

Australian Prosperity

An Alternative Approach To
Sustained Economic Development:
Economic Growth, Budget Repair, and
Jobs and Wage Growth



New knowledge, applied, empowers existing leaders to drive more effective innovation investment

Why use Governance of Value Creation?

- **Decisions based on measurable value outcomes (p4)**
- **Turbo boost effectiveness, productivity & growth (p5)**
- **Unlock \$100bn annual corporate investment (p6)**
- **Unlock intellectual potential of national workforce (p6)**
- **Remove systemic barriers to innovation (p7)**
- **Create sustained job creation (p8)**
- **Create sustained wage growth (p8)**
- **Develop an activated economy at low cost (p10)**

....To deliver sustained long-term value-creation performance

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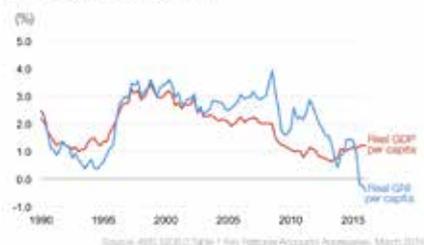
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Executive Summary

Australia's growth in real GDP and GNI per capita
Per capita gross domestic product and gross national income
5-year moving average, 1990 - 2015



Australian prosperity is at risk from global forces.

Government budgets are under pressure, and wage growth has stalled. In a decade of unprecedented global opportunity and threat, Australia's corporate investment has stalled. Australia's economy has failed to duplicate the new order successes of Silicon Valley and Israel. And, in the absence of alternatives we continue to try to work with expensive and ineffectual policy solutions. Australia's future prosperity cannot be guaranteed.

Now, an Australian research breakthrough provides additional insight and perspective - and opens up effective new pathways for action. There are significant at-scale economic and productivity implications in the application of these research findings in both public and private sectors.

Participants in the research, including directors at nine of the ASX10 (seven at Chair) amongst sixty of Australia's top corporate, government and superannuation investment leaders are now being invited to participate in The Australian Institute of Performance Sciences (AIPS). The AIPS seeks to increase effective innovation performance in the 65% of GDP made up of government, large corporate organisations and investors. It seeks to stimulate \$100Bn of additional annual corporate investment focused on innovation, productivity and export growth.

Through new knowledge, the AIPS will unlock Australian corporate investment into opportunity, free up latent capacity in the economy, and remove a number of identified systemic economic, investment, intellectual and innovation barriers. It will build the capacity within our best organisations to succeed in the context of global disruption, and set the next generation of economic advantage.

The AIPS will set the conditions for increased value and increased wages for intellectually demanding value-creation roles that Australians are well qualified to fill. As this advances, 'Trickle-up Wage Growth' will see better wages spread through the economy. Unlocking growth in effective 'knowledge worker' roles is the cornerstone of success for a high-performance knowledge economy.

Building on this breakthrough Australian research, the Australian Institute of Performance Sciences provides an alternative approach to economic development, enterprise productivity, public sector reform, and the competitive transformation of the Australian economy.

Economic Issues

Australian Prosperity At Risk

The trend for Government income growth rates is dropping, whilst forecasts for expenditure on health, disability and infrastructure continue to climb. Australia's traditional strengths in mining and agriculture have been subject to depressed prices and highly unpredictable large-scale swings in global markets.

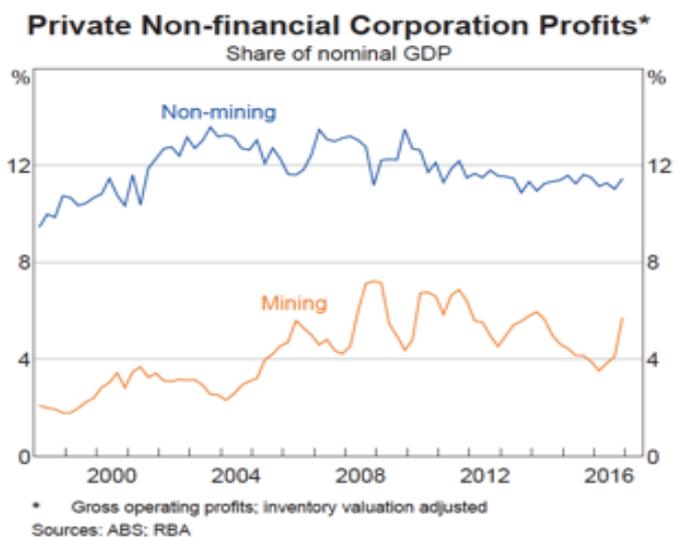
Despite focus, analysis and significant stimulus, Australia's innovation economy has not been able to duplicate the success we so admire in Silicon Valley or Israel. A few notable tech-company wins have not paved a way for economy-wide Australian success in the global digital economy.

