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# HOW BIG BUSINESS CAN HELP SUPPORT AUSTRALIAN SECURITY INNOVATION

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A healthy innovation culture is critical to the current, and future, performance of any economy. But while this fact is recognised by most major enterprises today, business leaders – particularly those in Australia – must do more to engage with the start-ups that are poised to transform their markets.



Michael Stevens-Jones

Partnerships between enterprises and entrepreneurs offer significant benefits for both sides: access to key decision-makers and new markets for entrepreneurs, visionary perspectives and investment opportunities for established firms. Developing and sustaining these partnerships – and capitalising on the innovation dividends which ensue – is essential to ensuring Australia's competitiveness in a global digital economy.

## Mutually-Beneficial Disruption

Entrepreneurial communities are a major source of new innovations which power technological and economic development; they also often act as a barometer for the mainstream

products and services of the future. Yet the barriers to success are high – more than 75 per cent of start-ups fail – and growing rapidly as a result of increasingly global marketplaces of capital and knowledge. Australian start-ups have traditionally only had access to a relatively small pool of local funding; at the same time, entry into more established venture-capital markets in the US and Europe is an extremely competitive and often bureaucratic process. In addition, entrepreneurs tend to have deep expertise related to their “big idea”, but not in terms of other core skills like business development or sales and marketing. Highly promising ideas often fail simply due to a lack of industry connections or business-building experience.

Established enterprises have a responsibility to give these start-ups a leg up – not a charitable gesture, but as a highly strategic initiative which invigorates and complements their own organisations in the process. Many incumbent businesses have yet to embrace an agile, responsive approach to innovation, and failing to do so now is likely to significantly impede future profits and organisational viability. IBM's latest research into Australia's digital economy found, for example, that major enterprises which fail to digitally transform by 2018 will have little chance of competing with their more innovative and nimble peers – either being absorbed by them or collapsing entirely.

Fostering the next generation of start-ups is a must for any major enterprise, even those which already have a culture

of ongoing innovation. IBM's SmartCamp program makes up a core component of our Global Entrepreneur Program, consisting of short (1-2 day) “boot camp” events where start-ups work with IBM experts, venture capitalists, industry experts and academics to develop and pitch their business models. For participating start-ups, the biggest benefits are the in-roads into the enterprise technology ecosystem; this year's Sydney event brought together judges hailing from some of Australia's most successful venture capital firms, alongside access to IBM and third-party resources in IT, research, and business development. That means more chances of gaining funding, beta customers, and a commercially-successful product: in its three years of operation, IBM SmartCamps have helped participants raise more than \$115 million in VC funding.

## Unlocking innovation's ROI

It's in technology enterprises' best interests to enable grassroots innovation – including ideas which might otherwise be too ambitious or niche to become commercially viable on their own. Not all innovations will succeed, but fostering an ecosystem of innovation is an opportunity to help participants unlock the full potential of their core ideas by dissecting their business models, streamlining technology implementations, or conducting co-marketing campaigns with our own resources. We view these participants not as start-ups, but as future partners and collaborators whose offerings often supplement or improve on our own.

In the case of the Australian start-up and Commercialisation Australia Participant QuintessenceLabs, which jointly won last year's SmartCamp Asia-Pacific finals, access to enterprise-level connections and resources was critical to the viability of their product: a quantum data security solution designed for the government, security and large enterprise sectors. As a result, QuintessenceLabs has worked to not only refine its network, but to also expand its product portfolio and innovation. The firm is now working out of NASA's Silicon-Valley research facility to further develop its solution, as well as continuing to collaborate with IBM

on joint platforms which incorporate its technology.

The disruptive potential of start-ups can be viewed by incumbent enterprises as a source of fear when in reality, it should be treated as a competitive opportunity. By being involved with ground-breaking start-ups, enterprises can point out new directions and emerging trends to their clients, and justify these claims with tangible examples of product testing and capital investment. It also gives enterprises the chance to further enrich their own range of solutions or product portfolio; and open up new avenues for development which may not have initially been thought of. By partnering with start-ups, incumbent enterprises can catalyse new innovations within their own organisations, simply through exposure to the creative thinking and fresh approaches that entrepreneurs – often having to solve problems with little funding or resources at their disposal – bring to bear.

## Kick-starting the knowledge economy

As services, IP, and other “knowledge assets” come to occupy a growing proportion of Australia's GDP, a healthy innovation ecosystem – spanning start-ups and larger businesses alike – will be essential to maintaining our competitive footing against other regional and global players. The digital economy of the future is also a knowledge economy: to maintain their market leadership, today's enterprises must discard any insularity and broaden their relationships with start-ups, entrepreneurs, and others at the forefront of innovation. As today's business leaders, we need to recognise that we don't have every single answer for every single problem. But by partnering with innovators in a manner which pools the strengths of both entrepreneurs and enterprise, we can ensure the likelihood of new solutions for the future.

## Vikram Sharma, Founder and CEO of QuintessenceLabs on the Australian IT landscape for defence start-ups

“For advanced security start-ups like ours with major customers in the defence sector, it is critical to have support from industry and government to showcase the capabilities of your technology. The Australian government seed funding programs and other associations have been essential elements in developing frontier-of-science research into deployable technologies.

However, in order to commercialise our technology and better understand our market, we needed to take the business to the next level. Collaborating with and receiving mentoring from industry experts has helped QuintessenceLabs to further innovate and accelerate growth. It was a natural for us to want to partner with a technology company like IBM given their long history in defence and security innovation – we have benefited greatly from this partnership.”

