ACUMEN
ALLIANCE

BUSINESS ACT

KNOWLEDGE FUND

REVIEW

November 2004

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1 Executive Summary

1.1 Background

The Knowledge Fund was established by BusinessACT to assist business by funding research and development, especially that research and development which has significant commercial application or provides significant social benefit. The Knowledge Fund is part of the ACT Government's commitment to continually improve its business assistance programs.

In August 2003 Acumen Alliance undertook a review of Knowledge Fund. The objective of that review was to assess the impact and effectiveness of the program from both an administrative and a client perspective. The final recommendations of that review related primarily to process improvements.

Acumen Alliance was engaged in July 2004 to conduct another review of the Knowledge Fund. The primary objective of this review was to obtain a longitudinal view of those businesses that were granted funds in the first rounds of funding assess the impact of these grants on the ACT economy and identify opportunities to improve the program in the future.

While the first year review also focused on application processes and outcomes, many applicants were unable to report any substantive outcomes on the basis that they had not been operating for a sufficient period of time.

During the last 12 months however, recipients have been able to begin to actively move towards commercial activities that have resulted in a number of impressive outcomes both for the organisation and the ACT community.

1.2 Summary of Findings

Since this review entails a review of applicants' progress over a reasonable period of time, many of the findings reflect indirectly on the initial assessment of applications. Accordingly, many of the recommendations contained within this report relate to assessment.

The recommendations in this report are based on the following broad findings:

- The funds provided to the majority of organisations made a significant difference to their survival and to the development of leading edge technology. There were only a small number of organisations which received grants that did not require the funding to continue their projects. In these cases they could have funded their projects from other sources, but were able to secure funding because they simply fit the fund criteria. In addition, there were a number of intangible benefits reported as to how the Knowledge Fund had made a difference.

- Many organisations had difficulty reporting the concrete outcomes from their projects. This was partly because of confusion about the difference between 'tasks completed' and outcomes. Generally, most entities were able to report that they had:
    - formed key alliances within the ACT, either contractually, through Memorandum of Understanding Agreements, or through informal means;
    - generated highly probable sales leads;
    - created relationships with local education institutions to develop and recruit potential staff; and
    - managed to secure additional funding from either venture capitalists, private investors, or other grants programs.

- Some projects were able to report an increase in jobs growth. This was primarily due to the much slower progress of projects than was originally anticipated.
    - Many projects that received a proof of concept grant were only just reaching the end of this phase and were preparing to take their products to market. The development stage had often taken longer and cost more than anticipated in their applications.
    - Projects that were already in their commercialisation phase reported difficulties associated with selling their product/technology because:
        1. the sales cycles were significantly longer than expected;
        2. many prospective buyers were reluctant to be the first reference site;
        3. there was a perceived reluctance on the part of Government to work with small business operators; and
        4. Fundamental changes to industry had altered the market for their product compared with when they submitted their application.
    - Many organisations reported expected jobs growth over the next few years when a base level of customers is developed.

- Some projects were reporting difficulties progressing their projects because they had been unable to find further necessary funding. In projects where the expected cost of getting their product to market was substantial, the Knowledge Fund had done little more that 'get them started'. These organisations are now seeking further funding from other grant schemes (eg AusIndustry and the Australian Research Council), private investors and venture capitalists to progress. In the event that this funding is not secured, some projects may be terminated.

- About 70% of the businesses interviewed reported they were doing active marketing, or undertaking activities to develop sales leads. Only a small group indicated that they had done any market research.

- The majority of recipients interviewed had a clear vision of what the future of their organisations looked like. A few organisations had highly optimistic expectations, with little evidence to support these expectations.

- Some businesses that were in the commercialisation phase had solid business plans, marketing plans or strategy documents to support their growth. Those that did not, were unable to describe a planned approach to the development of their business.

- Most recipients could articulate clearly the learning lessons derived from their experience since they first received funding from the Knowledge Fund.

- Key reported benefits to the ACT included:
  - Increased jobs growth
  - Use of other local businesses
  - Increased integration with education bodies
  - Higher profile for Canberra being known as a technological centre of excellence
  - Development of intellectual property that is leading edge world-wide.

- Some fund recipients were unable to describe the potential risks to the future success of their project.

1.3 Overall Conclusion

Over the last few years, BusinessACT has invested funds in businesses that are creating what has been described as world-class technology. Based on current and pending outcomes, the fund is meeting its policy objectives associated with jobs growth and the development of a knowledge economy. Many recipients reported positive feedback from overseas, with regard to the ACT developing a name for its support of technology initiatives.

There was overwhelming positive feedback given about the Knowledge Fund by the recipients who had originally been nothing more than fledgling start-ups with good ideas. Many stated that their current success is fully attributable to the ACT Government and argued that the continuation of the Knowledge Fund was critical to the future success of the local economy.

There are a few issues raised in this report about the assessment processes to allocate funds. These suggest how some of the decision points and framework could be changed to eliminate any ambiguities and improve the processes. The recommendations also raise questions that BusinessACT need to further assess internally, before future funding occurs.

1.4 Recommendations

1. The assessment process must endeavour to identify other possible sources of funding available to applicants.
2. BusinessACT must better understand the scale of funds required to progress the project to a point of commercialisation. For example, if a project needs $2m funding, but the grant will only provide $50k, there is a need to understand how they plan to fund the balance.
3. BusinessACT must strengthen the process of assessing the commercial merit of technical projects.
4. Businesses should be required to prepare a risk analysis matrix of some form. This should form a part of a template business plan describing strengths/weaknesses /opportunities/threats etc.

5. BusinessACT must clarify the definitions assigned to each of the categories of funding in the Knowledge Fund. A fourth category of grant funding to reflect 'pre commercialisation, but post proof of concept' should be considered.
6. BusinessACT needs to make a clear policy decision about the appropriateness of funding early stage research.
7. The assessment process must strictly require applicants to respond to all questions of the application form.
8. The 'jobs creation' question should be revised to encourage more evidence and details about anticipated jobs growth.
9. The quality control processes around final assessment of applications must be reviewed and quality standards implemented to ensure that application evaluations are appropriately assigned.
10. Applicants should be required to do a presentation prior to final approval of funding being granted.
11. BusinessACT must clearly describe the policy decision about the basis for distributing grants.
12. BusinessACT must review the appropriateness of the level of funding to organisations.
13. Applicants should be able to demonstrate in more detail, evidence that they have, or will acquire the commercial acumen to take their project through to commercialisation.
14. BusinessACT should support businesses selling their products to the Government.
15. BusinessACT should consider revising contracts with recipients to include the requirement to provide current profit & loss statements and balance sheets after the completion of the project (eg two years).
16. Businesses need more guidance as to the reasonableness of their timing expectations before they are funded.
17. BusinessACT should consider revising contracts with recipients to include a requirement to prepare a current business plan detailing intended actions and timeframes to commercialisation, and attend an interview after a nominated period of time, say two years.

2 Scope of Review

This review has been mindful that BusinessACT is constantly seeking opportunities to improve its business assistance programs. While one of the key drivers in this review has been to assess the status of grant recipients over time, the review has been framed to ensure that appropriate feedback is delivered in the form of recommendations to change practices where appropriate.

Given the focus of this review has been primarily on outcomes, only successful Knowledge Fund applicants were included as part of the testing population.

