

## **Leadership and local skills**

### **Leadership**

- 2.1 Rural development and leadership need to be seen as part of the same process. The merits of 'bottom up' rather than 'top down' regional development were consistently argued throughout the inquiry. The committee considers that encouragement of local leadership and support for communities that are lacking skills are basic to developing self-starting, self-sustaining and resilient regions.
- 2.2 The committee found that regional communities varied considerably in the level of effective leadership they displayed and that there was a direct relationship between the extent of regional development and the business and community leadership associated with it. As discussed further in chapter 3, the large number of organisations working within and across communities, the many programs relating to regional development and the complex administrative arrangements associated with these, plus community allegiances and social sensitivities, have resulted in dissipation of effort and lack of focus in many regions. Those regions that were making the most of opportunities were those prepared to embrace change and work at developing new businesses, capitalise on emerging opportunities, and to accept responsibility for their own development, rather than relying on government support and initiatives. Collaboration, inclusion of all stakeholders and a commitment to education and training were also characteristic of these regions.

- 2.3 The Kelty Report (1993) acknowledged the calibre and the extent of the commitment of people in regional areas to the future development of their regions.
- 2.4 McKinsey & Company (1994) recognised that, increasingly, regions would be able to compete on their own account. Business and regional community leaders, therefore, required commitment, energy, initiative and skills, rather than particular personal qualities, to be effective in terms of facilitating regional economic development. They stressed the importance of a leadership group, rather than individuals and considered that leadership was a discipline that could be taught and learnt. Regional leaders could influence many of the factors critical to a world class investment environment including:
- workforce flexibility, skills and motivation;
  - supportiveness of the regional business community;
  - investment certainty;
  - lifestyle qualities; and
  - the levels and quality of available infrastructure.<sup>1</sup>
- 2.5 A key finding was the need for governments to provide the framework for development and for energetic business and community leaders to become the agents of change by 'doing and directing'. In a followup study (1996), McKinsey & Company lamented the lack of action on their 1994 recommendations to seed world-class leadership teams and create a learning environment for regions. The committee considers that much more progress has yet to be made on these issues.
- 2.6 Building community and industry leadership was a focus of the Regional Australia Summit. It was suggested that a long-term leadership strategy needed to be part of government's core business through establishment of a range of leadership development programs to develop community capacity and leadership, especially in young people. The summit considered the nature of leadership – denoted by initiative and responsibility, energy and enthusiasm with leaders potentially able to come from all levels of the community and with varying levels of ability.<sup>2</sup>

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1 McKinsey & Company, *Lead Local Compete Global: Unlocking the Growth Potential of Australia's Regions*, Report for the Department of Industry, Transport and Regional Development, Canberra 1994, pp. 25-34.

2 Assoc Prof David Russell, *Community and Industry Leadership*, paper given at the Regional Australia Summit, October 1999.

- 2.7 The direct link between leadership development and creation of new business opportunities, and the need for an appreciation of entrepreneurship and the development of a 'can do' culture was acknowledged. The summit communique urged the removal of regulatory impediments to entrepreneurship and the stimulation of a new, modern regional business culture and paradigm through a rural and regional business foundation. Partnerships and alliances were seen as the key to enabling empowerment, entrepreneurship, life-long learning, new business, and the engagement of strategic services by government.
- 2.8 Australian Project Developments stated that workshops held as part of the Institutional Investor Information Service (IIIS, known as *TripleI...S*) showed that 'a collaborative framework - where optimism is pervasive, where trust and cooperation influence feeds through into a can-do culture' is indicative of 'get ahead regions'. The IIIS project, managed by the Australian Council for Infrastructure Development (AusCID), was undertaken in 1997-1998 to develop cooperative arrangements between Commonwealth and state governments and the private sector for identifying infrastructure projects suitable for private investment. Australian Project Developments, who ran the workshops, suggested that governments could encourage 'key institutional investors and the energy/communications utilities' to take on a leadership role and assist 'local champions and players to work up their ideas'.<sup>3</sup>
- 2.9 The committee met with Fred Argy, a former Treasury adviser and Director of the Office of the Economic Planning Advisory Council (EPAC), who advocated development of local level leadership by inviting ideas through a national infrastructure advisory council. Establishment of such a council is discussed further in chapter 3. He considered that, if communities were not equipped to develop ideas on their own, assistance could be provided by the advisory council. He strongly favoured development of a mechanism to encourage cooperation between individual towns and communities and identification of infrastructure needs on a regional basis.<sup>4</sup>
- 2.10 The South Australian Regional Development Taskforce cited 'expanding the provision of, and access to, leadership training; and improving support for volunteers in regions' as a key priority to achieving regional development objectives.<sup>5</sup>

