

THE IDEAS ADVANTAGE: QUEENSLAND BUSINESS INNOVATION



DECEMBER 2014



AQUIRE, AUSTRALIA'S BUSINESS REWARDS PROGRAM, IS PLEASED TO SUPPORT CCIQ IN PRESENTING "THE IDEAS ADVANTAGE", A UNIQUE INITIATIVE TO HELP DRIVE INNOVATION AND PRODUCTIVITY GROWTH IN OUR ECONOMY.

INNOVATION IS THE KEY TO BUSINESS SUCCESS. WITHOUT IT, PRODUCTIVITY IMPROVEMENT AND COMPETITIVENESS BECOME UNACHIEVABLE.

What are Queensland businesses thinking about innovation? What support do they need to foster greater levels of innovation? What are the barriers? How have successful businesses embraced innovation to put them on a path to growth and success?

Through "The Ideas Advantage", CCIQ has embarked on a major research project to address those questions, provide valuable insights to the business community and practical recommendations to both industry and government.

In the spirit of innovation, Qantas has launched Aquire, a new program designed specifically to reward small to medium Australian businesses with additional value and recognition across the broad range of expenditure categories required to run their everyday operations, such as air travel, financial services, freight, insurance, printing, HR, car rental and business advisory services.

In collaboration with 17 business partners, Aquire is already assisting over 45,000 businesses in Queensland and around the country to receive incremental benefits, through Aquire Points, when they purchase the goods and services required for their supply chains.

As small to medium enterprises face the serious challenges of today's highly competitive business environment, Aquire, together with CCIQ, is committed to being a part of the movement for change and to helping foster the strong and dynamic innovation culture we all need to succeed.

1.0 INTRODUCTION

Don't believe the saying: "there is no such thing as a bad idea". A bad idea isn't one that simply will not work. A bad idea is one that never sees the light of day because of a lack of opportunity. For the seed of a brilliant business idea to never be realised is perhaps the biggest failing of modern business and modern economies.

In Australia we have many advantages. We have an educated and extremely capable workforce, an entrepreneurial ethos forged by our battling spirit; world-class centres of academia; globally-renowned R&D; a stable and growing economy and a firm belief that the lucky country will reward anyone who has a fair go. Unquestionably, our economy is under threat. Globally we are seeing competition like never before. Markets that were traditionally consumers are now leading supply. Innovation is as likely to come from Mumbai as Silicon Valley. Business models are being ripped up and industries that fail to change are rapidly becoming dinosaurs. We are in a period of transition like never before, informed by commentators that "manufacturing is dead", "technology is the only future" and that many of our industries should simply shut up shop and be thankful for the good run they had.

CCIQ doesn't believe that to be true. Yes, we are in a period of transition but we run a real risk of persuading ourselves that economically we are behind the times. We are talking ourselves into thinking that we can't compete with China, India, Indonesia, Korea and Malaysia as we are being out-thought, out-innovated and left in their technologically-driven wake. However, CCIQ believes if there is one characteristic that defines Australia, it is our desire to compete.

If business can compete, we can keep up. More than that, we can lead. But to do so, we need to liberate Australia's Ideas Advantage. We need to find a way to release the ideas that are born but don't survive because of a lack of opportunity, access to technology or the skills to bring them to life and to turn them into the products, services and the commercial models of the future. We need to reinvigorate our natural inclination to innovate, to improve, to overcome and to challenge. A natural inclination that sees a country of 24 million among the leading global economies, envied by many of our peers and trading partners.

At CCIQ, we are embarking upon a plan to reinvigorate the generation of ideas in Queensland. As the peak business group across all industries, our focus will be on every sector, every segment, every business type, every life stage and every region in our state. We will collaborate, challenge, lead and push business in Queensland to go from "what if" to "why not" and to give life to the ideas that will power the future economy of our state. We will engage, coerce, assist and drive ideas from all areas of the community and help to nurture them to viability and success.

Because if we don't liberate our natural assets, our creativity, our entrepreneurship and our ability to have a go, then our future as a leading economy will be thrown into doubt. If we get it right, if we can free the ideas that spark in the brains of owners, managers and staff each and every minute of every day.

This report is part of beginning the change and transition to a future economy for Queensland and Australia. By freeing the Ideas Advantage and utilising what we do best we can move from "what if" to "why not" and revolutionise and future-proof our economy.

Over the next 12 months, CCIQ will be working with partners such as Aquire to drive innovation, productivity and entrepreneurship throughout Queensland. From launching co-working spaces and bringing to market innovative business solutions, through to initiatives such as the Ideas Advantage. CCIQ and our partners will lead the debate and the movement for change that will ensure that business adapts, changes, innovates and survives to power a strong, vibrant economy for our state and our nation.

We look forward to working with you to use our Ideas Advantage.