As part of the review process a template was designed to ensure that a number of issues could be covered during interviews. These were categorised into a number of broad headings, which are reflected by the headings in this report. These include:

- Identifying how much of a difference the Knowledge Fund actually made to each organisation
- Identifying the outcomes that have been achieved. This included reviewing:
    - capability development;
    - relationships/alliances/partnerships that have been created;
    - any further grants/investment that has been sought; and
    - how the project has evolved since the grant, including current and future growth.
- The current activities being undertaken to move towards commercialisation, greater revenues, industry growth;
- The future of the project;
- Learning lessons since the grant;
- Support that fund recipients might find useful; and
- Current and likely future benefits to the ACT.

2.1 Review Methodology

Given that only successful applicants were to be included in the testing this year, all fund recipients were surveyed. That is 100% of the population. The complete list of successful applicants was provided to Acumen by BusinessACT.

To improve the response rate of the survey an electronic survey was used to create data collection efficiencies and avoid problems associated with contacting recipients.

The activities of the review included:

1. Communication to recipients about the review and specifically the on-line survey and face-to-face interviews.
2. Email contact of on-line survey details to each fund recipient.
3. Collation and analysis of survey data.
4. Face-to-face interviews with fund recipients.
5. Collection and analysis of interview content with survey data.
6. Identification of broad findings and recommendations.
7. Preparation of final report.

Overall numbers of grants in rounds 1 to 5 (2002 to 2004):

I. **Surveyed 93 (100% of population)**

The response to the surveys was excellent. Majority of applicants were happy to express views in reference to all aspects of the survey. The overall response rate was 73%.

II. **Interviewed face-to-face 40**

The face-to-face interviews were selected either because:

- they were nominated by BusinessACT, or
- because Acumen identified that they had received a substantial grant, multiple grants, or the review of their applications had raised some questions.

The application files for all recipients interviewed were reviewed in detail.

Those applicants interviewed were asked to provide:

- Their most current Profit & Loss Statement and Balance Sheet relating to the project.
- Any business plans / marketing plans
- Any promotional material used to market the product
- Any press releases / media coverage
- Any other documentation to support that the project is moving ahead.

2.2 Use of Survey & Interview Data

The survey was performed before interviews, so that the interviews could be used to validate the survey results. Generally the quality of information gathered during the interviews was of a much higher standard that the survey, as such this report focuses more on the qualitative information reported during interviews.

During the interviews there was a greater emphasis on trying to identify opportunities to improve the program. As such, the survey data on the whole looks very positive, while the interviews raised possible issues that need to be considered by BusinessACT. As such the interviews regulate the data collected from the surveys.

3 Findings & Recommendations

3.1 The assessment process

Broad Comments

On a number of occasions BusinessACT have indicated that continuous improvement of their Knowledge Fund program is important. The challenge is to identify how the application process can be improved to ensure that the quality of funding assessments remains high. There has always been a difficult balance between making sure enough information is collected from applicants, while not creating an unreasonable cost for applicants, both in terms of time and resources. The majority of applicants agreed that the application process is currently straight forward.

The desire to simplify the processes associated with the grant application must be balanced against the risk of incorrectly allocating monies. That is, further simplification may mean crucial information is not collected from recipients. The recommendations suggest some modifications need to be made to the current forms to make them more rigorous. Simplifying these forms to reduce the content required by applicants could cloud issues, enabling less deserving applicants to slip through.

A small number of businesses were not able to be contacted for interviews. In some cases multiple messages were left and/or letters sent. This indicates a weakness in the accountability that BusinessACT requires of applicants after the final milestones have been met and the monies paid.

1. Recommendation: The assessment process must endeavour to identify other possible sources of funding available to applicants.

Potential Risk

BusinessACT may inequitably fund projects that meet the broad fund objectives, but do not align with the full policy intent. Funding such projects may divert funds away from businesses that rely on this grant to commence, or continue their projects.

Discussion & Background

A small number of recipients interviewed felt that they could have proceeded without the Knowledge Fund grant and had varying reasons for applying for funding:

1. Some applicants suggested that the Knowledge Fund was their first point of call because it was the easier to get money from the Government than going elsewhere.
2. It was also reported that some recipients could have funded the project from elsewhere, but wanted the credibility that came with the Government Funding.
3. Some saw the Knowledge Fund as a means to 'top up' existing funding where there may have been a shortfall.
4. A number of organisations reported that the Government grant forced them to improve internal processes and procedures and gave them a sense of accountability.

A more detailed discussion needs to occur between BusinessACT and AusIndustry. There were a few organisations that had received over $1m in funding from AusIndustry who had also been recipients of the Knowledge Fund. While the rigour and purpose of the two funds might be quite distinct, it does not appear to be discouraging some organisations from using it as a 'top up' fund, or to get around the limitations that AusIndustry places on the use of their funds.

BusinessACT must clearly articulate the intention of the Knowledge Fund grant from an equity perspective. This should translate into more vigorous assessments of applications to include consideration of:

- specific circumstances of organisations;
- financial circumstances of organisations; and
- the current internal and management structure of the applicant.

2. Recommendation: BusinessACT must better understand the scale of funds required to progress the project to a point of commercialisation. For example, if a project needs $2m funding, but the grant will only provide $50k, there is a need to understand how they plan to fund the balance.

Potential Risk

BusinessACT may support projects that ultimately fail because recipients have not developed sufficient plans to continue funding the project.

Discussion & Background

There were a number of applicants that would not have been able to commence their projects without the assistance provided by BusinessACT. Some of these organisations that are developing technologies and scientific applications requiring much larger sums of money are faced with the dilemma of finding further funding or risking project termination. There were three primary sources of further funding described by recipients during interviews. These included:

1. Venture capitalists
2. Private investors
3. AusIndustry (for technology related projects) / Australian Research Council (for science based projects)

In general recipients are resistant to working with venture capitalists. Particularly small organisations who are working solely on their nominated project do not want to share future interests with venture capitalists who have not contributed to the project development. A small number of micro businesses suggested if they could not progress on their own, they would rather fail than give away substantial equity to the venture capitalists. It was even suggested at one interview that venture capitalists take advantage of the more naïve businesses who do not understand the terms to which they are agreeing.

Private investors only seem to be a possibility to a small number of Knowledge Fund recipients. It was described that most private investors are only interested in products that are already fully proven and successfully marketed.

AusIndustry was mentioned by a large number of interviewees as a possible source of further funding. The process of applying for this source of funding however was also described as time intensive and onerous. In some cases funding taking many months to come through and requires significant resources from the applicant to prepare the application and respond to requests for further information.

The Australian Research Council (ARC) is accepted as a primary source of further funding for science based projects. For example, in some cases ANU has used the Knowledge Funds to get through an initial phase of research, knowing that to continue they would need grants from the ARC or alike. In the event that they can not get this, projects may be terminated by the university. Like AusIndustry, ARC grants are difficult to win and rely on the research being well developed before qualifying.

This suggests that BusinessACT might identify a mechanism to work more closely with organisations like AusIndustry and the Australian Research Council to ensure the most equitable distribution of funds.

Funding aside, the probability of project success commercially is subject to many variables, but can be broadly assessed. Then add to this the risk that the project may not receive further funding to complete it, reduces the initial probability even further. These risks must be considered by BusinessACT during the assessment process.

This is not to say that recipients must have already secured the funds, but they need to demonstrate that they have a plan to raise the monies. The questions in the application need to investigate this issue more fully.

3. Recommendation: BusinessACT must strengthen the process of assessing the commercial merit of technical projects.

Potential Risk

BusinessACT could fund projects that have no likely commercial application and are simply research projects.

Discussion & Background

It is possible to improve the accuracy of decision making and consequently outcomes for the ACT economy by refining the process of technically assessing the commercial potential of projects.