Australian jobs growth, and particularly wage growth is static. Static wage growth is being felt by a restless community fuelled by populist sentiments.

The February 2017 Grattan Institute's 'Stagnation Nation' report outlined the risk of Australia's descent into economic stagnation as the mining investment boom fades. It admonishes policymakers to do more to ensure we remain a dynamic, growing economy, but on reviewing the options concludes that 'for Australia, there are no silver bullets, only tough choices'.

But, as we reach the close of 2017, the business investment shortfall has not been made up by the rest of the economy. Neither the 'Intergovernmental Review of Business Investment' prepared by Heads of Treasuries, or the Productivity Commissions '5 Year Productivity Review' have come up with new perspective, or new pathways for action.

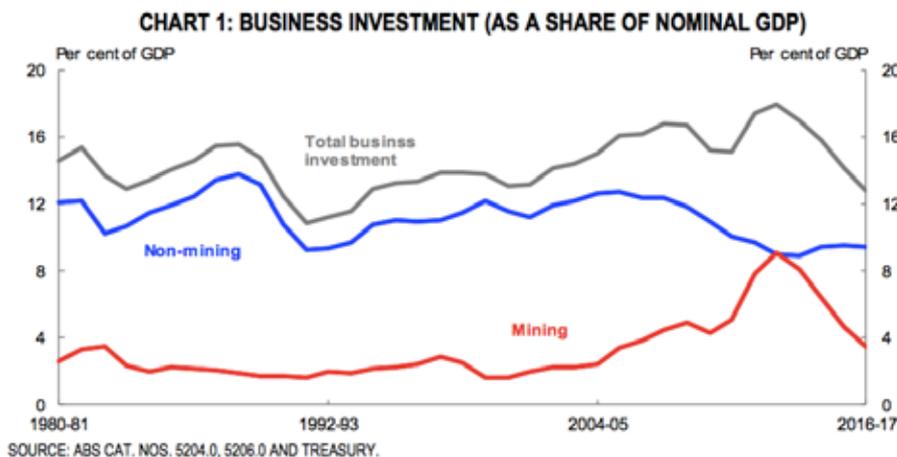
Australia's future prosperity cannot be guaranteed.



Economic Issues

Australian Economy Has Stalled

In a decade of unprecedented global threat and opportunity the Australian economy has stalled.



Australia's corporate (non-mining) profitability, capital investment and productivity have flat-lined.

Large Australian companies have proven themselves poor performers at achieving valuable business outcomes from their future-oriented innovation locally and in the global growth economies. As a consequence, they spend less, and attract lower investment in growth. Stalled businesses produce fewer jobs.

There is no shortage of capital. However, knowledge drives sustained investment; not animal instinct, and not government incentives.

The mining sector proves that with the right conditions, significant business investment can be mobilised.

However, the 'smart money' is holding back from Australian enterprises... Why? Because investors value the ability to achieve effective outcomes. The 2016 INSEAD Global Innovation Index shows Australia's effective innovation performance rated at #73, just behind Pakistan & Zambia. We spend in the top 12. We just aren't good at achieving outcomes.

Breakthrough Research

Breakthrough: Governance of Value Creation

2017 Doctoral research at La Trobe University, Melbourne, Australia, involving directors at nine of the ASX10 (seven at Chair) amongst 60 expert interviews, has delivered a breakthrough in the long sought-after link between governance practice and organisational performance. Governance of Value Creation: An integrated multi-disciplinary governance model for sustained value creation in large scale organisations.

Governance of Value Creation is a future-oriented equivalent to Financial Governance. It enables accounting-style understanding of the (risk and uncertainty mitigated) future value of all of the work of an organisation, a collaborative network, or a market sector.

It enables leaders to assure the 'Future Fiduciary' question 'Are we optimally invested in our own future'. And, it enables consistently enhanced decision-making throughout an organisation in continuous support and optimisation of better future outcomes. The practice enables communication and communities of collaboration on multi-bottom-line (societal, environmental, and other outcomes as well as financial measures) across multiple future timelines.

