Hi,

I run a product development company that creates new electronics based products that are intended to be manufactured in Australia. This means we are working in the smart, connected, high value add and high leverage product sectors.

I am also a presented to the Monash Executive MBA program on the topic of innovation as well as a judge of the projects. I have been involved with the Casey Referral Network, South East Business Networks and South East Quality Networks presenting on a range of topics including design, Innovation and business planning.

I wanted to contribute to this discussion from the perspective of someone whose company is creating up to 100 new products a year for manufacture locally and usually international distribution. Most of these are smart, connected and high commercial leverage products. Several are very disruptive.

4 examples of disruptive products are:

- low voltage multi-capacitor-bank power factor correction controllers - these allowed an Australian company to take over a contract in the UK from a Belgium incumbent because they could innovate faster and provide solutions that better suited the end user. They did in 3 months what their incumbent had spent 5 years not doing.
- custom mobile phone that removes global roaming charges by replacing voice calls with VOIP style data connections but using the real SIM and phone number
- IoT (Internet of Things) telemetry devices (10 finalist or merit awards at the national level in 2015). These devices can provide solutions that have not been possible before. See http://www.successful.com.au/blog/2015/07/15/iot-remote-telemetry-case-study/ for an example application
- remote water metering and tank stand monitoring systems. Typically, tanker drivers are unreliable in reporting their actual water takes (85% of water can;t be accounted for by councils)

This is something we do day in, day out. But the primary purpose is not disruption as an end in itself, it is providing end users with a significantly improved position for what they are trying to achieve. This usually means cost advantages, mostly from convenience advantages and adding system reliability. Australian made products face a cost disadvantage to Asian produced products for a range of reasons but if they add enough value then that isn't an issue. We do several projects a year where the client is returning from manufacture in Asia and needs a better result that is still profitable. There is a place for manufacture overseas but there is still a place for making things here in Australia if the value proposition works.

I'm not sure what else to add here. Please feel free to ask specific questions that will help you get at the data you want.

Australian product development companies like mine typically create $100 of economic value for the country for every $1 spent with them. This is part of the disruption equation. If you spend the money in the right places (or create economic incentives for other to do that) , then you can reap substantial rewards for the country.

And now for some myth busters.

1. Lean digital startups are the future. But in fact, the failure rate of lean digital startups is 98%. Regular business starts in Australia have a failure rate of around 50%, or 10 times better than lean digital startup.

2. we need to do innovation like they do in silicon valley. Except they are all going bankrupt using someone else's money. It is also called throwing mud at the wall and seeing what sticks. You can't do that in Australia. The average American Entrepreneur has been bankrupt 3.7 times (Brian Tracey quoted statistic).
3. Digital is better. This can be true. Digital can be more scalable. It is also easier to copy. A purely digital offering can be completely replicated. If you have some hardware that is needed to complete the value proposition then that is more commercially defensible. So this depends on what you are offering and how you can maintain a defensible market position.

Australia specific opportunities:

A. Australia has the lowest rate of collaboration in the OECD. We come in at 81 out of 81 nations. Opportunity comes to the more collaborative. And this is one of our specific focuses. We welcome rather than fear collaboration opportunities. You will notice that politics at the moment is particularly uncollaborative. This is just a reflection of the country as a whole.
B. Australian business managers are incompetent by European and American standards (typically 30% of overseas capability - BRW figure from 2013). So upskilling managers is the single biggest leverage for the economy that there is since small businesses are the majority employer.
C. Australian businesses are in the bottom 12% of the world for access to finance for new business venture (or expansion). Most loans banks mark up as business loans are actually mortgages with the business owners principle residence as security. Not actually a business loan at all. And if you win a contract and have orders that you need bank finance to deliver one, they are more likely to sen you bankrupt for over-trading that support the opportunity. So that is a big hurdle for many.
D. Australia is in the top 20% for innovation. So that is not our problem.
E. But our publicly funded research sector is driven by student numbers (regardless of usefulness of curriculum) and papers published (regardless of usefulness of paper). Academia is driven by current funding into the most unfriendly possible position for suppliers workers for the future or IP that can be used in Industry. A change to both policies would help enormously. Germany would never permit non-industry relevant research to be the norm. And they have shown they can run a modern high tech economy. In 2012 their high tech manufacturing exports exceeded Australias GDP.

Regards,

Ray Keefe

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