	• Additional hours	• Weighted average of the number of additional hours that Business Connect customers gave to employees as a result of information and advice received – 0.050 FTE	• Have your say Survey (2021)
	• Employees retained	• Weighted average of the number of employees that Business Connect customers retained as a result of information and advice received – 0.384 FTE	• Have your say Survey (2021)
Income	• Gross Profit	• Average gross profit per industry for small businesses (0-19 employees) as of June 2019 – Range from \$64,165 - \$139,691 (Average of \$113,041)	• ABS 8155.0 2018-19 – Australian Industry, ABS 8165.0 2018-19 – Counts of Australian Businesses
	• Increase in profit	• Weighted average of the profit uplift Business Connect customers received as a result of information and advice received – 4.59% increase	• Have your say Survey (2021)

# Industry Displacement Rates

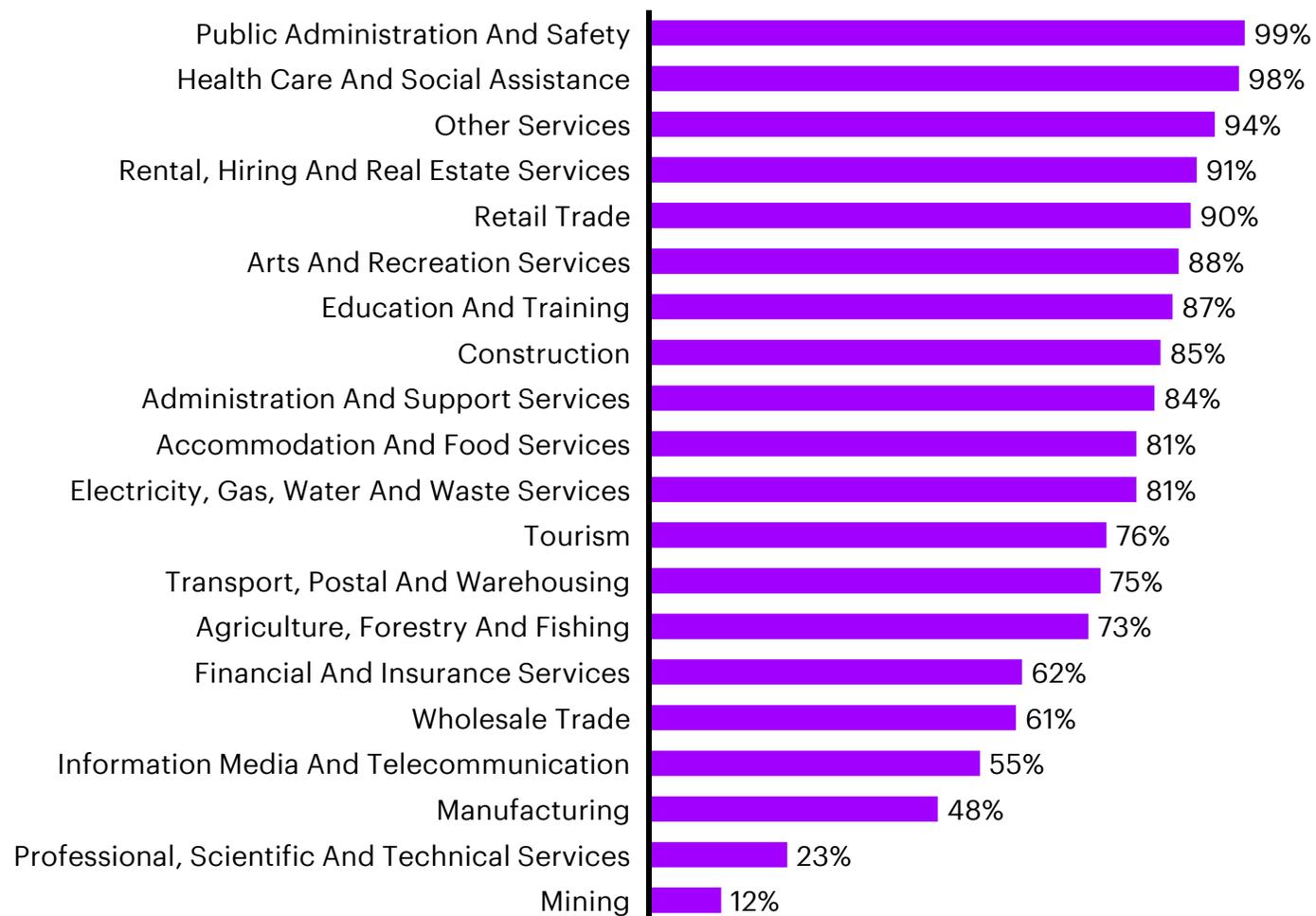
The displacement rate was calculated to ensure that whilst Business Connect contributed additional economic benefits, it is possible that these additional benefits are due to a displacement effect. For instance, if a business in a regional town earns more profits, it is possible that this is due to a business winning clients from a competitor.<sup>3</sup>

