



An Australian Government Initiative



# **Business Review Report**

**For Intersect Australia Limited**

**By Tony Shannon**

**Date: 19 November 2012**



Details	
Application number:	ECBRACI00621
Company name:	Intersect Australia Limited
Company Websites:	<a href="http://www.intersect.org.au">www.intersect.org.au</a>

### Primary Contact Details

Address:	Level 12, 309 Kent Street, Sydney
Nominated contact person:	Dr Ian Gibson
Position:	CEO
Phone:	02 8079 2500
Email:	<a href="mailto:ian.gibson@intersect.org.au">ian.gibson@intersect.org.au</a>

Years established:	4	
Employees:	50	
Revenue:	\$6,333,223	2011
	\$6,441,136	2012
Location:	Sydney, NSW.	
Ownership structure:	Company limited by guarantee.	
Exporting:	Yes/No	No.
	Markets	-
	Annual Export Vol. and \$	-

### Disclaimer

Business Reviews are undertaken by Business Advisers employed either by a partner organisation or by the Commonwealth. The Commonwealth has provided funding through the Enterprise Connect program to partner organisations for the provision of business review services (through the employment of Business Advisers). The Business Review and any advice provided by the Business Adviser are based on the understanding that the information you provided is accurate and complete. Using the information you have supplied, the purpose of this Business Review report is to provide an assessment of your business and identify areas of improvement, some of which your business may choose to address through the Enterprise Connect Tailored Advisory Service. The Commonwealth, partner organisations and Business Advisers do not accept any liability for your reliance on this report or any actions taken independently by your business in addressing the issues or implementing recommendations identified in this report or provided separately by the Business Adviser.

This Business Review Report will not be provided to anyone outside Enterprise Connect without your written consent unless permitted or required by law.



## Methodology

The Business Review included a series of face-to-face meetings with Intersect’s Dr Ian Gibson, in July 2012 at the company’s premises in Sydney’s CBD. The first face-to-face meeting with Ian Gibson was held on 3 July 2012.

Secondary research included review of the website, [www.intersect.org.au](http://www.intersect.org.au). The company’s P&L and balance sheets for the three previous financial years were analysed. An Enterprise Connect Sustainability Diagnostic Tool was also completed. IBIS World Reports: Computer Consulting Services in Australia (L7834) and Cloud Computing in Australia (L7831) were reviewed.

A number of ‘**Continuous Improvement Program (CIP) Foundation**’ Questions – covering common business matters such as strategy, people, customers, etc – were included in the Review. These are included throughout the report. The following ratings of the company’s approach have been used:

Rating	Description
No approach	<ul style="list-style-type: none"> <li>No real activity but some good ideas which can be developed and progressed.</li> </ul>
Ad hoc approaches implemented	<ul style="list-style-type: none"> <li>An approach is being prepared.</li> <li>Some evidence of improvement activity.</li> </ul>
Approaches <b>partially deployed</b>	<ul style="list-style-type: none"> <li>Evidence that this approach is addressed.</li> <li>Random reviews with specific actions for improvement.</li> </ul>
Approaches <b>deployed in most areas</b>	<ul style="list-style-type: none"> <li>Evidence that this approach is well addressed.</li> <li>Perhaps not deployed in all areas to the same extent.</li> <li>Periodic reviews and actions taken for further enhancement.</li> </ul>
Approaches <b>being fully deployed and embedded</b>	<ul style="list-style-type: none"> <li>An outstanding approach that can be considered to be best practice.</li> <li>Is clearly demonstrated as part of the improvement culture.</li> <li>Regular proactive reviews of the approach and its deployment.</li> </ul>

Intersect Australia Limited has been assessed as being eligible for this Business Review under prevailing criteria. No information arose during the course of the review which altered Intersect Australia Limited's eligibility.



# Table of Contents

**Part A: Outcomes of the Business Review**..... 5

1. Executive Summary ..... 5

2. Improvement Plan ..... 6

**Part B: Detailed Analysis of the Business**..... 13

3. Business Overview..... 13

4. Leadership and Strategy ..... 14

5. Industry Analysis ..... 20

6. Markets, Marketing and Customers ..... 23

7. Business Operations ..... 25

8. Environmental Sustainability ..... 31

9. Key Operational and Financial Results ..... 32

10. Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) ..... 36

Appendix 1 – Environmental Sustainability Report ..... 37



# Part A: Outcomes of the Business Review

## 1. Executive Summary

### Summary of Improvement Plans

The Business Review has identified a number of Primary Actions, or areas for improvement. These are listed in the table below and detailed in the next section of the report (**Improvement Plan**) along with other additional suggested actions.

No.	Primary Actions	Priority
1	Intersect should review its business situation and then construct a strategic vision for the organisation that will allow it to prosper and develop from its position at the end of 2012 into its next phase, so-called Intersect V2.0. This is as much a philosophical discussion among stakeholders about the future as it is a commercial discussion.	High
2	Undertake a detailed analysis of the commercial market for high performance computing services.	High
3	Construct a detailed business plan and budget that will deliver the three year vision.	High
4	Undertake an employee satisfaction/involvement/passion survey or roundtable discussion to find out what employees think about Intersect and their role in it. On the back of the results devise and implement an employee participation plan that actively and formally involves employees in designing and delivering the future – culturally and commercially – and in seeking out new opportunities.	Medium
5	Instigate a soft marketing program to establish, promote and position Intersect – the company and all the people – as industry leaders and authoritative commentators.	Medium



## 2. Improvement Plan

### About the Improvement Action Plans

This section comprises three sub-sections: Primary Actions; Quick Win Actions; and Future Opportunities. These are the actions your Business Adviser recommends you take in order to improve your business.

The **Primary Actions** tables describe key recommendations in detail: what improvement is being recommended, why it is important to the business, how it should be approached, who could/should be responsible to ensure its implementation, and when it should be actioned, (and in addition, what to measure to ensure the effectiveness of the improvement).

The **Quick Win** actions are generally smaller or basic items that could be actioned quickly or easily by the business and may have an immediate positive impact on the business.

The **Future Opportunities**, are actions that may require attention at a later point, for example, after certain Primary Actions have been completed, or when resources are available to address them. These are actions that are not immediate or urgent.

**Please note:** It is the responsibility of the business to, at its own discretion, act on these agreed recommendations or adapt them to the changing business environment. Some or all of these items can be actioned internally by the business (where you have the capability), or, Tailored Advisory Service (TAS) grant funding may be accessed to engage a service provider to assist you to action any of the recommendations (subject to eligibility criteria and funding limits).

TAS is subject to stringent conditions including a 12 month deadline from date of this report for applications to be submitted and minimum spend requirements. Full details of the TAS program can be found at the end of this Report or on the Enterprise Connect website at:

[www.enterpriseconnect.gov.au/services/Pages/TailoredAdvisoryService.aspx](http://www.enterpriseconnect.gov.au/services/Pages/TailoredAdvisoryService.aspx)



## Primary Actions

Action Plan Item No. 1		Strategic Vision – Intersect V2.0		
Recommended Action	Intersect should review its business situation and then construct a strategic vision for the organisation that will allow it to prosper and develop from its position at the end of 2012 into its next phase, so-called Intersect V2.0. This is as much a philosophical discussion among stakeholders about the future as it is a commercial discussion.			
Expected Impact of Successful Implementation	A set of business preferences that can act as a guide for deeper analysis, where required (see below) and ultimately the blueprint for a new 3-year business plan.			
Scope of Project	<ul style="list-style-type: none"> <li>• Big picture role for Intersect</li> <li>• Commercial preferences including:               <ul style="list-style-type: none"> <li>• those that involve more risk and speculation</li> <li>• IP generation and exploitation</li> <li>• work beyond public research</li> </ul> </li> <li>• Interest in establishing a separate commercial entity under Intersect</li> <li>• Comparative revenue streams from different market sectors – membership fees, government grants/funding, cost recovery regime etc</li> <li>• Next services beyond infrastructure and engineering</li> <li>• Stakeholder interests and expectations</li> <li>• Appetite for assembling alliances and partnerships to achieve specific aims (commercial and otherwise).</li> </ul>			
Measures of Success (KPIs)	An agreed set of options for more detailed investigation that can be used to set the business intent for the future.			
Findings & symptoms	Intersect is ready for the next phase of its life and big-picture ideals for this stage (V2.0) need to come from the top.			
Root Cause	Intersect has passed through its establishment phase which has occurred organically largely.			
Business impacts (without action)	The organisation will continue to operate as it has done so far without development or renewal and, in all likelihood, without addressing members' issues that might be sitting unstated beneath the quietly efficient operational exterior.			
Category	Priority	Timing (suggested):		Internal Person Responsible
		Start:	Finish:	
Strategic business Activities	High	December 2012	February 2013	Ian Gibson

Action Plan Item No. 2		Market Analysis for Commercial High Performance Computing		
Recommended Action	Undertake a detailed analysis of the commercial market for high performance computing services.			
Expected Impact of Successful Implementation	A detailed understanding of the opportunities and issues in the market for high performance computing services. This report can then be used to decide if this is a market Intersect should enter.			



