

REPORT



Karpin Report Revisited: Leadership and Management Challenges in Australia

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and Workplace Relations

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1. Executive Summary

In 1995 the Karpin Report provided the most comprehensive insight ever into the way in which Australia prepared its managers for work and leadership. The report drew attention to the need for an 'enterprise culture' and provided wide-ranging recommendations on small business, globalisation, diversity, life-long learning and enterprise and education institution best practice.

The aim of the Karpin Task Force was to find pathways to lasting change and improvement through seeking enterprise and individual-driven solutions to the problems and challenges facing Australia's business leaders, managers, educators, trainers and government policy makers.

This report documents IBSA's applied research project which was undertaken to consider the outcomes and impact of the Karpin Report and to propose a set of newly framed challenges looking forward over the next 20 years. Through a literature review and consultation with industry leaders this project explored:

- new thinking and developments in aspects of leading and managing people and organisations
- the extent to which Karpin Report recommendations have been taken up and the impact they have had on Australian leadership capability
- areas where further research is required to inform the development of solutions and initiatives that will address future leadership challenges.

Findings from this project indicate that the 28 Karpin Report recommendations have proven over time to be robust and strongly related to organisational success. Market forces, rather than concerted action by Government, ensured that many of the recommendations found their way into practice within organisations and educational settings. It appears that the recommendations had more resonance with business and industry than with Government. The continuing relevance of the recommendations is a testament to the forward looking focus of the report.

This applied research project has identified a series of questions for further research across nine themes that will further the original work of the Karpin Task Force and provide a sound basis for building management and leadership capability in Australia. The themes are:

- Leadership
- Sustainable development
- Innovation, entrepreneurship and ICT
- Management education
- Diversity
- Global influences and international business opportunities
- People management
- Risk and volatility
- Australian demographics and change

2. Background

In 1991 the Australian government Cabinet commissioned a report on leadership and management skills in Australia and in 1992 established an Industry Task Force to undertake the work. Following almost three years of consultations, research, study missions and analysis the Task Force delivered the final report: *Enterprising Nation: Renewing Australia's Managers to Meet the Challenges of the Asia-Pacific Century: Report of the Industry Task Force on Leadership and Management Skills*.

Enterprising Nation – which became widely known as the 'Karpin Report' in recognition of the Task Force Chair, David Karpin – identified the keys to improving management development through a series of 28 recommendations. The report was instrumental in raising the general level of business and community awareness of the relationship between management capability, at all levels of the organisation, and company performance. It highlighted the critical importance of education, training and ongoing professional development to ensure that managers had the knowledge and skills they needed to perform effectively in the workplace. Emphasis was placed on the important non-technical domains of management: leading and managing people, communicating, negotiating, resolving conflict, fostering creativity and innovation, and managing change.

Fifteen years on, managers and leaders are facing many new challenges – globalisation, internet-enabled business technologies, market uncertainty and volatility, sustainable development, climate change, demographic change and new organisational forms.

Many of the issues raised in the Karpin Report have indeed come to fruition or are starting to do so, such as the 'rise and rise of Asia' and particularly of China in world affairs, economics and trade. Others include the growing awareness of the need for sustainability in companies, industries and societies. Since the Karpin Report of 1995, new forms of doing business and arranging work have occurred which are transforming business landscapes. These include outsourcing, off-shoring, public private partnerships, supply chain integration, collaboration and alliances. The expansion of ICT has revolutionised ways of doing business, allowing small and micro companies to 'go global' like never before, and to do business with the largest of firms. Tariff and quota protection in Australia for local firms has been substantially reduced or eliminated in most industries, so that home markets are fiercely under attack from the world's best companies, including from very low wage countries. And while this has happened for some time in goods based industries, it is now happening increasingly in service based industries, through the internet, global franchising, alliances and other means. Whole industries which used to be local are now almost completely global, including in services.

Added to these challenges for leaders and managers are the needs to attract and retain bright, motivated young people who, many say, have less loyalty to employers than in previous generations. And the job market has become more efficient, with web based job postings and social networking sites allowing head hunters to 'chase down' and approach staff like never before.

A further challenge for business management has been anticipatable disruptions occurring more frequently than ever before. The recent global financial crisis, still causing reverberations around the world is but one example, others include terrorism events, technological disruptions, extreme weather events and major and seemingly unpredictable price fluctuations for important products and services (such as oil).

Finally, the pace of change seems to have accelerated in many industries, with product life cycles shortening, innovation becoming more important in high wage countries (such as Australia), and new technology coming to fruition that can change the game in an industry, like never before.

In this light, IBSA commissioned a review of the 1995 Karpin recommendations to determine the extent of their implementation and identify areas for further investigation.

3. Methodology

This applied research project has drawn on current thinking and research and widespread consultation with industry leaders to investigate the impact and continuing relevance of the Karpin Report recommendations. This work has included:

- A literature review of post-Karpin management and leadership research both nationally and internationally.
- An evaluation of the Karpin recommendations to identify the extent of their implementation and the reasons for action or inaction on each.
- Consideration of new driving forces in the business/industrial environment and identification of the new managerial challenges that result.
- Validation of the identified challenges through consultation with business leaders and academics (listed in Appendix 1).
- Development of questions and concepts that require consideration through further research aimed at stimulating debate and action, policy development and deployment.

4. Literature review

The literature review explored leadership and management research and thinking that has occurred since 1995. In particular this review identified new thinking and developments in the following aspects of leading and managing people and organisations:

- Staff engagement
- Knowledge and capability
- Strategic networking
- Personal and emotional qualities
- Change management
- Traditional concepts of leadership and management
- Information and communications technologies
- Ethics and integrity
- Creativity and innovation

Post-Karpin thinking on these aspects of leadership and management is outlined below.

4.1 Staff engagement

While the subject of motivating people and gaining their loyalty and commitment is perennial, over recent years there appears to have been increasing emphasis on staff consultation to gain buy-in and ownership.

In "The Shipbuilder: Five ancient principles of leadership", Myrick (2006) suggests that managers should make staff feel appreciated, see potential in people, not flaws, build morale, reduce staff turnover and use authority not power in the workplace. He also suggests that staff should be made to feel important in their contributions, and 'loved by the organisation'. Little of this is new in concept, but reporting of staff satisfaction levels in companies of all sizes indicates that this concept has not often been well implemented.

One significant Australian example of the successful implementation of this concept in the post-Karpin era is at ANZ. Between 1999 and 2006, staff satisfaction within ANZ was lifted deliberately and purposefully from 49% to 85%, also resulting in higher customer satisfaction¹.

4.2 Knowledge and capability

As foreshadowed in the Karpin Report, leadership and management competencies have remained an important topic, referring to the values, skills and deep knowledge required to fulfil a senior role. This includes the capability to identify strategies, tasks, measures and culture/behaviours. A more newly recognised competency is the ability to not only model and formulate a strategic path forward for an organisation, but also to lead the full implementation of such strategy.

Knowledge gaps in management education have been identified by Hill (2007). She wrote in the Harvard Business Review that becoming a manager can be more difficult than it needs to be, due to misconceptions that many new managers have about their role. Misconceptions include the illusion of having a lot of control as a manager inside a corporate machine, assuming that running a smooth operation is enough without driving improvement, and assuming that asking senior executives for help may be unadvisable – perhaps showing weakness. This illustrates the notion that people who are promoted into managerial roles from primarily technical roles may be underprepared, and points to the potential for more and better management education at the managerial induction stage. Hill insightfully suggests that “Until they give up the myth of authority for the reality of negotiating interdependencies, new managers will not be able to lead effectively”. (p48). This represents a substantial change from old realities and leads to the needs for researching how best such skills can be developed and how such ideas can be effectively introduced into business school curricula. It also reflects the growing complexity in modern organisations and their environments.

4.3 Strategic networking

Networking has been more extensively formalised and legitimised since the Karpin Report. Ibarra and Hunter (2007), writing in Harvard Business Review, point out that strategic networking is a key capability of good leaders. They point to the differences between operational and strategic networking; the former being associated with daily tasks and the latter with new horizons and larger, longer term business goals. Similarly, they point out that industry associations and other similar forums lead to personal – but not necessarily strategic – networking. There are significant new implications for leadership development programs in teaching the skills and techniques of strategic networking to potential and new leaders.

