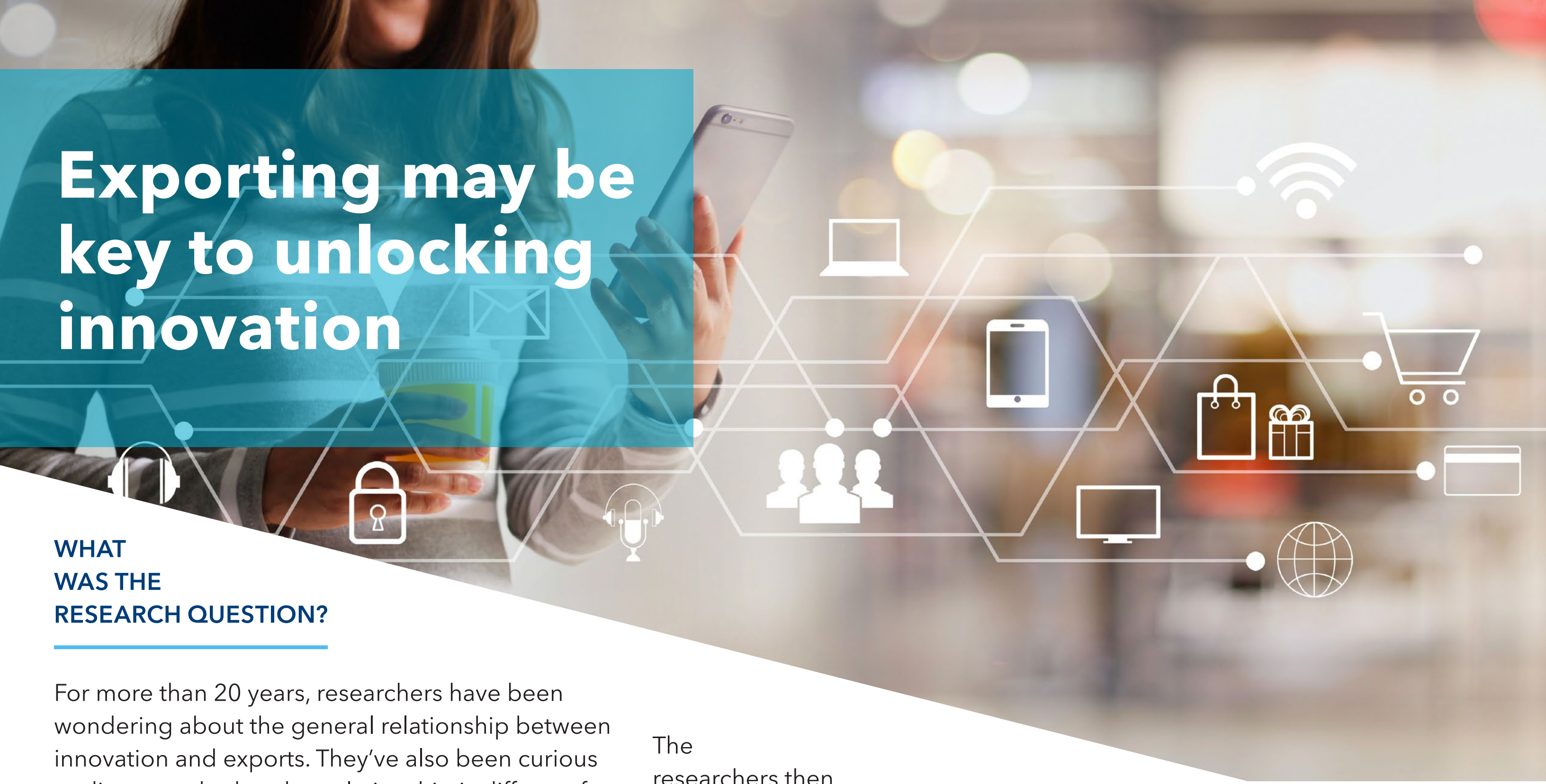


Exporting may be key to unlocking innovation

WHAT WAS THE RESEARCH QUESTION?

For more than 20 years, researchers have been wondering about the general relationship between innovation and exports. They've also been curious to discover whether that relationship is different for different industry sectors.

In this study, the researchers raised two specific questions:

1. How does a company's performance as an exporter relate to its ability to innovate?

2. Do companies that engage in innovation also engage in more exports?

WHY IS THIS STUDY IMPORTANT?