## Considerations for business case:

- Industries such as Public Administration and Safety (99%) and Retail Trade (90%) have a higher displacement rate as often they only tend to serve a local market and therefore it is likely that an additional sales come at the expense of competitors.
- Mining (12%) and Professional, Scientific and Technical Services (23%) have a lower displacement rate due to a higher percentage of sales being overseas (exports) and therefore, less displacement of local competitors

## Displacement rates by industry<sup>1,2</sup>

%



Source: (1) ABS 8167.0 2017-18 – Characteristics of Australian Businesses (2) Remplan Data – adapted from ABS 2017/18 National Input Output Tables, and ABS June 2019 Gross State product (3) 2020 CBA Business Connect

**The Have Your Say survey which informed the CBA assumptions (data for profit uplift and FTEs) was broadly representative of Business Connect customers**

**Comparison of Business Connect customers and Have Your Say Survey sample by business stage, gender and industry<sup>1,2</sup>**

%

<b>Business Stage</b>	<b>Business Connect</b>	<b>Have Your Say Survey</b>
An established business	42%	55%
A new business	34%	28%
An intender	23%	17%
No longer trading (Exiters)	1%	0%

<b>Gender</b>	<b>Business Connect</b>	<b>Have Your Say Survey</b>
Male	42%	37%
Female	58%	63%

<b>Industry</b>	<b>Business Connect</b>	<b>Have Your Say Survey</b>
Retail Trade	15%	9%
Arts and Recreation Services	12%	12%
Other Services	11%	17%
Health Care and Social Assistance	11%	8%
Professional, Scientific and Technical Services	9%	10%
Accommodation and Food Services	8%	5%
Transport, Postal and Warehousing	5%	1%
Education and Training	4%	8%
Construction	4%	5%
Information Media and Telecommunication	4%	5%

Source: (1) Business Connect CRM Data (2) Have Your Say Survey (2021)

# Economic impact sensitivity analysis

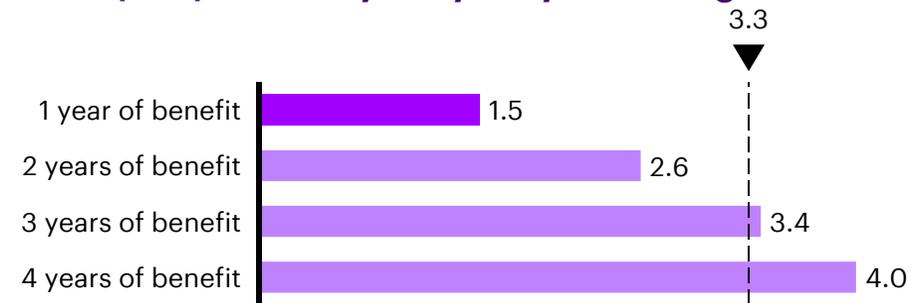
The program is expected to deliver a BCR greater than 1 even with timing, profit, employment, discount and displacement rate sensitivities in place

A sensitivity analysis (+/- x%) of selected variables has been conducted to determine whether the program's BCR is still favourable with more conservative and generous estimates.

- Timing of benefit realisation:** the baseline estimate is that benefits are only realised in the first year. Sensitivities extending the benefit in year 2, 3 and 4 (discounted each year by the national average small business survival rate) shows an average BCR of 3.3.
- Profit uplift:** in the baseline calculation, the middle of a profit band was used (4.59%). In the sensitivity, the lower band (3.54%) and upper band (6.80%) are used, leading to a BCR of 1.3 and 1.8 respectively.
- Employment uplift:** in the baseline calculation, direct survey results were used (12.4%). In the sensitivities, adjustments were made by -20% (10.1%) and +20% (14.4%), resulting in BCR of 1.3 and 1.7 respectively.
- Discount rate:** the baseline discount rate is 7%, with 3% as the lower bound resulting in a BCR of 1.3, and 10% as the upper bound resulting in a BCR of 1.6.
- Displacement rate:** using the original 50% rate from the 2020 CBA results in a BCR of 3.97. The baseline model has an average displacement rate of 76%.

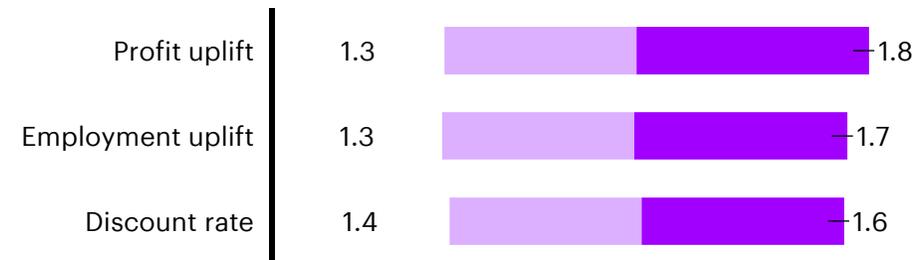
## Benefit-cost ratio (BCR) sensitivity analysis by attributing benefits over time<sup>1</sup>

