



CHARTERED SECRETARIES
AUSTRALIA

Leaders in governance

Innovation, capital raising and collaboration for midsize enterprises

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Introduction and format of session

Is innovation becoming an
overworked term?

What does it really mean?

Why should my company
innovate?

My company doesn't make anything.

Is this stuff still relevant?

How should my company innovate?

What does an innovative
company look like?

What are the first steps my company needs to take to embrace innovation?

How can I raise capital for innovation?

What do the capital markets look
for?

Is collaboration relevant to
innovation?

How does collaboration differ
from a supply chain and a
distribution channel!



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Innovation and Collaboration

Dr Rowan Gilmore, CEO

Dr John Kapeleris, Deputy CEO

Australian Institute for Commercialisation

What is Innovation?

- Innovation is the practical application of new ideas and concepts into something of value in the marketplace, whether it is a new product, service, process or organisational system.



INPUT
Ideas, Concepts
Observations

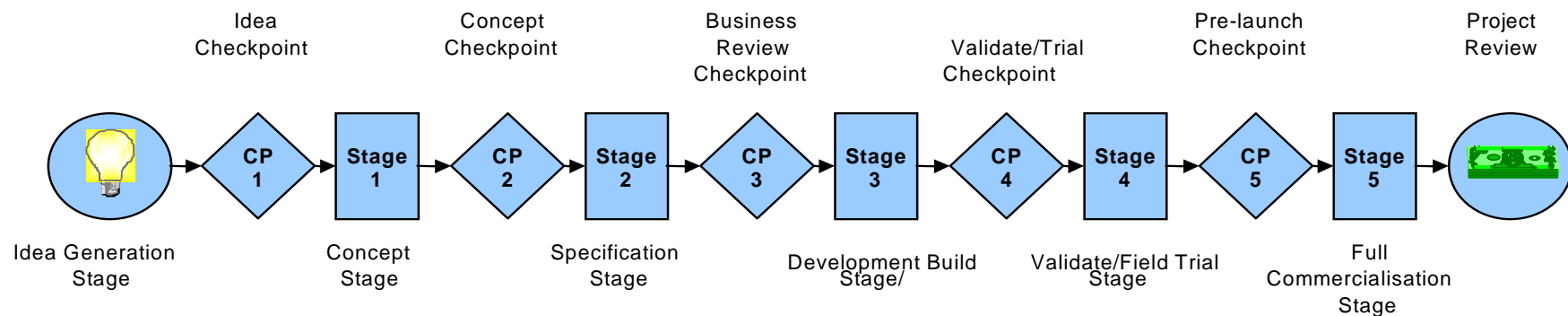
**SCREENING
EVALUATION
IMPLEMENTATION**

OUTPUT
New
Value

Four Types of Innovation

1 Product Innovation

- New products or services
- Enhancing existing products
- Technological innovation



Four Types of Innovation

2 Process Innovation

- improving processes within the organisation-business process innovation
- e.g. operations, HRM, finance, better way of communicating, knowledge management system
- focus on improving organisational effectiveness and efficiency

Four Types of Innovation

③ Marketing Innovation

- related to the marketing functions of promotion, pricing and distribution
- product related (eg. packaging, advertising)
- creating a new market or marketing system e.g. Amazon.com
- many products were invented before their time

