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New Ideas on Innovation & Commercialisation

On October 21st Minister Carr announced [Commercialisation Australia](#) (CA). \$196.1m over four years to provide a case manager for each applicant to guide them through the commercialisation process and facilitate access to volunteer business mentors and services to build the skills, knowledge and linkages necessary to successfully commercialise their ideas. Financial support up to \$250,000 for proof of concept activities and repayable funding up to \$2m for early stage commercialisation activities. The plan, if the political will survives, is to continue funding from year five at \$82m/yr. So, expect the build up over the first four years to be a lean effort.

Find more information in the [fact sheet](#). [Register online](#) to be a mentor, or Case Manager.

All around the world government and industry leaders are struggling to find new ways to address the increasing complexity of our world and the consequentially greater challenge to facilitate innovation and commercialisation. This is particularly important because innovation has often been a key driver of economic recovery. The Global Financial Crisis was mostly caused by the irresponsible practices and inadequate regulation of the financial institutions in the USA. Billions of people around the world have suffered. Robust economies, like ours, have been seriously affected and we are all looking for sustainable ways to lead recovery before the impact of the stimulus packages wear off.

Still, people ask, "Why are innovation and commercialisation important? Why are Angel investors who fuel that effort important?"

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[New research](#) published by [NESTA](#) shows that the 6% of UK businesses with the highest growth rates¹ generated **half of the new jobs** created by existing businesses between 2002 and 2008. Those businesses were far more likely to be innovative and the research shows that their innovation was a source of growth. This is consistent with most Western economies, including our own.

As Angel Investors we take the risks to realise step function change in how products and services are delivered to global markets. The companies we back deliver jobs growth to our domestic economy and create the business value that large corporations need to acquire and exploit to maintain their share price.

The AAAI provides the education and national voice for Angel Investors to encourage and support these important economic outcomes.

The global semiconductor industry has been a driver, facilitator and beneficiary of innovation and its commercial outcomes. In the 20th century one institution, [Bell Labs](#), was responsible for giving us the transistor, the cell phone, the digital signal processor, the laser, the UNIX operating system and motion-picture sound among many other transformational technologies. However, Bell Labs, as it was, is no more. The [Semiconductor Industry Association](#) (SIA) is trying to build new models of innovation and commercialisation to keep things moving. Read more in [IEEE Spectrum](#) and don't be surprised if it seems similar to our hopes for our own [Cooperative Research Centres](#).

¹OECD definition is companies with 10+ employees which experience employment growth averaging 20%+/yr over 3 year period.

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Managing in Complex Times

One of the greatest challenges that we face as Angel Investors is finding and encouraging the right management for our portfolio companies. The high profile failures of management in public companies in Australia and overseas don't help our entrepreneurs find suitable role models.

Even in corporations that don't fail we hear of failure of management style and mode. Professor Fred Hilmer, President and Vice Chancellor of the University of New South Wales, gave the [Harricks Address](#) at the Sydney Division of Engineers Australia in which he addressed the issues of increasing complexity, short term planning and compliance driven management. Professor Hilmer put these in the context of the challenges of the Global Financial Crisis, the global environmental crisis and a serious breakdown in ethical standards in all sectors of our communities.

He went on to assert that long time frames are essential for ethical, constructive leadership; that large institutions/corporations should operate on 10-20 year planning horizons but, are driven by quarterly or semi-annual performance measures which frustrate ethical management. Our political system suffers from similar limitations, with, at best, 18 months of productive work from elected officials who spend the first six months in office learning their job and the last six months of each cycle campaigning for votes. Is this granting an unfair advantage to economies like China which have political stability, long term leadership and operate on the basis of 5, 10, 50 and 100 year plans?!?

Every two years IBM interviews over a 1,000 CEOs around the world. The [2008 survey](#) advised that a key challenge is the rapidly increasing pace of change and the diversity of sectors in which that change is occurring. Nearly all CEOs are adapting their business models - two-thirds are implementing extensive innovations. CEOs are moving aggressively toward global business designs, deeply changing capabilities and partnering more extensively. Financial outperformers are making bolder plays.

It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.

Charles Darwin

These indications from the big end of town are very good news for the types of companies usually supported by Angel Investors. However, if change is occurring at an ever-increasing pace, with expanding diversity and yet, we need long term horizons for ethical management, how do reconcile these apparently contradictory demands on leadership?