4.4 Personal and emotional qualities

The focus on the emotional and personal side of leadership has moved forward considerably in the last 15 years. While leadership was previously seen more as strategising and use of authority to command and control an organisation, there is now greater recognition of how the leader can succeed as a person. This includes the concept of the ‘leader as coach’. The personal qualities of leaders have been articulated by a number of writers and researchers:

- (Reardon, 1999) argues for courage in organisational leadership linking it to a series of decisions related to calculated risk-taking and intelligent gambling.
- Nadler (in Harvard Business Review) looked at how leaders react to changing skill requirements and emphasised the importance of leaders acknowledging that there is a gap between the leadership needs and their own leadership style and capability – and then acting to bridge that gap with advice, analysis and action.
- Sonnenfeld and Ward (1999) cited strategies for leaders to recover from disasters and crises by showing remorse and adopting proactive approaches to communication and networking.
- Derviotis (2007) argues for the need for ‘fitness to change’ and robustness, which others refer to as resilience. Resilience has emerged as a particularly desirable quality in leaders due to the recent turbulence in global markets and business and political environments.
- Kaplan (1999) articulated seven areas for self-reflection and pointed to the importance of these areas in leader effectiveness: vision and priorities, time management, feedback, succession planning, evaluation and alignment, leading under pressure, and staying true to yourself.

4.5 Traditional concepts of leadership and management

Toor and Ofori (2008) studied leadership in the construction industry, examining 49 field studies. They concluded that many of these studies focussed on traditional views of leadership only, and that relatively new aspects or constructs were under-researched or not tested, such as authentic leadership and servant leadership. They also pointed out that leadership was almost exclusively studied at the high level of a senior project manager, and that little was done at the foreman or supervisor level in terms of leadership research. This parallels efforts in leadership development which have tended to be traditional and focussed on more senior people/ roles. Clearly it points to further and future areas for both research and leader development of skills and competencies. Hence, a relatively new recognition has dawned of 'leadership at all levels' in many organisations.

More than ever before, leaders and managers – and, indeed, technical staff in organisations – need to be quickly and easily mobile. In Australia this issue is particularly important in the resources sector where the boom of the past decade has led to a large number of mobile workers, including regular jobs that are 'fly in fly out'. Otto and Dalbert (2010) considered and empirically studied these phenomena and found that:

social norms (the perceived positive attitude of the social environment towards on-the-job mobility), uncertainty tolerance and education level were positively associated with OMR (on-the-job mobility readiness), whereas a collectivistic orientation and social anxiety were negatively correlated with it.

This subject deserves more research in the Australian remote industries context.

Using Dutch data, Tissen et al (2010) suggest that shifts are occurring in the employment relationship and that leaders and managers will have to change their approach to staffing and managing their organisations. They suggest that more traditional approaches to HRM are being replaced by:

'Transaction-based Management of People (TM)' in which the employment relationship mirrors that of a financially driven exchange relationship, similar to transaction economics. We refer to the second approach as 'Professional-based Management of People (PM)' in which the nature of the employment relationship reflects the recognition of people in organisations as 'true' professionals who know best what constitutes superior business performance.

These insights merit further research in terms of what successive new generations of professional and other staff are willing to give to their organisations and what they want in return.

Other research on the 'psychological contract' (Dabos and Rousseau, 2004) has pointed to changes in loyalty, needs for innovation, compensation and perception and merit further research in the Australian work culture. For example, the increased use of performance-based pay, based on individual merit has increased in many workplaces over the past decade(s). This opens research questions about which types of schemes work best and in which circumstances. Questions of job security arise, in which new generations of managers have different desires from baby boomers.

Dervitsiotis (2007) suggests that leaders and managers need to become adaptive and to abandon or at least reduce dependence on command and control structures in organisations in these fast changing times.

He suggests the need for fast adaptability, via a sense-interpret-decide-adapt cycle for change management, and proposes ways for organisations to improve their performance on these activities. Research on how this can best be implemented is warranted in the Australian economic and business environment.

Watkins (2009) suggests a five category STARS approach for leaders to quickly become effective in new roles. The approach advocates planning according to whether the new role is of Startup, Turnaround, Accelerated growth, Realignment, or Sustaining success mode. Watkins proposes that a leader's actions should be categorically different in each of these modes, and that recognising this leads to faster and more effective leadership, especially in role transitions. This can be interpreted as an extension of situational leadership.

4.6 Information and Communications Technology

The rate of change in information technology has eclipsed and – to a large extent – underpinned all other recent changes in the business landscape. Since the Karpin study, the growth of the internet and E Business sectors has been little short of remarkable. Hoving (2007) provided a succinct view of the increasingly tough challenges facing those who wish to manage IT effectively, either as a supplier or user, categorising the challenges as:

1. *Harnessing the technology*
2. *Providing business value*
3. *Managing the resources*
4. *“Executing the work.”*

Hoving points out that managers must manage everything from knowledge management systems to cybercrime, from integration of systems across enterprises to bandwidth efficiency and effective IT project execution. The challenges are immense and further research is needed on the subject of how leadership and general manager roles can best integrate with technical roles and functions. Unfortunately, IT systems have a relatively poor track record of delivering specified outcomes in relation to time, budget and quality. Most system developments are late, over budget and do not deliver all of what was promised in the business case – creating significant challenges for current managers and leaders.

ICT has led to new trends in virtual work and virtual teams. Virtual teams can be defined as a group of people with a unique set of skills, whose members often reside in different geographical locations and who need to use different means of information and communication technology (ICT) in order to span time and space boundaries (Kirkman and Mathieu, 2004). Clearly with the advent of higher levels of ICT and other forms of interconnectedness in supply chains, globalisation and consolidation of industries, much research is needed into how best to implement virtual work and teams. Mihhailova (2008) posed the following important research questions, and these need to be reflected in management education curricula.

- (1) *Are people with different cultural backgrounds better suited (“equipped”, “prepared”) for virtual work?*
- (2) *Do representatives of different ethnic and occupational groups stress different problems related to virtual work?*
- (3) *Are managers aware of differences between the management of an ordinary and a virtual team?*
- (4) *Which managerial techniques do managers use for virtual workforce?*

4.7 Ethics and integrity

Many commentators have attributed the global financial crisis to major corporate collapses brought about through a lack of effective government regulation and oversight, predominantly in the United States. Although Australia, with more robust regulatory systems in place, has remained well-positioned throughout this period, global events have increased scrutiny of controls over ethical standards, regulatory frameworks and systems of corporate governance within organisations.

In many industries, particularly those where deregulation and self-regulation have occurred, there is considerable reliance on markets and business owners and leaders to ‘do the right thing’. As a result, the topics of ethics and integrity have become increasingly important in management education.

4.8 Creativity and Innovation

The challenge of managing innovation and creativity within organisations has been a notable theme of the post-Karpin era, which was foreseen in the 1995 report. The Karpin Report strongly urged movement towards a more entrepreneurial economy and organisational structure. However, the world has moved even faster than was envisaged in 1995.

A fast-growing third sector of the economy, comprising non-government not-for-profit organisations, has emerged and volunteerism in these organisations has increased. Managing in the third sector presents different challenges than in traditional firms and research and business school teaching is currently lagging behind practice.

The significance of knowledge management in relation to innovation and quality management has become increasingly apparent. The capturing, protection and effective use or exploitation of a firm's knowledge is being done well by many firms, but certainly not by all. Kalkan (2008) pointed out that while the idea of knowledge and its value was conceptualised by the early Greeks, that formalising and structuring knowledge management activities is a much more recent activity. Yet knowledge or IP, perhaps, for many firms represents the core of their sustainable value. Kalkan (2008) suggests the breadth of knowledge management approaches to be widely inclusive, from a need to develop an understanding of it, dealing with tacit knowledge and IT utilisation, cultural complexity, human resource issues, organisational structures and other factors. Certainly in most industries the maturity of knowledge management is fast becoming a competitive weapon and, since the Karpin Report, more research and business school attention is warranted on this important topic.

Managing creativity is said to comprise (Jones et al 2004):

- Promoting an atmosphere where creativity can flourish
- Building a physical environment where creativity will be encouraged
- Managers setting an example by being open and stimulating in their behaviour
- Using brainstorming sessions to engender ideas
- Encouraging and welcoming ideas and creative suggestions from employees
- Discussing and challenging ideas
- Allowing employees' time and space to 'breathe' and think around ideas
- Using management systems, such as self-directed teams to help employees spin ideas off one another in creative ways.

5. Karpin recommendations of 1995

The 28 recommendations contained in the Karpin Report have mostly proven over time to be robust and strongly related to organisational success. Market forces, rather than direct action by Government, ensured that many of the recommendations found their way into practice within organisations and educational settings. The continuing relevance of the recommendations today suggests that the report may have been ahead of its time.

This section assesses the extent to which each of the 28 recommendations has been implemented. Further analysis and assessment can be found in Appendix 2 of this report.

