Submission to the Senate Inquiry into Australia's Innovation System

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Enhancing Innovation in Australia: Principles and priorities

The innovation systems in our global competitors are large scale and/or have high degrees of connectedness. This gives their companies great advantage in innovation, and provides them a distinctive edge in international competition and in building new business.

Australia's innovation system, in contrast, is relatively small and very disconnected. The only way for Australia to compete internationally in innovation is by being smarter and faster at it than our competitors.

And we have an opportunity to do so. Through improved innovation management and policy we can develop lean and flexible innovation systems that make better use of our existing investments and financial and human resources. This is not a 'throw more money at it' exercise. It is improving connections between what we have - good people, good research, good companies, money in the system. It is all about doing it better.

Innovation does not occur in single organizations; it is essentially collaborative. Innovation does not happen by itself; it needs to be managed. And it is risky. Most innovation improves existing products and services and ways of doing things, but a proportion involves doing new things, some of which will fail.

Priority 1. Few, if any, firms own all the knowledge and know-how needed to innovate. Innovation is built on collaboration between businesses, large and small, and between research groups and companies. Collaboration is not an end it itself, but a means to an end: innovation.

To improve our poor performance in collaboration we need to stimulate the opportunities for, and skills of, our business and research organizations to select the best partners and work with them effectively.

The priority for government should be to support - and help drive - collaboration, rather than single firms.

Correspondingly noting that we are currently bottom of the latest OECD League Table (33 out of 33!) in collaboration between innovation-active firms in our country and our Higher Education and Research Institutions, too much great stuff is 'lost in translation', failing to make any impact on jobs, wealth created or improved quality of life. Leading on to Priorities 2 and 3 to follow - recognising that, generally, 'what gets measured gets done' - the pendulum of assessing (and funding) research has moved too far down a limited view of research excellence - 'impact' must increasingly be brought into the picture. Happily, there is an emerging groundswell of support for this.

Furthermore, noting that innovation ('ideas successfully applied') is very much a people game, nurturing relationship building and mobility across firm/firm and university/firm boundaries is pivotal to success - knowledge travels on two legs!

Priority 2. It is good management that will make us smart and fast at innovation. Peak business groups should be encouraged to promote governance practices that allow CEOs and senior management teams to innovate, protected from short-term demands.

Professional associations, from engineers to accountants, should include innovation and entrepreneurship training as part of their accreditation. Universities should emphasize the teaching of innovation management and entrepreneurship across all their degree programs,

and especially in their business schools. High schools might too: Singapore has been running entrepreneurship classes in secondary education for a decade.

The priority for government should be to use all levers available to it to improve the management of innovation skills and performance.

Priority 3. Government can act as a guide and facilitator in innovation. Investments in research, education and skills and infrastructure are crucial, but government can value add beyond this.

Government is the only part of Australia's innovation system that can take an overall view, and consciously shape its future direction. To do so it must see Australia's poor innovation performance as a systems problem. Policies in one part of the system that might seem a good idea – such as encouraging universities to focus on research publications – might have adverse effects on other parts of the system, such as discouraging collaboration with business.

There is also an information problem. There is very little research capacity in innovation and entrepreneurship in Australia, in stark contrast to overseas. We have a lot of data collected on what is convenient and available, not on what is needed to guide better decisions. We need better measures of performance and an improved collective memory of what we already know: there is a lot of reinventing the wheel in this area.

And importantly also, government is the largest purchaser of innovation. By using procurement that encourages and de-risks innovation, we can build skills and knowledge that will help us grow new business.

The priority for government is to develop policy-making and -delivery capacities that <u>facilitate</u> innovation. This involves improving knowledge and expertise about innovation <u>within</u> government.