



## AREAS FOR ATTENTION FOR A NEW GOVERNMENT INSIGHTS FROM AUSTRALIAN BUSINESS FOUNDATION RESEARCH

### Innovation

***Greater investment in programs that foster business innovation at the company level, rather than policies that just increase the supply of science and research.***

- **Business innovation is wider than scientific discovery, new technologies and R&D.** The reality is that business innovation is driven by firms seeking to develop new products and services in response to customer feedback, new consumer demands and intelligence on the market and their industry.
- **Firms get their new ideas not only from investing in formal R&D, but from a wide variety of other sources of knowledge.** Their knowledge comes from learning by doing, by using new technology and equipment and by interacting with others engaged in research or discovery, like universities, research labs and professional associations. Firms marry this knowledge with their own intelligence gained from market and customer research, design, trial production and training to create innovative products and services that meet market needs better than their competitors.
- **Doing business more intelligently and looking for a competitive edge is at the heart of business innovation.** Therefore to boost business innovation, it is not enough just to invest in programs that encourage R&D, patents or the spin-off of technologies from universities. Support must be given to programs that impact on a firm's investment, production, marketing and distribution capabilities. These business systems allow firms to absorb new knowledge which they use to produce the types of products and services that fulfil market demands and solve problems in the community.

***Maintain an appropriate level of resourcing of Australia's 'knowledge infrastructure' of universities, research institutes and other research and technology diffusion agencies.***

- The critical importance of business innovation doesn't mean that Australia can be complacent about its '**knowledge infrastructure**', which plays a crucial role in shaping Australia's innovation capabilities. Elements of the knowledge infrastructure, (i.e. universities, research institutes, laboratories, consulting engineers, standards organisations etc) need to be financed, maintained and governed to a level that allows them to maximise their linkages with those involved in industrial production, market research and export.
- The Australian 'knowledge economy' depends on this infrastructure and the way it interacts with business and industry. Innovation capabilities result from this interaction in a variety of ways – through education and training, personnel exchange, the general flow of ideas, consultancy, design of instrumentation, engineering services and so on.

***Policies must be comprehensive enough to support Australia's innovation system as a whole, not just single components like R&D investment or access to venture capital.***

- Too often innovation policies are piecemeal or restrict themselves to supporting only one aspect of innovation, eg grants for R&D. These policies fail to recognise all the elements that constitute a **successful national innovation system**.
- These elements include the way in which a nation's universities and research bodies, financial system, monetary policies and private firms work together to influence the development and utilisation of new knowledge and learning. Optimal investment is required in all elements and in how they function seamlessly together.
- ABF research points to the following characteristics of successful national innovation systems:
  - Recognition of and cohesive, deliberate action by governments to invest optimally in each of the elements of the innovation system, and in the way the structure works together as a whole.
  - An economy which is flexible and adaptable, with a commitment to reform and a global focus.
  - The existence of demanding sophisticated leading-edge customers.
  - A high level of networking among innovators, and the existence of robust industry clusters.
  - Improved linkages between science and industry.
  - An increasingly diversified base of R&D performers.
  - High business and government expenditure on R&D.
  - A supportive financial system.
  - Above average rate of investment in education, research and innovation.

## Industry Building

***Policy attention to Australian industry building through:***

- ***government as a demanding, leading edge customer***
- ***building hubs of high performing industries***
- ***capturing international opportunities.***

- Australia, notwithstanding its recent sound economic performance, must turn its attention to discovering future sources of economic and jobs growth. This needs to be translated into policies that generate a quantum leap in the capabilities and performance of Australian business enterprises, industries and the economy as a whole.
- To build Australia's industrial capability, the Australian Business Foundation suggests action in three main areas.
  - 1) **Government as a demanding leading edge customer.**

Governments should ensure purchasing policies are explicitly used to enhance the development of Australian industry capabilities, alongside the 'value for money' criterion. 'Industry capability building' should operate as an additional objective for all government purchasing decisions, with government supply opportunities made more accessible to local firms including SMEs which may have indirect or tacit barriers operating against them, eg lack of scale, reputation or track record.