Recommendation 1: Development of an enterprising culture – within formal education and training

It is recommended that the formal education system be used to:

- Expose students at primary, secondary vocational and tertiary levels of education to the value of enterprising and entrepreneurial behaviour

and

- Provide units in entrepreneurship and small business formation and management in vocational and professional courses.

Implementation would be via curriculum designers, business educators, teacher training, support from Commonwealth and state systems, TAFEs and universities, review of curricula, staff development of teachers, monitoring of outcomes.

School systems have made attempts to connect with business, via visiting speakers and projects with local businesses. Various professional associations have also done good work in schools and universities. However, little formal implementation was conducted directly by government.

In the late 1990s there was a move by some state governments to introduce enterprise education into the curriculum of the school system. However, limited progress was made and the impetus seems to have petered out in recent years.

Many business schools have introduced entrepreneurship subjects into their curriculum, albeit in many cases as minor electives. TAFEs have introduced such subjects into their business and technical programs. More recently, a variety of initiatives have sprung up, showing that market forces and sometimes governments have come to realise the importance of enterprise related education in schools and universities.

Universities and business schools, such as at QUT, Swinburne, MBS and RMIT have introduced a variety of enterprise/ entrepreneurship and innovation oriented programs.

IBSA has developed a range of innovation competencies and incorporated them in a number of management and leadership qualifications. These competencies are also available as elective units and can be incorporated in all qualifications at the appropriate level. Entrepreneurship, leadership, productivity and innovation are qualities valued by employers who recognise their importance in driving their businesses forward.

Recommendation 2: Development of an Enterprising Culture – through community education

It is recommended that there be a major community education program designed to promote the value of enterprise and entrepreneurial behaviour.

Implementation would be by regional development pilot projects and strategic events; mainstream media programs, development of networks, partnership arrangements with industry, professional associations and governments; development by consortium of industry representatives; research into effective community education techniques.

In the four years to 2007-08, the Australian government, through the (then) Department of Education Science and Technology, provided \$10 million for Enterprise Learning of the 21st Century (EL21) initiative which funded businesses, industry, education and community organisations to undertake innovative projects that support young people to build their enterprise skills, think creatively and reach their full potential.

Government and industry associations have taken some action in this area, aided by a number of industry associations such as those in accounting and engineering.

Recommendation 3: Leadership Initiative

It is recommended that a program be put in place to develop, disseminate and promote relevant competencies in leadership to complement management development and also for use in the general community.

Implementation would be by a leadership program in each state, modelled on the Williamson Foundation program, linked to leadership competencies; an annual national leadership program, with program evaluation.

This recommendation was left to business schools and enterprises, which have taken some individual action in the area. As a result, national focus on a leadership culture has not developed in Australia.

IBSA has developed and implemented a competency-based leadership model and program, which has had useful impact, and should be further developed and more widely implemented. Additionally, in 2008, IBSA developed a framework for leadership and management competencies, and related areas of organisational development and human resource management. This has been used by companies and consultants in practice. Management programs, incorporating leadership, are frequently delivered in-house as part of a company's workforce development strategy. Such programs have been delivered under the Australian Government's Productivity Places Program where a co-funded arrangement is required.

The Williamson program involves a diverse set of activities for groups of high-potential future leaders from many sectors, who mix together, meet with all types of leaders, and undergo intensive leadership development work. It has proven to be successful and sustainable over many years. The Williamson Program has been extended to some regional areas (Gippsland and Geelong) and a program has also been established in Sydney. The Sydney Leadership program offers a 12 month learning process for up to 30 people each year. It has had 360 participants since it began in 1999.

While these are positive initiatives, they can have only limited significance on the Australian economy and society as a whole. Strategies are needed to develop leadership capabilities not merely for an elite 'next generation' of leaders, but for hundreds of thousands of current and future workers at all levels. World class organisations employ concepts of 'leadership at all levels' meaning that all employees can be leaders in their own domain, by showing strong levels of responsibility, accountability and sound decision-making – whether their domain is large or small.

Recommendation 4: Upgrading of TAFE's capacity to deliver management development courses and incentives to improve quality

It is recommended that the National Management Development Scheme for the Vocational Education and Training sector be expanded to assist the organisation reform of TAFE colleges so they become examples of best practice in the way they manage their own organisation and to improve the capacity of staff to deliver best practice management development programs and services.

Implementation would be via professional development of TAFE managers and responsibility for leading reform; targeted TAFE development programs, incentives for TAFE institutions; development of TAFE personnel.

The TAFE Staff Development Centre has picked up the elements of this recommendation and has established a range of programs to develop enhanced TAFE staff capability

Over the last 15 years, TAFE colleges have substantially expanded their business courses and institutions – such as the Victorian TAFE Development Centre – have been established in a number of jurisdictions to service the needs of TAFE and private providers.

The TAFE sector has faced many challenges, including funding, ability to attract high quality teachers and students, accreditation, and leadership. However, in the face of these challenges, TAFE development has been strong and the TAFE system has contributed widely to management development in organisations. This Karpin recommendation has been significantly implemented.

The National Centre for Vocational Education Research (NCVER) has conducted extensive research many aspects of the VET sector which has contributed significantly to driving improvements in the sector.

Recommendation 5: Accreditation of Small business Trainers, Educators, Counsellors and Advisors

It is recommended that a comprehensive accreditation process be established for small business trainers, educators, counsellors and advisors so as to upgrade the quality of small business advice. Accreditation would establish a high standard for the skills required by small business trainers, educators, counsellors and advisors. It would also provide small business owners with consistent and easy methods of identifying suitable skilled trainers, educators, counsellors and advisors.

Implementation would be by voluntary accreditation, but encouragement by government; accreditation to demonstrate knowledge and availability of government business improvement services; links of accreditation with existing such processes.

Ausindustry programs have partially addressed this recommendation through extensive use of consultants to implement business planning and business improvement processes, but not as a full accreditation program.

More recently, the Australian government's Enterprise Connect program has established a variety of initiatives to support business growth, development and innovation.

Enterprise Connect operates through 12 centres nationally and has the scale to achieve significant impacts. It offers free or subsidised business reviews, planning services, and many other supports for businesses and their managers. Many other government initiatives have been variously successful, such as the quite recently established Industry Innovation Councils.

The development of the Workplace Trainers and Assessors competencies has provided the basis for improvement in workplace training and assessment. The IBSA Training and Education Training Package is regularly updated to reflect the contemporary and emerging requirements for high quality training delivery and assessment.

Recommendation 6: Small business One-To-One qualified Mentoring/Advising

It is recommended that a system of financial assistance be provided to small business owner managers by way of entitlement to purchase accredited one-to-one mentoring/advising to complement, or as an alternative to, formal training assistance through the government's business improvement services. Such assistance would address the reluctance or inability of many small business owner managers to seek advice for business problems as they arise and for long term management skills development. It would provide owner managers with an entitlement to consult with an expert and trusted source of support, over a substantial period, as an encouragement to longer term use of professional advisors in solving business problems and developing management skills.

Implementation would include accreditation of advisors; publication of a list of accredited selection of owner managers likely to benefit; advice given up to the value of entitlement; paid by the Commonwealth allowing the consumer to choose the advisor, over a limited time.

Although there has not been formal government implementation of this initiative on a national basis, a variety of mentoring schemes have taken off in professional services and other organisations.

Business coaching has developed extensively through market forces. A substantial industry has developed since the Karpin Report was published, composed of consultants who offer managers/executives a variety of coaching and mentoring services. These services have been provided by a wide range of organisations ranging across not-for-profit organisations, small and micro-business consultancies to multinational consulting firms.

The Karpin Task Force led to the creation of the Australian Institute of Enterprise Facilitators, which states on its website (www.aief.org.au):

*The Australasian Institute of Enterprise Facilitators (AIEF) was founded in 1997 as a result of the recommendations of the Industry Task Force on Leadership and Management Skills. In their report, entitled *Enterprising Nation*, the taskforce recommended that "a comprehensive accreditation process be established for small business trainers, educators, counsellors, mentors and advisers so as to upgrade the quality of small business advice".*

IBSA has conducted a number of studies and developed products specifically to address the needs of small businesses. It also provided networking opportunities and consultant networks and registers to assist such small businesses. Microbusinesses have also been the subject of a recent report. These and sole operators are an important part of the economy. Programs such as Enterprise Connect and State Government programs directed at small business provide assistance in the form of expert advice, mentoring and access to training.

The establishment of the Federal Government funded Enterprise Connect has provided enhanced support for SME in many of the areas identified by the Karpin Taskforce.

