

# 19 1 73 : AusIndustry's Role in the Australian Government's Innovation Ecosystem

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## Global Innovation Index 2016 rankings

Country/Economy	Score (0–100)	Rank	Income	Rank	Region	Rank	Efficiency Ratio	Rank	Median: 0.65
Switzerland	66.28	1	HI	1	EUR	1	0.94	5	
Sweden	63.57	2	HI	2	EUR	2	0.86	10	
United Kingdom	61.93	3	HI	3	EUR	3	0.83	14	
United States of America	61.40	4	HI	4	NAC	1	0.79	25	
Finland	59.90	5	HI	5	EUR	4	0.75	32	
Singapore	59.16	6	HI	6	SEAO	1	0.62	78	
Ireland	59.03	7	HI	7	EUR	5	0.89	8	
Denmark	58.45	8	HI	8	EUR	6	0.74	34	
Netherlands	58.29	9	HI	9	EUR	7	0.82	20	
Germany	57.94	10	HI	10	EUR	8	0.87	9	
Korea, Rep.	57.15	11	HI	11	SEAO	2	0.80	24	
Luxembourg	57.11	12	HI	12	EUR	9	1.02	1	
Iceland	55.99	13	HI	13	EUR	10	0.98	3	
Hong Kong (China)	55.69	14	HI	14	SEAO	3	0.61	83	
Canada	54.71	15	HI	15	NAC	2	0.67	57	
Japan	54.52	16	HI	16	SEAO	4	0.65	65	
New Zealand	54.23	17	HI	17	SEAO	5	0.73	40	
France	54.04	18	HI	18	EUR	11	0.73	44	
Australia	53.07	19	HI	19	SEAO	6	0.64	73	
Austria	52.65	20	HI	20	EUR	12	0.73	43	
Israel	52.28	21	HI	21	NAWA	1	0.81	23	

## THE GLOBAL CREATIVITY INDEX — OVERALL RANKINGS (APPENDIX 4)

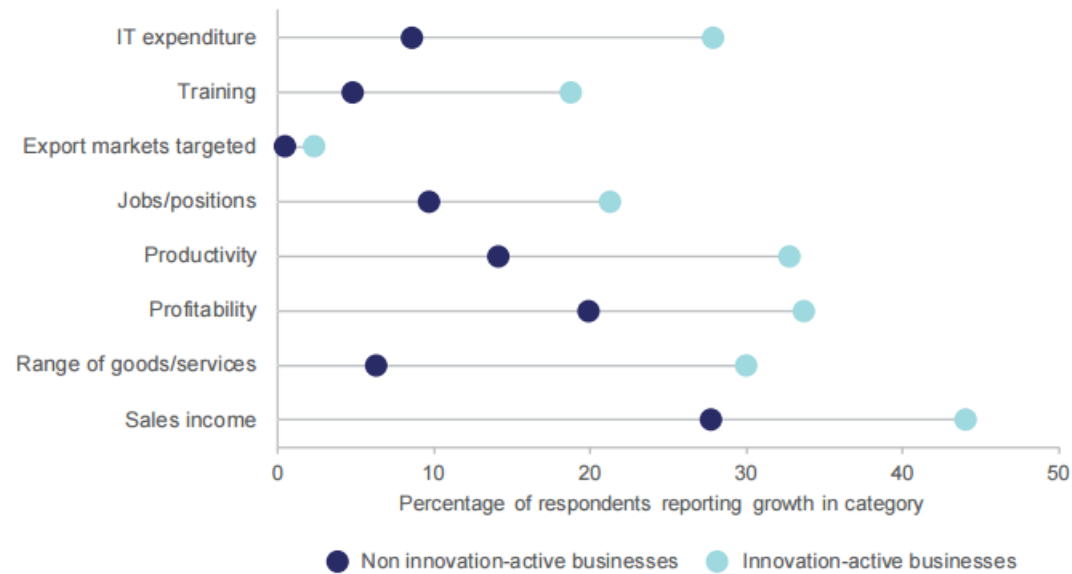
Rank	Country	Technology	Talent	Tolerance	Global Creativity Index
1	Australia	7	1	4	0.970
2	United States	4	3	11	0.950
3	New Zealand	7	8	3	0.949
4	Canada	13	14	1	0.920
5	Denmark	10	6	13	0.917
5	Finland	5	3	20	0.917
7	Sweden	11	8	10	0.915
8	Iceland	26	2	2	0.913
9	Singapore	7	5	23	0.896
10	Netherlands	20	11	6	0.889

