Good Morning Ladies & Gentlemen

‘If there is a failing in Australia that is graphic, it is the lack of collaboration.’ Ian Macfarlane, Minister for Industry, *Shell pushes for innovation*, The AFR, 29 November 2013

Some of you may recall earlier this year, the Oscar winning actress Gwyneth Paltrow announced her separation from her husband, Chris Martin the lead singer of the band, Cold Play. The statement was made under the heading Conscious Uncoupling. Today I propose to talk about Conscious Coupling.

It is stating the obvious but collaboration cannot occur without connecting. Internally, universities know what they are good at. And it would be unfair to expect universities to be experts in the business of business; this being where business chooses which assets/new products to develop, grow and harvest, conducts due diligence on the market opportunity, manages the capital and transaction horizon that encourages commercial risk taking, and incentivises for performance. This is the structural premise for connecting between business, industry and higher education. The role of connecting is evident in its advantages regarding strategic optionality for those parties involved.

The Business/Higher Education Round Table specialises in bringing business, industry and higher education together. Our credo is – *Making the Connection: driving collaboration across business, industry and higher education*. This has been the Round Table’s mission since its inception 24 years ago. It remains as relevant today as it was in 1990. I was reminded of its relevance when in 2012 at the B/HERT Annual Awards recognising collaboration between business and higher education, the then Minister for Tertiary Education, the Hon Senator Chris Evans finished his speech by saying – ‘collaboration is at the core of our national challenge’.

Collaboration doesn’t happen without connecting. *Connecting is Conscious Coupling*.

In considering the idea of Conscious Coupling the question to ask is **WHY?** This is important because the WHY should be at the core of everything we as an advanced mid-sized economy strive to achieve. It may be opportunistic, it may be planned. What is important is that by its very
nature Conscious Coupling is done with intent regarding the vision, clarity of purpose [i.e. a common understanding] and mutuality [i.e. agreement on the end goal].

I have titled my presentation The Alchemy of Connecting. Alchemy connotes ‘special power that seems like magic’. Indeed there does need to be chemistry between the connectors for it to evolve into a collaboration. For a business, industry higher education collaboration to be productive there must be a little bit of magic!

The title of this Summit is Skilling Australia – Securing the future prosperity of our economy and nation. The word ‘securing’ to me suggests an end point when in reality our future prosperity will always be a work-in-progress. There is no finite destination, for the journey of economic development is by its nature continuous. And so it is with the skills set that the Australian workforce will require over the next 10 to 20 years. Having such a mindset ensures Australia Inc. remains flexible both to external changes and internal demands.

We are all familiar with the current debate around GDP and the need to diversify the drivers of our economic growth. There is talk of the Mining to Dining boom but I caution that such a singular perspective is not conducive to long-term sustainable growth and the gestation of new and interesting enterprises. Australia has the intellectual capacity to be ‘first among equals’ in our region. What will set us apart as a true economic regional leader is how we manage what I call the Framework Economy as illustrated.

The Framework Economy

Source: C Goldsworthy 2013
The Framework Economy is a virtuous circle. It reflects the diminishing anachronism of isolation in geographical, operational and economic terms. Policy settings, the allocation of capital, the utility of infrastructure, the dissemination of new knowledge and an educated workforce are the enablers to improving the yield-to-cost curve, embedding flexibility into workforce design, recalibrating the business model, supporting business formation and mapping our insurgency into global value chains.

The aforementioned is integral to the pursuit of improved multi-factor productivity that is; economies of scale, the reduction in sharpness of the rate of substitution with respect to product/services lifecycles, and capturing a sustainable efficiency dividend in the conversion of our R&D into tangible outcomes [both public benefit and commercial ROI].

To achieve these things we must accelerate our level of connectedness. Recent examples acknowledging this imperative include:

The Minister for Small Business, Bruce Billson in the February issue of Company Director stating - ‘We have significant work ahead to create a stronger entrepreneurship ecosystem... How university researchers, business and government interact around small enterprise innovations is on my radar screen’. Q&A with Bruce Billson, Company Director, February 2014

*The Statement of Intent* signed earlier this year by Universities Aust., the BCA, ACCI, the Aust. Industry Group and the Aust. Collaborative Education Network states – ‘Building the collaboration between universities and business is crucial to improving our performance in developing and adopting new ideas’. 26 February 2014