Scope of Project	<ul style="list-style-type: none"> <li>• Size of market</li> <li>• Existing players</li> <li>• Level of competition</li> <li>• Major clients</li> <li>• Services being provided; gaps in the market</li> <li>• Potential level of profit</li> <li>• Barriers to entry</li> <li>• Opportunities</li> <li>• Key trends</li> </ul>			
Measures of Success (KPIs)	A report with sufficient detail that management/board can approve or disapprove the development of a business plan.			
Findings & symptoms	Intersect has largely operated in the public research sphere providing services to institutions that have generally retained directly exploitable commercial IP. Membership fees and government funding have been the main sources of revenue. Now is the time to assess alternative markets and income structures.			
Root Cause	The focus has been on generating revenue from services delivered to clients on a basis set at the time Intersect was established.			
Business impacts (without action)	Without this market knowledge Intersect might decide to enter a market ill-informed and ill-prepared; or shy away from or miss out on an opportunity to build new revenue streams that can secure its future.			
Category	Priority	Timing (suggested):		Internal Person Responsible
		Start:	Finish:	
Strategic Business Activities	High	March 2013	March 2013	Ian Gibson

Action Plan Item No. 3	Three Year Business Plan
Recommended Action	Construct a detailed business plan and budget that will deliver Intersect's three year vision.
Expected Impact of Successful Implementation	A full scale business plan that can direct and measure Intersect's business activities on a divisional basis for the next three years.
Scope of Project	<ul style="list-style-type: none"> <li>• Products and services to be offered</li> <li>• Markets to pursue</li> <li>• Personnel requirements and role descriptions; merits of a COO / GM to allow CEO to focus on strategy and to work outside the company, and business development manager</li> <li>• Budgets, including revenue and profit targets.</li> <li>• Resources and investment</li> <li>• Cashflow projections</li> <li>• Potential partnerships and alliances; sales channels</li> </ul>
Measures of Success (KPIs)	Completed business plan that can be used to guide the business into the future; and, overtime, against which performance can be measured.
Findings & symptoms	A business plan, informed by the market assessment and business vision compiled above, is required to direct operations and achieve corporate aims.



Root Cause	There is no business plan to underwrite Intersect V2.0 and the options this future presents.			
Business impacts (without action)	The company is less likely to achieve its aims.			
Category	Priority	Timing (suggested):		Internal Person Responsible
		Start:	Finish:	
Strategic Business Activities	High	March 2013	June 2013 (ready for activation for FY14)	Ian Gibson

Action Plan Item No. 4	Employee Satisfaction and Involvement			
Recommended Action	Undertake an employee satisfaction/involvement/passion survey or roundtable discussion to find out what employees think about Intersect and their role in it. On the back of the results devise and implement an employee participation plan that actively and formally involves all employees in designing and delivering the future – culturally and commercially – and in seeking out new opportunities.			
Expected Impact of Successful Implementation	A more formal understanding of what drives and interests Intersect’s employees and their interest in (a) being more formally involved in formulating Intersect’s business direction and (b) their interest in having their contribution and wins celebrated. Intersect will be seen not as a faceless and impersonal computing business but as an organisation where real people, not computers, deliver services. This is a highly promotable service differentiation.			
Scope of Project	<ul style="list-style-type: none"> <li>Employee work satisfaction</li> <li>Employee drivers</li> <li>Employee views on the direction and nature of work undertaken by Intersect</li> <li>Value of ongoing employee forums</li> <li>Employee advisory board</li> </ul>			
Measures of Success (KPIs)	Not just the review or discussion themselves but a tangible focus on employee participation and figurative “ownership” which will build a stronger business.			
Findings & symptoms	Intersect’s employees are the company’s biggest asset and it is unclear if this asset is maximised to the benefit of the individual employees and to the organisation itself. In many organisations, the employees are – beyond their day to day jobs – often a hugely untapped resource. And great champions of the organisation.			
Root Cause	Employees and management are often too busy on the day to day work and business to sit down together and talk.			
Business impacts (without action)	Ideas and innovations, which so often come from the “shop floor”, might never see the light of day, causing dissatisfaction among the employees and missed opportunities for the company.			
Category	Priority	Timing (suggested):		Internal Person Responsible
		Start:	Finish:	
Human resources	Medium	March 2013	June 2013	Ian Gibson



Action Plan Item No. 5		Soft Marketing		
Recommended Action	Instigate a soft marketing program to establish, promote and position Intersect – the company and the people – as industry leaders and authoritative commentators.			
Expected Impact of Successful Implementation	A wider and more diverse marketing net that attracts clients – or potential partners – who are interested in a service provider that is distinguished by its industry view and general thinking rather than just by its ability to deliver a service. These might, over time, prove to be “stickier” and longer term customers.			
Scope of Project	<ul style="list-style-type: none"> <li>• Strategy behind the marketing approach; alignment with business direction</li> <li>• Policy – who can speak?</li> <li>• Content – what does Intersect want to say?</li> <li>• Format – blog (connected to the website), presentations, workshops, seminars, speeches in and outside the current markets.</li> <li>• Internal or external management</li> </ul>			
Measures of Success (KPIs)	Audience growth and size but, ultimately, increased in customer attraction, retention and revenue. Arrival of new opportunities.			
Findings & symptoms	Intersect is a market leader but often the message it presents is functional and dry and does not present a view point or opinion.			
Root Cause	High performance computing is probably a conservative industry that is not seen as sexy and marketing has tended to follow suit.			
Business impacts (without action)	As suggested in other areas, the impact without this type of approach might be that opportunities are missed, not presented or go elsewhere.			
Category	Priority	Timing (suggested):		Internal Person Responsible
		Start:	Finish:	
Advertising and marketing	Medium	March 2013 – initial planning and development	Ongoing	Ian Gibson

### "Quick Win" Actions

1	A quick financial review of the tiered pricing structure and price points. Is it still delivering value to both the client and to Intersect? Should the structure be changed or the prices increased? Is it delivering the organisation's objectives?
2	It was mentioned that the universities can be tardy in paying. Intersect should review its processes to see (a) if this true and the level of abuse and to see (b) it is not due to oversight by either side or process failure and that (c) members understand how Intersect operates and the commercial nature of its operations.
3	Create a member value/activity report to regularly inform members – at the top level – of the services/benefits/value delivered to each member.
4	Establish a team or committee or panel of employees to “future” scan the industry environment and report on key developments, new entrants and new approaches to HPC (outside of technology).



## Future Opportunities

1	<p>Based on the outcomes of the strategic vision and the commercial market analysis, examine the options for a revised corporate structure that might, for example establish a wholly owned commercial subsidiary, that will:</p> <ul style="list-style-type: none"><li>• maximise the potential for the commercial business to thrive</li><li>• maximise any returns on investment in IP</li><li>• assess the comparable benefits of types of corporate entity (limited by guarantee, not for profit status etc)</li><li>• enhance the ability to deliver benefits – financial and otherwise – to members</li></ul>
2	<p>Investigate better ways to build systems to support research. Should Intersect, for example, develop and house an innovation lab for the research operations sector?</p>



## Connections to be made

The following list comprises a range of Government or agency contacts that may be of value to your business in the implementation of the Business Review recommendations.

