LA TROBE BUSINESS SCHOOL

La Trobe Business School
Economics and Finance

2017 LBS/NORTH LINK

National Innovation Forum

27/28 September 2017

Summary Report

(December 2017)

Conference Summary

This summary captures a one and a half-day program of presentations, panel discussions, master classes and interactive dialogue at the forum on national innovation, which took place from 27-28 September 2017 at La Trobe University Melbourne.

The event brought together some 90 business, local government, academic and industry group representatives from Australia and internationally to explore an industry perspective on how we can create sustainable bonds between universities with a view towards creating a more mature innovation culture and ecosystem.

Presenters were asked to address one or more of the following key forum themes: the role of incubators and accelerators in engaging *startups and SMEs* and connecting university-industry innovation; global forces shaping opportunities for business (including *startups and SMEs*) over the coming decade; business perspectives on the opportunities and barriers to university-industry collaboration; and, developing business environments (and business models) where innovation can thrive.

The La Trobe Business School (LBS) naming event partner was NORTH Link, a peak regional development organisation focused on Melbourne northern corridor, and our main corporate partner was Deloitte Consulting. The forum provided a valuable networking opportunity and set the stage for further cooperation and engagement among participants and potential areas of research.

The forum began with two afternoon presentations which was followed by the official launch by the Head of the LBS, Professor Paul Mather, and CEO of NORTH Link, Mr Chris James, at an evening cocktail event with the key note speaker Mr Craig Scroggie, CEO NEXTDC. The event concluded with an interactive panel session that reflected on the forum discussions and addressed the big question on how to enhance university-industry collaboration.

Session one: Presentation by Antonio Palanca, CEO and Co-founder the HiveXchange.

Fresh innovations in traditional food supply chains –a start-up science story

Antonio presented a case study on the HiveXchange which has created a new form of business to business e-commerce called trust based e-commerce which is designed specifically to meet the challenges in perishable produce supply chains. He said that organisations over a 20 year period have tried to introduce online buying models into the fresh produce supply chains but had failed. Antonio was formerly with Sun Microsystems where they used WaterFall project methods to launch big technology projects. He said that this experience taught him that this old approach to software design of define requirements, design, build, test, and launch was no longer viable. In contrast, the HiveXchange has as developed a software platform that has gone from success to success since its launch in early 2016. The reason for its success was the use of 'startup science' which was an incubation model supported by Pollenizer, a Sydney based business incubator which now has a10% holding in the business. Antonio described the company's journey and how the use of lean canvas methodology shaped field experiments and prototypes to reveal problems early that became the foundation of HiveXchange's trust based e-commerce software. During the development stage there were 30 or so lean canvas designs before settling on the current business model. The benefit of this approach is that as you go through the stages you reduce risk

and therefore become more attractive to investors. He concluded with a brief overview of how the HiveXchange is now working inside of the food agility CRC to take advantage of Australian research to drive more commercial innovation on a global scale.

Session two: Presentation by Kate Burleigh, former Managing Director of Intel Australia/NZ

Think big or go home – why students and businesses with a global mindset are more likely to succeed within the digital era

Kate's presentation addressed the rise of platform economics and how this enabling technology together with globalisation was driving the current wave of digital innovation and disruption. She outlined how the proliferation of connectivity and the growing power of data and data analytics was lowering costs through the use of platforms, cloud-based processing, storage and tools. Kate says the proliferation of platform economy emerged in 2003 because of the advent of hot spots, Wi-Fi and cloud computing technologies. Companies like YouTube, Amazon, Uber, Airbnb, Facebook and Netflix are examples of platforms we all want to use and do business on. What these firms and the next wave of Chinese technology firms such as Alibaba, Tencent, and WeChat have in common is that they think globally, have monopolistic tendency (become the market standard), use artificial intelligence and are agile. These companies have also attached payment systems to their platforms which give them a competitive advantage. They are happy to collaborate and enter partnerships or use merger and acquisition to keep their brands at the cutting edge of innovation. She argued that Australian students and businesses have an opportunity to participate more strongly in shaping and benefiting from these forces and the pace of change being driven by platform technologies. Kate's challenge to our current generation of educators, students, start-ups and business leaders was to foster a global mindset and to better utilise and adopt platform technologies in order to be competitive and succeed more strongly.

Official Welcome and Cocktail event

Session Three: Key note presentation by Craig Scroggie, CEO NEXTDC.

