

## **Australia India Business Council**

**Thursday, 8 September 2016**

### **The spirit and practice of innovation and entrepreneurialism in South Australia as the state adjusts to economic change.**

Distinguished guests. I am pleased to be invited to address you this afternoon in my capacity as Chair of the Economic Development Board.

I wish to begin by acknowledging the wonderful work of Dr. Adrian Vicary who Chairs the Australia India Business Council here in South Australia and Brian Hayes who as South Australia's strategic adviser to India have played a leadership role in linking government and business with the opportunities that avail themselves in the Indian marketplace and in formulating the India Engagement Plan which has guided the State's efforts since 2012.

Their work has created a very positive environment for South Australian and Indian businesses to do business.

I would also like to reiterate the comments made earlier in recognition of the 70<sup>th</sup> Independence Day for India on the 15<sup>th</sup> of August.

I believe that the time for South Australian and Indian businesses to network is over! It is now time for South Australian and Indian businesses to do deals – to do business.

I was asked to speak with you about The Spirit and Practice of Innovation and Entrepreneurialism in South Australia as the state adjusts to economic change. I am honoured that the Premier has allowed me the privilege of chairing South Australia's Economic Development Board. The purpose of the Board is to maximise the value of emerging economic opportunities for South Australia, ensuring the State is recognised as the most competitive place in Australia in which to invest and grow a business.

Before I address this specific topic I would like to share with you my experience and observations from my 40-year relationship with India.

I know that our State's participation in the global economy is essential to securing our economic success and our links with India, on the path to becoming the world's third largest economy within the next two decades, must be central to this.

But I also have direct, personal reasons for wanting to contribute to developing closer relationships between our State and India. In my earlier career, I lived and worked for six years in India during the most formative years of my adulthood. I actually left Australia for India at 18 and was there between 1969 and 1975. My focus then was to spearhead projects focused on India's rural and community development. I engaged with Indians at all levels from the villages where I lived for some time to the leadership of India's largest corporations with whom I worked and became friends.

In my subsequent career, I was a founder and CEO of a global IT consulting business which had over 80% of our nearly 8,000 staff in India. Our company's footprint in India was critical to our success.

Someone asked me recently how many times I have been back to India after I lived there and I said I did not know but I later thought about it and it is certainly over 150 times. I have invested time, effort and a significant proportion of my life to India and I have learned so much from my experiences in India and gained so much from the personal relationships I have formed. I see India as a second home. I celebrate India's economic rise. I believe strongly that India and South Australia can and should support each others' prosperity. I intend to play my part in helping make that happen.

Like all cross border relationships there are some success habits we must remember if we are to maximize the economic potential of our relationship.

Australians all too often try to compare doing business in India with doing business at home. They are all quite different. In India it takes time to get started in a business relationship. There will be frustrations experienced in the early days as you confront lots of hurdles, "no's" and seeming indecision. But once you have demonstrated the resilience and determination to push through these barriers, a quality greatly valued in India, and business relationships are formed, they tend to be very deep, loyal and long lasting as demonstrated by the many international companies that have operated very profitably in India for many

decades and even centuries. While Indian business people tend to be very good negotiators they are very fair and understand the need for all parties to be successful.

This loyalty also extends to personal relationships. I know that if I were ever to fall on hard times, I pray that I have enough money in my pocket to get to Mumbai as there are at least 20 doors in India I could knock on and say “I’m home” and I would be welcomed back and treated as if I was family.

And certainly the experience of visiting India and doing business in India is very different to South Australia and that difference needs to be embraced not compared judgmentally. The biggest mistake any Australian can make while visiting India is to spend time comparing what they see there to back home. India is India so affirm it as it is and enjoy it.

We are different and we each need to invest time and effort in understanding and being willing to learn about and adapt to each other’s culture and business mores.

In areas like communication we need to appreciate that Indians are more conceptual, after all India is where the concept of the zero comes from, and Indians place great value on the “what” and taking lots of time to discuss and analyse from all sides the “what” and the “why”. To pragmatic Australians this may seem like endless discussion and procrastination but it is in fact a deep reflective process that leads to strong and durable decisions.

Australians tend to be very implementation focused and want to get immediately to the decision and spell out “how” and “when” things should be done. Good decisions of course need a balance of both perspectives and by working openly together and valuing each other’s strengths we can forge unbeatable business teams.

