

AWRI

Business Plan

Towards 2015

Executive Summary



The Australian Wine
Research Institute



Highlights

The AWRI has a 50-year history of providing world-class, industry-relevant science, and facilitating the adoption and application of science in the Australian wine industry. We have been instrumental in building a culture of experimentation and innovation which is directly linked to the industry's market success.

We have helped keep this dynamic industry at the leading edge by building the capacity for rapid adoption of new science and technology. This industry is flexible and able to modify its products according to changing market demands. The entrenchment of scientific and technological adoption at the core of the industry's culture, confers an important market advantage in an increasingly competitive global environment.

The AWRI remains responsive to the demands of its many stakeholders, particularly the grapegrowers and winemakers of Australia, and increasingly the consumers of Australian wine. The AWRI can demonstrate that its activities are of continued benefit to those stakeholders.

Selected highlights include the following outcomes and benefits:

For the consumer

- > Improved wine quality by facilitating continual enhancements in wine composition
- > Sensory studies that identify the drivers of wine quality and style
- > Lower incidence of quality loss conferred by bottle closures
- > Improved wine quality due to continual enhancements in the winemaking process
- > Reduction of the lead level in Australian wine
- > Supporting and fostering a culture of product integrity in the Australian wine industry

For the grapegrower

- > Elucidating colour / quality relationships in grapes
- > Annual publication of *Agrochemicals registered for use in Australian wine*
- > Providing easily accessible information on maximum residue limits in export markets
- > The application of Near Infrared spectroscopy for the analysis of grape composition
- > Provision of targeted technical and information services to grapegrowers

For the winemaker

- > Fermentation management including the development of novel yeast and the supply of pure microbial cultures
- > Practical understanding of the sherry flor and spoilage of fortified wine
- > Early recognition of the importance of pH in the microbiological stability of exported wines
- > Understanding and development of management strategies related to temperature and oxidation; red wine colour and phenolics; wine instabilities
- > Identification of wine taints, and development of strategies to eliminate them
- > Allowing industry to optimise wine flavour through the identification of key components of grape, wine and oak flavour
- > Provision of targeted technical and information services to winemakers
- > Fostering positive trends in the key measurements of wine composition (e.g. free to total SO₂ ratios; volatile acidity; and 4-ethylphenol)

A W R I



The Australian Wine Research Institute directory

Registered Office

Waite Road, Urrbrae (Adelaide), SA 5064

Board Members (at 1 January 2006)

Mr R.E. Day, BAgSc, BAppSc (Chairman)

Mr J.F. Brayne, BAppSc (Oen)

Mr P.J. Dawson, BSc, BAppSc (Wine Science)

Mr T.W.B. James, AssDip(WineProd)

Mr G.R. Linton, BAppSc(AppChem), GradDip (SysAnal)

Mr S.B. Millar, CPA

Professor I.S. Pretorius, BSc(Hons), MSc, PhD

Professor S.D. Tyerman, BSc(Hons), PhD

Two to three 'Special Qualifications Directors'
will be appointed in 2006.

Managing Director

Professor I.S. Pretorius, BSc(Hons), MSc, PhD

Bankers

The Commonwealth Bank of Australia, Adelaide

Solicitors

Finlaysons Lawyers, Adelaide

Auditors

PKF, Adelaide

Key funding agency

Grape and Wine Research and Development Corporation

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Executive Summary

Purpose of this plan

This business plan has been prepared to document where The Australian Wine Research Institute (AWRI) finds itself after 50 years of operation; where do we want to be in ten years time; the opportunities facing AWRI; what might prevent AWRI from realising these opportunities; and how we might overcome these ‘roadblocks’ to achieve our goals.

Its purpose is to act as a roadmap for the next ten years and reveal the well-considered and agreed route developed from management and other stakeholders’ discussions and planning.

On 24 February 2005, stakeholders¹ gathered for a *Strategic Planning Meeting*. The general consensus achieved at that meeting has formed the building blocks of this Business Plan. Since that time, further consultations have been held with various stakeholders to complete the Plan.

The Executive Summary of this plan can be used for communication to existing and potential funding bodies and other stakeholders as required. To ensure its implementation, this Plan, which has been ratified by AWRI Council², has received strong input and ownership by AWRI’s senior management team.

Purpose, mission, vision and values

AWRI’s *purpose* is to contribute substantially in a measurable way to the ongoing success of the Australian wine industry.

