

# The business end

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## INNOVATION

### SLOW ON THE UPTAKE

When it comes to being innovative, corporate chiefs rate Australia as one of the least innovative countries on earth.  
**Report: Nick Gardner**

● Australia may be among the best performing economies in the developed world but it is seen as one of the least innovative nations on earth, according to research commissioned by GE.

Its Innovation Barometer, a measure of innovation by nation, shows Australia lagging behind even Finland and Brazil when corporate chiefs were asked which countries lead the way in cutting-edge technology and business practices.

So why are we such laggards? There is no shortage of theories: lack of competition, complacency, poor education practices (both in work and at school or university) and a pervasive "conservatism" that derides failure and frowns on success.

These are all common themes that crop up when business leaders are asked about Australia's innovation doldrums. Even the media cops frequent criticism for "villifying" businessmen as fat cats.

But are these genuine reasons for the

**Stuck: Innovation is necessary to keep companies from getting bogged down**

poor record on driving through new ideas, or is there more to our innovation woes than meets the eye?

"Innovation is more than men in lab coats doing experiments," says Ben Waters, head of Ecomagination at GE, its environmental research arm. "It's about business processes, leadership, creativity at all levels, strategic marketing – looking for what the world needs and seeking to invent it. Above all, it's having processes in place that allow companies to implement and finance their ideas while still excelling at their core business."

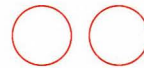
In practice, GE says this has often meant collaborating with other companies, or investing in start-ups and taking equity to eventually bring the technology in-house. But by Waters' own admission, this attitude is driven by its US parent and is not a local initiative.

So why is Australia so different? According to our most renowned innovators, the biggest reason is our infamous lack of competitive forces.

"We've completely lost sight of competition policy and as a result we've got huge parts of the economy that have not had to fight for survival," says the deputy chairman of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Terry Cutler.

"Just look at our retail sector and how it cried foul when internet shopping took off. Our industry was caught napping – it had been gouging customers for years and suddenly it was exposed to great value and service from overseas."

The result was a disastrous attempt to form a "retail coalition" to try to force the government to raise the GST-free threshold on imported goods bought on the internet. But to a new generation of Australian entrepreneurs, retailers got what they deserved. "When I saw Gerry Harvey asking for protection from the government, I found that disgusting," says Ruslan Kogan, founder of Kogan the Australian manufacturer and retailer of consumer electronics. If you're struggling



**Our banks need to become more involved in seeding businesses and taking on more risk**

Matt Barrie of  
freelancer.com

## HOW COMPANIES FOSTER INNOVATION

This idea of creating a framework to facilitate a free flow of ideas from staff and customers is catching on at companies of all sizes.

- At [freelancer.com](http://freelancer.com), the outsourcing website, CEO Matt Barrie is always asking his customers for features they would like to see on the site, offering \$200 for the best ideas.
- And at GE, a project called "Imagination Breakthrough" was created to provide a framework for channelling ideas from its staff. "Some ideas from the early days turned into new jet engines and even our solar business factory in the US was conceived through the breakthrough project" says Ben Waters head of ecomagination at GE, its environmental research arm. At smaller firms, where the next big thing is more likely to be

discussed over a sandwich at lunchtime, bosses say the key is to create a sense of safety where staff can be "fearless" in their innovative thinking.

- Jodie Fox, founder of Shoes of Prey, a DIY online designer shoe store and 2011 Telstra Businesswoman of the Year, says she regards innovation as a constant process. "The idea of designing your own shoes online was itself a world first but we need to keep things moving forwards otherwise somebody will overtake us," she says. "We foster innovation by creating an environment that is fun and exciting and safe. The idea for the 3D graphics showing customers what their shoes were going to look like came out of [what we call family time]. It's a fantastic way to bring everybody's brains together."

to deliver something down the road more cheaply than another company can sell it and deliver it to you from 12,000 kilometres away, then you have bigger issues than the GST.

"They've had years to innovate and develop new ideas but they've done nothing except watch the money roll in."