# Why is Innovation Important to Driving New Economies ?

*Innovation is the implementation of a new or significantly improved product (good or service), process, new marketing method or a new organisational method in business practices, workplace organisation or external relations.<sup>1</sup>*

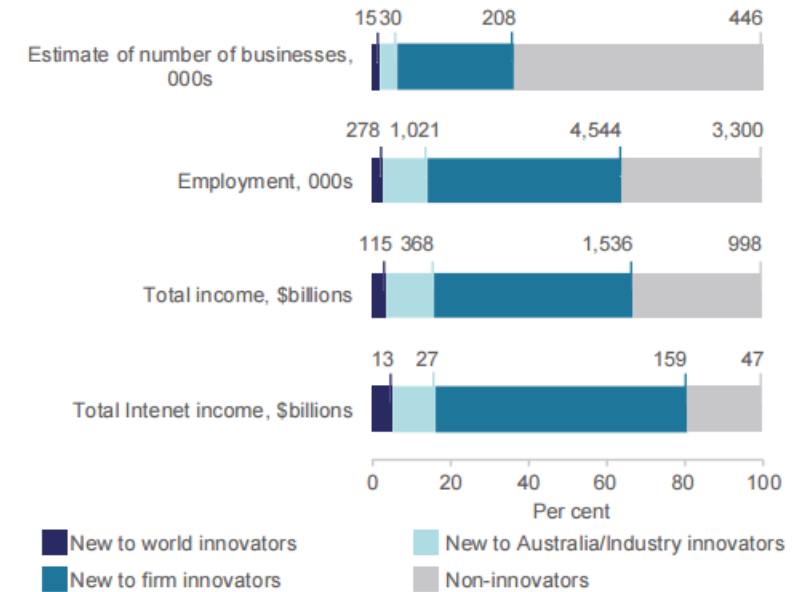
A Focus on Value Adding

Figure 1.2: Increases in business performance and activities compared to previous year, by innovation status, 2012–13



Source: ABS (2014) Selected characteristics of Australian businesses, 2012–13, cat. no.8167.0

Figure 1.1: Total estimated number of employing businesses and their contribution to employment and income, by innovation status and degree of novelty, 2012–13



Note: Labels indicate totals for each category.

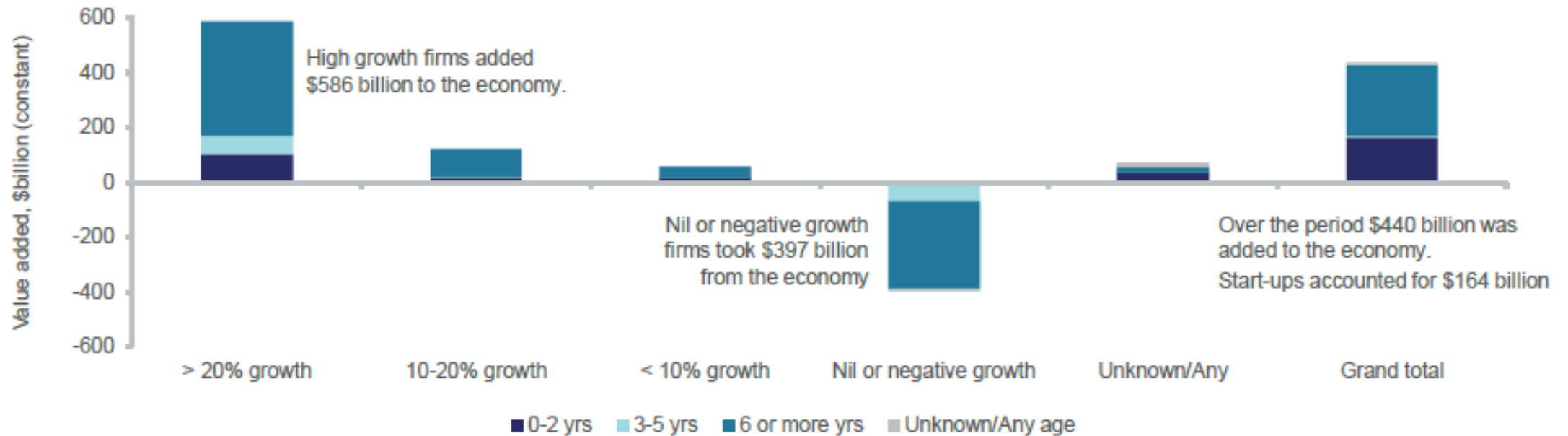
Source: Australian Bureau of Statistics (ABS) Business Characteristics Survey: Customised Report

<sup>1</sup> OECD (2005) Oslo Manual – Guidelines for collecting and interpreting innovation data

# Why is Innovation Important to Driving New Economies ?

High growth firms accounted for 70 per cent of net positive economic growth

**Figure 1.3: The net contribution of firms to value added growth, by firm age and average annualised growth class, 2004–05 to 2010–11**



Notes: Averages incorporate all industry classes except SISCA2 firms. Average annualised growth rates are calculated on a total sales basis over a rolling three year period.