Welcome to the 4th Industrial Revolution

Craig's presentation was insightful in the way it challenged the audience to think about and imagine the future through the lens of ever expanding data possibilities. Craig grounded his presentation in four major theoretical influences: Moore's Law (the number of transistors per square inch on integrated circuits will double every year); Schumpeter Economics (i.e. creative destruction) and the books, *The Lean Start-up* by Eric Ries; and, *The Fourth Industrial Revolution* by Klaus Schwab among others. Data, according to Craig, is the electricity of our age and the amount is doubling every two years. Yet we only analysis .5% of current global data that is currently generated. He argued that more data has been created in the last two years than in the entire previous history of the human race. Global internet traffic is predicted to nearly triple over the next five years, driving billions of dollars of investment in the construction of new data centres and communications networks that enable our digital lives. It is estimated that the world's internet users will grow from 3 to 6 billion by 2020. With the advent of the Internet of Things (IoT) we're entering a whole new era of technology – machine learning, self-driving cars, drones, 3D printed body parts, artificial intelligence etc. Craig discussed how digitisation and democratisation of these technologies continues to be accelerated by applications served through billions of mobile phones, which will soon become the trillions of internet-of-things connected

sensors. He argued we will have new opportunities for solutions to challenges as digital disruption affects areas such as medical research, sustainability, energy, education and transport. Opportunities will also emerge from the convergence of technologies over time. His advice for start-up and entrepreneurs was to develop products and services using lean methods and platforms aimed at the mobile market (not desktop computers). If you can create a platform like Facebook that becomes the global standard even better, but you can use other platforms like Uber did and be highly successful. Because of the constant reality of technology distribution, he challenges his company executive to think about what NEXTDC would do if a competitor gave away its core business for free? What would NEXTDC do differently? He concluded by saying technology has change our lives as consumers and creators of content, and that it will challenge our ideas about what it means to be human.

Session four: Second Key note presentation by Dr Stephan Buse, Deputy Director of the Institute for Technology and Innovation Management (TIM) at Hamburg University of Technology.

Academia-industry collaboration and engagement: how universities can strengthen firms' innovative ability

Stephan argued that succeeding in emerging markets, especially in the new economic powerhouses China and India, has become a strategic imperative for many companies from industrialised nations. He believes the problem is that their established business models are more and more challenged by young and highly flexible competitors from these countries; and the battle for market share is taking place globally. He argued that in this environment in order to remain competitive a new way of thinking and acting is required. "Frugal Innovation" is a strategic approach to deal with these new challenges. According to Buse, frugal innovation refers to products and services that seek to minimise the use of material and financial resources across the complete value chain. The objective is to substantially reduce not just price but the complete cost of ownership/usage of a product. By adopting this approach firms can develop products that bring better priced quality goods to the customer both in the Business-to-Consumer (B2C) and Business-to-Business (B2B) sectors. He also gave examples of strong university-industry collaboration through the use of netnography an emerging tool used to better identify habits of consumers. Stephan outlined a brief introduction to his topic including successful examples of frugal innovators and drew out the relevance of this new approach for Australian companies.

Session five: Presentation by David Williamson, CEO Melbourne Innovation Centre

Melbourne Innovation Centre: a case study in innovation

David commenced with a history of the Melbourne Innovation Centre (MIC), which has been operating for 19 years and has been self-funded since 1998, he then discussed the evolution of business incubation and accelerator models in Australia. He noted that La Trobe had recently launched a business accelerator program and saw this as a critical contribution to the innovative system in Melbourne' northern corridor. His organisation's role is to teach, train, mentor and support entrepreneurs and start-ups in Melbourne's northern region. The organisation has incubated over 400 start-up and scale-up businesses throughout this period, creating in excess of 1,500 new jobs within Melbourne's North and contributes approximately $AUS66 million to the national economy annually. David outlined the current state of northern Melbourne's innovation system in some detail and the key industry, tertiary, state and local government, and intermediary players that help to shape it. He discussed how MIC's methodology to assist start-up and entrepreneurs has changed rapidly over the last three year. That is, away from writing business plans of 60 pages to lean methodologies that utilizes things like the business canvas, lean start-

up, design thinking and prototyping and strategies for rapid deployment. He noted that during this time the typical age profile of the MIC client has got younger from predominantly 30 to 40 year olds to 20 to 30 year olds. David outlined that recent changes to national legislation for venture capital and crowd funding similar to legislation in the UK and New Zealand etc. He believes this offers great opportunities and will have a dramatic impact on the availability for funding new ideas and innovation. Finally he spoke about the increasing strategy by corporations to partner start-ups to drive innovation with their business such as the recent decision by ANZ bank to create 150 lean start-ups within its business.