Opportunity	Contact	How does this connection link to the Improvement Plan?
A range of online resources for Creative Industry clients is available at the Creative Innovation website	<a href="http://www.creativeinnovation.net.au">www.creativeinnovation.net.au</a>	Ideas on how other companies work – strategically and operationally – that might inspire.
Commercialisation Australia – offers various (competitive) grants for businesses to develop new products. Includes grants for Skills and Knowledge, Early Stage Commercialisation, Experienced Executives and Proof of Concept.	Commercialisation Australia <a href="http://www.commercialisationaustralia.gov.au">www.commercialisationaustralia.gov.au</a> P: 13 22 56 E: <a href="mailto:ca@innovation.gov.au">ca@innovation.gov.au</a>	Might be useful to support the development of new services or products.
Leadership 21. Mt Eliza Executive Education at the Melbourne Business School runs a highly regarded leadership course where attendance is subsidised by Enterprise Connect.	Enterprise Connect fact sheet: <a href="http://www.enterpriseconnect.gov.au/media/Documents/Fact%20sheets/Leadership21/Fact%20Sheet_Leadership21.pdf">http://www.enterpriseconnect.gov.au/media/Documents/Fact%20sheets/Leadership21/Fact%20Sheet_Leadership21.pdf</a>  More info and enrolment matters you can go to: <a href="http://www.mteliza.mbs.edu/leadership21">http://www.mteliza.mbs.edu/leadership21</a>  And/or speak to: Deb McLatchie Client Services Manager   Public Sector Mt Eliza Executive Education   Melbourne Business School Tel. +61 3 9349 8446 <a href="mailto:d.mclatchie@mbs.edu">d.mclatchie@mbs.edu</a>	Business education for senior management.
R&D Tax Incentive	Contact: AusIndustry Hotline 13 28 46 or <a href="mailto:hotline@ausindustry.gov.au">hotline@ausindustry.gov.au</a>  For more information and Application forms, see AusIndustry: <a href="http://www.ausindustry.gov.au/programs/innovation-rd/RD-TaxIncentive/Pages/default.aspx">http://www.ausindustry.gov.au/programs/innovation-rd/RD-TaxIncentive/Pages/default.aspx</a>	Support for existing and future R&D efforts.



## Part B: Detailed Analysis of the Business

### 3. Business Overview

Intersect Australia (IA) designs, builds and manages high performance computing systems, designs accompanying software, provides related support and consulting services and hosts national data sets of significance. That is, its services largely fall into two segments – infrastructure and software engineering. IA is a company limited by guarantee that is owned by 10 NSW universities. The company was established in 2008 with seed funding from government.

IA handles a smorgasbord of research projects for its university and public sector clients. The nature of the research that is supported by IA's work – such as medical research – is generally concerned with someone's desire to make the world a better place. This is what, in many ways, distinguishes the company from other high performance computing providers and helps to define the company's culture. As pointed out by CEO Dr Ian Gibson, the work often delivers greater satisfaction and pride to employees ("I worked on finding a cure for cancer today, kids") than they might get in companies with a more commercial or operational focus.

IA's business model is to sell its services at different price levels based on the type of relationship the client has with IA; an incremental cost recovery pricing model. For example, the shareholder universities, who also pay an annual membership fee that can range from \$100k to \$500k, might pay around \$600 per day which is "cost recovery" as opposed to the higher "full cost recovery" and "full commercial" rates.

Determining how much of the company's revenue and resources should be focussed on this securing work under the commercial rate is probably the biggest strategic question facing the company at the operational, senior management and board levels. This is coupled with questions such as whether the company should be more speculative in its business approach; how actively it should seek out, for example, work outside of its straight fee-for-service commercial model; how far beyond universities and research IA should roam; and should they be actively looking for opportunities for jointly exploiting IP projects that universities might have.

These questions feed into the bigger issue of company resilience and sustainability and the question of to what degree the company should be trying to disconnect itself from government funding – and, maybe, even membership fees. A revenue analysis shows that government funding now accounts for around 27% (FY12) of income – down from a high of 56% in FY09. Membership fees, on the other hand, have stayed rather flat, sliding from 43% in FY09 to 39% in FY12. The rise in Applied Research Income from a low of \$40,000 to more than \$2million in FY11 and FY12 is evidence of the company's commercial success in the first four years (and some accounting reorientation).

Intersect – through its members, stakeholders, management and employees - is now ready to set its course for the next phase of its life: Intersect V2.0.



## 4. Leadership and Strategy

### Strategic Direction

Intersect’s strategic direction is a product of the organisation’s government sponsored origins and its university membership. This has meant Intersect has largely travelled down the public research path delivering infrastructure and (software) engineering services to universities and other public institutions. Intersect has established a pricing regime – basic cost recovery, full cost recovery, commercial rates – that reflects the operating business preference.

However, as the organisation has now achieved a level of corporate maturity it is time to re-examine its role, function and goals. This is also pertinent given the emergence of external service providers who have computing assets and brand-name services. These are not, Intersect says, direct competitors now but it is possible that they might be eyeing off Intersect’s turf for the future. The Cloud and the NBN could, in the future, also help to convince Intersect’s competitors and/or customers that there are alternative ways of technically supporting large scale research work.

The future review, re-jigging and re-working of research and computer infrastructure funding is an inevitable constant that affects Intersect’s background operating environment that also needs to be considered in any medium term planning.

The upshot of this is that Intersect should establish a view of its future and build a strategy to deliver its preferred future.

### Strategic intent

Strategic intent of the business	How this Goal is to be achieved?	What additional competencies or resources are needed?	Risk assessment
Maintain and build university involvement.	Reinforcing and enhancing involvement; building customer stickiness.	<p>Low. Intersect has representation on many campuses and university representatives are on the board or members.</p> <p>Maybe some additional events to actualise the participation.</p> <p>Building relationships or tailored events the university staff with whom Intersect staff have the working relationships..</p>	Low.



Strategic intent of the business	How this Goal is to be achieved?	What additional competencies or resources are needed?	Risk assessment
Commercial opportunities.	<p>By devising a strategic approach involving members, board and staff.</p> <p>Consider the business structure to house such a business, unit or division and the relationship to the Intersect entity.</p> <p>Consider ownership options.</p>	<p>Business development manager; revenue targets.</p> <p>Business plan.</p> <p>Employee participation strategy.</p>	Medium. Some commercial and investment risk plus some risk to the culture. Both of which can be managed.

### Business differentiation

What sets the business apart from its competition?	What factors could affect this competitive edge?	Risk mitigation (to protect/maintain the edge)
Government origins.	This is not particularly vulnerable as its relevance was in setting the initial tone and approach.	Promote to government and universities the importance of maintaining a viable public (non-private) presence in this arena.
Employee commitment to the organisational philosophy.	A shift towards a more commercial approach; and away from its philosophy of social endeavour. The rise of a dedicated business development manager who embodies this philosophical shift.	Maintain a high level of employee involvement in developing the strategic direction. Consider creating a staff representation position within management or, even, on the Board.



What sets the business apart from its competition?	What factors could affect this competitive edge?	Risk mitigation (to protect/maintain the edge)
Direct involvement of universities through memberships.	<ul style="list-style-type: none"> <li>• Shrinking university budgets</li> <li>• Perceptions (fair or unfair) that Intersect double-dips through membership fees and work charges.</li> <li>• Rise of ambitious computing departments within member universities</li> <li>• Factionalism – based on reputation or branding or usage of IA services or levels of membership fees – that might split the university members.</li> <li>• Increase in the number of affiliate members and their collective muscle or influence.</li> </ul>	<p>Working with universities, devise a shared view of the future that can service members' needs – technical, tactical and political.</p> <p>Keep the members involved and participating and deliver a sense of ownership.</p>
Universal university coverage in NSW.	Market avarice from interstate competitors; particularly those whose own-state members have campuses in NSW.	Perfect service that prevents members from being seduced. Inclusiveness and “ownership”, actual and perceived.
Public sector relationships and reputation; plus political nous.	The emergence of a push from private sector “outsiders” looking to establish a directly competing commercial operation or as a political foothold for a side aim.	Continual promotion and spruiking of the importance and, indeed, advantages of supporting Intersect.

### Approach to Leadership

Activity	Comments and/or Areas For Improvement
Are Mission / Vision / Values communicated?	Yes. Communicated through informal and formal channels, including the Annual Report.
Does the business <i>Culture</i> support the business aims?	Yes; in fact the culture – derived in part from the nature of the work undertaken – is a key attractor for employees who swap top dollars for value of the work.
Involvement of leaders in forming strategy	CEO, Chairman and Board – and members – build the strategy.
Management team/ key leaders	CEO and senior staff are critical.
Management meetings	Quarterly meeting of Board.