Ratio



## Benefit-cost-ratio (BCR) sensitivity analysis by input variable: lower and upper-bound<sup>2</sup>

Ratio



## Benefit-cost-ratio (BCR) sensitivity analysis by displacement rate<sup>3</sup>

Ratio



Notes: (1) Sensitivity analysis determined by changing the timing of benefit realisation through attributing benefits to additional years with the business survival rate used as a multiplier (2) Lower bound and upper bounds for profit were used to determine the spread of the BCR and +/- 20% of employment figures obtained in the Have your Say survey were used to determine the spread of the BCR (3) Displacement rate across all industries of 50% that was used in the 2020 Business Case is used

# Business Connect program alignment with NSW government priorities

Department	Goals	How BC Addresses this
Premier's Priorities	Build a Resilient and Future-Proof Economy	<ul style="list-style-type: none"> <li>A budget plan to help the state in job creation and stimulation of the economy</li> <li>Business Connect aims to help assist small businesses in NSW. which currently employ 44% of the state's workforce. through connecting small business with independent advisors to help small businesses with areas that can ensure their businesses is sustained or continues to grow</li> </ul>
NSW Treasury	Economic Development	<ul style="list-style-type: none"> <li>Business Connect contributes to overall economic development aspirations of state, as more informed decision making by businesses will support increased sales of goods and services, and profits</li> </ul>
	Employment	<ul style="list-style-type: none"> <li>The Government, as part of an election commitment has set a target of creating 250,000 new jobs over the 4 years from 2019.</li> <li>Business Connect is crucial to enable businesses to succeed and thrive, thus supporting new employment and wage growth</li> </ul>
	Productivity	<ul style="list-style-type: none"> <li>Business Connect supports the uplift of managerial skills and capability</li> <li>This helps support managers and business owners to use labour and/or capital more efficiently, leading to larger productivity gains and improved outcomes</li> </ul>
NSW Small Business Strategy	Address the Biggest Barriers to Small Business Success	<ul style="list-style-type: none"> <li>Business Connect offers a business advisory program that aims to help connect small businesses with professional advisors who can help small businesses grow their business management skills with a focus on digital, procurement, business planning and financial literacy</li> </ul>
Global NSW	Connected, Smart and Vibrant	<ul style="list-style-type: none"> <li>Business Connect has advisors in the digital space who provide workshops/webinars as well as 1 on 1 tailored advice on how businesses can be digital ready</li> <li>This follows the Global NSW priorities of ensuring NSW small businesses are connected to international markets and have up-to-date information and insights is possible</li> </ul>
Disaster Management	Creating and Supporting Jobs for NSW Assistance through Bushfires, Floods, Etc.	<ul style="list-style-type: none"> <li>Business Connect provides free practical advice to help businesses recover from disasters</li> <li>Business Connect provides professional advisors to help small businesses deal with the pressures faced by COVID-19 and by disasters such as floods and bushfires through: <ul style="list-style-type: none"> <li>Developing a customized recovery strategy; managing cashflow; accessing finance including grants and loans; help market businesses to reach new customers and connecting businesses to other government support and local professional services</li> </ul> </li> </ul>

# Business Connect direct and indirect benefits

	Beneficiaries	How Business Connect benefits stakeholder
Direct	Small business owners	<ul style="list-style-type: none"> <li>Small business owners and those considering starting a business are the primary beneficiaries of the Business Connect program. This group receives free and subsidised services and will benefit from additional profits brought on by seeking advice that they would not have otherwise received. This evaluation's CBA calculates the net economic benefits to small businesses.</li> </ul>
	Small business employees	<ul style="list-style-type: none"> <li>The employees of small businesses that receive advice are also direct beneficiaries. This group receives benefits in two ways: those previously unemployed receive an income uplift from finding employment; and those already employed obtain an earnings uplift from additional wage growth.</li> </ul>
	Business Connect service providers (contractors)	<ul style="list-style-type: none"> <li>Service providers that are either contracted to provide advisory services or otherwise engaged by the NSW Government to develop resources for Business Connect (e.g. online training courses) are also direct beneficiaries. This group receives the benefits of additional income through increased services offered to new customers.</li> </ul>
Indirect	NSW Government	<ul style="list-style-type: none"> <li>The NSW Government could potentially benefit from the Business Connect program through increased payroll tax revenues. However, the program is targeted at startups and other small businesses who typically do not employ many staff. With the payroll tax threshold in NSW at \$950,000 for wages and salaries in FY2021, it is unlikely many Business Connect firms will be paying payroll tax as a result of the program, especially in the short term. However, growth facilitated by Business Connect advice may result in payroll tax revenue for the NSW Government in the medium-long term.</li> <li>Business Connect is a key referral route into other programs, with over 4,000 referrals to NSW Government and Commonwealth programs.</li> <li>Business Connect also shares best practices and learnings with other government programs who can build on these learning to do things more efficiently.</li> </ul>
	Federal government	<ul style="list-style-type: none"> <li>The Federal Government could also be considered a beneficiary of Business Connect as it would benefit from increased tax revenues through increased company tax, income tax and GST revenues.</li> <li>Business Connect also shares best practices and learnings with other government programs who can build on these learning to do things more efficiently.</li> </ul>
	Customers of small businesses	<ul style="list-style-type: none"> <li>There are several other second round beneficiaries that may receive some flow-on effects from the advice provided: the customers of small businesses may benefit from an uplift in the quality of services provided relative to the price; the businesses to which Business Connect customers are referred may benefit from an uplift in demand for their services; and local communities may benefit where small businesses play an integral role in supporting the local community.</li> </ul>
	Referred small businesses (accountants, lawyers, etc.)	
Local communities		