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3 Australian Project Developments Pty Ltd, Submission no. 254, p. 7.

4 Fred Argy, Transcript of Evidence, 22 September 1999, p. 154.

5 *South Australian Regional Development Taskforce Report*, State Government of South Australia, April 1999, p. 69.

- 2.11 Collits (1998) referred to the NSW Standing Committee on State Development's 1994 inquiry which defined regional leadership tasks as:
- identification of a region's competitive advantages;
  - creation of an economic vision for the region;
  - uniting the various interests in the region in pursuit of the vision;
  - assignment of specific tasks to the key players to ensure achievement of the vision; and
  - promotion of the region to the outside world.
- 2.12 Like McKinsey, Collits associated leadership with change and change management and highlights the need for more collective leadership skills, including negotiation, collaboration and brokering skills. Importantly, he claimed that practitioners want information about 'best practice' rather than formal skills development or training, and emphasised that an effective community leadership team takes time to build.
- 2.13 Challenges for regional leaders include:
- working in isolation;
  - working in a relatively new and still emerging field;
  - a shortage of resources;
  - lack of support;
  - funding uncertainty;
  - lack of tenure;
  - political instability; and
  - the need for broad range of skills.
- 2.14 States are increasing their involvement in developing leaders at the local level. Western Australia, New South Wales and Queensland have programs to develop effective leadership, strategic decision making and good business skills at all levels within the community, local business and industries. The Victorian Department of State Development provides funding for course design for local government economic development training through Deakin University. A range of non-government leadership and practitioner skills initiatives also exists. The need for partnerships and greater coordination between governments, local

councils, universities and other training providers was stressed, with universities playing a much greater role in leadership training.<sup>6</sup>

- 2.15 This report highlights outstanding examples of regional leadership across all sectors. The committee strongly supports calls for leadership development programs and the encouragement of learning environments throughout regional Australia. It considers that federal government action in this regard is long overdue.

## Skills development

- 2.16 The importance of a skilled workforce to regional development is discussed in relation to education in chapter 9. During its visits to regional areas, the committee was informed of many employment vacancies for skilled people. For example, Mt Gambier's integrated and diverse economy encompassing timber, sheep, grazing, horticulture (potatoes, onions), tourism, fishing and viticulture offers very good employment prospects but the region has been experiencing difficulties attracting a skilled workforce, both managers and tradespeople (about 600 trade vacancies are forecast for 2000-2001). Area Consultative Committees (ACCs) have been instrumental in developing solutions for the region as a whole, including:
- identifying the most appropriate and productive training for the region and developing training packages to deliver this; and
  - informing parents and school students about employment opportunities, including the range of new and interesting positions associated with traditional industries.
- 2.17 Southern Queensland is also experiencing difficulties attracting skilled workers, management staff and manual labour. Impediments contributing to the lack of skilled workers include:
- the high cost of employing people (regulatory requirements, complex and lengthy bureaucratic processes);
  - fringe benefits tax (on housing for employees);
  - lack of and/or poor training for young people;

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6 P Collits, *Up-skilling local and regional leaders and economic development practitioners: a survey of current issues and possible future directions*, NSW Dept of State and Regional Development, 22<sup>nd</sup> Annual conference of the ANZRSIAI at Tanunda, South Australia, September 1998.

- poor access to, and knowledge about, the internet; and
- lack of knowledge of government support programs.

