

Australia and the Global Marketplace

The inaugural *A Day with the Leaders* Conference

Palladium at Crown

Presented by

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More Americans watch Australian Rules Football than do Australians.¹

Almost 8 million Americans (7,880,000) watch Australian Rules Football at least occasionally on television. This means Australian Rules Football is viewed by more Americans than Australians (5,328,000). More Democrats than Republicans watch Australian Rules, and yes, they are more likely to drink Foster's.

Some things are the same the world over – the trick is to know which ones.

But seriously, why is Bill Gates one of the wealthiest and arguably the most powerful man in the world when Professor Carl Wood and Professor Alan Trounson, who created life (Invitro Fertilisation), are for the most part unknown Australian scientists; and Fred Hollows, who restored sight to so many, a hero only in relatively narrow circles?

The answer has nothing to do with the often quoted Australian excuse of the tyranny of distance, or with excessive minimum wages in this country, or with taxation, immigration, or any of the other usually cited excuses.

The answer has more to do with Australia's poor performance in marketing and commercialisation, which we believe is rooted partly in a lack of vision, and partly a lack of confidence to have a vision, articulate it, and then single-mindedly focus on achieving it.

¹ Roy Morgan Research International Press Releases, Article No. 4 "*Formula 1 More Popular In Australia Than USA*" <http://www.roymorgan.com/international/pressreleases/2001/article4.html>

We can and should have vision in this country. This was once the richest country on earth; while it is acknowledged that it is still a wonderful place to live, we've been slipping down the comparative earnings and standard of living tables for decades. Our productivity in many areas is about half that of the USA, and our unemployment remains too high. Regardless of what our government statistics tell us, real unemployment is over 10%². In the USA 58% of the population aged 14 and over are employed, this compares with 56% in Australia. But more telling are the full-time employment rates, which are 46% in the USA and only 39% in Australia. We are under-funded for our ageing population's retirement - and we are seeing beggars on our streets.

Some argue that this situation has arisen ultimately because of increasing competition from developing economies. But this argument is not as persuasive as it initially appears. It is ultimately made on a zero-sum premise - that if country X increases its production of whatever, then country Y's production must decrease. If we think about it, however, it becomes blindingly obvious that there are billions of people in this world who want more consumer goods, more travel, more education - more everything.

This is what globalisation is all about. What does all this mean for Australia?

- *What will working in Australia be like in the global future?*
- *What will the companies look like?*
- *Where will we be in the corporate food chain?*
- *Will we be at all?*

These questions are part of our life for two reasons: Roy Morgan Research is expanding overseas; and our business is helping our clients make sense of their markets and identify opportunities.

For sixty years, with over 4 million interviews, more than 10 thousand focussed discussion groups and in-depth interviews, Roy Morgan Research has been studying Australia.

In 1951 when asked whether "women should be able to wear shorts in the street when not at holiday resorts" 49% of Australians approved, 47% were opposed. The question tells as much as the answer about society in 1951.

In September 1956 Australia's favourite Saturday evening leisure pursuits were: radio (26%), movies (19%); reading (17%); visiting (14%); cards (8%) and dancing (5%). The issues were about appropriate wear, appropriate behaviour, radio listening and movies, and early women's issues.

²Roy Morgan Research Paper by Gary Morgan and Michele Levine, "*Only Real Leadership Or A Crisis Can Save The L-NP Coalition*", May 2001 <http://www.roymorgan.com/papers/2001/2001MY1.html>

Today some issues are the same, but some have moved on. Australians will face an increasingly complex social environment that changes both the level of demand for its products and services, and the climate of support for those products and services. The most significant changes include:

Women in the workforce: More women entering the workforce earlier, for longer periods of time and for greater number of hours per week directing pressure towards investment in child care, 24-hour support services, leisure facilities, flexible working conditions and equality of outcomes in employment. Women will emerge as integrative, situational leaders and have much more effective power in community decisions.

