

28 July 2023

Department of Industry, Science and Resources  
Industry House  
10 Binara St, Canberra  
ACT 2601

## **Business NSW response to Industry Growth Program: Discussion Paper**

Business NSW welcomes the opportunity to respond to the Industry Growth Program (IGP) Discussion Paper. As NSW's peak business organisation, Business NSW has almost 50,000 member businesses across NSW. We work with businesses spanning all industry sectors including small, medium, and large enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

In relation to this submission, it is also relevant to highlight that Business NSW was a delivery partner of the Entrepreneurs' Programme (EP), and our feedback in this response has been informed by our experience delivering that program.

Business NSW's views on the Industry Growth Program are also captured in the submission made by our counterparts at the Australian Chamber of Commerce and Industry (ACCI). This submission is intended to be considered alongside ACCI's submission and reinforces the key findings and issues that Business NSW and ACCI have identified. The submission emphasises the importance of strong business fundamentals to nurturing sustainable businesses.

Business NSW would be pleased to participate on the IGP Advisory Board to ensure the continued ability for the IGP to learn from the experience of our organisation in supporting our members to thrive.

This submission is divided into two sections – the first addresses overarching matters of program strategy and design for the IGP. The second responds to the questions asked by the Discussion Paper.

## **Strategic Objectives of Industry Growth Program**

The Industry Growth Program is designed to complement the National Reconstruction Fund's seven priority areas and drive to support early-stage investment. It is also designed to help businesses bridge the 'valley of death' between research and development and commercialisation by injecting grant funds at the suitable point in time. The proposed program aims to pair expert advice with matching grants to increase business revenue, grow their workforce and attract further investment.

However, Business NSW is concerned that in focusing so much of its attention to sector specialist support and early-stage commercialisation, the IGP design as proposed overlooks the importance of strong business fundamentals in creating durable businesses and industries. Having advisors with strong technical expertise is insufficient without also providing innovative startups with good quality *business* support.

Shifting a business's activity and focus from R&D to commercialisation would frequently prove stressful for entrepreneurs and founders. The 'valley of death' takes that name for a reason – many innovators are unable to get to the other side with a functional business capable of further growth. Emerging innovative entrepreneurs that invest and focus on strong business processes at the pre profit stage increase the likelihood of future growth. Providing tailored support on fundamental business growth strategies, alongside sector specialist support, to EP participants at the right time reduced the stress of the 'valley of death' period. For the IGP to be successful it will need to be able to do the same.

## **Eligibility and Focus**

The eligibility criteria set out in the Discussion Paper highlight some of the tensions of policy in this area.

BNSW agrees with ACCI's statements about the critical areas of eligibility and the definition of early-stage, small and medium enterprises and other terms used within the IGP Discussion Paper. Both the level of maturity of businesses targeted by the IGP, and the sectoral focus it adopts, raise questions about the support available for businesses who sit outside its relatively tight focus.

In order to achieve lasting benefits for the Australian economy and taxpayer, more established businesses with the capital and business acumen required for sustainable growth and success also require support. The current strategy for the IGP, in focusing so heavily on early-stage innovation, does not address this need. The Discussion Paper describes only limited involvement from established businesses which have the capital, acumen and drive to achieve the intended objectives around revenue generation, employment and investment attraction, but who could still benefit from guidance and support to accelerate their innovation pathway. In this regard, the gap created with the loss of the Entrepreneurs' Programme will not be filled by the IGP as currently proposed.

As such, there is a risk of over-supporting early-stage businesses to the detriment of established businesses that require support with management and leadership capability uplift to innovate, adopt new technologies and strengthen the local supply chains which will protect Australia's sovereign capabilities into the future.

