

**An Analysis of the Competitiveness of the  
Manufacturing Sector in Australia between 1983 and 1996:  
Implications for Manufacturing and Industry Policy**

by

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A Thesis submitted for the degree of

Doctor of Philosophy

to the

Graduate School of Business

The University of Adelaide

August 2006

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## Abstract

This thesis seeks to establish whether Australia's manufacturing competitiveness improved during the Hawke-Keating period of government (1983-1996), based on its performance prior to 1983. To achieve this aim it was necessary to identify what are the key characteristics impacting on competitiveness, and indeed, how do these factors interact? Importantly, the review was conducted from a broad-based strategic management perspective and not from an econometric standpoint.

As a means of determining the above a detailed examination of the development of competitiveness was undertaken. It was found there was no single determinant insofar as, competitiveness cannot be attributed to one specific aspect, but is in fact influenced by a number of factors acting simultaneously. This involved a review of the informed contributions reflecting the development of competitiveness. Findings suggested the roots of competitiveness could largely be traced back to the doctrine of comparative advantage. However, much of this thinking was inevitably surpassed, when the correlation between competitiveness and strategy was better understood. Thus, in terms of manufacturing, this demanded the analysis of factors which appeared to independently and jointly influence competitiveness. It also showed within the manufacturing sector there was an inextricable link between productivity, increased competitiveness and growth.

The contribution to the assessment of competitiveness by Professor Michael Porter was also studied in detail. The application of his work was examined with a view to the appropriateness of using his Determinants of National Advantage model in an Australian manufacturing context. Notably, this model provided a process which consistently explained the unique differences between participants within industrial environments. It also facilitated the identification of specific reasons for failure within an industry, which if left unchecked impacted on a nation's competitiveness. Relative to competitiveness and, to the significance of Porter's theories, an amended version of the 'Diamond Model' was considered more appropriate for this thesis.

Historically, Australia's manufacturing sector has been traditionally underpinned by tariff protection to sustain its existence. Political efforts to counter the impact of competition appeared to remain a central part of industry policy. For instance, politicians such as McEwen shaped Australia's post-war interventionist role by the use of politically imaginative industry policies to help shelter manufacturing from the threat of growing international competition. In 1965, the manufacturing sector underwent its first major restructure, driven by the objective to make it less reliant on government subsidies and support. This was followed by similar reform initiatives such as the Jackson Report (1977) and Crawford Committee Report (1979).

The Hawke-Keating Government came to office in 1983 amidst a shattered economy. Mid-way through its administration period, however, the Hawke-Keating Government had to contend with the internationalisation of world economies. This led to a deliberate change in industry policy, particularly at a microeconomic level to a free market persuasion. An accelerated tariff reduction program was also introduced. Whilst there was genuine support for the manufacturing sector to improve its competitiveness, many thought a more measured and strategic change was warranted. Research suggested Australian manufacturing was highly dependent on multinationals for technology and employment but by the same token, lacked specialization, and economies of scale and scope in terms of utilising its capabilities. Australia's manufacturers similarly failed to capitalize on aspects of research and development and innovation, languishing in a climate devoid of competition. Moreover, the manufacturing sector was not considered a prime investment target for international finance. In order to test these assertions a number of key hypotheses were developed. Following analyses, with the exception of the impact of manufactured imports on the economy, it was determined that manufacturing had improved in each of the categories assessed. However, largely, the sector's performance was well below that of its international counterparts.

Overall, these results add to the body of knowledge of competition literature, and also contribute to a better understanding of the factors which influence growth, sustainability, and the competitiveness of Australia's manufacturing in general.

## **Statement of Original Nature of Thesis**

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

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Signed

Dated

## **Acknowledgments**

I would like to express my sincere gratitude to Professor Fred McDougall, my supervisor, for his invaluable support and encouragement and at times limitless patience during the preparation of this thesis. The numerous corrections and rewrites must have frustrated him as much as it compelled me to ensure I completed this work. I would also like to thank Dr Georges Baume my second supervisor for a short time, for his balanced perspective and insightful critique. In addition, it would be remiss of me not to acknowledge Mr Les Howard from the University library whose assistance was often called upon. I am similarly deeply indebted to my wife, Suzi, for her perseverance throughout the length of my candidature, which I am sure seemed to her never ending. Lastly, I wish to take this opportunity to thank my two daughters Cheryl and Ashley for their continued support and understanding of my long preoccupation with this thesis.