



Hear+Beyond

Accelerating Australian Business

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SEASON 1, EPISODE 1 TRANSCRIPT

Rewriting our future: what's next for Australia?

HOST: Rae Johnston, Multi Award-Winning Australian Journalist

**GUEST: Dr. Andrew Charlton, Managing Director, Accenture Strategy
(former Director of Alpha Beta)**

Rae: Hi, and welcome to Hear+Beyond, a podcast brought to you by Accenture. This series is a must-listen if, like me, you're curious about the future of Australian business beyond a pandemic. I'm Rae Johnston, and I'm here to ask the hard questions on the topics that really matter. I'll be joined by prominent business leaders who share their thinking around how Australia can accelerate business from here and beyond.

Voice Over: Hear+Beyond. Accelerating Australian business.

Rae: Kicking off the series today, I'm joined by Dr. Andrew Charlton, who's here to discuss the state of the nation and share some of the unexpected impacts of this pandemic. A Doctor of Economics, Andrew has had an incredible career, working as the senior economic advisor to the Prime Minister during the Global Financial Crisis, authoring two books, including one co-written with a Nobel Laureate. And he has been named a Young Global Leader by the World Economic Forum. So, what do business leaders need to focus on right now? And what's next for Australia? Let's find out.

Rae: Hi, Andrew. Thanks so much for joining me today.

Andrew: My pleasure.

Rae: You have had an absolutely incredible career so far. But I'd love to hear from you: What has been the highlight?

Andrew: Well, I'll give you two. Times of crisis are always very challenging, but they're also very intense and can be very rewarding. In the last economic crisis that Australia experienced, I was working as economic advisor in the Prime Minister's office. It was a period where the global economy was really bearing down on Australia. We had a massive financial crisis in many parts of the world, and a huge responsibility and effort to protect Australia from that crisis. It was a highlight for me because I think I saw for the first time, just how well Australia can perform. The quality of our government under pressure in times of crisis. The ability of so many stakeholders: business, workers, not-for-profit sector, all coming together to help Australia out. And we did really well through that crisis.

Now, zoom forward 10 years, and here we are in another crisis. In some ways I would describe this, although it's been very challenging as another highlight. Because again, crisis number two in recent memory. And once again, Australia has done better than many other countries. That comes down to good governance, responsible business, cohesive community. To get the opportunity to play a small role in participating, observing, helping businesses, supporting governments through those crises is really rewarding, and gives you great heart about the future of Australia.

Rae: Yeah, you have described this point that we're at; this time in history, as a once-in-a-generation chance to reset the economy. Obviously, there's a lot that would go into that, but I'd like to start by hearing your thoughts about the opportunities that can come from uncertainty. How can governments and businesses plan for things that haven't happened yet?

Andrew: Look, I think this is a once-in-a-generation opportunity for change. Australia has had a really good run. We had 28 years of unbroken economic growth. That is unprecedented, not just in Australian history, but in world history. That is like winning the gold medal at the Olympics time after time after time.

Rae: Which we did.

Andrew: Which we used to do. It's been an outstanding economic record. But underneath that economic record, the actual rate of Australian economic growth through that period, although it has been positive, has been slowing. And the raw material of economic growth, which is innovation, investment, and reform, have been declining. The big reform era of the '80s and the early '90s really hasn't been replicated since. The rate of business investment has been declining. The rate of start-ups and innovation across many metrics has been declining. There was a sense in which we were living off the reform and investments of the past. So this is an opportunity. The crisis is an opportunity to say, "How do we set up for the next era of Australian economic growth? What are the tough decisions that we need to make? What are the big investments we need to make? How do we think about reshaping our future now, to set up for another period of prosperity?"

Rae: You've spoken about the need to collaborate and work together. What sort of collaborations are needed right now? And what sectors should be sharing their knowledge with each other?

Andrew: Good question, and I would flip it a little bit by saying, "What is the reason that we haven't been able to do big reforms in Australia in the last 10 to 15 years?" I think everyone basically agrees in the last 10 to 15 years, we haven't seen those kind of big economy-changing reforms that set us up for success previously. So, what's the reason for that? I would point to what you refer to, which is a lack of collaboration between different parts of our community. I think it comes down to governments, businesses, consumers, households, workers, not all being on the same page about the challenges that we need to solve, and the way that we need to solve them.

