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Callaghan Innovation
Innovation IP Review

November 2016

Contents

1. Executive Summary	1
2. Detailed Findings	8
Appendix A: Terms of Engagement	18
Appendix B: Interviews	20
Appendix C: Statement of Responsibility	22

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1. Executive Summary

Introduction

From March 2015 to June 2016 Callaghan Innovation ("Callaghan") ran a pilot programme for businesses called "Innovation IP" ("the Programme") using three external Providers – Everedge IP Global Limited ("Everedge"), Potter IP Limited ("Potter IP") and MAINly Consulting Limited (in association with IKB Consulting Limited) ("Mainly Consulting"). Callaghan requested Deloitte to undertake an independent review to assess the impact of the Programme and in particular the value – actual and anticipated - for participating businesses.

The review was performed in accordance with the Consultancy Services Order, dated 2 August 2016, and this report should be read in conjunction with the Statement of Responsibility set out in Appendix C. Further details of the objectives, scope and approach for the review is set out in *Appendix A: Terms of Engagements*.

Background

Prior to the establishment of Callaghan, New Zealand Trade and Enterprise ("NZTE") and Ministry for Business, Innovation and Employment ("MBIE") undertook some high-level research into identifying IP knowledge of entities across New Zealand. NZTE and MBIE identified gaps in basic IP knowledge and how IP, specific to that entity, could be commercialised and/or protected in an efficient and effective manner. This formed part of the "IP, Innovation and Growth" project set up as part of the innovation work stream of the Government's Business Growth Agenda.

When Callaghan was formed, MBIE sponsored IP, Innovation and Growth project encouraged Callaghan to develop a programme to address the IP awareness and knowledge gaps identified by both MBIE and NZTE. Callaghan undertook some high-level and informal market research, which included consultation with market stakeholders (for example, MBIE, NZTE, IP professionals), focussing on market failures and identifying market needs for IP.

Innovation IP was developed to address the market issues identified, and includes three objectives:

1. Education – Participating businesses gain an understanding of IP to a level whereby implications for the business are understood and action planning is possible.
2. Strategy – Programme learnings are integrated into the participating businesses strategy and business planning.
3. Implementation – Support and guidance in operationalising the IP strategy.

From March 2015 to June 2016 Callaghan ran Innovation IP as a pilot Programme using three external Providers – Everedge, Potter IP and Mainly Consulting. Since implementing the pilot Programme, the Programme has been delivered to over 100 participating business across New Zealand by the three providers

While the educational and strategic sessions have been undertaken for a fixed fee, participating businesses are eligible to claim co-funding for implementation assistance when utilised. Participating businesses were able to claim up to a maximum of \$15,000 to \$25,000, in a 12 month period, for all services rendered as part of the Programme. During the pilot phase of the Programme, Callaghan has provided between 50% and 100% co-funding of the education and strategy elements. Implementation has been funded at 50% throughout the pilot. To date, the value of co-funding contracts issued is in excess of \$1.6m, while the funding claimed is over \$600,000. The pilot Programme has been terminated and steps to institute it permanently are being taken.

Key Findings

Our findings were identified through a review of key documents and artefacts, and discussions with a number of participating businesses, Innovation IP providers, IP professionals, and stakeholders (for example, Callaghan employees). A full list of individuals interviewed is included in *Appendix B*.

We make the following key observations and findings:

- **Programme Objectives:**

Callaghan defined three objectives for the programme around education, strategy and implementation. These objectives have not changed and were included within the Request for Proposal processes undertaken by Callaghan in October 2014 and April 2016. Our work suggests the objectives of the Programme are still relevant and should continue to be used in the future.

Overall, it is not possible to fully determine the extent to which the three objectives have been achieved as Programme performance and measurement is still to be developed. However, from our discussions with participating business, there has been an indication of a positive result in both education and strategy – subsequent to the workshops, many businesses believe they are aware of general IP and IP specific to them, and what activities should be undertaken to commercialise and protect it. There has been limited uptake of co-funding for “implementation” and so there has been less opportunity for the Programme to make an impact in relation to the third objective.

- **Benefits and Value of the Programme:**

The drivers for business participation in the Programme appear mainly attributable to Callaghan’s actions (by making recommendations to businesses to participate in the Programme) as well as being a “pre-requisite” for receiving further funding or investments. From our discussions with the few participating businesses who undertook the Programme as a “pre-requisite”, they believe they received the expected benefit from participating in the Programme. None of the participating business we interviewed “self-selected” to undertake the Programme.