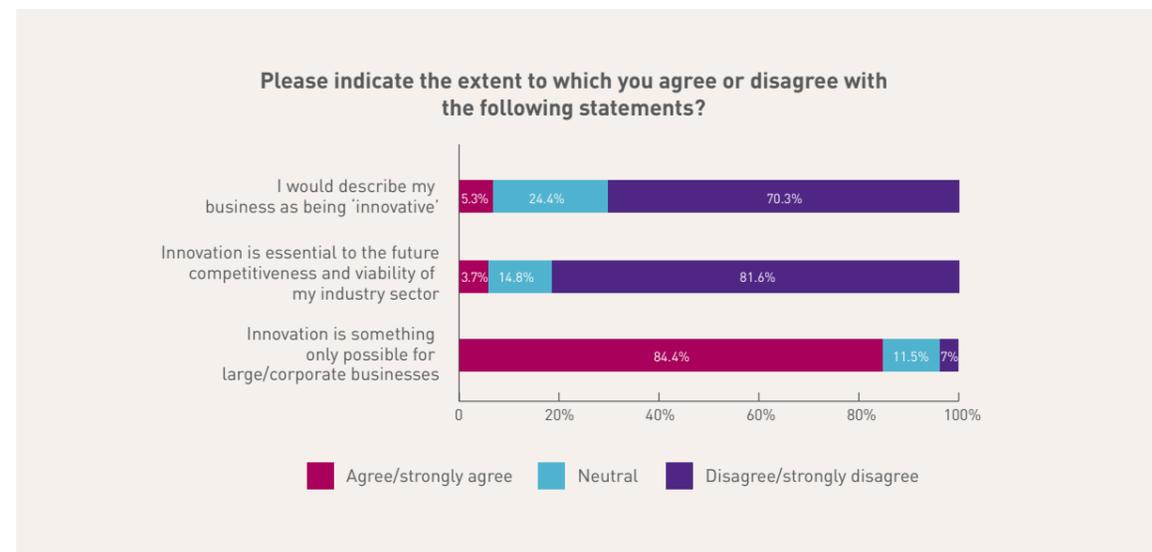


2.0 PURPOSE OF REPORT

- 2.1 Innovation is a widely used term but it is not widely understood, particularly by small and medium businesses. To further explore innovation, CCIQ commenced an ambitious consultation with Queensland small and medium businesses in 2013 to determine who is innovating, what drives innovation and the barriers that are preventing greater levels of business innovation. This report outlines the findings of CCIQ's engagement with businesses over the past year and provides recommendations to develop an innovation system in Queensland. Whilst this report is the culmination of that consultation, it also marks the commencement of strong and enduring advocacy in this area.
- 2.2 CCIQ recognises that increasing our innovative efforts is essential to improve Queensland's productivity, which in turn will sustain long-term economic growth and our living standards. Innovation can also be a source of competitive advantage for Queensland small and medium businesses.
- 2.3 Government can help improve the innovation effort of small and medium businesses through policy settings that support risk taking and enable businesses to create value from new ways of doing things. This is especially important in the context of growing competition from globalised markets, low labour cost nations and a high Australian dollar. Importantly, government must take action to cultivate a business innovation system that will not only enable Queensland to be relevant internationally, but will help achieve a growth agenda premised on the ideas advantage.

3.0 CORRECTING PERCEPTIONS

- 3.1 Innovation is evident in many Queensland small and medium businesses, yet 70 per cent of Queensland businesses do not necessarily see themselves as being innovative, questionably believing that it is something for larger or corporate businesses or that it will not contribute to their competitiveness or viability. Furthermore, businesses believe that innovation is less important than other business issues such as taxation, infrastructure and red tape. CCIQ believes it is critically important that these perceptions are corrected.



Source: CCIQ Innovation Survey 2013

- 3.2 It is alarming that 85% of Queensland businesses think innovation is only something possible for large and corporate businesses. Equally alarming is the less than 4 per cent of businesses who consider innovation is essential to their future competitiveness and the viability of their business.
- 3.3 The evidence indicates that despite businesses not believing themselves to be innovative in many areas, they are actually engaging in innovative activities. This reinforces CCIQ's view that many businesses do not understand what innovation entails and how it can improve their competitiveness and ultimately their bottom line.

4.0 REDEFINING INNOVATION

- 4.1 Innovation can be defined as renewing, changing or creating more effective processes, products or ways of doing things. For businesses, this includes applying new ideas to products, processes, services, organisation management or marketing. Innovation can be seen in a variety of forms, from a major breakthrough such as creating and bringing a new product or service to the market, or a series of smaller innovations such as finding better or more efficient ways of working and becoming more profitable. Invention of products and processes on its own is not innovation; it only becomes innovation when it yields commercial value.
- 4.2 Subsequently, innovation is a much broader notion than R&D and is influenced by a wide range of factors, including economic conditions and government policy settings and regulation. The OECD has estimated that innovation accounts for 50 per cent of long term economic growth in advanced industrial countries. It is clear but not yet readily understood, that innovation is a cornerstone of economic and community prosperity in Queensland.

CCIQ INNOVATION CENTRES

CCIQ is working to position Queensland as a global innovation hub, where world-leading researchers and entrepreneurs connect with business and industry, and great ideas translate into jobs and commercial success.

The creation of CCIQ Innovation Centres is an ambitious plan to establish a series of smart-work centres across Queensland with the first planned for Brisbane in early 2015.

Designed to be open to all Queensland businesses, from all sectors and all life stages, CCIQ's Innovation Centres will focus on assisting and driving current and future businesses to develop and embrace technology to drive their future success, profitability and prosperity.

These centres are a collaborative effort between CCIQ and BizDojo, a recognised and renowned organisation that has a proven record of launching and running multi-location co-working spaces in this area. CCIQ's partnership with Bizdojo will help new and existing small and medium businesses throughout Queensland to adopt innovative approaches to growing their business both domestically and internationally.

