

AUSTRALIAN BUSINESS FOUNDATION'S RESEARCH INTELLIGENCE – STATUS REPORT

HEADLINE ISSUES

Key intelligence distilled from the body of the Australian Business Foundation's research can be grouped under four headline concepts:

New Productivity Drivers – Knowledge Economy and Globalisation

The reality and potency of the knowledge economy where innovation and knowledge have become critical drivers of economic growth and productivity in developed economies and fundamental prerequisites for Australian enterprises to compete and succeed in an increasingly volatile, fast-paced, interconnected and globalised business environment. There is significant value for Australian companies in taking advantage of niche opportunities and linkages to extend their global reach in the more diffuse and distributed value chains and virtual business units which are a feature of business models in a globalised knowledge-based economy.

Business Transformation and Innovation

Evidence of often unrecognised patterns of transformation in business models and the competitive behaviour of firms, together with more widespread, incremental, market-driven business innovation as the vital ingredient in sustained long-run business performance. Innovation cannot be equated just with invention, research, technology or science, but involves business engagement with customers and markets generating new and imaginative business offerings and solutions. The equation between innovation and productivity is becoming better understood.

Rural and Regional Economic Development

Exploration of spatial issues and geographic disparities and opportunities as they operate in a new business environment characterised by the smart application of knowledge and innovation, by globalisation and by the co-existence of collaboration and competition in the successful performance of firms and industries. Focuses on research into clustering, collaboration and local and regional models of economic development.

International Best Practice and Policy Imperatives

Lessons from international comparisons in public policy and from industry success stories and their applicability to Australian circumstances. Countering the weaknesses in Australia's public policy making about the fundamental connection between business innovation and advances in productivity, resulting in lost opportunities to boost Australia's business capabilities and existing emerging global growth industries.

The headline concepts, sourced to specific Australian Business Foundation research reports, are elaborated on in the following sections of this paper. Attached is a listing of all the Foundation's current and published research.

NEW PRODUCTIVITY DRIVERS – KNOWLEDGE ECONOMY AND GLOBALISATION

- The changing reality of the globalised, connected and fast-paced knowledge economy was the subject of the Foundation's pioneering 1997 study by Professor Jane Marceau et al, *The High Road or the Low Road* and the subsequent update, *Innovation Checkpoint*, and the imaginative scenario planning study with GBN Australia entitled *Alternative Business Futures to 2015*. The contribution of knowledge and innovation to successful business performance was examined in more depth in subsequent studies, including Dr Richard Hall's *Knowledge Management* investigation, the papers by Professor Keith Smith on *Innovation and the Knowledge Economy in Australia* and in analyses of successful Australian firms and industries, eg Marsh and Shaw on *Australia's Wine Industry*, the comparison by ASX of wine, mining and listed property trusts

in *Success Factors in Australian Industries* by Ramsey and Bladier and *Winning Companies and Jobs* by Allen Consulting.

- These studies also highlight the opportunities and difficulties facing Australian firms seeking to build the capabilities and critical mass to compete in global markets. See also *Friend or Foe*, by Thorburn, Langdale and Houghton, *Knowledge Economy Opportunities for Australian Firms in the Asia Pacific Region* by Thorburn and Langdale and Michael Vitale's *Commercialising Australian Biotechnology*. These insights were extended by recent work by Professor Peter Liesch and colleagues of UQ Business School examining 'born global' Australian firms and is being further documented in the current study on *Effective Models of Business Engagement with China*.
- Moreover, a more in-depth reality check of the Positioning of Sydney in the strategies of multinational firms is now being undertaken by Professor Michael Enright of the University of Hong Kong. This analysis probes how well Australian firms are managing to negotiate the reconfigured value chains of the global knowledge economy.
- All of these pieces of Foundation research point to a quantum leap in the competitiveness challenges facing Australian businesses – more intense global competition and opportunities; new work and business patterns; shifts in the power relationships with consumers and suppliers; and greater regulatory, governance and social responsibility expectations. They also point to the decisive role that knowledge and innovation plays in the sustained competitive success of both firms and industries, in the face of these challenges. The ability to learn and to harness and use distinctive knowledge in business is crucial.
- What and who you know is more important than what you own and use. The knowledge and relationships that firms have are increasingly significant in how they can deliver value to customers and make money from their businesses. Today assets are mobile, so what makes you distinctive really counts – market intelligence, 'ownership' of customers, tacit know-how and skills and lessons from past mistakes. Intangible assets can create wealth too. Firms and nations can capture value not only from exporting products and services, but also from leveraging capabilities and ownership of global assets and intellectual property.

BUSINESS TRANSFORMATION AND INNOVATION

- The Foundation's work probes the hidden realities of business innovation, delving beyond the usual metrics of business expenditure on research and development, patents and the numbers of scientists and engineers. It also uncovers new business models and forms of business competitiveness, revealing competitive advantages and innovation being demonstrated in practice by Australian firms, but which often go unrecognised. This hidden innovation involves the demand dimension, innovating by meeting the needs of markets and customers, rather than just increasing the supply of new technologies and products from science and research.
- The key insights are about taking a wider angle on innovation beyond just new products and technologies to the capacity of firms to build new competencies and capabilities to solve customer problems and to respond to opportunities as market needs change and evolve. This cannot be achieved without significant attention to the investment and risk management capabilities, management proficiencies and governance capacity of firms.
- The Foundation's research identifies fundamental shifts emerging in how Australian firms are reinventing their businesses to better serve market and customer needs, and consequently, finding more diverse ways to command premium prices and to capture value from their business activities.