Participating businesses, which undertook the Programme, were able to understand the IP strategy developed by the Provider. Some businesses

noted the strategy was an ideal document to share with the Board and other members of Senior Leadership. However, participating businesses often did not take the next step to implement the IP strategy due to constraints on time and resources.

The IP professionals (organisations which were unsuccessful in both tender rounds in 2014 and 2016) we interviewed, who had reviewed IP strategies provided as part of the Programme, believed these strategies were generic and high-level, and as a result, there is a risk businesses would not get additional value from implementation activities.

Overall, participating businesses felt they derived benefit from participating in the Programme. There were only two instances where participating business felt they had been “over sold” the programme by a Provider.

- **Service Delivery:**

The Programme has been delivered by three Providers who have applied different methods to deliver the Programme. Participating businesses are not consistently being made aware of the skills and expertise of each of the Providers. There were also some identified instances where the participating business was not given the opportunity to select a Provider.

Participating businesses believed that the delivery of the education and strategy sessions of the Programme were generally well executed. Some participating businesses considered that group workshop sessions restricted their ability to ask tailored or specific questions in relation to their business which would have otherwise been raised and discussed in one-on-one sessions.

Participating businesses largely felt that the Providers took the time to understand their business. Only in isolated instances did participating businesses feel that this understanding was not fully incorporated into the IP strategy and advice received. The IP professionals we interviewed believed Providers did not truly understand the business and as a result provided high-level and generic advice.

There is scope to increase the delivery and “content” of the Programme to include different service offerings based on a participating business IP maturity, size and scale of the business.

- **Funding Model and Market Perception**

Stakeholders we spoke with largely considered there was a clear need for Innovation IP to address IP awareness and commercialisation.

Market perception from the majority of participating businesses, Providers, Callaghan personnel, NZTE and Regional Business Partners (“RBPs”) was that the Programme has real value for New Zealand organisations. The Programme is viewed positively amongst these stakeholders.

During the initial launch of the Programme, Callaghan offered participating businesses a 100% subsidy for the fixed fee portion of the Programme. This did not create enough buy-in / accountability and so these businesses were not as well engaged in the Programme as those funded at 50%.

Callaghan could get better, or more certain outcomes and benefits through identifying and targeting those businesses who might benefit the most from the Programme. Callaghan has identified the types of businesses who might benefit, but some participants did not match this. E.g. large multi-national companies or businesses not intending to grow overseas.

Callaghan Business Innovation Advisers ("BIAs") are the primary channel for Callaghan to reach the businesses who have undertaken the Programme. There is scope for further education for BIAs and Account Managers on the expectations and benefits of the Programme to help ensure the Programme is delivered to the businesses who could derive the most value from the Programme.

Key Recommendations

We make the following key recommendations:

- **Impacts and Outcomes Measurement and Reporting**

While we acknowledge Callaghan have identified five measures of success, Callaghan should improve measurement and reporting on key aspects of the Programme, including accessibility of the Programme, service delivery, and impacts / outcomes as a result of undertaking the Programme.

Participating businesses should be encouraged to provide Callaghan with timely reporting through-out the Programme. To enhance the information provided by participating businesses (e.g. demonstrating impact and outcomes), Providers should work with businesses to help develop specific KPIs for each business and report these to Callaghan.

- **Accessibility of the Programme**

Callaghan should conduct segment analysis to define "target" business groups and consider utilising various Programme offerings and tailor to better meet the needs of the participating businesses. Callaghan should also develop a strategy (and actions) to communicate the Programme, and its expectations, objectives, and benefits, to those particular groups. There should be a focus on enhancing awareness and take up of the Programme, including getting more "implementation" activities / results.