Governance of Value Creation:

- Enables leaders to run more effective organisations focusing on productivity as the achievement of more valuable outcomes (not just cutting cost).
- Creates organisations that can value, and reliably achieve value from ideas, opportunity and technology, and the full potential of staff and community.
- Enables investors to value organisations on auditable evidence of delivering the best future prospects (costing future risk).
- Enables governments to engage in social-value outcome stewardship of collaborative action occurring across collaborative networks and markets.

And, it enables citizens to understand, build trust and participate in what their public and industrial institutions are doing and actually achieving towards making a better world.

Economic Growth and Budget Repair

Redefining Australia's Innovation Potential

The new knowledge provided by Governance of Value Creation enables companies to invest in more successful futures. It enables organisations to build their corporate capabilities, and overcomes identified short-termism, perverse incentives and growth constraints in the existing market.

This new knowledge enables leaders to manage complex portfolios of experimental, agile, modern, technology fuelled, business growth projects – and to be more effective in achieving valuable outcomes from those efforts.

Most importantly, this new knowledge shows large organisations how to focus their significant effort and investment in business improvement – in to what is necessary to allow them to 'shift phases' to a sustainable future-effective operation. These organisations are in 'Islands of Excellence', working hard and spending big, but not becoming future-proof effective value-creators.

The research shows them what vibrant, internationally-competitive high-growth Australian based, Australian cultured companies are doing that they are not.

It will allow them to work smarter, not harder, to create their own success.

Redefining Productivity

New knowledge redefines PRODUCTIVITY as the effective creation of new sustained value. Strategic value ... not simply the removal of cost

Governance of Value Creation enables businesses to build a track-record, to invest in confidence, to invest more, and to invest in more important, more valuable, more strategic projects.

This new approach is presented as a quality driven, auditable framework that resonates in the culture of large Australian organisations. It provides a quality evidence basis for leaders and investors to assess an organisation's future prospects.

By producing assurable evidence of growing success, organisations will be well placed to attract further investment.

Economic Growth and Budget Repair

Unlocking Investment into Opportunity

Based on feedback from specialists in the ASX10, the research forecasts that...

Governance of Value Creation stands to stimulate an additional \$100bn annual corporate investment focussed on innovation, productivity and export growth.

This forecast is based on the scale of constrained innovation projects and opportunities reported by ASX listed companies. It is confirmed by the scale of existing expenditure and the levels of growth demonstrated by leading practitioners. And, it is verified by the scale of available capital as evidenced by the experience of the recent mining industry, and mining services sector boom.

This additional investment will be focussed on both Australian and global growth opportunities.

This research supported pathway offers significantly greater potential GDP and Productivity growth than anything else in the current policy agenda – at far lower cost. And, it doesn't preclude the parallel pursuit of other strategies.

Unlocking Latent Capacity

Governance of Value Creation unlocks latent capacity in the market. Australia has latent capacity in unemployment and under-employment, and in the vast majority of the workforce frustrated from contributing the full value of their intellectual capacity.

Unlocking the intellectual potential of a national workforce is the cornerstone of success for a high-performance knowledge economy.

It is a mutual win, making Australian jobs more personally fulfilling, extracting higher value for employers, and delivering internationally competitive productivity to the Australian economy.

The Executive Epidemic

Unlocking Intellectual Capacity And Ideas Resistance

Australian organisations are subject to a phenomenon of unsustainable executive overload. This is creating an environment where people cannot effectively think of the future, and have constrained capacity to engage with new ideas. Worse still, whole organisations are operating with no capacity to engage new ideas, creating an environment where it is risking one's career to challenge or attempt to add to agreed outcomes, or to question existing priorities. Organisations are increasingly unable to learn or adapt at a time when they know these skills are most important.

Leadership and staff across all forms of Australian organisations are unsustainably overloaded.

They cannot continue. They cannot do more. And, they are failing. They are not achieving competitive growth. Australian organisations are aware of the issues, and are trying to address them, but are not able to make the change they need.

Governance of Value Creation helps executives focus on value.

It provides guidance to create effective integrated practice (effective cross-silo behaviours). It provides guidance to create effective integrated foresight (unified knowledge base enabling enhanced decision-making at all levels of the organisation). And, it provides guidance to create effective integrated approach to planning and upgrading the organisation.

