



Enterprise Innovation

Looking Forward: Enterprise Innovation



John Vines,
OAM Chair IBSA

Innovation is at the heart of national productivity gains. It is an ongoing process that requires more research into the roles of business leaders, government and services providers. The Innovation and Business Skills Australia (IBSA) Board has positioned innovation as a central focus in our collaborations with enterprises, training providers, governments and other organisational stakeholders.

In the spirit of sharing and leading by example, IBSA, in consultation with the Business Council of Australia, the Australian Industry Group, the Australian Council of Trades Unions, the Australian Chamber of Commerce and Industry, the Department of Innovation, Industry, Science and Research and the Department of Education, Employment and Workplace Relations, held an Enterprise Innovation Summit at Parliament House Canberra in June 2009.

Officially opened by The Hon Dr Craig Emerson MP, Minister for Competition Policy and Consumer Affairs; Minister for Small Business, Independent Contractors and the Service Economy; Minister Assisting the Finance Minister on Deregulation, the summit explored ideas, problems and solutions with approximately 60 leaders of enterprise innovation, industry associations and the tertiary sector. The starting premise was that there is already a compelling case for greater engagement in enterprise innovation to increase national productivity, prosperity and social well-being.

The Society for Knowledge Economics (SKE) was commissioned by IBSA to write a brief background paper for participants outlining the current state of enterprise innovation in Australia. The paper set out some perspectives on innovation and the ways in which leadership, culture and management within organisations contribute to innovation and productivity.

The Hon Richard Marles MP addressed the summit, emphasising the critical relationship between innovation and enterprise and national productivity.

Speakers, panels and participants focused on international and domestic responses to ways enterprise leadership can create a culture of innovation in workplaces, enabling greater productivity through different forms of innovation.

Drawing together the threads and energising the group were commentators Professor Roy Green, Dean Faculty of Business, University of Technology, Sydney (UTS) and Reviewer of the Australian Textile, Clothing and Footwear Industries, and Mr Steve Vamos, President, Society for Knowledge Economics (SKE). Focus was on innovation as it relates to international and domestic productivity and especially its critical role in Australia's recovery and growth. Discussion highlighted innovation leadership including models of enterprise intervention and support, workplace engagement, and organisational learning and development strategies.



Professor Roy Green,
Faculty of Business UTS



Mr Steve Vamos,
Society for Knowledge
Economics

'Innovation is core to everything we do. Employees need to have a significant financial interest in the outcome of the business.' **Lynette Mayne, Work Wear World.**

The international guest speaker, sponsored by Enterprise Connect and the Department of Innovation, Industry, Science and Research, was Ms Bernie Cullinan, CEO of Clarigen, a company providing outsourced solutions for companies in the small and medium enterprise sector in Ireland. The Celtic Tiger's rise, fall and continuing story provided a superb case study for participants.



Ms Bernie Cullinan,
CEO Clarigen

Keynote presenter was Mr Hutch Ranck, Managing Director, DuPont Australia and New Zealand and Chair of Business Council of Australia's Education, Skills and Innovation Task Force. His focus on impediments to innovating and the relationship between universities and business in bringing ideas to commercialisation, generated much discussion.

The aim of the summit was to contribute to developing a new agenda around leadership and management of Australian enterprises, to improve the skills of our workforce more broadly, and to increase Australia's capacity and capability for innovation. Panel speakers provided short presentations and case studies from Australia and internationally as a stimulus for wider participants' discussion:



Mr Hutch Ranck,
Managing Director,
DuPont Australia and
New Zealand and Chair
of Business Council
of Australia's (BCA)
Education, Skills and
Innovation Task Force

- Mr Bruce Biltoff, Managing Director, Memcor Australia Pty Ltd
- Mr Geoff Fary, Assistant Secretary, ACTU
- Dr Tony Golsby-Smith, CEO and Founder of 2nd Road
- Mr Grant Kearney, CEO, InnovationXchange and IXC International
- Ms Narelle Kennedy, Chief Executive, Australian Business Foundation and Member of the Cutler Review of the National Innovation System
- Ms Lynette Mayne, Executive Chair, Work Wear World
- Mr Tony Pensabene, Associate Director, Economics and Research, Australian Industry Group
- Mr Philip Williamson, CEO, Intelledox.

