

Future Manufacturing

Industry Innovation Council

Chair: Mr Philip Binns

SUBMISSION TO THE HOUSE OF REPRESENTATIVES INQUIRY INTO RAISING THE LEVEL OF PRODUCTIVITY GROWTH IN THE AUSTRALIAN ECONOMY

The purpose of this submission is to advise the House of Representatives inquiry into raising the level of productivity growth in the Australian economy of the Commonwealth Government's Future Manufacturing Industry Innovation Council (FMIIC) and its activities that contribute to raising the level of productivity growth in the Australian economy. The inquiry Terms of Reference are at **Attachment A**.

The terms of reference of relevance to the FMIIC are:

- e) the willingness and ability of small and medium enterprise to adopt best practice technology;
- h) the level of resources devoted to research and development; and
- j) the key reforms and measures that can be undertaken to lift Australia's permanent rate of productivity growth.

Background

The Australian manufacturing sector is a significant contributor to the Australian economy. It produces around 12 per cent of gross domestic product and almost 40 per cent of exports. It also conducts 31 per cent of business research and development (R&D) nationally.

However, Australian manufacturers are under increasing pressure from global competition, the rise of low cost, low wage manufacturing economies, and the changes that will need to be made to reduce emissions and become more sustainable.

To remain competitive and provide high quality high wage employment opportunities for the Australian community the future of the manufacturing industry in Australia is tied to its willingness and capacity to innovate. Australia has a solid base in globally competitive, high technology and highly skilled manufacturing. Australia's future lies in expanding on this manufacturing base. Innovation provides the new products, processes, services, business models and management practices that will enhance the sustainability of Australia's manufacturing productivity, investment attractiveness and international competitiveness. Innovation will build new industries and enable existing ones to transform in response to global challenges and opportunities.

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In October 2008, the Minister for Innovation, Industry, Science, and Research, Senator the Hon Kim Carr, established the FMIIC.

The Minister appointed Mr Philip Binns, Managing Director of Varian Australia Pty Ltd as the FMIIC Chair. The FMIIC's membership includes leaders in innovation from business, the science and research community, unions, professional associations and the Commonwealth Government (**Attachment B** refers).

The FMIIC is one of a number of Industry Innovation Councils (IICs) established by the Commonwealth Government as part of its 10-year strategy *Powering Ideas* aimed at building a culture of innovation in Australia. The IICs provide strategic advice on innovation priorities to the Minister as well as championing innovation in industry and building connections with industry stakeholders.

Through the IICs, the Government and stakeholders are partnering to:

- improve Australian industry's productivity, global competitiveness and market access;
- build a highly skilled and flexible workforce for the 21st century through best practice in employment and training;
- ensure the sustainable development of Australian industry; and
- respond to challenges including climate change and social inclusion.

The FMIIC is focusing on innovation-intensive, high technology, high value-add, high-skill manufacturing. This includes manufacturers using advanced processes, materials and technologies, such as the scientific and medical instruments, specialist engineering and aerospace industries, and related services.

The FMIIC also focuses on the growing area of manufacturing services and at opportunities for Australian manufacturers in the global response to climate change, such as clean energy and water technologies, and health technologies.

The Department of Innovation, Industry, Science and Research provides the secretariat to the FMIIC.

Long-term goals and priorities

The FMIIC is working with industry to build a strong innovation culture where business, the research sector, the workforce and governments work together and invest in technology and practices that are more productive, cleaner and responsive than those traditionally used.

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The FMIIC is helping with the development of strategies for boosting Australia's competitive advantage and exploiting new and existing opportunities in manufacturing by:

- supporting and promoting innovation in the manufacturing sector;
- identifying emerging industries and opportunities for manufacturers; and
- identifying enabling technologies of significant benefit to industry.

Current projects and work commissioned on behalf of the FMIIC.

The FMIIC is advancing the eight priorities (milestones) in its strategic plan. The plan identifies the FMIIC's outcomes for manufacturing industry and the pathways to achieve them by 2014. (**Attachment C** refers). To deliver its plan, the FMIIC is leveraging the wide variety of relevant Government initiatives and its network of contacts in industry and government.

The FMIIC's key priorities are:

- Actively contributing to the design of the Government's new Commonwealth Commercialisation Institute (CCI).

The CCI will bring research, business and finance together to help commercialise new ideas and technologies to assist Australian enterprises to cross the 'valley of death', and to deliver new-to-market innovations.