Source: ABS (2016) Expanded Analytical Business Longitudinal Database



# How is Innovation in Australia Being Supported ?



Australian Government  
Department of Industry,  
Innovation and Science



Australian Government  
Australian Research Council

## Industry Growth Centres Initiative Consultation 2014-2015



# How is Innovation in Australia Being Supported ?



<https://www.business.gov.au/assistance/entrepreneurs-programme>

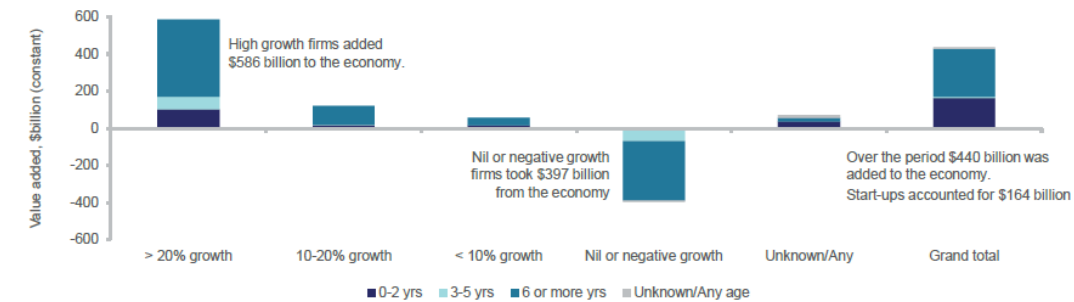
- Accelerating Commercialisation
- Business Management**
- Incubator Support
- Innovation Connections

Fostering High Growth Firms



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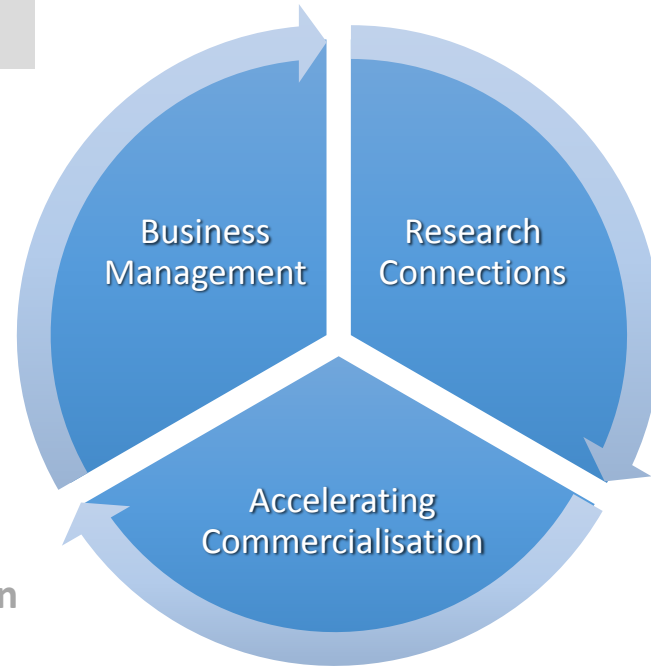
# EP Business Management consists of three “elements”

## Business Management

- Business Evaluations
- Supply Chain Facilitation
- Business Growth Service  
(Matched Grants up to \$20K)

## Innovation Connections

- Business Technology & Knowledge
- Research
- Matched grant (up to \$50K)




## Accelerating Commercialisation

- Guidance
- Portfolio & Expert Network
- Matched grants up to \$1m\*

**The focus is on *facilitation* of change and growth in business**

# If you are eligible, you are entitled

- The Entrepreneurs' Programme offers a suite of advisory services to support business development and growth in key industry sectors.
- Completing an advisory service  Business Growth Grant
- No fees or obligations – can stop any time, do not have to act on recommendations