The summit proposed a number of practical steps to foster innovation and invest in the policies and practices that will generate the next round of productivity gains. This publication is the first step for IBSA in drawing together the ideas which included:

- investigating mechanisms for developing and providing resources that can be disseminated to organisations wishing to improve their skills in innovation
- identifying methods for developing workplace leadership capabilities and employee engagement for innovation and collaboration
- promotion of a greater understanding of the relationship between entrepreneurship, innovation and risk.

'The ACTU has a simple position regarding change at the workplace level: Unions need to be actively involved in genuine change processes to assist Australia to become more sustainably competitive.

We seek to work constructively with employers and governments to go up market and up value.'

Geoff Fary, ACTU.



Society for Knowledge Economics

The Enterprise Innovation paper prepared by SKE for the IBSA Enterprise Innovation Summit on 22 June 2009 Parliament House Canberra, provides some perspectives on innovation and the ways in which leadership, culture and management within organisations contribute to innovation and productivity. The paper is summarised below.

Why should enterprise innovation capability be important to us during the most severe global financial crisis for seventy years?

First, the crisis indicates that change is needed and as such allows, indeed calls for the consideration of alternative ways of doing things. Second, it is clear that economies that reorganise themselves and seek new opportunities for growth will be the ones to recover fastest from the crisis.

If we are to address the opportunities that lie in emerging knowledge based industries and increasing international competition, then the need to improve productivity and innovation performance are significant challenges and opportunities that demand change in the way our workplaces are led and managed.

The Australian Bureau of Statistics shows that innovation is about three things, including the delivery of new or significantly improved: 1) goods and services; 2) operational processes; and/or 3) organisational processes.

According to the recent White Paper from Senator Kim Carr 'Powering Ideas', in the last eight years Australia has slipped from 5th to 19th in the World Economic Forum's Global Competitiveness Index. The Australian Bureau of Statistics' 2006-07 survey of innovation in Australia finds that of the 708,000 businesses surveyed only 260,544 (or 36.8%) are 'active innovators'.

The participation rates for innovation within business do appear to rise as organisations get bigger: 30.6% of businesses with 0-4 people innovate; 44.7% of businesses with 5-19 people; 55.7% of businesses with 19-200 people and finally; 66.1% of businesses with over 200 people.

The World Economic Forum's Global Competitiveness Report (2008-09) indicates that Australia lags behind in terms of business management and innovation capabilities at the workplace level. For example, in the 'capacity for innovation' category, Australia ranks number 20 whilst

'We need to build great organisations in this country, and without wanting to throw away the word 'innovation' we do need to broaden our vision beyond that word. We need a broader vision and we need to create inspirational workplaces. The missing link is design.' **Tony Golsby-Smith, 2nd Road.**

'Enterprise Ireland is investing heavily in leadership development, starting with the ICT sector. Participation in the program has resulted in many of the companies strengthening significantly through an increased innovative capability and the development of the cultures within the organisation to exploit the resulting opportunities fully.' **Bernie Cullinan, Clarigen, Ireland.**



'Five principles of innovation: Create discipline; Study the trends; Listen to customers; Active networking; Manage failure and cut losses early.' **Hutch Ranck, DuPont Australia and New Zealand.**

Germany comes in at number one, with the Scandinavian countries following close thereafter. Furthermore, on the 'sophistication of company operations and strategy', Australia ranks number 26 (the USA is number one). A number of reasons for this are suggested including culture and leadership styles that can inhibit and/or enable knowledge sharing and innovation from taking place.