It is possible to identify three illustrations of these new innovative patterns of competitive business activity:

- new hybrid business offerings blending products and services for customer problem-solving;

- proficiency as technology integrators, rather than just either technology producers or users; and
 - competing by distinctive knowledge management or by sustained incremental innovation.
- The research reports illustrating this intelligence on business innovation include *Selling Solutions* by the University of Western Sydney, *No Simple Solutions* by Don Scott-Kemmis et al at ANU, *Australian Innovation in Manufacturing* by UQ Professor Mark Dodgson, the *Innovating Australia* essay collection for CEDA edited by Ian Marsh and the previously mentioned knowledge management study by Dr Richard Hall. An additional relevant study that extends this innovation debate into the wider area of sustainability is the research undertaken for the Australian Business Foundation by Suzy Goldsmith and Professor Danny Samson of the University of Melbourne entitled *Sustainable Business Development*.
 - The Foundation's research intelligence on business innovation has been widely shared in government and business forums and new learning acquired as a result. One example is the joint action research project between the Foundation and Deloitte documented in *The Reality of Innovation Unzipped: An Investigation in Middle Market Australia*.
 - Further, the critical contribution that people, the human factors, play in organisations being able not only to introduce and manage innovation, but also to capture value from inherently uncertain innovative endeavours is being explored through an edited collection of expert papers currently being compiled under the working title of *Knowledge Flows and Innovation Capabilities – the Human Dimension*.

RURAL AND REGIONAL ECONOMIC DEVELOPMENT

- Two particular studies by the Foundation have focused on the spatial dimensions of creating regions of high performing industries with the ability to compete and succeed in a new globalised knowledge-based economy. These are *E-Commerce and its Impacts for Rural Business* by Stayner and McNeill at the University of New England and the action research project on *Regional Infrastructure – New Economic Development Opportunities for the Hunter, Illawarra and Western Sydney Regions*.
- These studies, together with Marsh and Shaw's *Australia's Wine Industry: Collaboration and Learning as Causes of Competitive Success*, have advanced the Foundation's knowledge of drivers and opportunities for fostering local and regional economic development within Australia. This work recognises differences in the comparative advantages and natural specialisations of different geographic areas. It also adds to the debate about how best to foster the growth, revitalisation and necessary structural adjustments of cities and regions. Keith Smith's work on *Innovation and the Knowledge Economy* also contributes evidence on these aspects, as does Professor Michael Enright's current study on Sydney as a global city.
- This research intelligence bridges the innovation literature with that of urban geography, infrastructure economics and land use planning. It also opens up a connection to a wider area of scholarship on industry clustering, the economic contribution of advanced service industries, and contemporary writings on cultural industries.

INTERNATIONAL BEST PRACTICE AND POLICY IMPERATIVES

- The Australian Business Foundation has always sought to lift its sights outside Australia both for international comparisons in public policy and in success stories for firms and industries.
- The role to be played by government and the best institutional arrangements and policy settings to foster high performing globally competitive industries is problematic. Opinions can be divided on ideological grounds, as well as by differing judgements as to casual factors of success in practice. The Foundation has contributed to this debate in international comparisons through its studies of national innovation systems in Finland and Sweden by Professor Göran Roos, the industrial upgrading experiences of Taiwan and Singapore by Professor John Matthews and by Daniel Drache's paper on contrasting Canadian approaches to jobs and investment strategies.

- Commentary on Australia's public policy settings to boost business innovation, inwards investment and their linkage to enhanced productivity and industry capability-building is also the subject of other Foundation research including *The High Road or the Low Road*, *Commercialising Australian Biotechnology*, Ian Marsh's *Australia's Choice* essay collection, the study on multinationals in Australia, *Friend or Foe* by Thorburn, Houghton and Langdale, the ASX study on success factors for Australian industries, papers on *Innovation and the Knowledge Economy* by Professor Keith Smith and the recently commissioned study on Sydney multinationals by Professor Michael Enright.
- More fundamentally, the analysis for the Foundation of *Australian Productivity Growth 1984 to 2004* by Professor Alan Hughes and Vadim Grinevich of the University of Cambridge provides a distinctive and authoritative evidence-based analysis of the sectors contributing to productivity growth, driven by innovative uses of ICT and management competencies. This is a critical contribution from internationally respected scholars helping to shape the debate about innovation and industry policy.

END NOTE

- In addition to the production and release of its research studies, the Australian Business Foundation adds value to the findings by interpreting and applying them in speeches, submissions, media and public commentary, and in advice to guide business executives, the research community and public policy makers.
- A tailored communications strategy is designed for every Foundation research study, including key headline findings being summarised, documented and published on the Foundation website.
- Plans are also in train to introduce a Research Fellows program and to conduct online forums on selected issues emerging from Foundation research, together with a professional issues management campaign designed to place the Australian Business Foundation and its series of research messages consistently and regularly in front of business and opinion leaders. The aim is to increase the visibility and influence of the Foundation and its intelligence.

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