Rae: What challenges are they?

Andrew: Look at the litany. We have tried to solve the challenge of climate change for the best part of 15 years, and really not been very successful. That's not a criticism of any particular side of government, because different sides of government have been in power and not made a lot of progress. We have tried to solve the problem of innovation and rebooting our economy to grow in the digital era. Yet here we are 15 years on from recognising that problem, still with a relatively small tech sector. ASX really underweight, compared to our global peers. Relatively slow investments in that sector, across the board.

Andrew: Education, we've made some changes in education, but I don't think anybody thinks that TAFE is where it needs to be. I don't think anybody thinks that the declining rate of apprenticeships and traineeships in Australia is setting us up for the future. I don't think anyone thinks that we don't need to reinvent the tertiary education model to equip people for lifelong learning. So, almost challenge after challenge, we've gone sideways. Maybe gone forward one step, backwards two steps, but not really cracked these big reforms. And I do think it comes down to your point: a lack of common recognition by different parts of the community of what the problem is, and what the solution needs to be.

That's why I think now is a moment, because we did have that in COVID. We did have really big action from governments, really big action from businesses, really big sacrifices from the community. Businesses reinvented themselves. That's why I think this is a moment, because we've shown ourselves what's possible: big sacrifice, big change, big cooperation. If we can harness that to crack some of these things that have proved so elusive in the last 15 years, we'd be doing really well.

Rae: The use of technology increasing this year feels obvious, but your research at AlphaBeta shows that Australian businesses have implemented as much new technology in one year as they did in the previous 10 years. Now, that's incredible. What have businesses learned from this rapid upgrade, this rapid uptake in new technology? Or existing technology? Technology in general?

Andrew: Yeah, absolutely. I mean, first of all, you're absolutely right. There has been a huge acceleration in the rate of digital adoption. If you look at the rate of growth of penetration of key digital technologies; simple things to small businesses like having a website, taking orders online, purchasing things online. Using digital channels to connect with customers and suppliers and manage their back end. That rate of adoption has sped up in the last year, such that we've achieved as much adoption in the last year as we did in the last 10. That is an exciting trend. That is a real positive omen for the future, in terms of Australia addressing some of those underlying challenges in productivity. Making sure that our economy is equipped for an increasingly digital future and taking advantage of the opportunities in the digital economy. So, if there's a silver lining to COVID, I think that massive technological change has been it.

Rae: Climate change and environmental concerns were really at the forefront of everyone's minds. This time last year, we'd just started the bushfire season months early. I noticed a trend of businesses recognising their responsibility in this space, when it comes to carbon footprints and investment in clean energy. What place does responsible business hold in this new world, after COVID has taken priority?

Andrew: Well, business has a massive role. In fact, I think business has a really pivotal role. I describe that role in two ways. Firstly, business is one of the key sources of consensus on climate change. If business is reluctant to participate, if they hold back their support, then it will be very challenging to make progress. So the growing consensus, the more business leaders who are active on this topic, the better. That will unlock a lot of change in Australia. But secondly, I actually think that business is also in a very real sense, a huge part of the solution to climate change. A lot of people put all the responsibility on government. But really, if we are going to tackle this problem, it is going to be about innovation and technology solutions. I say that particularly from the perspective of the developing world.

Andrew: I was one of Australia's representatives at the Climate Change Conference in Copenhagen in 2010. And I watched in horror as that negotiation collapsed. We flew out of Copenhagen after years of preparation without a deal. The main reason that we didn't get a deal in Copenhagen is that the rich countries were looking at climate change through a very different lens to the poor countries. In rich countries, the solutions were all about reducing energy use, making energy more expensive through taxes and levies and credits and emissions trading schemes. That set of solutions was so antithetical to the way that the developing countries saw climate change. In the developing countries, there are hundreds of millions of people who need more energy, not less.

