

September 2005

Vol. 14

Narelle's Notes



Welcome to IN THE LOOP, the e-newsletter of the Australian Business Foundation (ABF).

ABF has recently had the benefit of a survey of its members and stakeholders to gauge opinions on options for future research and ways to better engage with ABF and its membership network.

You told us that what you valued most from your contact with ABF was:

- intellectual nourishment,
- making a real difference to the business debate, and
- associating with intelligent fellow travellers.

The ABF Board in its recent strategic planning session has placed these attributes at the centre of ABF's strategies over the next 3 years to help guide our research priorities, our communications to influence business leaders and public policy makers, and in the events and activities we plan for our members and sponsors.

This edition of In The Loop highlights some of these initiatives, such as the No Simple Solutions study with ANU on Australia's innovation patterns and challenges and Goran Roos' work on the national innovation systems of Finland, Sweden and Australia; the regional economic development event with leading experts linking urban planning and innovation policies;

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ABF's submissions to the Federal Parliamentary Inquiry into technology commercialisation, to name a few.

Other initiatives are planned to keep up this momentum and make ABF an active and intelligent community of interest, delving into fresh ideas and wider debate than you typically find in the mainstream media.

And, one other recent development I want to share with you. Sadly, ABF's Research Analyst and Editor of In The Loop, Peter Clifton-Smith, is leaving us to re-locate to Brisbane. Peter has been an invaluable part of the ABF team and has made an enthusiastic and substantial contribution to our research and communication initiatives. So, I'm sure you share my sentiments in wishing Peter good fortune for the future.

Read on and stay connected for more from Australia's premier business think tank.

Regards,

Narelle Kennedy

Chief Executive, Australian Business Foundation

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Regional and urban development experts lead ABF forum

On 18th May 2005, the Australian Business Foundation invited two experts to lead a forum on how Australia can build hubs of high performing industries in regions, providing the jobs and lifestyles their communities desire.

Co-hosted with Penrith City Council, the discussion highlighted the intersections between the spheres of urban planning, infrastructure and regional development, and how they fit with what we now know about the drivers of modern innovative economies and liveable communities.

Professor Ed Blakely, Chair of the Expert Panel guiding the NSW Government's Metropolitan Strategy, gave a presentation titled 'New Assets for a New Economy', highlighting the essential importance of planning urban areas and regions that facilitate people's creativity.



Expert panel (L to R): Oliver Freeman, Marc Spiller, Ed Blakely

Ed stressed that entire regions must be economic hubs connected to the global economy, rather than being simply residential peripheries to a dynamic urban core.

To do this, regions need to be creativity centres which incubate productive social activity ("the coffee-talk economy") rather than just being business or residential areas.

Planners and architects need to re-engage in "building community" and encouraging civic participation to create the places that people can use to create new jobs. Every community should be a "knowledge space" (wired), with mixed use (dubbed "work-communi-space"). These combined purpose spaces act as incubators for clever ideas and business networks.

Ed argued that to be globally competitive, regions need to celebrate cultural diversity and support the creative and artistic sectors that give a community the dynamism to be attractive to the global labour force. Regions should concentrate on developing a strong and distinctive package of business activities to create a widely recognised community identity, which attracts people to live and work there.

See notes of Ed's presentation on the ABF website

Marc Spiller, who is the President of the Planning Institute of Australia and a partner of SGS Economics and Planning, argued that for regions to be "knowledge centres" they need to have a well-skilled workforce and an extensive pool of advanced business services - e.g. engineering, financial advising and brokering, research, design and engineering, legal, advertising, computer consulting and employment placement services.

Marc suggests that in a rapidly globalising world where "outsourcing", "off-shoring" and distributed manufacturing are "unbundling" value chains, advanced business services are more important than ever for enterprise competitiveness, as they provide market edge. These specialist services have become the repositories of much of the creative thinking, strategic analysis and network management required to keep production firms competitive.

These advanced business services play a critical role in diffusing knowledge and new ideas, but are highly social in nature and are built around networks of personal contacts and relationships accumulated over long periods. This inclines such firms to do most of their business within concentrated, urban areas, and this presents hurdles for propagating innovation throughout regions.

See notes of Marc's presentation on the ABF website

For more on advanced business services, refer to SGS Economics and Planning's Urbecon September 2003 newsletter and Marc Spiller's speech 'Urban agglomeration of advanced business services in Australia - some policy implications' given at the State of Australian Cities, National Conference 2003.