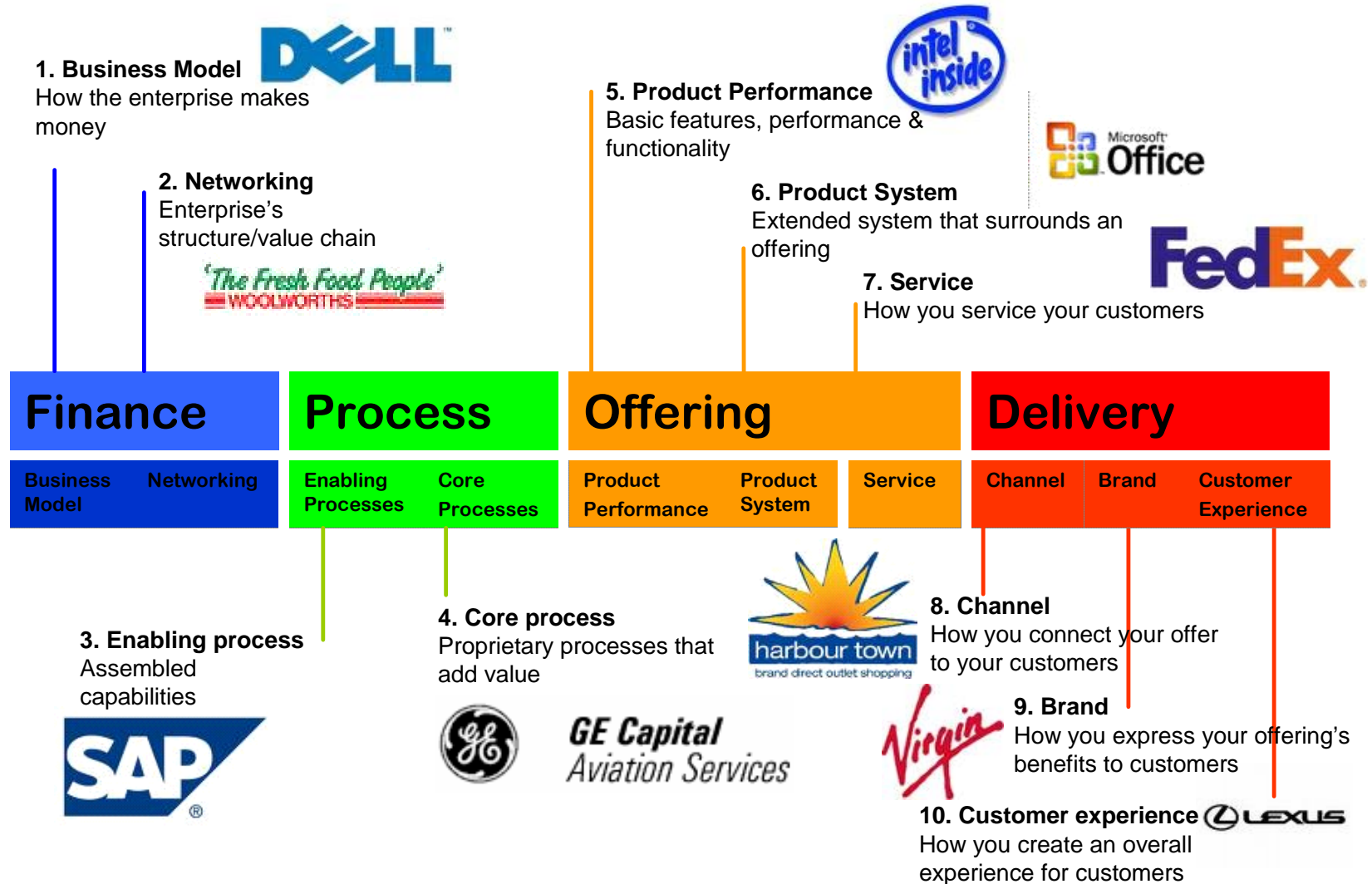
Four Types of Innovation

④ Management or Organisational Innovation

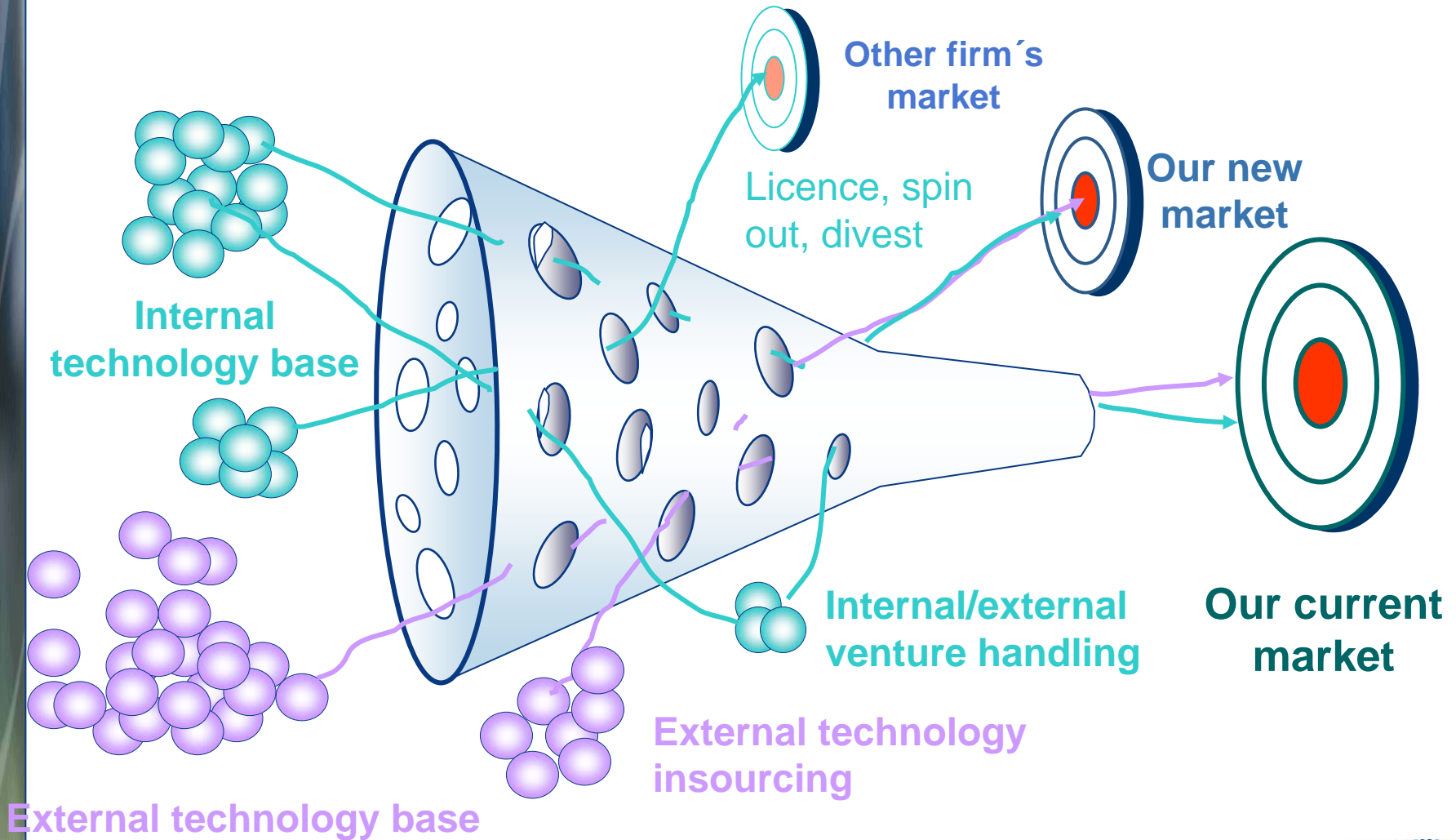
- the way the organisation is managed
e.g. organisational structure, leadership, work environment, culture
- cross functional work teams - team-based decision making approach
- Business Model Innovation