Recommendation 7: Piloting and training and support of small business owner managers via the latest technologies

It is recommended that a pilot program be conducted to test the networking of up to 100 small business owner managers with a range of business trainers and advisors (assume 20), for a period of 6 months, via use of advanced computing and telecommunication technologies.

The objective is to test an alternative to traditional methods for supporting and training of small business owner managers.

Implementation would be by an appropriate body; utilise the full range of technologies; use existing linkages; provide technical advice.

Although this recommendation was not implemented, the technological knowledge of many SME owners and managers has improved through the inexpensive availability of knowledge via the Internet. In addition, many local networks have been established across Australia, often supported to some extent by public funds. Examples are the North East network and the South East network in Melbourne, composed of regional managers and owners of SMEs who meet regularly for seminars and networking events focussed on business improvement.

An emerging issue with the development of the NBN will be the readiness of the SME sector to take full advantage of the transformational nature of this technology.

Recommendation 8: Piloting the networking of small business support agencies and training providers via the latest technologies

It is recommended that a pilot be conducted to link up to 30 small business support agencies, training providers and counsellors, for a period of 6 months, via use of advanced computing and telecommunications technologies. The objective is to test the effectiveness of a range of technologies in their ability to increase co-ordination and information exchange between small business support agencies.

Implementation would be by appropriate coordination; using a full range of technologies; linkages with existing agencies; communication by facilitators and technical advice would be available.

While this recommendation was not implemented, many private providers have implemented technology based training (often online). These programs have been conducted by universities and RTOs, and have taken a myriad of forms. Online learning programs are widely available, and with the widespread adoption of internet based technologies, Australians have benefitted from not just local initiatives, but rather from online learning programs based around the globe. Although it is impossible to know the exact nature and extent of online coordination and learning due to its decentralised nature and fragmentation, their availability has increased exponentially since the Karpin Report was released in 1995. The NBN will provide further impetus for businesses to embrace the benefits of the high speed internet as a competitive weapon.

Recommendation 9: Development of articulated TAFE/ University undergraduate courses in small business formation and management

It is recommended that articulated TAFE/University courses in small business formation and management be available to students throughout Australia. TAFE in NSW has developed an associate diploma qualification in small business which articulates with a number of business courses in NSW universities. The intention of this recommendation is to promote the availability of such an articulated study program to students wishing to study small business formation and management at TAFE and University level, in all states of Australia. This would mean development of new, or modification of existing, TAFE/University courses along the lines of the NSW model in states where no appropriate articulated course structure currently exists, and the development of appropriate credit transfer arrangements in states where they do.

Systemic articulation between TAFE and higher education has not been implemented in a systemic way, but a wider range of small business education options has been made available through the VET sector. There have been some successful instances of articulation, and a number of TAFEs have set up successful small business programs.

The articulation arrangements are more likely to be taken up in the dual sector higher education institutions.

The market has developed patchy solutions in the absence of a single national articulation system and, as a result, this recommendation remains a largely untapped opportunity in Australia.

Recommendation 10(a): Management for Diversity

It is recommended that private sector and government give higher priority to strategies to improve utilisation and management of Australia's diverse population in Australian business and industry. Details include:

- Management for diversity in general should be the focus of improved strategies.
- Women should be a particular target group, and the multicultural workforce.
- The primary emphasis should be on action by the private sector.

and

- Task force discussion material outlines a range of specific strategies related to management for diversity for implementation by the private sector including best practice and improved human resource development models.

Women and minorities have been given focus in a number of government initiatives, but limited forward progress has been achieved. While government has increased awareness of this issue through its agencies and legislation, change has been slow. Some sound initiatives have occurred, such as through Chief Executive Women and the Business Council of Australia, but much more is needed to make a significant difference in more effectively using the talents of all of sections of the workforce. There are still too few minority group members and women on boards and in senior executive ranks in larger companies.

Recommendation 10(b): National Strategy for Women: women in Private Sector Management, Corporate Boards and Academia

- In the case of gender, and given the poor levels of success to date in opening up management and corporate boards to women, a National strategy should be deployed by the private sector in conjunction with government, within a systematic national framework.
- Implementation would be by setting broad targets over five years; more stringent measures after five years if achievements do not occur; similar should be done within faculty profiles of tertiary management education institutions.
- AICD should be resourced to establish benchmark data on women on boards; develop a database of suitable women.
- Targeted management development programs for women should be implemented.
- Incentives for women should be established such as scholarships, subsidies, etc.
- Government training should target 40% as a minimum for women participation in development programs.

Although a national strategy and national framework were not deployed and affirmative action initiatives have had minimal effect, there has been some forward progress in board composition. In particular, academic institutions have succeeded in promoting more women to senior levels in recent years. Large companies are generally lagging behind in the appointment of women to board and senior management positions.

The proportion of women on top 100 listed company boards is currently at 4% and the proportion of senior management positions occupied by women in these companies is 8%. Both of these statistics are not much advanced from the 1990s when the Karpin Report was released.

The AICD has recently implemented a major program to provide mentoring for a cohort of 70 high potential women to assist them in developing the skills and contacts in preparation for Board roles.

IBSA has played a leading national role in both providing services and commissioning research on competencies, innovation, leadership and management skills (see for example <http://www.ibsa.org.au/training-packages/by-industry/business-services/register-of-skills-development.aspx>). These reports and activities ensure that Training Package and Product development is informed by the latest thinking and educators and trainers have access to contemporary material and research when dealing with industry and assessing skilling requirements.

Recommendation 10(c): Improved Agency Support for Promoting Diversity

Implementation of diversity Strategies in the private sector should involve upgraded assistance and advice from government agencies.

- The Affirmative Action Agency education and support role should be upgraded, appropriate resources put into disseminating information and tools to assist enterprises; and monitoring of progress for women in management carried out through adaptation of existing Agency statistical systems.
 - The educational support roles and resource of the Productive Diversity program of the Office of multicultural affairs should be upgraded so as to make multicultural management strategies more broadly known and accessible by the private sector.
 - The best practice program should specifically target best practice in the management of diversity.
- and
- Government services operated through Austrade and Ausindustry should develop specific strategies to use Australia's cultural and linguistic diversity effectively in trade and industry development programs, and to target companies operated by women and those from Australia's culturally diverse communities for export and business service support.

While best practice programs were reduced, many companies have conducted workplace training programs on diversity management. This opportunity has not disappeared but has not yet been comprehensively addressed. A much larger appetite for such activities is warranted and should lead to larger initiatives.

Recommendation 11: Frontline Manager Program

It is recommended that there be a national training program for frontline managers.

Implementation would be by identifying participants without prior formal management training; targeting 80,000 over five years; participants to receive up to 20 days work release at cost to the employer over 20 to 40 weeks; 10 units to be included; training funded by the commonwealth; delivery preferably on site; distance and open learning to be also used; called "National certificate in workplace leadership"; integrated into national qualifications frameworks; funding to include scope for customisation.

The development of the Frontline Management Initiative led by the Australian National Training Authority (ANTA) substantially addressed this recommendation. The resulting qualifications for Frontline Managers have been widely delivered through both Public and Private VET providers. While the exact extent of take-up is impossible to determine (because private providers are not required to provide data on privately funded VET enrolments), estimates by experts consulted in this study suggest that 250,000 frontline managers have been skilled through some form of public program, and a similar number through private provision. Such programs have had a major impact and contribution to fields such as supervision capabilities, project management skills in the workforce, change management skills and improved leadership capability at the first line manager level.

This recommendation has arguably been the most high impact of the Karpin recommendations and in terms of its take-up by Industry.

Recommendation 12: Structured industry based tours

It is recommended that there be an industry based program to provide opportunities for up to 1,500 Australian managers to undertake structured international study tours each year.

Implementation would be by administration reporting to the new peak body; primarily focussed on Asia Pacific; delivery through accredited/approved organisations; two to three weeks duration; focussed on potential exporters and traders and SMEs; focussed on different levels of managers; leading to comprehensive published reports.

Although this recommendation was not taken up by government, market forces have worked to the point where educational institutions, private providers and some state governments have facilitated study tours. Many of these have been conducted in association with industry associations and Ausindustry has also been effective in this area.

Many business schools have included optional study tour components and overseas exchange programs, which have been popular at MBA and Executive MBA levels. In addition, a number of large companies and some smaller companies have initiated their own programs.

It is clear that there has been a market for these activities. Specialist services companies have sprung up that assist and facilitate arrangements for these study tours.

Recommendation 13: Benchmarking and Best practice materials

It is recommended that, as part of the government's business improvement services, a database be developed containing: industry specific financial benchmark information relating to small and medium sized enterprises; best practice case studies in business management, and management development relevant to small, medium and large businesses.