*"For us, the connections made to Business Connect managers have resulted in sharing of best practices and learning that are invaluable to us in how we run our program. For small businesses, Business Connect has provided referrals to our program." – ASBAS / Digital Solutions (federal program)*

## Business Connect has delivered impactful sector specific advice to advance unique programs, like NDIS

Business Connect has undertaken sector specific projects where small businesses may have been affected or require specialised support due to government activity or policy.

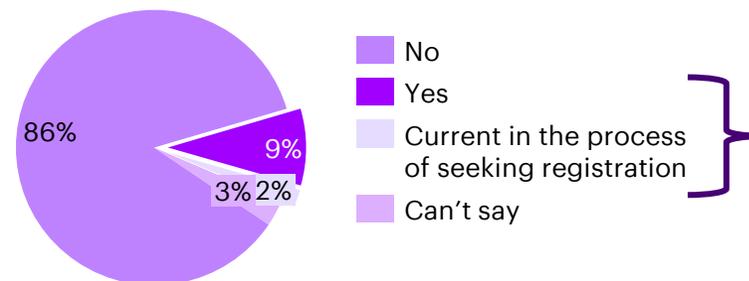
It has supported small businesses that were affected by the construction of the CBD and Newcastle Light Rail, as well as supporting small businesses in the disability sector to deliver services through the National Disability Insurance Scheme (NDIS).

In 2020, of all Business Connect customers, 11% or 1,524 were either NDIS providers or in the process of registration for becoming an NDIS provider. Of these, 71% attributed the Business Connect program to helping sustain or grow their NDIS related services. This highlights the impact of the sector specific advice that Business Connect has been able to offer in the disability space.

In looking forward, of the Business Connect customers who are not currently an NDIS service provider, 19% are 'fairly', 'very' or 'extremely' likely to start to deliver NDIS related services, highlighting the continual importance of this service continuing. Given the Federal Government provides a similar service (Boosting the Local Care Workforce), it should be assessed if Business Connect should continue to do so.

### Proportion of Business Connect customers who were registered as an NDIS providers; proportion of these who attributed growth/sustainment of NDIS service to Business Connect (2020)<sup>1</sup>

% and #



# 1,524

Number of Business Connect customers (11%) who are registered or in process of registering to be NDIS provider

## 71%

Proportion of registered NDIS providers (9%) who stated that the support received from Business Connect had contributed to the growth/sustainment of their NDIS services

### Proportion of Business Connect customers who are currently not an NDIS provider but are likely to seek to become an NDIS provider in the next two years<sup>1</sup>

%

## 19%

Businesses who are 'fairly', 'very', or 'extremely' likely to start to deliver NDIS services

Source: (1) Micromex Survey Data 2020

# Business Connect must align with Service NSW Business Concierge on roles and responsibilities and optimal cross-referral processes

The table illustrates the distinguishing features between Business Connect and Business Concierge, based on conversations with each programs' management teams.

An identified area of overlap between programs which currently exists is advising and referring customers to government resources including grants and other support.

Because Business Connect has been running longer than Business Concierge, this work was traditionally part of Business Connect advisor duties, supporting businesses with grant applications for specialist programs (Sydney light Rail and Point to Point support). Business Connect advisors should not be supporting businesses with grant applications but should be connecting them to Business Concierge for this assistance.