# Business evaluation (entry point)

Comprehensive review of all aspects of your business

Big picture/strategic discussions

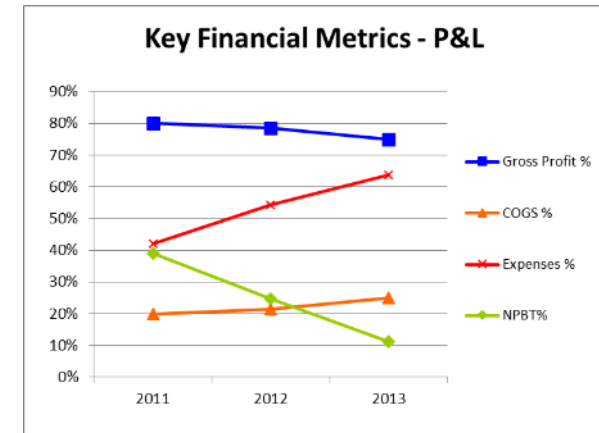
- Strategic goals, business model, core competencies
- Value creation and delivery
- Governance, culture, values
- IP, collaboration and risk management
- Succession and business exit plans

Operational aspects of the business

- Marketing and consumers
- Finance and Admin
- Management processes & control
- Human Resources (incl OH&S)
- Operational processes and efficiencies (incl. quality assurance)

# World class analytic tools

Mock Pty Ltd		FY End	FY End	FY End	Unit	Target
		30-06-2013	30-06-2014	30-06-2015		
<b>Chapter One- Profitability</b>						
Revenue Growth	((Current Revenue - Prior Revenue) / Prior Revenue) %	N/A	45.45%	-25.00%	%	
Gross Margin %	(Gross Margin / Revenue) %	91.65%	86.71%	84.33%	%	>30%
Overheads (excl interest) %	(Overheads / Revenue) %	79.27%	80.24%	93.28%	%	<25%
EBIT %	(Earnings Before Interest & Tax (EBIT) / Revenue) %	12.38%	6.47%	-8.95%	%	
EBITDA	Earnings Before Interest & Tax (EBIT) + Depreciation & Amortisation	\$791,000	\$677,500	-\$337,000	\$	
EBITDA %	EBITDA/Revenue %	14.4%	8.5%	-8.6%	%	>15%
Net Profit After Tax %	(Net Profit After Tax / Revenue) %	9.98%	5.22%	-8.49%	%	
<b>Chapter Two - Working Capital</b>						
Debtor Days	(Trade Debtors / Revenue) x 365	152.64	150.56	85.17	Days	<45
Stock Days	(Stock / Cost of Goods) x 365	35.78	10.30	21.36	Days	<30
Creditor Days	(Trade Creditors / Purchases) x 365	54.36	75.69	54.09	Days	<60
Debtors Turnover	Revenue / Trade Debtors	2.39	2.42	4.29	Days	
Stock Turnover	Cost of Goods Sold / Stock	10.20	35.43	17.09	Times p.a	>6
Working Capital	Current Assets - Current liabilities	\$1,260,000	\$1,520,000	\$1,003,000	\$	
Cash Gap Days	Debtors Days + Stock Days - Creditors Days	134.06	85.17	52.44	Days	
Working Capital %	Working Capital / Revenue %	22.91%	19.00%	16.72%	%	
Marginal Cash Flow	Gross Margin % - Operating Capital %	68.75%	67.71%	67.62%	%	
Current Ratio	Current Assets / Current Liabilities	2.11	1.74	2.93	%	>1.5
Quick Ratio	Current Assets - Stock / Current Liabilities	2.07	1.73	2.82	%	>1
<b>Chapter Three - Returns</b>						
Asset Turnover	Revenue/Total Assets	1.70	1.68	2.20	%	>1.8
Return on Capital Employed	EBIT/Net Operating Assets	32.5%	20.8%	-25.1%	%	
Return on Total Assets	EBIT / Total Assets %	21.10%	10.86%	-19.71%	%	>17
Return on Equity	Net Profit After Tax / Equity %	26.25%	17.61%	-26.22%	%	> 15
<b>Chapter Four - Funding</b>						
Net Debt	Current Bank Loans + Non Current Bank Loans - Cash	\$5,000	\$120,000	\$205,000	\$	
Debt to Equity	Total Debt / Equity	0.02	0.15	0.14		<0.6
Leverage	Total Liabilities / Equity	0.54	1.01	0.41		<2
Interest Cover	Earnings Before Interest & Tax (EBIT) / Interest Paid	45.40	19.90	-15.34		
Net Operating Cash Flow	EBITDA - change in trade debtors - change in stock + change in creditors - change in other current assets + change in other current liabilities + change in provisions + change in deferred tax + change in other liabilities - change in other non current assets - change in other receivables	N/A	\$652,500	\$15,000	\$	
Operating Cash Flow to Interest	Operating Cash Flow / Interest	N/A	25.10	0.43	%	
<b>Chapter Five - Productivity</b>						
Salaries and Wages	(Salaries & Wages / Revenue) %	60.00%	60.00%	66.67%	%	
Sales per FTE	Revenue / # FTE	\$137,500	\$160,000	\$171,429	\$	
Value Add	(Revenue-Cost of bought in materials and services)/Revenue	91.65%	86.71%	84.33%	%	



