

# **Victoria: A plan to thrive**

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## **Overview**

With a population of 5,000,000 people and over 600,000 Small and Medium Enterprises (SME)s, Victoria is Australia's small business hub. SMEs make up 97 per cent of the State's business sector and generate 48 per cent of all private sector jobs in Victoria.

Supporting these SMEs to grow and thrive requires a cross-disciplinary approach and strategic planning to ensure that the needs unique to these businesses are met, and the economic ecosystem of the State is strong. This paper looks at the planning that it takes for Victorian businesses to prosper at each stage of their journey and highlights the success stories that are directly linked to tactical planning.

## **The plan**

In 2016, a ten-year plan was created by the Victorian Government, which aimed to encourage an SME environment which is:

- fair and prosperous
- liveable and vibrant
- competitive
- innovative
- globally connected.

Overall, the plan seeks to improve infrastructure, support efficient networks and ensure SMEs are operating within an innovative and competitive business landscape. The economic landscape itself is diverse in Victoria - the State Government has accordingly implemented a

series of strategies that consider the complex variety of challenges and opportunities within Victoria's business landscape in keeping with this plan.

The years since the plan have seen consistent, successful growth across many elements of the Victorian economy. This paper will review the early successes – three years in – by looking at achievements in different areas and highlight the impact that strategic, cross-disciplinary planning can have on the economy.

## **Goals and outcomes**

### **Fair and prosperous | *The Victorian Small Business Commission***

To ensure the economic landscape is fair, the Victorian Small Business Commission was established in 2017. The planned aim of the Commission is to ensure a competitive and fair operating environment for small business in Victoria. As an independent government agency, it advocates on issues that affect small business, educates businesses on their rights and responsibilities and helps avoid or resolve any commercial disputes.

The Commission replaced and built on the work of the previous Office of the Small Business Commissioner, which was established in 2003 to provide a quick low-cost commercial dispute resolution service for small business. It has saved businesses time and thousands of dollars when compared to the lead time for Tribunal or Court hearings, and the costs associated with litigation.

In 2017-18, the Commission received approximately 1700 dispute applications. When an application for assistance with a dispute is received, staff will initially engage with both parties to see if the dispute can be resolved before proceeding to mediation. The VSBC resolves around 35 per cent of applications for assistance through preliminary assistance. Bringing parties together to discuss their dispute with a mediator enables businesses to resolve the issue on their own terms and can help preserve the commercial relationship. As

mediations held by the Commission are subsidised, the cost to the parties is manageable when compared to litigation- \$195 per party. Of the 533 matters completed at mediation, 78 per cent were resolved successfully.

As part of the ongoing strategy developed in 2017, the Commission added the functions of advocacy and monitoring. The two functions complement each other – by closely monitoring the impact of market trends, legislation and government policies on small business, the Commission is in a stronger position to advocate on their behalf.

The focus has been on issues that have a high impact on small business such as cash flow – with the Commission encouraging larger businesses to commit to paying their small business suppliers within 30 days, to address late payments and associated cash flow impacts.

Other priority areas addressed included helping small business owners protect their mental health and developing small business engagement guidelines for government agencies to apply to upcoming infrastructure projects. The guidelines provide direction for these agencies in assessing the impact of the project, communicating with small businesses and providing appropriate business support measures to minimise business disruption during projects. In 2019, the Commission also created a complementary guide for small businesses with tips on how to manage the impacts of disruptive infrastructure projects on their business.

Through these initiatives and its low-cost dispute resolution function, the Commission has played an important role in removing barriers and creating a fairer and more competitive environment for SMEs.