The Minister for Industry, Ian Macfarlane in an article titled *Innovators drive the economy* states - ‘Another very practical way we can encourage innovation is through increasing the critical links between industry and the research community to better align research with industry needs. The government is considering how best we can build our competitive advantages through collaboration. With a small population our focus must be global as well as local. Leveraging the benefits of international collaboration is something I am keen to concentrate on as Minister for Industry’. The Australian, 30 November 2013

The minister also said in the article *Shell pushes for innovation* - ‘he had set himself a target of three years to get universities and industry talking and cooperating with each other on what universities should be working on. We do need to do two things much better than we are. The first one is collaboration, and the second is connecting science with industry and business, and at the end that’s going to be a role for government’. 
In October 2013 Alcatel-Lucent launched its ng [next generation] Connect program. Liza Noonan, head of the ng Connect Australian operation said at the time - ‘We want to grow the Australian start-up community but also academia, research and industry... We want to help accelerate time-to-market of services and share the financial cost and risk of getting services live to consumers.’ *Alcatel-Lucent call for start-ups to get moving*, The Australian, 10 December 2013

In the July 2013 issue of Campus Review, The University of Newcastle vice-chancellor, Prof. Caroline McMillen said - ‘Translating university research into innovation requires good engagement with business and industry... Industry is beginning to recognise that universities have become more business-like and that public funding will leverage their investments in university partnerships... We need to be able to recognise and reward engagement with industry in our drive towards innovation’. *Innovation isn’t enough*, Campus Review, July 2013

What is clear is that connecting between business, industry and universities must be part of the DNA of a repositioning economy. An economy cannot grow or compete on knowledge creation or primary activity alone. New knowledge and industry-based research must be disseminated in order for market opportunities to be identified and pursued. Australia must become a knowledge conversion economy. In a ‘networked’ world, thinking and economic development is shaped from outside in.

As Prof. Mark Dodgson from UQ Business School states – ‘We import four times as much intellectual property as we export... pointing to poor application of innovative ideas in the business context... Collaboration between complementary areas of expertise, between research and business, and between the research and market-led stimulants to innovation is essential’. In the same article Dr Geoff Garrett, Qld. Chief Scientist and former head of CSIRO agrees - ‘If the fruits of our labour don’t get to market, create jobs and improve the quality of life, we’ve failed’. *Innovation stag-nation*, UQ Business magazine Momentum, Issue 3 2013

The 2013 Australian Innovation System Report states – ‘An implicit characteristic of a high-performing innovation system is that the actors within it are interconnected and able to effectively collaborate, thereby maximising the sharing of resources and ideas’. The report goes on to say ‘Australia’s overall level of collaborative business innovation and business-to-research collaboration on innovation continue to compare poorly with other OECD countries’. Chapter 2 *Business Innovation and Collaboration*, Australian Innovation System Report 2013 pg53

What cannot be ignored is that those businesses that do connect and do collaborate enjoy a significant multiplier effect.
The report goes on to state - ‘Vinding [2006] has found that the more diverse the sources of information and partners are the stronger the innovation performance of a business... The resulting data shows a clear positive trend between the proportion of businesses innovating and the number of different sources of ideas and information for innovation. Furthermore, this effect appears to hold for all types of innovation’.
I suggest there is no one here today that does not think connecting across their own organisation and externally is not a good thing to do. To extract value from the creation of new knowledge, the fragmentation of markets, the disaggregation of information and the mobility of creativity and capital, Australia Inc. needs to have a dynamic **Collaborative Ecosystem**. As well as policy initiatives, there are some mechanisms such as the ARC Linkage Grants, the Cooperative Research Centres and Commercialisation Aust. that do perform valuable roles. Previously there was the Innovation Xchange. However, the value of a Collaborative Ecosystem is in having a system. Such a system may improve to-market visibility, reduce the probability of risk, connect the right players and dissipate any information dissonance that may exist between the participating entities. It is about the **creative pursuit of disruptive opportunities through Conscious Coupling**. A recent CPA Australia publication suggests - ‘Greater collaboration is needed domestically between government and business, between universities and business, and between public researchers and private industry’. Chapter 7 *The Knowledge Economy, the Asia-Pacific Region, and the Role of Cities*, Australia’s Competitiveness, CPA Aust. 2013 pg180