Implementation would be by including financial benchmark data for use by support agencies; for diagnosis of business performance; similar to a Canadian system; using ATO data; supported by case studies of industry practice and management development.

During the 1990s, the Australian government reduced benchmarking and best practice initiatives. However, many industry associations and some state and local industry networks and government agencies have facilitated benchmarking studies. In the private sector many such direct activities have happened as benchmarking in general has proven its value over the past 15 years. It has become quite common for executives, especially in larger businesses, to visit companies overseas to learn from them as part of designing new initiatives. More recently, Enterprise Connect has successfully implemented this type of program. Enterprise Connect has facilitated a range of studies, including many rounds of innovation best practice studies, quality studies and benchmarking exercises.

Various industry associations have conducted benchmarking programs. For example, in the automotive industry, FAPM (Federation of Automotive Production Manufacturers) has engaged a major consulting firm to conduct a long standing series of benchmarking studies of these firms with respect to world's best practices, supported by government funding.

Recommendation 14: Management competencies framework

It is recommended that there be a definition, development, maintenance and promotion of flexible management competencies for use in all industries, including small business, by managers operating at all levels. This would build on the following existing work:

- National/State training boards and ITAB's development of industry based management competencies.

and

- Competencies developed by the Small business management competencies Standards body (SBMCSB).

Implementation would be by building core competencies; strong industry influence; ongoing research; coordination between industries; incorporation of existing work; a flexible software package containing competency material.

Considerable research has been conducted in this area, for example by IBSA, but the Karpin recommendation could only be considered to be lightly implemented. Management competencies were well researched for frontline managers, and as previously noted, these have been translated into frontline programs. However, few of these competencies have been brought into MBA and bachelor degree programs in business schools, which continue to teach more technical discipline based works.

Industry's high regard for the skills and knowledge in the frontline managers' programs continues and was recently reaffirmed by the high uptake of this program under the Australian Government's Productivity Places Program. The 2020 Manager research project, funded by IBSA and conducted by the Boston Consulting Group, provided further insights into the challenges for and attributes of the Manager in 2020. This work was used to inform the competencies which underpin the competencies for managers in the Business Services Training package.

The Council of Small Business of Australia (COSBOA) has been active in promoting the interests of the small business sector. This has included research, skills development, advocacy, networking and information exchange such as via conferences. Each year it conducts the National Small Business Summit conference.

Recommendation 15: People and Quality

It is recommended that programs that promote quality in human resource development be adopted to complement the existing quality standards.

Implementation would be by learning from other programs; using existing organisations; using government purchasing policies to influence this.

The Karpin Report found merit in such programs based on its overseas studies. A large program was implemented in the UK related to "Investors in people" skills and quality standards for more effective people management. While this program was introduced in Australia, the uptake was very limited and the program was eventually abandoned.

Recommendation 16: Fees and funding Mechanisms for Management Schools

It is recommended that the government funding mechanism be refocussed and redesigned for business and management postgraduate education to more closely align supply and demand.

Implementation would be by sharpening the market; scholarships initially tied, then later less tied, to management schools and universities; fully untied after 5 years; a proportion awarded based on access and equity.

Universities introduced the Fee Help scheme, but not directly in response to Karpin recommendations, although it is clearly aligned.

Many universities have increased their scholarships that are earmarked as access and equity funding.

Ranking and rating systems have been introduced for business schools and universities. After the Karpin Report, a publication (the Good MBAs Guide) was produced for some years, which provided a guide to business schools, and much of this information has now migrated to online environments. The market has substantially deregulated to allow supply and demand forces to work more effectively, as foreshadowed and suggested by Karpin, albeit via a different implementation path. Private and non-traditional providers have entered the Australian market, such as some foreign universities and AIM (Australian Institute of Management). Many Australian and international programs are now also available online.

Recommendation 17: Information and quality control for Management Schools

(a) Accreditation of Management Schools

It is recommended that a professional accreditation system be established in order to give Australian higher education management suppliers a quality assurance indicator which will assist their export efforts and be generally informative to the domestic and export markets.

Implementation would be by modelling on the US AACSB system; overseen by a new independent body; system reviewed in five years

(b) Market information

It is recommended that information on the supply of higher education management courses, routinely collected in aggregated form as part of the operations of the accreditation body, be publicly available for consumer information purposes through the use of the information base on management education, which will be developed by the new management body (Australian Council for Management Development).

While this was not implemented nationally, international systems of accreditation have come to Australia, namely the European Quality Improvement System (EQIS) and the Association to Advance Collegiate Schools of Business (AACSB). A number of university ranking systems have accompanied these business school ranking and rating services, such as those of Boss Magazine and The Economist.

Further, with the advent of sharpened market forces, business schools are now transparently publishing extensive information about their programs and features, outcomes and program designs.

Recommendation 18: The drive for improved quality for management Schools

(a) National Management School

It is recommended that the commonwealth develop a National Management School with satellite centres in at least two capital cities:

- The objective of this proposal is to support quality research, curriculum development and delivery and attract world class academics and students. These elements are needed to underpin a substantial improvement in the quality of management education in management schools across the board. In addition, within a few years there will be one or more top class regional schools in Asia which will draw off both the international students which Australia now attracts, as well as the better Australian students.
- Implementation would be by Commonwealth tendering; the national school offering MBA, short courses, executive programs and customised courses; open learning etc as delivery methods; collaboration with other top schools in Asia.

(b) Quality Incentives for Management Schools

Incentives for the improvement of quality in Australian management schools, other than the National Management School, should be put in place by DEET via a process similar to that of the quality assurance process in higher education.

Australian government has not shown interest in intervening in the management school education market. In 2006, the Australian Graduate School of Management (AGSM) was absorbed into the commerce faculty of the University of NSW and there has been little activity in the creation of new differentiated business schools.

Various rationalisations have been attempted – for example, University of Sydney and UNSW (AGSM) merged but this was later deemed unsuccessful and was undone. Mt Eliza Business School in Victoria was merged with Monash University, followed by a merger with the University of Queensland, and more recently a merger with the Melbourne Business School. When the whole of the business education sector is considered, relatively little rationalisation has occurred.

The Australian and New Zealand Academy of Management (ANZAM) and the Australian Research Council (ARC) have earmarked funds for business research and excellence initiatives, which have been variously successful. Funding for leadership and management research has increased in line with the quality of academic standards in these fields, but it must be stressed that this growth has been from a very low base of some 15 years ago. There is still only a small proportion of total ARC funding that goes to management/ business studies and private sector funding is small in Australia, with few Foundations and relatively loose research connections between industry and academia.

In some disciplines, such as marketing, finance and accounting, Australian business schools have experienced strong growth and the development of high quality education programs. In other fields, such as operations management, leadership studies and strategic management, the development of curriculum and staff have lagged both in terms of quantity and quality.

Some progress has been made, again from a low base, in creating Australian teaching curriculum and case studies. The Karpin study included the creation of some best practice materials, yet take up has been quite low, and many Australian courses still rely on overseas sourced materials. This is not necessarily a bad thing, as they are often of high quality and they facilitate knowledge of global business practices, but in some fields there remains a dearth of local material.

Recommendation 19: Research funding and the Supply of Quality Academics

It is recommended that a new applied management research program be set up and administered by the new management body (Australian Council for Management Development) to significantly increase the amount of knowledge generated through applied research in management.

Implementation would be by applying more funds; including applied research and joint university/ industry projects; increasing numbers of professionals; earmarked PhD scholarships; continuing existing ARC funds.

The proposed Australian Council for Management Development (recommendation 28) was not established. As a result, many of the other Karpin recommendations, such as this one, did not have a home or an ongoing research support base. Some success has occurred as academic labour markets have globalised. Many foreign academics have chosen to work in Australia, and have brought international experience and business culture knowledge with them. However, the market in Australia for the highest quality academics (by global standards) to lead the development of their fields of research and teaching is still thin. ARC funding for business research has increased as noted earlier.

Recommendation 20: Industry linkages for Management Schools

It is recommended to management schools and to the private sector that industry linkages between the two be upgraded to address the need for committed and regular interaction between management schools and the business community.

This recommendation was left to market forces and individual institutions resulting in slow and patchy implementation. However, many business schools have instituted industry advisory boards. Students are offered business practicum subjects and periods of placement in industry. Many students now work part time and hence have workplace experience of some kind to use in relating their studies to real world organisations. Industry speakers now regularly visit business schools and some have 'executive in residence' programs. ANZAM has facilitated many conferences and symposia which facilitate industry input.