It is not just a matter of a “Buy Australian” policy. It is the government demanding the highest possible internationally competitive standards in the goods and services it purchases. Such an approach motivates best practice by Australian enterprises, in order to deliver higher quality, more innovative products and services to meet the sophisticated demands of their government customers.

An example of a low cost but potent program in this regard is the NSW Government’s Australian Technology Showcase (ATS) Demonstration Program, in which relatively small grants are provided to assist SMEs and purchasing units in government and the corporate sector to work together to trial or demonstrate new technologies. This program assists SMEs to gain exposure for new products, provides a feedback loop for improvements and gives the firm a chance to build a track record.

## 2) **Building hubs of high-performing industries.**

Bringing together firms and supporting organisations (eg universities, trade associations, science and technology parks, etc) grows opportunities for industry, revitalising regions and fostering large scale competitiveness and innovation.

Governments can act as catalysts to foster such industry clustering and innovation. This could take the form of an explicit Innovation Collaboration Program.

An Innovation Collaboration Program could be structured to provide a subsidy to encourage three or more enterprises or supporting organisations to build on pre-existing linkages to promote innovation and new capabilities in particular industries or regions.

The activities for which the Innovation Collaboration Program subsidy could be used would include:

- (a) to identify and foster the development of new technologies, products and services;
- (b) to find new markets and growth opportunities;
- (c) to undertake investigations to add value to meeting market and customer needs;
- (d) to assist knowledge and technology transfer and risk management decisions made by firms (eg connection between SMEs and multinational corporations);
- (e) to undertake training and enterprise skills development.

The end goal is to invest in the collaboration infrastructure to support industry clustering through which regions and industries could develop new competitive capabilities.

## 3) **Capturing international opportunities.**

Australia’s efforts to assist businesses to enter and succeed in global markets must remain a high priority.

In addition to continuing investment in Austrade export and trade facilitation programs, there are unexplored opportunities for international trade by Australian firms in distributed global production chains, especially in the Asia-Pacific region. Further, given Australia’s concentration of large MNCs, there is also potential for Australian firms to make greater use of MNCs to extend their international reach and as source of personnel, knowledge transfer and technology diffusion.

## People Issues – Australia’s Skills and Capabilities

***If Australia’s sound economic performance is to be sustained in an increasingly globalised and knowledge-based economy, greater investment is needed to ensure Australians have the skills that match job opportunities now and in the future.***

- People, not organisations, are ultimately the enablers of business innovation. The key must therefore be to maximise the mobility and contact between people in order to increase the flow of knowledge and the awareness of skills, science, technologies and market opportunities.
- Central to the challenge of competing globally, often against low-cost, low-wage producers, is **fostering the competitive skills of our people**. This applies equally to those working in traditional and mature industries, as well as those in the high tech service sectors.
- New skills needed for tomorrow’s jobs and industries will differ from those of the past. They will be cross-disciplinary. They will be as much about creativity as technical proficiency. They will increasingly feature competencies in collaboration and negotiation, including those across cultures and language barriers. The challenge for Australia’s policy makers, educationalists and human resources professionals is to tool up for the new skills of the knowledge economy.
- Enterprises will need to become learning organisations, displaying the following characteristics:
  - unusual mix of technical, managerial and collaboration skills;
  - the minimum amount of hierarchy needed to get results from a diverse workforce of both young entry level workers and post-retirement experienced consultants, who all thrive on challenge, opportunity and training;
  - unconventional relationships with formal educational institutions, both in vocational and higher education, to constantly renew the skills available to the enterprise;
  - engagement in multiple and flexible workplace training offerings including mentoring and coaching on the job; university and TAFE courses that blend traditional trade skills with IT or business management competencies; workplace-specific training that formally credits prior learning and experience; and effective ways of recognising and mobilising knowledge in and around the enterprise and rewarding knowledge-sharing behaviour.

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