	Weekly meeting with independent Chair. Sub committees.
Approach to leadership development	Classic structure. CEO implements direction and senior managers direct internally.
Practices/plans for communicating strategy with staff and other stakeholders	This is an important area for Intersect or two reasons: (1) to encourage and foster staff involvement and ownership (in lieu, to some extent, of financial reward) and (2) to allay fears and elicit opportunities should a more commercial approach be developed (avoid rumours festering and “scaring the horses”). Informal channels particularly need to be harnessed.
<b>CIP Foundations Question:</b> Does the leadership team participate in forming and communicating the strategic direction?	Approaches <b>deployed in most areas.</b>

## Approach to Strategy

Activity	Comments and/or Areas For Improvement
Planning (strategy)	Intersect strategy was largely set by the founders and has developed – in a limited way – out of the establishing charter. The next strategic phase, Intersect V2.0, needs to be planned more directly.
Industry and environment scanning	Senior management + IT practitioners observing IT developments. Think about an organised team tasked with scanning the future.
Organisation structure	Board. CEO. Divisional managers.
Business model	Fee for service with tiered incremental cost recovery (day rates) based on client’s membership status or non-status. IP left with client. Not an investor. Not a speculative institution.
Positioning and posture	The high performance computer specialists for the research sector. Particularly for “clients that have the need but not the ability or capacity”.  University friendly.  Not the most expensive; benefit from the attractive work environment and varied work.
Stakeholders	Universities. University IT departments. Government (state and federal). Public institutions. Holders of datasets of national significance. Public and broader research community. Staff. IT sector.
Financing	Original funding from government.



	<p>Membership fees.</p> <p>Work fees.</p>
<p>Risk management and insurance</p> <p>Business continuity</p>	<p>Appropriate measures in place as would be expected of a high performance computing company, particularly redundancy.</p>
<p>Succession planning</p>	<p>Informal. Although not on the immediate agenda, watching internal prospects.</p>
<p>Three years from now....</p>	<p>Perhaps:</p> <ul style="list-style-type: none"> <li>• Not so reliant on government funding</li> <li>• Strong relationships with members</li> <li>• Strong membership list among tertiary institutions</li> <li>• Commercial arm with well-tuned business development driving revenue from outside universities</li> <li>• Solid business planning and budgeting systems operating</li> </ul>
<p><b>CIP Foundations Question:</b> Do you have a current business strategy?</p>	<p><b>No</b> approach. (No real activity but some good ideas which can be developed and progressed.)</p>

### Approach to Partnerships and Resources

Activity	Comments and/or Areas For Improvement
<p>Joint ventures and strategic partnerships</p>	<p>Intersect is built upon and grows on the strength of its strategic partners. Relationships with its members are also crucial.</p>
<p>Suppliers</p>	<p>Largely hardware. Not deeply integrated into the business.</p>
<p>Financial Resources</p>	<p>Intersect's funding comes from three clear sources: government funding (\$1.75m FY12), membership fees (\$2.5m) and applied research income (\$2.2m).</p>
<p>Resource Utilisation Planning</p>	<p>Brought on as required. Able to utilise spare space from capacity brought on for clients.</p>
<p>Plant and Buildings</p>	<p>Significant and complex.</p>
<p>Technologies</p>	<p>High performance (as would be expected).</p>
<p><b>CIP Foundations Question:</b> Do you develop partnerships and relationships to achieve mutual benefit and align your resources with your strategy?</p>	<p>Approaches <b>deployed in most areas.</b></p>



## Approach to Society

Activity	Comments and/or Areas For Improvement
Associations and memberships	Strong.
Sponsorships or community service	Not at a consumer level but a higher level, such as institution to institution.
Community consultations and communication	No, not broadly. But within the stakeholder community.
Corporate social responsibility	Not in the fashionable sense of the phrase. Intersect’s work in varied research fields and hosting of datasets of national significance is a social enterprise.
How is community impact measured?	N/A
<b>CIP Foundations Question:</b> Do you engage with the wider community (including neighbours; educational, charity and community organisations; leadership or professional associations)?	Approaches <b>deployed in most areas.</b>  (Could consider doing more to spread the word more broadly about the work Intersect is involved in with its partners and members and clients.)

## Key findings from the Leadership and Strategy analysis

Intersect management has brought to life the strategic direction that it was given when it started. It is time for this business intent and, perhaps, philosophical intent to be reviewed and refreshed. The obvious “big question” would appear to be how far and how much commercial work should Intersect take on and how should it be approached.

These questions need to be looked at by the leadership group – CEO, Board and senior management – in consultation with the important internal and external stakeholders. I am particularly thinking here of employees with whom it is important that leadership engages specifically on this issue and into the future.



## 5. Industry Analysis

Variables	Key Data / Comment										
<p><b>Industry Data</b>            Source: IBIS World Industry Report L7834:Computer Consultancy Services in Australia</p>	<p><b>Industry Definition</b></p> <p>Computer consultants, or IT consultants, provide advice and assistance in the fields of writing, modifying, testing and supporting software to meet the needs of a customer. They plan and design computer systems that integrate computer hardware, software and communication technologies. Industry participants undertake onsite management and operation of client computer systems and data processing facilities, and provide other professional and technical computer-related advice and services.</p> <p><b>Key Statistics Snapshot</b></p> <table style="width: 100%; text-align: center;"> <tr> <td>Revenue <b>\$26.3bn</b></td> <td>Annual Growth 07-12 <b>2.8%</b></td> <td>Annual Growth 12-17 <b>4.0%</b></td> </tr> <tr> <td>Profit <b>\$2.9bn</b></td> <td>Exports <b>\$274.5m</b></td> <td>Businesses <b>42,410</b></td> </tr> </table> <p><b>Executive Summary</b></p> <p>Assisting development and implementing new programming systems and business solutions has become big business since the use of computers became common in the workplace. The Computer Consultancy Services industry has benefited, as businesses continue to outsource many non-essential operations. Financial service providers, banks and insurers were the industry's original breadbasket and they remain the industry's largest clients. Over the last five years through 2011-12, industry revenue will have grown at an annualised 2.8% to total \$26.3 billion this year, including a 4.5% jump in 2011-12. Improvements in technology have been driving revenue growth; particularly shifts to cloud systems.</p> <p>As computers increasingly intertwine with general business and the community, so do computer consultants. As such, they have integrated their services with other consulting firms, such as strategic planning and business research companies. This overlap with the Management Consultants industry is growing, as both industries endeavour to offer a broad-based, start-to-finish service.</p> <p>Over the coming five years industry revenue is expected to grow by an annualised 4.0% to be worth \$32 billion in 2016-17. Put simply, this growth has mainly been driven by systems upgrades linked to advances in technology. In particular, the implementation of the National Broadband Network and improvements in cloud computing will drive demand. There will still be a lot of demand for services related to VoIP, though cloud systems has succeeded much of this demand in the business market. Businesses, households and governments will seek to capitalise on these advances and will look to computer consultants to provide the solutions.</p> <p><b>Product Segmentation</b></p> <div style="border: 1px solid #ccc; padding: 10px; background-color: #f0f0f0;"> <p>Products and services segmentation (2011-12)</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>22% Software consultancy</td> <td>28% Hardware consultancy</td> </tr> <tr> <td>23% Systems design and programming</td> <td>27% Systems analysts</td> </tr> </table> <p><b>Total \$26.3bn</b></p> <p style="text-align: right; font-size: small;">SOURCE: WWW.IBISWORLD.COM.AU</p> </div>	Revenue <b>\$26.3bn</b>	Annual Growth 07-12 <b>2.8%</b>	Annual Growth 12-17 <b>4.0%</b>	Profit <b>\$2.9bn</b>	Exports <b>\$274.5m</b>	Businesses <b>42,410</b>	22% Software consultancy	28% Hardware consultancy	23% Systems design and programming	27% Systems analysts
Revenue <b>\$26.3bn</b>	Annual Growth 07-12 <b>2.8%</b>	Annual Growth 12-17 <b>4.0%</b>									
Profit <b>\$2.9bn</b>	Exports <b>\$274.5m</b>	Businesses <b>42,410</b>									
22% Software consultancy	28% Hardware consultancy										
23% Systems design and programming	27% Systems analysts										