It is not difficult to assess the relevant merit of projects funded with the benefit of hindsight, and when the relative market acceptance can be easily gauged. However at the time that applications are received this assessment is often very difficult. In addition, the language used to describe the market potential of the project is very loosely worded in these applications.

There is no suggestion that any funds granted have gone towards projects that were not technically sound. However in a small number of cases, the issue of whether that technology or science has a sound commercial application is questionable. These projects were unable to provide evidence that their projects were likely to have a commercial application in the foreseeable future.

It could be argued that the cost of requiring all short-listed applications be assessed by at least one independent expert is high. It would add an additional layer to an already detailed assessment process and in some cases might increase the time taken to assess applications. On the flip side however, the cost of funding a project that may never be a commercial success could be argued as being higher.

In some cases, it was difficult to understand how the more technical applications were assessed. There are no file notes to suggest that any of these were assessed by an expert. Some of these applications make, sweeping claims as to not only market and revenue potential, but also the time associated with commercialisation. One client admitted that there was never any intention to complete a proof of concept phase within ten yrs.

It was noted by one recipient, that while BusinessACT Client Managers have well-rounded skills, they sometimes lack the hard edged commercial savvy that should be present in these types of business assessments. They went on to suggest that the PR and vetting responsibilities should be separated.

A number of recipients suggested that it would not be difficult to engage an expert on a volunteer basis to provide a professional judgement. Clearly some of the ideas presented are complex science or technology projects, where it could not be expected that a Client Manager would understand the commercial feasibility of the project.

All applications that BusinessACT intend to fund should be assessed by an expert (working in a similar or related industry). As part of this endeavour, BusinessACT should attempt to start building a network of contacts within different science and technology fields. Links into other Government Agencies and bodies such as CSIRO and DCITA, AusIndustry, Australian Research Council could be useful.

From an audit trail perspective, it is important that client files clearly explain how the technology/science behind an application has been assessed.

4. Recommendation: Businesses should be required to prepare a risk analysis matrix of some form. This should form a part of a template business plan describing strengths/weaknesses /opportunities/threats etc.

Potential Risk

BusinessACT may fund projects that fail because although based on sound technological or scientific ideas, the projects fail due to a lack of understanding the market environment and business planning.

Discussion & Background

It was clear in speaking to many of the applicants that they did not have a strong grasp of business fundamentals. For example, their initial estimates were grossly misstated (expenditure underestimated and revenues overestimated). In some cases, some unexpected industry changes had significantly impacted on the viability of their entire project.

Some applicants also appeared to demonstrate a naivety in respect of the commercial realities they would face over the course of their projects. For example, when asked whether they felt they had commenced their project with sufficient commercial experience, most would respond affirmatively, despite evidence to the contrary. The bulk of applicants had not participated in the C2C program, and/or did not think any such program would have benefited them.

Requiring applicants to submit a comprehensive business plan when applying for a grant would highlight those applicants who might have innovative products, but who lack the skills required to commercialise the project. Accordingly, more emphasis should be given to examining the backgrounds of key staff in the initial application phase; not only in regard to their relevant technical experience, but also commercial experience. In the event that an applicant can not demonstrate that commercial skills are within the project team, they should be required to explain where these skills will be sourced. It is suggested that this claim should then be checked during the application process and then again after a period of time.

In addition, BusinessACT should also consider making participation in the C2C course mandatory for those organisations that need these skills. It is acknowledged that the cost of providing this training is an issue which would need to be considered.

5. Recommendation: BusinessACT must clarify the definitions assigned to each of the categories of funding in the Knowledge Fund. A fourth category of grant funding to reflect 'pre commercialisation, but post proof of concept' should be considered.

Potential Risk

Projects might receive the wrong type of funding and later be excluded from reapplying. This could jeopardise the continuation of a viable project.

Discussion & Background

A number of recipients interviewed had projects that were beyond proof of concept, but still required significant development before they would be ready for commercialisation. Some felt they were now faced with the dilemma of finding the funds to actively market their product/technology.

In these cases, some applicants were confused about whether or not they should have applied for a commercialisation grant or a proof of concept. They had applied for a commercialisation grant, but spent much of the funding getting the product ready for commercialisation. That is, the concept was either only partially proven, or not in a form that was ready to take to market. These organisations suggested that the commercialisation grant was not an appropriate classification.

One of the implications is that if applications inadvertently applied for commercialisation (either because they made a mistake, or a Client Manager misunderstood the application and advised them to apply for it), it means they cannot later apply for further commercialisation funding, even if at that point they really are ready to take it to market.

6. Recommendation: BusinessACT needs to make a clear policy decision about the appropriateness of funding early stage research.

Potential Risk

Funding early stage research that has a slim chance of eventual commercialisation may divert funds away from other projects whose timeframe to commercialisation is much shorter. Such funding may also conflict with the intent of the policy.

Discussion & Background

Many of the proof of concept applications provided no indication of how long it would take them to get to commercialisation. The application forms should be redesigned to require applicants to outline the timeframe, even in broad terms.

In addition, at the end of some defined period (eg. two years after being funded), all recipients should be required to reassess the expected timeframe associated with reaching commercialisation.

Specifically, it appears many of the ANU applications are proof of concept. On their applications, there is no indication of how long they expect the proof of concept to take. In one interview, ANU indicated that a pharmaceutical product would take at least ten years to complete the R&D phase prior to taking the product to market. It should be noted when any project cites a pharmaceutical company as the primary target client. ANU scientists acknowledge that the percentage of projects actually taken up by a pharmaceutical is miniscule.

While ANU argues that they need proof of concept funding, BusinessACT must determine whether funding this type of 'research' is appropriate, given that the probability of commercialisation is low. In some cases, another organisation closer to commercialisation, to whom the funding is critical, might be overlooked.

7. Recommendation: The assessment process must strictly require applicants to respond to all questions of the application form.

Potential Risk

Where applicants do not answer all questions in full, an application is unable to be assessed against all of the required criteria and the project may be inappropriately funded.

Discussion & Background

While some applicants indicated that they gave incomplete answers to some questions because they thought the questions were not relevant, it is the responsibility of the Client Manager to require a response. In many instances Acumen noted that questions had been answered in a way which did not address the question. No follow up by the Client Manager was noted on the file. In some cases, blank responses appear to have been accepted. While the Client Manager may have requested further information during a telephone call, in some cases this had not been documented on these files and as such, creates a weak audit trail for decisions.

While this might not be a serious issue for some of the background questions, BusinessACT must determine which questions are mandatory for assessment purposes and therefore must be answered comprehensively.

Illustration – Market potential question

An example of this issue is the application question requesting applicants to describe the market potential. Despite all the sub parts contained in this question, in many instances it was noted that applicants had ignored these and simply 'waffled', or avoided answering them.

In addition, applicants often answered questions by describing the market spend within a broader area. For example, instead of answering 'what is the market potential of the x product/technology', they answered the questions, by discussing the global market spend of consumers in y industry'. In many cases no reference was made to the actual expected market potential of their product/technology.

Most of the application questions are crucial to understanding the viability of the project. The application instructions must more rigorously state the importance of answering questions specifically and in full. In the event that questions are not answered properly, the applications should be returned to applicants to complete. This would save time for the Client Manager having to chase the applicants, and also ensures that the final application that is kept on file is accurate, complete and auditable.

Some applications made claims about 'significant market demand' for their proposed product. It is unclear how much research has been done to make claims about market potential, with little or no evidence to support it.

8. Recommendation: The 'jobs creation' question should be revised to encourage more evidence and details about anticipated jobs growth.

Potential Risk

The current format of the jobs questions might encourage superficial responses. These projects may be given a more favourable rating and may contribute to the project being inappropriately funded.

