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BRITE Project series: Does size matter?

Wednesday, 28 February 2007

CONSTRUCTION innovation is experiencing high growth, according to Australian Bureau of Statistics figures released in December last year and analysed by the BRITE Project of the Cooperative Research Centre for Construction Innovation, but who is driving this growth?

The BRITE Project team has provided *ConstructionIndustryNews.net* with Chart 1 (right) indicating the percentage of businesses innovating by industry and employment size from 2004 to 2005.

The statistics revealed that size does matter, with contractor innovation rates varying according to how many staff are employed by a business. The construction industry is defined by the ABS as main and trade contractors in the civil and building sectors, while consultants and construction suppliers are allocated to other industries.

The data shows that for all industries, including the construction industry, the innovation rates increase as the number of employees do.

According to the BRITE Project team, this is due to larger businesses having more resources available for innovation – including employee ideas.

The data indicates that large contractors, employing more than 100 people, are more innovative than the average large businesses across the whole Australian economy.

This achievement suggests that large businesses can play a useful role in pulling innovation through the supply chain, by helping to upskill their subcontractors.

In terms of small businesses, with between five and 19 employees, Chart 1 shows that construction businesses have a similar innovation rate to the average performance of their peers in all industries.

The most marked difference in innovation rates between contractors and the all-industry average is for middle-sized businesses, which employ between 20 and 99 people.

For this size range, the average contractor's innovation performance is markedly less than the average Australian business, according to the statistics.

According to the BRITE Project team, this finding suggests that policy makers should focus their attention on assisting medium-sized contractors to improve their innovation performance.

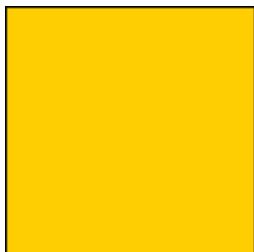
Researchers found that medium-sized businesses lacked both the intimacy and flexibility of smaller businesses and the extensive resource base of larger businesses. Both can make effective relationship management more difficult.

This problem appears to have had a particularly significant impact on medium-sized businesses in the construction industry, where the quality of relationships is crucial, given the demands of temporary, multiple-stakeholder projects.

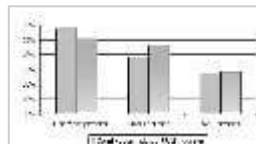
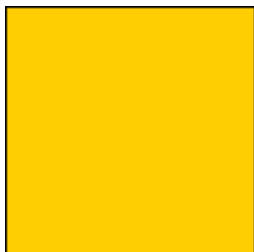
As a result the BRITE Project team found that the ABS data indicated that size



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Source: Dr Karen Manley, CRC for Construction Innovation, based on ABS (2006) Cat. 8158.0

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was a key determinant of contractor innovation, yet there was more that management policies could do to improve a company's innovation performance.

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