

Let's stop kicking the innovation football around

Written by The Conversation



If we want to stop kicking the innovation football back and forth – we need to move industry policy to a more prominent place in the political agenda. www.shutterstock.com

The federal government spends over [A\\$10 billion](#) plus a year on industry policies but we have little idea how effective they have been. Programs are regularly dropped before we even know if they work.

Think of the fate of [Commercial Ready](#) , [innovation vouchers](#) , [Researchers-in-business](#) , and [Enterprise Connect](#)

. These programs disappeared or were downgraded with little resistance despite their (anecdotal) popularity.

Now there is another government inquiry into what to do with the A\$10 billion. Consultants, [John Howard Partners](#) , on behalf of [Innovation and Science Australia](#) , are touring the country seeking views from interested parties about what can be done.

This follows a number of other inquiries from the last decade: [the Terry Cutler review](#) of the innovation system, the [Roy Green review](#) of the textile, clothing and footwear industries; the [Steve Bracks's review](#) of the car industry and a series of Securing Australia's Future reviews, to name a few. The conversation is good – building broad agreement is useful. But it's also time to step up and commit to a clear and steady course of action.

We need stable policies

We need to stay with policies that are known to be effective and stop treating innovation programs as this week's fashion.

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The problem is the continuous change in industry programs, so much so that those who study them can barely recall their history. One way to counter this is to put responsibility for innovation programs under a statutory body similar to the Australian Research Council, the National Health and Medical Research Council (NHMRC) and the rural research and development corporations.

Statutory independence - being able to enact legislation by law on behalf of the government - would give programs the permanence and stability that will allow businesses to know they exist; know where they are; know how they operate; and know who to contact.

[Recently my colleague, Russell Thomson, and I surveyed businesses](#) about their knowledge of government industry assistance programs. The results were sobering. Few large firms had heard of most government incentive schemes and among small to medium enterprises the knowledge was even more scant.

Changing programs and implications for productivity

If business don't know about programs relevant to them, then the programs are not going to be effective. Re-naming or scrapping the last minister's program has become a sport in the industry portfolio.

It's hard to find a government program, other than the research and development tax concession, that has survived for more than eight years without being abolished, macerated or re-badged.

Although knowledge about the existence of programs is arguably as important as their content, we can improve on both fronts. We know that Australia invests very little in its innovation eco-system [compared with other advanced and advancing economies](#) .

Some of the most successful programs in the USA have been in existence since the 1980s. Part of Australia's lack of adherence to a consistent industry policy is our easy dependence on selling iron ore and coal to Asia. Relying on this narrow export base is high risk.

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Developing world competitive industries are not overnight creations. Our mining and education exports took decades or longer to develop.

They were built on a whole platform of supporting industries from the finance, research and development, supplier and logistics sectors. They do not arise from a single good idea or bright entrepreneur.

Other advancing economies have eco-systems for innovation

Much industry policy in Australia is dominated by archaic economic textbook thinking that sounds good in theory, but is not followed in practice by the most successful economies. These theories assume business will be rational and correctly predict the future, but that doesn't always happen.

Examples of the best practise in industry policy include: the USA, which has poured considerable funds into [risky high-tech companies](#) , Germany with its a large and generous industry philanthropic culture (for example, the trusts of business people such as Dieter Schwarz) and the substantial [EU Horizon 2020 program](#) supports collaboration, funding for innovation (e.g. the Risk-Sharing Finance Facility) and backs research on public sector and social innovation.

Leadership is needed to set up a statutory body. But if we want to stop kicking the innovation football back and forth; if we want to be serious about moving to the frontier of industry – we need to move industry policy to a more prominent place in the political agenda.

Disclosure

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