Changing role of marriage: increased participation of women in the workforce; increased de facto marriages; increased divorce; marriage breakdowns and separation; later age marriage; delay of first birth; fewer children and voluntary childlessness.

Redefinition of the family: There is a redefinition of the family occurring in the western world. With women feeling they can earn their own livings, the financial necessity of marriage has also diminished.

The result of this transformation in the reasons we start families saw a very different family appearing in the 1990s - the family of this new millennium will continue to grow smaller, and there will be an increasing percentage of non-traditional types of families.

Shifting image of beauty: At a time when women supposedly have more freedom than ever before - many are still prisoners in their own bodies. We have seen this result in an increasing requirement for information, discussions about diet, surgery, health, natural remedies and human genetics mapping.

Global communication: The young in all societies are increasingly linking into global forms of communication and identify increasingly with sensate Western values and cultural traditions. This will increase the gap between the older, dominant decision-makers and the younger, impatient workforce.

Internationalisation: Internationalisation of fashion, food preferences and leisure pursuits, will force a greater diversity of products and services, and a shift to transnational franchise relationships in retail provision.

Information demands: The demand for better and quicker information access to supply insights based upon more global, more integrated, more relevant, more reliable and more timely sources of comprehensible data is framing a total shift in the use of intellectual property.

Greater global mobility among the well-educated young has created a greater sense of global travel as the norm – even drawing families overseas to visit and experience.

Australia is middle-ageing

- **The end of the youth culture in the western world:** The wave change and its influence will bring some dramatic shifts. The fastest growing age group is 45-55. The immediate future will be about the middle-ageing of the western nations.
- **Australia is middle-ageing:** 1-in-10 Australians are over the age of 65 years. The 24s and under will have shrunk from 4-in-10 to 2½-in-10 by the year 2030. By 2020 the aged will be the “post-war baby boomers”.
- **Time is increasingly valuable:** The middle-ageing nation will value time almost above all. Those in their middle ages will have substantial amounts of discretionary money but will not have substantial amounts of time - they will trade one for the other.
- **Quality:** They will want quality in everything from TV to bank service.
- **Security:** There will be more concern for security - investments become less risky and savings become more important. Personal comfort will be placed as a priority.
- **Health:** Their focus will be longevity and to prolong youth. They will spend more on health both for prevention and cure. Nutrition consciousness will grow. There will be less drastic dieting and more concern for healthy eating. There will be a growing market for “splurge” food. There will be more attention to labels, freshness, ingredients. There will be greater call for natural foods and an insatiable appetite for convenience.

The middle class is smaller: Polarisation of wealth: the middle class is shrinking and migrating toward income extremes, and it will continue to do so for the foreseeable future. The former mass market that was located in the centre is shrinking.

Increased social disruption, alienation, conflict and violent crime: The social disruption arising from long-term unemployment will lead to more social alienation. If there is a second generation of permanent unemployment then alienation can become complete. Los Angeles riot phenomena - this was symptomatic of alienation and frustration of a large group of permanently unemployed, unskilled workers. The soccer riots in the north of England provide the same message.

We have also seen massive political and social turmoil and human suffering in Kosovo and East Timor. We are now grappling with the difficult issue of how we deal with refugees in our own country.

Privatisation: The blurring between public and private accountability and privatisation/corporatisation as well as having ethical and equity considerations raise other issues, ie, marketing, evaluation of cost benefit and value for money for products and services that were previously commodities.

Technology and its implications:

- Telecommuting from home or satellite premises is made increasingly possible by optic fibre networks. This represents the third revolution - the telegraph, the telephone and now telecommuting. All the features of the home of the future - big screen, high definition TV, videophones, shopping and banking from home, interactive educational programs, distance learning capacity and access to electronic video and DC libraries can be used for cost efficient telecommuting.
- Smart cards - Microchips capable of carrying pages of typed information, on a plastic card, ie, passport details, documents, financial transactions, medical history details, etc.
- Telecommunications and inter-organisational networks. Shift to inter-country and intra-country telecommunication and the ability to share data. Information increasingly flows across national boundaries.
- Smart highways will offer intelligent traffic control, by warning drivers via car computers and/or using flexible roadside signage. Farmers will increasingly use sensor and computing technologies to pursue high-technology agriculture that will rely on systems to monitor and advise on soil and crop conditions, provide access to weather forecasts, offer farmers instant insights into market prices for products anywhere in the world plus information on products and services in the market.
- The impact of “virtual reality” as a sensing technology - the use of computer graphics to stimulate convincingly real or fantasy environments eg remote surgery.

