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# ***Benchmarks a key to innovation***

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*Written by Andrew Ryan, with comments from Aaron LePoidevin, PwC Partner, Incentives & Innovation*

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## ***In brief***

Simply spending corporate funds on traditional research and development programs is not the best path towards business innovation, said PwC Partner Aaron LePoidevin.

Instead, organisations need to embark on a comprehensive benchmarking process to assess how their innovation processes compare to other comparable organisations, and organisations that may pose a competitive threat in the future.

“There are a number of ways organisations can innovate,” said Mr LePoidevin. “Some are fast followers, and they keep an active watch on where the market is going, and then move quickly. Others lead the market and dictate where technology is going.”

Either way, benchmarking remains the gold standard for assessing the market, and directing innovation resources appropriately.

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## ***In detail***

According to the PwC report, the [Global Innovation 1000](#), which has been conducted over the last twelve years, there is no statistical relationship between dollars spent on R&D and financial performance.

This suggests that the way innovation dollars are spent are more important than the total amount spent. Mr LePoidevin said that one of the ways to increase innovation is to focus the attention of boards on the topic, in a similar way to how boards have been focused on governance and risk management over the last two decades.

He said boards and the C-suite need an innovation framework which guides world-class innovation, and provides an indication of where their company’s performance sits compared to similar organisations.

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Benchmarking, however, is not an easy thing to do. Mr LePoidevin said that old time techniques such as asking around and seeing what competitors are doing is still a beneficial way of establishing where a company sits in terms of innovation but that more is needed.

“The risk is that your competitors are not the obvious ones,” he said. “A startup could come into your territory, and so you need to compare your results with not just your industry, but also with businesses and industries that could become your competitor in the future.”

He also warned that rising economic nationalism, which impedes the flow of capital, people, and ideas could hinder business innovation.

The PwC Global Innovation 1000 found R&D spending in the surveyed group increased 3.2 per cent in 2017 to \$US702 billion, but this could be under threat.

“As many politicians and policymakers in the world’s major economic powers look inward, the world of innovation has been thrown into uncertainty. The global innovation model long embraced by leading multinationals, based on the free flow of information, money, and talent across borders, is at risk,” he said.

“The policies that result from economic nationalism may prove self-defeating, especially if they disrupt the R&D activities that will generate future jobs, growth and prosperity.”

Mr LePoidevin said that in Australia he would like to see more collaboration between research institutions and privately and publicly held companies to bolster Australia’s innovation performance.

He said that this collaboration is a huge missed opportunity for Australia, and an area where more work needs to be done.

He also said that aligning innovation strategy with corporate strategy remains a massive challenge for Australian business, and that most of the local companies that participated in the benchmarking for the PwC global innovation benchmark do not accurately track the performance of their innovation models, or do not know what to track.

PwC’s global innovation benchmarking survey is now open and the company is encouraging organisations to take part and receive a free high level report. You can [access the survey here](#).

“I think this is due to the infancy of some Australian organisations in implementing innovation strategies and tracking innovation performance,” he said.

One of the strategies Australian businesses can adopt is a more open and collaborative approach to innovation. This means polling staff, and looking to suppliers and even competitors to help an organisation innovate.

“What we need is a new set of metrics,” he said. “In the past we have looked to sales and revenue and whether customers were happy, but this must change.”

“Organisations could look at additional metrics such as assessing what the pipeline of new ideas is, the value of their innovation portfolio and the patents that they are registering.”

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### ***Let's talk***

For a deeper discussion of how these issues might affect your business, please contact:

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