



PRIME MINISTER

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OPENING OF THE GRADUATE SCHOOL OF MANAGEMENT
AT THE UNIVERSITY OF MELBOURNE
MELBOURNE - 2 DECEMBER 1986

John Gough, distinguished guests, ladies and gentlemen,

Before dinner I had the pleasure of inspecting the building which will house the Graduate School of Management. I saw the stunning Arthur Boyd which graces the foyer and I was shown the impressive teaching and residential facilities which will, I am sure, make this School a comfortable and stimulating environment for all who use it.

But John, after formally thanking you for the invitation to open the School, my first comment must be to praise its magnificent location: only a tram-ride away from Melbourne's central business district, yet also part of one of Australia's finest universities.

To say that the Graduate School of Management is well placed to take advantage of both the business and the academic environments is almost a criminal understatement.

This shared environment is a symbol for an important trend in Australian businesses and universities: academics and business people are increasingly learning that they must work together.

The School is the latest in the growing series of links between universities and the business world - links which are beneficial not just to the academic and commercial partners themselves but to Australia's whole economic and intellectual life.

We all recognise that servicing the business world should not be the sole objective of our educational institutions. Yet there is an urgent need for universities and other tertiary institutions to complement their pure research and their study of the humanities with applied work; to share their skills and insights with the rest of the community and thereby contribute to solving the problems of contemporary Australia.

I am, of course, not the first person to articulate that goal. EPAC's report on human capital, the Business Council's report on work practices, the Kirby Committee of Inquiry into Labor Market Programs and the Ralph Committee Report have all tackled various aspects of the topic. Indeed, the Ralph Report was the important trigger in the decision to establish this Graduate School.

Two months ago I addressed a Forum on Business and University Co-operation sponsored by the Business Council of Australia and the Australian Vice-Chancellors Committee. Behind that forum was a joint report of those groups which detailed some of the existing links between business and the universities - such as university-based consulting companies, liaison and advisory units, and research and development centres concentrating on industrial applications.

In addition, Australian universities now operate commercial agencies which act as brokers between their researchers and companies which can develop, manufacture, and market their ideas. Melbourne University has produced two of the success stories: the bionic ear, which could create a \$50 million market by 1990, and a new blood test for the detection of breast cancer.

These links between universities and business must be strengthened.

For its part, my Government has been eager to see greater communication between industry and the Education Department. The Education Minister, Susan Ryan, is establishing an Industry Reference Group, which will hold its first meeting in 2 days time. I believe this Group will lay the foundations for continuing high-level liaison on future priorities in education, on industry's concerns about the education sector and its output, and on ways of improving the response of the education sector to industry and employer needs.

In addition, the Standing Committee on Tertiary Education and Industry Relationships has been established to review policies concerned with tertiary education and its links with industry.

All these developments are important because the Australian economy urgently needs the fruits of co-operation between business and universities.

Both sides need to do more. Our tertiary institutions must become more sensitive to the needs of industry. And Australian employers must improve their record of investment in research and development and in the application of technology to Australian needs.

But this Graduate School is a great example of both sides combining to form an institution which will have lasting benefit to themselves and to the whole nation.

We owe a real debt of gratitude to the donors who have helped create the Graduate School of Management. I note that some of the people associated with those donations are here tonight to mark this important occasion. It is fitting that the theatres, library and other parts of the new School have been named after the principal donors to honour the very great assistance they have given.

Of course the University of Melbourne itself provided a substantial grant to the school. And I am proud to state that half of the \$9 million cost of the School was borne by the Federal Government.

In our last Budget we allocated \$750,000 for the establishment of a similar management school at Macquarie University, which will be funded, like this Melbourne School, jointly with the private sector.

For the task of training managers is something which for too long we have done in a hit-and-miss fashion. It's simply no longer suitable for a country of Australia's economic complexity to imagine that industrial decision-makers should receive no formal business training outside their workplace.

Australian managers today are challenged on many fronts. And lest anyone imagine that we in the Government are not practicing what we preach about the need for improved management let me point out to them in passing the success we have had in our efforts to streamline our own public service.

For I believe that all of us, in the private and the public sectors, must work to develop a new business style in this country if we are to take advantage of the opportunities before us. And I believe institutions such as the Graduate School of Management have a crucial mission to fulfill in creating that new style.

But I want on this occasion to mention three of the most important challenges facing private sector managers - challenges which I trust the School of Management will seek to address in training the managers of tomorrow.

First, Australian managers must learn to exploit new markets. I am sure I do not need to tell anyone in this audience - particularly over such a pleasant meal - the nature of the economic problems Australia faces and the seriousness of the long-term solutions which we must master.

The substantial real depreciation of our currency, in conjunction with nominal wage restraint, has catapulted Australian industries into an entirely new market situation.

In particular our manufacturers and our service industries now have opportunities open to them which previously could not even be dreamed of.