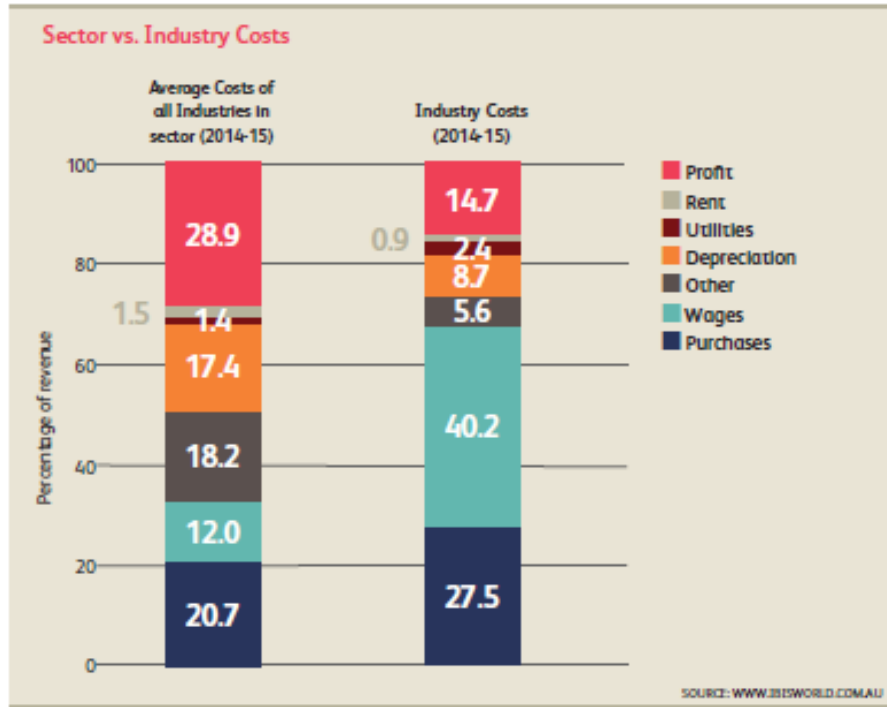
**Business**

Mock Pty Ltd  
Mock Pty Ltd

## Power of One

The Power of One		Impact on Cash Flow \$	Impact on Profit \$
Price Increase %	1 %	46,000	60,000
Revenue Growth %	1 %	39,550	50,600
COGS Reduction %	1 %	6,450	9,400
Overheads Reduction %	1 %	55,970	55,970
Reduction in Debtors Days	1 days	16,438	
Reduction in Stock Days	1 days	2,575	
Increase in Creditors Days	1 days	6,471	
<b>Total Impact</b>		<b>173,455</b>	<b>175,970</b>

# IBISWorld industry reports



## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Ability to effectively manage risk

Demand for industry services from downstream markets can be volatile. Industry participants need to maintain a diverse pipeline of projects and clients.

### Economies of scale

Larger mining services companies are able to provide services for large mining operations at lower marginal costs to clients. This increases profit levels and benefits the reputation of these firms.

### Economies of scope

Companies that can offer a wide range of industry services are more likely to win contracts and increase revenue levels.

### Access to highly skilled and experienced staff

Industry firms that have experienced and well-trained staff are more likely to gain repeat business and be recommended for further future work.