Recommendation 21: International links for Management Schools

It is recommended that management schools, the higher education system and TAFE speedily upgrade the quality and quantity of international linkages and information exchange.

Implementation would be by support for initiatives; placement of academics in export companies/ multinational; reorienting courses to provide work opportunities in exporters; provision of curricula emphasising links between cross cultural development/diversity trade issues; scholarships; international placements; distribution of information on management schools in Asia Pacific.

This recommendation was left to individual institutions resulting in patchy implementation. However many universities have established exchange arrangements for students, and sometimes staff, to spend periods in overseas universities – usually for one semester (5 to 6 months). These exchanges have worked well for both the students who travel and also for the internationalisation of the Australian classroom experience, which is enhanced by the presence of the inbound exchange students. A number of MBA programs have implemented arrangements for part of their programs to include studies at an overseas business school.

Recommendation 22: Curricula in Postgraduate and Undergraduate Management Education

It is recommended that state-of-the-art management and leadership curricula be developed and disseminated to management educators and other interested parties.

Implementation would be by central distribution; using existing materials; prioritising new fields of management; complying with best practices; be Australian in perspective; be for undergraduate and postgraduate programs.

This recommendation was left to market forces resulting in slow and patchy implementation.

Recommendation 23: International Business Skills Program

It is recommended that there be a program to increase knowledge of export related matters amongst students with potential as exporters in relevant professional and advanced vocational courses.

Implementation would be by developing materials at three levels of basic, intermediate and advanced; making these materials widely available; overseeing via Austrade.

Although Austrade has led initiatives in this area, such as its Institute of Export, there has been no co-ordinated implementation of this recommendation. Many business schools have initiated subjects in international trade. MBA and EMBA students have engaged in exchange programs and increasingly learned about doing business outside Australia.

Recommendation 24: MBA students consulting with small business owner managers

It is recommended that the Commonwealth provide seed funding to encourage universities to place MBA students with small business owner/managers, for specific management-related project work associated with the small business, as a standard subject offering.

The objective of this proposal is to provide structured experience for MBA students in small businesses while exposing small business managers to free business advice and support.

Implementation would be by university overview; cooperating stakeholders; limited government assistance over two years.

While government funding has not been provided for this initiative, many business schools have initiated such programs. For example, at the University of Melbourne, final year Commerce students can do a 'business practicum' subject which is a field project investigation within a company. Monash University operates a similar program for MBA students. Many other MBA programs include such programs, indicating that market forces have been effective in driving this initiative.

Recommendation 25: Articulation for Management Schools

It is recommended that management schools continue to be encouraged to systematically and quickly improve articulation.

Implementation would be by diploma and certificate into undergraduate business studies and ultimately graduate/MBA programs; between private providers and the unified system; emphasising the value of continuing education; DBAs; encouraging CAUT funding of management education grants.

This recommendation has been left to individual institutions and most universities have not seen it as in their interests to create such articulation processes. This was during times of heavy demand for places in MBA and BBA programs, principally from overseas students, and with HECS undergraduate programs always full.

There are some examples – such as Chifley Business School – which provide articulation from the Diploma of Frontline Management into a Graduate Certificate and on to an MBA. The providers of such articulation are primarily in the Private provider sector.

Recommendation 26: Communication/ Teaching technologies for Management Schools

It is recommended that the Commonwealth provide seed funds to establish an open learning network for the delivery of management education to professional small to medium enterprises such as legal, accounting and health care firms.

Implementation would be by continuing upgrading of skills; coordinating between open learning Australia and management schools.

Online programs have had mixed success. For example, Universities 21 – a group of nearly 20 world class universities, began a joint MBA, which has since been discontinued. Most pure online programs have had limited market success. More usually, a mixed mode has worked better, where online learning is supplemented with face-to-face teaching/learning. Open Learning Australia and other programs have sustained themselves, but in the mainstream, most business teaching is in classrooms, supported by online support processes.

Recommendation 27: Human Resource Management of Academics

It is recommended that priority be given in management schools and universities to the improvement of human resource management process.

Implementation would be by utilisation of best practice approaches to tenure and recruiting; developing benchmark indicators; continuing education for academics; grants from CAUT.

After 1995, many business schools began to pay above the minimum award to key academic staff, and then increasingly to most or all staff. Many universities have successfully competed for top level staff overseas and brought many excellent academics to Australia from the northern hemisphere. Some continuing education exists for academics, mostly within individual universities.

Recommendation 28: Australian Council for Management Development

It is recommended that a high profile national focus on excellence in leadership, management performance and management development is developed and maintained through the establishment of an Australian Council for Management Development.

Implementation would be by leaders from key stakeholder groups, strong government and industry support, national oversight, be an independent body, allocate funds, and provide policy advice.

The failure to implement this final Karpin recommendation meant that many of the other initiatives proposed did not have a body or access to resources to enable their full implementation. However, a number of initiatives have occurred, such as the creation of IBSA, which was Commonwealth funded, in order to develop and spread knowledge regarding innovation and its management, and a number of other areas of competency. As a national body, IBSA is one of eleven industry skills councils aimed at skills development and improvement of business in the six industries that it serves. It has developed a wide range of services to support these industries.

The reasons for limited formal implementation of the Karpin Report recommendations by government are many and varied, but primarily it was a matter of timing. The change of government at the national level in 1996 brought new funding priorities and different approaches to interaction with industry and educational institutions. The Karpin Report was, and remains, highly regarded and much quoted. Although its recommendations were not extensively implemented at a national level, many have since been fully or partially achieved through market forces.

Whether through deliberate action, or in response to changing market conditions, a significant number of the Karpin recommendations are now in effect. These include action on benchmarking, study tours, deregulation of management education, frontline management training, mentoring entrepreneurship, increasing management research and uptake of business technologies in business and training. It should be noted that the market-forces led approach to most of the Karpin recommendations has frequently resulted in implementation that is inconsistent, fragmented – perhaps not providing the quality of outcome that was originally envisaged.

The Karpin Report has led to new research, which has in turn prompted further studies and initiatives, such as work done in the 2020 workplace initiative, policy and initiatives within the Department of Education, Employment and Workplace Relations (DEEWR), and the Society for Knowledge Economics (SKE).

There are only a few areas in which little progress been made – significant among these are the participation of women in leadership roles and efforts to promote greater diversity.

6.Future issues and opportunities: 2010-2030

The patchy implementation of Karpin recommendations indicates that many of the management and leadership challenges identified in 1995 have not yet been fully addressed. In addition, significant change in the business and global environment since 1995 has resulted in new leadership and management challenges.

Through research and consultation processes, this project has identified the new and perennial challenges and opportunities facing managers and their organisations today. These have been summarised in Appendix 2.

The issues and opportunities identified through this project (as summarised in Appendix 2) were grouped into nine themes. Questions for further research have been identified for each of these themes.

6.1 Leadership

Leadership is a critical factor in organisational performance and also one in which there is much challenge and room for improvement. One commentator consulted during this project stated that:

“The very factors that get people to the top in many organisations are the same factors that make them into lousy leaders: the market for sound leadership is not efficient”.

According to some management educators, management education generally does a poor job on leadership development. Within MBA programs, relatively little effort and courseware on leadership is offered. The short-term approach of leaders to the businesses they command is seen as a major problem. According to many people consulted through this project, there is a shortage of leaders who build long term sustainable businesses – more common are those who take on leadership roles for 2 or 3 years and then move on without building sustainable capability.

Leadership development is recognised as a valuable and fertile area for future development.

The Karpin Task Force recommended study tours, mentoring and education programs for high potential leaders on a national basis: this vision and program remains unfulfilled, and worthy of further research and implementation.

Questions for further research:

1. Can more effective leadership development programs be developed than those in existing business schools? What would they constitute?
2. What are the world's best practices in leadership development, in universities, 'on the job', and how best can these be adapted for Australian conditions?
3. What are the best implementation mechanisms for widespread leadership development in Australia and how should it be funded and implemented?
4. What is the benefit to cost ratio of a significant national effort into leadership development?
5. On which levels within organisations should such leadership development programs focus?

6.2 Sustainable development

There is a view that while sustainable development had become a prominent issue in 2008, it has lost its prominence in the media and in business circles during and since the global financial crisis. There is a similar view that interest in issues of ethics and corporate social responsibility will be short-lived. One commentator consulted during this project predicted that there will be some limited action on improved ethics after the GFC, but that “business as usual will resume soon after, until the next cycle of greed and incompetent regulation”.

Many have argued for more education from school through to the whole community about the 'limits to growth' and 'green' challenges and opportunities. Others have commented on the relatively slow take up of telecommuting and working from home. With the National Broadband Network being set up, an accompanying program for maximising its use, to reduce transport and congestion and improve productivity has been suggested.