Any ecosystem exists by its very need to exist: that is, there is a recognised interdependence among the inhabitants, without which singular sustainability is questionable. Very little these days occurs in isolation. Connecting must be the norm. An ecosystem can provide a modular response to market dynamism and external stimuli. As Prof. Roy Green says in the April issue of the CPA Australia periodical, *In the Black* – ‘Research shows innovative companies are most likely to thrive in a highly connected ecosystem linking government, industry, universities and workplaces’. *When inspiration sticks*, In the Black, CPA Australia, April 2014

For there to be sustainable economic growth Australia Inc. requires its workforce to be ‘fit for purpose’. In a recent CPA Australia publication, *Australia’s Competitiveness – From Lucky Country to Competitive Country*, I quote - ‘The economy will only go as far as people in Australia can take it… a more comprehensive strategy that explicitly links workforce development programs with the needs of business… is needed’. Chapter 9 *Implications for Australia*, Australia’s Competitiveness, CPA Australia 2013 pg239

I mentioned earlier that Conscious Coupling may generate outcomes of public benefit and commercial ROI. There are also other less observable benefits. The 2013 Australian Innovation System Report cites - ‘There has been a steady decrease in the proportion of employers recruiting university graduates since 2008… The lack of industry experience on the part of graduates indicates the importance of industry engagement with the tertiary education sector through improved partnerships. Participation in work-integrated learning has been shown to support the career development needs of individuals, in addition to being beneficial
to employers through linkages with tertiary education institutions…’
Chapter 3 *Skills for innovation and engagement with Asia*, Australian Innovation System Report 2013 pg97

This is an example of a ‘win win’.

The benefits of business, industry and higher education connecting are clear. It is the alchemy required that is less so. To try and understand the *Alchemy of Connecting* the Business/Higher Education Round Table launched in November 2013, the publication *Collaboration: The 21st Century Mechanism for Success*. In it are 10 case studies, all previous B/HERT Award winners.

### The Currency of Connectivity

Source: C Goldsworthy 2014

The case studies represent a broad sweep of industries, disciplines and intended outcomes. They are uplifting and reflect what can be achieved with spirit, transparency and commitment. They convey the essence of lessons learned from business higher education collaboration. What is evident is the positive effects such collaborations can bring. **Conscious Coupling is fundamentally about relationships**, bringing with it all the complexities and nuances of a relationship. Some of the lessons include:

- There must be a compelling reason to collaborate, an identified need.
- Ensure there are common objectives and outcomes, shared values and mutual opportunities.
- Nominate a single entry point for engagement, where possible.
• Initiate a structured approach when formalising why, how, who and when.
• Ensure the governance structure accommodates changes in organisational representatives.
• Work to make the collaboration sustainable [authentic] and inclusive.
• Establish and maintain clarity around IP ownership.
• All parties should contribute and all parties should benefit.
• Be cognisant of the difference between collaboration and a consultancy.
• Be alert to different operational timelines e.g. universities may be constrained by semesters and curricula parameters.
• As the collaboration matures, be open to intended outcomes changing and be flexible, in order to offer customised services.
• The collaboration must be managed through a lifecycle where continuous learning accounts for changing dynamics and personnel within the collaboration.

If one takes on board the above, the case studies show that the positives to be gained are tangible and substantial. They illustrate that the benefits not excluding revenue generation, may include:

• The breaking down of the barriers between academia and industry.
• Long-term cooperative joint ventures.
• Industry personnel involved in the delivery of student programs.
• The amplification of the collaboration through new partners and projects.
• Building trust and engagement with the community through mutual benefits.
• When students are involved the collaboration may have a positive impact on conventional pedagogy.

Economic development and comfort zone are not natural bedfellows. Singapore, Taiwan, South Korea and lately China are leading examples of this. I quote - ‘While each country has used a different combination of policies to foster innovation, each has combined regulatory reform with a willingness to pick winners by actively investing in selected industries and building interconnected research and business hubs.’ When inspiration sticks, In the Black, CPA Australia, April 2014

The drivers for connecting are real and looking for some attention. The question is - does there exist the urgency to act?
In closing, I encourage you to read the publication, *Collaboration: The 21st Century Mechanism for Success*. I also should make mention of our latest newsletter, the B/HERT News, *There is a Future: Smart Manufacturing*. It too includes stories of successful alliances in a part of our economy that has endured some stress of late.

Make the Connection... you may be surprised by the impact!

**The Impact of Conscious Coupling**

![Web diagram showing Social Equity and Economic Development with intersecting categories: Work design, Work integrated learning, Labour & capital mobility, Knowledge conversion, Collaborative dynamism, Productivity, Regional Leadership, Nation Building.]

Thank you

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