### **Liveable and vibrant | *Creative State***

Victoria's first creative strategy *Creative State* was launched in 2016 with \$115 million AUD in new funding. The creative economy is vital to Victoria – employing around 220,000 people, contributing more than \$27 billion AUD to the economy per annum, and

immeasurably adding to the liveability and vibrancy of the State. Creative Victoria is responsible for implementing the strategy and overseeing the nine State-owned creative organisations. These are listed below:

- Arts Centre Melbourne
- Australian Centre for Moving Image
- Geelong Performing Arts Centre
- Museums Victoria
- The National Gallery of Victoria
- The State Library of Victoria
- Melbourne Recital Centre
- Film Victoria
- Docklands Studios Melbourne

The Creative State strategy had five key focus areas:

1. **Backing creative talent** – \$6.35 million over four years across Aboriginal arts and culture, a creator's fund, programs commissioning landmark works and renewed funding for professional development across the screen sector.
2. **Strengthening the creative industries ecosystem** – \$57.35 million over four years to give creative industries businesses access to business acceleration services to stimulate entrepreneurship and develop a stronger capacity to commercialise ideas and capture economic returns.
3. **Delivering wider economic and social impact** – \$14.05 million over four years to stimulate innovation and wider creative impact, invest in support for design businesses, strengthen creative education and pathways for Victorian students, and extend the role of creative services in generating social benefits.

4. **Increasing participation and access** – \$32.15 million in partnerships and programs to engage more Victorians in cultural and creative endeavours.
5. **Building international engagement** – \$5.05 million in actions to extend Victoria's impact and profile for global audiences, visitors and markets.

The 2017-18 annual reports from the nine creative industries agencies in Victoria painted a successful picture with visitation numbers up 12 per cent from previous years. Visitor numbers have increased across each year of the Creative State strategy with customer satisfaction at varying activities sitting at 90-98 per cent.

The Creative State strategy is in its final year and currently under review with input from a panel of 20 creative Victorians. The consistent, successful growth of the creative economy is a tribute to the Creative State strategy.

### **Competitive | *Reducing red tape***

The Small Business Regulation Review is made up of a series of reviews focusing on regulatory issues for SMEs within specific industries with the overall goal of reducing red tape for SMEs by 25 per cent. Action statements are produced by each review stage which includes plans for addressing key issues and moving forward. Areas reviewed, or scheduled to be reviewed are:

- **Retail sector** - review complete, Action statement released June 2018
- **Visitor Economy sector** - review complete, Action statement released June 2018
- **Construction sector** - the third review targets the way regulators interact with small businesses, with a focus on the Construction sector. Consultation is underway, with reforms expected later this year.

The retail sector review examined how regulators interacted with small businesses, with a focus on providing evidence-based identification of problems facing small retailers in Victoria. Findings from the six hundred surveys, industry roundtables and reference group meetings indicated that cafes, restaurants and takeaway food services had met comparatively high total regulation burdens. Businesses struggled to find subsector-specific plain language guides from a single source, and the initial establishment phase was considered to have the highest regulatory burden. Within the action statement, four key reform areas were:

1. Making it easier to discover what is needed to start and grow a business
2. Reduce the time taken for approvals
3. Make it easier to understand and comply with food safety regulations
4. Make retail leases fairer and easier to understand

*“The application cost me \$70,000. We were trying to do the right thing, but it felt like there was this huge brick wall. It would have been cheaper to just start the business without permits”.*

**Feedback from a small business owner about permit processes | City of Kingston**

The Better Approvals Project (BAP) was a response to reform area number two listed above. The BAP is a plan for working with Victoria’s 79 local government councils to improve their regulatory approvals processes for small business. The project’s principal aim is to reduce the time it takes to open or expand a small business by installing a concierge model that includes personalised business support, consolidating 13 forms with 45 pages into a single 16-page application form and concurrently assessing all permits and licences required by a new small business.

The BAP has been successfully implemented at 20 local councils in Victoria with a further six scheduled and planning discussions occurring at an additional 32 council areas. As a

result, businesses are able to hit the ground running and not be hindered by the time and costs associated with permit approvals processes.

### **Innovation | *LaunchVic***

LaunchVic was established in 2016 to support the development and growth of the local startup ecosystem. LaunchVic define a successful startup ecosystem as one where Victorian startups have the resources and support to sustainably grow and prosper, delivering cultural and economic benefits for Victoria and Australia.

