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Narelle's Notes



Welcome to In the Loop, the e-newsletter of the Australian Business Foundation.

The Australian Business Foundation has hit the New Year running. We are advancing our priority research projects and crafting new ones. As we speak, Professor Peter Liesch is interviewing Australian 'born global' companies and gathering their insights and lessons. Additionally, the Foundation is negotiating with Professor Alan Hughes (who holds the Margaret Thatcher Chair of Enterprise and is Director of the Centre for Business Research at the University of Cambridge, England) to analyse the contribution made by each sector to total productivity growth in Australia.

The Australian Business Foundation's events program for 2007 is well underway, with well-received presentations by:

- Consumer researcher and analyst, Ross Honeywill, alerting us to NEO's (New Economic Order) who defy age, income and socioeconomic categories and value new experiences, beauty, authenticity and imagination. NEO's are the shapers of the future in employment, politics and consumerism.
- Professor Erkki Lappavuori, the head of the Finnish National Research Institute, VTT (Finland's equivalent to CSIRO) painting a picture of science and technology research closely

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embedded with both business enterprises and political decision makers.

The events program will also include a special event in celebration of our tenth anniversary!

The Foundation is also gearing up to launch our series of open source online forums on issues affecting Australia's long-term competitiveness and prosperity. If you would like to get involved, please get in touch immediately with the Foundation's Research Analyst, Matthew Steen, at matthew.steen@australianbusiness.com.au or (02) 9458 7342.

Read on for all the news, and stay tuned for more information about upcoming activities and the latest findings of the Foundation's research intelligence.

Regards,

Narelle Kennedy

Chief Executive, Australian Business Foundation

Innovation: Beyond the Cliches

The Forum that followed the Australian Business Foundation's recent Annual General Meeting featured Dr Thomas Barlow, author of *The Australian Miracle*, speaking on the topic of 'Reinventing Innovation'. Dr Barlow emphasised that much of the innovation debate in Australia is unduly pessimistic and based on clichés. In particular, he maintained that:

- the continual prosperity of the Australian economy debunks the myth that Australians are good at generating ideas but hopeless at commercialising them;
- the fear of losing knowledge offshore is damaging because it hinders resident companies from engaging with international organisations and joint ventures;
- pessimism built in to the innovative capacity of Australian businesses is counterproductive when it comes to lobbying governments and challenging the assumptions of the public;
- instead of holding endless debates on innovation policy, the stories of successful resident innovators should be emphasised; and
- innovation should be everything Australian businesses do, rather than bolted on to meet government innovation goals.

Questions from the floor raised the following issues:

- the great opportunities for innovation in Australia provided by global warming;
- problems associated with the declining number of science teachers and the poor incentives for students to pursue science as a career;
- Australians' uncommonly good ability to integrate technologies, which is more evident in narratives than in quantitative data; and
- the advantages made available to Australian technological integrators by the development of China and India.

For more information about Dr Thomas Barlow, see <http://www.barlowadvisory.com>

Foundation's Insights on the Future

The Australian Business Foundation's reputation as an expert business commentator was enhanced last month, when AFR Boss published Narelle Kennedy's analysis of 'Soft Signals' as part of a special feature on future trends. This article, which drew on work by Australian Business Foundation Director Oliver Freeman, highlighted the following developments:

- new business models that capitalise on the empowerment of customers by the internet, such as YouTube, MySpace and Al Gore's Current TV;
- user-centred innovation, where the users of products and services themselves devise ways of meeting their needs and freely share their innovations with others;
- more imaginative ways of engaging with China, including smaller firms piggybacking on transnationals, local enterprises participating in global production and supply chains, and cooperation between Western and Chinese businesses to leverage their respective expertises internationally; and
- new and diverse forms of employment and management, which accommodate the perceptions and aspirations of workers who are ever more ambitious, adventurous, internationally mobile and not necessarily interested in a corporate career.

The World Bank's Optimism

Late last year, the World Bank presented its Global Economic Prospects report for 2007. Overall, the Bank regards the future of the world economy as 'bright, with a few dim spots'. The report envisages global economic growth for 2006-30 to be faster than that in 1980-2005, doubling world output and doubling average per capital incomes in both developing and developed countries. Developing economies, once considered peripheral, will become chief drivers of world economic growth.

As for the 'dim spots' in the World Bank's happy picture, they are:

- widening income inequality between and within nations;
- increasing pressure on unskilled labour markets owing to the development of China, India and global sourcing; and
- environmental threats requiring close international cooperation.

Economists Richard Newfarmer and Dominique van der Mensbrugghe spoke to the 2007 Global Economic Prospects report via satellite link-up from Beijing to audiences in Hong Kong, Bangkok and Sydney. Richard Newfarmer affirmed that:

- technological development is more important to domestic wealth than volumes of international trade; and
- perceiving a trade-off between globalisation and equity is wrongheaded; supply-side education policies will boost national income more than the stimulation of aggregate demand through fiscal expansion.

Dominique van der Mensbrugghe's presentation stressed the following:

- imbalances between creditor and debtor economies is a two-way problem;
- the USA cannot be expected to do all the adjusting itself through its exchange rate; and

- concerns about unstable, 'short-run' crossborder capital flows should be weighted against increases in 'longrun' labour productivity that stem from greater capital mobility across borders.

For more information see the full report.

