

## TCF Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009

I am pleased to comment briefly on this Bill which implements a key element of my 2008 review report *Building Innovative Capability* for the Minister for Innovation, Industry, Science and Research. Clearly the landscape has changed since the industry plans of the 1980s which gave rise to the TCF Strategic Investment Program. These plans were aimed at achieving competitiveness in the context of significantly reduced tariffs accompanied by the low exchange rates that characterised the terms of trade crisis of that time. They promoted investment in areas of potential growth and transition and they were supported by structural adjustment measures to address plant closures, job loss and relocation and retraining of employees affected by the transition.

However, today the challenge is how to improve productivity and identify new opportunities through a strategic approach to innovation and change in a high exchange rate environment, one which has set the bar higher for all trade exposed manufacturing industry. The fundamental argument of my report was that in this environment, the emphasis must be on building the innovative capability of firms themselves, both individually and in the context of the networks and supply chains in which they operate. While this argument did not meet with universal acclaim, especially among those with an 'entitlement mentality', it did help to focus the minds of creative entrepreneurs and managers who understand that this is the only sustainable way forward for manufacturing in Australia. It has been given further substance by the recent UTS-MGSM report *Management Matters in Australia: Just how productive are we?* for the Department of Innovation, Industry, Science and Research, which points to the link between management calibre and the productivity performance of firms and organisations in a global benchmarking context.

I believe that the role of public policy in this area is not to underwrite business as usual, or to crudely prescribe behaviour change, but to facilitate incremental but relentless improvement in the quality of our managers and leaders and in the culture of workplaces. This cannot be done by managers alone, though clearly they must play their part. As in many other countries, it does require government-funded programs to encourage and assist the process of change and improvement, which the *Management Matters* global study by the London School of Economics and McKinsey & Co calls the 'single-most important' way to transform productivity performance. A good start has been made with Enterprise Connect services to businesses, but a broader whole of government approach will ultimately be needed. In the meantime, this Bill is an important step in the right direction for the TCF industries, which in many ways are a microcosm of Australian manufacturing, with traditional mass production facing severe cost competition, high value adding technical textiles driven by R&D and the fashion and design sector with myriad smaller firms whose success is largely dependent on quality, design, rapid response, market intelligence and new business models.

I wish to reaffirm the argument of my report and commend this Bill to the Committee.

Roy Green

December 12 2009.