Embracing an innovation mindset
It’s time to adapt our innovation mindset, because a more innovative city will benefit us all. So how do we get there?

All individuals and every single organisation can innovate, whether in a new context or for the first time. Factors such as density, high-growth potential entrepreneurship, and levels of collaboration play a role and help some areas in Sydney to excel. But there are more growth opportunities waiting to be realised for everyone, no matter where or who you are – and making the most of them will determine the future of our city and state.

Improving our overall performance requires a concerted effort. By using our diverse capabilities and experiences we can generate new ideas, and help them come to life – painting a powerful picture of what is possible.

The first step is to change how we think about innovation, as individuals, businesses, and as a city. To shift our perception of what innovation is, and to be better placed to embrace its benefits.

Developing an innovative mindset to create and capture new value will vary from organisation to organisation, individual to individual. In practice, there are no right answers. But the pockets of brilliance are there and the goal is to use our dynamic forces to create virtuous circles of prosperity that pay off.

Everyone has a role to play in making Sydney flourish – individuals, business, research and government. We’re all familiar with the success stories of garage innovators, who achieved great things alone. But this is only part of the story. We are most successful when we work together and treat everyone’s thinking with equal weight.

To achieve this, we need to start pulling the right levers, right now.
Innovation levers for business

**Innovate not just invent**
- Be a fast follower to build market share
- Start with incremental changes to process and marketing methods
- Go broad and consider changes to business models
- Pursue blue-sky opportunities
- Don’t wait, seek to understand future trends

**Start a conversation**
- Go off-site to idea friendly spaces for customer and supplier conversations to find out what they really think
- Look inside for internal capability and bridge silos by starting a dialogue
- Talk to people external to your industry to bring ideas from the outside
- Speak with research institutions to diffuse knowledge and deepen your understanding

Adapt your innovation mindset
Start a conversation – that’s what we’re talking about

Many reports have identified that Australian businesses and research institutions do not perform well on collaboration. For example, our small-to-medium businesses and large businesses rank 24th and 29th respectively on collaborating in innovation out of 31 OECD countries. Most businesses and individuals know the value of networks. They can be a source of new ideas, facilitate connections to new markets, and even provide key resources. Collaborating and facilitating connections across an ecosystem can also be important for universities, as highlighted by Roy Green, Dean of the Business School at the University of Technology Sydney (for more information, click here).

But establishing these networks – knowing who to reach out to, how to reach them, and how to create a productive and collaborative relationship – can seem like a challenge.

The goal is to start a conversation and start small:

• Look inside – there’s magic in the mix
  Within any organisation, there are people with diverse capabilities, experiences, and ideas. Networks displace hierarchies and are far better at facilitating flows of ideas between individuals and teams – so bridge the silos and look beyond business functions and levels.

• Look up and down – there’s other weight in the chain
  Your suppliers know your needs and can offer an external and objective perspective on your industry. And your customers know your products, and what provides value to them. Both can provide critical insight and new ideas.

• Look around – there’s power in the periphery
  Trends outside your industry can be instructive. Be imaginative and open about how research institutions and other organisations in your sector, or in adjacent industries, could provide value. What does best practice look like in another sector?

• Connect the dots – there’s more than one picture
  Your insights and networks can add value to others. Seemingly disparate ideas can come together to produce a service, solution or innovation that is new and exciting. How can you diffuse the knowledge you have in a broader context?

The truth is, we can easily access the benefits of collaboration – if we’re more open to conversations. The knowledge economy is strong, and its resources are closer and more accessible than you think.

There’s a larger internal knowledge capability within your own organisation than most people realise, so try crossing the floor and asking for the skill set you need, or sitting with another team for a week and talking to them about their capabilities and experience. Get off-site with your customers and suppliers, have less formal conversations, and find out what they really believe. Open a dialogue of ideas. And finally, realise that research isn’t just for scientists. Go and find out what’s being explored at the cutting edge – in your industry and outside of it.
Innovate, not just invent – evolution, not just revolution

We’ve all heard of Sydney’s great inventions – from the first digital sampler, the Fairlight CMI, to Google Maps.

But as we’ve seen, innovation is not just about invention. The Australian Bureau of Statistics reported that in 2014-15, Australian businesses were almost as likely to report introducing new or significantly improved operational processes (16%), managerial processes (17%) or marketing methods (17%) as they were to introduce new goods or services (19%).