During project consultations the challenges of managing in an era of constrained growth was raised. Constraints on carbon, water, skills, land and raw materials are becoming a reality in sharp contrast to the past 200 years, in which growth was fundamental to most business and economic models.

Since the Karpin Report of 1995, the challenges and opportunities of sustainable development have heightened significantly. New opportunities and issues loom large and need to be woven into many research and policy agendas.

Questions for further research:

1. How can the core ideas of sustainable development be further developed and promulgated throughout the business community and government organisations?
2. What are the best ways to achieve sound standards of ethical behaviour in our businesses and government?
3. How can we best guide corporate social responsibility and sustainable development?
4. What are the best ways to create awareness, training programs and enhanced practices and strategies related to sustainable development?
5. How can universities and other institutions best contribute to taking this agenda forward?'

6.3 Innovation, entrepreneurship and ICT

During consultations for this project one commentator stated:

"We have had our entrepreneurs, both good and not so good in the past, but we have few who have built large businesses".

It has been suggested more should be done to support SMEs (small and medium sized enterprises), who "spend nearly all their time working in the business and very little time working on the business". It is expected that SMEs will be increasingly challenged by their lack of scale and cost competitiveness and the need to 'work smarter' and be more agile and innovative will be even more critical.

While most commentators agree that technology is a tool to be used effectively by capable people, there is also a view that many managers are close to illiterate when it comes to technology. Many of those consulted for this project believe that even high level executives need to understand technological basics to most effectively formulate strategy for their businesses.

It has been commented that Australia could do better at "using technology to advantage". For a country that prides itself on having a very sound science and technology base, Australia has not been very successful at building a large cohort of world class innovation-based organisations, outside of the resources sector. Karpin recommended that significant progress should be made from the ground up in innovation and entrepreneurial skills and culture development, from school, through universities to the workplace. This should still be driven by government, industry associations and the business sector, after it is further researched.

Questions for further research:

1. What conditions have led to systematic innovation in other countries that have established elaborately transformed goods and services industries?
2. What conditions are needed in Australia to get these capabilities and activities fully stimulated?
3. What roles can universities and governments best play in this capability development?
4. How can an entrepreneurial culture and capability best be stimulated, starting from school children, to build a lasting culture change and capability in Australia?

6.4 Management education

It has been suggested that business schools are out of touch with the real and practical needs of the management community, partly because the drivers and measures of rigorous academic research are so removed from real business problems. Some commentators interpret this as a matter of long time delays between research into management and implementation of research findings. Others consider that it is a deeper issue of lack of contact and interest by some academics in real world problems. The Karpin Task Force recommended measures to reduce this gap between 'theory' and 'practice', which deserve further research and policy formulation. One business commentator consulted during the project pointed to the "low salaries" paid to teachers and academics as a contributor to this problem.

Teaching programs are seen by some as more driven by the discipline of the academics than by the problems and capability needs of the students/graduates. This gap referred to teaching programs – not just in business schools, but university-wide. A school of thought expressed by some commentators is that all university and TAFE students should be taught much more effectively about how to lead and manage in organisational settings, and that starting at school, entrepreneurship should be taught and encouraged.

Some commentators advocate for more exposure of academic staff to current business practices and technology, suggesting that by the time concepts get into textbooks (from which many people teach), they are no longer state-of-the-art.

It was also suggested during project consultations that the capability of Australian management and education business schools has declined in recent years and that there are still too many schools with poor quality outcomes.

Questions for further research:

1. What is the nature and size of the gap between learned theory and practice, across disciplines, from business to sciences and engineering? What alternatives exist and what is the cost benefit ratio of acting to close these gaps?
2. How best can links between universities and the world outside be strongly connected (including better connecting research to reality and making teaching programs more effective)?
3. What is the best national system of business schools and management education for Australia?
4. What is the best mix of modes of delivery, content and curriculum for business schools and how can the current system be improved?

6.5 Diversity

During the project consultations, a number of commentators lamented the lack of progress in achieving a balance of types of people in senior leadership and management roles. Some argued that this is inevitable and natural, while others pointed out that Australia is behind other developed countries in this regard and argued for affirmative action policies or targeted programs such as scholarships and mentoring on a higher scale than at present. Most agreed that little progress has been made in the past 20 years and that the situation is not acceptable.

The Karpin Report recommended some significant initiatives, which constituted elements of equal opportunity and affirmative action. These are still very much 'live' issues in need of significant attention by researchers and policy makers.

Questions for further research:

1. What are the costs and benefits for Australian society of increasing diversity in leadership and management positions?
2. What works in other countries, and how can this be adapted to allow Australia to make full use of our human capability – especially in relation to women and migrant groups?
3. What level of coercion and/or incentives would work best in Australia to drive optimal use of the talents of the whole workforce?
4. What should universities and management educators be doing about diversity?

6.6 Global influences and international business opportunities

Since the 1995 Karpin Report, individuals and organisations have become much more globally knowledgeable, aware and capable according to many commentators.

During project consultations, most commentators reported that in the past ten to fifteen years, Australian managers have embraced notions of doing business globally, and particularly in Asia. However, there was criticism of our poor skills in languages other than English, and in understanding foreign business cultures and how to manage ethical dilemmas in other cultural contexts. Further criticism focussed on the limited number of Australian-originated and owned/controlled businesses that have succeeded on a large and global scale – in sharp contrast to the UK, USA, Sweden, France, Germany, Holland, Italy, Japan, Korea and more recently China – which have all grown numerous large successful global brands and firms. Australia has lost most of its textile industry, consumer electronics sector – and the domestic automotive industry produced only 220,000 vehicles in 2010; just over half the corresponding number from 5 years ago.

While there has been significant progress made in relation to the Karpin recommendations on SMEs, there are still significant challenges, many not dissimilar to those in 1995.

Questions for further research:

1. How can Australian organisations improve their global focus, opportunities, take-up and business success outside Australia?
2. What are the conditions that have limited the growth of Australian-based firms on a global basis and how can these constraints be overcome?
3. How can SMEs be further skilled and encouraged to see the world increasingly as a boundary less, seamless market place, and make well-informed decisions about risk and return in developing global strategies?
4. How can Australian companies use internationalisation strategies to create higher levels of competitiveness?
5. What role can universities, governments and industry associations play in accelerating Australia's global business orientation?

6.7 People management

During project consultations, the CEO of a major professional services business stated, "It's always all about our people".

There is a large body of evidence about the impact of high levels of motivation and 'discretionary effort' that can be achieved in organisations, and how – through mechanisms such as the 'Service Profit Chain' – these high performance work cultures and behaviours lead to dramatic outperformance of rival firms. This has occurred in many industries, and in some, it has been sustainable. Yet, in contrast, many organisations have tried and failed to achieve these outcomes, and yet others have achieved the benefits then withdrawn successful practices. Decades of government programs that promoted 'best practices' have had relatively little evidence of continuing impact in many firms and industries.

Yet it is clear that in quite a few organisations, outstanding leaders can and do implement practices and cultures that bring out the best in staff on a widespread basis, leading to sound use of technology, successful implementation of innovations, high service levels and ultimately outperformance in business terms. It seems that there is a crucial difference between intellectually understanding effective practices and being able to systematically implement them. There appears to be a limited 'ability to deliver' among managers and leaders.

During consultation for this project, commentators continually stressed that people issues are the biggest challenge for managers and executives.

The Karpin Task Force recommended many initiatives for improving the leadership and management of people. This includes business school academics. This work is still a real need.

Questions for further research:

1. What are the best ways, in an Australian context, to bring out the best self-management efforts in a workforce, and to permanently implant these values and capabilities?
2. How can the benefits of success best be shared between stakeholders to provide incentives for further improvement?
3. How can universities, governments and other institutions best work to effectively catalyse 'best practices' in managing people?
4. How can SMEs be encouraged to skill up in human resource motivation to achieve high levels of discretionary work effort, high performance and job satisfaction?
5. How can the concept of 'everybody as a self-leader' be widely developed to maximise performance and outcomes?

6.8 Risk and volatility

It has been suggested that there is more uncertainty in the business environment now than ever before – a situation that is not restricted to the Australian context. However, in comparison with many other nations, Australia has experienced less volatility over the past decade – as evidenced by steady inflation, stable growth and low unemployment. The OECD has proclaimed Australia to be a very stable and successful economy, but there are many risks in Australia's economy – for example, the exposure to commodities and particularly to their resource prices.