Discussion & Background

Clearly the Government policy objective of jobs creation must be reflected in the questions asked in the application. However the current application does not ask applicants to address this in sufficient detail. In its current form, the question is difficult for some organisations to answer, especially where the outcomes of the project are dependant on so many variables, or over a long time frame.

It was also clear that some applicants gave flippant responses to questions asked about the potential generation of jobs. For example, indicating that a large number of jobs would be created, but not saying how, or for what.

This question should encourage more detail on what jobs will be created, over what time frame, where etc. The application should be asking about jobs in five years time, not just this year and next.

9. Recommendation: The quality control processes around final assessment of applications must be reviewed and quality standards implemented to ensure that application evaluations are appropriately assigned.

Potential Risk

Projects that should not be funded may slip through. Also, any unsuccessful project applicant that decides to challenge the process may undermine the validity of the assessment process.

Discussion & Background

On a number of applications it was noted that low to medium ratings were given against a number of the criteria, but then the overall application was rated a high. The reasons for the high rating, despite the component lower ratings, was not documented on file. This highlights a potential weakness in the assessment process.

The assessment forms used by Client Managers form a key part of the audit trail associated with funds granted. As such, care should be taken to ensure that they are properly completed and kept in strict accordance with quality standards prescribed by BusinessACT.

In general, assessment forms were often handwritten, and sometimes difficult to read. While it appropriate processes were probably adhered to, these must be clearly reflected in the standard of the file notes and assessment forms. The justifications for granting funds to certain applications are currently difficult to validate.

10. Recommendation: Applicants should be required to do a presentation prior to final approval of funding being granted.

Potential Risk

Without the face-to-face communication, relevant project details may not be properly conveyed, resulting in decisions being based on incomplete information.

Discussion & Background

To ensure that assessors obtain a thorough understanding of a project technology/science, and the associated plans for commercialisation, it is recommended that presentations by the short-listed applicants be required.

It was clear that there was a considerable difference in the information many applicants provide between their written application and their face-to-face interview. When given the opportunity to present face-to-face, many applicants provided much more transparent and detailed information than was provided in their application. It is expected that a number of issues could be raised and resolved during project presentations, which cannot be investigated via the written application.

3.2 How much of a difference did the Knowledge Fund make?

Broad findings

One of the primary issues examined during this review, was the degree to which BusinessACT allocate funds in alignment with their policy objectives and intent of the Knowledge Fund as well as the overall policy objectives of the ACT Government.

The Economic White Paper for the Australian Capital Territory, launched on 3 December 2003 provided an outline of the economic and industry policy framework to achieve sustainable growth and development within the ACT. It emphasised the idea of building from within, looking to the organisations, industries and institutions that have already committed to the ACT and working with them to grow and develop the ACT economy.

From reviewing the policy objectives and intent of the Knowledge Fund it is apparent that they fit clearly with the intent and direction of the White Paper. Further, based on discussions with BusinessACT staff, the Knowledge Fund is a very important component of the ACT Government's vision of a thriving and globally competitive knowledge-based economy. Such an economy is based on the production, distribution, and use of knowledge to create competitive advantage across all industry sectors.

One of the primary issues examined during this review, was the degree to which BusinessACT allocate funds in alignment with their policy objectives and intent of the Knowledge Fund. The greatest challenge for the BusinessACT Client Managers is distinguishing those applicants who really merit the funds, from those who do not.

During this review there were a number of intangible benefits reported by recipients. Some of those reported include:

- It was the respect it created within the business community that mattered. The amount of the Knowledge Fund made no difference to the organisation.
- Forced the project team to implement some business disciplines.
- Eliminated any internal indecision about pursuing/continuing the project.
- Created a high degree of credibility, since they were now being viewed as a worthy project that the Government were prepared to invest in.
- Getting the grant assisted in cutting through bureaucracy elsewhere.

11. Recommendation – BusinessACT must clearly describe the policy decision about the basis for distributing grant.

Potential Risk

The absence of detailed guidance for Client Managers means that a number of potentially unsuitable applicants may be receiving funding.

Discussion & Background

A key consideration for BusinessACT involves defining what the characteristics of an appropriate recipient are. This in itself is a complex issue and goes to the heart of the assessment criteria set out by BusinessACT. This is an issue that needs to be more fully examined within the organisation.

It is difficult to assess to what degree equity issues have been considered in the early rounds of Knowledge Grant funding. Many organisations fit the selection criteria as it currently stands; the issue is whether they meet the social agenda of BusinessACT.

There are a whole range of questions that BusinessACT should consider in the context of developing further guidance to the assessment process. Examples include:

- Should an applicant be granted funding if they are already sufficiently financially viable and simply get the money because they meet the current criteria?
- Do BusinessACT want to focus on funding micro businesses/organisations that would otherwise fail because they are unable to get alternative funding?
- Would larger, established organisations have a higher probability of being successful with grants because they have already demonstrated business skills required?
- Does BusinessACT want to fund businesses that are already getting large sums of money from elsewhere including AusIndustry, or overseas private investors?
- Should funds go to businesses who might be able to fund projects themselves over time, and whose only driver for applying for this program is to accelerate the process of reaching commercialisation?
- Do BusinessACT want to fund projects that would otherwise not continue because applicants do not want to carry the risk of the project themselves

All applicants interviewed were asked whether their businesses would have continued or commenced, had they been unsuccessful in securing the Knowledge Fund grant. Most indicated that they would not have continued without the support of BusinessACT. Prior to receiving the Knowledge fund majority of applicants were operating out of makeshift premises, or at home.

A small number of applicants openly admitted that they would not have continued without the grant because although their organisations were financially viable, they did not want to bear the risk of project failure. These organisations indicated that they wouldn't have bothered to continue with the project because it would have meant taking staff & resources 'off-line' to continue it. This was seen as a risk that they did not want to take.

These businesses continued to develop projects when they realised that the Government were prepared to bear that risk for them. They were successful in a securing a grant because they were able to meet the current guidelines.

Another group of applicants indicated that their project may have gone ahead without the funding, but the fund was simply a 'top up'. Some recipients had documented that high staff salaries (often upwards of $150k) would be funded by the organisations themselves. This along with other evidence indicates that these organisations were not short of funds and raises the question of whether they should be eligible for the Knowledge Fund grants.

If BusinessACT deems that the financial status of an organisation is irrelevant to the grants approved, then this may have an impact on:

- The number of new businesses generated in the ACT;
- The public perception of BusinessACT as being a 'top up' fund;
- BusinessACT carrying the risk for many existing businesses; and
- Funds are diverted from small start-up businesses who might ultimately fail without the money.

It should be noted however, that not all recipients that were established businesses fall into this category. Some were floundering and the funding made the difference between bankruptcy and remaining a going concern.

If BusinessACT decides that they do want to assess these issues as a basis for determining Knowledge Fund eligibility, they will need to perform a more thorough assessment of each applicant's current financial stability. The current application does not seek proof of financials, nor does it probe very deeply into the financial figures presented in applications. It would also be useful to ask a question in the application to describe in detail the history of the organisation/group. This might include reflecting prior profit levels, cash reserves etc.

12. Recommendation: BusinessACT must review the appropriateness of the level of funding to organisations

Potential Risk

Funding a large number of projects with small sums of money reduces the probability of project success because they might not receive enough funding to complete the project, and thereby undermines the policy objective of the Knowledge Fund.

Discussion & Background

A number of recipients interviewed argued that BusinessACT appears to have a 'scatter gun' approach to funding projects. That is providing small amounts of funding to a large number of projects, but with a loss of potential impact.