Through the CCI, the Government will provide hands-on support that is tailored to the individual needs of enterprises. Such support will improve the capacity of Australian research institutions and entrepreneurs to produce and absorb knowledge, and to apply it to create new value. It will help Australia capitalise on its large investment in public sector research and infrastructure.

- Maximising Australian manufacturing industry participation in sustainable energy and water efficiency initiatives.

The Government's Renewable Energy Target, the Solar Flagships program, the Australia Centre for Renewable Energy (ACRE), the Enterprise Connect Clean Energy Innovation Centre, Austrade's Clean Energy Export Strategy and the Australian Industry Participation and procurement initiatives, including Supplier Advocates, are keystones of the FMIIC's activities.

ACRE will promote the development, commercialisation and deployment of renewable energy technologies, through a commercial investment approach. It is an initiative of the Department of Resources, Energy and Tourism.

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On behalf of the FMIIC, the Department of Innovation, Industry, Science and Research has commissioned AECOM to report on the local and global opportunities in solar photovoltaic, solar thermal, wind, tidal and wave energy technologies, and the Australian manufacturing capabilities to address these opportunities.

The FMIIC has collaborated with the Australian Institute of Commercialisation to develop and disseminate an innovation quiz (**Attachment D** refers).

Addressing the inquiry terms of reference

The views expressed in this submission are those of the FMIIC and do not necessarily reflect the views of the Commonwealth Government or the Department of Innovation, Industry, Science and Research.

e) The willingness and ability of small and medium enterprise to adopt best practice technology

The FMIIC considers that the capacity of small and medium sized enterprises (SMEs) to absorb and adopt best practice technology varies widely across the Australian economy and within industry sectors. The Government's Review of the National Innovation System and its response *Powering Ideas*, the *Clean Energy Initiative* and the range of initiatives to improve water efficiency will help address this issue.

h) The level of resources devoted to research and development

The FMIIC considers that the level of resources devoted to R&D and the associated policy settings announced by the Government, particularly in its \$3.1 billion 10-year strategy *Powering Ideas*, the \$4.5 billion *Clean Energy Initiative* and the range of initiatives to improve water efficiency will address this issue.

j) The key reforms and measures that can be undertaken to lift Australia's permanent rate of productivity growth

The FMIIC notes the recent report by the European-American Business Council *The Atlantic Century, Benchmarking EU & U.S. Innovation and Competitiveness* of February 2009¹.

The report assesses the innovation-based global competitiveness of 40 countries and regions. The report ranks Australia 19th behind countries including Singapore (1st), Sweden (2nd), Luxembourg (3rd), Denmark (4th), South Korea (5th) and United States of America (6th).

¹ See <http://www.itif.org/index.php?id=226> last accessed 14 Sep 2009.

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The key issue in this report is that the ranking is based on the systemic premise that economic structure, policy factors and economic performance must be considered together to create a holistic understanding of how a country is performing in terms of global innovation and competitiveness. The report used 16 indicators grouped into the six broad categories of human capital, innovation capacity, entrepreneurship, information technology infrastructure, economic policy and economic performance.

Productivity is a criterion for economic performance. The report ranks Australia 11th in terms of gross domestic product (GDP) per hour worked in 2006 and 18th in terms of percentage change in the period 1999 – 2006.

The report proposes that countries and regions should have a competitiveness and innovation agenda comprising:

- Incentives for firms to innovation within the borders;
- An immigration policy that enables high-skill immigration;
- Fostering of a digital economy;
- Supporting institutions that are critical to innovation; and
- Ensuring that regulations and other related government policies support, rather than retard, innovation.

The FMIIC considers that Australia could perform better, relative to the countries surveyed, in terms of:

- Foreign direct investment
- Corporate tax
- Trade balance
- Venture capital
- Corporate investment in R&D
- Higher education
- E-government
- Government investment in R&D
- Science and technology researchers.

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Foreign direct investment (FDI) inflows (criterion for economic performance). The report ranks Australia 19th in terms of FDI as a percentage of GDP in 2005 – 06 and 19th in terms of percentage change in the period 1999 – 2006. The report argues that inward FDI brings a nation higher value-added production and increased competitive forces that spur domestic firms to become more innovative and productive.