AWRI is resolute in its *vision* to deliver high value to the Australian wine industry through world-class research and integrated solutions and to provide thought leadership to the research activities of the Australian wine industry.

The *mission* is to underpin that world-class research and integrated solutions with:

- > a tenacious pursuit of understanding;
- > the development of a unique, extensive and usable knowledge base; and
- > a focus on contributing substantially to stakeholders achieving their needs.

AWRI’s *values* provide guidance in how it will deliver on its mission. These values are:

- > scientific integrity and excellence;
- > a culture of delivering results;
- > internally and externally collaborative;
- > accountability and transparency; and
- > focused on the Australian wine industry and industry driven

¹ Attending the *Strategic Planning Meeting* were: **Moderator:** John Stocker; **AWRI Council members:** Robin Day, Jim Brayne, Peter Dawson, Peter Hayes, Tim James, Geoff Linton, Steve Tyerman, Rob Walker; **AWRI staff:** Sakkie Pretorius, Sally-Jean Bell, Rae Blair, Paul Chambers, Peter Eichinger, Leigh Francis, Mark Gishen, Peter Godden, Yoji Hayaska, Paul Henschke, Markus Herderich, Hans Muhlack, Mark Sefton, Creina Stockley, Elizabeth Waters; **GWRDC representative:** Jim Fortune; **Winemakers’ Federation of Australia representatives:** Tony Battaglione, Chris Hancock

² The AWRI Council will soon be known as the Board of Directors. Council members as at 1 January 2006 are: Mr R.E. Day, BAgSc, BAppSc (Chairman), Mr J.F. Brayne, BAppSc (Oen), Mr P.J. Dawson, BSc, BAppSc (Wine Science), Mr T.W.B. James, AssDip(WineProd), Mr G.R. Linton, BAppSc(AppChem), GradDip (SysAnal), Mr S.B. Millar, CPA, Professor I.S. Pretorius, BSc(Hons), MSc, PhD, Professor S.D. Tyerman, BSc(Hons), PhD. Two to three ‘Special Qualifications Directors’ will be appointed in 2006.

The AWRI faces many challenges in delivering on its purpose, vision and mission. The global wine industry is in a state of change and the research support the Australian wine industry receives is fragmented.

In summary, AWRI will, in a measurable way, substantially contribute to the ongoing success of the Australian wine industry and it is resolute in delivering high value to the Australian wine industry through world-class research and integrated solutions.

To maximise its potential contribution, AWRI is the key driving force behind establishing the Wine Innovation Cluster³ (WIC) at the Waite Precinct in Adelaide. Whilst there are financial and political challenges to overcome, the WIC's establishment is crucial if AWRI is to blossom and achieve its potential position in the global market place against strongly funded competitors in other countries.

The WIC's development is a central tenet of this plan. The Australian wine industry places high expectations on AWRI's performance – the WIC is a key enabler for AWRI to deliver on those expectations.

Where are we?

In 2005, AWRI celebrated 50 years of operation. It has become **one of the world's leading knowledge developers and disseminators** of wine research thereby benefiting the Australian wine industry. Direct industry benefits have been numerous.

AWRI has evolved over the 50 years and has become much more than a research institute extending its information and knowledge to the Australian wine industry. Since the early 1980s, AWRI has become an integral player in the business development of the modern Australian industry through technology development, information sharing, and regulatory support, for which it is acknowledged domestically and internationally.

Internationally, *Brand AWRI* has achieved a very strong identity and is admired for its world-class, industry-focussed research effort and its contribution to the technical infrastructure of the modern Australian wine industry. It is now one of the key access points for wine industry related knowledge anywhere in the world. Selected highlights of AWRI's research successes appear at the very beginning of this plan.

It has been the blend of multi-disciplinary science with industry development and support, front-line 'emergency services', modern information dissemination facilitation and the provision of commercial analytical services which has led to this outcome.

This position has been recognised by other countries who now seek to emulate aspects of this industry-driven model of integrated research, development

³ WIC is comprised of three buildings: WIC East – the Hickinbotham Roseworthy Wine Science Laboratory; WIC Central – AWRI collocated with UA and SARDI; WIC West – CSIRO collocated with Provisor.

An outline of AWRI's stakeholders and their key objectives and characteristics

An understanding of stakeholders' required outcomes underpins this plan. A current analysis of AWRI's stakeholder needs has been undertaken and identified. Our present involvement with these stakeholders and their cognitive awareness of AWRI and its activities has also been identified. Our stakeholders include:

AWRI members (Board); Levy payers; Winemakers' Federation of Australia (WFA) and the Wine Grape Growers Australia (WGGA); Australian Government; Grape and Wine Research and Development Corporation (GWRDC), Cooperative Research Centre for Viticulture (CRCV); AWRI staff; suppliers to the AWRI; suppliers to the wine industry; the South Australian Government and other government representatives.

