

By David Bowcott



Invest in innovation to drive productivity and lower risk

For as long as I can remember the construction industry has been hammered by academics, government and business leaders for having low productivity measures compared to other industries. The sector has also been criticized for poor productivity – being amongst the lowest ranked in developed countries. I'm not entirely sure the measures being used to determine productivity are entirely appropriate, but I do believe there's a great opportunity for the Canadian construction industry to improve.

THE QUESTION IS: HOW?

There are many ways the construction sector could improve its productivity. However, an investment in innovation has the potential to be the most potent. Some may call it investment in research and development (R&D), but whatever you call it, if a company, or an industry invests in new ways to deliver their offering to the economy, they often find it leads to improvements in productivity too.

So how much is the construction industry currently investing in innovation? The table below outlines the construction industry's innovation investment in comparison to other sectors.

It doesn't take a statistician to devise that the construction industry is well behind in terms of investing in better ways to deliver their offerings. This is a tragedy, and it **MUST** be rectified. Though the industry is delivering great value to owners and investors, there's an opportunity to further optimize the way we design, build and operate assets in today's Canadian construction economy.

GET INVOLVED

Key trends within the global construction economy (globalization, lifecycle asset management, investigation into new delivery models) are creating even greater demand for innovation. The timing of initiatives like the Canadian Construction Association's CCI Advocacy Program is perfect.

Formed a couple of years ago, the Canadian Construction Innovation program could help Canada become a world leader within the global construction and asset management economy.

CCI's mission is to instill a new culture for research and innovation in the Canadian construction industry.

If you are not aware of CCI, I strongly encourage you to visit their website - www.ccinovations.ca/.

There is little doubt that investment in

innovation and research within any industry invariably leads to improved productivity and profitability for industry participants.

As you know I'm in the risk game, and so are you, and though productivity and profitability are prime benefits of investment in innovation, there should also be more discussion around the linkage between this type of investment and the lowering of risk. Those of us within the risk industry need to take a leadership role in the efforts of CCI and the CCI Advocacy Program.

FINANCE INNOVATION

The insurance sector spends millions of dollars within the construction industry on risk engineering in order to proactively manage risk, so why on earth wouldn't it consider financing innovation and research that can lower risk on construction projects (and the resultant operating assets)? The insurance sector should, and I expect will, step up and support CCI and the CCI Advocacy Program, in order to lower risk and create a more fertile environment for profitable underwriting returns.

Ultimately, it would benefit all sources of capital that goes into a project, not only insurance capital, to investigate this association and its initiatives in order to gain more certainty around their investments (ie., the project finance community) □

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Sector	% of Private Sector GDP	R&D intensity (as % of GDP)
Food and Agriculture, Forestry	2.0%	0.32%
Utilities	3.0%	0.54%
Construction	8.8%	0.06%
Mining (inc. Oil and Gas)	10.4%	1.04%
Manufacturing	13.0%	3.91%
Services	62.8%	0.87%