Hundreds of millions of people who live in poverty, and the idea of paying more for the energy they have is just completely antithetical to their development priorities. And so, if we're going to solve this problem as a globe; which we have to, because the vast majority of new emissions come from developing countries; then we need a solution that doesn't just work in Canberra and Sydney and Melbourne. We need a solution that works right across the developing world. And that solution is technology solutions that make more energy available in cleaner ways and cheaper ways. The essence of that is going to be the continuation and acceleration of progress on technology. The business community, the research community are in the driving seat. Of course, the policy settings have to be right. But the business community is in the driving seat to drive that technology change that will ultimately give us the solution that helps humans solve this problem of climate change.

Rae: So, as we step outside our major cities, we're seeing what recovery could look like. There are parts of the world, Australia among them, where we are seeing the light at the end of the tunnel. We're seeing what a world post-COVID will look like. What can those communities, those businesses, individuals, governments still in the midst of it learn from us?

Andrew: I think from a business perspective, COVID is an opportunity. Let me pick one example: manufacturing. I think over the last 30, 40 years, Australia has basically convinced ourselves that we're not very good at manufacturing.

Rae: Don't tell my dad that.

Andrew: Well exactly, exactly. I don't think we were right to come to that conclusion. But it's hard to argue that that was the conclusion that we did come to. We let the car industry disappear. Much more broadly than that, our share of manufacturing in the Australian economy is much lower than our peers, and just getting lower. I think as a nation, we felt like the Australian economy was very distant from the rest of the world. We had high trade costs, and we wouldn't be very good at exporting. We felt like we were a high-wage country, so we would never have the labour costs that you'd need to be successful in manufacturing. We felt like we had a small domestic market, so that was going to be bad for economies of scale in manufacturing. And we were so down on ourselves. My dad worked in manufacturing his whole life as well. The fact is that that sector shrank. But I think we were wrong to conclude that about Australian manufacturing.

Actually, the opportunity is now opening itself wider and wider. Because manufacturing is much less about low-skill activities, where to be competitive, you need low-skilled labour. And it's now much more about high-tech activities, where an educated, well-paid population is an advantage, not a disadvantage. Manufacturing is also a lot more about really high-value products, where the trade costs are much lower in comparison to the value of the items. So being a long way from the rest of the world doesn't matter that much. Anyway, as the centre of economic gravity moves towards the Asia Pacific, Australia actually finds itself not on the edge of the world, but in many ways, very close to the centre of the action. So, we were waiting for a catalyst in Australia to jolt us out of our manufacturing torpor and open up the possibilities of what we could be. And COVID might just be that, because it's caused people to rethink their supply chains.

Andrew: It's caused them to question whether or not these complex global supply chains actually have fragilities in them that are a business risk. It's caused them to look locally and see whether there are suppliers in Australia who can provide those critical inputs. Recognise that actually there's quite a lot of quality and capability in Australia and give those Australian manufacturers a second look. So, from a business perspective, a lot of COVID, which has been so painful for so many businesses, can cause us to rethink things. And maybe even rethink things in a way that gives us an opportunity to grow strongly in areas like that in the future.

Rae: One thing I'd also like to hear your thoughts on is education, going forward. There have been skill shortages highlighted, but also a big need to take a look at how those skills are taught and learned. What needs to be done differently now?

Andrew: Well, everything needs to be done differently. We need to change what we learn, when we learn it, and how we learn. I mean, let's start with what we learn. I mean, we are moving into an increasingly digitised, automated world where the ability to work with machines, engage with technology is increasingly important - and I don't just mean that everybody has to become coders. No matter what job you do, working with technology to make yourself more efficient; whether it be managing the back end of your small business with an online accounting system that improves your productivity and business management capability. Or working with technology on a construction site. Almost every job is being in some way augmented or transformed by technology. But here's the thing. I'm not sure that the conclusion of that is that we all need to get much better at doing technology and computational things.

I actually think that the conclusion of that is that humans need to get better at working with technology, but actually doing the human part of the human and machine task combination. So, I don't think we should look at the rise of technology and the rise of automation and decide that we all need to become coders. I think we should look at the rise of technology and think, "How do we develop truly human skill sets that complement technology and enable us to deliver great outcomes, whatever our job might be?" So I think we need to rethink what we learn will be the first thing. The second thing is we just need to rethink when we learn. We have this system in Australia of post-secondary education, where a young person gets out of school in their late teens. They then go and do this big block of education that takes them one, two, three, four, five years. We attach a debt to that.