And not all innovation is revolutionary. Most innovation in Australian businesses is more incremental than dramatic. In fact, about three-quarters of introduced innovations are only new to the business itself; in contrast, only 2% of businesses think that their operational, organisational or marketing innovations are new to the world.24

These incremental innovations can add up. For example, RØDE (a designer and manufacturer of quality microphones and audio equipment based in Silverwater) started with making small improvements to an imported microphone; today, it exports over a million microphones annually (for more details, click here).

Knowing where to innovate is just as important as knowing how to innovate. Good design comes from great insight; the most successful innovations will solve a client and/or market need.

So how can a non-innovator start to create and capture new value? And how can innovators keep their momentum?

- Keep your eyes and ears open – and your feet fast
  Things that have worked in other circumstances may work well for you. What’s happening in your industry overseas? What are businesses implementing in other industries? By being informed and adaptable, with a strong network both locally and globally, you can be a fast follower and build market share.

- Iterate to innovate – no need to risk it all
  Large changes made quickly can be disruptive and have uncertain returns. Instead, start with incremental change. By testing, trialling and refining new ideas iteratively, you can build a capacity to innovate without the need to take big risks.

- More than just product – broad is the new black
  Some of the most disruptive and successful innovations in our economy in recent years have not been new products, but new business models – like collaborative economy platforms. Think more broadly about how you can implement new ways of capturing value, whether that be through organisational change, improved processes or new ways of reaching customers.
We are generally innovation followers, rather than innovation leaders. By adapting and adopting ideas from elsewhere we can still deliver great results. According to the Australian Innovation System report, the average gross operating profit for new-to-business innovators is $297,000 – more than double the average profit of non-innovators.

Make it a habit to regularly scan and pick the best bits from other industries, taking advantage where others, overseas or elsewhere, have already done the hard yards – and integrate those elements straight into your business.

Look ahead – the future is trending

Looking to the past can provide great perspective and lessons. But the future is evolving rapidly – and by looking over our shoulder, we risk being left behind. We need to lift our gaze to the horizon and think longer-term. For example, the Commonwealth Bank of Australia has an emerging technology division, which aims to keep the bank at the forefront of technology in the financial sector by identifying and experimenting with emerging technologies (for more details on innovation and fore-sighting at the Commonwealth Bank, click here).

- What's likely? – don't wait for it
  Think about the emerging trends in your industry, and how they might affect your business. Are customer preferences shifting? Are employees seeking more flexibility? Understanding the needs and pressure points for key stakeholders will help you be responsive

- What's possible? – get value out of the blue
  Beyond what's likely to happen, it's also important to expect the unexpected. Who are the key disruptors – and what would happen if they became dominant in the industry? How could emerging technologies shape your competitive advantage? Thinking about the blue-sky possibilities and counterintuitive outcomes can uncover opportunities for you and your own business.

Understand the megatrends shaping our future, and you will be better placed to take the necessary steps now to be prepared for the next decade and beyond.
Innovation levers for government

Attract and retain to make the mix a match

Build a location brand by establishing clear messaging around the best place to be for industry

Evidence suggests that diversity of like-minded businesses facilitates greater connectivity

Knowing your specialisations and what industries are dense in employment hotspots is essential to providing the right connections

Step aside – and take your red tape

Regularly re-assess the cumulative body of regulation to help identify those that are outdated or no longer meet goals

A graduated regulatory framework balances the need for regulation with the flexibility to innovate

Identify and enable to emerge ahead

Understand where government assistance provides the best outcomes and returns – then prioritise

Get your infrastructure and planning regulation right for nurturing innovation

Look to the factors that create today’s hot pockets to forecast where tomorrow’s will be

Identify key areas where innovative activity is happening and measure with a consistent, quantifiable and numerical approach

Adapt your innovation mindset
Identify and enable to emerge ahead

The best innovation precincts worldwide are overwhelmingly organic. Most often they are the result of serendipity, rather than design.

Government already uses a range of important tools – from urban planning and design to tender processes – to set new commercial areas up for success. For example, the Federal Government’s Australian Nuclear Science and Technology Organisation has recently announced its intention to develop an innovation precinct based in Lucas Heights (for more details, click here).

But we need to look beyond greenfield developments to what’s already happening – and where more activity may emerge in the future. The NSW Government’s knowledge hub program has already identified four key innovation areas in Sydney. But our analysis shows that there are more emerging – and sometimes in unexpected places.

