

ECONOMIC DEVELOPMENT AUSTRALIA

SUBMISSION

Response to the NSW
Government's Green Paper:
*Securing future innovation and
global competitiveness in NSW*

Economic Development Australia (EDA) is pleased to provide a submission in response to the NSW Government's Green Paper; Securing future innovation and global competitiveness in NSW. EDA is the national peak body for economic development professionals. With over 1400 members across Australia, New South Wales represents one of EDA's largest state cohorts with approximately 300 members in metropolitan and regional areas.

It is EDA's view that Australia's economic complexity can only be improved through more innovative industry development policy, facilitation of diversification and strategic foresight. EDA congratulates the NSW Government's proactive approach to industry policy development and we appreciate the opportunity to provide input.

EDA is supportive of the key fundamentals of the new industry policy outlined in the Green Paper. In particular:

Cost sharing. EDA has close relationships with counterpart economic development organisations globally and recognises the value of public private partnerships fostered through international policies.

Collaboration. One of EDA's key advocacy priority areas is supporting cluster development for industry competitiveness. Clusters are groups of firms, related economic actors, and institutions located near each other and with sufficient scale to develop specialised expertise, services, resources, suppliers and skills. Together, SMEs can be more innovative, create more jobs, and register more international trademarks and patents than alone. EDA has a vast array of evidence of the benefits of agglomeration and collaboration through physical and virtual hubs or clusters. For example; clusters account for almost 25% of total EU employment. However, in NSW, the capacity of these to scale and transition to global competitiveness is often impeded by a lack of government policy and support. As a key element of the triple helix (industry, government, academia), EDA strongly recommends the NSW Government includes cluster policy within the broader industry policy.

BOOTS ON THE GROUND

EDA strongly recommends that the White Paper be developed with consideration of the actors whom are key to facilitating industry development, innovation and growth; the economic development professional sector. As we have seen throughout the recovery period following the NSW bushfire disaster (2019-20) and COVID-19 shutdowns, it is often the local economic development professional who delivers the critical function of connecting businesses with government support and each other in order to expedite economic recovery, innovation and transition (evidenced in the many ways ED professionals were the ones on the ground supporting local businesses to pivot in response to supply chain disruptions). EDA urges the NSW Government to recognise the role of economic development professionals (local, state and federal) in supporting innovation and global competitiveness for NSW businesses.

In response to the Green Paper Question; *Where do you think the NSW Government could make the biggest difference to encourage industry innovation and growth?* EDA provides the following commentary:

WIDER ANGLE ON INNOVATION AS A DRIVER OF PRODUCTIVITY

Kennedy (2022) argues that there are two common blind spots in Australia's innovation and industry policy that hamper productivity gains. These are an over-emphasis on high-tech innovation and physical infrastructure like innovation precincts, and equating innovation only with the knowledge economy at the expense of understanding the importance of essential workers and the everyday economy to prosperity and social wellbeing.

Innovation policy is often disproportionately focused on increasing the supply of research, science and advanced technologies, and less on incentives for enterprises to gain the knowledge and capabilities to solve imaginatively significant problems for demanding customers and markets, i.e., demand-led innovation.

While investment in advanced technologies and direct R&D is vital, it falls short as a driver of productivity improvement.

For most Australian businesses, success rarely comes from breakthrough technologies or new-to-the-world discoveries. More likely, innovation capabilities are the result of learning by doing; mining diverse sources of existing knowledge such as through market research, design, licences, prototyping, trial production and experimentation; and learning by interacting with others through inter-firm collaboration, personnel movements, links to professional bodies and the like.

Most importantly, performance and productivity gains are realised when these new approaches are brought together in a transformed business model, which creates superior value for customers by meeting an unmet need and earns a premium for the business in doing so.

EDA encourages the NSW Government to review its current programs to give priority to those which increase the innovation capabilities and knowledge of enterprises and their workforces to be competitive in responding to new and changing market needs, and thus, operating a sustainable business model.

Equally, greater attention should be given to the productivity gains from supporting the everyday economy and the contribution of essential workers, like health and aged care personnel, transport and logistics workers, food distributors and retailers, utilities maintenance staff, teachers and child care workers.

The everyday economy describes sectors that are immobile and relatively protected from competition, but which provide what has been called the services, production, consumption and social goods that sustain our daily lives.

The activities of the everyday economy include lowly paid, but highly necessary, caring and learning functions. These are often not captured in productivity measures, but they are central to human connections and social ties that are essential for a sense of belonging, resilience and identity in communities. As such, they contribute to social wellbeing, with a significant part to play in productivity outcomes.