Master Class Sessions:

In this part of the schedule delegates chose to attend one of three Master Classes on offer:
(1) Design Thinking and Start-up Principles presented by LBS's Professor Alex Maritz, La Trobe University, LBS Professor of Entrepreneurship;
(2) Frugal Innovation: Reducing Complexity Costs presented by Dr Stephan Buse, Deputy Director of the Institute for Technology and Innovation Management (TIM) at Hamburg University of Technology; and,
(3) A Deep Dive on the Innovations Method presented by Deliotte's Christine Axton, Director in Monitor Deloitte's Strategy practice.

Session six: presentation by Christine Christian, Chairman of Kirwood Capital, a Director of FlexiGroup Limited, ME Bank Limited, Lonsec Fiscal Group, Victorian Managed Insurance Authority and New-York based Powerlinx Inc;

The critical factors that determine why start-ups succeed (and fail)

Christine drew on her vast corporate and philanthropic background to explore what have been the success factors for new start-ups from her experience. Christine discussed key elements such as the skills you must develop to succeed, the importance of timing, the strength of an idea, funding for success, the execution and touched on her insights into the 'Judo Strategy' for start-ups. That is how to use the incumbents' size and position against itself to carve out a niche by being more nimble and agile. Christine was presenting from her perspective as a co-investor in start-ups over the last 5 years where she has made 11 start-up investments. She was interested to know why 9 out of 10 start-ups fail. With some co-investors she commissioned research using Dunn and Bradstreet data to do regression analysis of what drives success in start-ups. That is, what is the biggest predictor of likely success among the common elements e.g. strength of idea, timing, leadership, strength of the team, amount of working capital, execution, marketing etc. Christine presented the forum with statistical evidence that it is timing that is the biggest predictor of start-up success, although all the elements remain important. That is to attract investors start-ups need to bring something different to a market at a moment in time that is attractive and accessible to consumers and can be enabled by smart technology.

Session seven: Presented by Nick Kaye, founding Chief Executive Officer of the Sydney School of Entrepreneurship

An eco-system, satellites and stage: Setting up Sydney School of Entrepreneurship (SSE)

Nick argues that the SSE offers a model that can facilitate greater investment and collaboration across and between the higher education sector and industry. The role of SSE is to act as platform and honest broker for budding entrepreneurs within the 12 institutions it represents supporting Australia's emerging innovators to pursue their entrepreneurial ambitions. Nick

presented a case study of the development of the SSE which opened in August 2017 with seed funding of $AUD25 million from the NSW Government. Twelve months in the making, the SSE is an unprecedented new partnership between 11 NSW Universities and TAFE NSW. It is based on the business model Nick successfully led for 10 years at the Stockholm School of Entrepreneurship. Some 35% of the Stockholm alumni are now highly active entrepreneurs and include new start-ups such as Sound Cloud. The SSE is located in a converted shoe factory on the campus of Sydney TAFE at Ultimo, an area with the highest density of start-ups of any postcode in Australia. SSE is trying to bring together students from across disciplines and institutions with the objective to grow young firms (including through serendipity) which is critical when it comes to Australia's future employment, economic growth and innovation. When fully operational, at least 1,000 student entrepreneurs each year will participate in SSE courses and activities during their degree or TAFE program, with many more taking part in a program of co-curricular activities including workshops, hackathons, educational boot camps and networking events.

Session eight: Presented by Dr. Ben Mitra-Kahn, Chief Economist at IP Australia

University-industry collaboration and IP: New evidence and tools for taking action

Dr Mitra Kahn presentation challenged the established view that Australia is not very good at university-industry collaboration based on particular OECD statistics and rankings. His argument that the OECD's understanding stands in contrast to the actual experience in Australia, for universities, industry and government when you examine joint patent application data. This IP data (patents, trademarks, design rights etc.) tells you what people are filing for right protection and who they are partnering. This presentation focussed on presenting data from joint patent applications which is reported in the annual *National Innovation Systems Report* from the Department of Industry, Innovation and Science. Why is this important? Ben referenced research that shows firms that collaborate with research institutions are three times more likely to experience productivity growth. Ben argues that not only does the IP data indicate that there is a lot more industry/university collaboration in Australia then the OECD suggests, and when compared to universities internationally Australia's performance compares very well with highly innovative and countries such as South Korea and Israel. Finally, Ben suggests the IP data demonstrates that joint patent applications between universities and industry are actually increasing in Australia.

Session nine: Presented by Christine Axton, Director in Monitor Deloitte's Strategy practice

In the industries plagued by the most uncertainty, how do companies hold on to their ability to innovate? And how do they achieve, and keep, an innovation premium in the market?