Governance of Value Creation creates the measurement and evidence required to delegate complexity, and to justify hiring additional help on initiatives that are creating real value.

Research shows that knowledge, measurement and evidence-based decisions produce better growing organisations.

Jobs and Wage Growth

Jobs Growth

New jobs will be created by companies expanding and extending their business into new areas.

As organisations and their executives strive to meet (measurable) growth targets set according to the expectations of long-term oriented investors, they will create new value-creating roles. As they are successful in new markets, these jobs will be sustained and rewarded.

**This approach leads us towards sustained growth
in the 'Good-Jobs' that Australians want**

Technology era business growth is not deeply capital intensive. Companies who want to invest more successfully in their own futures, will need to engage more staff rather than more equipment. Whilst these tech-savvy businesses will enjoy lower staff-to-income ratios than old-world businesses, their investment will be in the creation of the knowledge-economy roles that suit Australia's 'natural' educational and cultural competitive advantages.

These will be the well-paying 'thought worker' roles that will underpin the next generation of Australia's economic success.

**This approach leads us towards sustained growth
in the type of jobs Australia needs**

Governance of Value Creation guides businesses on how to invest successfully to combine Australia's intellectual and financial capital raw materials into sustained, effective economic growth.

Jobs and Wage Growth

Wages Growth

In the current Australian economic conditions, stagnant companies can only justify stagnant wages. There is no new value being created. No new value coming from employees. No new value to pass back to employees. Organisations are stuck in a 'death-spiral' phase of repeatedly trying to cut their way to profit. They destroy value, increase overload, and revert to the 'safe' familiarity of shrinking business footprints.

**The Governance of Value Creation
approach leads us towards sustained
“Trickle-Up Wage Growth”**

Trickle-Up Wage Growth suggests that as large-scale organisations become more successful at innovating and building new value in their companies, emerging leaders will be engaged to champion new initiatives.

And, as this happens, other staff will move up into the well-paid roles they have vacated.

The more value employees deliver to their companies, the higher their reward with higher salaries. The more value they create, the more the company will be willing, and can afford to pay.

The knowledge generated by Governance of Value Creation research tells us how to get there from here. It shows us how to take rational, evidence based decisions to transform innovation, companies and the Australian economy.

The Australian Institute of Performance Sciences

The Australian Institute of Performance Sciences (AIPS) seeks to realise the economic and social benefits (the impact potential) of the Governance of Value Creation breakthrough for the sustained prosperity and economic wellbeing of all Australians.



The AIPS can be thought of somewhere between the collaborative development of Accounting Standards and the Australian Institute of Sport. It facilitates the ongoing collaborative development of leading-edge practices... and delivers coaching for high-performance use by elite practitioners.

The AIPS is an independent, for-industry-by-industry organisation, funded by industry subscription across the top 500 participants in the Australian economy. It is independent, not-for-profit, led by an independent expert board. It promotes enhanced collaborative innovation practice for evidence based decision-making across all sectors of the economy. It is not a lobbyist for special interests.

The AIPS aims to 'move the needle' on effective innovation performance in the 'top 500', the 65% of GDP made up of large corporates, government jurisdictions and large-scale investors.

Economy-wide change will be achieved by collaborative development of leading-edge practice and coaching 'elite practitioners' on their high-performance use. It will focus on enabling them to achieve the potential 'step-change' in performance identified in the research. Smaller organisations, particularly in the services sector and the 'ideas economy', will follow.

By increasing corporate capabilities, and the evidence to support it, to 'investible quality', the AIPS expects to stimulate \$100bn in additional annual corporate investment focused on innovation, productivity and export growth.

The AIPS is a cross-industry collaborative initiative. It requires no corporate welfare, no blank-cheque programs, no new policy, and no legislative change.

New knowledge and collaborative action will influence economy-wide highly-effective Value Creation.

The AIPS will drive the knowledge to make large-scale organisations more effective at sustained value creation, and enable them to produce assurable evidence to justify further investment.

In complexity, leadership must become both art and science.



Governance of Value Creation and the Australian Institute of Performance Sciences are presented as an alternative approach to economic development, enterprise productivity, public sector reform and the competitive transformation of the Australian economy.

COLLABORATIVE PARTICIPATION FROM ASX200, INVESTORS AND GOVERNMENT WILL HELP BUILD SUSTAINED SUCCESS IN THE AUSTRALIAN ECONOMY