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Narelle's Notes



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

The Australian Business Foundation has enjoyed a busy and productive beginning to 2006. With ABF corporate member Deloitte, we have conducted a series of **innovation focus groups** investigating the approach and appetite for innovation in middle - market firms. Read more in this In the Loop .

ABF has also been developing our forward **research program**. Further, we are anticipating the release shortly of research papers on Innovation and the Knowledge Economy by Professor Keith Smith, formerly of the European Commission Joint Research Centre in Spain and now back in Australia at the University of Tasmania. Also close to completion is ABF's contribution to an international comparison study of Innovation in Manufacturing by Professor Mark Dodgson of the University of Queensland.

Insights from ABF's research and related intelligence with expert speakers will form ABF's **events program** for the year, outlined in this edition of In the Loop. ABF is also seeking to engage members more actively in debating and framing the issues critical to Australia's future competitiveness. Tell us what you think and volunteer to participate in the '**open source' ideas forums** outlined in this In the Loop.

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Finally, I'd like to welcome and introduce you to Melissa Doyle, ABF's new Executive Assistant, who fills the role vacated by Pauline Constantine. For the past 12 years, Melissa has worked for NEC Australia in the home electronics division. This has included Personal Assistant roles to the Managing Director and senior sales & marketing executives, as well as coordinating significant international trade tasks for the import of electronic products. Moreover, Melissa has resided in Japan and is a qualified Japanese interpreter, with experience as a senior Japanese Speaking Tour Guide in Sydney. Melissa is a strong addition to the ABF team and I am sure you will join me in welcoming her to the Foundation.

That's all for now.

Regards,

Narelle Kennedy
Chief Executive, Australian Business Foundation

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Delving into the Realities of Business Innovation

In February 2006, ABF conducted three innovation focus groups with ABF corporate member Deloitte in Sydney, Melbourne and Brisbane. Senior managers from forward-looking companies were invited to share their insights into the nature and triggers of innovation, as well as the obstacles to it. Interested government officials and academic researchers also attended. ABF structured the focus groups using the services of Managed Innovation International. The 'headlines' that came out of these focus groups included the following:

- **Innovation is practical**, being ultimately about creating and energising business growth and value, and being driven by market pressures and consumer demands.
- **Innovation requires discipline and results**: a business will only judge innovation to be worthwhile if it is a disciplined and sustainable activity that demonstrably enhances its operations and competitiveness.
- **Innovation is multi-faceted and complex**, involving sometimes contradictory prescriptions such as: fostering free, creative thinking; experimentation; minimising risks and costs; competing by new and more attractive business offerings; overcoming inertia and old habits; ensuring that new ideas and processes deliver hard targets; and implementing sound, replicable processes to manage innovation over time.
- **Innovation is positive**: it is a rare form of business change in that people are generally enthusiastic about it.
- **One size does not fit all**: in order to innovate successfully, a company must have a thorough appreciation of its strategy and capabilities, its industry position domestically and internationally, the external market conditions and trends it faces, and the like.

The OECD Comes to Town

The Australian Government through the Department of Industry, Tourism and Resources, recently hosted meetings of the OECD's Science and Technology Policy Committee in Australia. This included a high-level conference to launch and debate the OECD's study on Knowledge Intensive Services Activities (KISA), featuring keynote addresses by authoritative OECD researchers Pim den Hertog, founding partner of the Dutch research-based consulting firm, Dialogic, and Professor Jeremy Howells of the Institute of Innovation Research at the University of Manchester.

ABF's Narelle Kennedy was asked to report on and summarise the proceedings of the conference. The key messages that ABF distilled from the OECD Knowledge-Intensive Services Activities report and the array of expert commentators were:

- Services innovation is not restricted to the services sector. Knowledge-intensive business services (e.g., legal, consulting, accounting, design, engineering, etc.) can drive innovation in all sectors of the economy by helping client firms to transform their businesses.
- Technological innovation is only one small part of the picture; it is not the only, or even the main, form of innovation.
- It is the primacy of the customer and market demands that drives innovative business behaviour.
- Competing by knowledge and innovation is not a solitary pursuit, and requires proficiency in collaboration.

You can gain access to more details of the OECD's work on knowledge-intensive services through the Australian Government's Innovation website.

A New Plan for Member Participation: Open Source Forums

ABF has continually sought to advance knowledge relevant to Australia's competitiveness by:

- marrying rigorous academic research with the insights of leading enterprises about current business realities; and
- fostering and synthesising unconventional wisdom through inclusive and collaborative efforts.

In keeping with these principles, ABF plans to capitalise further on the knowledge of members and stakeholders, through a series of 'open source forums' on important emerging issues affecting Australia's future competitiveness and prosperity.

These forums will initially involve small but diverse groups of ABF members and friends working on imaginative, evidence-based responses to issues critical to Australia's competitiveness. They are called 'open source forums' because the groups themselves will be responsible for framing and presenting their deliberations. Not only that, some participants will be tasked with finding collaborators from various backgrounds, so as to ensure a range of perspectives and fresh ideas. Furthermore, ABF will disseminate and consolidate the results of these open source forums, and make use of them in our future analyses and policy recommendations.