But the essential point is that those opportunities are worthless - to business, to the country - unless managers are prepared to break out of the security of servicing traditional markets and seek out and win new sales in unfamiliar markets.

In many cases that new market will be located in Australia. Increasingly, however, if the manufacturing and services sectors are to play their part in Australia's reconstruction, those markets will need to be found offshore : in Japan, in the rest of the Western Pacific and, of course, in the U.S. and Europe.

And in this context I might add that the Asian Studies Council has been established by the Government to strengthen education and training about Asia, including management education.

The second challenge is people management. I have long stressed the virtues of co-operation and consensus in public life - especially compared to the barrenness of confrontation and division.

That has been the key to our approach to industrial relations and our economic performance since 1983 - but it also has an important new dimension in meeting Australia's needs in 1986.

In September I called a unique meeting of the peak employer bodies and the ACTU to discuss the reform of work and management practices. This task is now urgent : it provides a sure vehicle to raising productivity and thus preserving our new competitiveness into the longer term.

Change is always easiest to accomplish when both the need for and the consequences of it are well understood - and that is no less the case in this instance. The key to success, is good two-way communication within the organisation and a shared perception of the need for change.

I must say that I have been impressed on many occasions by the scale and pace of work place reforms underway in key areas of our economy - some, but not all of which, are occurring in the context of government-sponsored industry plans.

That need for good communication is all the greater when technological change is also involved - and it is the management of technology, to which I wish to turn now, which is the third of the great management challenges facing Australia.

Throughout the US and Europe, business managements are recognising that survival and prosperity depend upon their becoming more innovative and making better use of technology.

In 1983 three out of the four top spots on the New York Times bestselling non-fiction titles were In Search of Excellence by Tom Peters and Robert Waterman, which has sold more than 5 million copies worldwide; One Minute Manager by Kenneth Blanchard which has notched up 4 million sales; and Megatrends by John Naisbitt with sales of 7 million.

This latest wave of management thinking points the way in our search for a new managerial style. It suggests that a successful managerial strategy for Australian industry must include better use of technology and better product development. This is a vital shortcoming in corporate strategies in Australia at present.

A recent survey among the world's top companies confirms that time and again the superiority of the product, rather than mere price, is the reason for success. Countries which wish to be the leaders in the decades ahead must concentrate on product innovation - making new products or modifying and improving established products - and on producing them as efficiently as possible.

Japan has shown the world how to run a company by product innovation. The Chairman of Sony, Akio Morita is quoted as saying "My job is to make our products obsolete before our competitors do".

But in Australia, we have become locked into traditional products with little scope for product differentiation. We have traditionally concentrated instead on using technology to increase productivity - through automation and cost cutting, for example.

It is increasingly widely accepted that resolutely chipping away at waste and inefficiency is not enough to restore competitiveness. There is in fact no substitute for in-house research and development, which must be seen as a central, integral and continuing part of every manufacturing company's operations.

As I have already said, good communication is an essential management skill. It is in particular a means towards better use of technology. Merely acquiring and applying new technology is not enough in itself. It must be accompanied by equally innovative methods of training and organisation - in short, again, better people management.

There is no simple management format for successful innovation. Some studies suggest that winning companies are relatively unhierarchical. The key to innovative management must be the encouragement of initiative throughout the business. Only in this way can a business tap the creative abilities of all its workers.

In successful Japanese companies it is recognised that most of the innovation takes place on the shop floor. What goes on at the grassroots is often recognised as of more competitive significance than lofty thinking in top floor offices.

But the OECD Examiners of Australia's science and technology policies commented: "the technical co-operation between workers and management which is common in the FRG or Scandinavia or Japan seemed to us to be much more exceptional in Australia".

Australian management must more fully appreciate its workforce as one of its prime assets.

Australian managers, unlike some of their Japanese or American counterparts, concentrate on the financial and technical aspects of new projects and look to tap the external labour market, including schools and universities, to solve their skill needs.

The recent Business Council paper on work practices recognises resistance to new technology as a major source of restrictive practices and workplace rigidities. But it also recognises the importance of greater emphasis on training and on the development and utilisation of skills - and concedes that management has not paid sufficient attention to these matters.

For these reasons so I welcome the advent of the Graduate School of Management: because it demonstrates a commitment by the private sector to the education of its own managers.

The School will provide Master of Business Administration courses as well as Doctoral programs. Perhaps just as importantly it will be the new home of the short duration, residential, management programs for senior business executives.

In all, the school's teaching program will encourage the highest standards and the kind of frequent cross-fertilisation of ideas which will ensure its students remain closely in touch with contemporary issues and management techniques.

Ladies and gentlemen,

It is my hope that business management schools will contribute directly to the emergence, from behind the traditionally protective barriers that have shielded our domestic manufacturing industry, of a new productive culture in Australia.

For all of these reasons I am pleased to formally to open the University of Melbourne's Graduate School of Management.