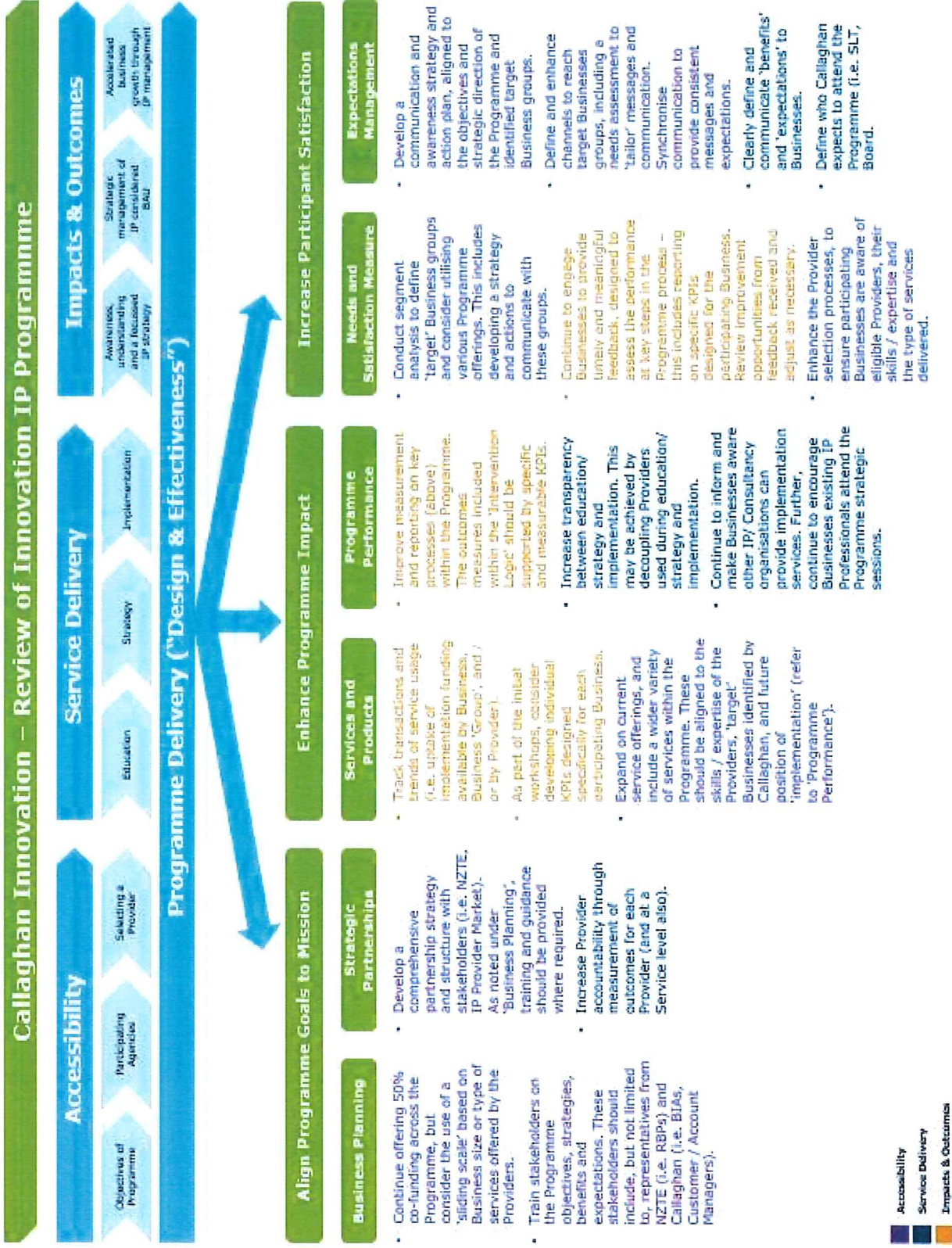
- **Service Delivery:**

Callaghan should consider the separation of IP strategy development and implementation aspects of the Programme to help ensure the implementation activities to be undertaken by the participating business generate greater value to the business. This may be achieved by

decoupling Providers used during education / strategy and implementation.

We recommend Callaghan enhance the Provider selection processes for participating businesses, to ensure participating businesses develop an increased understanding of eligible Providers, their skills / expertise and the type of services delivered to enable the best choices to be made.

All of our recommendations are summarised below:



Acknowledgment

We wish to place on record our appreciation for the co-operation we obtained from Callaghan as well as the wider group of stakeholders who participated in this review – including participating business, IP Providers and professionals and industry experts.

Report clearance

The contents of the report have been discussed with:

- Sara McFall (Group Manager, Business Innovation Programme)
- Neville Queree (Programme Manager).

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2. Detailed Findings

2.1 Programme Objectives

Did the pilot Programme meet the objectives initially set for it? What were the original objectives of the Innovation IP Programme, have these changed over time and how might they change in the future?

During the development of the Programme, Callaghan consulted market stakeholders (for example, MBIE, NZTE, IP professionals), focussing on market failures and identifying market needs for IP. Innovation IP was developed to address the market issues identified, and includes three objectives:

1. Education – Participating businesses gain an understanding of IP to a level whereby implications for the business are understood and action planning is possible.
2. Strategy – Programme learnings are integrated into the participating businesses strategy and business planning.
3. Implementation – Support and guidance in operationalising the IP strategy.

These objectives have not changed and were included within the Request for Proposal processes undertaken by Callaghan in October 2014 and April 2016, which includes two key components to be delivered for each programme: (1) educational and (2) participant support.

Our recent discussions with NZTE RBPs, Callaghan BIAs, Programme Providers and other IP professionals noted a lack of understanding, experience and knowledge, especially within SMEs, about IP and how to successfully commercialise it.