Recently, Business Connect advisors have stated that they struggle to stay abreast of the latest government resources available to best advise customers. Business Connect and Business Concierge need to align on respective roles and responsibilities and come up with optimal cross-referral processes that leverage the strengths of the other (e.g. Business Connect could always refer customers seeking non-business advice support to Business Concierge)

## Comparison of Business Connect program with Business Concierge service

	Business Connect	Business Concierge
Department	NSW Treasury	Service NSW
Need addressed	Providing business advice and events to customers who would not access otherwise	Businesses do not know where to go for support or how to engage with government; there are multiple entry points
Aim	Support small businesses to startup, create jobs through growth, help established small to medium enterprises (SMEs) become sustainable and increase business confidence across NSW	'One stop shop' for all NSW businesses (focus on small business) to find out what government resources (information, programs, grants) are available to them and to assist with government transactions
Purpose	Provide tailored general or specialist advice for small businesses	Connect small businesses to resources and assist with government transactions
Offering	Free and subsidised advisory sessions, workshops, seminars and online toolkits	Digital platform where business can have an account and manage all government transaction processes Case management having a personal, face-to-face case manager for one or multiple transactions
Delivery	Independent contract providers	Government employees; hub team provides support over the phone, mobile team can meet in person
How to optimally use the other	Needs to be workshopped with both parties Connecting to and supporting transactions with government (incl. grants and applications) should be Business Concierge	
Cross-referral process in place	Some advisors may direct customers to Business Concierge for government transactions, however, there does not appear to be a standard process in place	Concierges promote the Business Connect offering in each conversation and in each follow up email to a business. Depending on the situation, concierges also assist customers to navigate to the Business Connect website and help them find an advisor or event and book an appointment.

Source: (1) Interview with Service NSW Directors

# Economic impacts by business stage

## Considerations for business case:

- Profit and turnover business outcomes are relatively spread across the business stages
- Intenders are key to achieving FTE outcomes, however keep in mind that approx. 23% of all customers are intenders, of which only 53% go on to start their business

## Proportion of Business Connect customers who had an increase in profit, turnover and FTEs by business stage

%, Jan 17 – Jun 20

### Increase in Profit



### Increase in Turnover



### Increase in FTEs



Source: (1) Micromex Survey Data 2017-2020

Notes: \*'Intender to new or established business' refers to those customers who were first registered on the CRM database as an intender, and when responding to the survey, identified as a new or established business (i.e. they had progressed to starting up their business).

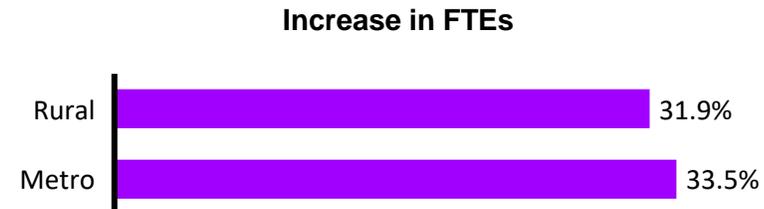
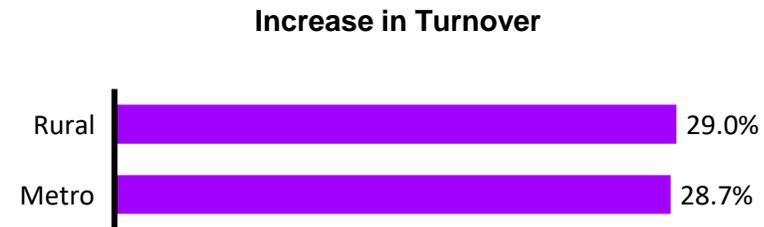
# Economic impacts by regional vs. metro

## Considerations for business case:

- There is a comparable likelihood in experiencing increases in profit, turnover and FTEs between rural and metro businesses (commensurate with proportion of businesses in each location).
- Given regional businesses are over-represented in business connect customers there is an opportunity to consider shifting funding to metro to balance out representation (56% program customers are regional, when only 29% of all small businesses are regional) and increase uptake

## Proportion of Business Connect customers who had an increase in profit, turnover and FTEs by regional vs. metro

%, Jan 17 – Jun 20



Source: (1) Micromex Survey Data 2017-2020

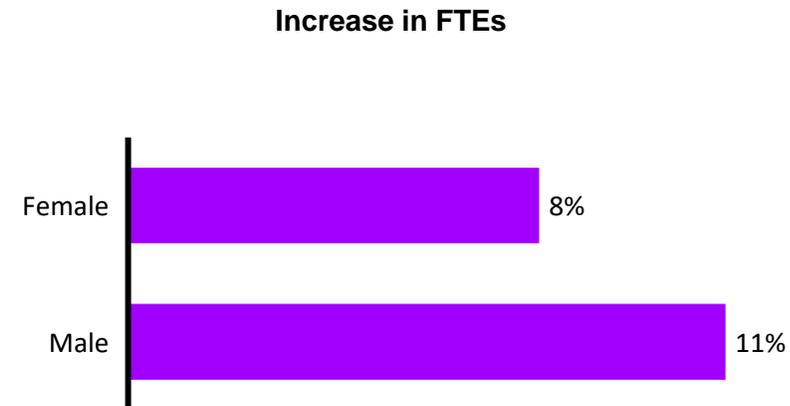
# Economic impacts by gender

## Considerations for business case:

- While females are more likely to experience an increase in profit, this is offset by greater likelihood for males to experience an increase in FTE
- There is an opportunity to increase the up-take of males as currently 58% program customers are female, when only 33% of all small business owners are female