In NSW, businesses classified as early-stage and innovative are eligible for existing commercialisation grants that address the Government's ambition for "increased innovation, employment, economic complexity, tax revenue and productivity". NSW businesses are well supported by incubator support programs or targeted grants initiatives, including but not limited to:

- NSW's MVP Ventures Program
- Regional Startups stipend
- The Sydney Startup Hub

There is also a risk in the current design of the IGP that it directs resources narrowly to businesses who are already the targets for other government grants and support programs, at both state and federal levels. The 7 sectors outlined in the Discussion Paper have been the focus of other Government efforts to nurture new industry. As a result, there is a risk of duplication as state and federal Governments and agencies pursue the same businesses and entrepreneurs, while others miss out because they are not operating in favoured sectors.

### **Measuring Effectiveness**

BNSW supports the proposed metrics to measure effectiveness, however recommends the final metric "improvements in business performance and business outcomes" is weighted more strongly than the rest, to specifically encourage the intended outcomes of the program being an increase in revenue, and an increase in jobs. Emphasising this objective would also highlight the importance in the delivery model of the role of advisors who can support businesses to lift their capability to achieve those two outcomes. Improving performance against these measures would improve the return on investment for the Government and strengthen the third outcome, "attract investment".

## **Responses to Discussion Paper questions**

### **Q. What objective criteria should determine eligible innovative SMEs? For example, annual turnover of \$20 million or less, employee cap and/or net asset cap?**

Business NSW agrees with comments on eligibility criteria made in ACCI's submission. In addition to the criteria proposed by ACCI, we would also suggest the potential inclusion of a merit criterion based on business expenditure. Startup businesses are characterised by a disproportionate balance of investment compared to revenue. A business that has been able to invest >\$1.5million, even if it has not generated revenue, has demonstrated some capacity to scale and some degree of maturity and stability. Reviewing past expenditure may give the department a more complete view of business prospects than assessing revenue alone, particularly where start-ups are at pre revenue stages of formation.

### **Q. What level of grant matching is appropriate? Should there be a variation for earlier stage Technology Readiness Levels (TRLs) programs and the size of the grant?**

Business NSW supports the approach to grant matching outlined in ACCI's submission.

### **Q. Should it be necessary that the applicant has the legal ownership, or effective ownership, of the know-how, intellectual property or other similar results arising from the project?**

Business NSW does not support including IP ownership as a necessary entry criterion for participants in the IGP. However, we do recommend IGP has a role in assisting businesses who do not yet have full or effective legal ownership of IP to secure that ownership during their engagement. IP ownership will be a critical determinant of business success, and the IGP should strive wherever possible to ensure that participants exit the program with IP issues resolved.

### **Q. Are there other skills and expertise that should be represented on the committee?**

Business NSW strongly supports ACCI's comments on the role of industry partners and the need to strengthen IGP proposals in this area.

The core capabilities and resources that EP facilitators found most useful in industry partner organisations were the abilities to connect with industry best practice/excellence and provide industry wide guidance through change.

Business NSW would be pleased to participate in the IGP Advisory Board. Business NSW has the ability to connect participants with relevant information and support in relation to industrial relations, tax, HR requirements and other key fundamentals that underpin all successful businesses.

**Q. What other design elements could be considered to ensure a quality, positive business experience and outcomes?**

A successful IGP design will need to deliver support that assists businesses with the variety of challenges they will face along their growth journey, including for example:

- Business commercialisation
- Innovative business model development
- Market product matching services
- Management and leadership capability
- Planning, risk and governance best practice

There is merit in providing mentor-matching with mature businesses, networking and business skill support. Each of these activities would support early-stage businesses in the soft skills required for growth and business longevity. They also take the IGP relationship beyond the one-to-one with an individual consultant to create a community of capable, innovative Australian businesses.

If you have any questions about this submission or would like to discuss it further, please contact Kelly Armstrong at [kelly.armstrong@businessnsw.com](mailto:kelly.armstrong@businessnsw.com).

Yours Sincerely,



**Daniel Hunter**  
Chief Executive Officer  
Business NSW