The FMIIC considers that over time major multinationals are finding that countries and regions other than Australia are more attractive investment locations than Australia. A factor in this issue is the extent to which Australian PFRA research intellectual property (IP) can be commercialised in Australia for national benefit compared with how accessible this IP is to foreign multinationals.

Corporate tax rates (criterion for economic policy). The report ranks Australia 16th in terms of effective corporate tax rate in 2008. The report argues that higher corporate tax rates have an adverse effect on FDI and investment rates. The most important component of corporate taxes is the effective corporate rate which takes into account all the deductions, exemptions and credits for which companies can qualify. Unlike many other structural factors that affect a nation's competitiveness, corporate tax rates can be changed with relative ease.

The FMIIC considers that a taxation system that supports innovation and productivity growth is an essential element of a supportive business environment that encourages SME growth (**Attachment C** refers). In this context, the tax treatment of risky R&D and some types of capital intensive value-adding manufacturing could have arrangements different from the current arrangements. The FMIIC notes that the current Commonwealth Government review of the taxation system (the Henry Review) provides the opportunity for these tax issues to be considered. The tax system review panel is due to deliver its final report to the Treasurer in December 2009.

Trade balance (criterion for economic performance). The report ranks Australia 16th in terms of average trade balance as a percentage of GDP in 2005 – 06 and 13th in terms of the percentage change in the period 1999 – 2006. The report argues that, while a growing share of trade involves foreign affiliate sales or intra-firm trade, a nation's trade deficit reflects a nation's competitiveness, even if it does not reflect the reduced competitiveness of a nation's firms.

The FMIIC considers that most countries with a positive trade balance are strong in manufacturing.

Venture capital (criterion for entrepreneurship). The report ranks Australia 15th in terms of venture capital as a percentage of GDP in 2006 and 13th in terms of the percentage change in the period 2000 – 06. The report argues that venture capital is an important source of financing for young and growing companies. While many of these companies are too small to raise capital in public markets and too underdeveloped to secure bank loans, they have extremely high growth potential.

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Corporate investment in R&D (criterion for innovation capacity). The report ranks Australia 12th in terms of corporate investment in R&D as a percentage of GDP in 2006 and 4th in terms of the percentage change in the period 1999 – 2006. The report argues that corporate R&D represents almost two-thirds of global R&D and is therefore a significant driver of innovation. Furthermore, corporate R&D is more geographically mobile than government funded R&D. As some governments have limited the growth of their R&D budgets, corporate R&D has grown faster as a percentage of total R&D investment despite already being more than twice as large as government R&D in 2000.

The FMIIC notes that, compared with other countries, Australia has a predominance of SMEs in manufacturing. Australian SMEs involved in manufacturing are spending too little on R&D compared with the rest of the world. Because Australia lacks a large local manufacturing sector and represents only one to three per cent of the world market, Australian SMEs have no choice but to become global players to achieve scale. This requires SMEs to invest in R&D to remain competitive.

Higher education attainment in the population ages 25 – 34 (criterion for human capital). The report ranks Australia 9th in terms of the percentage of adults aged 25 to 34 with a tertiary degree in 2005 and 4th in terms of the percentage change in the period 1999 – 2005. The report argues that a highly educated workforce supports innovation and productivity. Consequently, higher educational attainment has become an important component of economic success, particularly in higher wage nations that can compete less effectively in lower skilled, production line type work.

The FMIIC considers that jobs in Australian manufacturing are less attractive to the many foreign students in Australia's education system than other types of jobs. The FMIIC is also concerned that other countries benefit in terms of productivity from the tacit research IP that is transferred by scientists and engineers trained in Australia who emigrate or return to their country of origin rather than stay employed in Australian manufacturing industries.

E-government (criterion for information technology infrastructure). The report ranks Australia 5th in terms of the 2008 Index and 17th in terms of percentage change in the period 2005 – 08. The report argues that sophisticated e-government systems greatly improve the efficiency with which governments deliver their services to their citizens and businesses. E-government systems have also transformed the way government departments interact with one another by improving the coordination within and between departments.

The FMIIC notes that while Australia ranks well in terms of the 2008 Index, it is falling behind in terms of the rate of change in e-government between 2005 and 2008.

