

Society for Knowledge Economics

Response to the Australian Government, Department of Broadband,
Communications and the Digital Economy, Digital Economy Future
Directions Consultation Paper

February 11, 2009



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About the Society for Knowledge Economics

The Society for Knowledge Economics (SKE) is a not-for-profit organisation founded in June 2005. Members and supporters include organisations such as Microsoft, Westpac Banking Corporation, CPA Australia, PricewaterhouseCoopers, EDS, the New South Wales Department of Lands, the Department of Finance and Deregulation, the University of New South Wales, Macquarie Graduate School of Management, The University of Sydney, and others.

The SKE believes that Australia needs a collaborative, cross-sectoral organisation, supported by industry, academia, policy makers and others, who work together to make Australia one of the world's leading knowledge economies, providing the most innovative, productive and fulfilling places in the world to work.

A leading knowledge economy is one that aims to better understand, develop and leverage the most potent force in creating economic and social value today – its people and their collective knowledge and ability to innovate and produce new and improved products, services and business processes.

To this end, the SKE conducts industry-based research projects and prepares policy submissions, research papers, thought leadership pieces and editorials to influence policy directions and management and leadership practices in the Australian economy. Visit www.ske.org.au for more information.

The SKE has conducted research and industry partnering projects with a wide range of Australian and international organisations, including for example:

- Business Council of Australia
- CPA Australia
- Commonwealth Department of Education, Employment and Workplace Relations
- Commonwealth Department of Finance
- Victorian Department of Innovation, Industry and Regional Development
- Innovation and Business Skills Australia
- Microsoft Australia
- NSW Department of Lands
- OECD World Intellectual Capital Initiative
- US Enhanced Business Reporting Consortium (the US Securities Exchange Commission)
- Westpac Banking Corporation

Our Interest in Innovation and Workplace Productivity

The SKE and our members have a vested interest in ensuring that government policy supports the development of Australia as a more prosperous and innovative society and economy.

We believe that innovation is a critical national and organisational priority and every day activity, in order to sustain economic prosperity and social wellbeing in Australia. We also believe that it is the shared responsibility of government, business, researchers, education providers and others to develop Australia's national innovation system and to foster more fulfilling and prosperous workplaces.



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Specifically, there is a need to position innovation and workplace development as national priorities supported by a whole-of-government approach.

Recent work with the Department of Education, Employment and Workplace Relations, as well as Innovation and Business Skills Australia, follows previous reports by the SKE on Australia's innovation capabilities and national innovation system. Some highlights include:

- Society for Knowledge Economics (2008b), *Enabling Innovation: Leadership, Culture and Management at the Workplace Level*, Commissioned by the Victorian Department of Innovation, Industry and Regional Development, June, 2008.
- Society for Knowledge Economics (2008a), *Australia's National Innovation System*, submission to Dr. Terry's Cutler's National Innovation Review Panel, sponsored by the Business Council of Australia, April, 2008.
- Society for Knowledge Economics (2007), *Leadership and Culture – the Missing Pillar of the National Innovation Agenda*, Response to the Victorian Government's proposed National Innovation Agenda, November, 2007.
- Business Council of Australia, in collaboration with the Society for Knowledge Economics (2006), *New Pathways to Prosperity – A National Innovation Framework for Australia*, November, 2006.



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The Society for Knowledge Economics is pleased to provide feedback on the Digital Economy Future Directions Consultation Paper.

It is the SKE strong recommendation that the leadership styles, cultural attributes and management systems of Australian workplaces are given much more attention as part of Government support for the development of Australia's Digital Economy.

In order to better leverage the possibilities of information and communications technology we must invest in developing the right leadership styles, workplace cultures and management systems inside Australian organisations. Without having the right leadership styles, workplace cultures and management systems, ICT will not be utilised and leveraged to its full potential.

Questions that the SKE addresses in this submission:

1. What does success look like?
2. What knowledge and skills are required to succeed in the digital economy?
3. How do we measure success?



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1. What does success look like?

The SKE notes that ICT resources and broadband infrastructure are tools to be leveraged across all aspects of our existing economy. Hence, it is important that aside from specific metrics around Broadband and ICT usage, as inferred by questions in the consultation paper, we create a context for the bigger picture of how to measure success.

The SKE suggests that success must be measured by the extent to which Australian workplaces are amongst the most innovative, productive and fulfilling places in the world to work. Focus on the digital economy without strong correlation or linkage to workplace performance indicators may not tell a complete story.

All efforts need to focus on performance at the workplace level. The SKE believes Government needs to look more holistically at policy and investment against the contribution made to strengthen the performance of Australian workplaces.



2. What knowledge and skills are required to succeed in the digital economy?

It is the SKE recommendation that the leadership, culture and management capability aspects of the Australian workplace are given much more attention as part of Government support for the development of Australia's innovation system and exploitation of the possibilities presented by the Digital Economy.

We must have more workplace leaders across our economy with the capability to create environments - cultures and management systems - that enable their people to leverage the possibilities of information and communications technology. Indeed without the right workplace environments, leadership styles and cultures, ICT will not be leveraged to its full potential.

Government policy must invest and have involvement in the development of Australia's workplace leadership capabilities for innovation and productivity gained through leverage of ICT and the Digital Economy.

The Digital Economy and innovation at large, provides the potential to deliver economic and social benefit. Information technology implementations and infrastructure are key enablers of such change.

As pointed out on Page 33 of the Cutler "venturousaustralia" Green Paper this requires a range of "strategic and leadership competencies".

