

Callaghan**Innovation**

Briefing to the Incoming Minister of Science and Innovation

December 2016

This document has been proactively released. Redactions made to the document have been made consistent with provisions of the Official Information Act 1982.

EXECUTIVE SUMMARY

Just three years from our creation, Callaghan Innovation has made considerable inroads into connecting and working with businesses to help them succeed through developing and commercialising technology.

Our conception followed the bringing together of Industrial Research Limited and the grants programme run out of MBIE. Since then we have added several other services all designed to accelerate business through technology.

Callaghan Innovation's strategy ultimately contributes to meeting the Government priority of increasing business expenditure of R&D (BERD) to 1% of GDP.

The type of activity and its impact is illustrated in these key points from our [2015/2016 annual report](#):

- 1470 customers accessed Callaghan Innovation's services
- 1068 had either applied for a grant or had an active grant
- 298 customers used our research and technical services
- 229 customers completed innovation skills programme
- there was a 31 percent increase in R&D spend by Growth Grant recipients over the previous year
- there was a 42 percent increase in domestic commercial revenue for our research and technical services group
- 67 percent of international mission participants said they would do more R&D
- 152 start-ups were supported by Callaghan Innovation-funded incubators
- 40 Maori entities collaborated on a berry initiative through Nuku Ki Te Puku
- 64 New Zealand businesses took part in international innovation missions
- 1300 people heard from one of our inspiring speakers.

OUR HISTORY AND PURPOSE

Who we are

Callaghan Innovation was established in February 2013 to make New Zealand businesses more innovative. It includes the former crown research institute 'Industrial Research Limited and takes its names from Sir Paul Callaghan, a prominent New Zealand physicist before his death in 2012. Callaghan Innovation reports to the Minister for Business, Innovation and Employment and the Minister of Science and Innovation. Our appropriations are managed via the Ministry of Business, Innovation and Employment.

Callaghan Innovation's operating revenue for the year ended 30 June 2017 is forecast to be \$298.5 million. This includes \$77.8 million from the Crown for operational costs, \$198.2 million from the Crown for Grants and \$19.2 million generated by Callaghan Innovation from commercial revenue. More detailed information is included in the *Statement of Performance Expectations 1 July 2016 – 30 June 2017*.

Callaghan Innovation employs 384 people. 287 are based in Wellington, 63 in Auckland and 34 in Christchurch. Approximately 60-80 of the Wellington staff are based at Callaghan Innovation's Head

Office at the Asteron Centre, Wellington. Other Wellington staff work at the Gracefield Innovation Quarter in Lower Hutt.

Callaghan Innovation's activities contribute to achieving the overall Government target of increasing business expenditure of R&D (BERD) to 1% of GDP.

Our Role

Callaghan Innovation's mission is to:

'accelerate the commercialisation of innovation by New Zealand businesses. We grow New Zealand's innovation economy – the 'high-value' manufacturing and services (HVMS) sector – by helping businesses to succeed through technology. We contribute to increasing the diversity and value of exports from New Zealand'.

We inspire businesses to innovate, stimulate their investment in R&D, and then support their innovation programmes with specialist research, engineering and commercial expertise. We also help build New Zealand's overall innovation capability.

We help businesses that have ambitious growth targets and that wish to grow through technology. A key part of Callaghan Innovation's role is to support Maori businesses to embrace innovation as a catalyst for unlocking the potential of the Maori asset base. We work in close partnership with other organisations such as New Zealand Trade and Enterprise that also contribute to increasing business R&D. Together we ensure a comprehensive and integrated response to the opportunities and challenges that our customers face.

Our inspiration is articulated in our whakataukāki (proverb), which underpins our mission, values and purpose.

Rukuhia te wāhi ngaro, he maunga tātai whetū
Explore the unknown, pursue excellence.

A detailed breakdown of Callaghan Innovation's strategy, governance and financial statements is contained in the 'Annual Report 2016'.

What we do

Callaghan Innovation helps businesses to develop and commercialise technology. We provide technical and scientific expertise, impartial advice, skills development, access to industry networks, and grants funding. This speeds up and strengthens product development, reduces risk and creates market advantage.