Our work suggests the objectives of the Programme are still relevant and should continue to be used in the future.

To what extent have the original objectives been achieved?

In February 2016, Callaghan developed an “intervention logic” document, specifying the problem/opportunity, the activities of the Programme (inputs, processes, outputs), and the short and long term outcomes. Specifically, identifying five performance measures and respective “benchmarks” for achievement:

Measure	Analysis
Number of companies recruited (>40 per annum)	Callaghan has recruited in excess of 100 business, with approximately 300 individuals attending the delivery of the Programme.
Net Provider Score measured annually for each service Provider (>30%)	<p>Net Provider Scores have been calculated for the following two (of the three) Providers:</p> <ul style="list-style-type: none"> • Potter IP: 89% • Everedge: 28% <p>There is insufficient information available to assess Mainly Consulting.</p>

“Companies lack IP knowledge, awareness of IP strategy and ability to commercialise IP”

Callaghan, BIA

Measure	Analysis
Percentage of companies who have identified incremental IP based value delivered (increased sales/reduced costs/ risk avoided) within 1 year of joining the programme (>70%)	Callaghan have not formally measured or reported on this measure.
Percentage of companies reporting satisfactory engagement with IP professionals (>80%)	Callaghan have not formally measured or reported on this measure.
Percentage of companies using IP developed outside their own business within 3 years of joining the programme (>25%)	N/A – information is not available as the Programme has only been in established since March 2015.

While we acknowledge Callaghan have developed these measures and there is limited information available, Callaghan have not formally measured or reported against these five performance measures listed above. We have noted the following with regard to measuring and monitoring the achievement of the three objectives:

- Participating businesses have not been providing Callaghan with timely information for reporting purposes
- The performance measures, above, do not include a measure to monitor “education”, nor are they linked to the short term outcomes specified in the intervention logic developed by Callaghan
- While Net Provider Scores are monitored on an individual basis, Callaghan have not tracked or measured transactional trends for the Programme (for example, uptake of implementation)
- As part of the Programme, specific IP related performance measures (specific to the participating business) are not developed. As a result, participating businesses are unable to provide tailored feedback on the performance of the Programme.

From our discussions with participating businesses, in most instances, businesses believed, as a result of the Programme, they had adequate knowledge of IP and how to adjust / develop new strategies going forward. From these discussions, and a high-level review of implementation co-funding claimed by participating businesses, implementation was not generally sought by participating businesses due to limited time and resources available.

Given the absence of information and measurement (and measurement gaps), it is not possible to determine the extent to which the three objectives have been achieved – in particular for “implementation”.

Recommendations

- 2.1.1** Continue to engage businesses to provide timely and meaningful feedback, designed to assess the performance at key steps in the Programme process – this includes reporting on specific KPIs designed for the participating business. Review improvement opportunities from feedback received and adjust as necessary.
- 2.1.2** Improve measurement and reporting on key processes (above) within the Programme. The outcomes measures included within the Intervention Logic should be supported by specific and measurable KPIs. The Programme objectives should be reviewed as information on the outcomes of the Programme become more readily available.

“Our Provider gave us the tools to determine the ‘pros and cons’ with each approach towards commercialising our IP”

Participating business

- 2.1.3 Track transactions and trends of service usage (i.e. uptake of implementation funding available by Business, Business 'Group', and / or by Provider).
- 2.1.4 As part of the initial workshops with Providers, consider developing individual KPIs designed specifically for each participating Business.
- 2.1.5 Consider mechanisms available to Callaghan to increase the uptake of implementation by participating business following education and strategy components.

2.2 Benefits and Value of the Programme

Has the Innovation IP Programme been a valuable or useful activity for the business to undertake? What aspects of the programme are most valued by the participating businesses? Least valued?

What was the driver for the participating business to undertake the Innovation IP Programme?

Participating businesses undertook the Programme to enhance their IP knowledge and receive guidance and support to commercialise and protect their IP. All participating businesses we interviewed undertook the Programme because it was either:

- Recommended to them by a Callaghan BIA, NZTE RBP, Technology Incubator, or Provider
- The Programme was considered a "pre-requisite" for receiving further funding from Callaghan or the Technology Incubator. From our discussions with the few participating businesses who undertook the Programme as a "pre-requisite", they believe they received the expected benefit from participating in the Programme.

None of the participating businesses we interviewed "self-selected" to undertake the Programme – i.e. the business was aware of the Programme and aware of their limited IP knowledge and strategy.

Were participating businesses able to understand and implement the IP strategy developed as part of the Programme?