10 Types of Innovation

Move Beyond Products to Win



Open Innovation



Source: Prof Henry Chesbrough UC Berkeley, *Open Innovation: Renewing Growth from Industrial R&D*, 10th Annual Innovation Convergence, Minneapolis Sept 27, 2004

Old Versus the New

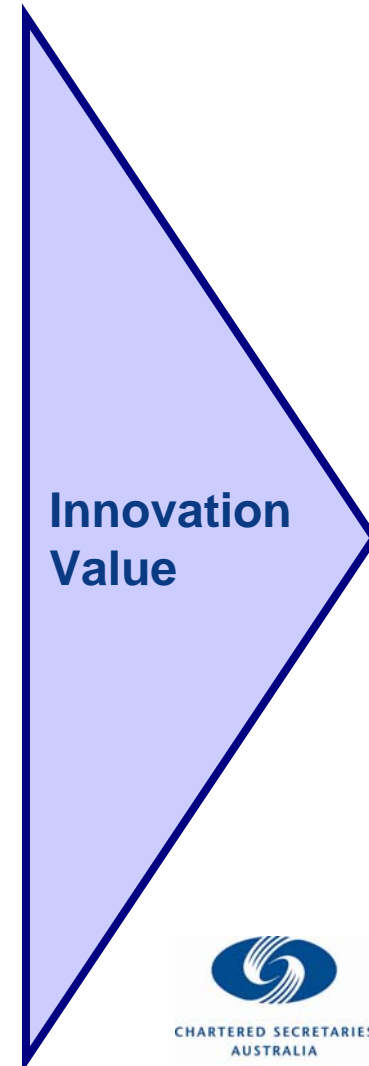
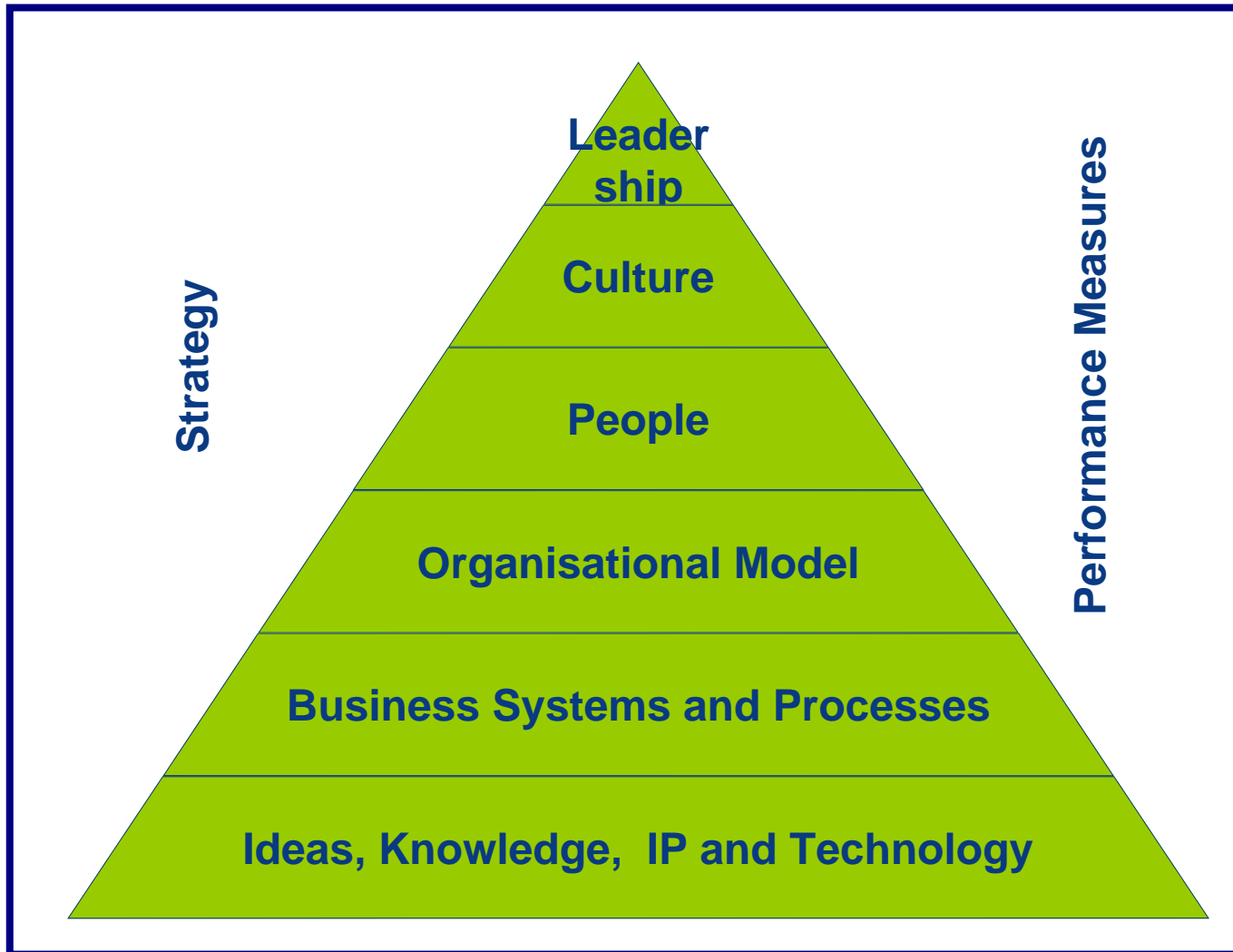
Closed Innovation	Open Innovation
The smart people in our field work for us	Not <i>all</i> smart people work for us. We need to work with smart people inside <u>and</u> outside the company
To profit from R&D, we must discover it, develop it and ship it ourselves	External R&D can create significant value. Internal R&D is needed to claim some portion of that value
The company that gets innovation to market first will win	Building a better <i>business model</i> is more important than getting to market first
If we create the most and the best ideas in the industry, we will win.	If we make the best use of internal <u>and</u> external ideas, we will win.
We should control our IP, so that our competitors cannot profit from it.	We should profit from other's use of our IP (license out) and we should licence in other's IP whenever it advances our business model.
We will <u>own</u> all results from contract research with universities	We will partner with universities to create knowledge and encourage use outside our field

Innovative Companies

Innovation	Source
3M Post-It Notes Scotchguard	Art Fry - Failed glue at 3M Patsy Sherman – Spill in the laboratory
Velcro	George de Mestral - Observation in nature
Apple iPod	Steve Jobs – Marketing innovation
Microsoft Windows	Bill Gates – standardised operating system



Innovation Framework



Innovation in Practice

- Ongoing commitment at all levels – top leadership support e.g. “Innovation” as a Board agenda item.
- A culture conducive to innovation and continuous learning
 - Development of competencies in people e.g. creative thinking, problem solving, opportunity identification
 - Open communication and trust
- Intellectual Property Strategy
 - Identification, capture, implementation