**IBISWorld**  
WHERE KNOWLEDGE IS POWER

A rich seam: New technologies for gas extraction have boosted demand

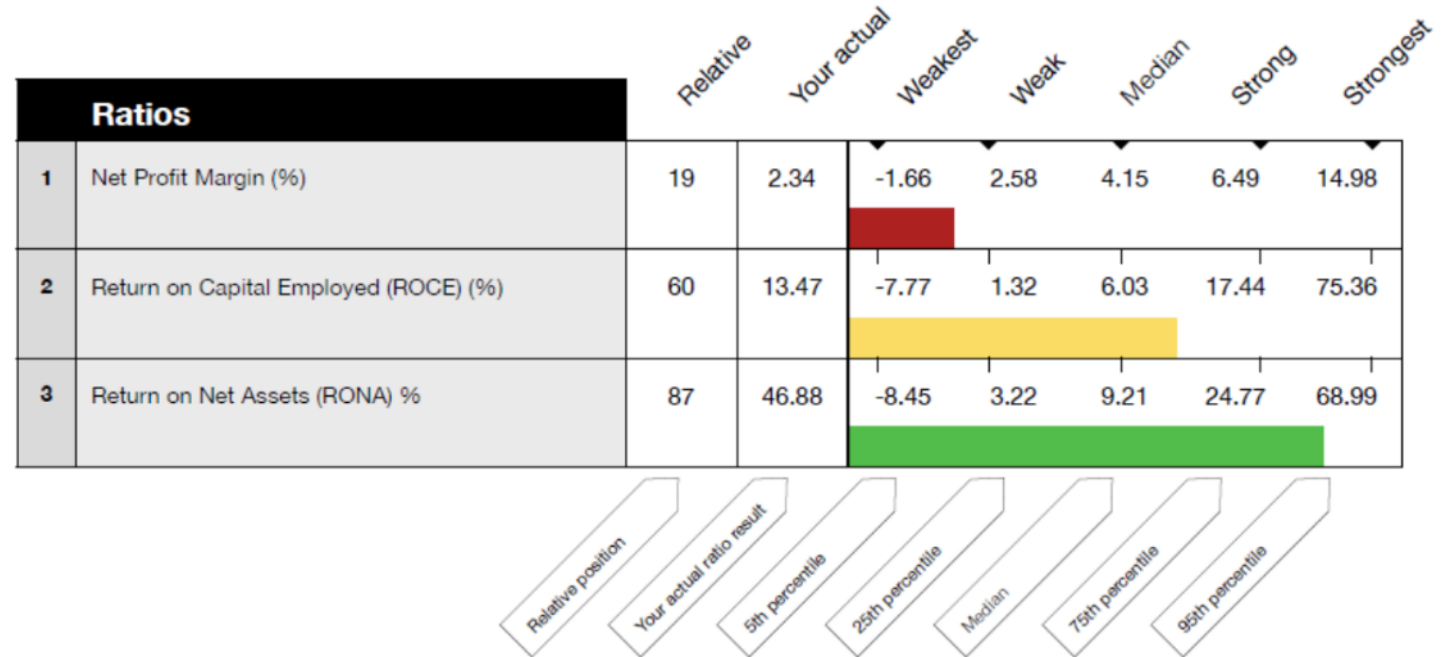
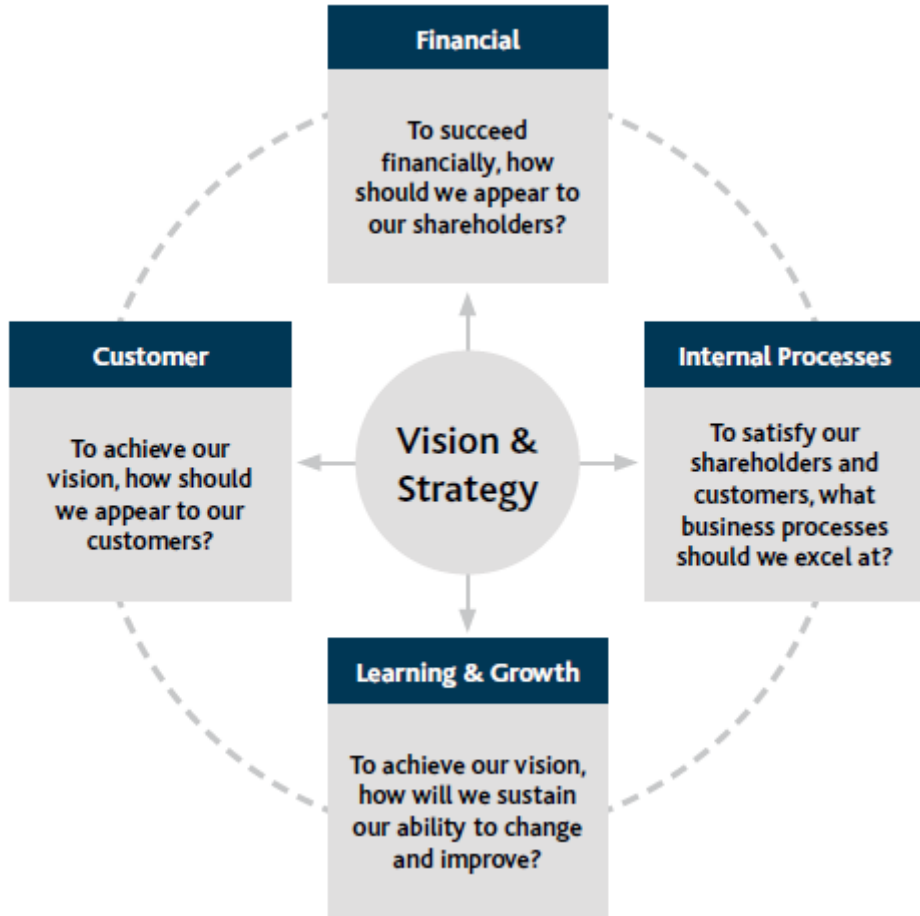
**IBISWorld Industry Report B1090**  
**Mining Support Services in Australia**