"We have changed our thinking to meet individual client needs"
– Property/business services (including ICT) business, Central Coast

"Our business is breaking traditional business models to find innovative and better methodologies" – Wholesale business, Brisbane

"It is important to listen to clients and what they want, and implement changes quickly" – Health and community services business, Gold Coast

5.0 TIERS OF INNOVATION TAKEUP

- 5.1 CCIQ has identified three tiers of business innovation in Queensland, reflecting differing levels of risk and investment required by participating businesses:
- Tier 1: Higher level of investment and resource allocation, and a higher level of risk associated with achieving positive business outcomes;
 - Tier 2: Moderate level of investment and resource allocation, and a moderate level of risk associated with achieving positive business outcomes; and
 - Tier 3: Lower level of investment with a high likelihood of successful outcomes.
- 5.2 Tier 1 activities represent a high level of investment and a higher level of risk, with significantly fewer businesses participating in these activities. Tier 1 innovative activities included applying for R&D tax incentives and grants, and applying for or registering a patent product/technology. Unsurprisingly, very few Queensland small businesses engage in Tier 1 innovation activities. Yet, the potential for significant value-add from these activities is unrivalled and represent the pinnacle of innovation progress in Queensland.
- 5.3 Efforts in R&D and radical innovation must continue, but equally CCIQ believes there must be concerted efforts at adopting leading technologies and best practices, leveraging the progress made around the world. CCIQ views innovation as encompassing a wider range of activities that absorb ideas, drive change and add value. Queensland and Australia need not be the primary innovators especially when we are competing with much larger and technically advanced nations, but we should improve our interaction with the rest of the world to participate in knowledge flows, absorb new technologies and be leaders in emerging markets. The ability of Queensland small and medium businesses to access the benefits of innovations from overseas is an important aspect of encouraging innovation.
- 5.4 A significant proportion (between 50 and 70 per cent) of Queensland small and medium businesses indicated that they have invested in Tier 2 (new) activities at some point over the past three financial years. Tier 2 activities include:
- Sourcing new or significantly improved products/services from suppliers;
 - Purchasing new plant technology such as machinery, equipment or other capital;
 - Developing and/or purchasing new software technology such as reporting and diagnostic tools, and accounting/management systems;
 - Research into new product/services and/or product testing;
 - Implementing new or significantly improved marketing and customer relations approaches;
 - Implementing new or significantly improved business and/or production processes; and
 - Introducing new or significantly improved products or services.
- 5.5 The vast majority of business respondents (more than 75 per cent) participate in Tier 3 (altered) or lower level innovation activities. This includes changing the way products are produced or how services are provided, tailoring products/services to individual customers, providing training (in-house, on-the-job or external) to staff associated with new products/services, and implementing organisational change. These activities, while arguably less novel, represent the backbone of everyday innovation by Queensland small and medium businesses. They are symbolic of the need to refresh our approach to innovation.

INTERNATIONAL PERSPECTIVE ON AUSTRALIA'S INNOVATION

Australia has been gradually slipping down the rankings on innovation. The Global Competitiveness Index 2014-15 ranks Australia 25 out of 144 countries on innovation, down from its 22nd ranking in the previous year and 20th ranking back in 2008-09.

[World Economic Forum, The Global Competitiveness Report, 2014-15 Edition and 2008-09 Edition].

Australian businesses are less likely to collaborate with their international counterparts and a risk-averse business culture exists, which is expanding the innovation gap behind emerging economies willing to take risks

[Deloitte Access Economics, Australia's Innovation Imperative, August 2014].

In the past 3 financial years (including this current financial year) have you invested in any of the following?



Source: CCIQ Innovation Survey, 2013. It is important to point out that the above graph does not indicate the extent of commercial success from each of these categories of innovation.

"We are introducing a paperless field reporting process that will effectively enhance customer experience and efficiencies" – Manufacturing business, Brisbane

"We are focusing on a small market, so need to increase/broaden the number of services we offer clients on a consulting basis" – Construction business, Central Queensland

"We are constantly updating our equipment in line with customer needs" – Manufacturing business, South West Queensland

6.0 SUCCESS IN INNOVATION

- 6.1 Interestingly, some of the best successes in innovation for Queensland small and medium businesses come from everyday Tier 3 activities, which include restructuring and modifying their business models, business strategies and current management practices, as well as implementing new approaches to improve staff productivity (such as developing KPIs, staff training and improved WHS practices).
- 6.2 A focus on customer and market needs including introducing new products and services, targeting new markets, tailoring or diversifying products and services, and undertaking new marketing and customer service approaches were also hailed as successful by many businesses. These activities can be at the core of our everyday approach to embracing innovation.
- 6.3 In addition, successful Tier 2 innovative practices adopted by Queensland small and medium businesses included:
- Purchasing new equipment and/or making equipment more efficient and cost effective;
 - Improving financial management;
 - Outsourcing business functions to allow increased business focus on customers/clients;
 - Adopting an increased online presence and/or selling platform, and participating in social media;
 - Adopting and/or developing new technology;
 - Increasing focus on R&D for new and existing products;
 - Implementing a green/clean focus.
- 6.4 These are all wonderful innovative practices being implemented on a daily basis in the operations of Queensland small and medium businesses.