The research helps us understand the interplay between innovation behaviour and export activity. It also highlights how important it is for government policy to address impact and change in both, innovation and export behaviour.

HOW DID THE RESEARCHERS CONDUCT THE STUDY?

The researchers started by reviewing existing research. This enabled them to identify the different factors that influence innovation and export activities at the firm level. They discovered that one of the overlooked factors was decision-making concerning innovation strategy.

The researchers then gathered data from the Canadian Survey of Innovation and Business Strategy (SIBS) from 2009 and 2012, along with data from other sources. They examined SIBS survey responses from a total of 8,309 companies from a variety of sectors, differentiating between manufacturing and services companies. (Retail firms were considered part of the services sector.)

WHAT WERE THE MAIN FINDINGS?

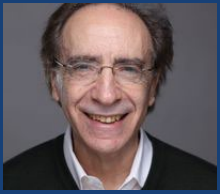
1 **The researchers found "a virtuous relationship between firm exports and firm innovation."**

That relationship can begin with a decision to start exporting or a decision to innovate. Firms that decide to export tend to engage in outsourcing and other strategies that lead to innovation. In turn, that innovation drives further exporting. By the same token, firms that decide to innovate tend to engage in exporting, an activity that then drives further innovation.

In the retail sector, we see this cycle play out as companies expand into new geographical markets. As they begin competing on the global stage, they face new challenges, which compel them to rethink multiple aspects of their business, from their supply chain to the customer experience.

Claudia De Fuentes, Jorge Niosi, and Jahan Peerally, "Exploring innovation and export interplay in Canadian firms" Economics of Innovation and New Technology [forthcoming]

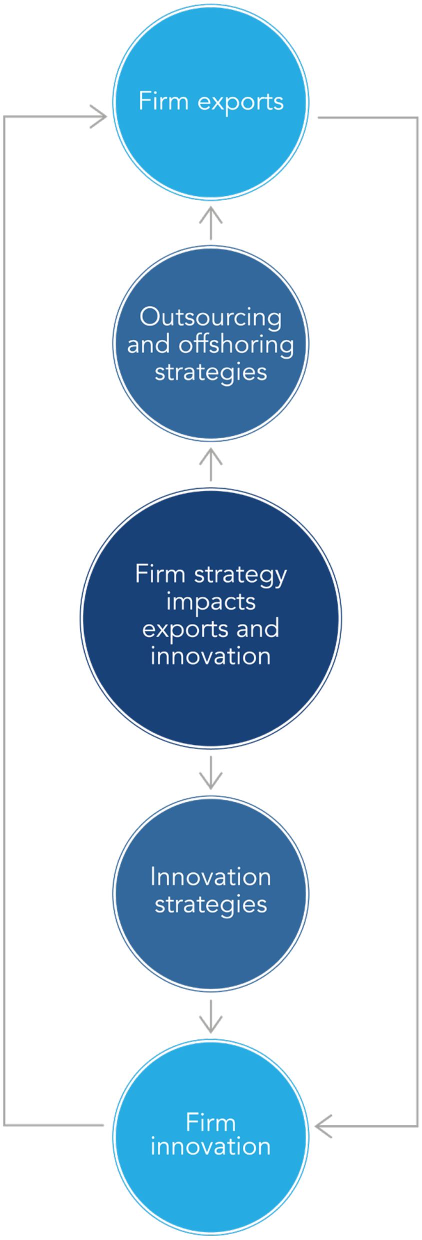
Claudia De Fuentes



Jorge Niosi

Jahan Peerally

The virtuous relationship between firm exports and innovation



2 The researchers also found that innovation policy helps strengthen the interaction between innovation and exports.

This discovery included good news for retailers: government programs to promote innovation have made the most impact in the services sector, which includes retail.

HOW CAN YOU APPLY THE FINDINGS IN YOUR BUSINESS?

As you strive to make your company more innovative, consider how you can exploit the connection between exporting and innovating. Here are a few possibilities to consider:

- Pay attention to the structures and processes in your organization. Are they encouraging or hindering innovation?
- Check out government programs that could enable you to export or innovate. These might include programs to explore a new market or innovation tax credits, such as the federal *Scientific Research & Experimental Tax Credit* program.
- Explore ways that expanding into new markets and/or outsourcing could foster innovation.