

**Abstract for “Should Non-innovators Innovate? A Firm-level Study”**

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If firms never changed the way they operated we would not expect to see any improvement in their productivity. We expect therefore that, on average, innovative firms will enjoy faster productivity growth than their non-innovative counterparts. But if innovation systematically raises firm profits, why don't all firms do it? We suggest that not all firms have the necessary preconditions for successful innovation such as the appetite and ability of management for radical change. We test this idea using an SME dataset from the ABS and a large firm dataset from IBISWorld.