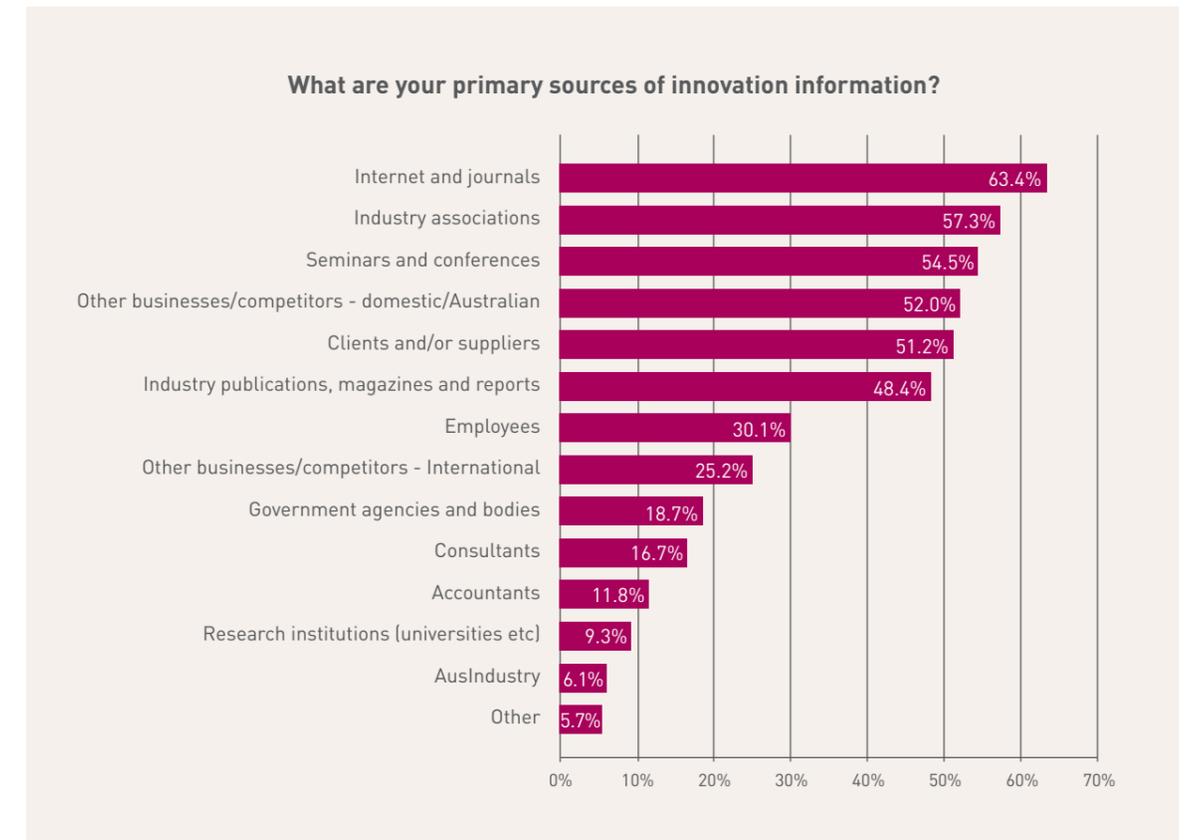
“Developing our own end to end software solution for our clients has given us more control over pricing and solutions. If we had the opportunity, we would explore international online selling of accommodation for our clients”
– Accommodation, cafes and restaurants business, Gold Coast

“As I have recently commenced my company, I am trying to implement streamlined and innovative practices at the start so that I develop into a world class company”
– Property/business services (including ICT) business, Central Queensland

“Contracting our delivery function has allowed us to focus on developing new customers and products” – Manufacturing business, Central Coast

7.0 INSPIRATION COMES FROM MANY SOURCES

- 7.1 Businesses identified their main sources of innovative ideas, new products/technologies and business improvement opportunities as the internet and journals, industry associations, seminars and conferences, other Australian businesses, and clients and/or suppliers. This reinforces the importance of collaboration.

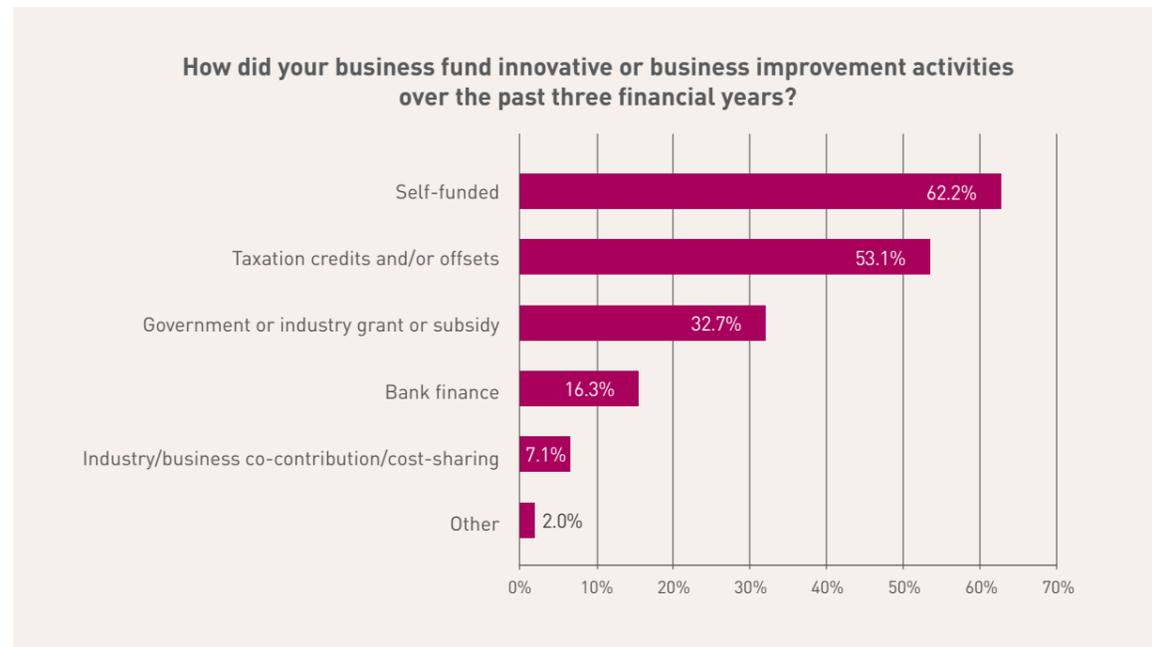


Source: CCIQ Innovation Survey, 2013

- 7.2 Collaboration between business, research institutions and government enables collective problem solving on industry wide issues and is a cost-effective way to leverage the innovation effort that is occurring internationally. The Business Council of Australia highlights that collaboration is important because it allows the involved parties to not only share knowledge and resources, but also share the inherent risk associated with innovation. This is especially important for Queensland’s small and medium businesses.

