



What's stopping us from competing globally?

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Author: Dr Brent Jenkins, CEO HRF

As the Hunter economy continues its transition to a more diverse industry base, it's important that we do what we can to seek new opportunities for Hunter businesses, particularly in the employment sectors with the greatest propensity to add value to the economy.

Not all jobs are worth the same in terms of the value they generate in the regional economy. For example the services sector has grown substantially over the past 20 or 30 years with it now employing 76 per cent of the region's workforce. However, the sector generates just 57 per cent of economic value-add.

If the Region is to replicate the strong growth in living standards experienced during the mining investment boom of the 2000s, we need our services sector to grow strongly, particularly in the high value-add professional services. This sector includes financial, legal, and real-estate services as well as professional scientific and technical services. The professional services sector currently employs one-in-eleven Hunter workers – but the sector is under-performing in relation to share and growth compared to the rest of NSW and the nation.

Hunter Research Foundation (HRF) recently released the results of the **Future of Hunter Professional Services** project as part of our Regional Competitiveness research program conducted in partnership with local professional services firms.

Our professional services firms will need to look towards markets beyond the Hunter for growth opportunities. This will be facilitated by the recently-negotiated Free Trade Agreements (FTA). However, exporting their services was a relatively low priority for Hunter firms. The FTA is a double-edged sword as it brings with it the threat of enhanced competition from outside the region. This threat is largely being ignored.

Professional services firms suggested ways in which they believe they could grow and be more competitive in the future. More than half of them (58%) cited increased networking through industry bodies and business chambers as important. Improved infrastructure including transport links, telecommunications and accommodation, was suggested as critical to supporting growth in the Hunter, both directly for professional services firms and indirectly, by improving business in other industries.

More than half of the firms we talked to want a coordinated regional approach to promoting the Hunter-based professional services sector, and individual firms, as viable alternatives to capital cities. Greater collaboration and coordination was called for between, and within, industries in the Hunter to achieve shared regional goals. This needs to involve all levels of government, research organisations and the University of Newcastle.

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What's stopping the sector from pursuing these opportunities? Many of the key challenges confronting the industry are common to other sectors. While technological advances offer new opportunities for growth, they also bring the threat of international competition. Regional firms face challenges in attracting and retaining quality staff and see a need for cultural change in their organisations to enable disruptive innovation. Constantly changing client needs and expectations, and changing regulation and compliance requirements were also challenging local firms, as are cost and price squeezes, as the state of the economy and increased competition drives prices down.

So what can we do? Firstly, Hunter companies need to invest in skills, education and training and be willing to invest in their workers to develop and retain skilled staff with a positive organisational culture. Secondly, they need to strengthen their domestic and international professional networks beyond the Hunter to develop globally-connected suppliers, contractors and clients. And finally, invest in information and communication technology to achieve more efficient, timely processes, meet changing client needs and reach new non-local markets.

The question: "What's stopping us from competing globally?" could be asked of the entire country as well as the region. The answer is "nothing really" if we build our capacity to become more competitive and innovative, with a view to creating high value jobs now and into the future.

Dr Brent Jenkins is CEO of HRF

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