

Comparing the Innovation Performance of Contractors Across Australia

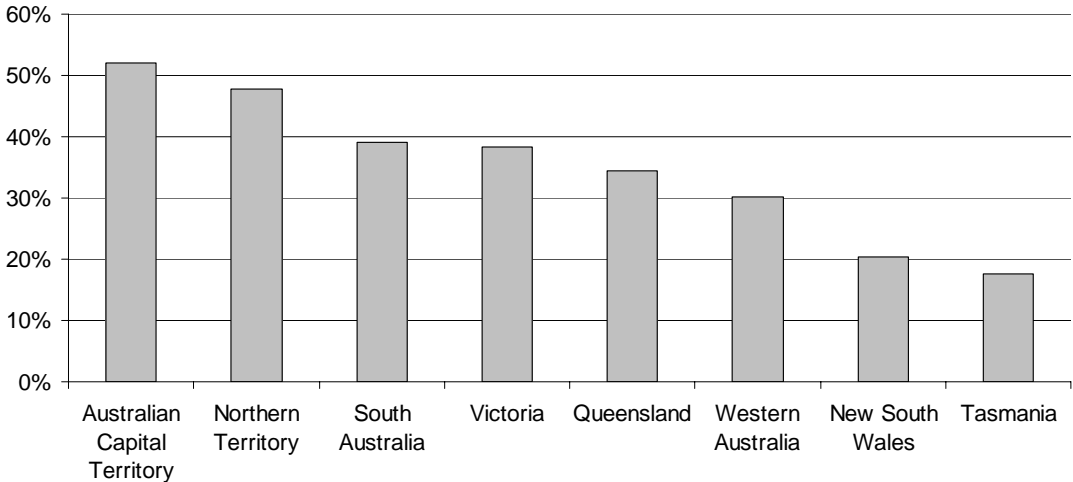


Innovation Analyst, Dr Karen Manley* reviews new data from the Australian Bureau of Statistics (ABS) which shows where the country’s most innovative contractors are to be found.

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Recently released ABS (Australian Bureau of Statistics) data on construction innovation reveals high growth rates, but who is driving this growth? Chart 1 reviews this question by looking at the location of innovative contractors.

Chart 1: Percentage of construction businesses innovating by state and territory, 2004-2005*



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

* Thanks to Greg Keane for assistance in interpreting this chart. Also, note that the results for the four smallest population centres (ACT, NT, TAS and SA) have high relative standard errors of between 25 and 50%. However, even assuming the highest level of error, ACT performance is 25%, still higher than that of NSW. Also note that the construction industry is defined by the ABS as main and trade contractors in the civil and building sectors. Consultants and construction suppliers are allocated to other industries.

Contractors can take some responsibility for the outcomes in this chart, as their innovation performance has been critically influenced by their internal culture and the predisposition of owners and managers toward innovation. However, innovation performance is also influenced by the type of projects required by clients and the capability of clients. More complex projects and more capable clients lead to higher innovation opportunities. This is reflected in Chart 1. Despite the fact that ACT and NT represent very small markets, during the reference period they hosted a number of landmark projects such as the Alice to Darwin Railway. These projects involve new challenges that create innovation opportunities.

Furthermore, interstate expertise is likely to have been involved with these projects, influencing the behaviour of local subcontractors.

At the other end of the chart, Tasmania's performance is likely to have been dominated by its small local market and associated absence of innovation opportunities. The opposite effect appears not to dominate in NSW which also has poor performance. The result may reflect their large population of contractors, including a large proportion of Australia's smaller contractors. It is shown later in this article that smaller businesses are less likely to innovate, so that the industry composition in NSW may drag down its overall innovation rate. The NSW result may also reflect the dominance of relatively standard construction projects and/or relatively low levels of technical competency within client organisations; both of which would constrain innovation opportunities.

The strong result for SA could indicate the existence of competent clients, or landmark projects, particularly projects emphasising positive environmental outcomes, such as the Parafield Stormwater Harvesting Initiative. However, there is a broader influence as South Australia has the highest rate of innovation in the country, when accounting for businesses across all industries. This may suggest that government initiatives such as the Centre for Innovation and Upskill SA are having a positive effect.

Contractors in Vic, Qld and WA share a similar propensity to innovate to those in SA. For Vic, the result is likely to reflect building construction associated with the showcase Docklands development. For Qld, likely drivers include rapid population growth, infrastructure investment, the resources boom and high levels of client competency within government agencies. For WA, the resources boom and an over-heated economy are obvious opportunities for contractor innovation. Together with this, there is some evidence that businesspeople in WA have a strong desire to 'do it their way' and to avoid duplicating the behaviour of their peers in the eastern states, which can drive innovation. Indeed this cultural desire to be free of tradition has been argued to exist in WA, Qld and NT, supporting their strong performance in Chart 1.

Clearly the location of contractors impacts on their innovation opportunities and innovation performance. Yet there is much that management policies can do to improve a company's innovation performance. This is a desirable strategy as we know that innovation drives business growth. The BRITE Project of the Cooperative Research Centre (CRC) for *Construction Innovation* is actively engaged in assisting contractors and other construction industry participants to achieve their innovation potential. Visit www.brite.crcci.info for assistance in improving your innovation performance.

The CRC for *Construction Innovation* (www.construction-innovation.info) is a national collaboration of 21 industry, government and research partners focussed on creating technologies, tools and processes for the property, design, construction and facility management sectors. The BRITE Project is one of over 20 research projects managed by the CRC for *Construction Innovation*.