A key outcome of this plan is to demonstrate that substantial further progress will be made in meeting the desired outcomes of key stakeholders.

The external environment

The Australian wine industry and AWRI are subject to a changing environment. AWRI management has considered the political, economic, social, technological, environmental and legal factors affecting the AWRI in developing this plan.

Current business

Customer interface

Australian wine industry customers interface with AWRI in four key areas:

- > Research (which includes biology, chemistry and sensory sciences associated with oenology and viticulture);
- > Industry development and support;
- > Analytical services; and
- > Information dissemination.

Sources of funding

Currently, AWRI's activities are mostly financed by the GWRDC and the CRCV, with a proportion of income being generated by AWRI's Analytical Service and contract services.

AWRI relies heavily on support from the GWRDC and applies to this body for funding, on a competitive basis, each year. The bids are based on projects identified by the wine industry, the GWRDC or by AWRI staff members. AWRI focuses its project bids on opportunities to improve the wine industry.

AWRI's funding bid to the GWRDC is assessed against a set of investment criteria which is applied by the GWRDC in all funding decisions.

AWRI currently receives approximately 30% of the total funds the GWRDC has available to it for grape and wine research. As a result of the recent increase in wine-grape levies, the GWRDC will have the responsibility of distributing approximately \$26 million per annum, a net increase of more than \$8 million in 2006. AWRI's total income for 2004/05 was \$8.62 million of which \$5.172 million came from the GWRDC.

Current products and services

Each of AWRI's operating sections plays a vital role in its work:

- > The world-class research capability provides leadership and results in strategic, applied and frontier research across all facets of the wine industry supply chain.
- > Industry Development and Support provides problem solving and educative services to the industry and disseminates research results.
- > Communication and Information Services provides an information retrieval and publication service, facilitates the dissemination of research results and manages external communications to industry, the AWRI brand and its website.
- > Analytical Service maintains a NATA-accredited laboratory to provide a range of specialised analytical services to industry. This Service

facilitates rapid uptake by industry of analytical methods developed by our research.

- > Corporate Services provides administrative support (payroll, accounting), manages and implements the AWRI's IT requirements, takes responsibility for meeting the legislative requirements for Occupational Health Safety and Welfare matters and will implement and develop the AWRI's Employer of Choice program.

The current AWRI model, industry-owned, world-class research with integrated solutions, is unique in the world and an acknowledged model that has delivered high value to the Australian wine industry in the past. This model and the AWRI's critical mass will be maintained and enhanced in the next 10 years. Forward planning supports the teams at the AWRI blending together in a much more seamless manner, in order to deliver outcomes for the industry from our multi-disciplinary strengths.

Current organisational structure

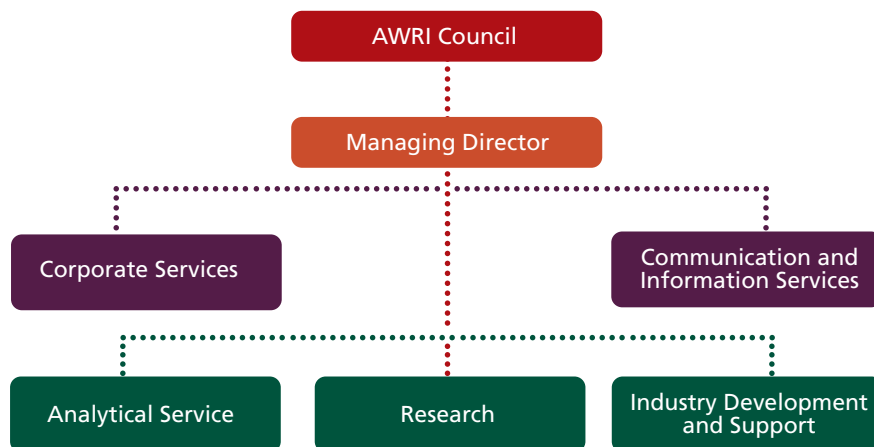


Figure 1. Current organisational structure

Present staff resources are (full time equivalents):

Table 1. Staff FTE - September 2005

AWRI section	No. staff
Executive	2
Corporate Services	10
Communication and Information Services	4
Analytical Service	16
Research	33
Industry Development and Support	12
Total Staff Resources (FTE)	77

Current infrastructure and resources

The original AWRI buildings were completed in 1958 with a number of refurbishments and extensions being made on several occasions, the last of which was in 1998.