Kogan's business is, he says, a hub of innovative practices. Almost nothing is done in a traditional fashion in a culture of outside-the-box thinking embracing everyone from boardroom to call centre.

"We don't have annual reviews for pay rises," he says. "We tell our staff that they can have as many pay rises as they like, they've just got to demonstrate why they've earned them. One of my highest paid employees is 19 years old and he's had six pay rises this year because he keeps coming up with terrific ideas."

At Kogan, all members of staff are encouraged to email one of 10 directors with ideas they have for improving the business in any area, whether it's a new product line, a different internal system – anything that makes the business more profitable and efficient.

"There's a very structured way of doing it," Kogan says. "You have to present it as a business case, backed by research, evidence and the thinking behind it. If it's solid we'll go with it."

More companies are getting into the idea of innovation coming from staff or clients, rather than being driven from the top (see "How companies foster innovation"). However, even when the

ideas are flowing, Australia has other, structural issues that mean getting finance often proves impossible.

Eileen Doyle, a director of Boral and board member of the CSIRO, says business, banking and government must all shake off their risk-averse nature and accept failure as a part of evolution.

"We need to reward our risk-takers and make access to capital more straightforward," she says. "Banks and government need to include more high-risk investments in their portfolios instead of focusing on avoiding failure, which is such a negative approach."

Jonathan Barouch, the founder of Fast Flowers and CEO of Roamz, a smartphone App that debuted last month at the Web 2.0 Summit in San Francisco, says there should be more generous tax concessions for investing in high-risk, early-stage ventures.

The government has stepped up to a degree, with the Commercialisation Australia initiative and an improved R&D tax credit but resources are scarce and competition is intense, so more adventurous investment from the private sector is essential.

"Our banks need to become more involved in seeding businesses and taking on more risk," says the chief executive of outsourcing website

[freelancer.com](http://freelancer.com), Matt Barrie. "We have too many companies emerging from the venture capital stage which then have to move to the US to secure further funding," he says. [BRW](http://brw.com.au)

## MANAGEMENT + LEADERSHIP

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## Overblown PR-speak serves no one

- Now for a cautionary tale about the foolhardiness of PR spin. My case study is a breathless media release from a "leading ... accounting support recruitment specialist", which claims exciting news for previously unsung payroll clerks: "Payroll has come of age as a profession."

The bearer of this good news is recruitment firm AccountAbility. It seems payroll officers are now right up there with doctors, engineers and architects. The managing director of AccountAbility, Ruairi Flynn, waxes lyrical over this milestone development: "Increases in both payroll job numbers and salaries, together with increasing demand for skilled candidates, has meant the sector now has its place in the sun." That exposure might explain the half-baked media release.

The number of payroll staff placed by AccountAbility – as measured by the AccountAbility Payroll Index, so it must be true – has grown from 40 per quarter in 2009 to 160 in 2011.

Things are only going to get better for the nascent payroll profession. "There simply aren't enough quality and experienced people within the sector, leading to a marked increase in salaries for candidates," Flynn explains.

"Traditionally, payroll has been seen as a processing role often undertaken by females in the second half of their careers who have quite often worked with the same company and in the same position for 10, 15, 20 years-plus. Today, more and more young professionals are seeking positions within payroll."

AccountAbility started in 2004 and has offices in Sydney, Melbourne and Brisbane. It is a successful business and has a story to tell but rather than be factual, it chose to be fatuous. It resorted to overblown media release speak, starting with the mindless habit of media release writers always referring to their clients as "leading". Believe it or not, the word "leading" does not magically induce journalists to suspend disbelief. And what on earth does "accounting support recruitment specialist" mean?

More substantially, must every business now have its own eponymous survey or, more pretentiously, an "index" to enhance its credibility? It really didn't take a faux economic indicator for AccountAbility to make the point that business is good. Finally, even allowing for excitable PR hype, declaring that payroll is a profession is as vacuous as it is ridiculous. What should have been a simple media release highlighting opportunities for payroll staff simply short-changes everyone.

**BRW.**

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