Yet there are reasons for optimism. What are the raw materials within the human capital of Australia that we can build on to create a better future? And what might be some of the barriers inside business that need to be removed for innovation to lift?

The paper examines the link between innovation and productivity at the workplace level. It also points out international trends and developments aimed at lifting enterprise innovation rates and hence productivity. Finally, a potential agenda is put forward for improving enterprise innovation in Australia.

Undoubtedly, the success of Australia's national innovation system will increasingly depend on the quality of leadership and management at the organisational level. As workplaces become more flexible and responsive in a changing competitive environment, the emphasis of economic reform will need to evolve to address the leadership, culture and management of Australian organisations, as well as the infrastructure and programs required to support the development of innovative capabilities within organisations.

The IBSA National Innovation Summit provides an opportunity to contribute to the development of an agenda that seeks to increase Australia's innovation participation rates which in turn increases national productivity, prosperity and sustainability. It is an opportunity to identify what needs to be done to build a better future, better companies, more engaged workforces, and more productive and innovative organisations with skilled and capable people. To identify what each one of us, both individually and as part of our respective organisations, can do. It is a chance to challenge orthodoxies and vested interests that have resulted in our present situation – a chance to be heard and make a contribution.

- *In hindsight, we did not focus on the excessive role construction was playing in the rapid growth of Ireland's GDP to the extent we should have.*
- *A key strategy review in 2004 recommended a much stronger framework for collaboration on research between Government, Industry and University (SFI).*
- *Research must have a commercial focus.*
- *Provision of financial incentives and training to companies to create capability should focus on all staff to become innovative in their area.*
- *Focus on leadership development has delivered greater results in innovation.*

Bernie Cullinan, Clarigen, Ireland.

'At the heart of productivity gains for Australia is the ability to assist companies to transform. At the heart of transforming business is the need to respond to customer needs. The "miraculous alchemy of innovation takes place close to the customer".'
Narelle Kennedy, Australian Business Foundation.

IBSA Enterprise Innovation Summit Statement

A summit meeting conducted on June 22 2009 by Innovation and Business Skills Australia (IBSA) suggested a number of practical steps to foster innovation which IBSA has further refined into the following statement.

Acknowledging the government's major policy agendas as articulated in *Powering Ideas: An Innovation Agenda for the 21st Century*, and the infrastructure investment associated with Building the Education Revolution to enhance future skills and knowledge capabilities, innovation remains at the heart of driving national productivity gains. It is not an end in itself, but is a process that delivers economic and social benefits to individuals and society as a whole. It enables organisations to transform their capabilities. It is not only embodied in goods and services, but includes a broader range of activity including business processes and practices. Innovation can come from markets and customers as well as from research and development.

Australia must invest now in the policies and practices that will generate the next round of productivity gains. Failure to do so will see Australia fall in the rankings in terms of global competitiveness with a resultant decline in the overall economy.

Based on the summit and in discussions with parties involved in the Innovation Agenda, as part of its core role as an Industry Skills Council, IBSA will advance the following ideas:

- ▶ Leadership and Workplace Productivity research to promote the interconnectedness of innovation, skills formation, leadership and productivity in the workplace, and:
 - Consider the key factors that influence innovation in the workplace and the roles of government, business leaders and services providers.
 - Identify strategies based on the Cutler report, *Venturous Australia: building strength in innovation*, and the Government's response, which support effective collaboration mechanisms to underpin and support innovation in enterprises.
 - Investigate mechanisms for developing and providing resources for dissemination to organisations wishing to improve their skills in leadership and employee engagement in innovation and collaboration, while creating a greater understanding of the rewards.
 - Focus on enhancement of networking and mentoring mechanisms and opportunities relating to collaboration and innovation, both domestically and internationally.



'R & D is a small part of taking product to market. Australia is immature and it is hard for the government to invest in technology software. We need strategies other than tax rebates. To create an environment of innovation and entrepreneurship, ask how we can shift that to support radical and different technology.'