At the product level the pace of change is good news for Angel portfolio companies because it promises a strong and sustained market of large companies with the need to acquire the business value we develop in our companies. This is particularly important for Australian Angels who need our portfolio companies to move offshore into larger markets to reach scale and crystallise the value that makes them desirable acquisition targets.

In turn, that is good news for Australia because it promises us the opportunity to build a pipeline of sustained national benefits from Angel backed enterprises in terms of jobs, export earnings and investment attraction.

Yet the management challenge remains. How do we, as Angel Investors, guide our managers to build viable, scalable, ethical enterprises that have the values the global CEOs are seeking to fuel their own companies?

AAAI Angel Education Workshop

October 27th AAAI with [Melbourne Angels](#) hosted in Melbourne the **Valuation & Portfolio Strategies** workshop from the [ACEF Power of Angel Investing](#) series delivered around Australia by internationally certified instructors from the AAAI. The 20 participants comprised experienced and virgin Angels along with entrepreneurs and service providers, all of whom rated the workshop as 'very good' or 'excellent' in all categories.

The workshop was preceded by a panel discussion of innovation in Australia that was spurred by the announcement that morning of the Commercialisation Australia initiative (see page 1).

Workshop participants were introduced to the VC Method of valuation and its limitations. Then they were introduced to the concept of divergence in valuation and shown how this concept could help bridge the gap between investor and entrepreneur when considering pre-money valuation of an early-stage enterprise. A combination of guidance from expert Angels, workshop exercises and active discussion helped bring home the lessons of the day.

Participants provided valuable feedback on the content and delivery that the AAAI is sharing with the ACEF in an effort for continual improvement in the content, delivery and relevance of the AAAI educational offerings.

The Board and Management of AAAI sincerely thank Melbourne Angels and their founder Jordan Green for the logistical support in delivery of this workshop, as well as, our appreciation for the support of AusIndustry.



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WA ANGELS

Coming in 2010, contact the editor to be referred to the founders.

Events

AUSTRALIA

Brisbane Angels

November 26th, 7am, Angels@Breakfast (Sidecar funds) Riverside Reception Centre
November 26th, 7pm to late, End of Year Dinner, Bretts Wharf

BioAngels

November 11th, 5:30-8pm, BBQ Dinner & Members mtg, Bionomics Ltd, Thebarton
December 9th, 5:30-8pm, Combined mtg with SA Angels, Bionomics Ltd, Thebarton

Capital Angels

December 2nd, End Of Year Cocktail Party

Melbourne Angels

November 11th, 4:15-6:15pm, Deal Meeting ICN, Melbourne
November 15th, 12-4pm, End of Year BBQ
November 27th, 12-2pm, Lunch, Fiorini's, Toorak

ANGEL CONFERENCES – AUSTRALIA & OVERSEAS

Angel Association of New Zealand Angel Summit '09

November 4th-5th 2009, Queenstown, New Zealand

World Business Angels Association

December 4th-6th 2009, Beijing, China

AAAI National Angel Conference

February 17th-19th 2010 Glenelg, SA

AAAI 2010 National Angels Conference

“Year of the Angel”

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You can find [full details](#) of the programme, speakers, venue and registration on the AAAI web site.

Already an Angel investor? Thinking about becoming an Angel?

Professional involved in advising/assisting early-stage ventures?

Join us to:

- share in the latest in Angel education at the Master Classes;
- hear about real Angel deals that are in the works;
- get the latest research on the Australian Angel sector;
- review trends in Angel investment around the world;
- learn how Angel investments can be more successful;
- explore the construction of an Angel exit; and
- understand Angels building communities of interest with their corporate partners.

AAAI will present over 20 featured speakers from around Australia, New Zealand, the USA, Canada and Europe. They are Angel investors, venture capital investors and professionals, all in national and global leadership roles.

This is the first Angel conference in the global calendar each year. Join us to find out what are the hot topics for 2010 and to join in the beginning of the conversations on these topics that will continue in Angel conferences around the world for the rest of the year. More than most, Australian Angels and our portfolio companies are proactively engaged in global markets and communities.

If you are interested in how Australians investing in Australian innovation make remarkable financial returns and help Australia prosper in these challenging times then please, join us at the AAAI 2010 National Angels Conference.

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