Participating businesses, which undertook the Programme, were able to understand the IP strategy developed by the Provider. Some businesses noted the strategy was an ideal document to share with the Board and other members of Senior Leadership. However, as noted above, participating businesses often did not implement the IP strategy due to constraints on time and resources.

The IP professionals believed the IP strategies developed and provided to the participating businesses were generic and high-level, and as a result the businesses were unable to get additional value from implementation.

What benefits were the businesses expecting from the Programme and how was this defined?

Did businesses receive the benefits anticipated and, if applicable, are the benefits still relevant to them?

The Programme's benefits are documented throughout the marketing collateral, and include the following:

- Collect information to understand the competitive IP landscape of the participating business
- Develop and integrate an IP strategy into the participating businesses R&D strategies
- Manage IP risk

"The IP strategy developed by our Provider was developed specifically for the Board and other senior stakeholders of the business – which is where this document needs to be targeted"

Participating business

- Improve the businesses understanding of freedom to operate and risks associated with potential IP infringement
- Confidently and cost effectively engage IP specialists.

We note the above benefits are aligned to the three objectives of the Programme; education, strategy and implementation.

Whilst the participating businesses were not able to describe the benefits in the manner listed above, many of the businesses expected the following benefits:

- Understanding of IP and the various tools available to commercialise and protect it
- Identification of the IP within the participating business and the associated risks
- Assistance in identifying the activities to be undertaken to commercialise or protect IP, taking into account the needs of the participating business
- Direction and guidance on potential "next steps".

While the participating businesses we interviewed did not explicitly state they were confident to engage IP specialists – further discussions with these businesses suggests the Programme has provided the business with confidence to approach and interact with IP professionals in the future.

We identified a couple of participating businesses who did not receive the benefits expected through the Programme. These organisations felt they were "over sold" a service by a particular Provider that was different to the Programme objectives. We note, however, these participating business still believed they received benefits from participating in the Programme.

We note the Providers (in conjunction with the participating business) do not develop measures to ascertain the extent to which these benefits have been achieved.

Recommendation

- 2.2.1** Clearly define and communicate "benefits" and "expectations" to potential participating businesses.
- 2.2.2** As noted above, develop specific KPIs and measures for businesses to monitor benefit from the Programme.
- 2.2.3** Define who Callaghan expects to attend the Programme (i.e. SLT, Board).
- 2.2.4** Develop a communication and awareness strategy, aligned to the objectives and strategic direction of the Programme and identified target Business groups.

2.3 Service Delivery

What recommendations do you have to improve delivery of the programme to businesses?

How was the Programme delivered and where could this improve?

The Programme has been delivered by three Providers – Everedge, Potter IP and Mainly Consulting. While each Provider has developed an independent fixed fee approach to deliver the Programme, addressing the education and strategy elements – there are variances between the ways each Programme is delivered:

Provider	Delivery
Everedge	Solely one on one with client, two half-day workshops at client’s premises to develop an IP strategy plus on-going support as required to implement the Programme.
Potter IP	Small, multi-firm one day interactive workshop (10-15 participants, i.e. 3-5 businesses) followed by in-house sessions working intensively with each client to develop an IP plan and actions. Follow up support as required.
Mainly Consulting	Solely one on one with client. Staged Programme to position IP management in the business then coaching and assistance to develop bespoke IP strategy and management plan and commence implementation.

We also understand tailored Programmes have been developed and delivered to meet specific Callaghan requests, for example group education sessions for a number of Maori sector organisations.

Each of the three Providers obtained immediate feedback from participating businesses at the close of various workshops – this feedback is in the form of high level surveys focused on delivery and content. While the results from the surveys have been provided to Callaghan, the primary purpose is for the Provider to learn and adjust the Programme going forward – i.e. whether particular aspects of IP should be covered in more or less detail.

From our discussions with participating businesses, many believed the delivery of the education and strategy sessions of the programme were well executed. Some felt group workshops restricted their businesses ability to ask tailored or specific questions, which would have otherwise been asked in one-on-one sessions.

As noted above, Everedge and Mainly Consulting, as part of the fixed-fee Programme, provide the participating business with a number of mentoring and support hours. Feedback received from participating businesses suggested Everedge would provide the mentoring and support hours, even if the business was not “ready” or in a position to gain maximum value. Some participating businesses and IP professionals believe separation of education/strategy and implementation would increase transparency and ensure the strategy/direction is aligned to the business needs, and ensure recipients have the ability to select IP professionals with specific skills/expertise required.