To get the ball rolling, ABF proposes five topics that extend our existing body of research intelligence:

- Australia's skills shortage and the 'brain drain and gain' – connections, causes and consequences.
- The challenge and choices facing Australian -based exporters, and the implications for Australia's productivity and balance of payments.
- The effects of the international financing of innovation and the appropriation of economic value within Australia.
- Corporate sustainable development – understanding and implementing practical business responses.
- The spatial aspects of innovation – the links between regional development, clustering, urban planning, infrastructure and regulation review with business innovation.

We envisage these topics being refined and explored by five distinct groups, each coordinated by one of ABF's members with a keen interest in advancing thinking in this area. These open source forums will operate through online discussions, webcast interviews and events, as decided by those participating.

We would love to hear your reactions to this concept. More importantly, please volunteer to participate or to lead one of these open source forums. Call Matthew Steen on (02) 9458 7342 or email matthew.steen@australianbusiness.com.au.

ABF in the Media: Making the Case for Market-Driven Innovation

ABF demonstrated its thought leadership with the lead letter 'Market driven innovation key to growth' (Australian Financial Review, 6/4/06, p. 58) by ABF Chairman Peter Janssen. ABF's letter corrected an opinion piece by the Institute of Public Affairs' John Roskam, which wrongly equated spending on research with innovation, and overlooked the critical

role of governments in spreading the benefits of innovation. Download the PDF of Peter Janssen's case for market-driven innovation.

Update on ABF Upcoming Events Program

Among the highlights of the Australian Business Foundation's events program this year are the following:

- **Knowledge-Intensive Services: New Models of Competitiveness** Presentation by leading author and internationally recognised researcher, Professor Mark Dodgson, University of Queensland, 2 May 2006.
- **Innovation in Traditional Industries** The first of a series of Manufacturing Forums, co-hosted with Australian Business Ltd, will feature Professor Keith Smith of the University of Tasmania, 9 May 2006.
- **Challenges and Choices for Australian Exporting** Exploring the changing international trading environment for Australian businesses and a wider definition of exporting – Tim Harcourt, Chief Economist, Austrade, 14 June 2006 (to be confirmed).
- **Managing Intellectual Capital in Practice** Professor Göran Roos, Cranfield School of Management & Chairman, Intellectual Capital Services of London, late June.
- **Australian Innovation in Manufacturing** Launch of the findings of ABF's study by Professor Mark Dodgson and Dr Peter Innes of the University of Queensland, July 2006.
- **Measuring Economic Prosperity** Presentation by Professor Mark Wooden, Melbourne Institute of Applied Economic and Social Research, September 2006 (to be confirmed).
- **Innovation-Led Growth** Presentation series from leading thinkers, like Professor Stan Metcalfe of the University of Manchester's Centre for Research on Innovation and Competition, Dr Ken Carlaw of the University of Canterbury, New Zealand, and Professor Roy Green, Dean of the Macquarie Graduate School of Management – dates to be advised.

If you're interested in any of these events, please contact Melissa Doyle now on 02 9458 7553 or melissa.doyle@australianbusiness.com.au

What's New?

This is the item where ABF draws attention to research publications and other public statements relevant to ABF's work and likely to interest our members and friends.

- Department of Communications, Information Technology and the Arts (DCITA). 2006. *Forecasting Productivity Growth 2004 to 2024: Occasional Economic Paper*.

This paper by DCITA predicts that over the next 20 years, information and communication technology (ICT) will be the main technological driver of productivity growth in Australia, contributing 1.26-1.83% to GDP per capita annually. This paper also forecasts that growth in labour productivity will be strongest in sectors that are heavy users of ICT.

- Business Council of Australia (BCA). 2006. *New Concepts in Innovation: The Keys to a Growing Australia*.

On 13 March, the BCA released a report called *New Concepts in Innovation*, which echoed several of ABF's main messages. In particular, this report affirmed that innovation cannot be reduced to expenditure on R&D, but encompasses an array of activities across all sectors. Responding to customer and market needs drives the

intensity and variety of innovation in business. Additionally, the BCA report calls for a comprehensive government approach to innovation policy.

- Productivity Commission Inquiry: *Economic, Social and Environmental Returns on Public Support for Science and Innovation in Australia*.

On 10 March, the Australian Government asked the Productivity Commission to inquire into the impacts of public support for science and innovation, as well as the effectiveness of Australia's innovation system as a whole. Notably, the terms of reference of this study cover an evaluation of existing government programs, as well as a consideration of socio-economic and environmental factors that go far beyond issues of research.

ABF invites our members to identify issues and data that ABF should cover in preparing a submission to this Productivity Commission Inquiry. Email Matthew Steen at matthew.steen@australianbusiness.com.au

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

- UBS and
- Westpac Business Bank.



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.

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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