Consumer and marketing issues have seen an increasing market and customer focus: Consumers in Australia are becoming more isolated, regionalised, more fragmented, more individualistic, more demanding, more informed, more stressed, more discriminating. In a nutshell, harder to get.

The consumer is becoming perceptive in distinguishing between and among brands and he/she likes having many high-quality brands to choose from. There will be increased competition to uphold brand image at a retail level. The focus will be on preventing the competing brands from becoming so indistinct that the brand is reduced to a commodity, primarily on the basis of price.

Shopping habits have changed. Today's savvy consumer puts bargain prices, nutritional and environmental concerns, and other priorities ahead of old-fashioned brand loyalty. Brand loyalty however, is strongest among older consumers. Higher income people also tend to be more brand loyal and the bottom end of the market is becoming less brand loyal.

With a general mistrust of organisations and products, there is an opportunity for trusted brands.

The function of a brand is changing. Time-scarce, dual-income households use brand names to function as time savers. Older and more educated consumers rely on their own abilities to evaluate products more than they do on brand cues. Secondary shoppers (teens) reach for well-known, familiar, advertised brands. Brand names function as a means of reducing risk in minority populations (especially social risk). The upper income end of the market wants brands to function as time-savers rather than risk-reducers.

Australians are unwilling to compromise on price and quality for the sake of buying Australian made. Young people are less convinced about buying Australian made.

With such excessive choice it is hard to figure out the value for money equation.

Companies offering *clever solutions* will succeed.

This is where Australia comes in. We are really good in this country at "clever solutions".

But we must never benchmark against World's Best Practice – we must start by aiming to go beyond World's Best Practice.

Let me take a recent example from an international paper we have prepared "*Single Source – For Increased Advertising Productivity In A Multimedia World*" to be presented at ARF Week of Workshops, Chicago, USA, 2001.

This paper begins with the premise that the aim for any advertiser is to achieve increased advertising productivity by achieving more powerful impact at a lower cost.

It demonstrates theoretically and by real examples that the means to achieve increased advertising productivity is **single source** information and **multimedia scheduling** – until recently only available in Australia, now available in the USA, New Zealand and soon the UK. Single source requires information is collected from each individual respondent on magazine and newspaper readership, television viewing, radio listening, Internet usage, demographics, attitudes, product and service usage, and preferences etc.

Thinking on World's Best Practice would have us believe what we are doing is impossible. For instance:

“New systems for advertising accountability need single source media and product purchase data”

Erwin Ephron & Stuart Gray, “*Why We Cannot Afford To Measure Viewers*” presented at the ARF/ESOMAR Worldwide Electronic and Broadcast Audience Research Conference in Florida in May 2000.

“.. the only way we can logically arrive at a total multi-media coverage and frequency that shows the all-important unique contribution of each media component is to use single source data...for political and methodological reasons this is an impossibility”

Jim Kite, Director of Global Research for Universal McCann, in his June 2001 Admap paper “*Mixed-media campaigns: Can we fix it? Yes we can!*”

“A single-source survey covering all relevant media from all relevant media categories together with psychographics and consumer behaviour for target group definition? No serious market researcher would even dare think about it.”

Gerhard Franz, “*The future of multimedia research*” International Journal of Market Research Vol 42 Issue 4 Winter 2000, p 460

Roy Morgan Research has been conducting single source multimedia research for over a decade in Australia, some five years in New Zealand, and now in the USA and soon the UK.