IP Selection Criteria

Value Criteria

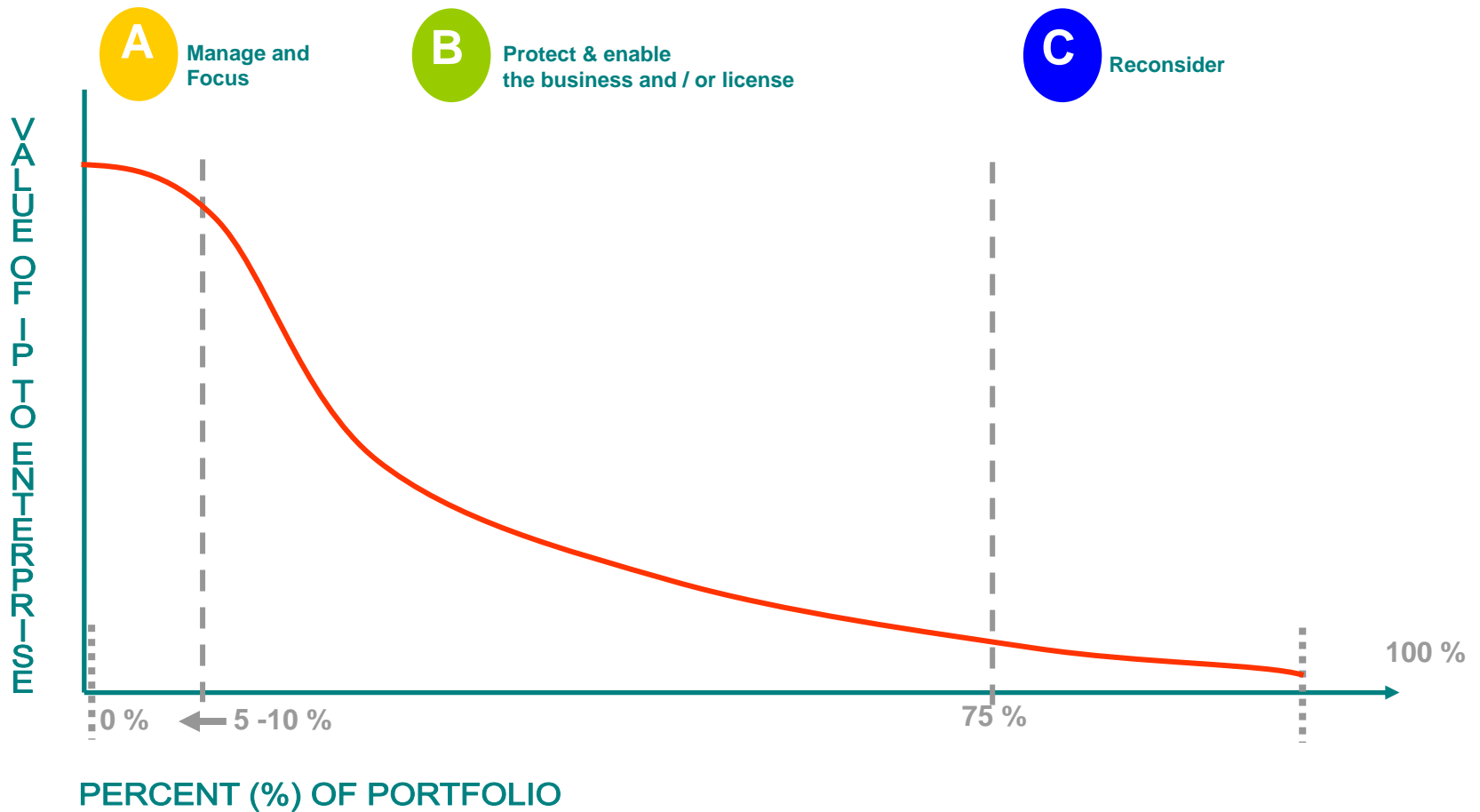
- IP Valuation
- Strategic Fit
- Economic return
- Freedom to Operate
- Competitive advantage

Effort Criteria

- Capital required
- People resources
- Timing (short/long)
- Ease of commercialisation
- Target market exists

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Value Distribution of an IP Portfolio

