

thinkBIG 2018

White paper: Innovate for growth within the age of disruption



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Prepared by:

Peter Saccasan

National Head, Business Advisory



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COMPANIES AND SMEs THAT CONTINUALLY REINVENT THEMSELVES THROUGH INNOVATION ARE FUTURE-PROOFING THEMSELVES AGAINST THE MYRIAD FORMS OF DISRUPTION THAT THREATEN TO RENDER THEM OBSOLETE. PLANNING IS TAKING ON A WHOLE NEW MEANING AND MUST BE AGILE.

It may well be one of the most overused catch phrases of the 21st century, but the call to 'innovate or die' is really a reminder for companies to apply new ideas and applications to the way they do business, or risk being left behind. What's driving the need to innovate is the rate of technological change, coupled with a multiplicity of factors like changing demographics, rapid globalisation, unpredictable macroeconomic conditions, and diverging workplace dynamics – all of which make change a constant and fast moving beast.

Like it or not, business survival now means keeping up with the impact of all of these changes on how we live, work, and consume products and services. The spoils clearly go to those companies that can not only keep up, but anticipate where future opportunities lie. SME owners are being challenged as well in how they can utilise the technology and data to see where the opportunities lie for their businesses.

While the 'Internet of Things' (IOT) is providing the tools for companies to reinvent themselves, digital technology per se only ever tells half of the 'innovation story'. It's the flexibility and adaptability that companies bring to the table which determines whether or not the 'tech smarts' they deploy can deliver a sustainable competitive advantage within rapidly changing and highly competitive global markets where the players come to play very locally at a small cost.

But the speed at which change is now occurring, thanks largely to new technology, makes momentum around innovation more of a 'call to arms' rather than something a company or SME owner can get around to in their own sweet time.





KEY POINTS TO CONSIDER:

- 1 A digital strategy needs to be supported by every facet of the business enterprise
- 2 Truly innovative companies are more likely to find solutions to challenges
- 3 Simply 'going online' isn't a cure-all for an ailing business
- 4 Choose the space you want to compete in and ensure your message is clear

THE AMAZON-FACTOR

No company is immune to the disruption inflicted on its business model or industry sector by either new technologies or new market entrants armed with both scale, greater efficiency and more productive ways of doing business. Take for instance the launch of Amazon Australia in November last year, which has valuable lessons for all businesses.

Struggling with last century business processes and outdated supply chains, the onus is on Australia's 'bricks and mortar' retailers not to follow in the footsteps of US toy giant Toys 'R' Us Inc which recently collapsed. The toy company has attributed its downfall to its inability to compete with aggressive online shopping options by Amazon (and others)¹ which purposely built its entire platform in the digital space.

While Amazon's entry into Australia was a lot softer than expected, every move it makes has been carefully choreographed. As a result, rival retailers are likely to feel the wrath of more aggressive go-to-market strategies by Amazon Australia in key categories over the longer haul.

Clearly, the inability of retailers to compete with the agility of Amazon has far reaching implications for every facet of their business enterprise, including everything from driving out costs customers don't value and supply chain economies, through to how they advertise or go to market.

Some retailers, like local e-tailer Kogan.com Ltd, have already modelled themselves after Amazon, and now have more than eight million customers in Australia alone. Kogan continues to reach higher and has a market capitalisation greater than Myer's. Then there's e-tail giant Chemist

Warehouse which – with its wider variety and heavy discounting – is doing to pharmacists what JB Hi-Fi did to the electronics sector, and Aldi did to Australia's supermarket business. The pharmacists have been fighting back and needless to say there are scars to show. Bigger is not necessarily better however and some pharmacies are being innovative in the services they offer, providing a strong health focus which drives higher margin sales. The message is consistent across all industries – choose the space you want to compete in and ensure your message is clear.

Perhaps the jury's still out on exactly how successful the Amazon model will be in Australia, where limited scale and great distances between markets present ongoing challenges. However, are you really prepared to chance the likelihood that Amazon won't find solutions to all the challenges it's confronted with locally?

KEY POINTS TO CONSIDER:

- 1** Technological innovation is solving farm-gate and supply chain problems
- 2** Game-changing technologies can enable farmers to boost productivity and increase cashflow
- 3** All SME owners should have one eye on the latest innovations in their industry

INNOVATION IS TRANSFORMING FARMING PRACTICES GLOBALLY

Innovation, through emerging technologies is also playing a major role within the agricultural sector globally. In Australia, AgTech specialist, [The Yield](#) – along with a growing number of rivals globally – are committed to transforming outdated, inefficient and time-consuming food and farming practices the world over.