In its' 2017-18 Annual Report, LaunchVic stated that since it's 2016 inception it had invested \$26.5 million AUD and funded over 80 programs that deliver services and support to the Victorian startup community. To date, the funding is distributed in accordance with LaunchVic's 2017-2019 Business Plan *Growing Victoria's Startup Community* which highlights four key operational areas:

- diversity and inclusion
- capability and excellence
- leveraging key strengths
- channel development.

Because of these commitments and investments, Startup Genome has ranked Victoria in the top five startup ecosystems globally. Further, a thriving innovation ecosystem has the potential to add \$2.5 - \$4 billion AUD of growth to the State's economy.

To position Victoria as an internationally recognised startup community, support has been provided to LaunchVic to grow world-class companies by supporting existing founders to scale up. The aim is to encourage a stronger investor community and attract talent and links in with the fifth intention of the ten-year plan – global connection.

## **LaunchVic Case study (2017-18 Annual Report) | Outcome.Life**

Higher Education is one of Victoria's largest export industries. Yet despite significant personal and financial investment in their futures, international students still struggle to find quality internships and work after graduation. After witnessing this disadvantage first-hand, Chief Financial Officer Gerard Holland decided to do something about it.

Initial funding from LaunchVic supported Outcome.Life to develop a program that connected international graduates with employment and internship opportunities. The program included a training and placement program and coworking space to support international students in entrepreneurial endeavours and garnered attention from the local startup ecosystem.

Subsequent funding from LaunchVic Grant Round Two has enabled Outcome.Life to scale operations and create an online marketplace for internships.

"We're aiming to become the biggest internship provider in the country. Only 35 per cent of Australian businesses host international students with placements. With this platform, we're aiming to grow that to 70 per cent" said Gerard Holland.

Success stories continue to pour out of Outcome.Life's efforts. Students are continuously finding roles in some of Melbourne's leading enterprises.

Notable startups have launched out of the Outcome.Life coworking space. For example, Friend Theory recently secured seed funding, and now has over 5,000 global users. The majority of Outcome.Life's workforce are international students, striving to convince employers – including other Australian startups – to give international students a go.



## **Globally connected | *Export and trade***

Victoria needs to be globally connected to ensure it is a desired source of exports, a destination for foreign investment and a favourite location for visitors and global talent.

To encourage SMEs to be export ready, the Victorian government has provided services to prepare market strategies and understand regulatory requirements as well as supporting inbound and outbound trade missions. Since December 2014, more than 4,600 Victorian companies have participated in 130 trade missions resulting in more than \$267 million of actual export sales.

The government has also grown Victoria's network of international trade and investment offices to 22 and put in place strategies to grow trade and investment with key markets including China, India, Latin America, and Southeast Asia.

The combination of these four strategies has seen continued growth in the Victorian SME sector over the past four years. Ensuring that SMEs are export ready has led to developing opportunities for SMEs to trade internationally.

Over the past three years, there have been increased exports by Victorian businesses, increased economic activity generated by tourism in Victoria and an increased number of international students choosing to study in Victoria.

## **Conclusion**

Funding potential high growth start-up businesses has maximised innovation, especially in the technology sector. Reducing the regulatory burden for SMEs has enabled time poor SME owners to focus on growing their business and establishing the Small Business Commission has provided a mechanism to resolve any barriers to operations. Victoria is a perfect case study of how strategic policy decisions can drive innovation for Small, Medium Enterprises.

Victoria has achieved an uninterrupted growth of new small businesses in the last four years – with a growth rate of 3.6 per cent (20,291 actual) net new small businesses created last financial year, compared with a national average of 3.1 per cent. This growth is primarily due to calculated planning geared toward enabling a productive, competitive and sustainable economy which ultimately contributes to a prosperous and inclusive society.

It is an exciting time in Victoria and a testament to the beneficial impact that considered, strategic policies can have on the economy.