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Government investment in R&D (criterion for innovation capacity). The report ranks Australia 7th in terms of government investment in R&D as a percentage of GDP in 2006 and 11th in terms of percentage change in the period 1999 – 2006. The report argues that whereas most R&D investment is made by industry, government sponsored R&D has been a key factor in growth and innovation. Also, governments are better able to support basic and applied research projects that are high risk and far from commercialisation. While much of this research cannot lead to commercial results in the short run, some of it leads to important innovations. For example, one of the most potentially important future technologies is nanotechnology. In 2006, governments sponsored 52 per cent of nanotechnology research whereas corporations funded only 43 per cent and venture capital funded 5 per cent. This is notable, since governments as a whole only sponsor roughly one-third of total R&D.

Science and technology researchers per 1,000 employed (criterion for human capital). The report ranks Australia 5th in terms of researchers per 1,000 employed in 2006 and 12th in terms of percentage change in the period 1999 – 2006. The report argues that scientists and engineers are key drivers in innovation and as global economies become more innovation-based, they are even more important. Globally, there were over 40 per cent more researchers per 1,000 employees in 2005 than in 1995 in Organisation of Economic Cooperation and Development (OECD) countries. In non-OECD countries the percentage was even larger.

Other measures

The FMIIC considers that the Government's new Commonwealth Commercialisation Institute (CCI) will be a key initiative to encourage greater commercialisation of PFRA research IP. The FMIIC would like to see the CCI:

- Facilitate a dramatic increase in the creation and export of IP protected products and processes.

The new R&D Tax Credit scheme is expected to assist by providing funding for start-up companies and projects. Other options include funding for angel investors, proof-of-concept and prototypes.

- Leverage existing programs that work and facilitate collaboration between existing organisations in the field of commercialisation.

Existing programs include for example the Enterprise Connect Network, the Industry Capability Network, Austrade and all the various programs such as Climate Ready, Automotive Competitiveness and Investment Scheme, Automotive Industry Structural Adjustment Program, Automotive Transformation Scheme, Business Enterprise Centres, Cooperative Research Centres, Early Stage Venture Capital Limited Partnership, Enhanced Project By-law Scheme, Innovation Investment Fund, International Science Linkages, Joint Research Engagement, National Collaborative Research Infrastructure Strategy, Excellence for Research for Australia and the Green Car Innovation Fund.

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- Drive more effective and efficient collaboration between Australian universities, publicly funded research agencies (PFRAs) and small and medium sized enterprises (SMEs).

The FMIIC considers that there can be greater interaction between universities, PFRAs and industry, leading to higher levels of application driven IP and product/service commercialisation. To this end:

- An 'Australian Knowledge Network' could be established. Its role would be to assist industry, entrepreneurs and Angel investors with locating knowledge and IP in universities and PFRAs.
- Existing initiatives could be leveraged to improve the commercialisation outcomes of university and PFRA research IP. Examples of existing initiatives include the University of Technology's Industry Advisory Network, the University of Queensland's UniQuest, and the South Australian Medical Devices Network.

Australian Government initiatives

The Government's *Powering Ideas* is a 10-year strategy supported by \$3.1 billion in funding for a range of initiatives will lift Australia's permanent rate of productivity growth by building a culture of innovation in Australia. In particular, *Powering Ideas* is a suite of measures that are aligned with national priorities and challenges in energy, water and health, provide new solutions to these challenges that meet market and social needs.

The FMIIC notes the Government's procurement initiatives to support Australian manufacturers. These present significant opportunities for local manufacturers to participate in the Government's other initiatives in renewable energy under the *Clean Energy Initiative* and the programs aimed at encouraging greater water efficiency that facilitate the development, commercialisation and deployment of new technologies.

The FMIIC considers that SMEs in particular should be encouraged to adopt the 'lean manufacturing' philosophy. The 'lean manufacturing' philosophy is also an issue for the education and training system. Increasingly, factories are becoming more like laboratories and the 'lean manufacturing' has a place in raising the productivity of these production facilities. The adoption of lean manufacturing practices by SME manufacturing companies would equip them to compete more effectively in supporting the key national priorities of energy, water and health.

Manufacturing-related services are a growth industry. However, the productivity of the service industries is an issue. The adoption of a 'lean services' philosophy by service industry companies would have a place in raising their productivity.

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Regulatory reform aimed at reducing the cost of doing business and to commercialising products in Australia is essential to enhance the competitiveness of SMEs in particular and to building a supportive business environment that encourages SME growth (**Attachment C** refers). The FMIIC notes the recent Productivity Commission's inquiry, *Annual Review of Regulatory Burdens on Business: Manufacturing and Distributive Trades*. The inquiry is the first of a continuing periodic regulatory review process. The report identifies a number of ways that the Commonwealth Government can strip out unnecessary regulatory burdens on manufacturing, wholesaling and retailing businesses. This report is informing the FMIIC's work on this issue.