[The Yield](#) has successfully combined the IOT, data science and artificial intelligence to provide technological solutions for the many challenges experienced at both the farm-gate and throughout the food chain. In October 2017, [The Yield](#) launched Sensing+, its microclimate sensing and seven-day predictions system for farmers and was awarded Most Innovative International Startup (Series A and Beyond) in the global AgFunder Innovation Awards in March 2018.²

Having reached an exciting phase of innovation, through a more effective real-time measure of key variables, combined with predictive analysis, AgTech solutions, like those developed by [The Yield](#) are helping farmers around the world reach new standards in crop performance, especially when it comes to quality and yield.

RSM has long had a presence in regional Australia helping farmers across generations. Farm management is moving to the cloud with the emergence of cloud applications such as [Figured](#) working in conjunction with [Xero](#). All SME owners need to keep up with the innovation trends so that they can ensure the bottom line is sustainable.

² The Australian newspaper, 18 April 2018

PLAN TO GROW

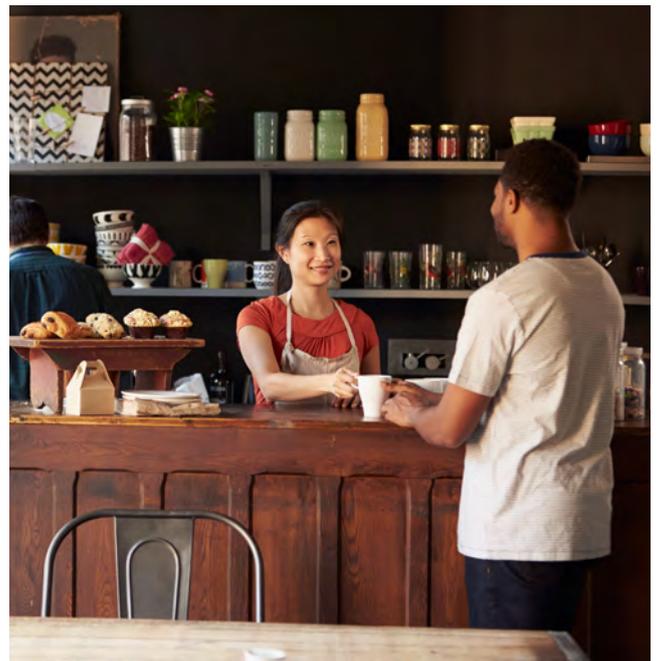
Given the ubiquitous nature of disruption, 'growth and planning' should be front and centre of any business hoping to future-proof itself against the next Amazon-like entrant threatening to erode its market share. However, results of RSM Australia's thinkBIG survey in 2017 proved convincingly that this is not yet the case.

31% of respondents didn't create a business plan. Of those that did, **53%** achieved growth, while only **15%** experienced a decline in revenue.



If your company is yet to combat the many forms of disruption it's exposed to with varying forms of innovation, you're not alone. The good news is it's not too late to catch up. Given the relatively embryonic stages of digital and other forms of disruption experienced locally, there'll never be a better time than now to start putting the right innovation strategy into place.

One of the best ways to combat the effects of disruption on the business is to go on the offensive. That means playing disruptors at their own game. The first thing to consider is experimenting with innovation to your own legacy (or long-standing) business strategies.



Thanks to the relatively low-cost barriers to entry, SMEs now have capacity to be as innovative with digital technology as their much larger rivals. Given that it provides a real-time snapshot of how the business is running, cloud-based computing is often regarded as a good place to get the innovation continuum moving within any business.

For example, the implementation of cloud-based accounting, together with electronic invoicing has resulted in a win-win for the suppliers and customers of both Woolworths and Coles in equal measure. Major savings in back-office costs have been returned to customers through lower prices.

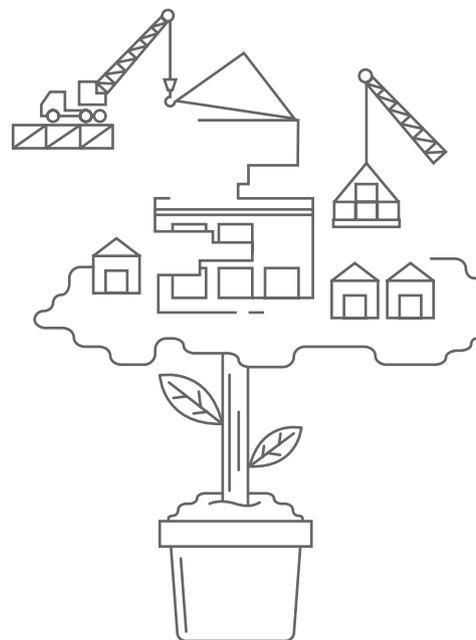
 Stay tuned for more on digital technologies in our third white paper in the series which will soon follow.