December 2014 Caroline Finch

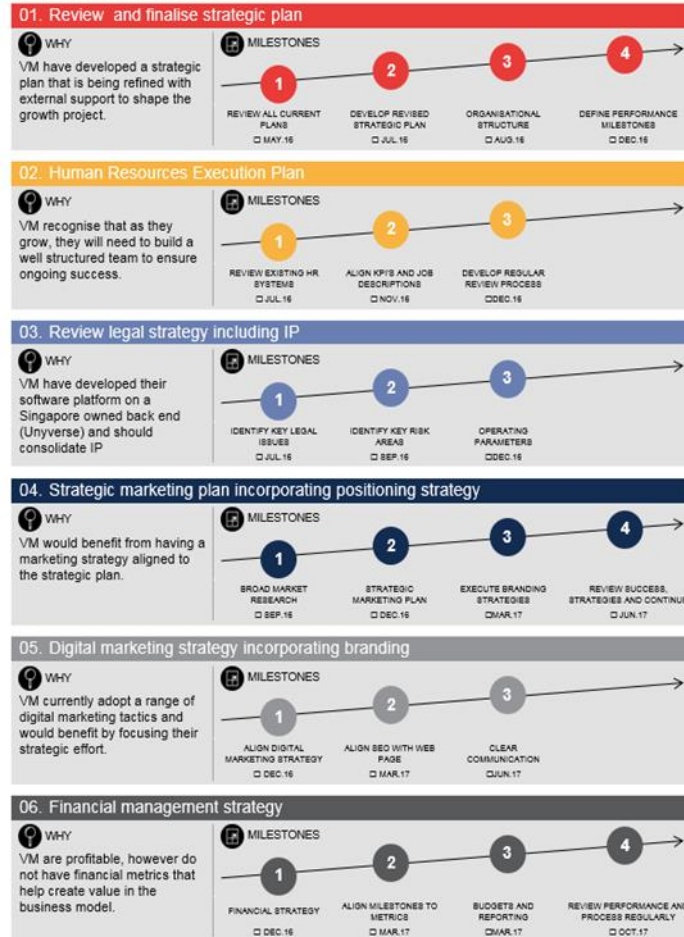
<p><b>2 About this Industry</b></p> <ul style="list-style-type: none"> <li>2 Industry Definition</li> <li>2 Main Activities</li> <li>2 Similar Industries</li> <li>2 Additional Resources</li> </ul> <p><b>3 Industry at a Glance</b></p> <ul style="list-style-type: none"> <li>4 Industry Performance</li> <li>4 Executive Summary</li> <li>4 Key External Drivers</li> <li>5 Current Performance</li> <li>7 Industry Outlook</li> <li>9 Industry Life Cycle</li> </ul>	<p><b>11 Products &amp; Markets</b></p> <ul style="list-style-type: none"> <li>11 Supply Chain</li> <li>11 Products &amp; Services</li> <li>12 Demand Determinants</li> <li>13 Major Markets</li> <li>14 International Trade</li> <li>15 Business Locations</li> </ul> <p><b>17 Competitive Landscape</b></p> <ul style="list-style-type: none"> <li>17 Market Share Concentration</li> <li>17 Key Success Factors</li> <li>19 Cost Structure Benchmarking</li> <li>19 Barriers to Entry</li> <li>19 Industry Globalization</li> </ul>	<p><b>20 Major Companies</b></p> <ul style="list-style-type: none"> <li>21 Operating Conditions</li> <li>21 Capital Intensity</li> <li>22 Technology &amp; Systems</li> <li>22 Revenue Volatility</li> <li>22 Regulation &amp; Policy</li> <li>23 Industry Assistance</li> </ul> <p><b>24 Key Statistics</b></p> <ul style="list-style-type: none"> <li>24 Industry Data</li> <li>24 Annual Change</li> <li>24 Key Ratios</li> </ul> <p><b>25 Jargon &amp; Glossary</b></p>
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www.ibisworld.com.au | (03) 9655 3881 | info@ibisworld.com