The following Table 1 shows the cost savings achieved using the power of multimedia scheduling to create combined schedules.³ It shows savings of up US\$8 million on a US\$27 million advertising campaign, while at the same time increasing the number of people reached in the right target audience by 41%.

³ Paper by Michele Levine, Gary Morgan Nicola Hepenstall, Nick North and Geoffrey Smith, “*Single Source – For Increased Advertising Productivity In A Multimedia World*”, to be presented at ARF Week of Workshops, Chicago, USA, Oct 29 – Nov 1, 2001

Table 1: Costs, reach, and reach with 3+ frequency for several target audiences

	Target Audience people with life insurance		
	TV only	TV + Print	+/- Variance
Total cost (\$)	\$2 mil	\$1.5 mil	-25%
Cost / '000 reached	\$3839	\$2079	-46%
% total reached	71%	95%	+34%
3+ reach	60%	86%	+43%
	Target Audience heavy drinkers of imported beer		
	TV only	TV + Print	+/- Variance
Total cost (\$)	\$31 mil	\$23 mil	-26%
Cost / '000 reached	\$2989	\$1579	-46%
% total reached	68%	95%	+40%
3+ reach	59%	87%	+47%
	Target Audience people who intend to buy a DVD player		
	TV only	TV + Print	+/- Variance
Total cost (\$)	\$28 mil	\$20.5 mil	-27%
Cost / '000 reached	\$2584	\$1384	-46%
% total reached	71%	96%	+35%
3+ reach	61%	89%	+46%
	Target Audience women intending to purchase a small car		
	TV only	TV + Print	+/- Variance
Total cost (\$)	\$27 mil	\$19 mil	-30%
Cost / '000 reached	\$4269	\$2143	-50%
% total reached	68%	96%	+41%
3+ reach	58%	88%	+52%

Source: Roy Morgan Single Source USA 2000

Examples like this abound in many industries in Australia. Yet we, in Australia, run the risk of keeping them secret and missing out on the global opportunities.

We, at Roy Morgan Research, have come to the conclusion that three things are crucial for any successful creative process:

- Information – the real facts!
- The ability to make sense of those facts (analysis, synthesis and interpretation); and
- New ways of thinking.

This belief drives our business – and has given us the courage to enter the lucrative but over-serviced US market. It also helps us help our clients.

Why information? And how can Australia use this as a competitive edge?

I'm reminded of this quote from Harvard Business Review:

“On average, the CEOs of US corporations lose half their customers every five years. This fact shocks most people. It shocks the CEOs themselves, most of whom have little insight into the causes of the customer exodus, let alone the cures...”

Frederick F Reichheld

Harvard Business Review, March-April 1977

Research is often used to stop things – just ask any “creative” person in an advertising agency – but it should be used to free up and support the innovation process.

For instance, critical to Professor Alan Trounson’s leading edge stem cell research, is a legislative environment which allows the research to continue.

The Herald Sun, Wednesday, August 15, 2001 reported a “Phone in poll” on the question “*Should scientists be able to use spare embryos for medical research?*” showing 70.2% “no”, and 29.8% “yes”. A real show stopper!

Fortunately for Australia, the real facts are at hand. In fact most people in Australia approve of the controversial use of stem cells from human embryos in medical treatments, according to a special four country study by Roy Morgan International⁴. The study revealed most people in Australia (72%), New Zealand (66%), the US (63%), and UK (62%), approve of scientists using stem cells extracted from embryos to treat diseases such as Alzheimer’s and cancer, plus spinal injuries.

This is in line with findings from Roy Morgan Research which have tracked Australians’ views on IVF and related issues since the early 1980s.

No amount of analysis, interpretation, and new ways of thinking would help Australia, if as a result of phoney information the Government legislated against innovation.

As another example, Bill Gates would have been more confident, had he known how Americans really felt about Microsoft. A Roy Morgan International article, published in *The Bulletin*, cover date July 10, 2001, revealed “*Americans say no to Microsoft split*”⁵.