What BusinessACT must consider whether it would be better to distribute larger grants to fewer applicants who have a greater probability of success, or smaller grants to more applicants. This should be paired with the consideration that larger organisations generally have big projects that require significant funding, versus smaller organisations that only require a kick-start to achieve success.

The risk that BusinessACT would face if it were to begin providing larger sums to fewer applicants is that it will attract established organisations to apply, and smaller start-ups with the potential to develop highly innovative products/technology may miss out.

In addition, BusinessACT must consider that the policy objectives might begin to overlap more strongly with those of organisations such as AusIndustry. In some senses they may be seen as alternative or competing grant schemes. The grant program would also attract larger organisations that might otherwise only apply for AusIndustry Grants. This again may divert funding away from true start-up businesses with better innovative projects.

This recommendations relates strongly to the recommendation2, in the section under the Assessment heading; if BusinessACT knew that a project was going to require substantially more funds than they were giving, what was the likelihood of funds being found elsewhere to continue the project?.

13. Recommendation: Applicants should be able to demonstrate in more detail, evidence that they have, or will acquire the commercial acumen to take their project through to commercialisation.

Potential Risk

While most applicants have no shortage of technical skill and innovative ideas, those projects that lack commercial skills are likely to fail as commercial ventures.

Discussion & Background

A number of fund recipients interviewed admitted that at the preliminary project stages, they did not have the appropriate or relevant business skill needed to carry their project through to commercialisation.

Other recipients claimed to have appropriate commercial and business skills, yet evidence of poor decision making since project inception exists. For instance, virtually no market research had been conducted, despite the fact that the product was complete, or close to completion.

Several recipients stated that the primary impact of the Knowledge Fund was that it:

- Forced the organisation to look at becoming more commercially focused – many admitted to not having a commercial focus before they received the Knowledge Fund grant.
- Forced the organisation to conduct market research to test the viability of their product – indicating that this had not been properly explored prior to applying for the Knowledge Fund

Several organisations interviewed stated that the monies received were not all that important, and that the above impacts were more crucial.

Some of the smaller recipient organisations demonstrated good commercial skills when they encountered problems during the proof of concept phase. These businesses were able to change the focus and commercial application of their technology in order to create an alternative product to take to market. That is, these businesses are now marketing a different product to that which was described in their original application, they achieved outcomes because they adapted to the changing circumstances of their product niche and industry.

One interesting finding was that a small number of organisations admitted that if the demand for their products were to grow too high, they would not be able to cope with demand. In other words, their operations were not scalable. Some of these had not even considered the possibility that there might be high demand for their product. This further indicates a lack of business/contingency planning.

Some recipients indicated that they would have liked to do the Bridge Program, but found the cost restrictive.

3.3 What outcomes have been achieved?

Broad findings

The difficulty in responding to the question within the survey about whether or not recipients felt their project had been successful is that the definition of success has different meanings to different organisations.

Generally, all recipients interviewed argued that they had achieved successful outcomes to date. Many recipients however seem to confuse outcomes with tasks completed. Many spoke of 'potential outcomes'. They discussed these as relying on a number of other pending factors occurring.

Success according to the objectives of the Knowledge Fund would include:

- The commercial application of research and development, which has a significant social benefit.
- Generation of revenue as a result of the commercial application of the research and development.
- Creation of new jobs within the ACT.
- Development of relationships between organisations and institutions that contribute to the growth of the ACT as a knowledge economy.

While many organisations are yet to realise the benefits of their technology/product, there was a lot of positive feedback about the potential jobs that could be created over the next few years if the projects are successful within their commercial markets. In some cases, organisations spoke of employing another one-two employees, while others spoke of employing up to 30 people in the ACT to support operations.

Relationships generated

It was evident that almost all organisations interviewed had developed some key relationships both within and outside the ACT. In some instances these were in the form of Memorandums of Understanding (MOU's), contracts used to describe a formal arrangement, or simply informal agreements about the supply of goods.

Many of the larger scale projects admit to relying heavily on alliances with large multi-nationals to leverage their projects into their intended market. Reasons cited for forming alliances with larger organisations include:

- Needing the leverage to distribute their product.
- Needing access to the client base of the multi-national.
- Providing the necessary financial support.
- Making use of infrastructure that would otherwise be expensive to set up from scratch.

In forming these alliances, some organisations have compromised the potential revenue they might earn and instead licensed their products to the larger companies to label as their own.

There were a small number of applicants who appeared to take pride in the fact that they had not relied on any other local businesses for support, nor did they intend to generate relationships locally.

Tangible Outcomes

A number of recipient organisations that had recently completed their commercialisation phase, reported income now being generated from the sale of their product/technology. Others reported sales contracts that were in place. A large proportion of recipients interviewed expected closure on some sales contract within the next 6 months both locally and overseas.

In addition, some organisations that had received substantial funding had increased their job positions head count, and certainly attributed the increase in jobs to the initial grant 'getting them started' and putting them in a position to apply for additional grants/funding.

A number of organisations reported an average increase in jobs of between 3-5 full time equivalents. A larger number of businesses indicated that a significant number of contractor positions had been created, while many technical projects described that many highly qualified graduates had been attracted to Canberra because of the technology being developed.

According to the survey results the following tangible data was reported:

	From the survey sample	Extrapolated over population
Number of jobs generated as a result of the assistance from the grant [1]	175.5	240

Regardless of whether the policy objective was to create permanent, contract, or part-time positions, the Knowledge Fund has clearly been successful at generating employment within the ACT.

Intangible outcomes

Many other outcomes have already been described and include:

- Helped resolve internal disputes about the direction of the organisation;
- Assisted in altering external perception of their organisation;
- Have developed a reputation for Canberra being a leader in technological & scientific development;
- Gave the projects the necessary start to secure additional substantial funding;
- Provided an access to form alliances with larger multi-nationals who can drive and support product development; and

[1] This number must be qualified since it was evident from the survey comment and interviews conducted that the reported numbers of staff employed included part time, contract, temporary and casual labour.

- Provided credibility for marketing their projects.

14. Recommendation: BusinessACT should support businesses selling their products to the Government.

Potential Risk

Those businesses whose survival relies solely on Government sales, may risk project failure if they do not overcome some of the problems associated with large Government contracts.

Discussion & Background

Many recipients complained that the lack of Government support for their product has resulted in poor outcomes for their project. The success of a number of organisations hinges on winning a single contract with a large organisation such as Government. These recipients stated that they saw the Knowledge Fund as a dichotomy, where the Government was supporting their project by giving them the funds to start their projects, but then refusing to purchase it from them once they had been proved.

Some interviewees stated that Government departments and agencies were happy to acknowledge that the technology developed was world-class and often competitively priced. They went on to state that they are struggling to get a foothold in the market because the Government perceives it would be too risky to go with a small Canberra based organisation. Other grant recipients complained that they were not even given the opportunity to bid for work within Government.

The key obstacles faced by most of these organisations are:

1. demonstrating that they are able to provide the necessary product support and infrastructure;
2. demonstrating scalability of the product / product reliability; and
3. overcoming the issue of having live reference sites.

The other primary issue experienced by these fund recipients is the length of the Government sales cycle. The 'waiting game' seems standard practice for products that are targeting niche markets and traditionally Government sales cycles are very slow. Often for these organisations a single sale can create the difference between success and failure.

Some organisations indicated that network support and leads within Government offices, would be more valuable that the Knowledge Fund grant itself. One possibility for BusinessACT is the provision of formal support in the form of introductions to key officials in other Government Departments, or opportunities to network with Government officials.