<p>Source: IBIS World Industry Report L7831: Cloud Computing in Australia</p>	<p><b>Cloud Computing in 2012-13 – Key Statistics Snapshot</b></p> <table border="0"> <tr> <td>Revenue</td> <td>Annual Growth 08-13</td> <td>Annual Growth 13-18</td> </tr> <tr> <td><b>\$1.2bn</b></td> <td><b>1.6%</b></td> <td><b>6.9%</b></td> </tr> <tr> <td>Profit</td> <td>Wages</td> <td>Businesses</td> </tr> <tr> <td><b>\$146.3m</b></td> <td><b>\$313.9m</b></td> <td><b>550</b></td> </tr> </table>	Revenue	Annual Growth 08-13	Annual Growth 13-18	<b>\$1.2bn</b>	<b>1.6%</b>	<b>6.9%</b>	Profit	Wages	Businesses	<b>\$146.3m</b>	<b>\$313.9m</b>	<b>550</b>
Revenue	Annual Growth 08-13	Annual Growth 13-18											
<b>\$1.2bn</b>	<b>1.6%</b>	<b>6.9%</b>											
Profit	Wages	Businesses											
<b>\$146.3m</b>	<b>\$313.9m</b>	<b>550</b>											
Variable	Comment (the following is general commentary and is not sourced from IBIS Reports)												
Major Players (Domestic)	<ul style="list-style-type: none"> <li>• Google</li> <li>• Kaggle</li> <li>• General consulting firms</li> <li>• Computer suppliers</li> </ul>												
Key drivers for growth	<ul style="list-style-type: none"> <li>• Government support of research work</li> <li>• Growth in the financial strength of universities</li> <li>• Developing new commercial opportunities through a dedicated BDM and commercial arm</li> </ul>												
Barriers to Entry	<ul style="list-style-type: none"> <li>• Relationships with universities and other institutions</li> <li>• Establishment costs</li> <li>• Access to high quality personnel</li> <li>• Reputation to be able to deliver</li> <li>• Managing security and privacy</li> </ul>												
Substitution	<ul style="list-style-type: none"> <li>• Internal university students</li> <li>• Commercial cloud computing providers</li> <li>• Commercial computing service providers; including moves from consulting firms looking to expand service offerings</li> <li>• Overseas service providers</li> </ul>												
Regulatory and compliance issues	<ul style="list-style-type: none"> <li>• Moderate: privacy and data security obligations</li> </ul>												
Key Success Factors	<ul style="list-style-type: none"> <li>• Maintaining relationships (including demonstrations of the benefits – financial and otherwise - of being a member)</li> <li>• Understanding the costs of delivering work</li> <li>• Understanding operational metrics</li> <li>• Boosting Intersect’s reputation for excellence and innovation</li> <li>• Reinforcing Intersect as a thought leader</li> <li>• Employee involvement and contribution</li> <li>• Managing the changing government funding environment</li> </ul>												



An Australian Government Initiative



Shaping Business, Transforming Industry

## Key findings from the Industry analysis

In many ways, Intersect's work in the research world is insulated by its special relationships with the major players and the rarefied and often less than commercially stellar nature of providing support services to researchers.

However, Intersect needs to remain vigilant that the universities see the benefit in working with Intersect rather than considering cheaper options such as in-house students or a backlash against the membership fee regime. The changing industry environment in which Intersect operates is likely to evolve in the medium term. Competitors in the high performance computing and cloud computing world looking for fertile new opportunities may well be able to construct packages that do not include membership fees and which even the most loyal of universities might find appealing. This will particularly be the case should Intersect move into more commercial work and start to compete head to head.



## 6. Markets, Marketing and Customers

### Market Overview

Intersect's services fall into two sectors: infrastructure and software engineering. Revenue is split around 50/50 between these two. Intersect is set up to deliver services to the research sector under its prevailing charter rather than to determinedly maximise profits or, indeed, retain a surplus. As such, the relative commercial merits of these services are not hugely significant in setting the business course. Naturally, if all or part of Intersect's business takes on a more commercial focus then it must have a deeper understanding of the relative profitability of the work it does and the work that is available.

However, it is important for operational reasons and to deliver the most cost-effective services that Intersect understands the commercial environment in which it operates.

### Marketing Approach

Element	Comments and/or Areas For Improvement
Marketing strategy & planning	<p>Work of the kind undertaken by Intersect is best handled by direct face-to-face engagement and relationship building. Intersect does this through the CEO and Board as well as through representatives on campus. This will be increasingly important as the politics of funding and education lift and the inevitable rise of large brand name IT businesses with an eye on this space.</p> <p>Any move to bolster the commercial work will need its own tailored marketing and sales plan.</p> <p>In all areas of Intersect's work it is important that the company is seen as a thought-leader and opinion maker. Think: presentations, key note speaking, public addresses, speeches, panellist and industry contributor.</p>
Website & Social Media	A good vehicle for the necessary soft marketing – blogs and case studies etc, rather than as a sales channel. The current site does this well.
Advertising & Promotion (brochures, newsletters, merchandise, signage, awards)	content in Intersect's Annual Report is a good tool for this job, although if its role is more for marketing than reporting it would succeed better with a facelift, especially to service any new areas of business.
Pricing and Positioning	The tiered pricing structure defines the company's positioning. But, as Ian Gibson points out, when you're perceived to be competing with universities' in-house students, you have to sell on more than just price.
Sales Force	Representatives in universities. Management is considering a business development manager for commercial work but this decision needs to be made once the business strategy has been determined.
Capability Statement	Yes. Through the website and Annual Report.
<b>CIP Foundations Question:</b>	Approaches <b>deployed in most areas</b> . Yes, directly with client.



<p>Is there a method (e.g. market research, customer surveys, etc.) for understanding customer’s needs, and expectations and the markets in which it operates?</p>	
--	--

### Customers

Activity	Comments and/or Areas For Improvement
<ul style="list-style-type: none"> <li>Customer Surveys &amp; Results</li> <li>Customer Database or CRM</li> <li>Record customer complaints</li> <li>Delivery performance</li> <li>Customer communication</li> <li>Customer feedback</li> </ul>	<p>It is important that Intersect maintains up to date customer data even though many of the clients are institutions and organisations – government and non-government – with whom Intersect has a strong relationship. Often these relationships can be at a high level which miss or avoid the detail of the customer’s experience of the service provided.</p>
<p><b>CIP Foundations Question:</b> Do you gather and analyse customer feedback including their opinion on the quality of your products/services?</p>	<p>Approaches <b>partially deployed</b>.</p>

### Key findings from the Markets, Marketing and Customers analysis

<p>Service and understanding the customer are critical in an industry like this where the customer pool is not huge and reputation is paramount. Intersect will benefit from a review of the customer data it keeps and ensure it covers the nuts and bolts of the work and customers’ formal feedback. And, as has become the de facto theme of this report, it is important that should Intersect decide to venture further into more commercial paths that systems and processes are built to directly service that business.</p> <p>New strategic directions might also need specialist marketing services – particularly where the company is trying to elicit new types of commercial opportunities (eg. investment; and IP creation, sharing and exploitation). It is important, if the company so decides, that it is promoted as being “open for business”.</p>
--



## 7. Business Operations

### People

Activity	Comments and/or Areas For Improvement
Skills analysis or Skills Matrix	No formally compiled matrix but there is an understanding of employees' knowledge and skills which works while the company remains "small enough and intimate enough". Compiling a list of the broader technical interests, skills and knowledge that Intersect's people have could help to inform the type of new work the company pursues.
Training Plans	There is a formal training budget. Use online resources; also mentoring and partnerships. Some employees could get benefits in attending leadership courses for IA – such as EC's Leadership 21.
Induction procedures	Yes. There is a formal HR induction and an informal introduction.
Job descriptions	Yes.
Performance reviews	Yes.
KPIs for staff (linked to business strategy)	Some work is put into managing individual performance towards corporate objectives but it is not easy to align staff KPIs to bigger goals.
Absenteeism	No an issue; many employees are "not here to make money" as the work is an extra reward. This is a great culture to generate but it is important that management engages with employees meaningfully and regularly to ensure this culture is cultivated.
Staff turnover	Low.
Reward and recognition	Annual pay reviews. IA looks for people looking for stability and broad rewards (not just money) and hires accordingly.
Industrial relations system	Permanent contracts for 80% of staff. Some casual employment. Some informal internships through universities.
Succession planning	Organic development that allows individuals to shine.
<b>CIP Foundations Question:</b> Do you have people processes that include objectives and appraisals linked to business objectives?	Approaches <b>partially deployed</b>
<b>CIP Foundations Question:</b> Do you have a process for capturing employee feedback (e.g. a survey)?	Approaches <b>partially deployed</b>



## Processes, Products and Services

Activity	Comments and/or Areas For Improvement
Business Systems and Procedures	Contract management and appraisal; including business development tracking and project sign-off. Engineering has processes to develop processes (for clients)
Is there a method for matching processes, products or services to customer needs, and expectations?	This is part of the thorough contract process.
Product and service delivery performance	Always deliver as required; key to maintaining reputation in the industry. "Use agile methodology to achieve the solution."
Product and service development	In conjunction with clients.
Job quotation and costing process	Regime to force all projects to build under budget and within time. Some contracts are fixed fee (preferred) and some are time + materials.
Operations management and production planning	Responsibility of senior manages of sectors. Monitor costs against projects; including time sheets to measure labour costs.
Quality management	Through the agile process; step by step checking.
Purchasing process	Yes.
Job/ process management software	It was suggested that this is "not as good as it should be" as IA has focussed on the lower level management needs which can miss the requirements of the executive level. Use Jira for task management.
<b>CIP Foundations Question:</b> Do you have business and quality management systems that describe processes and procedures?	Approaches <b>partially deployed</b>