Phillip Williamson, Intelledox.

'Industry leaders, researchers and policy makers are becoming increasingly aware that collaboration, particularly at an international level, is now more vital than ever before.' **Grant Kearney, InnovationXchange.**

'We are told that the global financial crisis changes everything. But for skills and innovation, it changes nothing. Our policy challenge is to link short-term recovery to longer term competitive advantage for firms and organisations ... Increasingly around the world, innovation is not just about science and technology but organisational innovation, including new business models, systems integration and new approaches to design and branding.' **Roy Green, UTS.**

IBSA will outline the case for the Government's consideration of research focusing on sharing good practice with a view to encouraging the uptake of innovative practices in enterprises.

- ▶ Within the context of looking at methods for developing workplace leadership capabilities, skills development and employee engagement for innovation and collaboration, promoting a greater understanding of risk, innovation and entrepreneurship expressed by start up firms.

IBSA will undertake work examining the links between risk, innovation and entrepreneurship.

- ▶ Undertaking work to better understand the nature of young Australian entrepreneurs and their representation in small business.

IBSA will conduct research into the nature of young Australian entrepreneurs by examining barriers and incentives which affect their decision-making processes.

- ▶ Development of a National Industry Charter for Innovation and Leadership, incorporating industry, unions, government and education and training, including the assessment of the appetite for innovation and collaboration of beneficiary organisations.

IBSA will conduct discussions with industry parties within the context of the Government's paper, *Powering Ideas: an innovation agenda for the 21st Century*, about the development of an industry endorsed charter on innovation.



'How do you measure the quality of non-financial assets and the performance of managers in developing their Human Capital? Performance in this case is much more than just the numbers. Performance is about managing stakeholder expectations and putting in place the leadership, culture and management practices that deliver on their expectations. Building sustainable organisations that innovate, demands an approach that connects people in the organisations to opportunity and the expectations of stakeholders.'

Steve Vamos, SKE.

Checklist for implementing an innovative culture

1. Celebrate, recognise and reward small improvements in product, process or service, as well as the major breakthrough innovations.
2. Encourage a facilitative management or leadership style and encourage employees to think about improvement in terms of product, process or service (or combinations of these). Quality circles or similar structures can support this leadership style.
3. Provide opportunities for employees to network both internally and externally through job rotation, cross-functional teams and through attendance at industry functions.
4. Continually benchmark the enterprise against others in the industry sector to develop a better understanding of the comparative performance of the enterprise and gather ideas and stimulus for innovation.
5. Develop a global perspective and an understanding of global influences on the industry sector to prepare the enterprise for responding to opportunities and possible threats.
6. Review the skill base of employees in the enterprise, and identify the skills that will need to be developed to implement an innovation culture.
7. Develop an appropriate risk profile. Encouragement for innovation needs to come from the top. Boards should set clear parameters for innovation as part of the governance of the organisation so that individuals and teams have known boundaries within which to innovate.
8. Seek opportunities for collaboration. While most large companies have closed loop innovation systems, medium and smaller companies are increasingly seeking to collaborate to deliver on complex projects. Collaboration can occur on a local or global basis.

Better Business Through Innovation

Innovation and Business Skills Australia (IBSA) is the Industry skills council with responsibility for the following industry sectors:

- Business Services
- Cultural & Related Industries
- Education
- Financial Services
- Information & Communication Technologies
- Printing & Graphic Arts.

IBSA's mission is to build the capability, professionalism and innovative capacity of the Australian workforce. Bringing together fresh thinking and sound research, IBSA fosters the support and collaboration of informed people from across industry, education and training and research sectors. IBSA works with industry to incorporate innovation and creativity competencies in nationally endorsed vocational education training units, skills sets and qualifications, and develops business workforce development tools.

IBSA's Enterprise Innovation Summit in 2009 brought together global perspectives to identify and explore key areas for innovation practices to enhance enterprise productivity and success.



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