A number of individuals interviewed, including participating business, Providers, IP Professionals, BIAs and RBPs, believe the delivery and “content” of the Programme should be increased. This includes different service offerings based on IP maturity, size and scale of the business, overall business maturity. For example, a large IP mature organisation would find lesser value in a broad education session or workshop, and would prefer more time on obtaining guidance and direction.

Our recommendations to improve the delivery of the Programme are set out below.

“The follow-up meetings felt more like obligations – more like going through the motions - especially as I had not prepared for these due to timing constraints and other priorities.”

Participating business

“The implementation meetings are an opportunity to add real value”

Participating business

How did the Provider understand the participating business needs identified and analysed and incorporated into the deliverables of the Programme?

In order to provide the participating businesses with tailored and relevant direction and advice, Providers must identify and understand the business needs.

Providers understood the participating businesses through one-on-one discussions and background research – through either information provided by the business or other forms of high-level research. Participating businesses felt the three Providers were able to understand their business and IP. However, in isolated instances participating businesses felt that this understanding was not fully incorporate into the strategy and advice provided. In these instances, participating businesses felt the advice supplied was not aligned to the businesses best interest and was more aligned to the interests of the Provider. This feedback was raised around one Provider in particular.

As part of the review, we received feedback from a variety of IP professionals (those who responded to the April 2016 Request for Proposal). In many instances, they believed the Providers did not truly understand the business and as a result the advice supplied was high-level and generic. We also noted a couple of IP professionals who believed it would be a better approach (towards understanding the business and their IP), by undertaking a full and extensive prior arts searches (for example, freedom to operate) to inform the IP strategy and direction.

In the instances where the participating businesses was able to select a Provider, we noted examples where the skills and expertise of the Provider were not aligned to that of the business. For example, one Provider undertook the Programme with a food technology organisation – this type of organisation may have been better suited receiving services from a different Provider with more relevant industry expertise.

There is a risk the services provided to participating businesses are not tailored and specific to the business. Our recommendations are set out below.

What processes have Callaghan established to manage and monitor results expected, including information / reporting received as well as what they provide for internal purposes?

Callaghan has developed five performance measures to determine whether the Programme has achieved the objectives. However, as we note above (question 1), Callaghan have not formally measured or reported against these five performance measures.

Recommendation

- 2.3.1** Callaghan consider the value of group workshops, as part of the standard delivery of the Programme, or whether the Programme should be delivered in one-on-one sessions only.
- 2.3.2** Expand on current service offerings, and include a wider variety of services within the Programme. These should be aligned to the skills / expertise of the Providers, “target” businesses identified by Callaghan, and future position of “implementation” (refer below, recommendation 3.3).
- 2.3.3** Increase transparency between IP strategy and implementation to ensure the advice provided aligns with the business needs. This

may be achieved by decoupling Providers used during education / strategy and implementation.

2.3.4 Enhance the Provider selection processes for participating businesses, to ensure participating businesses develop an increased understanding of eligible Providers, their skills / expertise and the type of services delivered to enable the best choices to be made.

2.3.5 Develop mechanisms to manage and monitor the performance of the Programme and the Provider, as discussed above in "Programme Objectives" (for example developing specific and measurable KPIs)

2.4 Funding Model and Market Perception

Is the current funding model appropriate to support the Programme and are there any conflicts with other comparable publicly funded support services?

Can the funding model be improved while still being supportive to businesses that need the Programme?

Is the current model making the best use of funds available?

The co-funding provided to participating businesses needs to incentivise businesses to join the Programme, whilst at the same time ensuring there is sufficient commitment and accountability – "skin in the game". Currently, participating businesses are eligible to claim 50% of the costs incurred – up to \$15,000 (including the fixed-fee portion of the Programme). During the pilot phase of the Programme, co-funding percentages, as well as total value of the co-fund available, have varied. During the initial launch of the Programme, Callaghan offered participating businesses a 100% subsidy for the fixed fee portion of the programme – any further costs would be co-funded at 50%. Subsequent to the launch of the Programme, Callaghan reduced the funding percentage to 50% across both the education / strategy and implementation elements of the Programme. Further, the level of funding available has varied for participating businesses, ranging from \$15,000 to \$25,000.

Our work identified that 100% funding, for the fixed portion of the Programme, incentivises a high number of organisations – however, this did not provide enough buy-in / accountability. In our discussions with participating businesses who were funded at 100%, the businesses was not engaged in the Programme - to the same extent as those co-funded at 50%. This may mean those business funded at 100% ultimately derived less benefit and impact from the Programme.