REIMAGINING MANUFACTURING INDUSTRY POLICY

The fortunes of the manufacturing industry are central to any review of NSW's future approach to industry policy. Once dismissed as a declining sector warranting little government attention, the impact of a global pandemic has reinforced the continuing importance of being 'a nation that makes things' and one that is active in global value chains.

The key features of a modern manufacturing policy are well summarized in Kennedy (2020 c) in A New Deal for Australian Manufacturing Policy.

NSW policy and programs should be designed to transform, not bail out, the industry. The key features of support for the NSW manufacturing sector should include fostering the following capabilities:

- o methods of experimenting with innovative business models, which allow manufacturers to test new ways of operating and making a profit, not only new products and services;
- o access to and absorption of new knowledge, both from customers and researchers;
- o vehicles for organizational learning and capability-building;
- o closeness to customers;
- o proficiency at matching new opportunities with capabilities and skills;
- o the right people empowered and well-managed;
- o a sound radar for new trends, technologies and opportunities, especially in adjacent industries with good growth prospects;
- o processes for managing risks;
- o single-mindedness at simultaneously managing current business activities, selectively abandoning past activities and exploring ideas for new activities;
- o a mindset of willingness to collaborate with other businesses, higher education bodies, government, and other stakeholders.

A fresh approach to manufacturing policy should be driven by the twin imperatives of creating demand and opportunities in lucrative markets, and developing the necessary capabilities and skills in manufacturing enterprises to respond to this demand.

Programs to advance opportunities for and capabilities of manufacturers in NSW could include:

- o *Voucher schemes* which provide an incentive and make it easier for manufacturing businesses to seek external help with acquiring knowledge and solving business problems or undertaking change transformation projects.
- o *Procurement programs* which are designed to provide manufacturers, often small and medium sized enterprises, with a lead customer to challenge them to find solutions and pull through new knowledge and skills that they can then take to the wider marketplace.

- o *Industry or Technology Roadmap projects*, which are effectively industry clustering initiatives either for a sector or geographic region, where manufacturing firms and other related interests are brought together to explore the potential of 'smart specialisation' initiatives.
- o *Shared Learning Programs*, often peer learning involving practical and case-based presentations by other manufacturing firms and their leaders, e.g. advanced manufacturing technologies for business performance; business model innovation; design thinking.
- o *Manufacturing Leadership and Mentoring programs* that are industry-led and involve the leadership teams of manufacturing enterprises participating in structured networking and mentoring sessions with credible and experienced manufacturing business leaders.
- o *Innovation or Maker Spaces* provide opportunities for manufacturers to experiment with business innovations in a 'safe' space without risking all the resources of the enterprise. Such spaces can be used to retrain workers, trial business ideas, test out business applications of new technologies, and create manufactured products and prototypes.

PLACE-BASED POLICIES FOR LOCAL ENGAGEMENT

Industry and innovation policies by Federal and State Governments typically are centralised, universal and spatially-neutral. However, there is a case for 'going local', where policies are designed to be customised to suit the different circumstances of local communities.

The call for localism seeks to provide more direct participation by local communities in developing, implementing and evaluating policies. It aims to foster better intelligence gathering and it extends government efforts for more responsive customer service delivery beyond digitised transactions to more enduring community engagement with government, including the co-design of programs and agile trouble-shooting if things go wrong.

Experienced public sector decision makers have argued for the benefits of such place-based approaches (Kennedy, 2019), citing the principle of subsidiarity.

Subsidiarity is the principle of devolving decisions to the lowest practical level or the one closest to where they will have their effect, and the central authority has a subsidiary function.

The hallmarks of this local approach include:

- o Local control of decision-making on the use of funds from diverse Commonwealth and State sources.
- o 'Joined-up' service delivery, not separate services aimed only at single issues such as employment, health, income security, education and the like.
- o Promotion of flexible connections at the local level with networks, service providers, local government and opportunities.
- o Localising accountability with an active role for government with specialist local knowledge on the ground, and strengthening the expertise and capacity of local government.

The active ingredient in place-based approaches to industry and innovation policy is the promotion of relationship-building and knowledge-sharing, the prerequisites for collaboration and social cohesion.

This relational and social capital is a crucial element of the wider human-centred dimensions of innovation referred to earlier as necessary for securing productivity improvements.

The same logic applies in making decisions about the most effective innovation programs for NSW.