2.18 Recruitment of skilled migrants to regions was suggested as a possible solution by some submissions. Planners have a role, in the view of the Royal Australian Planning Institute, to ‘contribute to the discussion and policy formulation of the impact of migration on regional development and infrastructure policy’.<sup>7</sup> The Eyre Peninsula Regional Strategy Committee was investigating the possibility of recruiting Russian workers for sturgeon farming as a short-term solution to the lack of skilled workers in the aquaculture industry. The Yorke Regional Development Board suggested development of policies to attract skilled migrants to regional Australia including ‘special invitation packages ... to target certain migrants’, for example, people with skills in aquaculture or diversified farming practices.<sup>8</sup>

2.19 Research by an officer of the Parliamentary Library suggests, however, that enhanced economic development in regions rather than direct intervention is more likely to attract skilled migrants to the regions:

The relative lack of success of schemes in Australia and elsewhere to encourage migrant settlement in non-metropolitan centres suggests that the future of Australia’s population distribution is more likely to be shaped indirectly by policies which encourage (or discourage) economic development outside core regions of the country rather than by direct interventions to influence where new immigrants to Australia settle.<sup>9</sup>

2.20 Training for those involved in both traditional and new and emerging agricultural industries is the key to continuing global success. The National Farmers’ Federation (NFF) defines people as ‘the greatest asset of Australian agriculture as well as the broader community’ and acknowledges the role played by the Commonwealth in identifying skills development and leadership as key elements to achieving a more profitable, competitive and sustainable farm sector into the future.

Consequently, Governments have provided funding for programs such as Farmbis, Property Management Planning (PMP) as well as a range of other programs in addition to significant funding for the formal education sector. The aim is to encourage a culture of

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7 Royal Australian Planning Institute, Submission no. 242, p. 2.

8 Yorke Regional Development Board, Submission no. 223, p. 2.

9 Department of the Parliamentary Library, Research Paper No. 9 1999-2000, *Regional Development Through Immigration? The Reality Behind the Rhetoric*, p. ii.

continuous learning that will enhance the capacity of farm businesses to identify, acquire and apply the skills and information needed to improve their profitability and sustainability.

In addition, support needs to be provided in establishing and providing ongoing support for centres of excellence, cooperative research centres and graduate research programs in fields directly related to industries located in the region.

- 2.21 An example of an emerging industry is the inland saltwater aquaculture industry. It has been identified as having huge potential, both domestically and globally, for farming, processing and marketing of an expanding quantity and variety of fish, crustaceans and molluscs. Adequate and enlightened farm extension services providing sound economic and practical information in industry practice, new technologies and business principles, through education, consultancy, extension and technical media is needed.<sup>10</sup>
- 2.22 The linkage between training and economic growth needs more investigation, according to the Institution of Engineers, which stressed the importance of not 'undervaluing our substantial intellectual resources'. Quoting a 1997 report that characterised the Australian economy by faster employment growth in:
- lower skilled broad occupational groups;
  - lower wage industries;
  - industries with a lower measured propensity to innovate; and
  - industries with a lower commitment to training;
- the submission advocated strategic partnerships between governments, universities, industry and private education providers to ensure a framework for economic growth in which appropriate and adequate training and professional development is implemented.<sup>11</sup>
- 2.23 A key finding from the IIS workshops was the lack of understanding by regional proponents of what constituted 'investor ready' infrastructure project proposals in terms of the information needed for analysis. AusCID advised the committee that, while proponents might have good ideas, proposals were very often at a much more conceptual level than is required to attract investors. Private sector innovation, competitiveness

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10 Geoff and Mary Wilson, Submission no. 2, pp. 6-7, 9.

11 Institution of Engineers, Submission no. 234, pp. 9-11.

and contestability needed to be introduced into the process at an earlier stage to assist proponents to develop project proposals. Lack of recourse to financial planning expertise and the absence of marketing studies to back up proposals contributed to their inadequacies. Assumptions by proponents 'that it is primarily the responsibility of governments to fund the development of infrastructure and that they should not need to contribute 'hurt money' to that process' needed to be addressed along with training to improve proponents' skills in the development and presentation of infrastructure project proposals.