Australians tend to be direct and open, Indians tend to be more subtle and indirect. Thus the art of understanding and flexing to each other’s communication styles is essential.

Our perceptions of time and space are different. In India time is very extended – it is not clock time but experiential or perceived time, punctuality being less important than showing up only when you are ready and not before. If you ask a person on the street how long it will take to walk to a certain place you will often be told “panch minutes or 5 minutes.” This does not necessarily mean 5 minutes of clock time but “not too long – you will make it soon – keep going.”

In India, inner space is more important than the privacy of one's external personal space which is very blurred. This can be confronting to Australians.

We are both people who love to network so a lot of important business happens in informal situations. We both tend to be very welcoming of people to our homes and such invitations are highly valued. A lot of business in India is done at dinner parties, which tend to start after 9, are very vibrant and go late with dinner often being served around midnight so for the uninitiated Australian it is often wise to eat also before going out to a dinner party so that you have something to absorb the alcohol! For our Indian friends you might experience our dinner parties as more like a very late lunch!

Another thing we have in common is the respect for diversity. India has a deep and abiding tolerance for the "other" and we in Australia have affirmed the gift of diversity. Both Australia and India have incredible diversity and draw strength from that. This is a great asset for forming successful business relationships.

Frankly, I find doing business with India fairly straight forward and most enjoyable if you suspend comparative judgement, are open and honest, don't let the first few "no's" stop you and are willing to go with the flow. Indian business values greatly innovation and entrepreneurship. And I can assure you of the added benefit of forming many of the deepest and most meaningful friendships you will have in your life.

**In South Australia today we find ourselves at a period of economic and social transition and change.** This can be very disconcerting, but it should not be as we have successfully navigated such foundational economic transformations in our past.

The first period of great transformation was in the earliest years of the colony, when our pioneers like my great, great great grandfather William Spencer arrived in 1839 on the Fairlie and settled in Angels Gully Clarendon where I grew up. His generation were at the very start of establishing a solid foundation for our State. This period was not for the faint-hearted. Brave men and women battled to create a viable agricultural economy to support the new settlement.

The next great period of transformation began when South Australia and Australia found itself cut off from traditional suppliers of manufactured goods as result of the Second World

War. Armaments and munitions factories needed to be created to supply the war effort, and Sir Thomas Playford, elected Premier in 1939, was enthusiastic and determined in advocating South Australia as the perfect location for these industries.

This period of transformation continued after the war. The city of Elizabeth was built by the Housing Trust in Adelaide's north, to support the production of Holden motor vehicles. It was the time of economic transformation to a more balanced economy with manufacturing becoming a key anchor.

It could be argued that both periods of great transformation were achieved through their unique historical and political circumstances, however, I believe this only partially explains the achievements during those times.

For me, the successes achieved were driven by the personalities that encouraged the reforms and the role that citizens played to help lead the change.

Today the established norms that we have taken for granted are being challenged and naturally we find this unsettling. We have witnessed transitions from as simple as online shopping to more sophisticated disruptive business models such as Uber and Airbnb. We have seen material changes in areas as diverse as self-publishing to social media and new capital raising mechanisms, such as crowd funding, and the creation of new technology platforms to facilitate these services.

Global competition is increasingly entering our lives, and high-cost, high regulation countries such as Australia will find an increasing need for creativity, cleverness and resilience in thought and action to compete in mature product and service categories using traditional means of operations.

To give you a contemporary example, South Australia finds itself at the nation's forefront of the transition to a lower carbon electricity generation regime. This has national repercussions with the National Electricity Market increasingly falling under the microscope to ensure it remains 'fit for purpose'.

The South Australian Economic Development Board, with its unique position bridging both government and the private sector, is playing its part to bring the need for innovation and entrepreneurialism into focus.

The EDB believes that for the State to continue along the path of sustainable growth, the successful industries of the future will be more about competing on value rather than simply on cost; more about innovation than imitation; and more about customers than suppliers, with a strong focus on national and international exports.

All organizations can be innovative but it takes a disciplined approach, hard work, a willingness to fail but never to be defeated. This starts with a change of attitude and consciousness at the individual level.

“What is innovation?”