The Building Innovative Business scheme currently being developed by BusnessACT could also be designed to provide support specifically to those seeking business opportunities within Government.

15. Recommendation: BusinessACT should consider revising contracts with recipients to include the requirement to provide current profit & loss statements and balance sheets after the completion of the project (eg two years).

Potential Risk
BusinessACT may not identify the projects that are floundering or likely to fail in time to provide any support.

Discussion & Background
All applicants interviewed were asked to provide copies of their Profit & Loss Statement and Balance Sheet. A small number of applicants seemed reluctant to provide any kind of financial paperwork to support claims being made about their project success. There were some claims of commercial sensitivity.

Documents that give a snapshot of the financial viability of an organisation are a key tool that BusinessACT can use to collectively assess the success of the program. A decision must be made as to whether this information should be required and that decision reflected accordingly in the recipient agreements.

Acumen is aware of at least one project that has failed. The contact for this organisation refused to respond to requests for interviews, or submit a survey response. All of the projects that BusinessACT invest in, like any business ventures, have a risk of failure. The fact that this review only uncovered one should be noted as a good outcome for BsuinessACT.

16. Recommendation: Businesses need more guidance as to the reasonableness of their timing expectations before they are funded.

Potential Risk
Applicants may request a level of funding that reflects their expectations of completing the particular phase they are in. If this expectation is grossly underestimated, this may result in project failure, where resources are exhausted early in the phase.

Discussion & Background
A number of recipient organisations reported unexpected delays in their projects due to a number of unforseen circumstances. A number of businesses who lacked commercial skills, suggested that additional feedback from BusinessACT at the time of their application would have provided critical guidance and acted as a reality check.

If BusinessACT do engage an expert to assess applications, one aspect of their review could be to assess the timing expectations that applicants have to complete the particular phase of their project.

This could be particularly relevant to those businesses who intend to market their products to Government and underestimate the length of the sales cycle associated with Government contracts.

3.4 Current activities being undertaken towards commercialisation

Broad findings

Regardless of the status of each project it would appear that the majority of applicants are attempting to actively market their products to some degree. Active marketing varied from organised, well thought out planning, to making the odd phone call, attending related industry conferences overseas, etc.

Common activities being undertaken in this area include:

- Building networks
- Production of marketing collateral
- Press releases and media coverage where possible

It was apparent however that small a number of applicants were floundering in this area.

Many recipients indicated that while they would have liked to protect their intellectual property with patents, often the cost of doing to was too high. Also, in the event that they were challenged on a patent, the legal costs associated with defending it, would be too high.

17. Recommendation: BusinessACT should consider revising contracts with recipients to include a requirement to prepare a current business plan detailing intended actions and timeframes to commercialisation, and attend an interview after a nominated period of time, say two years.

Potential Risk

BusinessACT may not identify the projects that are floundering or that are likely to fail.

Discussion & Background

During interviews, the primary document many applicants used to reflect that they had a strong understanding of how to move their project forward was a current business plan.

A number of recipients interviewed struggled to answer in clear terms how they were currently marketing their product, possible barriers to success, or what actions they were undertaking to move towards commercialisation. This reflects a lack of planning and understanding of how to make the transition from an innovative product to a commercial venture.

Some of these recipients were unable to provide evidence that their team had the necessary business skills, industry knowledge or commercial acumen, to contribute to the project success. Surprisingly, many of these recipients went on to suggest that they did have the relevant commercial experience and did not see any need for further training.

Some recipients had ambitious and potentially unrealistic expectations of the future success of their product, yet were still grappling with

- how to assess the potential market,
- how to price their product/technology,
- how they might distribute and market their products.

As such two key components of these business plans should include are:

1. a references to their current/intended marketing strategy; and
2. an assessment of the potential risks and barriers faced by their projects.

Some recipients stated that they were aware that marketing was the key weakness for the organisation and had engaged external consultants and marketers to assist them. A couple of recipients had organised for marketing students at Canberra University to do some market research for them for free.

There is no suggestion that the reporting requirements for Knowledge Fund recipients be made onerous or too stringent. However, if the project was still viable and properly run, then these documents should have been prepared anyway.

As mentioned above, a number of clients were asked how they might manage if the demand for their product was much higher than expected. More than one recipient suggested they would not cope with anything than a slow build up in demand. Again, this reflects a lack of proper business planning

Possible ways to structure this:

1. Require applicants to prepare plans using a template pro-forma.
2. Require applicants to utilise the skills from a nominated business plan specialist. A panel could be prepared by BusinessACT and could use bargaining power to negotiate a competitive rate for the relevant services.
3. Integrate the business planning requirement with the Building Innovative Business program.

3.5 What does the future look like

Broad findings

For many recipient organisations their projects are an 'all or nothing' proposition. Meaning, unless there they make their first sale, they are unlikely to make any revenue, whereas if they sell one they are likely to make millions.

A small number of recipients interviewed demonstrated a very narrow approach to commercialisation of their project. Often the commercial skills of the organisation seem to be limiting the possible future outcomes. In many cases there appear to be no marketing plan, no utilisation/employment of sales skills, no business plans etc.

As described earlier, a number of applicants had difficulty describing the intended actions to take the project to a commercial stage, or grow revenues. In contrast, many applicants had a very strong vision of the future. While in some cases this appeared to be overly optimistic, this indicated a clear understanding of the commercial applications and benefits of their technology/product. Again the missing link is an understanding of how to get the project from its current state to that of the vision.

One fund recipient stated that they knew their projections had been optimistic and wished that BusinessACT had been able to give them some advice and feedback at the time of their application.

3.6 Lessons Learned & General Feedback

Broad findings

With the exception of one recipient, there was agreement that the Knowledge Fund program was well run. It was acknowledged that BusinessACT has worked hard to continuously improve the process of applying and providing ongoing support. Many of the bureaucratic, or red tape aspects closely associated with applying for similar AusIndustry, or ARC grants, are not present with the Knowledge Fund.

All organisations were asked about what additional services and support they might find helpful in working on their projects. Many suggested that a Building Innovative Business program would be highly valuable. A smaller group also commented that for mentoring to be useful it needed to be run by people who had relevant industry knowledge. There were some recipients that had already had some contact with 'mentors' through their own networks, but often found they were driven by ulterior motives.

There was good feedback about the commercialisation program and the networking functions run by ACT Government. A small number of recipients complained that consultants often turn up to these events hoping to help spend their money for a fee. Similarly, they noted that venture capitalists often turn up to the seminars to take advantage of recipients and that these people should not be allowed to attend.

Commonly described learning lessons included:

- Having underestimated the acceptance by the market.
- Never underestimate the length of the sales cycle.
- It is difficult to break into the Government market without support from a larger organisation.
- A lot of money was spent too quickly after the grant was received. Proper budgets should have been prepared.
- Things always cost more than you expect.
- More market research would have been invaluable.
- Until you get one client it is difficult to move forward and win more. Nobody wants to be the 'first cab off the rank'.
- Realise that although the project team started with some commercial experience, it was not relevant, or sufficient for their project.

3.7 Benefits to the ACT?

Broad findings

The benefits of this program to the ACT have clearly been substantial. They include:

- A number of employment opportunities have been created.
- The growing number of relationships between local businesses suggests that the general economic climate has improved.
- The financial investment into a number of projects is beginning to show dividends in the form of growing revenues from successful ventures.
- The ACT has a growing reputation as an excellent supporter of organisations developing leading edge science and technology.
- Technical expert and knowledge would be retained by the ACT.
- Many post graduate students are attracted here to work on leading edge technology projects
- Substantial flow on effects to other ACT businesses where services can be subcontracted or outsourced.