2.24 Porter emphasised investment in skills and knowledge as a basis for competitive advantage (see chapter 4). In addition, he stressed the need for ongoing or continuous improvement, through product/service upgrading or development of more sophisticated products/services, once competitive advantage had been achieved. Innovation involving both new technologies and new ways of doing things (for example, product design, new production processes, marketing approaches or ways of training) was crucial to ongoing development prospects. Change and innovation were inextricably linked and companies/regions that embraced change, and the opportunities and development potential arising from change, would prosper.<sup>12</sup> The February 2000 Innovation Summit provided an opportunity to explore these issues.

2.25 Education and training available to regional areas includes:

- university courses in regional development practice;
- the Centre for Australian Regional and Enterprise Development, (offered by a consortium of universities and other organisations);
- Regional Economic Development Open Learning Program;
- TAFE courses; and
- Local government initiatives, including employment of dedicated or part time economic development officers by councils.

2.26 In the committee's view, immediate attention and funding must be focussed on investing in developing skilled workforces and strong labour markets. Communities investing in education and skilled workforces will thrive and training must focus on specific challenges and context – both economic and governmental. A range of programs covering technical, business and management capability are needed.

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12 M Porter, 'The Competitive Advantage of Nations', *Harvard Business Review*, no. 2, March/April 1990, pp. 73-93.



## Withdrawal of government services

- 2.27 Withdrawal of Commonwealth funding from regional programs was criticised because of the impact on expertise and skill levels in communities. The Queensland government claimed that:
- the withdrawal of Commonwealth funding from the Business Advice for Rural Areas program meant that, of the original twenty officers (18 Commonwealth funded and 2 state funded) employed to provide business advice throughout Queensland, only 14 positions remained (all state funded); and
  - replacement of the Office of Labour Market Analysis with the Regional Areas Program has resulted in a narrower focus with fewer services and much less funding.<sup>13</sup>
- 2.28 The committee considers that the Commonwealth should take the lead in encouraging skills development, education and training. Development of 'a culture of learning' would be enhanced by relocating some Commonwealth departments to regional areas, including:
- Agriculture, Fisheries and Forestry Australia;
  - Environment Australia;
  - parts of the Department of Transport and Regional Services; and
  - parts of the Department of Communications, Information Technology and the Arts.
- 2.29 Location of its own service providers in regions would be a practical demonstration of Commonwealth faith in the regions. Moreover, Commonwealth officials could act as benchmarks in terms of providing advice, thereby helping to improve local practice. Most importantly, business and investors would have access to a range of expertise and knowledge to assist them in developing business cases and in obtaining information about all aspects of the industry, including future developments.

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13 Queensland government, supplementary information provided in response to committee request at the Public Hearing, 11 August 1999.

**Recommendation 1**

**2.30 The committee recommends that the Commonwealth government assist regional development and the regeneration of skills and leadership in regional areas by relocating strategic Commonwealth departments essential to facilitating regional development to the regions, beginning with the Department of Agriculture, Fisheries and Forestry and Environment Australia.**

**Recommendation 2**

**2.31 The committee recommends that the Commonwealth government, in partnership with state and local governments, the tertiary sector, business, industry and non-government organisations:**

- **develop formal programs offering skills development to regional businesses and communities with a strategic focus on clustering and linking of projects across a region. Programs should have regard to regional development best practice and include:
  - ⇒ farm extension services;
  - ⇒ industry practice; and
  - ⇒ business planning, investment requirements and marketing.**
- **encourage key institutional investors and private sector leaders (for example, from energy, water or telecommunications utilities) to assist local leaders to develop ideas for consideration by investors.**

**Recommendation 3**

**2.32 The committee recommends that the Commonwealth government, in partnership with state and local governments, provide increased funding for development and delivery of an integrated strategy for a range of leadership development programs for regional Australia, in recognition of their responsibility to provide assistance to build effective leadership capability in regions, including:**

- **leadership recognition and award programs;**
- **a centre for regional development best practice; and**
- **a regional development fellowship fund for university placement of regional fellows.**

**Recommendation 4**

**2.33 The committee recommends that the Commonwealth promote the concept of ‘learning regions’ through encouragement of ‘study groups’ focussing on regional development best practice in communities comprising representatives of government, business, industry and communities, to be developed in partnership with state and local governments and other bodies.**