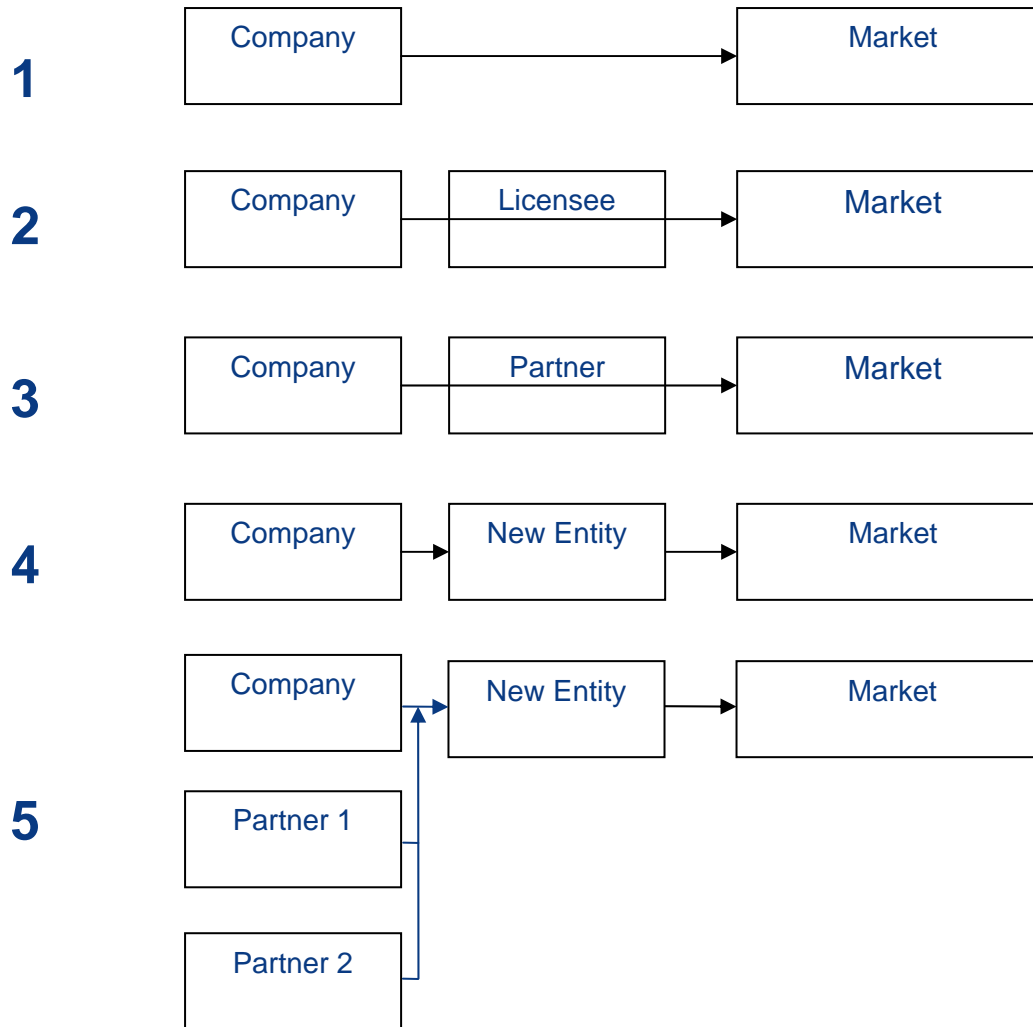


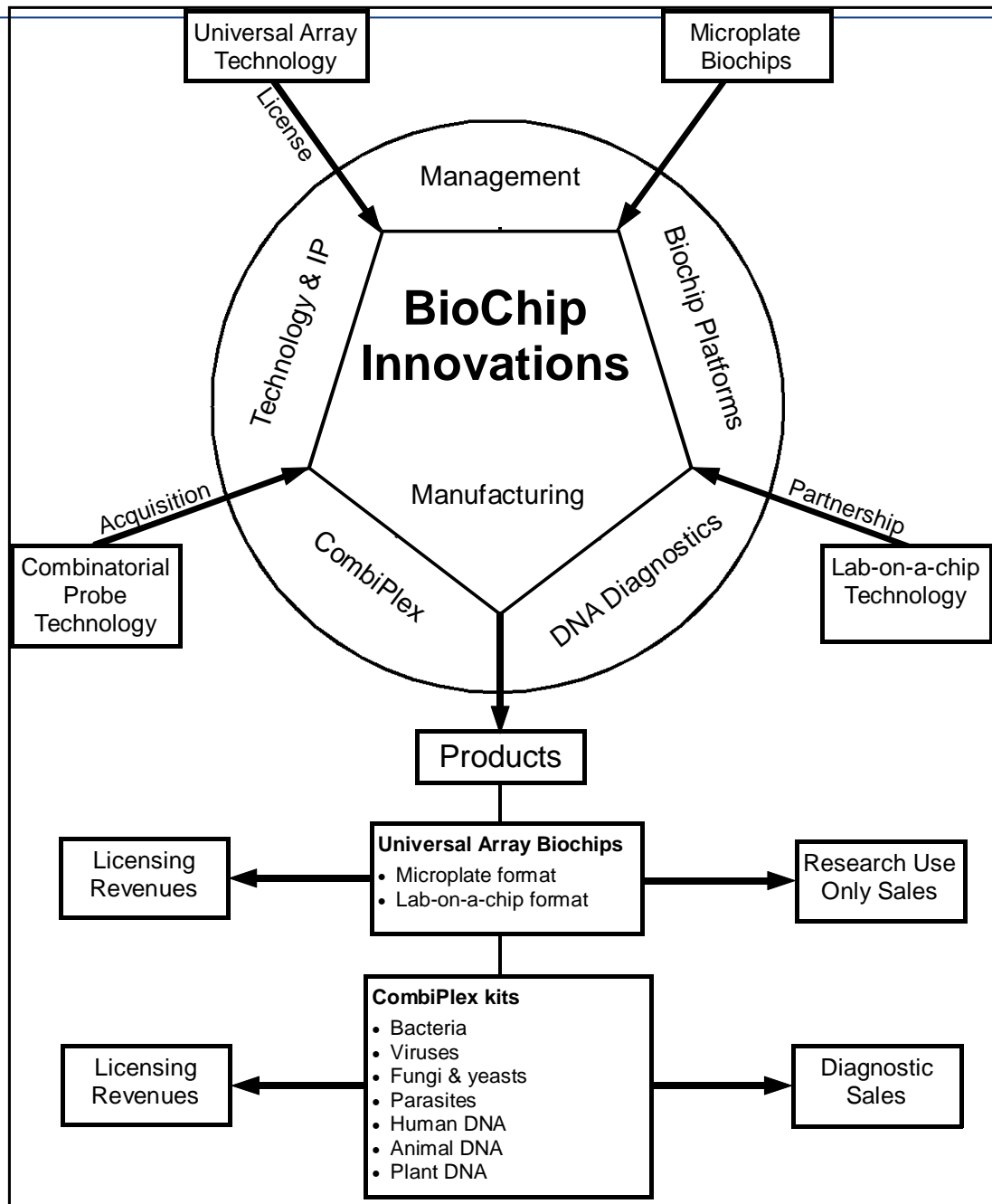
Source: Acorn Technologies, Inc.