## Proportion of Business Connect customers who had an increase in profit and FTEs by gender

%



Source: (1) Have Your Say Survey 2021

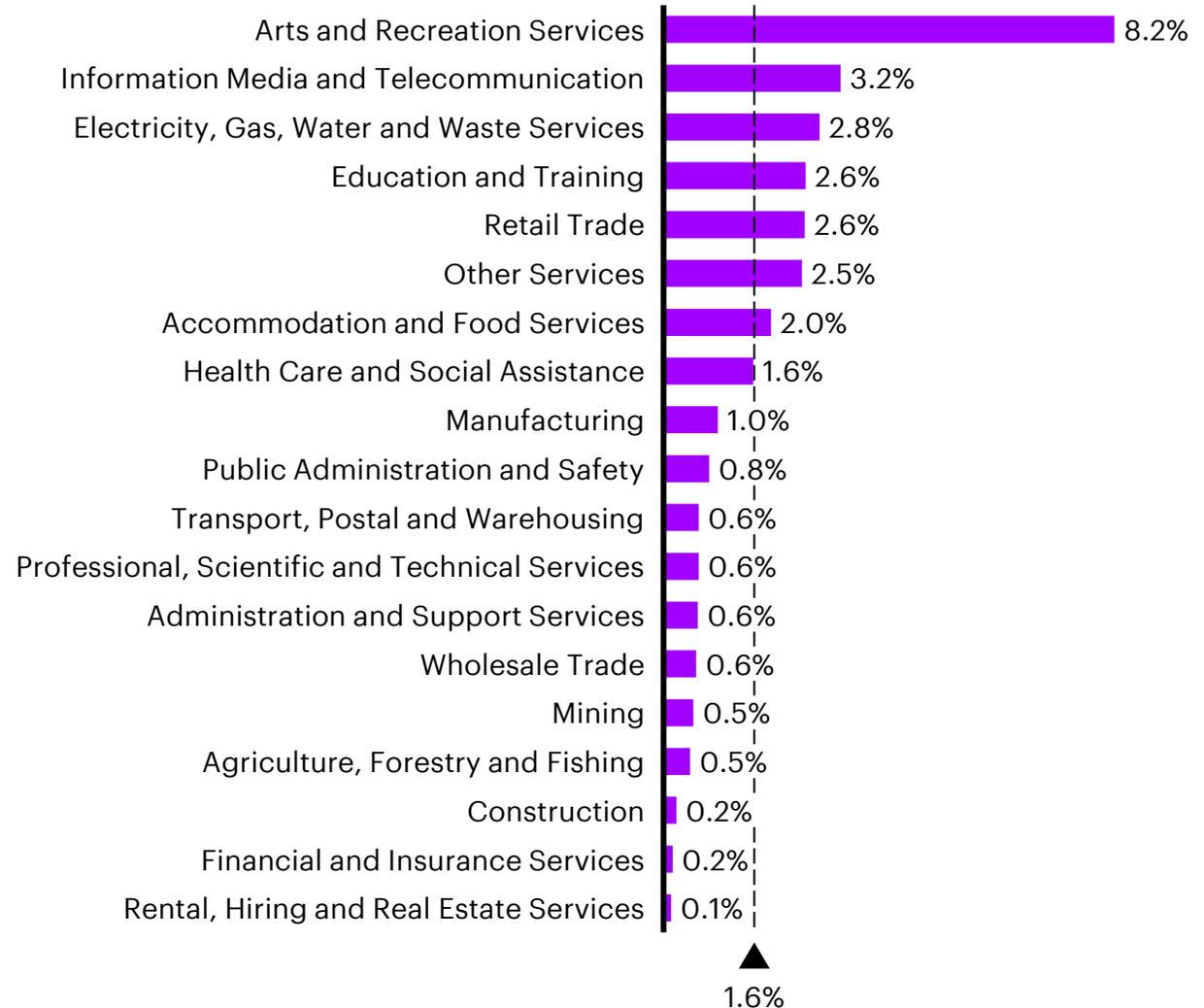
# Industry penetration rate

## Considerations for business case:

- The average penetration rate across industries was just under 2% (1.6%)
- Arts and Recreation Services have the highest penetration rate at 8.2%, largely due to one of the providers, Creative Plus Business, being a specialist advisor for the creative sector (i.e. having industry-focus specialists increases the uptake rate)
- The business case can review the penetration rate and displacement rates together to see if any industries that are under-represented but have a lower displacement can be targeted to potentially increase outcomes

