Conclusion

SUCCEEDING IN A HIGH COST ENVIRONMENT

A key test of success for high cost economies is their appetite and ability to manage change, particularly transformative or disruptive change.

In order to compete successfully from a higher cost base against lower cost but sophisticated competitors, the need for change is inevitable. It is a question of whether high cost firms and nations act to anticipate the forces of change and create viable options for their own future, or operate on the assumption that these forces are beyond their control and so become the casualties of change.

Much of the topical commentary on operating in high cost economies, like Australia, is simplistic. For example, there is a popular belief that productivity decline can be attributed to low labour productivity and high wage levels, and the simple remedy is to cut wages. But this prescription is at odds with authoritative evidence presented in this book about the actual drivers of productivity in different industries, and about the decreasing importance of the costs of labour in production, location and investment decisions for modern day manufacturing.

Similarly, policy setting in Australia’s high cost economy are invariably cautious, minimalist and based on a logic designed arguably for an industrial era of the 19th and 20th Centuries, not the globalised knowledge-based economy of the 21st Century.

Governments tend to favour a tried and true course and are wary of rent-seeking and market-distorting behaviour that is detrimental to the welfare of the community economy-wide. But contributors to this book argue on the international evidence that this essentially laissez-faire approach is a performance failure by government, one that creates more losers than winners. It is ineffective in addressing the challenges of competing successfully as a high cost economy, and of turning a nation’s comparative advantage into an enduring competitive advantage.

The task of succeeding in a high cost-operating environment is not one for policy makers alone: action by enterprises and workplaces is also key. It is vital, however, that decisions are made with eyes wide open to the realities of how to compete by creating and capturing value, not simply by cutting costs. Contributions in this book point to the following attributes of enterprises that compete through innovation and adding value:

- Open, outward-looking organisations embedded in a wide spectrum of quality relationships and networks, and with an exceptional ability to learn, including learning by doing; learning by the use of next generation technologies and equipment which provide new productive capabilities; and learning by interacting with others.
• Closeness to customers that provides a thorough understanding of needs and demand, as an avenue for providing superior value for money in the eyes of the customer, including with business offerings that meet latent, unexpressed needs and preferences, or engaging customers directly in the production of the goods and services they buy.

• Deep, up to date subject matter knowledge in their industry and adjacent industries, market intelligence and knowledge about trends, potential disruptions and forces for change, understanding of technology developments and foresighting of new technologies and convergence.

• Collaboration for problem-solving and for knowledge sharing and application, especially with universities and research organisations, in clusters and regions, or in virtual cross-sectoral or multi-disciplinary communities of practice.

• Strong and deliberate building of new competitive capabilities within the business enterprise, which increases its ‘absorptive capacity’. This refers to the set of processes, routines and skills by which enterprises acquire, assimilate, transform and exploit knowledge to produce distinctive and dynamic capabilities that give them a competitive advantage that others find hard to imitate or substitute.

• Agile and capable managers and skilled and empowered employees engaged in the constant search for new and emerging market opportunities and needs, and how these can be matched with the enterprise’s own design, operations, financial, engineering and organisational capabilities.

The collection of expert papers in this book offers a kaleidoscope of well-referenced insights and international case examples for firms, regions and policy makers to assess, experiment with, and adapt to suit their own priorities, business models and local circumstances.

This book marshals the evidence for action to combat the push for ever lower costs and worse, ever lower aspirations by companies, communities and countries. An antidote, rather than a blueprint, this is a book for the tough times being confronted by high cost economies.

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