However, what many SMEs often don't fully realise is how their fleet-of-foot, due to their size, can make them more innovation-ready than their much larger counterparts. SMEs need to get better at using this agility to their advantage, when it comes to implementing an innovation framework within their business.

SMEs tend to lack a formal planning process. This doesn't mean producing a weighty tome of a couple of hundred pages which is never used again. Planning today can be strongly linked to day-to-day reporting systems to ensure that management is provided current data against goals or KPIs. Just having a plan makes a difference and you can make it relevant by ensuring you are focused on the things that really influence your business outcome.

KEY POINTS TO CONSIDER:

- 1 Companies that plan are more likely to grow and innovate than those that don't**
- 2 We're still early enough into the 'race to disrupt' for latecomers to catch-up**
- 3 Combining their in-built agility with the low-cost of new technology should encourage SMEs to innovate**
- 4 Have a plan – a really practical useful plan that can be measured against every day**



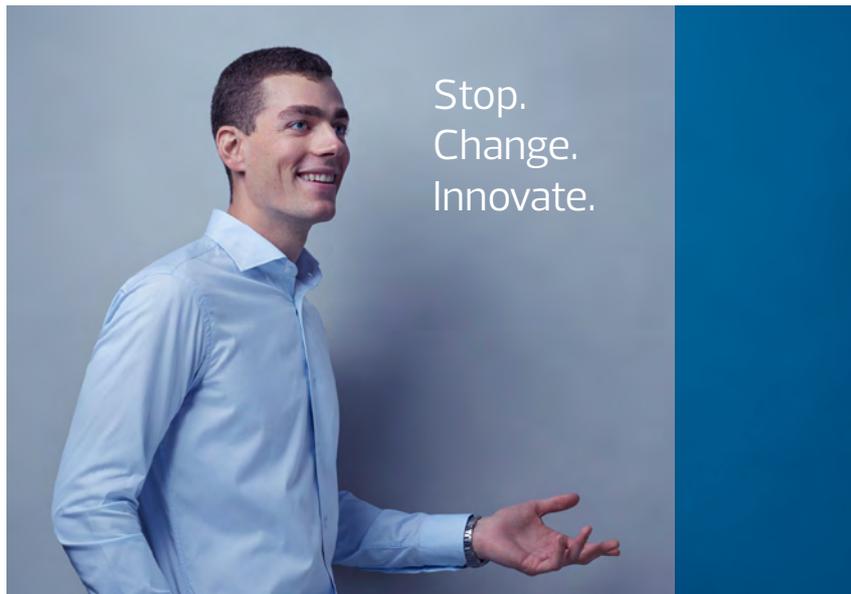
LEARN FROM YOUR FAILURES

It is incumbent on every single business, big or small to either manage the tsunami that myriad forms of disruption bring with them or end up being managed by it. While few, if any, industries are entirely immune to various forms of disruption, it's business-to-consumer (B2C) companies that tend to be most exposed to digital disruption³, followed by sunset industries – operating legacy business models – and those with low barriers to entry.

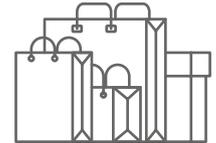
Which one of these categories does your business fall into?

In Australia, companies from every sector have found themselves, in varying degrees, within the crosshairs of all types of disruption. For example, traditional real estate agents are having to rethink their business models in light of DIY online agency [Purplebricks](#) which operates on a flat fee structure.

Then there's Domino's Pizza which has been using GPS tracking, along with a long list of digital offerings – including Amazon's voice-based virtual assistant – to enhance the customer experience.



SME owners are notorious for doing the same thing repeatedly but expecting different results. Stop, change, innovate and be willing to do it again and again.



KEY POINTS TO CONSIDER:

- 1 Listen to what customers are telling you and act on it**
- 2 Provide customers the experience they deserve, not what you think it should be**
- 3 Instead of burying your mistakes, heed valuable lessons from them**
- 4 Be prepared to change**

ASSESS THE IMPACT OF DISRUPTION AND YOUR READINESS TO HANDLE IT

The business landscape is littered with casualties of digital disruption, and the accounting sector – forced to reinvent itself following the onslaught of cloud-based accounting – is no exception. For example, according to a study by researchers at Oxford University⁴, chartered and certified accountants have a whopping 95% risk of being replaced by automation over the next 20 years.

