



# MEDIA RELEASE

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## Small business applied research a key to unlocking economic growth and innovation

Australia's small and medium-sized business sector has the ability to become an innovation leader and help propel the post-COVID economic recovery, if it can tap into the benefits of applied research, according to a new report.

The report by Cisco, Optus and TAFE Directors Australia, [\*SMEs and TAFEs Collaborating through Applied Research for Growth\*](#), aims to refocus the benefits of applied research and innovation that are typically associated with larger enterprises.

The report notes that SMEs are the backbone of Australia's economy, accounting for around 7 million jobs, 57 per cent of GDP, and a hotbed for entrepreneurship – something that has been magnified by the COVID-19 crisis.

"The hasty adaptation of business processes, such as working from home, and the application of technology to deliver goods and services in new ways is likely to have awoken business owners and managers to the power of innovation," the report says.

"A new approach for vocational education targeted to productivity, technology adoption and applied research can be a new form of stimulus for enhancing economic growth.

"Expanding transfer research and development capacity in TAFEs to solve the everyday – and COVID-normal – challenges faced by SMEs can create and diffuse an innovation culture across more areas of the Australian economy," the report says.

It says that vocational education and training (VET), as the only "truly industry-facing education sector", is the obvious vehicle to engage SMEs and family businesses with real-world solutions and innovations.

"TAFEs already act as innovation agents. Many TAFEs have major projects with partner companies such as with defence industries, infrastructure and health. Hundreds more innovation projects exist between TAFEs and SMEs: they are largely unrecognised and stretched by lack of funding," the report says.

It calls on the federal government to commit \$5 million to support a 12-month transformation pilot program where TAFEs collaborate with SMEs and family businesses to develop or enhance products and improve services and processes.

The pilot mirrors an applied research program in Canadian colleges and institutes that led to more than 4,400 new processes, products, prototypes and services, 87 per cent of which were achieved in less than a year.

The CSIRO has indicated its intention to be involved in implementing the program in an advisory capacity given its experience in applied research and strong linkages to SMEs.

TDA CEO Craig Robertson applauded the federal government's commitment to helping SMEs and family businesses emerge from COVID-19, but noted that many of these firms face significant challenges in accessing services and the support needed to adapt for the future.

"TAFE engagement with businesses based on an applied research model is one tangible and practical solution to rebuilding resilience and encouraging innovation in SMEs," he said.

"TAFEs are the logical partner for the pilot program as the lessons and approaches from the pilot would be captured within the public sphere. Results can then be disseminated through the national TAFE network and beyond as a new model of support to businesses, reflecting the industry-ready relevance of the vocational education approach," he said.

The report says that applied research projects would need to focus on the digital economy, in areas such as digital readiness, cyber security and Internet of Things. It would also see TAFE students exposed to the experiences of innovation, enhancing the skills and knowledge they take into future employment.

Optus asserts a lack of tech expertise is holding back Australian SMEs, with a recent report showing 39 per cent of SMEs are failing to grasp opportunities offered by new technologies and 31 per cent are "struggling" to maintain pace with technological changes deemed critical to their success.

Cisco's 2020 Asia Pacific SMB Digital Maturity Study found that nearly 70 per cent of SMEs in Asia Pacific are accelerating the digitalisation of their businesses as a result of COVID. As these SMEs become more digitally mature, they could add as much as US\$3.1 trillion to Asia Pacific GDP by 2024, accelerating economic recovery across the region.

Mr Robertson said a new approach to applied research could help SMEs turbocharge technology adaptation, rebuild the economy, and create jobs, products and services.

The SME and family business research initiative, supported by Cisco and Optus, is part of a suite of public policy initiatives TDA is bringing forward for government consideration.

It complements an earlier initiative, [Critical Role of Blue Tech and Digital Skills in Australia's Economic Recovery](#), focusing on digital skills for SMEs and family businesses.

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TAFE Directors Australia is the peak national body representing 28 TAFE institutes, including six dual sector universities with TAFE divisions and nine TAFEs that are also non-university higher education providers.