Engaging With the Productivity Commission

In the previous issue of In the Loop, we reported that the Australian Business Foundation made a submission in July 2006 to the Productivity Commission's Study on Public Support for Science and Innovation. Taking account of the submissions it received, the Productivity Commission released a Draft Research Report and invited comments by the end of the year.

In preparing the Foundation's response to the Draft Research Report, Matthew Steen participated in several roundtables in Canberra consisting of business economists, policymakers, academics and the Productivity Commissioners themselves. It was evident that many agreed with the Foundation's message that it is customers who impel businesses to recognise new problems and conceive new solutions, and that the process of innovation is collaborative and knowledge-intensive (but not necessarily high-tech).

In its response to the Productivity Commission's Draft Research Report, the Australian Business Foundation exhorted the Commission to:

- not equate innovation with research and development (R&D) or indices of scientific activity;
- reappraise the extent and benefit of public support for non-R&D forms of innovation;
- recognise the inherent reluctance of businesses to invest in innovation because its outcomes are by definition unpredictable;
- appreciate the few existing Federal programs (such as Commercial Ready) that increase the ability of Australian firms to absorb knowledge;
- suggest definite criteria by which to assess performance of the Australian innovation system as a whole; and
- consider that the formation of a cohesive and purposeful innovation system requires a strategic national body to determine spending priorities.

The Foundation's full response to the Productivity Commission's Draft Research Report.

Australian Business Foundation Events

Among the events that the Foundation is planning to hold this year to reframe the debates on Australia's competitiveness and to foster fresh connections between disparate ideas are:

- **Changing Patterns of Globalisation** – Professor Jean-Pierre Lehmann, Professor of International Political Economy at the International Institute for Management Development (IMD) in Switzerland – 2 April 2007, co-hosted by the IMD Alumni Association.
- **Harvesting Intellectual Property** – Adam Liberman, General Counsel, CSIRO – late April / early May 2007.

- **Economics and Productivity** – Associate Professor Ken Carlaw, University of British Columbia, Canada – May 2007.
- **Pioneering New Business Models** – Bruce Grey, Group Managing Director, Bishop Technology Group – June 2007.
- **Signature Trilogy Series** – Prescriptions for an Innovative Australia from the Political Leader, the Scientist and the Social Activist – three presentations over successive weeks – June/July 2007.
- **Australian Born Global Enterprises** – Foundation research study launch by Peter Liesch, Professor of International Business at the University of Queensland – July 2007.
- **Revitalising Australia's Innovation Policy** – series of expert speakers between August and November 2007.
- **People Count** – The Value of Human Capital – speaker to be advised – September 2007.
- **Australia's Productivity** – Foundation research study launched by Professor Alan Hughes, Margaret Thatcher Chair of Enterprise at the University of Cambridge, England – November 2007.

For more details on events contact Melissa Doyle.

Now Open! – Entries for the 2007 Australian Museum Eureka Prizes

The Australian Museum Eureka Prizes are Australia's largest single award program recognising outstanding science with rewards of over \$200,000. Prizes are available in the categories of:

- research and innovation;
- leadership;
- science, communications and journalism; and
- school science.

In 2007, four new awards extend the scope of the Prizes:

- IAG Eureka Prize for Innovative Solutions to Climate Change;
- British Council Eureka Prize for Young leaders in Environmental Issues and Climate Change;
- New Scientist Eureka Prize for Science Photography; and
- University of New South Wales Eureka Prize for Scientific Research.

Full details and entry form Entries close on Friday 4 May 2007

Invitation from Hargraves Institute

Members and friends of the Australian Business Foundation may be interested in attending a conference next month hosted by the Hargraves Institute on 'Leadership and innovation: building organisations to meet the future'.

The conference will be held in Sydney at the Powerhouse Museum on Wednesday 14 March and the Australian Graduate School of Management on Thursday 15 March 2007. Guest speakers include US innovation advisor, Robert Tucker, Professor Mark Dodgson from the University of Queensland, and Business Higher Education Council Chair, David Murray. On the second day there will be a series of workshops.

For more information or to register please contact jenny@hargraves.com.au, or obtain the conference brochure at <http://www.hargraves.com.au/>

Our Sponsors

The Australian Business Foundation is principally sponsored by its founder, **ABL State Chamber** - the eminent industry organisation.

The Foundation is also delighted to have major corporate sponsorship from:

- **Westpac**



These prestigious firms are thought leaders, and we are pleased to work with them to advance knowledge and debate about the future prosperity and growth of Australian business.

The Last Word

A big welcome to the new members who have joined the ABF membership community since the last issue of *In The Loop*. Feel free to forward this newsletter on to your colleagues and associates.

Many thanks to those members and friends who completed our annual member survey. Your insights, comments and suggestions have been most helpful in developing and building a more interactive membership. Your thoughts and suggestions are welcome any time - please feel free to contact us.

Remember that this newsletter is not only the primary communication between ABF and its valued membership, but is also an instrument for members to interact with each other. The Foundation encourages its members to use this forum to contribute to the knowledge network that is the ABF membership community.

If you or your organisation is working on a product, service, research project or event that furthers new thinking on **Australia's business competitiveness, innovative capacity** and opportunities from a **knowledge-based economy**, please contact us and we will spread the word!

Comments, questions, suggestions, please contact us:

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