How can government enable existing innovation – and help new areas emerge?

- Quantify – know your numbers
  Identify key areas where innovation activity is happening – not through case studies or ad-hoc methodologies, but with a consistent and numerical approach. What makes these areas special? What is working, and is there room for further growth?

- Prioritise – bang for your buck
  Innovation happens everywhere – and there is the potential to improve in every area. Understand where government assistance would provide the best outcomes and returns.

- Forecast – warm tomorrow
  We know where today’s hot pockets are – but how about tomorrow’s? The factors that have facilitated the success of today’s hot pockets are a useful starting point.

- Facilitate – change your settings
  The right infrastructure and planning regulations can help innovative regions grow more strongly and spread their knowledge – from roads, public transport, and broadband to public amenity, density and permits. Policy settings can help innovation precincts to thrive by making them more attractive places to live, work, play and create.
Attract and retain to make the mix a match

An agglomeration of the right people, businesses and institutions in the same location can support a vibrant local innovation system. Large organisations and collaborative researchers can be a magnet for others, creating a virtuous circle.

But it can be hard for businesses and research institutions to understand where they should locate to – and why.

So, how can government help precincts grow by attracting and retaining the right mix of businesses and institutions?

- **Know your specialisations** – Understanding what types of activity occur in which regions is critical to providing the right connections. Start by knowing which industries and sub-industries are relatively dense in employment hotspots.

- **Complementarity is key** – Co-locating businesses of the same industry is not always the solution. In some cases competitors may be less likely to work together. Instead, evidence suggests that a diversity of like-minded businesses can facilitate greater connectivity. Could an incumbent financial services provider attract and support an ecosystem of small professional services firms? How about co-locating small-scale agribusinesses with food manufacturers and cafés? Understanding supply chains, and complementarities, will support richer and more vibrant precincts.

- **Build a location brand** – Businesses may find it difficult to identify and assess what happens where. Establishing clear messaging around the best place to be for various industries can support business decision-making and attract investment, particularly from interstate or overseas.

Turrella benefits from its proximity to Sydney’s current international and domestic airports.

The development of a new Western Sydney airport at Badgerys Creek offers significant potential for Sydney Science Park, located only three kilometres to the north. It could become a significant epicentre for science, research and development.

Similarly, the Bays Precinct benefits from proximity to knowledge hubs in the CBD. Further, it is slated to attract key institutions and a knowledge intense workforce. This could see areas such as Balmain and Rozelle develop into future hot pockets.
Step aside – and take your red tape

Regulation is important to the overall functioning of our economy. Amongst other things, it helps to ensure consumers are protected, products are safe, and our businesses are competitive.

But it’s important to recognise that regulation and compliance can also create costs, and that red tape can soak up valuable time and resources. Rules and regulations imposed by all levels of government cost an estimated $27 billion a year to administer, and a further $67 billion a year to comply with.

And in some instances, regulation can penalise or even prohibit innovative activity – from new business models like Uber, to new products like digitally-delivered financial advice.

The challenge is to facilitate innovation, while maintaining minimum standards and consumer protection:

- **Graduate regulation** – Critical areas of the economy that influence our economic stability (like financial services), our environment (like mining and agriculture) and our safety (like retail and manufacturing) are rightly regulated. A graduated regulatory framework balances the need for regulation with the flexibility to enable innovation, by applying stronger regulations to critical incumbents, but allowing more flexibility for new disruptors, which becomes stricter as they grow.

- **Regularly reassess** – Regulations can accumulate quickly but dissipate slowly. Regularly re-assessing the cumulative body of regulation as it applies to a given industry can help to identify regulations that are outdated or no longer meet their desired goals.

Maintaining momentum

Productivity growth through innovation – the implementation of smart ideas – is a huge opportunity for the future state and prosperity of Sydney, and the nation. But it requires a collaborative effort. It’s time to take a closer look at what innovation means to our city, and to rethink the way we embed it in how we Create.
References


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**About the series**

The role of place is paramount to the future of Australian prosperity. And as the purpose of place continues to evolve, shaping the future of our cities will be central to the creation of smart, flourishing and productive communities. The ImagineSydney series sets out to address this through strategies that drive economic and social development in Sydney. It is a long term commitment and plan to co-create a broader narrative around the themes of Create, Work, Live, and Play to propel this state’s prosperity beyond the next decade.