Our study on the Microsoft break-up, conducted prior to the US Court of Appeals on June 27 overturning the decision to split the company in two, found 45% of Americans surveyed said the software company should not be broken up, 33% said it should and 22% were undecided.

When asked whether they believed consumers had been disadvantaged by Microsoft’s monopoly of the operating systems market, 50% said “no”, 33% said “yes” and 17% couldn’t say.

The people involved in the USA were surprised when we told them this about their own country. (We didn’t leave Australia to find the facts! We telephoned into the USA from Melbourne.)

The global market is a very parochial place. Let us look at information across countries to see some of the pitfalls for the unwary, and opportunities for those in the know.

⁴ Roy Morgan International Press Releases, Article No. 17, “*Most Approve Use of Human Stem Cells*”
<http://www.roymorgan.com/polls/2001/3421>

⁵ Roy Morgan International Press Releases, Article No. 13, “*Americans say no to Microsoft split*”
<http://www.roymorgan.com/international/pressreleases/2001/article13.html>

Most of us know that we can not equate a US dollar to an Australian dollar – any Australian travelling in the USA does so at their peril.

Most also know that the US gallon is not the same as an Imperial gallon; a US ton is not the same as a tonne.

But how many organisations operating across different countries are unaware of the less obvious or less easily defined differences that can distort their perspective?

The following example is from the media market (most companies operating internationally make media decisions in countries outside their own)⁶.

If we look at the readers-per-copy of two well-known magazines in three markets – using the local readership currency – we would believe that magazines are “passed-on” to a lot more people in the USA and NZ than Australia. For instance, that an average copy of People is read by 9.8 people aged 18+ in the USA, and the same magazine (called Who in Australia and New Zealand) is read by 8.5 people aged 20+ in New Zealand, but only 4.3 people aged 18+ in Australia.

Similarly, an average copy of Reader’s Digest is read by 3.9 people aged 20+ in NZ, 3.4 people aged 18+ in the USA and only 2.4 people aged 18+ in Australia.

Similar differences are shown for Cosmopolitan, TIME and Newsweek (See Table 2 below).

Table 2: Readership currency reader-per-copy estimates across countries

Magazine	Australia Roy Morgan (18+)	New Zealand Nielsen (20+)	USA MRI (18+)
People / Who*	4.3	8.5	9.8
Reader’s Digest	2.4	3.9	3.4
Cosmopolitan	3.0	n/a	6.1
TIME	3.4	5.7	5.1
Newsweek/Bulletin ⁺	4.0	n/a	6.1

* In Australia and New Zealand, People is Who

⁺ In Australia, Newsweek is included in The Bulletin

However, the next Table 3 shows that when Roy Morgan Research applies the same measurement methodology across the different countries, the differences all but disappear.

People (or Who) has readers-per-copy aged 18 and over of 4.3 in Australia, 4.7 in New Zealand, and 4.4 in the USA; and Reader’s Digest has readers-per-copy of 2.4, 2.5 and 2.9 respectively.

⁶ Roy Morgan International Paper by Gary Morgan and Michele Levine, “Pitfalls of International Market Measurement”, updated April 2001 <http://www.roymorgan.com/papers/2000/2000DE2.html>

TIME has readers-per-copy aged 18 and over at 3.4 in Australia, 3.7 in New Zealand and 4.3 in the USA. A similar pattern of results is shown for Newsweek with slightly higher readers-per-copy in the USA (5.1) than Australia (4.0).

In other words, when we apply consistent proven methodology to different markets comparing the same magazines, we discover that they attract very similar readers-per-copy despite the marketplace differences. Common sense would say this is correct.

