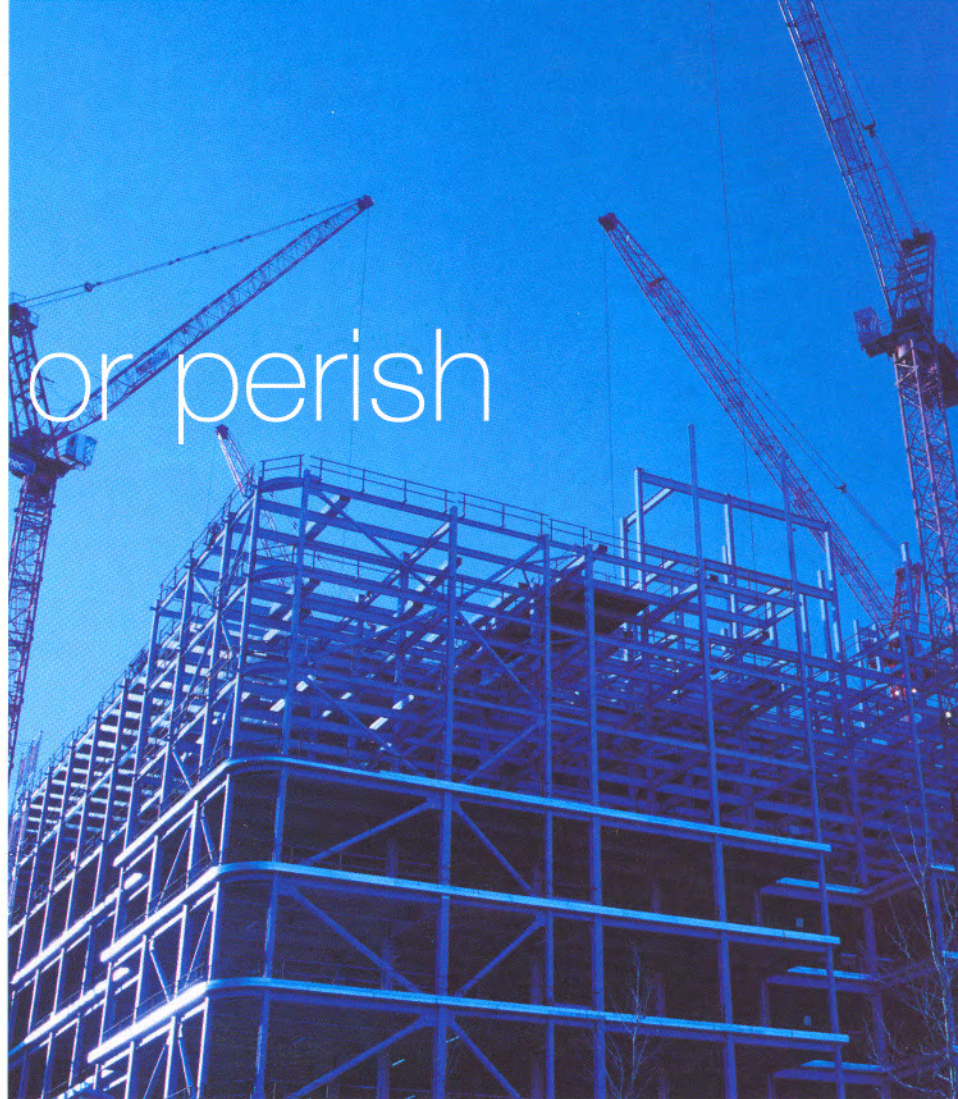


Innovate or perish

A NEW SURVEY HAS REINFORCED THE IMPORTANCE OF INNOVATION AND PROFITABILITY TO AUSTRALIA'S CONSTRUCTION INDUSTRY. CHRIS LARSEN REPORTS.



In November last year the *2004 Brite Innovation Survey Report* of the CRC for Construction Innovation was launched.

The report identified 82 highly innovative businesses in construction, including 26 to have developed world firsts.

More than 1300 businesses in the commercial building and road/bridge sectors in NSW, Victoria and Queensland were polled.

While the survey suggests that relatively simple strategies are available to construction businesses to improve their innovation performance, the report calls on the industry to do more.

"Despite the industry's innovation rate being respectable compared to New Zealand standards for 'new to industry' innovation, data that is soon to be released by the Australian Bureau of Statistics is expected to confirm expectations that, for lower levels of innovation novelty (i.e. 'new to firm' innovation), the industry needs to do better," the report says.

"The incentive to improve innovation performance is underscored by survey

findings that innovation leads to increased profitability."

The report makes 10 recommendations for construction businesses to improve their innovation performance:

1. Enhance in-house skills by providing training programs and employing new graduates, rather than relying on recruiting experienced employees
2. Use more innovations to reduce client costs
3. Actively monitor developments internationally and in related industries
4. Have formal systems to include lessons from previous projects in work processes, and encourage staff to share ideas
5. Formally evaluate the effectiveness of advanced technologies and practices
6. Invest in research and development
7. Increase links with universities and other research institutions
8. Implement a broader range of the technology, knowledge and human resources strategies listed in the survey report

9. Consult more of the sources of ideas on innovation listed in the survey report

10. Implement a broader range of the advanced practices listed in the survey report.

The report also proposes a range of initiatives that state and federal governments could introduce to improve the construction industry's innovation environment:

- Implement programs to assist skill development in industry associations, given the central role the associations play in providing ideas to low innovators
- Review the value and accessibility of the R&D Tax Concession Scheme for small and medium-sized enterprises within the construction industry, as the industry has a low access rate
- Review the effectiveness of programs aimed at promoting industry awareness of international competition, given that a quarter of the industry is unsure of Australia's ability to cope with it
- Increase resources to education and training programs, as the construction ►



Construction

industry relies more on organisational (people and processes) innovation than the manufacturing industry, and therefore is less able to gain value from the R&D Tax Concession

- Improve the regulation of the construction industry, to reduce its negative impact on innovation. This can be done in part by improving national consistency and moving more rapidly from prescriptive to performance-based regulation.

"The above recommendations reflect the over-arching vision of the Australian construction industry, as reported in a recent national study, *Construction 2020*," the report says. (*Construction 2020* is available at www.construction-innovation.info)

"That vision stresses the need for an improved business environment, particularly in relation to regulation, education and training.

"Further, both *Construction 2020* and the *BRITE Innovation Survey* point to the importance of profitability levels."

While implementation of its recommendations should improve innovation rates, the report says "... the fundamental structural problem of inadequate firm-level profitability limits the potential of the entire industry."

"Although the industry appears responsive to key innovation drivers ... resource constraints borne of low profit margins impede their efforts.

"Key industry stakeholders are already aware of the need to improve industry profitability as a means of improving industry performance."

The *BRITE Research Report* is available at www.brite.crccli.info 