It’s probably easiest to nail down a definition by saying what it isn’t as well as what it is.

Innovation is not invention whether based on ideas or scientific research. Innovation is the commercialization of the invention or the bringing of invention into use.

Although many innovations are created from inventions, it is possible to innovate without inventing, and to invent without innovating.

‘Innovation’ is not ‘creativity’. Peter Drucker said *Innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth.*

I think this statement is important to remember because innovation is often misunderstood as creativity. Innovation isn’t about creating new things. It is about identifying a lack or for a better word, opportunity and using practical steps and resources to make the most of opportunity and fulfil a lack.

Innovation is not just new products, services or ideas. Innovation is not necessarily a radical departure from the past.

I say innovation is the application of new ideas to solve previously insoluble problems in order to meet unaddressed – and sometimes unrecognised – demands. It is the

introduction of new products, services and processes – often a combination of all of these, to deliver benefits not realised before. Benefits that matter, create value and for which people are willing to pay.

Midway through last year, the EDB initiated its own Survey of Innovation Companies in South Australia. This Survey is the first of its kind, and was primarily aimed at identifying South Australia's innovative companies to inform public policy.

The OECD definition of an innovation is the implementation of a new or significantly improved product or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.

At a minimum, an innovation must be new to the firm's enterprise, but can also be new to the firm's market. It does not matter if the innovation was originally developed by the firm itself or by other enterprises.

Rather than adopt the complete OECD definition, our survey was a little more modest in its expectations and focused specifically on companies introducing 'new to market' goods and/or services.

The survey was conducted from August 2015 – May 2016. The reference period was from 2013-2015. This means firms reported innovative activities for this period. The target population included firms which introduced new or significantly improved products (goods and/or services) to market in the reference period.

A broad range of innovative companies from different sectors of the South Australian economy participated in the survey. They were identified from a range of sources including Industry Associations and government departments including the Department of State Development and DefenceSA. A further filter was applied based on them having being identified as already being innovative. The most common sectors included manufacturing, health, food & wine, ICT, utilities and electronics. Other innovators include companies operating in retail trade, wholesale trade, publishing and foreign aid.

Some of our key findings were:

- Innovative companies in South Australia have a strong interstate and overseas export focus.
- Most product innovators also engage in process and organisational innovations.
- Internal sources and external clients are the most common sources of information for innovation activity.
- Innovations are mostly developed within the company or enterprise group.
- Almost half of the innovative companies use ICT as a technological enabler.

What I have found most pleasing about this exercise is that we have documented evidence of South Australian companies from many sectors actively engaging in innovation in their organisations.

Another clear example of the practice of innovation is that of the Tonsley Innovation precinct located at the site of the former Chrysler and Mitsubishi car manufacturing plant.

At the time of the closure of manufacturing in March 2008, the future of Tonsley hung in the balance. It could have been repurposed for another use of relatively low value – such as a major bus depot/maintenance facility or a major big box retailer warehouse – something which would not speak to a transformation of the South Australian economy.

The South Australia Government made a bold decision and in December 2009 purchased the derelict site and developed a Master Plan for an Innovation Precinct. This plan was endorsed by Cabinet in February 2012 and now defines Tonsley.

Tonsley is Australia's first innovation district bringing together leading-edge institutions and companies to connect with start-ups, business incubators and accelerators in a high value industry, research, education and residential precinct.

Tonsley embodies the triple helix model, with Business/Academia/Government - State & Local. The close working relationship and collaboration between these groups is a vital ingredient for Tonsley.

In 2014, TAFE opened in January and the reroofing of the Main Assembly Building was completed in middle of the year. In 2015, the Flinders@Tonsley building opened in February 2015 and the Siemens workshop was equipped and operating in the first part of



the year. Earlier this year in February State Drill Core Library was officially opened and now stores the bulk of the State's historical drill core. As of today, 50 companies call Tonsley home.

There are the four target innovation/business sectors for Tonsley:

- Health, Medical Devices & Assistive Technologies
- Clean Technologies
- Software & Simulation
- Mining & Resources

Tonsley is well positioned, through co-location and collaboration, to compete successfully in the new economy.”