We see the arrival of digital technology into the accounting space as an exciting development. It means that we can focus on our core knowledge which is not just producing the numbers, but interpreting them and leading the discussions around problem-solving. We really look to leverage the 'power of being understood' from our client's perspective, identify a variety of solutions and then deliver them.

Regardless of the sector you're in, the onus is on you and your management team to honestly assess the impact that disruption – whether it's from digital technology, legislative changes or elsewhere – is having on the business and what you need to do to survive the onslaught.

First, check any sustained loss of market share, and how much of it is going to new market entrants as opposed to your existing rivals. If long-term rivals are also losing market share, you might both be heading towards obsolescence for the same reasons – Myer and David Jones are a classic example of traditional businesses that are having hard questions asked of them and their business model.

Second, study what the financials (the P&L, balance sheet, and cash flow statement) are really telling you about the business. If you're operating a more traditional business model, honestly assess:

- how much of the major hit to revenue and profits is due to technological or other forms innovation
- how much your products and services have been commoditised
- how genuine your attempts have been to combat them



Ensure that you are granular in your assessment so that underlying data is exposed and real trends are identified.

Accountants have a **95%** risk of being replaced by automation over the next 20 years

KEY POINTS TO CONSIDER:

- 1 To understand where your business is now, look back at the trends that have impacted it over the last three years but pay particular attention to the last 12 months**
- 2 Honestly assess whether failure to innovate and lost revenue/market share is due to factors beyond your control or down to management's shortcomings**
- 3 Identify the key data trends for your business and ensure your reporting systems bring that information to you easily and regularly**

⁴ www.bbc.com/news/technology-34066941

BREEDING A CULTURE OF INNOVATION

The lessons from businesses both offshore and closer to home prove convincingly that all the technologically-enabled disruption in the world is superfluous unless it's supported by a more innovative approach to doing business. However, changing the way you do business may require an investment in expertise external to the company.

After all, it was Einstein who penned the immortal line about 'problems being unsolvable with the same mind-set that created them'.

While it's essential that CEOs/SME owners and their management teams champion innovation within their businesses, they can't do it alone. They also need to ensure that a culture of innovation is embedded into the fabric of the business, given a prominent place in job descriptions, procedures, and even measured within KPIs.

Nowhere is a culture of innovation more alive than within toy business Lego, which found itself floundering with sales down 30%, and \$800 million in debt in 2003. Following what many regard as the greatest turnaround in corporate history⁵, the Danish company has gone on to become one of the world's most powerful brands.

After a litany of failed attempts to try and emulate the successes of other toy manufacturers, the company is now attributed with rewriting the rules of innovation. Having decided to revert to what it was good at, it finally dumped the many ventures it had no experience in, including the Legoland parks.

It was former CEO Jørgen Vig Knudstorp (now executive chairman) who recognised the value in taking interaction with Lego's fans to a whole new level, and quickly harnessed the role of the Internet to do so.

The story of

LEGO

2003

- floundered with \$800 million in debt

now

- one of the world's most powerful brands
- rewrites the rules of innovation
- recognises the value in taking interaction with Lego's fans to a whole new level
- cracking into girls and 'grown-up kids' markets
- conducts the largest ethnographic study of children in the world, "camping with customers"



Closer to home, SMEs need to look carefully at their business practices and identify just where they can look to be different and approach the market in an innovative way. Asking customers what they want – whilst it appears logical – is something businesses are not good at. “Be the customer” is a mantra that is often missing when it comes to planning how to go to market. Retail expert, Hilary Kahn, is spot on with this one.⁶

KEY POINTS TO CONSIDER:

- 1** The closer you get to customers the better you'll understand what they want
- 2** Innovation doesn't necessarily mean going beyond your core business
- 3** An innovative culture should be endemic right across the business
- 4** True innovation means thinking differently about the business
- 5** 'Be the customer' – why will I ignore your competitors and come to your business?



⁶ www.linkedin.com/in/hilarykahn



10 STEPS TO GROWTH AND INNOVATION ACROSS YOUR BUSINESS

- 1** Review where you are now and identify at a granular level what is going on in your business – what are the key trends and what do they mean.
- 2** Identify internal business processes holding the company back.
- 3** Invest in technologies that enhance productivity and reduce internal costs.
- 4** Investigate the types of innovation most overlooked in your industry but most relevant for customers.
- 5** Identify what new experiences you can create for your customers.
- 6** Review your go-to-market strategies including the use of digital marketing and ensuring you are reaching your market.
- 7** Ensure your human and financial capital is sufficient for what you are trying to achieve. Break it down and build a sustainable practical plan.
- 8** Set out clearly next steps, making decisions to implement the changes you have identified as necessary.
- 9** Put in place timely reporting around your plans and seek the necessary data to enable you to see the effectiveness of your plans.
- 10** Remain agile and carefully monitor the changes.