## Average penetration rate of Business Connect by industry<sup>1, 2</sup>

%, Jan 2017 – Dec 2020



Source: (1) Business Connect CRM Data (2) ABS 8165.0 2019-20

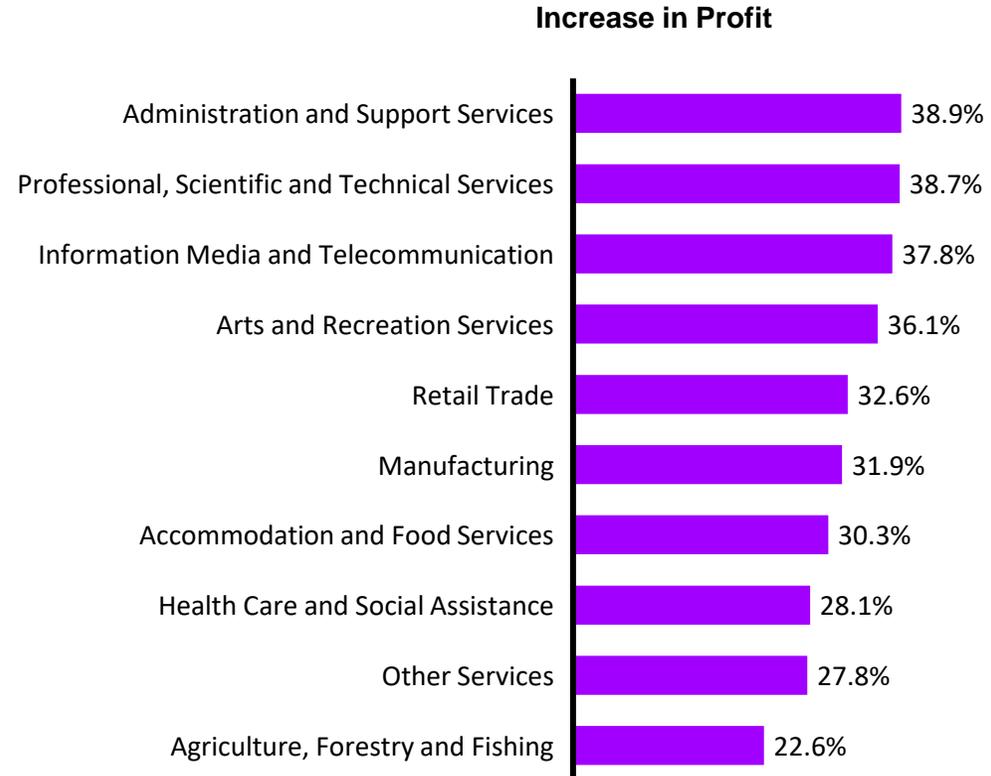
# Economic impact – profit, by industry

## Considerations for business case:

- There were four industries where the proportion of Business Connect customers that achieved an increase in profit was greater than 35%
- Businesses in the Agriculture, Forestry and Fishing (23%) were the least likely to see an increase in their profit as a result of Business Connect services

## Proportion of Business Connect customers in each industry that achieved an increase in profit

%, Jan 17 – Jun 20



Source: (1) Micromex Survey Data 2017-2020

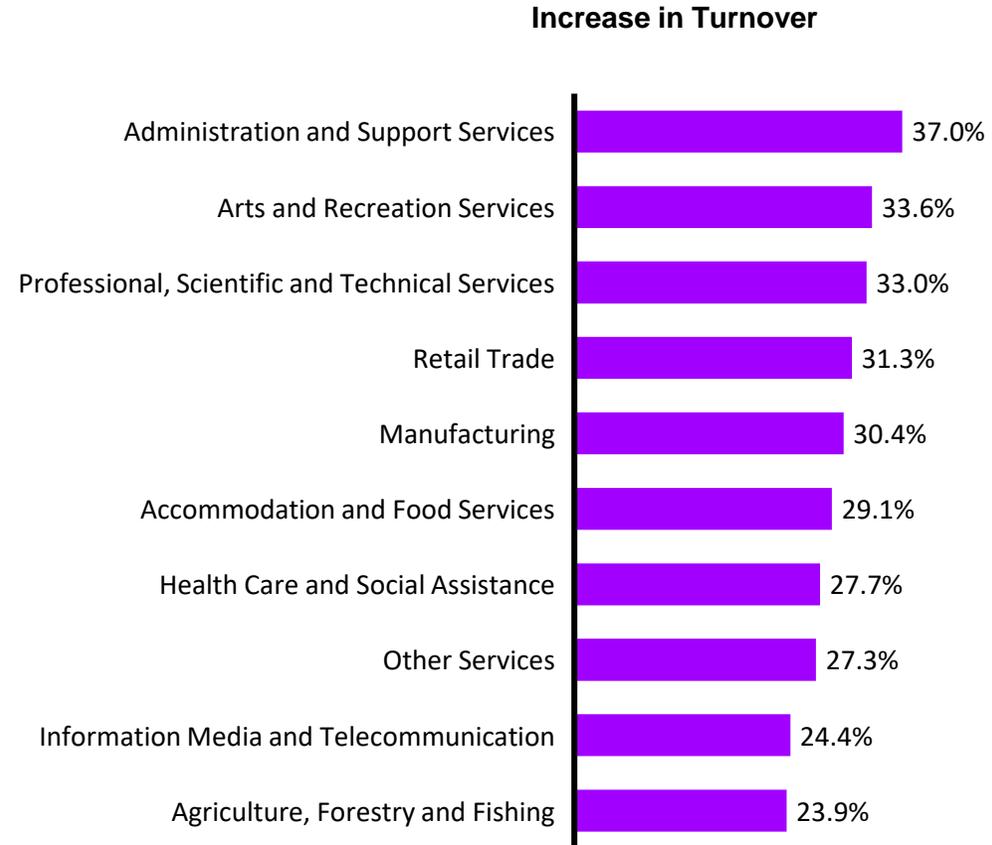
# Economic impact – turnover, by industry