Both speakers argued that urban planning policy must be effectively utilised to avoid a wasteful social and information divide between cities on one hand and outlying regions on the other. Statistics showing a high concentration of advanced business services into Sydney and Melbourne highlight such a divide in Australia, suggesting a need for government attention if the innovation capabilities are to be shared.

These arguments fit with ABF's own research intelligence on regional economic development. Regional Infrastructure: New Economic Development Opportunities for the Hunter, Illawarra and Western Sydney Regions, launched in 2003, called for more investment in regional knowledge infrastructure - like technology parks, industry clusters and education/business linkages - that can help create better economic opportunities for Australia's regions.

To obtain Ed Blakely and Marc Spiller's presentations on DVD, please contact Pauline Constantine at ABF for more information - (02) 9458 7553.

House of Representatives 'Pathways to Technological Innovation' Inquiry
ABF has made a submission to the House of Representatives Standing Committee on Science and Innovation Inquiry into Pathways to Technological Innovation.

Drawing on its body of research work, ABF offered three key pieces of intelligence to illuminate the active ingredients of successful technological innovation and the connections between innovation, national productivity and business competitiveness for Australia. These were:

- The prime importance of **customer problem-solving** in successful business innovation, including in pathways to commercialisation.
- The smart **application of knowledge** as a decisive factor both in generating maximum commercial value in individual businesses and in driving long run economic growth.
- **Business transformation** as the key to achieving innovation and successful commercial outcomes, not technology or research of itself.

New research of interest

Innovation Policy and Performance: A Cross-Country Comparison

OECD Publishing - released 17 June 2005

This report examines the relationship between innovation policy and performance in six OECD countries - **Austria, Finland, Japan, the Netherlands, Sweden** and the **United Kingdom**. Using a common framework based on the National Innovation Systems (NIS) approach, the report highlights countries' strengths and weaknesses in innovation, as well as the effectiveness of their innovation policies in driving economic performance. The country studies indicate that nations share a need to adapt - or even profoundly change - their innovation policies in order to deal with opportunities and threats posed by new technological and economic developments.

"In the future, the innovation performance of a country is likely to be even more crucial to its future economic and social development. Innovation policy plays an important role in influencing innovation performance, but must be closely tailored to specific needs, capabilities and institutional structures of each country."

The report suggests that although the six nations have similar per capita incomes, their national innovation systems (NIS) vary greatly in their structural features and modes of governance.

As previously reported in In The Loop, ABF is currently working with Professor Goran Roos of Intellectual Capital Services in London on a research paper which analyses the national innovation systems of Finland and Sweden and compares them to Australia, with a view to identifying potential policy options for improving Australia's innovation capacity.

Professor Roos' work accords with the OECD's newly published study, but with the added element of an analysis on Australia.

Based on the analysis of successful Nordic national innovation systems, Professor Roos' paper makes specific recommendations to strengthen Australia's national innovation system, including:



- **Champion a new approach to innovation policy**, where government deliberately supports "policies and programs designed to drive both more innovative behaviour in firms and more long-lasting economic capabilities and outcomes for the nation". The example of Finland suggests small countries with limited public resources for investment may need to focus on specific industry clusters, while promoting linkages, knowledge flows, and technology diffusion within those clusters. This in effect can result in the development of successful regional innovation systems, like the wine industry in the Hunter Valley as one Australian example.
- **Take a stakeholder approach.** Finland has made major advances in developing a coordinated national innovation system with frequent consultation and highly developed linkages between industry and government, not simply delegating responsibility to any individual Ministry. All the main actors, including industry, universities, labour market organizations and other central players must be represented in the policy discussion. Finland also evaluates government programs to determine their impact on jobs, turnover and exports, thus improving the performance both of the programs and the companies involved.
- **Remain flexible.** The Swedish experience points in particular to the need for flexibility. Reform of the Swedish model did not commence until the financial crisis of 1991-93 when it forced the government to reduce the tax burden and to cautiously increase the emphasis on growth rather than distribution in its overall policies.
- **Adopt an international perspective.** There is no optimal model that will fit during constantly changing international conditions, but instead a need for continuous reform as demand, technology, and competition change. The explicit monitoring of competing economies and comparison against the best performers in various policy areas - benchmarking - is probably the only way to measure the strength of the national system.
- **Support local ventures.** Encourage government and business to consider local suppliers, not only in light of the value they represent, but for the development of longer-term industry capabilities that derive from their contracts. This is not just a matter of a "buy local" policy for government, but a deliberate approach to demand the highest possible globally competitive standards in its purchasing. This approach is used to motivate best practice by firms, in order to deliver higher quality, more innovative products and services.