Medical devices, renewable energy and water recycling are FMIIC priorities. The FMIIC notes that the Government is actively engaged in significant regulatory reform aimed at improving the business environment for the Australian medical devices industry. The FMIIC also notes that Australian governments are actively engaged in a number of initiatives aimed at addressing impediments on the demand and supply side of the Australian market that have the potential to impact on business efficiency and therefore productivity.

Policy stability, coherence and continuity are critical to a supportive business environment that fosters innovation (**Attachment C** refers).

I understand that the Department of Innovation, Industry, Science and Research may also be providing the inquiry with a submission.

Philip Binns
Chair
Future Manufacturing Industry Innovation Council

House of Representatives inquiry into raising the level of productivity growth in the Australian economy Terms of Reference

Increased economic productivity has been responsible for much of the improvement in Australia's living standards over the last 25 years. However, Australia's productivity has declined since the 1990's.

The factors responsible for Australia's current lower rate of productivity growth should be examined, with the objective of identifying key 'levers' which will assist in returning the Australian economy to a trajectory of robust growth in productivity.

The Committee will inquire into, and report on, the key factors influencing Australia's productivity growth rate, focusing on, but not limited to:

- a) trends in Australia's productivity growth rate during the past 20 years and reasons for the recent trending decline;
- b) trends in productivity growth rates against other OECD countries;
- c) the adequacy of productivity growth measures;
- d) the contribution made by microeconomic reform to the permanent improvement in the growth rate of productivity and the continuing effectiveness of the microeconomic reform agenda;
- e) the willingness and ability of small and medium enterprise to adopt best practice technology;
- f) the adequacy of the level of investment in physical capital;
- g) the adequacy of the level of investment in public infrastructure;
- h) the level of resources devoted to research and development;
- i) the adequacy of resources devoted to training and development of the labour force; and
- j) the key reforms and measures that can be undertaken to lift Australia's permanent rate of productivity growth.

In conducting the inquiry the committee should focus on how relevant factors contribute generally to the productivity growth rate. The committee should not undertake detailed assessments of individual industry sectors or specific industry assistance measures.

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Attachment B

Membership of the Future Manufacturing Industry Innovation Council

Mr Philip Binns (Chair)	Managing Director, Varian Australia Pty Ltd
Mr Pat Boland	Joint Managing Director, ANCA
Mr Lyle Bruce	Chief Executive Officer, GroundProbe Pty Ltd
Ms Sharan Burrow	President, Australian Council of Trade Unions
Mr Peter Cockbain	Former National President, Engineers Australia and Founder and Technical Director, Ampcontrol Pty Ltd
Dr Calum Drummond	Chief, CSIRO Materials Science and Engineering
Mr Brad Dunstan	Chief Executive Officer, VCAMM Limited
Dr Bronwyn Evans	Senior Vice President, Quality and Regulatory, Cochlear Limited
Mr Bruce Grey	Convenor, Faculty of Engineering and IT Industry Advisory Network, University of Technology, Sydney
Ms Lusia Guthrie	Chief Executive Officer and Managing Director, LabTech Systems Ltd
Professor Erol Harvey	Chief Executive Officer, MiniFAB (Aust) Pty Ltd
Mr Erich Hofmann	Managing Director, Hofmann Engineering Pty Ltd
Mr Paul Howes	National Secretary, Australian Workers Union
Mr David Malloch	Director, Malloch Digital Design
Mr Dave Oliver	National Secretary, Australian Manufacturing Workers Union
Mr Tony Quick	Director, Enterprise Connect Defence Industry Innovation Centre
Dr Leanna Read	Managing Director and Chief Executive Officer, TGR BioSciences Pty Ltd
Mr Rohan Stocker	General Manager and Director, Marand Precision Engineering
Professor Elizabeth Taylor AO	Pro Vice-Chancellor and Executive Dean, Sciences, Engineering & Health, Central Queensland University
Ms Diane Tompson	Managing Director, Powercom Group Pty Ltd
Ms Sylvia Tulloch	Managing Director, Dyesol Industries
Mr Gary Zamel	Managing Director, Latitude Investments Pty Ltd
Dr Michael Green	General Manager, Innovation and Space Branch, Manufacturing Division, Department of Innovation, Industry, Science and Research