# Balanced scorecard benchmarking



# Action plan & 12 months continued support unlocking matched grant



# How is Innovation in Australia Being Supported ?



<https://www.business.gov.au/assistance/entrepreneurs-programme>

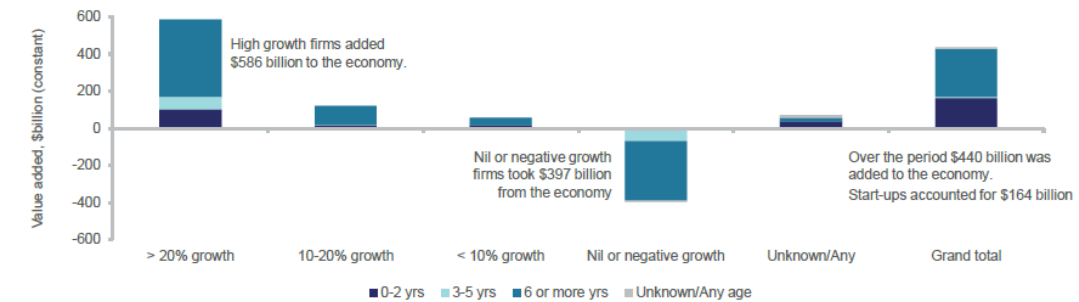
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Fostering High Growth Firms



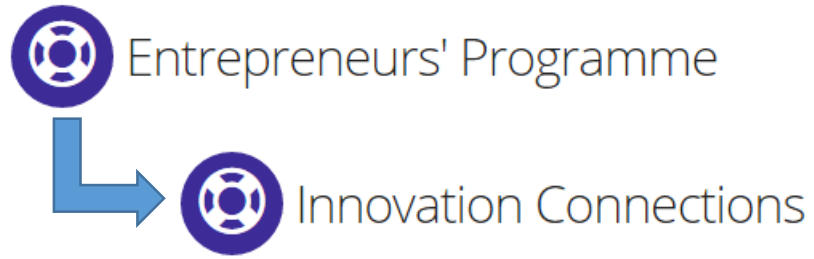
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Source: ABS (2010) Expanded Analytical Business Longitudinal Database

## How does the Innovation Connections Programme Support Collaboration ?



<https://www.business.gov.au/assistance/innovation-connections>

### Key differences to other programmes :

- Business competitiveness programme
- Focuses on facilitating collaboration between industry and researchers
- Supports short, targeted research projects that value add
- Non competitive



**COMPANY: Crommelin**

**PROJECT:**

**Evaluation of Crommelin AgriCoating Technology**

**Crommelin developed a commercially viable moisture barrier coating for urea that provides significant cost savings in urea handling and application within broad acre farming practices.**

**Although ready for market, to drive sales and uptake Crommelin required independent tests to evaluate the product and demonstrate the benefits of their technology to support marketing of the product and on-farm guidance for its application by customers.**

**CSIRO were engaged through the Innovation Connections Programme to conduct testing of the product and produce data that Crommelin could use for marketing and promotion to drive sales.**



# INNOVATION CONNECTIONS

*What's on offer for Business..*

 **\$50k\*** +  **\$50k\*** +  **\$30k\***



**UNIVERSITY  
RESEARCHER  
PLACEMENT**

*And/Or*



**BUSINESS  
RESEARCHER  
PLACEMENT**

*And*



**GRADUATE  
PLACEMENT**



**2 to 12**  
*Month Projects*



**NON** COMPETITIVE  
*Funding*

*\* Matched funding*

# Thankyou

[www.business.gov.au/assistance/entrepreneurs-programme](http://www.business.gov.au/assistance/entrepreneurs-programme)

## **Brendon McAtee**

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