During project consultations, one commentator characterised the Australian approach to risk as 'defending' existing business models and resource positions, and of being highly risk averse. This is contrasted with approaches from newer industrialising countries and cultures which tend to be more 'prospecting', meaning that they are more ready to try new approaches to business and technology. Another area of risk and challenge in Australia is the shortage of infrastructure. As population grows, infrastructure must also. Research is needed on how this can best be funded and organised. New models, such as whole of life cycle cost, require further investigation.

Since 1995, risk appears to have increased as globalisation and connectedness of economies have increased their interdependence. New research and policy is needed, post the GFC of 2008-09.

Questions for further research:

1. How can decision making under uncertainty be more effectively implemented in Australian businesses?
2. How can effective risk management be applied in Australian organisations?
3. How can leaders be developed who will appropriately balance resource rich and structural asset positions with prospecting and business building approaches?
4. How can risk concepts be taught to large numbers of business students and managers to become effectively and extensively practised?

6.9 Australian demographics and culture

During project consultations, commentators identified the opportunity to manage knowledge more effectively through high levels of mentoring (as recommended by Karpin) and knowledge sharing portals. In relation to the aging workforce, one commentator pointed to the "brain drain we can fix", referring to the many Australian managers and others who retire and whose knowledge is unnecessarily lost to the economy.

It is quite widely acknowledged that Australians have achieved much in the world of business, and that more should be done recognise this and build the self confidence that should accompany it. One professor consulted during the project called for a more explicit 'can do' approach in the Australian business culture, "... which can become a self-fulfilling prophecy."

While there have been some new demographic challenges since Karpin in 1995, the 'age old' challenge of creating effective workplace cultures, remains a critical one for organisations. With generations Y and Z in the workforce, this challenge takes on new forms and merits further research.

Questions for further research:

1. What are the key demographic-based challenges facing Australia over the next 20 years and what options exist for dealing with these challenges?
2. Within companies, and more generally across the workforce, how can more constructive positive workplace cultures be created and used to advantage?
3. How best can advantages to organisations be facilitated through new ways of conducting business, from JVs, alliances, collaborations, co-opetition, franchises, supply chains and networks?
4. How can staff and other stakeholders be best led and managed in the complex circumstances of businesses post 2010, in order to achieve win-win outcomes?

7. Conclusion

The many new and the perennial challenges facing managers in the period 2010 to 2030 require further study, research and action. Many studies have demonstrated the importance of competent management on the outcomes of organisations. On average, well managed companies grow and prosper, whereas poorly managed companies do not. Well managed companies can create new forms of value through innovation, whereas poorly managed companies cannot. Well managed companies can provide sound quality and customer service, whereas poorly managed companies do not.

Well managed companies can effectively balance the competing demands of a range of stakeholders. Well managed companies can internationalise their operations and have a sound chance of success outside Australia. Many companies were 'burned' in their attempts to take up such opportunities presented by new technology and the Internet, but well managed companies found ways to create value in these domains.

Governments all over the world have tried initiatives to support innovation, entrepreneurship, business creation and growth. Some of these initiatives have succeeded and some have failed. Significant research is warranted as to 'what works' in terms of public sector initiatives and how lessons learned in other countries can be translated or adapted to Australian circumstances

This applied research project has identified a series of questions for further research across nine themes that will further the original work of the Karpin Task Force and provide a sound basis for building management and leadership capability in Australia.

Appendix 1: List of people consulted during this project

The applied research methodology included a series of consultations to ascertain, test and validate the issues identified by the Karpin Task Force and the literature review.

A total of 28 consultations with individuals and groups were held. Those consulted included Chief Executives, Company Directors and General Managers, original Karpin Task Force members and union leaders.

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Appendix 2: Recent/current driving forces and leadership/management challenges

Driving forces	Leadership/management challenges	Potential opportunities in Australia
1. New technologies since 1995 clearly including the spread of the internet and E Business, plus faster cycles of technology.	All managers needing to be technology 'savvy'. Difficulty in technology forecasting.	As a nation of fast adopters, technology based businesses can be created to go global, overcoming our high costs.
2. Further globalisation and new geopolitical and economic forces, such as European integration, the rise of Asia and particularly China and India, plus other low cost countries.	Australian businesses lose key staff to Asian businesses, lose key markets, too, and reduced wealth creation. Imports take over Australia's domestic markets, eg: TCF. Working with other cultures and deployment internationally is a challenge.	Australia has a unique position relative to Asia, as a stable, English speaking neighbour. Large opportunities exist for exporting food, minerals, and education.
3. The problems in the USA and elsewhere that resulted in the recent global financial crisis, plus ongoing fallout from European financial issues.	Impact of global volatility is inescapable nationally, meaning that local firms must diversify and find other ways to achieve resilience. Effective risk management is a challenge.	As the USA is replaced by China and Asia in importance to trade and policy, Australia is well placed in regional terms.
4. The shift in first world countries towards service based economies as manufacturing has moved away from high cost nations.	Few economies have achieved or kept a high standard of living without a manufacturing sector. Australia's is dwindling.	Supplying China and India with their input imports and providing leading edge services are opportunities in Australia.
5. Climate change and the challenges and opportunities it brings for almost all organizations.	As a very high per capita polluter and greenhouse gas emitter, organisations in Australia will be faced with expensive changes. Costs will rise.	Advances in local technologies present new opportunities and industries. Clean, green food is an example.
6. Sustainable development trends, including ethical considerations and increasing requirements for corporate social responsibility, and stakeholder activism. Deregulation has led to problems.	Businesses in Australia will need to continue to operate and compete internationally, where cultures and behaviours differ markedly. Leaders need to create their own frames for integrity and ethics.	Australia's quite low levels of corruption and quite high levels of corporate social responsibility provide opportunities to work globally and lead, turning this to comparative advantage.
7. Gen Y and Gen Z entering the workforce with different values to baby boomers and the need to make work more meaningful for them.	Attracting and retaining people is getting more difficult, with the 'war for talent' going global. Employee loyalty is lower. Managers must increasingly compete for key staff in a world of paradoxically, very many people yet severe skills shortages.	Australia's highly liveable cities are seen as attractive globally as a place to live and work.
8. Structural change in Australia, such as the mining boom, and our dependency on mining income (often called the 2 speed economy).	The challenge here is of how to diversify and manage risk, industries and economy to achieve robustness/resilience.	Mining brings innovation opportunities and downstream value adding/ services, must be achieved.

Driving forces	Leadership/management challenges	Potential opportunities in Australia
9. Innovation as a key opportunity in a high wage country such as Australia.	Without a competitive national innovation system or a mature venture capital industry, innovations go offshore. At the enterprise level, Australian firms must become excellent at innovation management.	Niche opportunities abound with fine science and engineering bases here. Innovation expertise and finance are in short supply in Australia.
10. Diversity and management of women and minorities in the workplace remains as a challenge/opportunity.	Relatively little progress has been made in breaking the glass ceiling, and getting the best of all minorities into leadership roles.	Harnessing the best talent in the workforce still has the potential to bring major benefits, with boys' clubs reducing in the new generation. Women and minorities are coming through education systems in large numbers, contributing to generational change.
11. Reduced funding of higher education in Australia in real terms.	Shortages of key skills and capabilities areas reduce growth (eg: engineers).	While foreign/export income has risen, higher education institutions have also become more market oriented.
12. High volatility in the economy, impacted by oil process, global crises, water shortages.	The need for effective scenario planning, contingency planning and resilience is widespread.	Opportunities for improving knowledge and practice through education exist here.
13. Increased outsourcing and newer forms of business activity such as public-private partnerships and alliances.	These more complex arrangements bring a need for better educated leaders, who are comfortable operating internationally and managing risk effectively.	Education at university and TAFE levels, and also schools, have internationalised their curriculum and student bodies – yet more is needed.
14. Challenges of the aging population and other demographic and structural changes.	Like many other countries, a 'flight to cities' has continued, even though cities have problems. Aging populations have stressed infrastructure.	Using older Australians to educate, mentor and remain active and value adding is a major opportunity. Incentives for people to work and live regionally need more energy.
15. Self-management and 'leadership at all levels' have become widespread phenomena.	There is still an overhanging of old style leaders in practice who are significantly authoritarian and who micro-manage, which stifles creativity and motivation in staff.	Research to verify this and education programs can unlock a lot of potential in Australian workplaces.
16. ICT and E Business have become pervasive in virtually all industries.	Many business and industries have embraced this opportunity, however some lag behind.	Research to verify this and education programs can unlock a lot of potential in Australian workplaces
17. Knowledge management is a large opportunity.	KM is key to learning and improvement, yet not yet implemented on a widespread basis.	The market is poorly formed – hence, after further research, intervention and education is needed.

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