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Strategic plan

Attachment C

Future Manufacturing Industry Innovation Council Strategic Road Map 2009-2014

March 2010 milestones	2014 targets	2014 Outcomes
1. Identified needs and barriers for manufacturing companies supporting key national priorities of energy, water and health		More companies with global leadership positions
2. Implementation of Commonwealth Commercialisation Institute supports manufacturing innovation		Robust & aligned investment environment
3. New government funded clean energy infrastructure projects use more than 40% of Australian manufacturers		Adaptive & diverse pool of skilled people
4. Govt procurement initiatives support Australian manufacturers within WTO rules		New positive image
5. Taxation relates to national wealth creation		
6. Influenced education revolution to support the manufacturing sector eg. lean philosophy		Effective commercialisation of new products
7. Secured positive exposure for innovative manufacturing in Australia		Conducive & continuous Government support
8. Identified regulatory barriers to commercialising products in Australia		National, globally competitive regulatory framework

Pathways

GOALS	Align national priorities & challenges	Customer focused R&D	Creating a positive image	New commercialisation model	Future workforce training & education	Reducing cost of doing business	Taxation (national wealth creation)	Continuity of Govt support
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Attachment D

Innovation quiz

20 THINGS YOU NEED TO ASK YOURSELF ABOUT INNOVATION

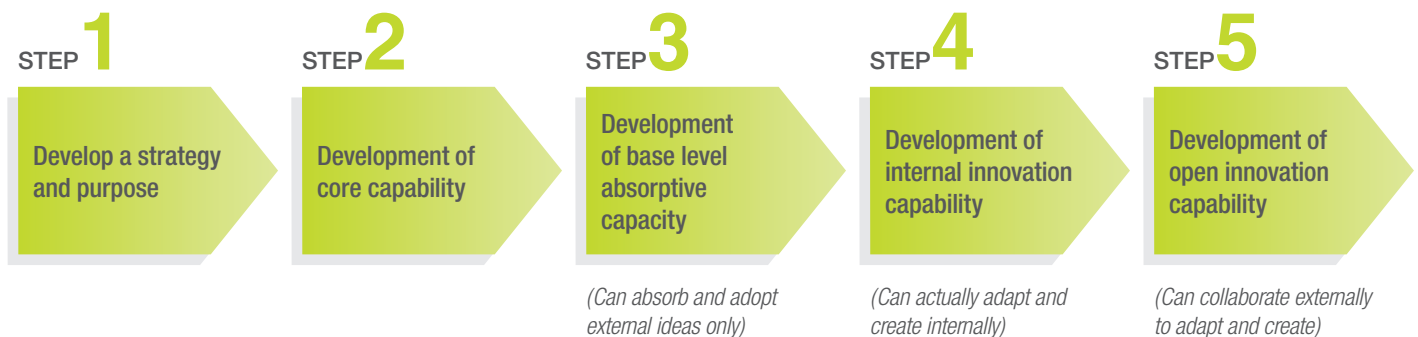
The Innovation Journey

By Dr Rowan Gilmore, CEO of the Australian Institute for Commercialisation

Australian companies are being told that they need to work smarter and more collaboratively to beat the current global economic slowdown; that they will need to be innovative. While we talk about it a lot, ask most people what innovation really means to their organisation and you could be met with a blank look. A simple way to think about innovation is to think of an 'innovation journey' that starts when the organisation is created but never ends.

The innovation journey describes how organisations develop their ability to innovate. The first step is about developing a basic strategy and the second about developing a core competency. Firms that have

successfully done this are better placed to start to identify and adopt useful new ideas from outside the business (Step 3). Successfully adopting other people's ideas can lead organisations to see new opportunities which may result in new products, processes, services or even a new business model being developed (Step 4). Organisations that regularly innovate or develop ideas may then start to attract or even proactively seek out potential external collaborators to boost their innovation capability. Collaboration offers the opportunity to work with other companies to develop ideas. It decreases the sole reliance on internal capability to develop ideas to improve and grow the business (Step 5).



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A study by the consultancy firm Arthur D. Little found that innovative firms enjoyed a 4% boost to their profit margins and that top innovators had over twice the sales of new products and services. A global CEO survey conducted by IBM studied over 1,000 companies and found that of the three most significant sources of new ideas for companies, two were from outside the organisation.