The staff complement is currently 77 FTE which, when coupled with overseas visitors, honours and post-graduate students, now totals over 90. Space requirements must be urgently addressed.

Even with the extensive investment in equipment upgrades that has occurred in the past five years, there are still serious equipment deficiencies that need to be addressed. Examples include the need for additional and upgraded high level mass spectrometry, high-performance liquid chromatography (HPLC) and fermentation equipment.

Current roadblocks

Much has been achieved in 50 years of operation. The plan addresses AWRI's future directions and, in particular, the following roadblocks that have been identified that might prevent AWRI from achieving its full potential:

- > Provision of adequate space and other physical resources to enable AWRI to deliver on its purpose, vision and mission.
- > Provision of a safer work environment that easily complies with occupational health, safety and welfare requirements.

- > The ability to attract and retain the right people.
- > The ability to allow for longer range planning and maintenance of knowledge growth (and the improvements in efficiency and effectiveness that this brings), through changing the current funding mix from project only to a combination of core (baseline) and project theme funding. This will also reduce uncertainty levels.
- > Some aspects of its corporate governance.
- > AWRI's competitive position.

Where do we want to go?

Relationships

In looking forward, AWRI management has identified three critical relationships essential to its ongoing success:

- > its relationship with the GWRDC as the Australian wine industry's strategic investor in RD&E;
- > its relationship with industry bodies (such as WFA as the peak industry body with a membership of wine companies and AWBC [and as the WGGGA becomes more established, this body will also be a critical relationship for AWRI]); and
- > The University of Adelaide (UA) as the owner of the Hickinbotham Roseworthy Wine Science Laboratory and the education institution most directly linked with AWRI.

Several changes to these existing relationships are suggested.

Proposed future organisational structure

Three key changes are proposed.

- > *First*, the existing Council will transition to a corporate Board.
- > *Second*, the office of the Managing Director will recruit an executive who will be dedicated to business strategies and development. Responsibilities will include:

- Exploitation of IP developed at AWRI.
- Alliance opportunities.
- Coordinating AWRI's program to bring it 'top of mind' with stakeholders (jointly with Communication and Information Services).
- Business development of the Analytical Service (jointly with Analytical Service and Communication and Information Services).
- Identifying alternate sources of funding, e.g. AusIndustry, ARC.

- > *Third*, a new unit, Industry Applications, will be created. It will conduct research trials, with close industry involvement, that further develop research outputs and manage their application and adoption by industry. In the first instance, existing projects that currently contain a prominent industry-applied component will be managed by this unit, with the concept being extended to other AWRI activities in due course. The unit will become an important source of content for the expanding extension and knowledge transfer activities.

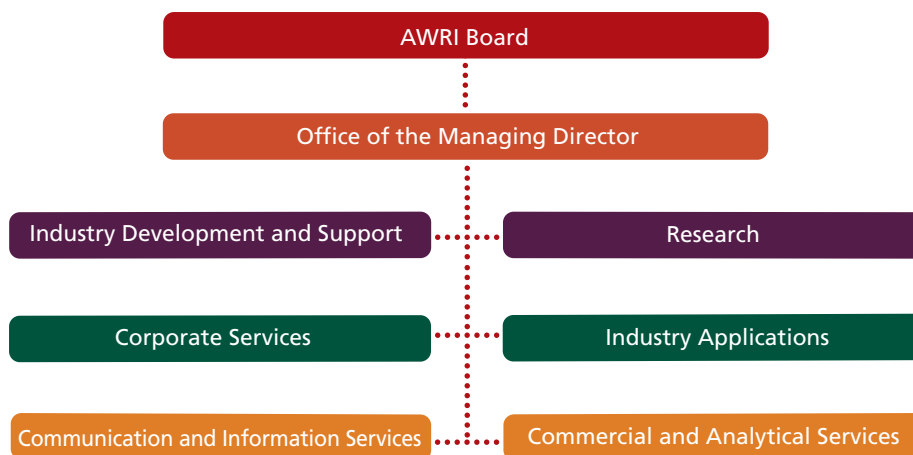


Figure 2. Proposed organisational structure

Research

AWRI plans to expand its research efforts substantially. Our current mix of research activities includes some *Frontier Research* which has the potential to completely ‘change the game’. AWRI will concentrate its *Frontier Research* on issues where its capabilities can be exploited and the chance of success is high. As *Frontier Research* is essential for discontinuous change and innovation to build the *Wine industry of the future*, AWRI will allocate at least 10% of long-term research investment to future *Frontier Research*.