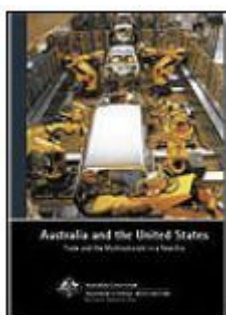
The Roos recommendations align with those contained in ABF's Post-Election Briefing Paper [PDF file], produced during the 2004 Federal Election. The Paper distilled significant messages from ABF research into three key themes of **innovation, industry building** and **people issues - skills and capabilities**. See the ABF website for more details.

Professor Roos' paper, ***National Innovation Systems: Experiences from Finland, Sweden and Australia Compared*** is in final draft and will be launched later in 2005. Stay tuned for details!

Australia and the United States Trade and Multinationals in a New Era

Department of Foreign Affairs and Trade - released 23 June 2005

This report by the DFAT Economic Analytical Unit explores the role of US multinationals in the continuing internationalisation of the Australian economy. More than 50 of the largest US multinationals in Australia were interviewed for the report, together with a number of local companies successfully doing business with them.



The DFAT analysis examines opportunities for local business flowing from the recently signed Australia-United States Free Trade Agreement (AUSFTA), particularly through partnering with multinationals. The report points to the success of some Australian firms that have been able to develop export business through the overseas networks and connections of the MNCs.

DFAT expects the AUSFTA to deepen bilateral linkages and improve access for Australian firms to the US market, through the removal of tariffs applying to 97 percent of non-agricultural exports (excluding textiles and clothing) and, for the first time, Australian companies given full access to the \$200 billion US Federal Government procurement market.

In 2003, ABF published a report entitled ***Friend or Foe? Leveraging Foreign Multinationals in the Australian Economy***, authored by Dr Lyndal Thorburn with Dr John Langdale and Professor John Houghton. The study concluded that multinationals operating in Australia give more than they take, but the relationship is fragile and tenuous. Consequently, local businesses and policy makers must get smarter to maximise the benefit of multinationals, particularly Australia's access to global knowledge and skills and stronger participation in the delivery of global products and services.

Friend or Foe? found that Australian firms can capitalise on multinationals to:

- **build local capabilities and critical mass** through strategic alliances, which expose Australian firms to new concepts and projects and improves their market standing;

- **develop global reach** by selling to MNCs and their subsidiaries and clients worldwide;
- **grow knowledge and skills** by connecting to the multinationals' network of global knowledge, gaining international experience and training, and being exposed to world's best practice.

Find out more about ***Friend or Foe?*** on the ABF website.

Think, Play, Do Technology, Innovation, and Organisation

Mark Dodgson, David Gann and Ammon Salter - to be released 1 September 2005

Think, Play, Do is a new book by **Mark Dodgson**, Director of the Technology and Innovation Management Centre at the University of Queensland, **David Gann**, Head of Entrepreneurship, Innovation and Technology Management at the Imperial College London, and **Ammon Salter**, Senior Lecturer in Technology and Innovation Management, also at the Imperial College London.

The book argues that the innovation process is changing profoundly, partly due to the application of new technologies to the innovation process itself. Dodgson et al point to a new, emerging category of "**innovation technology**", which include simulation and modelling, visualization, and rapid prototyping technologies. When used effectively, innovation technology can lead to the intensification of innovation and can ameliorate some of its uncertainties.

The book's title comes from the authors' suggested terminology for the innovation process, that of "**thinking**", "**playing**", and "**doing**". This breaks away from traditional notions of research, development and engineering, and emphasises the importance of design and prototyping in innovation.

Think Play Do was recently selected as one of the three best forthcoming books on innovation by the European Academy of Management 2005 and nominated for entry to the Financial Times Business Book of the Year Award.

Professor Mark Dodgson is a member of the ABF's Research Advisory Committee and gave ABF members a sneak preview of the thinking behind ***Think Play Do*** at **ABF's 2004 AGM/Forum**, where he was a guest panellist.

No Simple Solutions to Australian innovation challenges

"Innovation changes societies and economies ... but remains a complex and elusive phenomenon. Innovation presents both opportunities and problems - but no simple solutions." (No Simple Solutions, 2005)

Commencing in 2002, ***the Australian Innovation Systems (AUSIS)*** study is an ARC-funded investigation into Australia's unique pattern of innovation by a team of international researchers led by Don Scott-Kemmis of ANU's National Graduate School of Management, and in which the Australian Business Foundation is a partner.