Industry clustering expert, Ifor Ffowcs Williams, in a recent presentation to EDA practitioners cautioned against the establishment of innovation precincts as the first and preferred innovation program. He argued that physical infrastructure, like innovation precincts, only works to boost industry competitiveness and innovation if it is accompanied by investment in social and networking infrastructure.

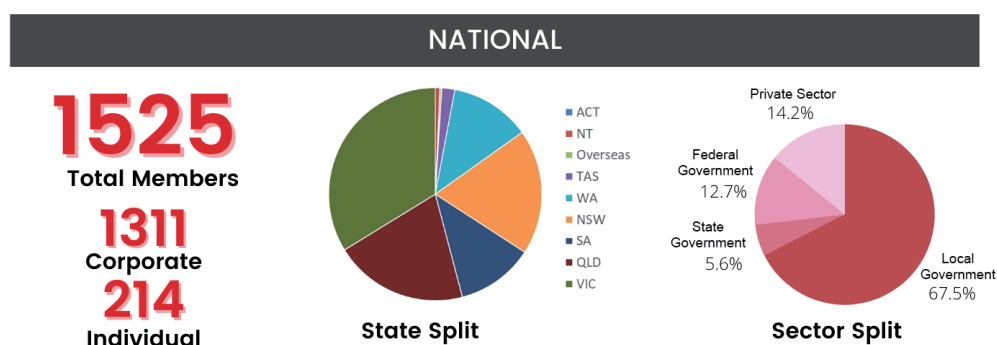
Kennedy (2021) in an article titled Innovation Precincts: Four Questions and a Challenge, provides frameworks for deciding on when and how innovation precincts make sense for individual local communities. The test of innovation programs is the extent to which they can unlock the untapped potential of communities. Innovation programs are not just the province of high-tech 'gazelle' firms, entrepreneurial start-ups, researchers, scientists or technologists. Rather, innovation programs must support people-led change and ordinary businesses, including small and medium enterprises, creating value by doing something new.

SUMMARY

EDA represents the professionals who serve as the 'glue' between industry and government in the places where industry development occurs. Economic Development professionals are on the front line of industry development, innovation and collaboration facilitation. As the national peak body for economic development professionals, we welcome the opportunity to assist the NSW Government forge stronger links with the professional sector, critical to the successful delivery of the vision for an innovative and globally competitive NSW.

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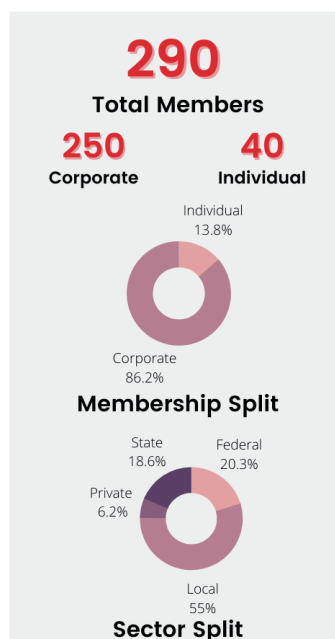
EDA Membership Profile



NEW SOUTH WALES

Member Organisations

- Arup
- Australia Chinese Cultural Channel
- Bathurst Regional Council
- Blacktown Council
- Blue Mountains City Council
- Broken Hill City Council
- Byron Shire Council
- Campbelltown City Council
- City of Canterbury Bankstown
- City of Parramatta
- Cloncurry Shire Council
- Coffs Harbour City Council
- Cumerland City Council
- Dantia
- Dubbo Regional Council
- Fairfield City Council
- GA Parsons Consulting
- Georges River Council
- Glen Innes Severn Council
- Griffith City Council
- Hornsby Shire Council
- Investment NSW
- Kempsey Shire Council
- Ku-ring-gai Council
- Landcom
- Launchpad9 Pty Ltd
- Liverpool City Council
- Maitland City Council
- Martin & Luscombe
- Moree Plains Shire
- Murray River Council
- Narrandera Shire
- NBN Co
- Newcastle City Council
- Parkes Shire Council
- Penrith City Council
- Port Macquarie-Hastings Council
- Port Stephens Council
- Queanbeyan-Palerang Regional Council
- RDA NSW
- Shellharbour City Council
- Singleton Council
- Snowy Monaro Regional Council
- Stronghold Brews
- Tamworth Regional Council
- The Competitiveness Institute
- The Hills Shire Council
- The Kennedy Company
- Urban Alchemy
- Vital Places Pty Ltd
- Western Research Institute
- Wollongong City Council



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