We give them a piece of paper and then we say, "Congratulations, well done, good luck for the rest of your life." That was a model of education that relied on people not moving very much between careers in their lifetime. It relied on people maybe not working as late into their life as our kids today will work late into their life, as they live longer.

Rae: So it's a bit old fashioned now.

Andrew: It's a little bit old-fashioned. So we need to think now, "How do we support the person who is changing careers at 30 or 40 or 50 or 60? How do we provide top-up education to enable people to access the skills they need to engage with new technologies?" So, we need to change when we learn. One of the data points that AlphaBeta created a couple of years ago, in our partnership with Google, was for an Australian right now, if you think about all of the hours of education you get in your life. All the hours you spend at school, all the hours you might spend at TAFE or university, on-the-job training. Somewhere between 80 and 90% of those hours all occur before the age of 21. And you get 10% of your hours of education after the age of 21. That needs to change.

Rae: Yeah. I'm so much smarter now than I was then. I could learn so much more now.

Andrew: Exactly. I think there is demand for it. Secondly, we need to change when we learn much later into our life. But if you change when you learn, then you also need to change how you learn. Because if someone is in a job, they're mid-career. Maybe they have family responsibilities, maybe they have job responsibilities. They can't be toddling off to campus for three years for an in-person bachelor or a long course. That's also not necessarily what they need. They might need some really targeted skills.

So our education system, if someone wants a steak, it makes them buy the whole cow. We need to be providing people that steak when they're 30, and they just need the top-up course so when they're 45, need to gain a new skill to use a new technology. Everything in our education system needs to be upgraded in terms of what we learn, when we learn, and how we learn. And there are some really exciting initiatives and great leaders in our education sector who are doing just that right now. And so, it's going to be exciting to watch over the next 10 years.

Rae: Andrew, you've spoken a lot about the challenges that are facing Australia and the opportunities that have come from those challenges. But can we get there? Can we do this?

Andrew: This year, despite how difficult it's been, should give us great heart. COVID was a test for every nation on the planet. It was a test of the quality of their governance. It was a test of the resilience of their economy, and a test of the cohesion of their communities. On all three of those tests, Australia has done really well. We had very competent government. We had businesses that were resilient and innovative. We had a community that was willing to undertake great sacrifice to support the outcome for the good of the nation. On all of those fronts, those things should give us good optimism about what we can achieve as a nation, and what opportunities we can harness on the way out of this experience.

Rae: Wonderful. Finally, you are here on Hear+Beyond. What does beyond look like for you in an ideal, re-imagined world?

Andrew: Well, so many things, is the first thing to say. Lots of social, economic, democratic challenges facing us right now. The news is full, to say the least, of all the challenges that we face. But also, a ton of opportunity out there as well. Rather than go through them all. I'll just pick one. I think that for Australia's future, it is really important for us, right now, to rethink the way that we are going to generate prosperity for the next 20 years. To boil down the last 30 years, I would describe that as the era of globalisation. Australia opened up to the world. We had a series of reforms that exposed our economy to global trade, to global investment, to the free flow of capital. We had a huge reform program backed by a big business agenda that made Australia an open trading economy, and that has substantially underpinned a lot of our success. I think when we look forward, what is going to underpin our success going forward?

For me, it is shifting from that globalisation paradigm into a digitisation paradigm. Recognising that the digital economy is going to be an increasingly important part of all global economics, and all global business. If Australia wants to remain a high-income, prosperous nation, then we're going to have to find a way to make our way through the digital economy. That is going to mean a huge program of government-business-worker-education activity to retool Australia's economy, re-skill our population to take advantage of that digital economic opportunity and carve out a role for Australia in that future global economy.

Rae: Sounds good. Thanks for joining me, Andrew.

Andrew: My pleasure.

Rae: There's so much more coming up in the series, from uncovering cyber security threats to exploring the future of our digital health. You can catch the next episode of Hear+Beyond, where I'll be joined by Andy Penn, CEO of Telstra.



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