The Karpin report of 1995, the most significant review of Australian management capability, stated:

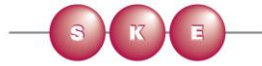
"As the business environment changes, so do the skills and characteristics required of those employees who are best positioned to interpret and influence future changes; namely managers"

The role of organisational leaders and managers, their skills and capabilities need to reflect a new environment from that defined in the industrial age context to one that is connected, networked, enabling and encouraging employees at all levels of organisations to maximise their full potential and lead from any level within the organisation. It recognises that knowledge is no longer the exclusive realm of organisational hierarchy.

Failures of existing management approaches and leadership styles are increasingly noticeable, as evidenced in low employee engagement, low levels of innovation in Australia (ref. Australian Bureau of Statistics Innovation Survey, 2006) and slowing productivity growth (OECD, 2008).

In the future, Australia's workplace and digital economy performance will increasingly rely on;

- Leaders and managers that create the right environment for innovation and workplace performance
- People at all levels collaborating within and between organisations.
- Bridging "silos" inside and between organisations in both public and private sectors.



- Building skills, knowledge and a workplace culture that support innovation at all levels and maximises workplace participation.

These priorities will require new approaches to leadership and management as reflected in overseas efforts and policy initiatives such as the Irish National Centre for Partnership and Performance, Finish TYKES, UK Work Foundation, and others.

Attached is a *Society for Knowledge Economics* report commissioned by the Victorian Government "*Enabling Innovation: Leadership, Culture and Management at the Workplace Level*", prepared in collaboration with the University of New South Wales and Copenhagen Business School. This report has been endorsed widely by leaders from across all sectors of our economy.

The networked world of work requires different approaches to learning and workplace development. In particular there is a need to up skill and develop our organisational leadership and management capabilities in order to encourage innovation, deliver productivity and workplace fulfilment.

The "leadership, culture and management" aspects of our economy need much greater attention. Cross sectoral partnership and focus, including business, academia, unions and government is the key to making progress.

This need to build management capability and the benefits of government action to that end has been documented in a recent report conducted by the Society for Knowledge Economics for the Department of Education, Employment and Workplace Relations.

The report entitled; "***Leading Australia to More Innovative, Productive and Fulfilling Workplaces – The Role of Government***" was completed in November 2008 and is available for review and feedback.

Whilst the report does not specifically recommend the institutional structure or approach for Government to adopt, we believe that there is a void that needs to be addressed in the aspects of workplace policy and skills development related to building the capability of management.

A good start could be to establish a strategic "high performance workplace/ workplace of the future" program, which is responsible for policy coordination, review and development related to advancing workplace effectiveness and practices.

This program could oversee the development of the institutional approach or engine - which could be a cross sectoral collaborative "lighthouse" organisation focused on encouraging the development of leadership, culture and management across Australian workplaces - this could collaborate with Enterprise Connect, Skills Australia, ISC's and State Training boards to address leadership skill of management and individuals.



3. How do we measure success?

Work by the members of the World Intellectual Capital Initiative (WICI)* and others highlight that existing measurement systems can be a barrier for business to increase investments in knowledge-based assets specifically human capital and ICT.

For example, the current shareholder value model can be a disincentive for investments into intangibles by treating these as expenses, not assets that can be amortised.

Short-termism and a narrow focus on return-on-investment is not always conducive to innovation and ICT investment. Hence, new archetypes of reasoning may be required to focus on long-term value creation and for companies and share markets to better recognise the value of ICT and track its socio-economic and organisational effects more broadly.

The Society for Knowledge Economics is collaborating with the World Intellectual Capital Initiative¹, the OECD, the US Extended Business Reporting Consortium, the European Commission and others on matters related to development of better measurement of intangibles and aspects of organisational performance related to innovation and the use of information technology. We see these matters as needing focus as part of the workplace leadership, culture and management elements of our innovation system.

¹ The 'World Intellectual Capital Initiative' was formed in Paris on 31 October 2007. The WICI brings together industry and policy experts from the European Commission, the Japanese Ministry of Trade and Industry, the US Enhanced Business Reporting Consortium, and Australia to collaborate on promoting the management and reporting of intellectual capital/assets at company level throughout the world and to develop business management and reporting frameworks to this end. See also the Australasian Capital Reporting on Knowledge Award for an example of an Australian initiative (http://www.arawards.com.au/criteria_a.html). See also the SKE submission to the US Securities Exchange Commission's Inquiry into Improvements to Financial Reporting <http://www.ske.org.au/reports.php>.



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4. Summary and Conclusion

It is the SKE' strong recommendation that the leadership, culture and management capability aspects of Australian workplaces are given much more attention as part of Government support for the development of Australia's Digital Economy.

In order to better leverage the possibilities of information and communications technology we must invest in developing the right leadership styles, workplace cultures and management systems inside Australian organisations. Without having the right leadership styles, workplace cultures and management systems, ICT will not be utilised and leveraged to its full potential.

To this end, we believe that it is important that the consultation paper and process being undertaken by the Department of Broadband, Communications and the Digital Economy should tie closely to the Innovation Review being undertaken by DIISR (SKE submissions attached) and work that is being undertaken by DEEWR in collaboration with the SKE to explore the Leadership, Culture and Management attributes that need to be developed across Australian organisations – the workplace – if innovation, high performance and the potential of ICT is to be recognised throughout our economy

The Society for Knowledge Economics welcomes the opportunity to discuss these ideas and suggestions further at the appropriate time.