The study probes the international literature on innovation systems to determine the most meaningful dimensions on which to analyse Australia's innovation capacity. It recognises that there is no simple formula and conducts its analysis on two fronts:

i) an examination of traditional innovation indicators including R&D performance and patterns and trends of technological and scientific specialisation; and

ii) an exploration of the evolution of Australia's pattern of innovation, particularly responses to problems, opportunities and discontinuities, including capabilities emerging from problem-solving abilities at firm and industry level.

The key findings from the project's five Working Papers have been distilled in a forthcoming report - ***No Simple Solutions***, which considers the dynamics of industry innovation in Australia drawing on seven sectoral case studies: computer games, dairy products, mineral exploration, motor vehicles, oil and gas engineering services, photovoltaics and wine.

The launch of the ANU study is currently being planned - details will be circulated soon.

For more information on the AUSIS project and its insights about Australian innovation, see our website for Don Scott-Kemmis's presentation given at **ABF's 2003 AGM/Forum**.

Upcoming ABF research

ABF, with its expert partners, has other research in the pipeline to advance knowledge about new ways for businesses and nations to compete.

- ***Innovation and the Knowledge Economy in Australia*** by Professor Keith Smith from the European Commission Joint Research Centre, Seville. Professor Smith's research suggests unrecognised forms of knowledge and innovation are driving today's economic transformations and growth, not the commonly-invoked factors like science, formal research or ICT.

Professor Smith will be presenting his findings at an ABF forum on 27 October 2005, together with Professor Jonathan West of Harvard Business School. More details soon.

- ***Fostering Growth Industries***, a joint report with the Australian Stock Exchange (ASX), which analyses three Australian industry success stories - wine, mining and listed property trusts - and the implications for building globally-successful Australian industries of the future. This report is in final draft and a launch planned shortly.

ABF reveals 'hidden realities of business innovation'

"Aussie firms caught with baffling new performance-enhancing substance" would be a suitable tabloid headline for the Australian Business Foundation's presentation to ATPi **biznetClub**'s Insights Seminar held on 21 April 2005.

ABF Chief Executive Narelle Kennedy drew on the Foundation's eight years of research intelligence on business innovation and competitiveness to destroy some myths surrounding innovation in business.



"Contrary to conventional wisdom, innovation is not restricted to novel inventions and frontier technologies, scientific discoveries and research breakthroughs. Nor is it just the province of intellectual elites, techno-whiz kids or large corporations and venture capitalists..."

"ABF's research points to a more widespread pattern of innovative behaviour across...traditional and emerging industries. We contend that the new knowledge economy is exactly like the old industrial economy - only faster, more interconnected, with blurred boundaries and with more diverse ways for enterprises to create value and wealth from their know-how and know-who."

Read the entire speech on the ABF website



ATP Innovations (ATPi) is a valued corporate member of the Australian Business Foundation. ATPi's biznetClub is a network of entrepreneurs and organisations supporting the commercialisation of technology businesses in NSW and the ACT.

Celebrating women in manufacturing



Carolyn Evans

The **NSW Department of State and Regional Development's** Women in Business Program showcased the growing role of women in industry in Western

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Sydney, at a lunch on 5 August 2005. A selection of successful Australian businesswomen was invited to share their insights and experiences.



Speaker panel (L to R): Rina Hore, Carolyn Evans, Sarah-Kate Dineen

Carolyn Evans, Managing Director of multi-disciplinary business consultancy **ThinkEvans** and Corporate Relations Manager for ABF, highlighted the importance of customer problem-solving for developing innovative solutions and staying ahead of the game.

Workers need to continue "feeding the brain" through exposure to different streams of thinking on a variety of topics. Developing and sharing your individual knowledge with others improves your capabilities, so collaboration and clustering are vital, especially in a globally networked world.

Other keynote speakers included the Hon Diane Beamer MP, **Minister for Western Sydney**; Rina Hore, Product Development Manager, **Advance Metal Products**; and Sarah-Kate Dineen, Chief Winemaker, **Tempus Two Wines**.

The Department also runs free of charge **Women in Business Workshops** for owners/managers of small businesses, as well as the highly successful **Women in Business Mentor Program**, which has assisted over 1,600 businesswomen over the last ten years.