Table 3: Roy Morgan Research readers-per-copy (18+) estimates across countries

Magazine	Australia (18+)	New Zealand (18+)	USA [#] (18+)
People / Who*	4.3	4.7	4.4
Reader’s Digest	2.4	2.5	2.9
Cosmopolitan	3.0	3.5	3.4
TIME	3.4	3.7	4.3
Newsweek/Bulletin ⁺	4.0	Not published	5.1

* In Australia and New Zealand, People is Who

⁺ In Australia, Newsweek is included in The Bulletin

Readers-per-copy estimates calculated as: $\frac{\text{Average issue readership}}{\text{Published audited circulation figures}}$

Source:

- Australia: Roy Morgan Research Jan-Dec 2000, 49,589 (18+)
Circulation: Jul-Dec 2000
- New Zealand: Roy Morgan Research Jan-Dec 2000, 14,454 (18+)
Nielsen Jul 99-Jun 00, 11,097 (15+), 10,299 (20+)
Circulation: Jul-Dec 2000
- United States: Roy Morgan Research Jul-Nov 2000, 5,238 (18+)
MRI Fall 2000 Circulation: Jul-Dec 2000

The reasons for the differences between Roy Morgan Research estimates and those of Nielsen and MRI are the subject of other papers, but are primarily due to replicated reading using the recency method and questionnaire confusion.

The critical point for anyone wanting to understand their industry across markets is that there are traps for the unwary in just taking local measures at face value, and drawing conclusions outside the local arena.

Interestingly, Americans and Australians do share some things in common. The most popular male personalities on Australian and American television are both hosts of *Who Wants to be a Millionaire?*⁷.

⁷ Roy Morgan International Press Releases, Article No. 21 “Who Wants To Be Most Popular On TV?” <http://www.roymorgan.com/international/pressreleases/2001/article21.html>

Overall, when Americans were asked: “Who is your favourite male on TV?”, daytime talk show co-host and *Who wants to be Millionaire?* presenter Regis Philbin (nominated by 3.5% of respondents, representing an estimated 7.4 million Americans) was top. ABC funnyman Drew Carey was next most popular with 3% (representing an estimated 6.1 million Americans), followed by *The West Wing* star Martin Sheen with 2% (an estimated 4.8 million Americans) and Don Johnson (2%, representing 4.5 million Americans).

High-profile roles on *The Footy Show* and *Who wants to be a Millionaire?* in Australia sees Eddie McGuire as Australia’s most popular male on television (nominated by 4.5% of Australian respondents, representing 699,000 people), followed by talk show host Rove McManus (3%, representing 492,000 Australians), and *7.30 Report* host Kerry O’Brien (2%, representing 333,000 Australians).

But the most popular female television personalities in America and Australia have little in common, with people in the US choosing talk-show host Oprah Winfrey and Australians voting for soap star Georgie Parker.

We have a unique advantage in Australia; having never been as ideologically focused as the USA or Europe, our minds are less conditioned to think within certain channels.

In 1998 at The Melbourne Convention – Federation: Into The Future, Professor Les Holmes⁸ challenged Australia to have vision. He asked:

“Why can’t we be at the forefront of change rather than lagging behind or just keeping up with the real leaders in so many major areas? Haven’t we more innovations to offer the world than compulsory seat-belts and booze buses?”

“Where are the globally-recognised Australian brand names or items that other small developed countries are able to produce, such as Sweden’s Volvo or Swiss watches?”

The real and only question is when?

When will Australia take advantage of our innovation potential? The time is right now. Australia has always been dependent on many factors, such as:

- dependence on finite natural resources;
- cost of production of primary produce or manufacturing;
- supply and demand, and the price of minerals and primary produce on world markets; and
- market proximity and competition; etc

⁸ Professor Leslie Holmes, University of Melbourne, paper “*Australia, Globalisation and The Third Way*”, presented at The Melbourne Convention – Federation: into the Future, March 3, 1998

Ever-improving technology and communication is increasing Australia's efficiency in most industries. For instance, in mining and exploration new methods of surveying including satellite aerial photography, more sophisticated computer modelling of ore bodies, larger more cost-effective plants, new methods of extracting gold eg bugs etc. In primary production we have genetic engineering, sophisticated land management and farming techniques, and we are arguably world leaders in wine making technology, to the bewilderment of France and Germany.