## Safety

Activity	Comments and/or Areas For Improvement
Workplace health and safety plan	Putting in place for the end of 2012.
Risk assessment approach	Not delegated beyond CEO.
Incidents, injuries and reporting	Yes, as required.
Other...	Company is aware of sustainability and workplace issues. Initiatives include: <ul style="list-style-type: none"> <li>Actively promoting physical activity among staff</li> <li>Calculated desk positioning</li> <li>Constantly reviewing work efficiencies</li> <li>Very conscious of power consumption – moving data centre for cheaper power.</li> </ul>
<b>CIP Foundations Question:</b> Do you have a deliberate approach to promoting a healthy, efficient and environmentally sustainable workplace?	Approaches <b>partially deployed</b>

## Continuous Improvement

Activity	Comments and/or Areas For Improvement
Committees and toolbox meetings	Projects are overseen by sector managers and monitored through project management tools.
Continuous Improvement Plan	No specific plan. IT innovations and ideas are shared informally.
Continuous Improvement training of coaching	No.
Recognising and celebrating improvements	Not formally.
<b>CIP Foundations Question:</b> Do you have a deliberate organisational approach to Continuous Improvement?	<b>Ad hoc</b> approaches implemented
<b>CIP Foundations Question:</b> Have any Lean/Continuous Improvement tools or techniques	N/A



<p>been deployed? (e.g. Visual Management, 5S, 7 wastes, process or value maps etc.)</p>	
<p><b>CIP Foundations Question:</b> Do you have a framework for employee involvement in Continuous Improvement?</p>	<p><b>Ad hoc</b> approaches implemented</p>

## Research and Development

Activity	Comments and/or Areas For Improvement
<p>Research and Innovation (knowledge and/or technology related):</p> <ul style="list-style-type: none"> <li>• R&amp;D Strategy</li> <li>• current and/or future plans</li> <li>• engagement with research orgs (i.e. Universities, CSIRO, etc)</li> <li>• entitlement to tax concession (or credit)</li> </ul>	<p>“We are a development business” says Ian Gibson. Intersect builds systems to support research. As a consequence, the company is always looking for ways to improve development processes and service delivery.</p> <p>The status of the corporate entity is being looked at to ensure maximum benefits are being accrued. This might include not-for-profit status versus the benefits that can be accrued via tax incentives where these tax benefits can be held by Intersect.</p>
<p>Product Improvement or Development</p>	<p>Intersect mostly operates as a service provider rather than product developer.</p>
<p>Process Improvement or Development</p>	<p>Yes; always investigating better ways to do this.</p>
<p>Intellectual Property (IP)</p>	<p>Documented within contracts as to who owns the IP, Intersect or members. Generally this IP relates to “know-how”.</p> <p>Clients own IP developed under contracted work.</p> <p>Management should consider if there are IP “products” that Intersect has created that can be deployed and commercialised.</p>

## Creativity, Innovation and Design

Activity	Comments and/or Areas For Improvement
<p>Value Proposition</p>	<p>Providing high performance computing services to research operations that are affordable. And, in many cases, providing services that are only available at Intersect to clients who have “the need but not the ability or capacity”.</p>
<p>Creative Thinking</p>	<p>Yes, through the design process with the client to determine (a) what the client needs and (b) how best to deliver that computorially.</p>



Role of Design	Crucial. Used in both the design of the infrastructure and support systems and the design of the “content applications”.
Brand Identity	Well known among the membership, government and both the research and tertiary education industries as a provider of well-priced, well-compiled and well-delivered high performance computing services.
Understanding End User Requirements	Critical to its business. Learned through meetings and the design process, which is then defined in contracts. Intersect has personnel on member campuses to facilitate and build these relationships.
Design Process	Through consultation with the client and internally among the IT professionals.
Competitor Product Analysis	Intersect understand the business/competitor environment which includes students, boutique organisations in niche areas and pre-existing software. It is critical that Intersect continues to drive home the benefits of using its services to its members – particularly where using cheap student labour can be seen as an appealing (if short-sighted) option. Regular reporting, perhaps in the form of a six-monthly or yearly report, back to members on the value of their services against annual fees will help to cement Intersect’s value proposition in its members’ eyes.
Design Integration	Integral and integrated.
Innovation Culture	Yes. Intersect requires and promotes a culture of innovation to find solutions and new ways to do its work and to support research.
Innovation in the Business Model	Intersect’s original business model – coupling membership fees with a tiered cost recovery regime – is different, if not entirely innovative. What this model does well is it gently ties the member to Intersect without making them feel shackled. It is critical in the future that the benefits of this relationship are constantly “sold” to the member.  Seeking out new financial pathways, such as – for example – a more commercial or risk taking approach which might ease Intersect’s reliance on membership fees should be a strategic priority.

### Key findings from the Business Operations analysis

This section of the Review has thrown up two related matters that are worth highlighting; and both revolve around people:

- At the top of the list of Intersect’s strengths is its people and their ability to interpret clients' ideas and needs (some of the latter of which clients are probably not entirely sure themselves). Their knowledge and experience is the backbone of the company and it is important that when their input and contribution is harnessed it must be regularly recognised and acknowledged and celebrated in personal and formal ways as appropriate. Employee innovation and creativity should be encouraged so there is a culture of ownership that is felt as an intrinsic (non-commercial) reward. This is especially the case if more commercial work, which might not sit so well with the employee ethos, is pursued more vigorously.



An Australian Government Initiative



Shaping Business, Transforming Industry

- Under the current structure, members' fees are crucial to Intersect's business model and financial well-being. However, in a sector – public research – where money is undoubtedly being watched more closely than ever before, it is critical that Intersect goes out of its way to:
  - explain its commercial philosophy so there is concrete buy-in from members; and
  - report to members on the services and value delivered under the membership fees/cost recovery pricing regime.



An Australian Government Initiative



Shaping Business, Transforming Industry

## 8. Environmental Sustainability

There are many benefits for businesses to analyse their sustainability into the future including cost reductions, access to new markets and business opportunities, greater brand value and reputation, and enhanced employee motivation, productivity and retention.

Energy, water and materials consumption, waste management, supply chains and compliance with government or other regulations are specifically addressed in the Report (See Appendix 1 at the end of the main body of this report). The Report provides an overview of where the business sits.

Please note the Sustainability tool was constructed with a leaning towards businesses operating in the manufacturing sector. As such, much of the information contained in the Report is not specifically relevant to service-based industries such as those of IA. However, the notions behind the report are worthwhile.



An Australian Government Initiative



Shaping Business, Transforming Industry

## 9. Key Operational and Financial Results

### Operational Metrics

As mentioned elsewhere, under Intersect’s hybrid commercial funding model it is important for operational efficiency that management understands the company’s operational metrics. This will allow it to offer its services in the most cost-effective fashion and deliver outcomes to its stakeholders. These might be cheaper services or improved “dividends” in the form of reduced membership fees, lower prices, higher surpluses, increased self-sustainability and retained earnings from investment in riskier projects.

Intersect should develop a set of operational metrics – average hourly rates, job “profitability”, returns on equipment and infrastructure investment, capacity utilisation etc – that will allow it to better discharge its obligations; be they working for their shareholders and stakeholders or for commercial outcomes. Improving recording operational metrics is noted in the Operational Plan 2012/13.