8.0 FUNDS FOR INNOVATION

- 8.1 The majority of Queensland businesses (62.2%) self-funded their innovative activities. However other sources of funding include taxation credits and/or offsets, government or industry grants and subsidies, financial institutions and cost sharing. CCIQ notes with surprise the low portion of businesses funding their innovation through lending institutions. This is no doubt a reflection of the tightening of bank lending that has occurred post the GFC.
- 8.2 Having adequate financial resources is a prerequisite to increasing levels of innovation activity. There is an important role for government to help small and medium businesses successfully navigate the financial system as well as ensure regulatory and tax policies reduce transaction costs and risks of investing in innovation. This issue is expanded upon under recommendations for improving access to finance.



Source: CCIQ Innovation Survey 2013

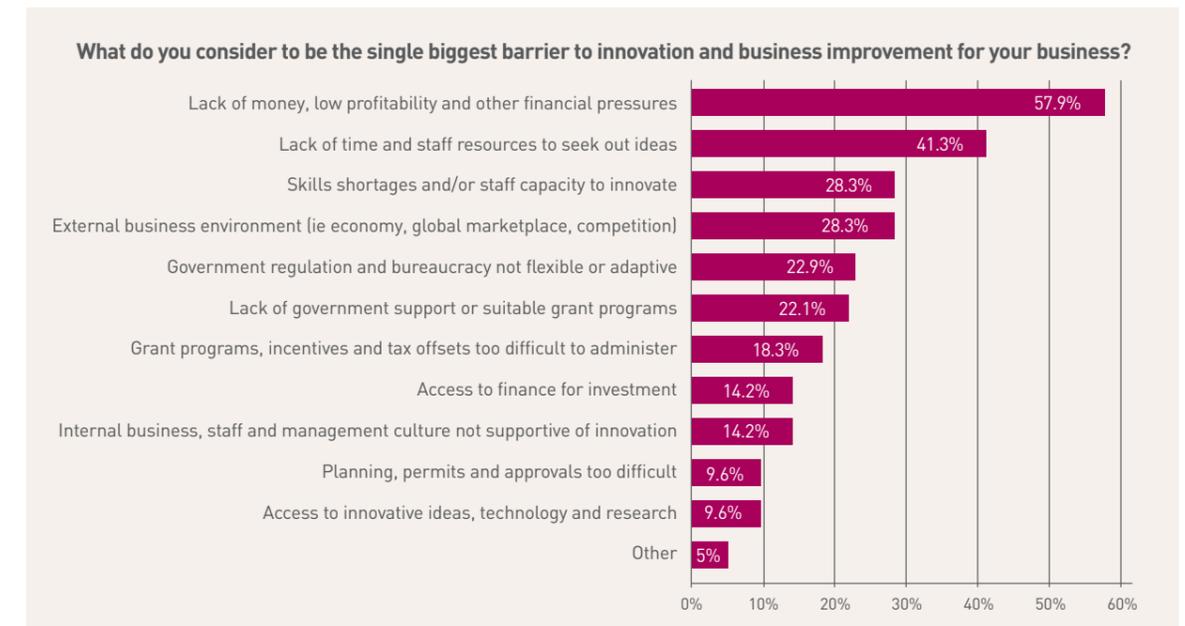
“Banks want three years of balance sheets before they will help to finance a new venture. After three years we have done it ourselves, or the chance of an innovative new venture would have been missed” – Mining business, Brisbane

“By regulation becoming overly prescriptive, it reduces the opportunity to innovate. Recently we had to stop recording data electronically and storing it in the same way as it was not compliant with the regulations” – Health and community services business, Brisbane

“Red tape and compliance costs prevent my industry from remaining competitive against imported products. Therefore my only market is domestic and I must produce at a cost level that allows me to remain in touch with the market” – Manufacturing business, Brisbane

9.0 BARRIERS TO INNOVATION

- 9.1 The biggest barrier to innovation identified by Queensland small and medium businesses is the lack of cash reserves, low profitability and other financial pressures (58 per cent). There is a high willingness amongst small and medium businesses to innovate but this is often held back by financial pressures, which has been exacerbated in recent times by tightening credit terms and weaker demand for goods and services.
- 9.2 The capacity of small and medium businesses to innovate is constrained by lack of time and staffing resources to identify innovative ideas (41 per cent) as well as skill shortages (28 per cent). Queensland businesses consistently report difficulties with attracting and retaining highly skilled staff, particularly those with digital skills that can substantially improve innovation capability. There is an important role for government to facilitate business relevant skills development through the education and VET system, which would help address skill shortages and encourage higher levels of innovative activity.
- 9.3 Challenges with the external business environment (28 per cent) and government regulation (23 per cent) were also noted as barriers to innovation. Feedback from Queensland businesses highlights how government regulation undermines the business case for innovation by reducing the financial incentive and return on investment for the installation of new equipment.
- 9.4 Other prominent constraints to innovation are the lack of suitable grant programs (22.1%) and the difficulty small and medium businesses faced with accessing these programs (18.3%). Queensland business feedback suggests that most R&D or innovation funding programs are too high level and not focused on specific business needs. That is, current R&D programs are heavily biased toward embryonic research and new product development trials that tend to favour larger businesses. Instead, Queensland small and medium businesses require funding for adoption of newly available technology. CCIQ believes government policy should reflect this practicality and support businesses to be early adopters to compete with international businesses where the technology is being developed.
- 9.5 Accessing existing R&D and innovation funding programs is made even more difficult because there is currently no central reference point tailored from a ‘business as the user’ perspective. Even when a business is able to identify potential funding, the criteria and documentation for applying is confusing and too burdensome for time and resource poor small business owners. Other businesses who are keen and able to apply for funding find that strict eligibility criteria excludes them from the process or that onerous reporting requirements and other costs outweigh the gains achieved through such funding opportunities.
- 9.6 CCIQ has accordingly sought to address these barriers through ten key recommendations.