Greater collaboration with other organisations can provide new sources of ideas, new routes to market and can also spread and decrease the risk of innovating. While collaboration sounds desirable, many of the CEOs surveyed said that collaborating and partnering is 'theoretically easy,' but 'practically hard to do.' Successful collaboration requires

organisations to first develop the necessary skills by successfully completing the first four phases of the innovation journey.

Where does your organisation stand along the innovation journey? Whether you're a company selling products or services, a government department or a university, you could still be innovating and implementing new ideas that could make you stand out from the pack and become a leader. Take this quiz to help you understand your organisation's innovative abilities and also to identify a few practical ideas to help your organisation along its own innovation journey.

INNOVATION QUIZ

01	Our organisation has a clear purpose, such as providing a product, serving customers or helping people in some way.	TRUE / FALSE <input type="checkbox"/>	11	We have a clear way of collecting new ideas (about marketing, systems, tools, training methods or technology) and deciding whether to adopt or ignore them.	TRUE / FALSE <input type="checkbox"/>
02	Our organisation has the specific skills, equipment or people that we need to make the products or deliver the services we provide.	TRUE / FALSE <input type="checkbox"/>	12	Our organisation invests time or money in training its people.	TRUE / FALSE <input type="checkbox"/>
03	We commit time and resources to changing our processes, products or services, to make them better or more cost effective.	TRUE / FALSE <input type="checkbox"/>	13	When a customer discusses new requirements or ideas, we invest time and resources in developing solutions for them.	TRUE / FALSE <input type="checkbox"/>
04	Our organisation focuses on doing certain things and trying to be good at these things.	TRUE / FALSE <input type="checkbox"/>	14	We use external experts to help us improve products or services, or to solve problems.	TRUE / FALSE <input type="checkbox"/>
05	Team members are encouraged to network outside the organisation to learn what other organisations are doing.	TRUE / FALSE <input type="checkbox"/>	15	We know who our customers are.	TRUE / FALSE <input type="checkbox"/>
06	Team members know what the organisation wants to achieve.	TRUE / FALSE <input type="checkbox"/>	16	Our organisation quickly communicates new, useful, or interesting information to interested people and organisations.	TRUE / FALSE <input type="checkbox"/>
07	We partner with our suppliers or customers to develop or improve products, processes or services.	TRUE / FALSE <input type="checkbox"/>	17	Our organisation makes it easy and encourages other organisations to approach us with new ideas, potential solutions or new opportunities.	TRUE / FALSE <input type="checkbox"/>
08	We ask our customers about their current or future needs.	TRUE / FALSE <input type="checkbox"/>	18	Our customers appear happy with our products or services – we receive repeat business, positive comments or few complaints.	TRUE / FALSE <input type="checkbox"/>
09	We commit time and resources to looking for solutions, new ideas or new opportunities from outside the organisation.	TRUE / FALSE <input type="checkbox"/>	19	In our organisation, honest failures are not punished and I feel I could try something new.	TRUE / FALSE <input type="checkbox"/>
10	It's clear what products or services we specialise in.	TRUE / FALSE <input type="checkbox"/>	20	Our organisation encourages us to suggest ways to improve our processes, products, services, marketing, distribution or other things we do.	TRUE / FALSE <input type="checkbox"/>

PLEASE TURN OVER 





SCORING YOUR ORGANISATION

FIRST

Count the number of times you answered 'True' to the questions.

TOTAL SCORE

SECOND

Use your score to identify the appropriate set of simple, practical recommendations that may be useful in helping your organisation improve and move along the innovation journey.

SCORE RANGE

RECOMMENDATIONS

1-4 POINTS

Hopefully this quiz has given you some ideas to think about. There is a range of things you can do to help your organisation become more receptive to innovation. Here are some suggestions. Read through the other recommendations for more ideas.

1 Innovative organisations effectively communicate their objectives to staff and customers. This helps to create better focus and greater customer loyalty.

Form a team (including management) to discuss and agree on goals for the organisation, perhaps for the next 12 months. Document these goals and let staff and customers know about them.

2 Describing your products and services effectively is critical to convincing team members and customers that you have something of value to offer.

Ask a group of team members to discuss and list the key benefits they believe each product or service offers. Use these key benefits to help you write a simple summary of each product and service, focussing on how it will help your customers.