## Financial Performance

### Operating Financials (Profit and Loss)

Income Statement	2009	2010	2011	2012
Total Sales	4,331,220	5,066,667	6,333,223	6,441,136
Total CoGS	0	0	0	0
<b>Gross Profit</b>	<b>4,331,220</b>	<b>5,066,667</b>	<b>6,333,223</b>	<b>6,441,136</b>
Operating Expenses	3,317,532	5,564,381	6,287,335	6,529,214
<b>EBIT</b>	<b>1,013,688</b>	<b>-497,714</b>	<b>45,888</b>	<b>-88,078</b>
Net Interest & Non-trading	124,374	78,815	247,379	106,061
<b>Profit Before Tax</b>	<b>1,138,062</b>	<b>-418,899</b>	<b>293,267</b>	<b>17,983</b>

P&L Ratios & Analysis	2009	2010	2011	2012
<b>Sales</b>				
% Change	-	17%	25%	2%
<b>Profit</b>				
Gross Profit % Change	-	17%	25%	2%
Gross Profit Margin	100%	100%	100%	100%
EBIT % Change	-	-149%	109%	-292%
EBIT Margin	23.4%	-9.8%	0.7%	-1.4%
Net Profit Before Tax % Change	-	-137%	-170%	-94%
Net Profit Before Tax % Sales	26%	-8%	5%	0%
<b>Costs</b>				
Total Costs (CoGS + Operating Expenses)	\$3,317,532	\$5,564,381	\$6,287,335	\$6,529,214
Total Costs % Change	-	68%	13%	4%
<b>Wages</b>				
Wages etc (wages + salaries + oncosts + super + bonuses)	\$2,393,775	\$4,437,300	\$4,830,131	\$4,847,663
Wages etc % Change	-	85%	9%	0%
Wages etc as % of Sales	55%	88%	76%	75%
Wages etc as % of Total Costs	72%	80%	77%	74%
<b>Other</b>				
Total \$ Rent (per year)	\$64,586	\$298,391	\$312,723	\$368,619



## Financial Position (Balance Sheet)

Statement of Financial Position	2009	2010	2011	2012
<b>Current Assets</b>				
Cash	1,623,424	837,176	1,997,768	2,037,833
Accounts Receivable (Trade Debtors)	413,581	598,119	812,187	1,512,096
Other Current Assets	18,272	138,040	39,000	376,200
<b>Total Current Assets</b>	<b>2,055,277</b>	<b>1,573,335</b>	<b>2,848,955</b>	<b>3,926,129</b>
<b>Non-current Assets</b>				
Property, Plant and Equipment	146,099	267,334	160,984	110,010
Land and Buildings	0	0	0	0
Long-term Investments	0	0	0	0
Other Non-current Assets	203,203	203,203	203,203	203,203
<b>Total Current Assets</b>	<b>349,302</b>	<b>470,537</b>	<b>364,187</b>	<b>313,213</b>
<b>TOTAL ASSETS</b>	<b>2,404,579</b>	<b>2,043,872</b>	<b>3,213,142</b>	<b>4,239,342</b>
<b>Current Liabilities</b>				
Accounts Payable (Trade Creditors)	396,218	673,994	843,673	779,748
Accrued Expenses	70,299	140,715	204,441	242,515
Currently Maturing Debt (inc credit cards)	0	0	0	0
Other Current Liabilities	800,000	510,000	1,152,598	2,117,023
<b>Total Current Liabilities</b>	<b>1,266,517</b>	<b>1,324,709</b>	<b>2,200,712</b>	<b>3,139,286</b>
<b>Non-Current Liabilities</b>				
Bank Loans, HP etc	0	0	0	0
Other Non-current Liabilities	0	0	0	69,643
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,643</b>
<b>TOTAL LIABILITIES</b>	<b>1,266,517</b>	<b>1,324,709</b>	<b>2,200,712</b>	<b>3,208,929</b>
<b>Equity</b>	<b>1,138,062</b>	<b>719,163</b>	<b>1,012,430</b>	<b>1,030,413</b>

Balance Sheet Ratios & Analysis	Definition	Goal	2009	2010	2011	2012
<b>Cash</b>						
Net cash in Weeks	Number of weeks of expenditure you can fund from cash reserves.	10 Weeks.	26	8	17	16
Debtor Days	Average number of days your debtors take to pay.	As low as possible. 30 days is OK.	35	43	47	86
Creditor Days	Average number of days you take to pay your creditors.	Equal to your Debtor Days. 30 Days is OK.	44	44	49	44
<b>Liquidity</b>						
Working Capital Ratio.	Indication of short term ability to operate viably. Current Assets divided by Current Liabilities.	Should be greater than 1.	1.6	1.2	1.3	1.3
<b>Assets</b>						
Total Assets % Change	Change in \$ value Year-on-Year		-	-15%	57%	32%
Return on Total Assets %	Profit as a percentage of total assets.	Market interest rates.	42%	-24%	1%	-2%
Debt to Equity Ratio (x:1)	Ratio of Company's Debts (liabilities) to Equity.	Should be less than 1.	1.1	1.8	2.2	3.1
<b>Equity (aka Net Assets)</b>						
% Change	Change in \$ value Year-on-Year	Increasing.	-	-37%	41%	2%
Net Assets to Total Expenditure	Provision of financial buffer.	20% is healthy.	34.3%	12.9%	16.1%	15.8%



## Key findings from the Financial analysis

In its 2012 manifestation, Intersect’s aim is to deliver its services and accrue moderate surpluses or manageable deficits rather than build a large surplus or profit. Intersect has achieved this goal in the past two financial years – effectively since the flow of Applied Research Income. This is positive but it is important to note that Interest Income played a significant part in the financial result in FY11 and, particularly, FY12. This suggests that Intersect is sailing pretty close to the wind in terms of pure commercial independence and needs to be watchful. It is also important, given the large amounts of cash the business holds, that this interest earning opportunity is balanced between risk and good returns.

Should Intersect decide, for whatever reason, to pursue a more commercial approach in part or in full, the company will need to ensure that it has the right financial reporting tools – starting with monitoring and reporting on the Cost of Goods Sold – required to manage the business, especially if government funding or membership fees income changes. Given the dominance of the salaries in the company’s expenses, the allocation of the cost of people is crucial in forming a picture of job-job and sector-by-sector profitability.

The Balance Sheet is dominated by the large cash balances – \$2m+ at 30 June 2012 – and the Other Current Liabilities which is largely Deferred Income. These are both the result of either membership fees or government funding paid in advance. These will rise and fall more or less in synch but it is important to watch the effect these have on available cash as the financial years’ progress to ensure there is no awkward shortfall.

The other issue worth focussing on is the outstanding monies owed which stood at \$1.5m at 30 June 2012. The ratios show this is an average of 86 days for payment which has doubled from the end of the previous FY. Given the relationships between Intersect and its client/members there is some sensitivity around this issue but Intersect should find ways to accelerate payments from clients. I suspect that pressuring the clients is unlikely to be very effective but agreeing on a payment schedule, for example, might help to loosen the purse strings.

## Key results

Activity	Comments and/or Areas For Improvement
Budgeting Process	Yes; extract included in Operating Plan.
What reports are generated?	Budget to actual; particularly expenses which are attributed to Administration. Some specific budget allocations to “divisional” areas such as “engineering” for salaries.
Management analysis of results	Yes. Actual to forecast and actual to budget.
Job costing Analysis	Some extra detail required, particularly if a more commercial strategy is countenanced.
Communication/sharing of results, data and trends	If the Intersect management and board is looking to engage more deeply with the employees judicious sharing of this type of information could be beneficial in building trust.
<b>CIP Foundations Question:</b> Are the key financial and non-financial outcomes analysed and compared against budgets and forecasts?	Approaches <b>partially displayed</b> .



# 10. Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT)

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis identifies the critical components of the business activity for attention by the business.

<b>Strengths</b> (attributes of the business that <u>help</u> to achieve objectives)	<b>Weaknesses</b> (Attributes of the business that could <u>hinder</u> the achievement of objectives)
<ul style="list-style-type: none"> <li>• Intersect’s reputation and central position within its industry</li> <li>• Intersect’s people, especially those involved in designing, compiling and configuring the services.</li> <li>• The relationship with its members and their financial interconnectedness.</li> <li>• Company know-how.</li> <li>• Organisational solidity.</li> <li>• Strong big-picture leadership.</li> </ul>	<ul style="list-style-type: none"> <li>• Payment can be slow; perhaps because of a “we are members and so we’re not obliged to pay promptly” mindset.</li> <li>• A possible simmering disquiet from members that we pay membership fees so why do we also have to pay for services. Or, more importantly, the importance of soothing any such disquiet.</li> <li>• Employee involvement and recognition; particularly should a newer more commercial model arise.</li> <li>• Reliance on public funding – direct and indirect.</li> </ul>
<b>Opportunities</b> (These are usually External, but can include Internal factors that may offer scope for growth or change.)	<b>Threats</b> (These are factors that could hinder progress and are normally factors that are <i>External</i> to the business.)
<ul style="list-style-type: none"> <li>• Harness the new technologies and opportunities offered by more commercial competitors and, at the same time, blunt any competitive advantage.</li> <li>• Leverage Intersect’s knowledge, reputation and experience to chase (and/or create) more commercial or commercially risky work. This might best be done through a new separate commercial entity that is wholly owned by Intersect.</li> <li>• As part of the previous point, look for opportunities to create IP that Intersect owns and can exploit.</li> </ul>	<ul style="list-style-type: none"> <li>• Threats, real or imagined, to the size and continuation of research budgets.</li> <li>• Rise of in-house computing departments and faculties at universities.</li> <li>• The increasing availability of similar or possible substitute services offered by private companies who have the brand, the track record and the IT and the scale to undercut IA..</li> <li>• Competitors who come at the same problem with a more commercial and less membership-fee based business model. Disruptive services from non-upfront-fee businesses.</li> <li>• Students proving a bargain-priced if not full-service alternative.</li> <li>• The Cloud.</li> </ul>