This kind of change, continuous improvement, has itself become almost a constant. Australia is a leader in many of these areas.

But what is the catalyst for change?

The catalyst for us at Roy Morgan Research was in 1998 when the Victorian State Revenue Office gave us three hours to pay nearly a million dollars in disputed payroll tax before sending garnishee notices to all of our Australian clients, followed by our then Sydney-based bank (The Commonwealth Bank of Australia), giving us a matter of weeks to find another banker. We re-engineered our business in a week, cut costs by around 30% and put all our energy into sales, resulting in a dramatic turnaround. Under pressure, we found out what we were capable of.

The recent High Court of Australia decision⁹, which we won with the unanimous agreement of the five judges, has given us back the right to appeal the questionable decision by the Victorian Government's Tribunal (determining that our contract interviewers were employees) which almost cost us our business in 1998.

But what is the catalyst for Australia?

This has been a turbulent year - not only for Australia where we had the added GST-induced turbulence – but indeed for the world. The rise and fall of the dot.com is part of our living memory and experience. Many industries and countries have seen their fundamental way of operating, and their reason for being in business, called into question. Many countries are in deep financial trouble; the world itself including the USA is arguably on the brink of recession.

Let us use this as the catalyst.

Today, with the world on the brink of recession, and change in abundance – especially in the area of supply, demand, distribution and services - more than ever before Australia must

⁹ High Court of Australia decision "*The Roy Morgan Research Centre Pty Ltd v Commissioner of State Revenue HCA 49 (9 August 2001), M108/2000 Order*"

create and develop its own market. We can no longer rely on overseas customers, or intermediaries to create and drive demand for our products and services. They have their own priorities and problems. And we would argue they are no better placed than we are to deal with uncertain and tough times. In fact, we would argue the words “*If I can make it there I’ll make it anywhere*” from the song *New York New York*, would be more appropriately sung about Australia.

Some of you may believe we have left it too late this time – that the change is over and we’ve been left behind. Don’t believe it.

Of particular relevance here is the insight of Andrew Grove, President and CEO of Intel, in his book “*Only the Paranoid Survive*”¹⁰. He says “*There are moments in any business when massive change occurs, when all the rules of business shift fast, furiously and forever*”. He calls such moments “*strategic inflection points*”.

Such a strategic inflection point he warned could be set off by almost anything:

- mega competition,
- a change in regulations,
- even a seemingly modest change in technology.

In 1996 when Grove wrote of these things it was clear that we in Australia had all those and more. Since then, in the space of four years we have experienced even more change than ever before.

The world, or at least the developed world, has entered a new era. This new era is one which will be defined by globalisation, technology and communication, elimination of traditional boundaries, and a strategic focus on the global market place.

Globalisation means that efficient supply is increasingly taking precedence over geographic proximity. Global alignments are increasingly impacting on all industries. If we believe what we hear, the virtual organisation has become a reality in technology and information based industries.

Technology has increased the precision and speed with which we do almost everything - from the precision and the speed with which a highway or a car must be built, to the speed with which new technology itself can be created. Technology has also increased both the complexity of information and the speed with which information can be transferred and processed with dramatic impacts on the speed of communication.

¹⁰ A Grove “*Only the Paranoid Survive*” 1996, Currency, a division of Bantam Doubleday Dell Publishing Group, Inc.

If globalisation has removed or weakened traditional geographic boundaries, the combined impact of globalisation and communications/technology has weakened the boundaries which separated industries, eg a credit card is now in many ways doing what a bank does; a utility company which installs a direct line to its customers is potentially in the business of telephony; a manufacturer plus Internet can be a retailer. There are opportunities and threats in abundance.

But these things are all still very “clunky”. For instance can we really talk about globalisation when most, if not all, US based corporations have two divisions – USA and other/international? Would it surprise anyone to know that we send data to a rather large software/technology company in Seattle by “mail” (or “snail mail” as they call it on campus)? They don’t allow electronic data transfer into their system. If you have tried dealing with organisations operating across industries, or across media, you will know the interface is less than seamless.