GRAVITY CONSULTING

The age-old adage of a picture being worth a thousand words rings true to the revolutionary work that Canberra's Gravity Consulting has pioneered and is fast becoming renowned for around the world.

The challenge

Gravity Consulting Chief Executive Officer Kailash Krishnamurthi had been consulting to government for more than a decade when the recurring issue of strategies gathering dust on shelves, led to the company's launch in 2012.

With support from Kailash's business partner, Stephen Hayes MBE, the forward-thinking firm employs a global team of movie directors, animators, software engineers, special effects artists to bring lifeless Word and Powerpoint strategy documents to life mainly for the public sector. The creative solution has caught the attention of more than 50 federal and state government agencies including the Department of Agriculture and Water Resources, Department of Health and Department of Finance who are now users of the [StrategyDotZero](#) platform.



The innovation

[StrategyDotZero](#) is an enterprise platform which leverages artificial intelligence, experience design and an integrated strategy execution framework to quickly translate broad visions and ideas to operational service and business models. It allows staff from junior through to executive public servants to understand how trivial tasks such as logging data or populating spreadsheets contribute directly to the department's objectives.

"People are far more receptive to communication that blends multiple channels and experiences which make it easier to digest," says Kailash.



The Gravity Consulting team at the 2017 Consensus Software Awards where they won the Software Innovation award for StrategyDotZero

RSM's Andrew Sykes, Business Advisory partner from the Canberra office, who has significant experience in advising technology-based companies and those looking to make digital transformations says what Gravity has done really well is to choose the space they want to compete in and developed a solution to a challenge that has plagued the sector for decades. Advising Gravity throughout their journey to-date, he says,

"Kailash, Stephen and the team are changing the way we view corporate information systems and the ability to bridge the gap between strategy and execution in real time. When the company started this journey many people said that the creation of an Enterprise Resource Planning platform was too big a job for a little company. But with careful planning, great vision and good management they have achieved it. This is reflected in them winning the 2017 Consensus Software Awards."

The future

The ground-breaking platform has been recognised as an official Microsoft partner with interest from the UK, UAE, Singapore and the USA. And with the first external version of [StrategyDotZero](#) being built for the Victorian Government this year, you don't need to be a public servant to use it. Australians can already log in and explore the status of ICT projects in 183 agencies being rolled out in Victoria.



Industry: Design and innovation consulting
Website: gravityconsulting.com.au

SENEGENCE INTERNATIONAL

No glossing over growth

The SeneGence story began in 1999 when founder and CEO Joni Rogers-Kante launched its premier product, LipSense Long-lasting Liquid Lip Colour, marketed through a network of Independent Distributors. The Californian-headquartered company moved into Australia in 2017 and today has a significant presence here with more than 300 products including a complete line of cosmetics, anti-aging skincare solutions and accessories, with new products and Distributors being added faster than you can say 'powder my nose'.

The challenge

The direct seller of skincare and cosmetic products has achieved dramatic growth particularly over the past four years, with revenue growing by 100 percent year on year. It has done this by 'frictionlessly' enabling women with all levels of sales experience to become businesswomen. Whilst the rapid growth has been more than what Rogers-Kante could have ever hoped for, it has also meant responding quickly through the implementation of fairly significant changes throughout the company.



Industry: Skincare and cosmetics
Website: seneweb.senegence.com/au

These developments include bolstering the leadership team and the construction of a massive distribution centre and warehouse in Oklahoma. There is also clearly no time for Rogers-Kante and her R&D team to rest on their laurels with more products being continually added, all manufactured in the United States with no lead or animal testing.

RSM's Andrew Graham, Managing Partner from the Brisbane office, who specialises in advising fast-growth companies with global operations, says SeneGence has embraced innovative technology platforms and support tools to help Distributors grow their business.

"The team has made massive technological developments including migrating all systems to cloud-based applications. No mean feat given the size of its operations. The creation of a new quick-order webpage with new security features to provide a secure online experience for Distributors and microsites (or SeneSites) for their individual businesses has benefitted the growing legion of Distributors which is now in the hundreds of thousands."

The future

SeneGence is on the path to world domination with a ramp-up of operations in Australia and expanding into new territories including New Zealand and Mexico. Backed by an award-winning formula of outstanding product development, a business model which has allowed its customers to become business owners and a leadership team with extensive experience in guiding rapid growth, SeneGence is a success story that has written itself into many business and management textbooks.

THE POWER OF BEING UNDERSTOOD

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