NZTE and Callaghan offer co-funding to a number of businesses on an on-going basis, which includes "Capability Vouchers" and "Getting Started Grants", respectively. Capability Vouchers can be used as a partial payment towards the cost of capability development and training in the following areas: Business Planning, Business Systems, Business Sustainability, Capital Raising, Export, Finance, Governance, Lean Manufacturing / Business Operations, Managing Resources, and Marketing. Getting Started Grants assist organisations in taking their product through the development phases and into commercialisation. Both of these options are of lower value, capped at \$5,000 co-funding, and also for a specific purpose or point in time. Callaghan BIA's, NZTE, Regional Business Partners and IP professionals, were aware of the two "comparable" programmes and believed the "overlap" between the options were minor in nature due to:

- Innovation IP has a specific focus on education and awareness

"50% co-funding is a fair balance and ensured we had 'skin in the game' – I wouldn't expect more than 50%"

Participating business

- Innovation IP focuses on the end-to-end IP process (i.e. education through to implementation and on-going support)
- Innovation IP is available to a wider group of organisations, at varying stages of maturity.

How can Callaghan get better, or more certain, outcomes and benefits that are intended from the Innovation IP Programme?

Callaghan could get better, or more certain outcomes and benefits through identifying and targeting those companies who will benefit most from the Programme. Callaghan has identified, within the Intervention Logic (February 2016), target customers including:

- Early stage, technology intense companies developing and commercialising valuable IP in all its forms, including companies being supported in incubators
- Companies with committed leadership teams who want to be part of the programme
- Companies who have some resources (time and money) to invest in developing an IP strategy that fits with their overall business objectives
- Companies falling within Callaghan Innovation segments 1-3 and segment 4 by exception only
- Companies looking to operate in overseas markets.

A number of participating businesses who undertook the Programme did not meet the criteria identified above – for example, we identified companies which:

- Were large multi-national companies
- Businesses which did not have the time or resources to invest into developing IP – as seen through the low uptake of implementation co-funding
- Businesses undertaking the Programme to defend their position in NZ, with no intention to grow overseas.

Callaghan should consider whether the target businesses or 'market', listed above, are appropriate and communicate this to BIAs, RBPs and any other stakeholder marketing the Programme.

“While we undertook the Programme, we felt like we were not the right 'fit' as we weren't looking to grow or innovate, but hold our position domestically”

Participating business

Besides participating businesses, how do the broader range of stakeholders perceive the programme including the pilot Programme Providers, other interested parties who have actively shown interest in becoming a Programme Provider, Callaghan Innovation’s front line staff (BIAs, Customer Managers, Maori Business Managers, Regional Business Partners) and technology incubators?

We considered the market perception of the Programme when undertaking our discussions with various IP stakeholders – excluding market feedback regarding the tendering and procurement for Providers in November 2014 and April 2016. Many of these parties believed there was need for Innovation IP to address market issues regarding IP awareness and commercialisation.

The market perception from the majority of participating businesses, Providers, Callaghan personnel and RBPs was that the Programme has real value for New Zealand organisations. The Programme is viewed positively amongst these stakeholders.

We did identify a number of IP professionals who had concerns about the Programme, including:

- The Programme is not currently delivered by appropriate individuals, i.e. practising and licenced Patent Attorneys
- The current Provider group have developed prices which are above what is believed to be the normal market price
- Callaghan's appointing specific Providers distorted an already existing market catered for by existing firms. This distortions meant interfering with existing, often long standing relationships, and effectively cutting off in depth knowledge about the company, the external environment and the products in question.

What other channels could be useful options to consider to improve access to funding by businesses?

Callaghan BIAs, NZTE RBPs and Providers are channels for a business to be provided access to the Programme. Access to the funding is only available through Callaghan BIAs, either identifying businesses themselves or acting upon recommendations from RBPs or Providers.

During the launch of the Programme, the three Providers were informed by Callaghan they were not to “market” or “sell” the Programme. Subsequent to the launch, we understand Providers were authorised to “sell” the Programme to businesses (noting Callaghan BIAs still required final approval). As noted above, regarding expectations, the messages conveyed to businesses must be consistent.

Callaghan BIAs are the primary channel for Callaghan to reach the businesses who have taken part in the Programme. From discussions with Callaghan BIAs and Account Managers, further education on the expectations and benefits of the Programme is required to ensure effective and efficient implementation of the Programme. This includes Callaghan communicating to those personnel, the expectations relating to attendance at Programme workshops which would provide an ideal opportunity to learn more about the Programme.

“The Programme is brilliant, and has addressed a need in a large number of business across New Zealand.”