Innovation in Practice

- Business Model Innovation
 - Choosing the most appropriate business model and path to market
 - Adapting your business model to the changing external environment
 - Implementing organisational innovation
 - Continuous process improvement

Innovation in Practice

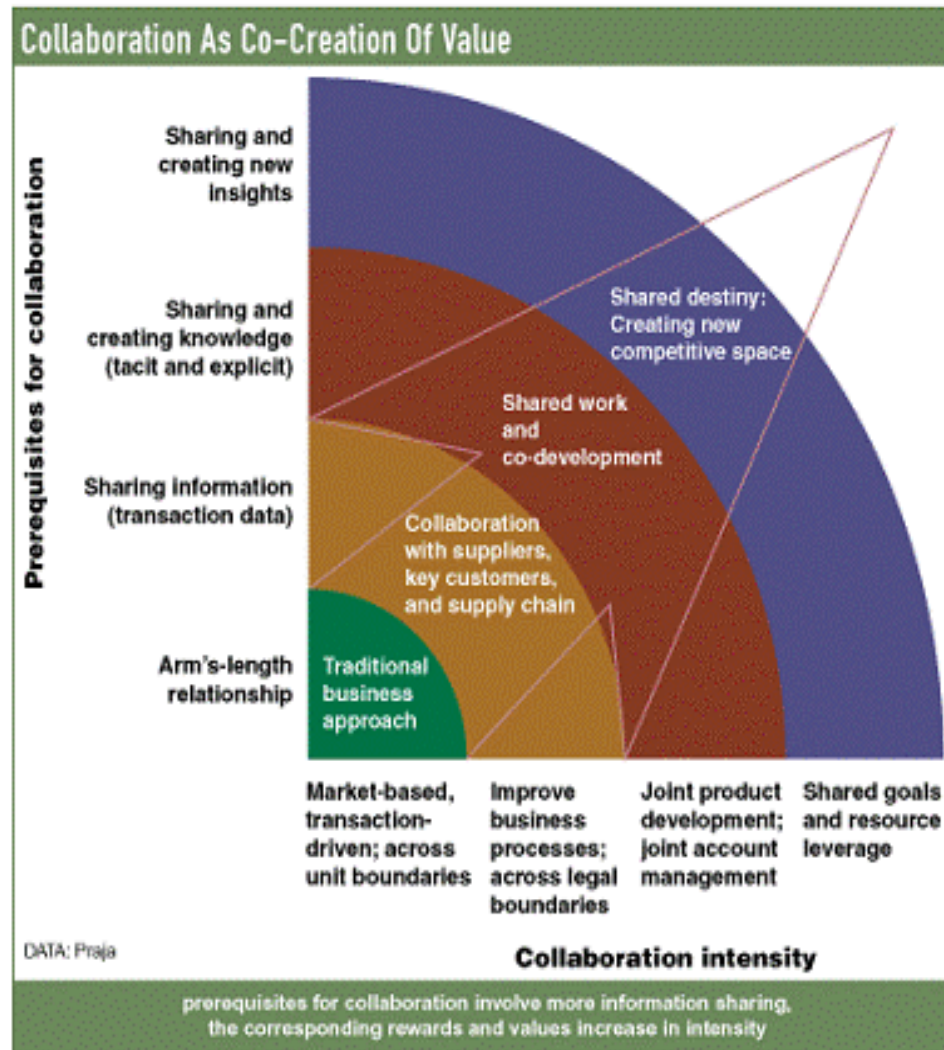




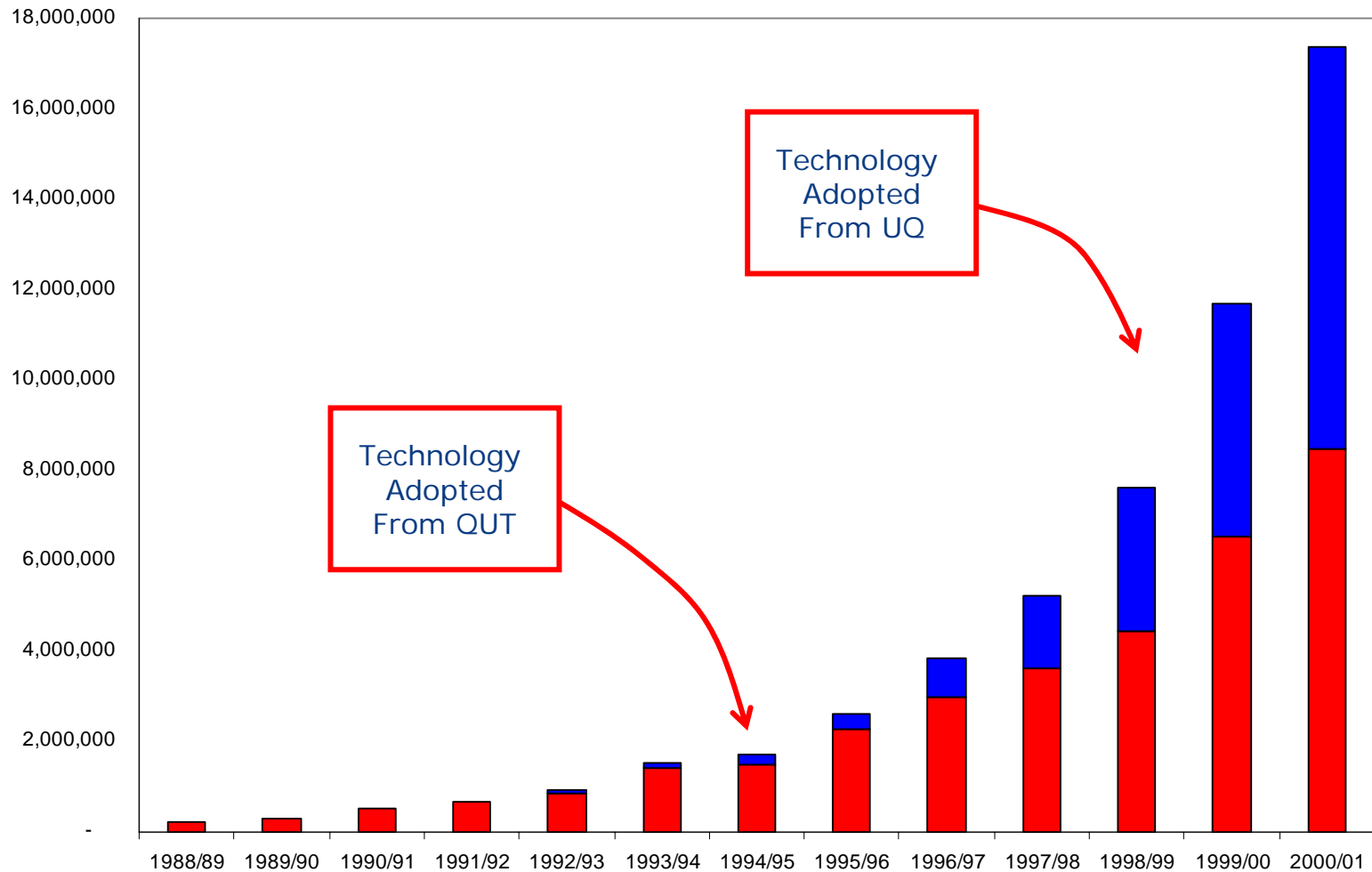
Measurement - Balanced Score Card

INNOVATION & LEARNING			
KPI	Year 1 Actual	Year 2 Actual	Target
New Product Sales (<2 years) % of Sales	21	25	30
R&D % of Sales	12	14	15
Speed to Market (Months)	14	12	8
Training /Learning (% Payroll)	6	7	9
No. of Suggestions/Ideas generated/employee/annum	14	25	40
No. of Suggestions/Ideas implemented/employee/annum	8	17	35
Employee Satisfaction Index % (Measure of Organisational Climate)	82	86	90

Collaboration



Collaboration SME Growth through Technology Diffusion



Conclusion

“Innovation is the only competitive advantage left for organisational survival in the hyper-competitive new millennium”

John Kapeleris

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