

**RESEARCH INTERNATIONAL SUBMISSION TO  
PRODUCTIVITY COMMISSION  
IN RESPONSE TO DRAFT REPORT FOR INQUIRY INTO  
PUBLIC SUPPORT FOR SCIENCE AND INNOVATION**

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Research International (RI) welcomes the opportunity to provide a second submission to the Productivity Commission's study into Public Support for Science and Innovation.

RI's overarching view of the draft finding is that there continues to be a very strong emphasis on science and technology and public sector funding of these organisations and universities, however the commercial research sector has been somewhat overlooked. RI strongly believes that a more detailed examination into this particular area is required in order to account for an extremely important component of the research industry in the Australian marketplace.

Innovation is defined in the study on page 1.7 of the introduction as "...deliberative processes by firms, governments and others that add value to the economy or society by generating or recognizing potentially beneficial knowledge and using such knowledge to improve products, services, processes or organizational forms."

This definition is very commercially orientated, yet the majority of the report primarily focuses on the R&D and public sector functions and processes. There is little focus on the added value brought to the economy and society by generating commercially-based research. Within the report there is recognition that innovation is multi-dimensional with three distinguishable types of innovation, as shown on page 1.10 (Figure 1.1). While this in itself is a very commercial approach to innovation, it is a theme that does not resonate strongly in the overall report.

Whilst the Productivity Commission has certainly recognised (through its definition) commercial innovation, this has not been linked in any major way to actual public support.

The findings of this draft report may be appropriate given that its focus was to understand the Public Support for Science and Innovation and that key responses to the review have come from the public sector. However, RI strongly believes that an opportunity has been lost in trying to draw a connection between the public sector activity and the learnings from commercial innovation. This includes looking at the benefits that can be derived from considering both the public and private sector as one entity, such as working more closely together to bring about stronger public support.

RI believes that a forum should be established to bring a more commercial view to this discussion. Our original submission recommended conducting a different type of research process to understand commercial-based research in greater detail. Given the current state of the Australian economy and the opportunities available in emerging markets such as Asia, China and India, it would have been beneficial to demonstrate the need for public support for commercial research in the product and service area. It should also be remembered that commercial market research organisations do in fact conduct a great deal of the social research seen in Australian society.

RI acknowledges the recognition that the Privacy Legislation is problematic for research – however it again focuses on the public sector and not commercial research (5 and 5.5). The same can be said for the reference to the skills shortage which, despite being a valid point, once more focuses on the R&D sector of public research and development by highlighting the need for math, science and professional engineering – rather than commercial development.

There is discussion within the report (page 2.13) of how R&D and innovation spending could be separated, with organisations claiming that innovation is derived from a range of other processes across the business other than the R&D function. Section 6.2 (What is the perceived problem?) also discusses the perception that Australia is not good at commercialising the intellectual property it generates and fails to fully capture the economic and social benefits from its investment in science and innovation: "Such concerns are often expressed in relation to product innovation – in particular, a perceived failure to harness Australian research to make new or improved products that could be sold to the rest of the world."

RI's view is that in order to harness useful research, it is necessary to ensure that the process includes involving the consumer in the right way and at the right time. This is often very detailed research that comes with an associated higher cost. The reality is that this cost will then play a role in effectively halting the progression of research of this nature, particularly if it is only for the local market. This is where Australia must look at the success of other markets such as China and India, where the R&D spend is higher and as a result generates greater business impact.

On page 6.29 there is comment on the need to develop stronger linkages between research organisations and SME's, including statistics from the BIHECC who state that roughly 34 per cent of Australian SMEs used new technologies to improve their business or develop new products compared with 85 per cent of their European and US counterparts.

Dr Eric Von Hippel spoke earlier this year\* on his view of innovation and how the process as we know it is changing, with consumers taking the lead in order to develop products that satisfy their needs. Much of this reasoning also applies to many SMEs who develop their own products in order to enhance their business operations. This is also consistent with RI's view that it is vital for consumers to be involved throughout the research process in order to gain the insight necessary for effective innovation.

To conclude, RI feels that it is essential to establish whether the research currently being conducted is for public or private sector development. Only through a more detailed discussion of the commercial sector can we achieve an accurate viewpoint of R&D in the Australian market.

### **About RI**

Research International (RI) is a leading provider of professional services to a wide range of businesses which work across a diverse mix of sectors. Established in the 1930's in Australia, it has been involved in product and service innovation for the past 40 years, working with its clients from the ideation stage right through to the launch of products and services.

Currently, we operate in a pro innovation environment with business fully aware of the value of innovation. Getting to this point has taken some time, however, businesses now agree that continued innovation is critical to their success and bear no signs of slowing down.

Driving the innovation environment is a keen understanding of what makes people behave as they do. Our experience, both locally and globally, has demonstrated that innovation is heavily inspired by finding answers to two key questions: what do people want and what do people need? This in-depth understanding of people provides the inspiration for business growth.

*\*AFR BOSS Club – Wednesday 26 July 2006*