

CEDA media release

Train dynamic managers to boost Australia's productivity: CEDA

Embargoed until Wednesday 24 January 2024

Governments could help drive innovation and productivity growth by adding dynamic capabilities training to their business programs, new research by the Committee for Economic Development of Australia (CEDA) has found.

Boosting dynamism: What Australia can learn from other nations looks at programs designed to improve the dynamic capabilities of businesses in New Zealand and Singapore, which have so far had promising results.

CEDA Senior Economist Melissa Wilson said firms in these programs expanded into new businesses, products and markets, adopted new and improved ways of working and increased collaboration and transformation.

“Evidence suggests firms with stronger dynamic capabilities are more productive, innovative and profitable, increasing their ability to survive and thrive in uncertain environments,” Ms Wilson said.

“The international programs we looked at show governments can provide dynamic-capabilities training that produces strong results.”

“Trialling similar programs in Australia would improve our understanding of the links between these capabilities, business performance and productivity growth.”

What happens within businesses matters for productivity. Over the past 30 years, labour productivity has contributed around 70 per cent of the growth in Australia’s real gross national income.

Yet trend productivity growth rates have been declining for decades, and more recently labour productivity has fallen to 2019 levels.

Recent CEDA research with the University of Technology Sydney (UTS) found that when the COVID-19 pandemic struck, the most dynamic firms innovated quickly, setting them up to be significantly more productive and profitable as the pandemic wore on.

This is consistent with evidence linking dynamic capabilities to improved productivity and performance, especially in highly competitive environments.

“Training leaders can have ripple effects and influence across the wider business ecosystem, but businesses often lack insight into their own management capabilities,” Ms Wilson said.

“Even if firms are aware and are motivated to become more dynamic, they don’t necessarily know how to do so.

“Governments could fill this gap, providing training that small businesses, in particular, would be unable to afford on their own.

“There is already a range of federal and state programs with significant resources and reach, such as the new federal Industry Growth Program.

“This training could be integrated into these programs with relatively little cost and potentially a large payoff.”

Australia has an enviable history of economic prosperity and high living standards, but productivity growth is at historically weak levels.

“We must boost productivity, innovation and resilience, even amid increasing global uncertainty, to ensure this success continues,” Ms Wilson said.

“Lifting the dynamic capabilities of Australian businesses could be a practical step towards the Federal Government’s ambition of building a more productive, dynamic and resilient economy.”

What are dynamic capabilities?

Firms with dynamic capabilities can:

- *Sense* opportunities, threats and customer needs;
- *Seize* opportunities to satisfy customers, shape markets and capture value; and
- *Transform* themselves when renewal is needed.

This cycle of sensing, seizing and transforming is essential for ongoing viability and success in a constantly changing world.

Firms with these capabilities are more resilient, productive and profitable, enabling more innovative cultures.

“Australia’s productivity problem is clear. Now is the time to pursue all solutions at our disposal,” Ms Wilson said.

CEDA Senior Economist Melissa Wilson is available for further comment and interviews.

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CEDA – the Committee for Economic Development of Australia – is an independent, membership-based think tank.

CEDA’s purpose is to improve the lives of Australians by enabling a dynamic economy and vibrant society. Through independent research and frank debate, we influence policy and collaborate to disrupt for good.

CEDA has more than 530 members from a broad cross-section of industry, government, community and academia. Our members span every state and territory.

CEDA was founded in 1960 by leading economist Sir Douglas Copland. His legacy of applying economic analysis to practical problems to aid the development of Australia continues to drive our work today.