3 Innovative organisations align their products and services with their strategy. Regularly reviewing this will help keep your organisation on track to achieving its goals and remaining focussed.

Once your strategy is clearly defined, form a team to review each product and service to check whether each fits the organisation's strategy.

5-8 POINTS

There appears to be an opportunity for you to introduce some new ideas to your organisation to improve how receptive you are to innovation and collaboration. Here are some specific ideas:

1 Innovative organisations have the skills and equipment they need to remain competitive. Review your products and services one by one and list the specific skills and equipment required to effectively get the job done.

If gaps are identified, discuss practical ways to your improve skills in that area with team members and management.

2 Innovative organisations ensure their people are trained. Review the skills and training needs of your staff. A quick chat with team members about their formal and informal training and experience is a good way to identify their skills.

You can use this information to map the skills and experience across the organisation which can help when considering or pursuing new business opportunities or when considering training activities.

3 Innovative organisations understand who their customers are and what their needs are. You must know your customer to enable you to improve or develop your products and services.

You can do this by asking team members to review and define what type of person or organisation you are targeting. Use this as a checklist when planning new development or marketing activities to ensure you are focussing on your customers and that the activities align with your strategy.

For more information on initiatives that can assist businesses to innovate and collaborate please visit:

www.business.gov.au

www.ausicom.com.au

www.innovation.gov.au/FMIIC

or your state or territory's business development agency.



9-12
POINTS

There appear to be lots of things that your organisation is doing to encourage innovation, but there is always room for improvement. Collaborating with other organisations, improving your internal communication and asking your customers for their ideas might be something to consider. Here are some specific ideas:

1 Innovative organisations collaborate and are open to new ideas. Involve your staff in networking activities – these are ways to meet potential customers, become aware of new trends in technology and marketing, or identify other organisations that could be useful partners for you.

Think about what other activities could help you make useful contacts or find out about what other organisations are doing.

2 Innovative organisations have good internal communication. Make sure that information and ideas flow to the right people in your organisation.

Circulate information about non-sensitive business opportunities, challenges and ideas discussed at management meetings to all team members.

3 Innovative organisations are receptive to the needs and ideas of their customers. Who knows your customers needs better than your customer?

Asking them for their ideas is a powerful tool to build stronger customer relationships and to align your products and services to their needs. Identify a number of key clients and arrange to meet with them to discuss their current issues and future needs. Use this information to guide your future planning activity.

13-16
POINTS

Your organisation appears to be already investing in innovation by actively improving or creating new processes, products or services. It seems to invest in the capability of its people and generally uses existing team member's skills to innovate. To help you even further, you might like to consider the following suggestions:

1 Ideas are often best generated through group discussions and brainstorming.

Establish an informal 'ideas workgroup' by inviting team members from all parts of your organisation to participate. This group could identify, review and reward the most innovative ideas.

2 Recognising innovative thinking encourages further innovation. Simple recognition of good ideas is a powerful motivator to keep people thinking about better ways of doing things.

A practical reward is to ask the person who suggested the idea to lead or assist in its adoption.

3 Innovative organisations are open to ideas from their people. How can you encourage this?

You could introduce an 'ideas box' or email address for your staff. Review their input periodically and reward the best ideas with a prize or the authority to introduce the new initiative.

17-20
POINTS

Congratulations. You are working in an organisation that is well on its way along the innovation journey. Your organisation appears to be open to new ideas from inside and outside the company, invests in training its people and actively creates new processes, products or services. To help you even further, you might like to consider the following suggestions:

1 Innovative companies don't work in isolation. How can you collaborate further? Identify companies that have similar ideas, specialist equipment or face the same issues and challenges as you and plan to build relationship with them. Your competitors can be a source of ideas to help your business grow and by combining your capability, you could increase your ability to win business.

2 Innovative companies constantly look outside for ideas. Consider attending networking events, trade shows and conferences to see what other organisations are doing.

Even a simple key word search of the internet could assist you identify other organisations active in your area of business. You could consider a formal IP strategy for your organisation, if you haven't already done so.

3 Innovative companies are generally open to approaches by other people or organisations with new ideas.

Can you make better use of the web? Why not encourage your customers to post their suggestions, ideas or opportunities via your website.

For more information on initiatives that can assist businesses to innovate and collaborate please visit:

www.business.gov.au

www.ausicom.com.au

www.innovation.gov.au/FMIIC

or your state or territory's business development agency.