Source: CCIQ Innovation Survey 2013

10.0 CCIQ RECOMMENDATIONS

- 10.1 Queensland and Australia must establish the right environment to allow small and medium businesses to flourish through realising value from new ways of doing things. An ideas advantage occurs and innovation prospers when small and medium businesses and their employees have the opportunity to innovate and when they operate in an environment that provides them with an incentive to do just that.
- 10.2 CCIQ believes a generational shift is crucially needed to promote innovation and achieve an ideas advantage. Queensland and Australia must shift away from an approach that is dominated by government programs and their bureaucrats towards an incentives-driven approach to innovation. Government can assist by removing barriers to innovative activity, facilitating a culture of innovation at the broadest level and providing the foundation conditions that enable businesses to use innovation as a source of competitive advantage.

QUEENSLAND BUSINESS INNOVATION PRIORITIES:

1. CREATE A BUSINESS OPERATING ENVIRONMENT CONDUCIVE TO INNOVATION
2. FOSTER A SMALL AND MEDIUM BUSINESS INNOVATION CULTURE
3. REMOVE REGULATION THAT IS A BARRIER TO INNOVATION
4. DELIVER SUFFICIENT AND APPROPRIATELY TARGETED GOVERNMENT PROGRAMS
5. GREATER COLLABORATION DOMESTICALLY AND INTERNATIONALLY, WITH ACADEMIA AND AMONGST THE BUSINESS COMMUNITY
6. IMPROVE WORKFORCE CAPABILITY WITH INNOVATION SKILLS
7. IMPROVE AVAILABILITY OF FINANCE
8. STRENGTHEN THE INTELLECTUAL PROPERTY RIGHTS SYSTEM
9. ENABLING PHYSICAL INFRASTRUCTURE
10. GOVERNMENT THAT LEADS BY EXAMPLE

CCIQ RECOMMENDATIONS QUEENSLAND BUSINESS INNOVATION:

RECOMMENDATION 1:

CREATE A BUSINESS OPERATING ENVIRONMENT CONDUCIVE TO INNOVATION

Queensland needs a business operating environment that is the absolute stand out as the region to do business and innovate. Subsequently, the key priority of Government in respect to the ideas advantage must be to create and maintain a business operating environment that is conducive to innovation and economic growth.

This is essential for enhancing the competitiveness and innovation of Queensland businesses.

This must include:

- A competitive tax system;
- Simplifying and reducing red tape and unnecessary legislation;
- Reducing the cost of employing and retaining staff;
- Addressing infrastructure gaps and bottlenecks;
- Creating a strong fiscal position and an efficient and capable public service.

There have also been substantial increases in the costs associated with running a business which are proving unsustainable for many Queensland small businesses. These include rising electricity prices, taxes/fees and charges, freight, insurance, water, rates and so on. These pressures have both direct and indirect impacts on businesses their profitability and in turn their capacity to invest in innovation.

RECOMMENDATION 2: FOSTER A SMALL AND MEDIUM BUSINESS INNOVATION CULTURE

The creation of a culture of taking advantage of ideas and innovation ultimately must come from within, that is Queensland small and medium businesses themselves.

Changing business culture and attitudes is primarily the responsibility of business. However, Governments can help by promoting and educating business on the importance of innovation.

Queensland's performance in fostering a culture of innovation within its small and medium business community needs dramatic improvement.

It is evident that innovation currently sits outside of the day to day decision and operational decisions of small and medium businesses.

If there is to be a key message for these businesses it is that innovation must be at the core of our approach to being profitable and competing.

We must dispel the myths or short-sightedness of competing locally and domestically and start to work more collaboratively with similar businesses through clustering to create scale efficiencies to be adopters of newly available technologies or investing in trial technology. In turn where successes have occurred we need to leverage more fully these through making them known to other Queensland businesses.

It is through continual examples and the forging of strong networks that inevitably we instil a culture of collaboration and innovation in Queensland small and medium businesses.

RECOMMENDATION 3:

REMOVE REGULATION THAT IS A BARRIER TO INNOVATION

Regulation is having a profound impact on innovation in Queensland small and medium businesses.

Indirectly regulation creates a disincentive for businesses to grow and expand through innovation caused by reluctance to reach thresholds for tax and regulatory schemes. Furthermore the cost of regulatory compliance (including fees, licences, taxes, etc) reduces the available internal finances and time for significant technological and innovative investments.

Directly there are many areas of State and Federal legislation that prevent the uptake and investment of innovation (or reduce the incentive for innovation). CCIQ case studies have highlighted a number of examples – the majority of which fall across the regulatory areas of building approval, environmental protection, and workplace health and safety:

These examples provide evidence whereby Government regulatory regimes undermine the business case through significantly reducing the financial incentive for embracing innovation.