Christine presented a short overview the business tool *innovator's method* and illustrated its application in a case study. The innovator's method is designed to help firms create and maintain an innovation premium and more specifically to manage uncertainty in the innovation process. The approach seeks to manage uncertainty across the key end-to-end innovation process for startups i.e. insight; problem; solution; and, business model. Where innovator's method differs from other tools such as lean startup, design thinking, agile software, lean start-up and business canvas etc. is primarily with regard to the steps of the innovation process they emphasise. According to Christine, for example, design thinking emphasises understanding customer problems, whereas lean start-up emphasizes solution experiments, while business canvas focuses on solution and business models etc. The innovator's method offers a set of tools and methods to consider and test uncertainty at each of the end-to-end innovation process steps.

The case study illustrated the power of this approach which is to ensure start-ups don't go to market wasting time and resources on things customers don't want. Many start-ups make the mistake of leaping straight to solutions without first understanding the real problems and uncertainty associated with their product/service.

Session ten: Panel addressing the Big Question

Panellists: Stephan Buse; David Williamson; Christine Axton; Ben Mitra-Kahn

Facilitator: Dr Vin Massaro, FAICD, Managing Director Massaro Consulting Pty Ltd, Strategic Adviser Deliotte

Dr Vin Massaro opened the panel discussion by outlining the Australian government's current national innovation policy and asked panellists and delegates to consider its implications. The general view was that the current strategy had a macroeconomic focus (i.e. the national innovation system) while much of the discussion and the presentations at the forum focused on the microeconomic foundations i.e. growing start-ups, teaching and education entrepreneurs and systematic methods and tools for innovation.

The general discussions and questions then centred on the insights into start-up success and the skills and knowledge future students will need to be successful in the global economy. A number of panellists highlighted the importance of critical thinking, curiosity, creativity, flexibility and adaptability to change as key attributes students will need. There was a need to teach entrepreneurial skills which combine a range of technical, innovative design, management and personal skills.

There was agreement that it is coming up with the innovative idea that matters the most, but that the various innovation methods and tools presented and discussed at the forum where there to assist entrepreneurs and start-ups to think through and maximise the potential of business ideas. There was also a discussion that innovation emerges through serendipity through networking and co-location opportunities that incubators, workshops and events such as NIF can facilitate.

Finally, there were a number of questions that went to the issue of the impact of the fourth industrial revolution on jobs creation/destruction and the implication for the welfare state in general. The responses fell into two camps: those that felt there would be more opportunities and this would overtime offset the losses as it had in past industrial revolutions; and, those that thought we just don't know because things in the future cannot be determined now. That is, industries and opportunities continue to emerge that we had not thought of even five years ago. There were no specific presentations at the Forum that addressed this issue in detail.

Key Takeaways

Discussions on strengthening collaboration seem centered on maintaining industry-university connections and relationships through regular engagement and dialogue and the use of accelerators and incubators. Or as one presenter said, universities need to create open collaborative spaces and networks with industry where there is potential to commercialise ideas.

This implies that each side needs to engage far beyond the traditional exchange of research for funding model as highlighted by examples from the Institute for Technology and Innovation Management Hamburg and the new Sydney School of Entrepreneurship. The implication is we need strategic partnerships that better blend the research-driven culture of the university with the innovation/data-driven environment of business.

Just how we do this is the key question. Some of following key points were suggested through the course of the forum in no particular order:

- Universities should streamline their decision making process in terms of entering into collaborative arrangements with industry i.e. make it easier and break down barriers
- Universities consider changing the incentive system for academics to be equally rewarded for their industry engagement/collaboration as they are for their research
- Universities to focus on talking the same language as industry (i.e. business practice) rather than academic theory (shaped by the need to publish)
- Universities to have a clear path of entry and handling strategy for business's seeking collaboration opportunities
- University to hold regular events that give business an opportunity to access and learn about its research and R&D activities
- Universities to facilitate more frequent industry engagement/dialogue including events such as the National Innovation Forum which begin to bridge the gaps
- University consider introducing staff industry placements/secondment
- Universities work with industry on developing work in learning opportunities to develop more 'business ready' graduates
- Universities establishes quicker processes for changing curriculum and subject offering in response to industry need and the changing nature of work
- Universities should offer all students opportunity to learn entrepreneurial skills i.e. to nurture start-ups and innovation.

Artefacts, including NIF schedule, speaker biographies, and presentations are available on the LBS website http://www.latrobe.edu.au/business.

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This report has been prepared by the LBS/NORTH Link National Innovation Forum Convener and Master of Ceremonies Dr Mark Cloney.

Dr Mark Cloney, Professor of Practice Economics, Department of Economics and Finance, La Trobe Business School Email: M.Cloney@latrobe.edu.au