To achieve our purpose, Callaghan Innovation's strategy is focused on delivering innovation services to businesses and building New Zealand's innovation capability:

- **Delivering innovation services to businesses:**

This consists of:

- technology and product development – helping businesses take an idea from concept to commercial reality
- access to experts – opening doors for New Zealand businesses seeking innovation advice, skills, support and technical expertise

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- innovation skills – helping businesses build in-house innovation skills and capability
- business collaborations – leading collaborative innovation projects and technology missions for businesses.
- R&D Grants including:
 - getting started grants
 - project grants
 - growth grants
 - student grants.
- ***Building New Zealand's innovation capability:***

Building and strengthening New Zealand's innovation capability through a strong innovation system. This consists of:

 - inspiring current and future innovators – increasing the number of ambitious businesses and grow the pipeline of future innovators and entrepreneurs
 - provision of technology networks that give businesses a single front door to the innovation system, providing a line of sight between research, technology and industry
 - building and maintaining strategic international partnerships
 - provision of pilot plants, founder and technology incubators and innovation precincts at Callaghan Innovation's Gracefield Innovation Quarter at Lower Hutt
 - hosting of the National Science Challenge – 'Science for Technological Innovation'.

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CURRENT STRATEGIC / OPERATIONAL PRIORITIES – FIRST 100 DAYS

Some Information has been withheld consistent with the
Official Information Act 1982

Issue/Challenge	Action	Timing
Implementation of Callaghan Innovation's new sector operating model	<p>Callaghan Innovation is in the process of implementing our new sector impact operating model. We will focus on developing seven priority sectors – Agritech, Digital, Food and Beverage, Health, Energy and Environment, Transport and Logistics, and Diverse and Emerging Sectors.</p> <p>Callaghan Innovation will keep you updated on progress concerning implementation.</p>	Ongoing
Communicating and improving the knowledge of Callaghan Innovation	<p>Recent customer and stakeholder research has found a lack of knowledge about Callaghan Innovation and the services we offer. We are undertaking a programme of work to improve knowledge about Callaghan Innovation. There are three areas for improvement: being clearer about what we do; reaching the right businesses; and delivering better for the customer.</p> <p>Recently Callaghan Innovation's Executive Leadership Team presented 'Success in a Changing World', a series of events in five regional centres. These were aimed at informing regional businesses about technology changes, inspiring innovation and raising our profile.</p> <p>We are likely to run similar events in the regions next year. We are considering where and what format they will be.</p>	Ongoing
Impact	Callaghan Innovation is currently well advanced on developing a new process to measure the impact we have on customers. We will keep you updated on progress.	Ongoing
Performance Improvement Framework (PIF)	On 13 December 2016 the State Services Commission released the external PIF report for Callaghan Innovation that was completed earlier this year.	Ongoing

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Issue/Challenge	Action	Timing
	<p>Overall, the findings of the PIF reinforce that Callaghan Innovation is moving in the right direction to become a more agile, connected and customer focused organisation.</p>	
<p>Gracefield Innovation Quarter – Better Business Case</p>	<p>Callaghan Innovation is developing a ‘Better Business Case’ to secure funding for the redevelopment of its Gracefield site into an Innovation Precinct.</p> <p>A high level strategy was agreed to in principle by your predecessor on 6 December 2016 outlining the vision for the Gracefield Innovation Quarter, and the process to get there. The Callaghan Innovation Board will consider a revised version of the Business Case in the new year prior to it being submitted for Ministerial approval in March or April 2017.</p>	<p>March / April 2017</p>
<p>Recruitment of Chief Executive, Callaghan Innovation</p>	<p>Callaghan Innovation is in the process of recruiting a new Chief Executive. Callaghan Innovation’s Chair will verbally update you on progress made to-date.</p>	<p>Early 2017</p>
<p>Current Procurement Processes</p>	<p>Callaghan Innovation is currently undertaking the following procurement processes. These include:</p> <ul style="list-style-type: none"> - Accelerators - Programmes <p>Callaghan Innovation will continue to update you on progress and any risks that may arise as a result of these procurement processes.</p>	<p>Current – for your information</p>