Welcome new ABF corporate members

We are glad to welcome these prestigious organisations as new Corporate Members of the Australian Business Foundation for 2005/06:



Deloitte

Telstra

PRICEWATERHOUSECOOPERS

ABF looks forward to working with its new Corporate Members to share intelligence and to help boost the level of debate about Australia's innovation capabilities, industry performance and global competitiveness.

Beetlemania strikes in inaugural Eureka Business Innovation Prize

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Australia's premier science awards, the Australian Museum's Eureka Prizes, have for the first time presented an award for Leadership in Business Innovation at the 2005 awards held on Tuesday, 11 August 2005.



Winner of the inaugural award was Dick Davies, for his work transforming the not-for-profit Australian Mineral Industries Research Association (AMIRA) into a global name with \$45 million invested in 60 research projects.

While innovation in Australia's minerals industry has generated untold wealth for the nation, in the 1990s globalisation threatened to destroy Australia's mineral research base. As Chief Executive from 1994, Dick Davies transformed AMIRA - the mineral industry's research association - into a global research broker that boasts all international mineral houses as clients and which continues to add value to Australia's minerals industry.



As his prize, Davies will be immortalised in the name of a new species - *Macrolema dickdaviesi* - a rare gold-coloured beetle found only four times in rainforests in North Queensland.

The Australian Museum sought the help of the Australian Business Foundation in setting the criteria for this new Eureka Prize and ABF was part of the judging panel.

Begun in 1990, the Eureka Prizes have grown into Australia's premier science and innovation awards. The 2005 awards were the first to recognise business innovation in addition to science, research and development, and scientific/environmental journalism.

[Image of *Macrolema dickdaviesi* thanks to artist Hannah Finlay, Australian Museum]

Pitching New Business Ideas

ATS PitchFest Competition



The Australian Technology Showcase (ATS) is launching PitchFest, a competition to identify "Australia's most investment-ready company".

Small and medium businesses (100 employees or less) from across the nation are invited to enter by completing and submitting an online 9-page templated business plan by 14 September 2005. An expert panel will judge applications and draw up a shortlist of 10 semi-finalists.



On 28 September, each of the 10 semi-finalists will pitch for 7 minutes to the judging panel. Six of these will be selected to participate in the competition final on 29 September before a live audience at the Australian Stock Exchange in Sydney. The competition final will lead to the announcement of a winner who will be awarded the title of Australia's Most Investment Ready Company and more than \$50,000 of in-kind prizes.

Go to www.pitchfest.com.au for more information.

The ATS, an initiative of ABF corporate member, the **NSW Department of State and Regional Development**, is a promotional and networking government program targeted at Australian SMEs with innovative, cutting edge technologies. It aims to encourage exports and increase employment by promoting member technologies on the domestic and international markets. Go to the **ATS website** for more details about the program and the ATS Showcase Week to be held in the week of 6-10 September 2005.

Australian Business Foundation in the media **AFR BOSS - April 2005**

BOOK REVIEW from Narelle Kennedy, Chief Executive of the Australian Business Foundation

Scenarios: The art of strategic conversation

By Kees van der Heijden

(Published by John Wiley & Sons)

For futurist sceptics, this book is a welcome surprise. At its core is a well-developed and hardheaded exposition of how to activate an organisation's unique business formula, one that drives its current and future success and sustains its growth. This is captured in a tightly defined concept, the "business idea", a model containing the critical elements for sustained long-run business performance.

It does this against the turbulence and uncertainty of the modern business environment, where today's stellar business strategy becomes tomorrow's myopic mistake.

Kees van der Heijden is a member of the pantheon of eminent futurists incubated at Royal Dutch Shell in the 1970s who were instrumental in creating the art of scenario-based planning.

As a third way between the rationalist and the "muddling-through" schools of strategic planning, alternative future scenarios are the tools for confronting complexity and making agile and robust business strategy choices.

The distinctive contribution of this book is that van der Heijden puts future thinking at the service of the practical challenges facing business managers and decision-makers. The insights in this second edition are both substantial and applied, drawn from a reservoir of learning and decades of conversations with pioneers of scenario planning.

Unusual in futurist literature, this book is grounded in the basic imperative that businesses must make a profit.

Van der Heijden achieves a rare mix. He unites fundamental "balance sheet" business realities with the spontaneous and multi-layered world view that belongs to the futurist. Nowhere is this more evident than his equating of the business profit motive with the urge of all living systems to survive and grow to their potential.

Our Sponsors

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

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.

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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