Potential Provider

Recommendation

- 2.4.1** Continue offering 50% co-funding across the Programme, but consider the use of a "sliding scale" based on business size or type of services offered by the Providers.
- 2.4.2** Train stakeholders on the Programme objectives, strategies, benefits and expectations. These stakeholders should include, but not limited to, representatives from NZTE (i.e. RBPs) and Callaghan (i.e. BIA's, Customer / Account Managers).
- 2.4.3** Develop a comprehensive partnership strategy and structure with stakeholders (i.e. NZTE, IP Provider market).
As noted under "Business Planning", training and guidance should be provided where required.
- 2.4.4** Define and enhance channels to reach target business groups, including a needs assessment to "tailor" messages and communication. Synchronise communication to provide consistent messages and expectations.
- 2.4.5** Callaghan may consider consulting with wider stakeholders and provide high-level communication of the types of businesses to undertake the Programme and the benefits that can be achieved, for example:
 - Stakeholders associated with target businesses (i.e. accounting firms, consultancy organisations)
 - Governing bodies (i.e. Institute of Directors, Chartered Accountants Australia and New Zealand).

Appendix A: Terms of Engagement

Scope of Services

The scope of the review focused on addressing Callaghan's questions, specifically:

- a) *Did the pilot Programme meet the objectives initially set for it?*
 - i. What were the original objectives of the Innovation IP Programme, have these changed over time and how might they change in the future?
 - ii. To what extent have the original objectives been achieved?
- b) *Has the Innovation IP Programme been a valuable or useful activity for the business to undertake? What aspects of the programme are most valued by the participating businesses? Least valued?*
 - i. What was the driver for the participating business to undertake the Innovation IP Programme?
 - ii. Were participating businesses able to understand and implement the IP strategy developed as part of the Programme?
 - iii. What benefits were the businesses expecting from the Programme and how was this defined?
 - iv. Did businesses receive the benefits anticipated and, if applicable, are the benefits still relevant to them?
- c) *What recommendations do you have to improve delivery of the programme to businesses?*
 - i. How was the Programme delivered and where could this improve?
 - ii. How did the Provider understand the participating business needs identified and analysed and incorporated into the deliverables of the Programme?
 - iii. What processes have Callaghan established to manage and monitor results expected, including information / reporting received as well as what they provide for internal purposes?
- d) *Is the current funding model appropriate to support the Programme and are there any conflicts with other comparable publicly funded support services?*
 - i. Can the funding model be improved while still being supportive to businesses that need the Programme?
 - ii. Is the current model making the best use of funds available?
 - iii. How can Callaghan get better, or more certain, outcomes and benefits that are intended from the Innovation IP Programme?
 - iv. Besides participating businesses, how do the broader range of stakeholders perceive the programme including the pilot Programme Providers, other interested parties who have

- actively shown interest in becoming a Programme Provider, Callaghan Innovation's front line staff (BIAs, Customer Managers, Maori Business Managers, Regional Business Partners) and technology incubators?
- v. What other channels could be useful options to consider to improve access to funding by businesses?

Limitations on Scope

The following items were considered out of scope:

- Quantification of the benefit or value derived from the Innovation IP Programme
- Specifically assessing the performance of Callaghan Innovation or of the Providers
- Formal review or validation how funds are utilised by the Businesses and Third Parties
- Undertaking primary market research or economic analysis
- An assessment on how Callaghan tendered, procured and managed Providers as part of the pilot Programme.

Approach

Key features of our approach included:

- Understood the Innovation IP Programme and expectations through discussions with the Programme Manager and a review of relevant documentation
- Understood the current funding design and extent to which this aligns with stated programme objectives / policy
- Developed specific question sets to be utilised through-out our interviews
- Interviewed Callaghan Business Advisors and Stakeholders.
- Selected a sample of up to 25 Businesses, in conjunction with the Programme Manager, to be interviewed
- Interviewed the three Providers, potential Providers and selected Businesses, following the questions from above
- Reviewed any documentation made available during site visits or interviews
- Through review of information, stakeholder interviews and good practice models, identified any improvements in the approach to funding arrangements
- Analysed the information gathered and summarise our findings
- Socialise findings with the Programme Manager, and any other key stakeholders.

Appendix B: Interviews

Below we have listed all parties consulted during this review:

Name	Organisation
Section 9(2)(a)	

Name	Organisation
Section 9(2)(a)	

Appendix C: Statement of Responsibility

Our findings are based on observations from our assessment undertaken in the time allocated. Any assessments made by our team are matched against our expectations and good practice guidelines.

The scope of our work was designed to provide recommendations to improve practices specifically in accordance with our terms of reference. The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards for Assurance Engagements, nor do they represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance or audit opinion is provided.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared for distribution to Callaghan Innovation. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence.

Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

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