OUR GOVERNANCE

Callaghan Innovation Board

Our Board governs Callaghan Innovation's performance and leads our strategic direction. The membership is as follows:

Name	Position	Expiry date of current term
Sue Suckling – Chair	Fellow of the New Zealand Institute of Directors with over 20 years' experience in sectors spanning agriculture, international marketing, electricity, education, health, banking, science and technology, manufacturing, education, service sectors, communications and government. She is currently the Chair of ECL Group, Barker Fruit Processors, Jacobsen Holdings Ltd and NZQA. A director of Sky City Entertainment Group and Restaurant Brands.	31/01/2018
Al Monro	Principal and Director at Broadfield Advisory.	30/06/2018
Alison Barrass	Chief Executive, Griffins Foods Ltd.	30/06/2018
Frances Valintine	Founder and Chair of The Mind Lab by Unitec. Founder and Director of Tech Futures Lab. Board member of NZTech and Education New Zealand	27/02/2019
Kate McGrath	Vice-Provost of Research at Victoria University. Board member of three start-up companies. Trustee of the National Energy Research Institute. Chair of VicLink.	27/02/2019
Dr Richard Janes	Deputy Chair of CentrePort Ltd. Director of Gallagher Group Ltd, the Real Estate Institute of New Zealand and Ngai Tahu Seafoods Ltd.	Resigned effective 01/03/2017
Robin Hapi (Deputy Chair)	Member of the New Zealand Trade and Enterprise Board. Chair/Te Amokapua of the Council of Te Wananga o Raukawa. Board member of Te Pou Matakana Ltd. Chairs the Te Aute Trust Board Farm Management Committee. Member of the Serco Aus/Pac Advisory Board.	30/06/2018
Simon Botherway	Chartered financial analyst. Extensive knowledge of local and global investment and regulatory regimes.	27/02/2019

Stakeholder Advisory Group

The Stakeholder Advisory Group provides independent expert advice to our Board.

Dr Andrew Coy – Chair	Chief Executive Officer, Magritek (<i>nb: term expires 31 December 2016. No replacement</i>)
Tom Greally	Chair of Park Road Post Productions
Andrew Hamilton	CEO of the business growth centre ICEHOUSE and Director at High Tech Solutions New Zealand. On the investment committee for the Start-Up Fund. Chair of the Angel Association.
Brett Hewlett	Former chief executive of Comvita Limited. Member of the New Zealand Trade and Enterprise Better by Design Advisory Board. Independent

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	Director of the US-based specialty medical device and pharmaceutical company Derma Sciences Inc.
Stefan Korn	CEO of Creative HQ, a Wellington business incubator. Founder and director at Appreciation Engine and a founding investor at Lightning Lab.
Peter Landon-Lane	Chief Executive of Plant & Food Research. Director of several Plant & Food Research subsidiaries and joint ventures. On the governance boards of the Riddet Institute and the Vital Vegetables Research Partnership (<i>nb: term expires 31 December 2016. No replacement</i>)
Suse Reynolds	Founder and Board member of Angel HQ, the Wellington region's angel network. An executive director on the Board of Angel Capital Association New Zealand
Professor Claire Robinson	Former Pro Vice-Chancellor and Associate Pro Vice-Chancellor (Business and Operations) of the College of Creative Arts at Massey University, and former Head of the Institute of Communication Design. Previously the Director of Public Diplomacy and Outreach in the New Zealand Ministry of Foreign Affairs and Trade.
Charlotte Walshe	Chief Executive of Dynamic Controls Ltd and a Director of Dynamic Controls, Cluster Ltd, Enable Services Ltd, Dynamic Suzhou Holdings New Zealand and Invacare Holdings New Zealand.

Callaghan Innovation Executive Leadership Team

Hēmi Rolleston	Interim Chief Executive / Acting General Manager Sector Impact
Cas Carter	General Manager External Relations
Chris Hartshorn	Chief Technology Officer
Esther Livingston	General Manager People and Capability
Richard Perry	Chief Financial Officer
Wayne Mulligan	Acting General Manager Māori Economy and Business Innovation Services