## Considerations for business case:

- There were five industries where the proportion of Business Connect customers that achieved an increase in turnover was greater than 30%
- Businesses in the Agriculture, Forestry and Fishing and Information Media and Telecommunication were the least likely to see an increase in their turnover as a result of Business Connect services

## Proportion of Business Connect customers in each industry that achieved an increase in turnover

%, Jan 17 – Jun 20



Source: (1) Micromex Survey Data 2017-2020

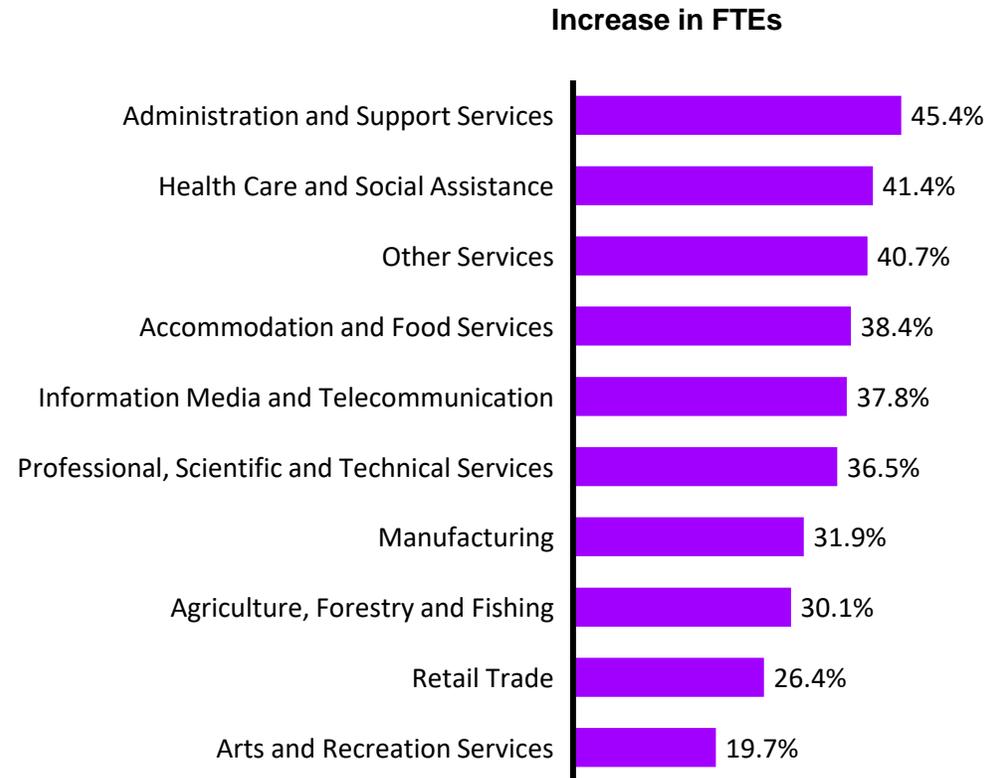
# Economic impact – FTEs, by industry

## Considerations for business case:

- Admin and Support Services, Health Care and Social Assistance and Other Services were the three industries where the proportion of Business Connect customers that hired additional employees was greater than 40%
- Businesses in the Arts and Recreation Services (24%) were the least likely to see an increase in employees as a result of Business Connect services. Consultation with the creative industries provider stated that many of these customers are sole-traders/self-employed.

## Proportion of Business Connect customers in each industry that achieved an increase in FTEs

%, Jan 17 – Jun 20



Source: (1) Micromex Survey Data 2017-2020

This document is intended for general informational purposes only. The analysis in this report was commissioned by NSW Treasury and prepared by Accenture on behalf of NSW Treasury.

Views and opinions expressed in this document are based on Accenture's knowledge and understanding of its area of business, markets and technology. Accenture does not provide medical, legal, regulatory, audit, or tax advice, and this document does not constitute advice of any nature. While the information in this document has been prepared in good faith, Accenture disclaims, to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this document and for any acts or omissions made based on such information. Opinions expressed herein are subject to change without notice. No part of this document may be reproduced in any manner without the written permission of Accenture.

This document may make references to third party names, trademarks or copyrights that may be owned by others. Any third-party names, trademarks or copyrights contained in this document are the property of their respective owners.