## Appendix 1 – Environmental Sustainability Report

Sustainability Category	Analysis	
<i>Energy usage and efficiency</i>	<b>Status</b>	Competence  The business has effectively implemented and integrated an energy management plan (it may be part of an overall resource efficiency plan or an environmental management system).
	<b>Next Steps</b>	<ul style="list-style-type: none"> <li>• Ensure the energy efficiency targets are aligned with business objectives where there are likely to be financial benefits.</li> <li>• Review mass energy flows and losses that occur within the business.</li> </ul>
	<b>Assistance</b>	<p>For further information on energy efficiency best practice guides, visit:  <a href="http://www.eec.org.au/Best%20Practice%20Guides">http://www.eec.org.au/Best%20Practice%20Guides</a>                      and  <a href="http://www.resourcesmart.vic.gov.au/for_businesses/energy_efficiency_4597.html">http://www.resourcesmart.vic.gov.au/for_businesses/energy_efficiency_4597.html</a></p> <p>A number of state and local governments and agencies and various industry associations have programs and tools that may assist.</p>
<i>Water usage and efficiency</i>	<b>Status</b>	Leadership  The business has achieved excellence in water management comparable with best in class/sector.
	<b>Next Steps</b>	<ul style="list-style-type: none"> <li>• Conduct benchmarking and assess performance against industry best practice.</li> <li>• Promote achievements to markets, supply chains and within the business.</li> <li>• Consider seeking recognition through local, national, international and industry awards.</li> </ul>
	<b>Assistance</b>	<p>Before making any claims about credentials be sure to read the Australian Competition &amp; Consumer Commission's guide to green marketing available at  <a href="http://www.accc.gov.au/content/index.phtml/itemId/815763">http://www.accc.gov.au/content/index.phtml/itemId/815763</a></p> <p>Relevant awards include the Banksia awards. For more information visit:  <a href="http://www.banksiafdn.com/the-awards/42/52.html#2009%20Categories">http://www.banksiafdn.com/the-awards/42/52.html#2009%20Categories</a></p>
<i>Materials usage and efficiency</i>	<b>Status</b>	Awareness  The business has an awareness of the materials used in its production processes and understands the impacts that may arise from lack of materials efficiency.
	<b>Next Steps</b>	<ul style="list-style-type: none"> <li>• Gain a full understanding of the impacts of materials use in the business and consider further action.</li> <li>• Commit to the development of a materials management plan.</li> </ul>
	<b>Assistance</b>	To start thinking about ways to manage materials use read Eco-design: the Environmental Impact at Every Stage of Your Product's Life, the chapter about materials use and efficiency from Jon Dee's free ebook Sustainable Growth available at:



		<p><a href="http://about.sensis.com.au/ignitionSuite/uploads/docs/SENS0047_Book_ONLINE_v4a-Chpt10.pdf">http://about.sensis.com.au/ignitionSuite/uploads/docs/SENS0047_Book_ONLINE_v4a-Chpt10.pdf</a></p> <p>The AI Group provides information about materials efficiency together with general resource efficiency available at:</p> <p><a href="http://pdf.aigroup.asn.au/environment/Reducing%20business%20cost.pdf">http://pdf.aigroup.asn.au/environment/Reducing%20business%20cost.pdf</a></p> <p>A number of state and local governments and agencies, and various industry associations have programs and tools that may assist.</p>
Waste	Status	<p>Leadership</p> <p>The business has achieved excellence in waste management comparable with best in class/sector.</p>
	Next Steps	<ul style="list-style-type: none"> <li>● Promote achievements in markets, supply chains and within the business.</li> <li>● Consider seeking recognition through local, national, international and industry awards.</li> </ul>
	Assistance	<p>Before making any claims about credentials be sure to read the Australian Competition &amp; Consumer Commission's guide to green marketing available at:</p> <p><a href="http://www.accc.gov.au/content/index.phtml/itemId/815763">http://www.accc.gov.au/content/index.phtml/itemId/815763</a></p> <p>The Waste Management Association of Australia presents several awards. The two most prominent are the John Guice Award and the Life Membership Award. For further information visit:</p> <p><a href="http://www.wmaa.asn.au/director/about/awards.cfm">http://www.wmaa.asn.au/director/about/awards.cfm</a></p>
Supply Chain	Status	<p>Commitment</p> <p>The business currently meets the environmental and sustainability standards and concerns of its clients. It has implemented initiatives to improve the sustainability of its products/services and is developing policy and procedures. It has assigned responsibilities to nominated staff and is engaged with suppliers and customers.</p>
	Next Steps	<ul style="list-style-type: none"> <li>● Develop policies and targets to improve sustainable practices to meet customer and supplier requirements.</li> <li>● Create frameworks and action plans on how best to involve suppliers and customers.</li> <li>● Review procurement guidelines and consider the use of remanufactured equipment.</li> </ul>
	Assistance	<p>An example of a guide to assist in sustainable supply chain management can be found at:</p> <p><a href="http://www.nzbcscd.org.nz/supplychain/SupplyChain.pdf">http://www.nzbcscd.org.nz/supplychain/SupplyChain.pdf</a></p> <p>Further information and support on supply chain management can be found at the Global Reporting Initiative Website:</p> <p><a href="http://www.globalreporting.org/LearningAndSupport/SupportForSupplyChain/">www.globalreporting.org/LearningAndSupport/SupportForSupplyChain/</a></p> <p>For more information about remanufacturing visit:</p> <p><a href="http://www.remanufacturing.org.uk/">http://www.remanufacturing.org.uk/</a></p>
Strategy & Compliance	Status	<p>Commitment</p> <p>The management of the business has committed to developing a sustainability strategy that provides a framework for more sustainable business practices and ensures compliance.</p>
	Next Steps	<ul style="list-style-type: none"> <li>● Develop management structures and procedures that incorporate the sustainability needs of all relevant stakeholders and key staff. A good management structure provides a framework in which</li> </ul>



	<p>continuous improvement and resource efficiency can be obtained.</p> <ul style="list-style-type: none"> <li>● Develop a register of relevant environmental regulations and obligations.</li> </ul> <p>Assistance For information about environmental compliance visit the following websites:</p> <p><a href="http://www.environment.gov.au/archive/settlements/industry/index.html">http://www.environment.gov.au/archive/settlements/industry/index.html</a></p> <p>and</p> <p><a href="http://www.business.gov.au/BusinessTopics/Environmentalmanagement/Minimisingyourimpact/Pages/Reporting.aspx">http://www.business.gov.au/BusinessTopics/Environmentalmanagement/Minimisingyourimpact/Pages/Reporting.aspx</a></p> <p>and</p> <p><a href="http://www.wbcd.org/pages/EDocument/EDocumentDetails.aspx?ID=13593&amp;NoSearchContextKey=true">http://www.wbcd.org/pages/EDocument/EDocumentDetails.aspx?ID=13593&amp;NoSearchContextKey=true</a></p>
<p><i>Environmental Management Systems (EMS)</i></p>	<p>Status Commitment</p> <p>The management of the business has committed to the development of an Environmental Management System (EMS).</p>
	<p>Next Steps</p> <ul style="list-style-type: none"> <li>● Develop a basic Environmental Management System (EMS) which will provide a structure and framework for the business to achieve its sustainability goals and objectives.</li> </ul>
	<p>Assistance For information about Environmental Management Systems visit the Environmental Management Network at</p> <p><a href="http://ems.asn.au/">http://ems.asn.au/</a></p> <p>Examples of environmental policies can be found at:</p> <p><a href="http://www.yalumba.com/policy.asp?p=194">http://www.yalumba.com/policy.asp?p=194</a></p> <p>and</p> <p><a href="http://www.environment.gov.au/land/management/ems/index.html">http://www.environment.gov.au/land/management/ems/index.html</a></p>