Most recipients were able to describe in clear terms their contribution of benefits to the ACT. Only a small number of organisations had difficulty in addressing this issue. For example, those organisations who are relying on Government to purchase their technology, indicated that the benefits to the ACT might be limited if they were not successful in generating sales.

One of the common responses reported by those creating physical products was that although there would be substantial benefits to the ACT in respect of new jobs and economic growth, the majority of components sourcing would have to occur overseas and interstate. That is, the benefits to the ACT are capped by the lack of broader manufacturing industry here.

Only a few organisations stated they would not be based in the ACT in the long term since;

- they believe it is not recognised as a major player world wide;
- believed they could get better support elsewhere; or
- it would not make sense from a distribution and marketing point of view.

A few applicants struggled to answer questions about describing benefits to the ACT. In fact a small number, suggested that the benefits were marginal, or that they did not intend to remain in the ACT anyway. This may suggest the question in the initial application about benefits to the ACT should be more rigorously reviewed.

A number of organisations expressed an interest in helping other start-up organisations in the future both in the form of money and mentoring support.

3.8 ANU

Because ANU has been the recipient of so many grants, a separate section of this report has been created to raise specific issues that were unique to this organisation.

- During interviews with ANU the following comments were made:
    - With one exception, all projects are very early stage research.
    - ANU has learnt to ask for more than they need in order to get the amount they actually want.
    - Understand that it is difficult for BusinessACT to distinguish between research and commercial ventures.
    - Use technical or scientific language to baffle, or avoid directly answering questions in the application.
    - Often unsure they will develop something commercial in the end.
    - Feel the onus is on BusinessACT to identify early stage research.
    - Believe BusinessACT should bring in un-biased experts to help evaluate applications.
    - ANU has access to Australian Research Council and Biological Research Council grants. These require in kind support from commercial partners and are often only eligible when research is well progressed.
    - Admit that when funds are needed they come to Knowledge Fund first, then private investors, then other grants, then spin off companies.
    - Even though grant funds might be small they can still continue to fund a (eg 10yr) project through internal and other means.
    - They receive $6-$7m in grants/funding per annum from various sources.
    - ANU is unlikely to fund projects without some grants funding.
    - Would not be difficult to exaggerate outcomes/benefits/profits on applications – therefore making it difficult for BusinessACT to distinguish between pure science and commercial ventures.
    - If there was no Knowledge Fund, ANU would pick more popular fields of scientific research that would attract funding more easily (eg: areas that have public appeal or acceptance).
    - Within ANU, an individual's value is determined by how many grants they can attract to the University.

These comments raise questions around the suitability of many of the ANU projects for funding. Many of the associated recommendations have been covered above in this report.

It was reported in recent media that ANU has been highly successful in securing a large number of ARC grants to the value of several million dollars

4 Survey Results

The following information is a summary of the responses to the Knowledge Fund Survey which was conducted during September 2004, and forms part of the wider Review of the Knowledge Funds Grant Program. The conclusions and recommendations from the survey align with the finding and recommendations of the interviews. All interviews conducted were matched against the corresponding survey responses to ensure consistency.

The only area a discrepancy occurred was the estimate of jobs created. According to the survey results, there were 174 jobs created since the Knowledge Fund commenced. This did not appear to reconcile with the responses documented during interviews. This may partly be due to a misunderstanding of what was meant by jobs created. It would appear many respondents included the use of individual contractors over the life of their project as 'jobs created'.

Background

The table below is a summary of the responses provided by respondents in regard to the background behind their application for a grant.

Statistic being measured	Result			
	Newspaper/ Publication	Website	Friend/ Colleague	Other
How did you find out about the Knowledge Fund	14%	21%	41%	24% (*)
	Proof of Concept	Commercialisation	Industry development	
What was the type of grant sought?	34%	54%	12%	
	Yes	No		
Did you attend an information session on the Knowledge Fund?	87%	13%		
Did you find it useful?	93%	7%		
Did you attend the showcasing/networking event on 30th June 2003	59%	41%		

NB: (*) 24% have indicated that they found out through other means. An analysis of their comments indicates that the most common source for this group centred on previous dealings or general enquiries directly with BusinessACT. One respondent stated that they found out through AusIndustry.

The following table provides an overview of the dollar value of the grants sought from Grant applicants.

Dollar range of Grants	Number
< $40,000	7
$40,001 - $60,000	29
$60,001 - $80,000	5
$80,001 - $100,000	10
$100,001 - $120,000	1
$120,001 - $140,000	3
$140,001 - $160,000	6
> $160,001	7

Information Seminar

Generally respondents stated that they found the seminars very helpful and informative, and overall met most of their requirements for information about the process. In terms of where the Seminar could be improved the following comments highlight some suggestions provided:

> *"My only comment for improvement is that I think greater stress on the principles and purposes of the grant might be given than on the technicality of it. The latter can easily be picked up in documentation"*
>
> *"Some practical examples of concepts, funding sought and the outcome and reasons for the outcome."*
>
> *"I think it was very good - quite a lot of specific detail. I would have found it useful to get some examples of successful applications from previous years - or model applications if real ones would be too confidential"*
>
> *"……if any improvement could be made to clarifying in a more prominent way the differences between the grants - with a range of examples to assist the target audience - then that would be useful'*
>
> *"It should have been made clear that proof of expenses would have to be provided 'before' grant payments were made. This is a very important aspect that greatly affects cash-flow, particularly for proof-of-concept applicants who in all likelihood have not had the ability to invest much money into the project at the time the grant application is made"*

Showcase Event

Comments provided by respondents indicate that there is strong support for this initiative with the majority stating that they found it very informative and useful to their circumstances. Some examples of comments provided are:

> *"Yes the showcase was very useful and provided a lot of information to my company. We have now looked at working closely with another grant recipient with an earlier development grant project."*
>
> *"Yes. It was good to be able to network with other companies that had been successful and to hear what they were doing, swap experiences, etc. Also a good opportunity to network with BusinessACT staff"*
>
> *"I thought it was a wonderful showcase of innovate businesses in Canberra. It was well organised and very informative event".*
>
> *"Excellent concept - The ability to interact with other grant recipients and to swap stories really assisted in maintaining/reinvigorating enthusiasm".*
>
> *"Should also get along Govt buyers so may be able to get some leads / follow up sales from the event"*

Guidelines and Application Forms

The following table provides an overview of respondent's views in relation to the current guidelines and application forms.

Statistic being measured	Result			
	Easy	Could understand	Difficult	Complicated
How would you rate the ease of completing the application form and understanding the guidelines?	29%	67%	3%	1%
If you used the on-line application system (PIMs) did you find it:	36%	49%	15%	-
	Yes	No		
Were any specific guidelines or questions difficult to understand?	16%	84%		

Of those that indicated that they experienced some difficulty in the use of the guidelines and the application forms, the main issues appeared to focus on the provision of historical financial information and market potential projections. In addition, there was some general comment about some difficulty in the use and the format of the PIMs.

Client Management and Feedback

The following table provides an overview of the issues which relate to the areas surrounding the areas of client management and the feedback provided by the Client Managers.

