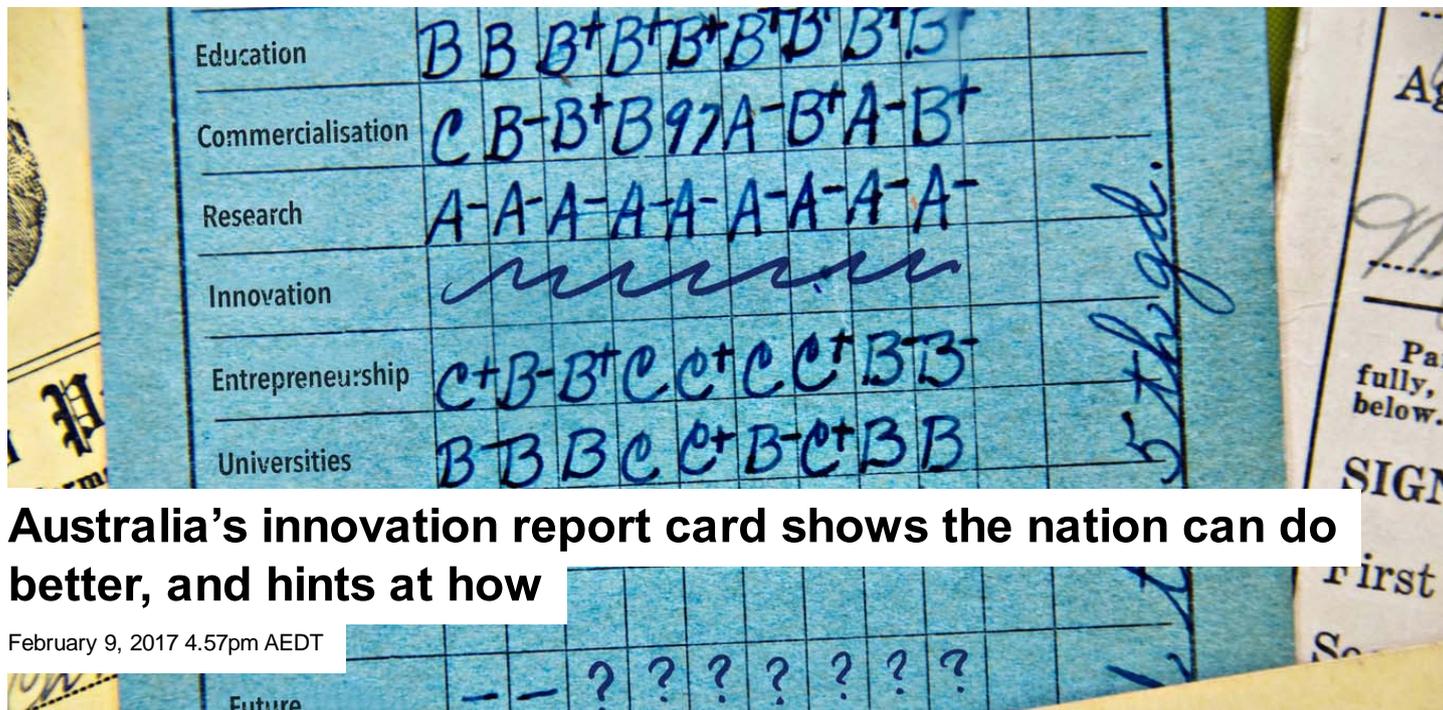


THE CONVERSATION

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Australia's innovation report card shows the nation can do better, and hints at how

February 9, 2017 4.57pm AEDT

The Office of Innovation and Science Australia released its review of the Australian innovation system this week, largely to a chorus of “heard it all before” from those close to the industry.

Tony Peacock, CEO of the Cooperative Research Centres Association, likens it to a school report: Janey tries but she could do so much better.

The report is designed to provide an informed basis for the promised strategic plan for enhancing Australia’s innovation, science and research system to 2030, due in late 2017.

The score

With a redolence of the famed management consultant Peter Drucker’s shibboleth that “what gets measured gets improved”, it includes a Performance Scorecard consisting of 20 measures assessing the state of knowledge creation, knowledge transfer and knowledge application.

Unsurprisingly, perhaps, we do well in many aspects of knowledge creation, but we perform poorly when it comes to knowledge transfer and application.

The report is an excellent compendium of reliable data on key aspects of the innovation, science and research system, including six “enablers”: money; infrastructure; skills; networks; culture; and policy. There will no longer be a need to recite the almost endless number of prior reports on this

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topic, at least where data are concerned.

Knowledge creation scores its usual 9 out of 10 – a solid “A” on Janey’s report card. Comparatively high funding for research in universities, world class and internationally connected researchers and research infrastructure, but still no university in, or near, the global top 20.

Knowledge transfer looks to come in at about 5 out of 10 – a worrying “C-”. There are few direct mechanisms to support knowledge transfer, under-utilisation of vocational education and training, and the notoriously low level of collaboration between researchers and industry.

Knowledge application barely scrapes a 1 out of 10 – a clear “F”. There is low business expenditure on R&D and employment of researchers, ongoing poor business skills, a low ranking of Australian businesses in international collaboration with other companies, and limited use by government of procurement to promote innovation.

The good news

One piece of good news to pierce the gloom: there is no evidence of a particularly risk-averse culture in Australia. Indeed, one of the higher rankings for Australia is for early stage entrepreneurship activity.

But any grounds for cautious optimism is checked by the dearth of high-growth firms (that is, those expanding at more than 20% over a three-year period) where Australia sits at the bottom of the OECD league table.

The report looks forward to the all-important innovation, science and research 2030 strategy by raising questions such as the adequacy of our largely incremental approach to innovation, should Australia adopt a “catch-up” or a leap-frog ambition (why can’t we be more like Israel or Singapore?), and are there sectors or projects which might particularly lend themselves to fostering and driving innovation.

But given the scorecard reveals it is business and economic performance that is at the heart of the shortcomings, perhaps the focus of the strategy should be on what can be done to get Australian businesses to be more innovative, rather than the rather softer target of the universities.

As the report notes:

A key part of the problem is that the Australian economy remains undiversified, particularly in terms of exports. Australia has only 19 internationally competitive industry sectors and only two in manufacturing: food and beverages, and basic metals. By contrast, comparator countries, such as New Zealand, Netherlands, and Canada, have at least 35 internationally competitive industry sectors.

Raise innovation

Should we expect the major business organisations, such as the Business Council of Australia, the Committee for Economic Development of Australia (CEDA) and the Australian Industry Group, to be prosecuting an agenda to raise the level of innovation performance and international engagement in Australian companies?

Could investors pressure Australian companies to provide an adequate account of their commitment to innovation? More might be drawn from the AFR's annual listing of the "50 Most Innovative Companies". The 2016 list would suggest the provision of digital services to a wide range of sectors has become a particular target of effective innovation.

But as Bill Ferris, Chair of the Innovation and Science Australia board, says in his foreword to this report:

Since the dawn of civilisation, innovation has driven human progress. What many take for granted [...] are benefits which have been delivered by innovation.

In these challenging times, where contemporary technologies are unselfconsciously used to raise fears about innovation and new technologies, the Innovation and Science Australia strategy 2030 will have to firmly restate – and demonstrate – that innovation is at the heart of what it is to be human.

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