

VCI Innovation State of Play Survey 2014

– Theme #1 –

The focus of innovation in the mining industry is short term

Respondents to this year's survey indicated the mining industry maintains a short term focus for innovation, as they did in last year's survey. This result is of particular interest as innovation's potential cannot be harnessed without a balance between short and long term goals. It is not immediately clear why this imbalance exists and we would like your views ...

Key points

- **52%** - of executives have an innovation focus of less than 3 years
- **67%** - of self described industry leaders have an innovation focus of less than 3 years
- **59%** – of executives say the biggest impediment to partnering with miners is their transactional approach
- **15%** – of CEOs and board members believe current short term focus is driven by price cycles

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Is it a product of investment market dynamics? In a world where share trading is fluid and quarterly expectations of continuous improvement are relentless, it is difficult for business leaders to develop, and adhere to, their transformational visions. More than a third of executives believe this drives a short term focus and that these pressures flow through to incentives.

Is it because the mining industry is in a cyclical downturn?

Cyclical price and margin pressures coupled with the consequential pressure for fast payback on investments and debt reduction dominate the reasons respondents believing there is a short term focus. This short term view can be misplaced. History shows us time and again that these are often the best times to look long term – 'never waste a good crisis'.

Or is the industry innovation ecosystem broken?

Certainly, this appears to be a big issue in the mining industry. The majority of respondents cite the transactional approach to relationships between miners and suppliers as a major impediment to innovation, potentially leading to short term, less risky investments.

Responses from last year's survey indicated an overwhelmingly short term focus. Why do you think this is?