Statistic being measured	Result	
	Yes	No
During the application process, did you meet with or seek advice from a Knowledge Fund Client manager?	87%	13%
Was the client Manager able to answer all your questions on the Knowledge Fund?	98%	2%

In terms of the free text comments provided, respondents have a high satisfaction level with BusinessACT and were very complimentary about how helpful and supportive staff were. A number of individuals with signalled out for specific praise. An example of some of the general comments provided follow:

> "*Overall I was very happy with the level of support, commitment, competence, interest and positive attitude at Business ACT, I experienced from all the staff involved"*
>
> *"Yes, the Client Manager was very helpful and well informed. On one occasion where she didn't have an answer, she sought assistance from her supervisor and got back to us as soon as she could"*
>
> *"We highly commend Robert Holgate's support and assistance with our POC application and inquiries. He has always been knowledgeable, forthright and positive"*
>
> *"The Client Manager was most helpful and was extremely professional in all my dealings with him"*

Success of the Business Project

Statistic being measured	Result	
	Yes	No
Have you met all the milestones of your project to date as set out in your initial contract?	75%	25%
Do you believe that your project has been successful?	97%	3%
Was the Grant critical for your success?	90%	10%
Are you easily able to substantiate how the grant was utilized?	100%	-
Was the Grant adequate to meet your needs?	66%	34%
Have you undertaken any export activities since receiving the Grant?	39%	61%

Of the 25% that have not met their milestones the following comments provide an overview of the type of reasons provided for the delay.

> *"We have delayed one milestone by mutual agreement due to another project we are carrying out that needed the staff resources"*
>
> *"Some delays resulting from technical & design issues to resolve + competition for R&D resources from a demanding client base. As a small company, R&D resources are sometimes required to assist with immediate commercial imperatives. Still on track to complete remaining milestones however."*
>
> *"Grant received was for only $20,000 as a Proof of Concept Grant. Milestone one (migration to hardware independence) proved more difficult that anticipated and contract was varied".*
>
> *"The milestones have all been met but the time it took to complete them was longer than we had estimated. We are behind our original schedule but now progressing well."*

<u>Jobs Generated/forecasted</u>

In terms of the number of jobs forecasted within their applications, only 53% of respondents believe they have met their target while 47% have not. Some common themes expressed in this regard can be categorized as follows:

- Expected additional sales not realized/delayed
- Did not specify number of jobs in application as it was for a Proof of Concept
- Still early days and are still trying to penetrate the market
- Change of circumstances in market leading to a change of direction for the product.

Project Success

The additional comments provided from respondents clearly indicate that there are varying definitions or interpretations of what constitutes a successful project. Some common themes identified include:

- Milestones have been successfully achieved
- We have made some preliminary sales and generated some revenue
- We have been able to enhance/further develop our product/prototype and therefore should be more marketable.
- Have enabled us to advance an idea/concept to a prototype.
- Significant amount of contacts made with potential clients.
- Has enabled us to obtain additional sponsors or investors.

Outcomes from the Grant

The outcomes developed as a result of the Grant are varied. Some examples of comments provided are:

> *"Through a business partner that developed as a result of our commercialisation work we were able to win a tender with the ANZ bank. "*
>
> *"We also received a Commercialisation grant and we have now launched this new product worldwide and major sales have already been recorded in both Australia and Europe"*
>
> *"We have produced prototypes which demonstrate the IP. Users have shown great interest in the product."*
>
> *"It has fast tracked our project"!*
>
> *"Sales and new designs for future products to global customers"*
>
> *"We now have another element we can provide.. The grant enabled us to expand the capability of our original product"*
>
> *"We have developed internal IP and used the project to secure contract work with overseas developers. We also have a prototype of an original concept that we are pitching to publishers."*
>
> *"We have brought one of our 2 products to market with help from the Knowledge Fund. The second product will be launched this month."*
>
> *"Discussions are ongoing with several commercial organisations regarding the application of the concept"*

Impact of Grant

From additional comments provided in relation to whether applicants would have either commenced or continued to operate without the grant indicate that it played a significant role in progressing their project and, that if they had not received the grant, development would have been hampered (prolonged), or may not have progressed at all. The grant in some cases has allowed them to reduce development timelines, undertake marketing research/activities, address IP issues, and in some cases attract additional funding or attract investment capital. A small amount of respondents indicated that they would not have gone ahead without the grant.

One interesting comment made from one respondent was that receiving the grant has provided them with more credibility. The reasoning here is that in the market place the ability to show that the ACT Government has assessed the project and considered it worthy of funding, carries some weight with dealing with prospective customers.

Some examples of comments include:

> *"The project would not have commenced without the financial and 'psychological' support of Business ACT. Simply, it would have disrupted the finances of the company and it did involve a risk for which the confidence offered by the grant was essential"*
>
> *"Would not have got to the proof of concept stage and assessed commercialisation potential of the innovation without the grant."*
>
> *"I was extremely grateful to the ACT government for the grant. Apart from the fact that it allowed us to get some very useful market research done, I also find it very encouraging that the government is backing us and wanting us to grow. We operate in a very tough environment so this encouragement was very welcome."*
>
> *"We would not have continued to invest in our R&D without the Grant. The Grant allowed us to schedule resources for in-house development."*
>
> *"The grant was a key enabler to getting the commercialisation project off the ground. It not only provided important funding but also helped provide impetus amongst management for the commercialisation project. The periodic reporting to BusinessACT also provided a productive level of rigour."*
>
> *"The Grant helped us reduce the development time significantly. Without the grant we would not have progressed as far or with the same level of detail."*
>
> *"Without the grant it is difficult to see how we would have managed to get over the final hurdles to commercialisation. We had a very good product but we needed the specialised support to reach the market that the Knowledge Fund grant provided."*
>
> *"It has been hard to secure sponsorship as a concept. The grant has allowed us to become a reality."*

Export Activities

As indicated in the table above, 61% of respondents have stated that since receiving the Grant no export activities have been undertaken. The following comments reflect the views expressed by the 39% that have undertaken some export activities.

> *"Products are being shipped to customers in the USA."*
>
> *"We started our export push in late 2003 into New Zealand, and of the 8 companies so far presented to 5 of them are now clients."*
>
> *"Nearly all of our product is export sales. We currently sell into North America, Europe and Australia/NZ".*
>
> *"We've developed entertainment software for 2 overseas companies, one in Canada and the other in the US."*
>
> *"Yes, already received a major sale in Europe"*

Industry Development Grant

Comments were sought from those organizations that had received and Industry Development grant on how their industry had grown as a result of the grant. The following are some of the comments provided:

> "*The feed back that I have in regards to our industry is that sales have been 0 to 8% increases. Our increase in sales for the 03/04 year has been 20%."*
>
> *"The industry development grant was to raise awareness of our industry locally and to attract significant media coverage to raise awareness for a 'brand' to be established for Canberra as a interactive entertainment and games region. Media coverage and attendance numbers were significant and we hope that ongoing festivals will expand on this great start."*
>
> *"We are now working with 6 major corporations who have all expressed interest in taking their customised solutions to their vertical industries i.e. banking finance, insurance legal, brewing providing investigative and business intelligence."*

Additional Comments

The following are additional comments provided by some respondents to the Survey.

> *"I have found the entire process excellent. I have had many discussions with companies in other states. they do not have a grant system that is in anyway close to the ACT. The focus, understanding and flexibility of the system to 'real word' R&D issues is refreshing."*
>
> *"We greatly appreciate the benefits that the Knowledge Fund grants program has bought to our business. When we look back with hindsight it is evident that our business may not have survived the difficult start-up stages were it not for the assistance we received through the program."*
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>
> *"The grant is a valued component in our R&D equation and has provided many benefits which would otherwise be beyond our grasp in the short-term".*
>
> *"The physiological boost of receiving support has been essential to our sustainability. Its important to receive the re-assurance that someone else (with experience) believes in your potential, it's given us the confidence to keep working hard."*
>
> *""The Knowledge Fund has been a critical component for this company to approach an early stage clinical trial. "*