On the topic of Entrepreneurism, I have learned that successful businesses have a fanatical focus on adding value and excellence in everything they do, in the way they serve their customers, the way they evolve their product or service offerings up the value chain, or the efficiency they bring to their production process. They seek out every possible opportunity for differentiation. They know that businesses do not sell, customers buy. Entrepreneurial businesses have a fanatical focus on their customers.

Five questions I ask in analysing whether a business is entrepreneurial are:

- 1. Does the product or service that the business is creating or selling solve a real problem or meet a real need for which people will pay real money?**
- 2. Is there a clear articulation of the strategic vision for this business?**
- 3. Is the business scalable and is there disciplined implementation of a framework for scalability?**
- 4. Does the leadership know what to measure and do they produce a management dashboard that tells them how they are performing.**
- 5. Does the business have the appropriate leadership commitment, culture and talent to be successful?**

The EDB initiated a study to evaluate the quality of entrepreneurship training in South Australia's higher education sector against best practice and determine strategies to boost high-level entrepreneurship. This was to better understand the specific area of exposing tertiary students to entrepreneurial thinking and behaviour during their formative undergraduate years.

Some of the findings were:

- In countries such as the US and Israel, a large proportion of entrepreneurs launch their start-up during or immediately after their undergraduate degree. This is not generally the case in South Australia.
- The report notes that there are highly capable and committed individuals within institutions championing entrepreneurship.
- The majority of university entrepreneurship courses are orientated towards small business and social enterprise.
- The recommendations made in the report provide a comprehensive framework to strengthen the early stage innovation ecosystem and introduce more of the State's graduates to entrepreneurial pathways that could lead to them creating more high-growth start-ups in South Australia.

Some of the recommendations were;

- The creation of a high-impact technology entrepreneurship subject delivered jointly by Adelaide's universities
- Establish an Entrepreneurs-In-Residence program
- Establish a co-investment fund
- Establish an entrepreneurship program for academic staff, postdocs and postgrad students

Just to pick up one of these recommendations regarding a fund, the State Government funded a study to evaluate the South Australian early stage innovation ecosystem and government-funded programs.

The report identified:

- That there existed a financing gap in South Australia for early stage companies. A financing gap being defined as the gap between the funding requirements of companies that ought to receive investment and the amount of investment available for those companies; and
- There is only limited venture capital activity in South Australia whether from local venture capital firms or representatives of external venture capital firms in South Australia.

In response, the State Government through the Department of State Development has developed:

- A South Australian Early Commercialisation Fund — A \$10 million fund to assist companies at the pre-seed and seed stage of development, and
- Established a \$50 million South Australian Venture Capital Fund to partner with private sector financiers to support innovation and help build high growth companies in South Australia.

What about entrepreneurialism in the broader community?

It may interest you to know that in the 2015 edition of The Kauffman Foundation's Index of Start-ups, one of the key findings was that the aging of the U.S. population combined with the increasing Rate of New Entrepreneurs among individuals aged fifty-five to sixty-four, have shifted the fifty-five to sixty-four age group from making up 14.8 percent of new entrepreneurs in 1997 to 25.8 percent in 2015.

I think this point needs saying again. More than a quarter of start-ups in the US are from people aged between fifty-five and sixty-four. I find this a particularly interesting and pertinent statistic. The EDB has been at the forefront of a social, technological and industrial movement which we call 'Ageing Well'.

At its heart is a simple yet profound message, namely that instead of thinking of an ageing population as being a burden to its community, it is in fact a precious and valuable asset. This is all the more apparent given that in the 30 years from 2020 to 2050 the number of people in South Australian aged 65 and over is expected to increase by 56% to 530,000. Currently it's around 295,000 or about 17% of the population.

We at the EDB would expect this demographic will be an engine room of start-up activity and entrepreneurialism for South Australia.

The EDB believes that innovation and entrepreneurialism are critical for our State's business success. Clearly we have the capacity to rise to the challenges ahead.

The opportunities for long-term economic co-operation between India and South Australia are there for us to seize. As I mentioned at the beginning of my speech, I believe the time for networking is over. Let's quit networking and let's do business now. There are many opportunities for South Australian businesses to form innovative and entrepreneurial partnerships with Indian companies to deliver world class products and services here, in India and internationally. Any South Australian business who cannot figure out how to engage with India is missing a huge opportunity. Now is the time to move aggressively to make this happen.

Thank you