Accordingly successful red tape reduction strategies have the potential to enhance the innovation culture within Queensland businesses.

RECOMMENDATION 4: DELIVER SUFFICIENT AND APPROPRIATELY TARGETED GOVERNMENT PROGRAMS

Research and development (R&D) funding applications are regarded by Queensland small and medium businesses as too burdensome and wrongly targeted.

Given the substantial benefits to society from innovation there is a role for Government to support spending on research and development where there is a significant public good to be gained.

However, it is important that any Government programs to support research and development are focused on areas which will deliver the greatest benefit to the Australian and Queensland economies.

There is a need to review the current programs to ensure they are delivering outcomes, as well as investigating new options for encouraging innovation. As a starting point, the State and Federal Governments should review the plethora of programs aimed at fostering innovation, with a view to abolishing those which no longer align with the needs of industry or deliver a long-term benefit to the economy. Focus is also required on increasing awareness and small business access to grants.

CCIQ believes that Australian innovation policy is too “research” focussed. CCIQ views innovation encompassing a wide range of activities that drive change and add value. Innovation should capture work directed at developing new products, new processes and new business models.

Queensland SMEs are not solely interested in research and trial based funding, seed funding or new product development funding, but instead need low level funding to install new and more efficient/productive machinery (supporting Queensland businesses to be early adopters and to compete with international businesses where the technology is being developed). CCIQ believes State Government policy should reflect this practicality.

RECOMMENDATION 5: GREATER COLLABORATION DOMESTICALLY AND INTERNATIONALLY, WITH ACADEMIA AND AMONGST THE BUSINESS COMMUNITY

One of the key concerns raised by businesses is the lack of awareness, knowledge and understanding of potential innovative practices that could be adopted by their business.

If we are to be true to the ideas advantage then Queensland must go out of its way to link individuals, universities, research institutes, industry and government who have shared interests and complementary skills both domestically and internationally. Through this collaboration it will not only be the sharing of knowledge but the apportioning of risk across a greater base that can potentially change the business case in favour of the idea inevitably seeing the light of day.

CCIQ believes that collaboration between industry and academia is a critical aspect of unlocking future innovations. With Queensland home to some of the best universities worldwide, tapping into this knowledge and expertise to ensure research is driven by commercial imperatives will be essential to our future success. Queensland should be fostering an environment for applied research which is driven mainly by commercial rather than academic or bureaucratic priorities.

Furthermore, Queensland businesses must access the benefits of innovations from overseas. Even if Queensland proves hugely successful as an innovator in the future, it will remain the case that the vast majority of the world’s new ideas and products will be developed elsewhere. Ensuring that Queenslanders have access to the benefits of those overseas innovations will be even more important for our future welfare than the ideas and products we develop ourselves.

RECOMMENDATION 6: IMPROVE WORKFORCE CAPABILITY WITH INNOVATION SKILLS

It is the individual that initiates and executes the process for the adoption of innovation. Accordingly emphasis must be placed on ensuring that Queensland’s workforce is equipped with the right skills to enable that innovation to occur.

Future educational attainment in Queensland will be a key determinant of innovation and in turn social and economic prosperity.

Research shows that a lack of suitable skills is hampering innovation at a business level. We must arrest the declining participation in science and mathematics and place emphasis on curriculum at a school, vocational and academic level that inevitably enhances innovation.

Evidence confirms that historically Australia has had a relatively low level of educational attainment compared with other industrialised countries in areas that ultimately influence innovation.

A skilled and educated workforce in Queensland is essential to productivity and sustainable economic growth. Not only are more skilled workers potentially more productive in their own right, but a highly skilled workforce is likely to impact significantly on the effectiveness of capital investment and the ability of workplaces to embrace innovative work practices and technological advances.

There are few more frustrating experiences for business than identifying profitable opportunities for growth which they cannot take advantage of because they have difficulty recruiting appropriately skilled staff. Where this occurs opportunities are not only lost for the business concerned, but for the community as a whole including those individuals who cannot take advantage of the available job opportunities.

Therefore it is important that Queensland’s education and training system ensures that the skills our economy and businesses require are available and that the best possible use is made of those skills by employers and individuals.

Queensland needs a skilled population and an economy that makes full and productive use of these skills. This will be central to building a competitive and progressive State. We need employers that demand, value and make best use of their workforce’s skills. We need people who are hungry to continually learn new skills and a system which provides the required support to help all individuals realise their aspirations and achieve their potential.

Finally we need learning and training providers who work with the business community and individuals, and a system which employs latest technology and best-practice to reduce barriers of demography and geography to provide equal access to all Queenslanders.

All of these individual levers will collectively contribute to an approach that inevitably boosts innovation.

Finally energies in this area must also include accessing human intellectual capital internationally through both temporary and permanent skilled migration programs. It is unrealistic to think that all good ideas will emerge from within and we must look to abroad as a rich pool of talent that will significantly enhance Australia’s innovation agenda.

RECOMMENDATION 7: IMPROVE AVAILABILITY OF FINANCE

Inevitably innovation requires investment which cannot occur without capital. Queensland small and medium businesses must have appropriate access to capital as a key enabler of innovation however at present small businesses in particular are experiencing profound difficulties with the availability of credit, cost of funding and revised terms and conditions of available credit.

More specifically CCIQ’s members have revealed a range of instances where banks have increased their risk margins for business loans and tightened their standards and terms for new loans through lower loan-to-valuation ratios (LVRs), stricter collateral requirements and higher interest coverage requirements.