As change in the industry environment becomes more discontinuous, AWRI realises that it becomes more difficult to accomplish all of its goals ‘in house’. In providing thought leadership it seeks to lead the way in developing a new paradigm for research effectiveness. AWRI will remain lean, nimble and responsive to the Australian wine industry’s research needs as the industry would like to achieve ‘more with less’ from its research efforts.

To achieve this, AWRI will seek to develop further a collaborative network of research organisations.

Rather than using external parties as a temporary mechanism to compensate for capabilities not yet mastered, AWRI will use collaborations with other RD&E providers to expand all parties’ competencies and the benefit to the Australian wine industry. This will provide sustainability in the ability to learn through interdependence.

The network can be adaptive and agile and change shape as required either on an ongoing or project-by-project basis.

Risk management

AWRI management has commenced a risk management planning process, beginning to identify the risks that exist within the various sectors of its operations. Once identified, a plan will be developed that deals with each identified risk.

Positioning

AWRI management has considered the existing position of the operating sections in terms of the size and price/know-how continua and their desired position that will enable AWRI to deliver better on its value offering.

Key initiatives

The plan identifies ten key initiatives for AWRI to deliver on its vision (and industry expectations) against the internal and external environment identified and to overcome the roadblocks.

They are:

1. Take a key role in the establishment and operation of the proposed Wine Innovation Cluster (WIC) at the Waite Precinct, Adelaide. To be developed at a total cost of \$28.25 million, it will collocate AWRI, SARDI and UA.

The South Australian Government has pledged \$9.5 million to the development cost. AWRI's contribution to the development cost will be \$9.272 million (after its share of SA Government funds). AWRI will contribute substantially from its cash reserves and the GWRDC has agreed to provide to AWRI \$2.0 million in funding for equipment and fittings into the proposed WIC building over two financial years. A shortfall exists of \$1.432 million: an amount that AWRI must raise over the next two years. The WIC will enable AWRI to:

- > improve its effectiveness and efficiency and thereby its contribution to the Australian wine industry;
- > allow greater collaborative research;
- > provide efficiencies of scale and scope through achieving larger size and the sharing of facilities; and thus
- > maintain its leadership position in the world grape and wine research sector.

2. Expand its presence and visibility in the winemaking regions through the establishment of satellite RD&E nodes in New South Wales,

Victoria, Western Australia, Queensland and Tasmania.

3. Seek to restore its share of GWRDC funding from an estimated 32% in 2006 to a level that will enable the AWRI to achieve its objectives.
4. Seek to reduce its total reliance on GWRDC (and CRCV) funding to less than 75% of total revenue during the planning period 2006 – 2015.
5. Secure long-term funding from GWRDC and move from a totally project funded relationship to a core and project theme funding arrangement. This will create a more certain environment and allow for longer range planning.
6. Expand the size of the Analytical Service by, amongst other things, re-investing surpluses earned in that area.
7. Seek to exploit the commercial research that might be available to it and exploit IP opportunities as they arise.
8. Create a culture of conscious governance and move from the existing Council arrangement to a corporate Board. Special Qualification Directors will be appointed to supplement the skills of the industry representatives.
9. Implement an 'Employer of Choice' program.
10. Implement a new measurement and control system to monitor AWRI's intangible assets that address AWRI's longer-term health, and assess the efficiency of short-term operations via the performance against key performance indicators.

Implementation of these initiatives will enable AWRI to:

- > enhance its value delivery to the Australian wine industry;
- > help stakeholders meet their needs;
- > exploit its internal strengths and the opportunities presented by the market place;
- > overcome its weaknesses and protect itself from market place threats; and
- > maintain its position as one of the world's leading grape and wine RD&E organisations.

Delivering high value to the Australian wine industry through world-class research and integrated solutions

This Business Plan is a result of the contributions of many people, and commenced with the Strategic Planning Meeting held on 24 February 2005, moderated by Dr John Stocker. Input to this plan has been made by AWRI Council members, AWRI staff members and stakeholder groups. The invaluable assistance of Mr David Pender, Knowledge Perspectives, in the preparation of this Business Plan is acknowledged.

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