

## Summary of May Address

**Guest Speaker: David Greatorex AO**

**Subject: “Innovation and Entrepreneurship”.**

Just how deep and broad are the knowledge, experience and capability of our membership? I feel sure some innovative entrepreneur could create a fascinating article from in depth member interviews. It's just there waiting to be done. And David's contribution would be right up there, keeping the reader engrossed and fascinated. John Plummer's introduction illustrated the broad range of David's business and civic involvement throughout his career and even now apart from business interests, he is still active as Hon Secretary of the Wesley Mission. Having participated in activities such as marathons and City to Surf, a desire to maintain body tone as well as a keen mind is evident.

The dictionary definitions of the two elements in David's subject are:

**Innovation** – Change made in the established way of doing things. The act of making changes; bringing in new things or new ways of doing things.

**Entrepreneur** – A person who organises or manages a business or industrial undertaking. He takes the risk of not making a profit and gets the profit when there is one.

I prefer David's version –

**Innovation** – is the doing, turning ideas into manufacturable marketable form.

**Entrepreneur** – not a risk taker, but a thinking opportunity seeker who creates value.

Whilst commenting on creative thinking, he quoted Aristotle – “*Not to seek exactness where only approximation exists*”, and cited examples where media reporters foolishly endeavour to do otherwise.

And a golden rule – “*The one with the gold sets the rules*”

As a consequence of his broad experience, David was able to colour his presentation with many real life examples.

It became clear the entrepreneur needs to anticipate that approximately 50% of projects do not achieve a profitable outcome for a variety of reasons, relying on the other half to recoup losses. He considers a long term return of 10% to be reasonable. And he cited evidence of luck also being a factor in success. Regarding the entrepreneur's attitude to investors, he quoted Kolberg of KKR (bought the R J Reynolds company in US for \$26b) at a Sydney seminar “*Never let the bastards own more than 30%*” and “*Have the bastards wives, cats and dogs all mortgaged up to the hilt*”.

An entrepreneur must have the right motivation – if it is to make money it will fail. You need to believe in the product/ project, be extremely patient and enjoy what you are doing. Citing Dick Smith in his early 20s, he was having fun and subsequently finished up with a lot of money.

The Funds are not large investors in private equity. He quoted examples of “Black Hat” and “White Hat” private equity investors. The Black Hat case involved an airline with private equity partners contributing \$1b. and borrowing the rest. They progressively sold off elements such as the frequent flyer scheme, maintenance and catering to obtain money. Only concerned with improving the cash position, they were not interested in the long-term health of the company. The White Hat example involved a rural TV provider where a group acquired the 40% of shares owned by a US entity and improved performance with consequential increase in share price.

Among mistakes, David reflected that borrowing money to pursue a project proved to be a disaster.

He has great respect for Australian inventiveness, quoting examples such as Xerography, X-Ray, Atomic absorption, Spectrometer, Orbital engine, Bionic ear and others. Some of our inventors have become locally well known and others, like Gordon Bell who has done significant work for and is highly regarded by Microsoft's Bill Gates, are famous overseas but not well known here. One company which David co-founded – Securenet – has proved most successful being involved in network security.

The government is involved in a number of ways such as government grants, tax incentives, centres of excellence and direct investment (although he queries government ability to properly assess opportunities in the last mentioned option, having regard for some outcomes.)

A couple of interesting responses in question time. In answer to a perception of cringe against local technology in defence procurement, he quoted a public servant in one instance commenting - "*Innovation increases risk and should be avoided at all times*". Responding to his thoughts on Warren Buffet, for whom he indicated great respect, he quoted Warren's attitude that it is sensible to take emotion out of investment. Replying to a questioning investor as to why he still drives an old '86 Buick, Warren answered that he was sure the questioner would rather he put his time into working for his benefit rather than take a day off to buy a new one.

#### **Committee Telephone Numbers**

Derrick Docherty (Vice President and Welfare) 9489 3652; Les Anderson (Membership) 9489 5368;  
Brooks Wilson (Guest Speakers) 9487 1795; Garry O'Meally (Social) 9349 3500; Bill Rutherford (Bulletin) 9988 4320;  
Barry Barton (Club Services) 9948 4027; Frank Barr-David (Web site) 9363 1672.