Changes in lending requirements have undermined the feasibility of existing business plans and required small businesses to alter their strategy, resulting in them either shelving plans for expansion, downsizing, or in some cases exiting the market altogether.

CCIQ recognises that the lending institutions have a fiduciary responsibility to run their businesses in a manner that minimises risks that in turn delivers a profitable and strong foundation. However Queensland businesses are looking to our financiers (including banks and other lending institutions, venture capital, angel investors, crowd sourcing and/or government grant programs) for genuine vision and offerings that focus on a strong economy through innovation. Ultimately financial institutions must have a broader responsibility for economic and innovation development in Australia.

RECOMMENDATION 8: STRENGTHEN INTELLECTUAL PROPERTY RIGHTS SYSTEM

There is an important role for government in establishing a robust and reliable system for the protection of intellectual property rights. The patent system needs to recognise various types of innovative products and services developed by small and medium businesses, particularly incremental advances in technology made by export focused firms seeking global markets. CCIQ believes that the intellectual property rights system must strike a balance between allowing businesses to benefit from their innovation but also encouraging knowledge dissemination and inevitable access. This goes to the heart of collaboration amongst Queensland small and medium businesses.

RECOMMENDATION 9: ENABLING PHYSICAL INFRASTRUCTURE

Infrastructure plays a crucial role in driving business innovation. For businesses to thrive and remain competitive in a global marketplace, it is essential that infrastructure development and addressing current bottlenecks is of top priority. An investment in infrastructure represents an investment in the future prosperity of our country and its businesses through innovation.

The competitiveness of Australian businesses and their ability to access world markets is determined to a large extent by their ability to access internationally competitive communications infrastructure. It is commonly recognised that Australia is lagging behind other developed countries in terms of the speed, access to and reliability of broadband services. Many Queensland regions are experiencing internet/broadband coverage concerns which are reducing business' capacity to utilise online and digital technology, subsequently impacting on their ability to compete in an increasingly global marketplace.

Delivering a strong, reliable and affordable communications networks is fundamental to encouraging innovation and improving the ability of all businesses to compete domestically and internationally, which is particularly important for a state with a population as geographically dispersed as Queensland.

If our infrastructure is right then our capacity to develop and adopt innovation will be enhanced. We must ensure that our investment in physical infrastructure enhances Queensland small and medium businesses' capacity to innovate and build productive capacity.

RECOMMENDATION 10: GOVERNMENT THAT LEADS BY EXAMPLE

Queensland businesses are looking towards the Government to lead by example in relation to implementing innovative practices and promoting their benefits and achievements throughout the broader community. This should include government learning about global best practices. Businesses are also seeking enhanced local procurement opportunities from government, further embracing a culture of supporting local businesses and communities.

"We need assistance to free up cash flow. No money slows our company from expanding or becoming more innovative" – Construction business, North Queensland

"Innovation does not necessarily come from Government initiatives. Innovation comes about by being aware of what your business does, and how it does it and how to refine that process. This sort of innovation leads to better profitability" – Manufacturing business, Brisbane

"Queensland Government needs to take a lead with ICT innovation (they are backward in comparison to other jurisdictions). The Queensland Government should be a leader in ICT" – Property/business services (including ICT) business, Brisbane

"Reduce the red tape inhibiting adoption of innovative changes"
– Personal services business, Far North Queensland

"Governments should assist early stage innovative Queensland companies to raise funding and network with other organisations that can assist with growth and innovation"
– Manufacturing, Brisbane

"Continue to focus on localised procurement with less emphasis on interstate suppliers to government departments" – Manufacturing business, Gold Coast

11.0 CONCLUSION

- 11.1 Queensland's innovation system and an ideas advantage must allow small and medium businesses to generate value from new ways of thinking. This requires a dramatic shift in our approach to innovation, with an emphasis on cooperation and greater reliance on incentives-driven policies that reward risk-taking.
- 11.2 Government can help by removing barriers to innovation and improving the incentives for businesses to undertake innovative activities. There is a significant need to build capacity amongst Queensland small and medium businesses to embed innovation as part of everyday business strategy and drive vitally needed productivity growth and competitiveness.
- 11.3 CCIQ and Qantas are keen to play a leadership role to foster a small and medium business innovation culture in collaboration with Government.
- 11.4 A systematic and coordinated innovation policy which identifies and advances the appropriate roles of the private and public sectors would represent a major contribution to Australia's and our State's economic future.

"Governments need to cut red tape and compliance costs and allow us more time to focus on our business" – Transport and storage business, Brisbane

"We are using cloud technology for our software. We can log in when away, help relief managers, check on things with our iphones and have the same confidence as a large organisation to keep us online, make back-ups and have our products constantly improved by the service provider" – Accommodation, Cafes and Restaurants business, Central Queensland

"Eliminate payroll tax; a tax that is unfair on medium sized businesses competing against others who do not pay this tax and does not reward companies that employ full time staff. These funds could be used by our company to further invest in staff training and innovative ideas" – Construction business, Brisbane

"It is time to get real about regional development" – Retail business, Far North Queensland

"Queensland needs a stable forward economy that warrants more investment and expenditure" – Construction business, North Queensland

"We need greater investment in innovation centres at universities and more trade and investment missions overseas to learn about best practice"
– Finance/insurance business, Brisbane

"Need to improve access to finance for new ventures. We now employ more than 200 staff after 4 years, but could not get any financial help from the banks"
– Mining business, Brisbane

For general enquiries,
please call **1300 731 988**.

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