The elegance is not yet here! But it will come. Change is truly in the air. It is not too late for Australia, it is just right.

It is in times like these, when a phenomenon like Bill Gates can emerge in 15 years, that a small country like Australia can grow, develop, and take a leadership position.

We believe today Australia, and the world, is just emerging from a strategic inflection point.

Grove pointed out that, managed wrongly, a strategic inflection point can mean the end of the game. Managed right, it can turn into a powerful force.

Clearly, those of us who are still here all want to manage it right – so what do we do? How do we go forward?

If we agree that Australia must develop its own market, then the question is where to begin, and then what is the appropriate role for the Government. In reality there are many places to begin. Yes, Australia does have more to offer than football, Foster’s, booze buses and compulsory seat belts. The following are just three examples of which we are aware, there are many more.

Information

Australia is blessed with good information. We have the world’s best single source database – for understanding customers, marketing, advertising, and media buying – Roy Morgan Single Source. We have shown that we know more about some areas of the USA than those spending US dollars in their own country.

Today when it costs less to telephone interview throughout the United States from Melbourne than it does from a central point within the US, the opportunity exists to make Australia the global hub of marketing intelligence.

We are way out front in the thinking, design and implementation of this concept of global market intelligence today. The real challenge is to find a way to keep the intellectual property, the value, and the jobs in Australia.

Education - our children, our future, and a valuable industry for Australia

We all value education (yet it is still seen as a cost). The opportunity exists to make education Australia's business - and a very powerful, and lucrative business it will be.

As we move towards the new millennium it is difficult to avoid wondering where our future lies, and what kind of world our children will inherit. In increasingly complex times as these the collective cognitive power of a nation's people will have a great deal to do with determining its success. This means there will be a vibrant market for whoever corners the market. One initiative comes to mind here for Australia: **Distance learning** – There is no question that Australia has the intellectual capacity to develop an excellent system of education – one which would facilitate everyone being able to reach their potential. It is just the economics of such a venture that beats us. However, if we consider our market for such an endeavour to be worldwide, then the economics of the business become extremely attractive. Global communications means that if we get the product right and we commercialise it intelligently there is indeed a world market.

Unemployment:

Despite clear evidence that unemployment is one of the greatest concerns to all Australians there is little hope being held out for serious reductions in unemployment levels. Yet again a combination of Australian ingenuity and technological advances looks poised to provide a way forward.

The Work Exchange Bureau or WEB is a concept for a system designed to match under-utilised labour with the under-utilised capacity of industry. WEB has as its platform that Australia has enormous untapped productivity (unemployed people, retired people who still have plenty of energy and knowledge to contribute) which can be put back into motion in a parallel economy; and that industry also has untapped productivity locked away in surplus stocks and dormant capacity of equipment and real estate.

When surveyed by Roy Morgan Research, 35% of Australians, an estimated 5,142,000 people, said they would be interested in participating in the WEB (68% of unemployed people, 41% of students, 22% of retired people, 28% of non-workers, and 36% of employed people would be interested in continuing their own jobs and working additional hours).

These ideas all have one thing in common – they are all about new ways of thinking. Perhaps the tyranny of distance has advantaged us in ways where we think outside the square – let’s now think outside the island.

As Charles Handy says in his book¹¹ – *The New Alchemists* – about how visionary people make something out of nothing.

“The world needs new ideas, new products, new kinds of associations and institutions, new initiatives, new art and new designs. But these things seldom come from established organisation. They come from individuals – the new alchemists.”

The challenge for each of us who seek to lead is to find the facts and look for the alchemy, think like an alchemist.

The challenge for Government, in its widest sense, is to create an environment in which these kinds of Australian creations can be brought to fruition.

¹¹ Charles Handy and Elizabeth Handy, 2000, *“The New Alchemists”* Hutchinson Publishing