

Does Size Matter?

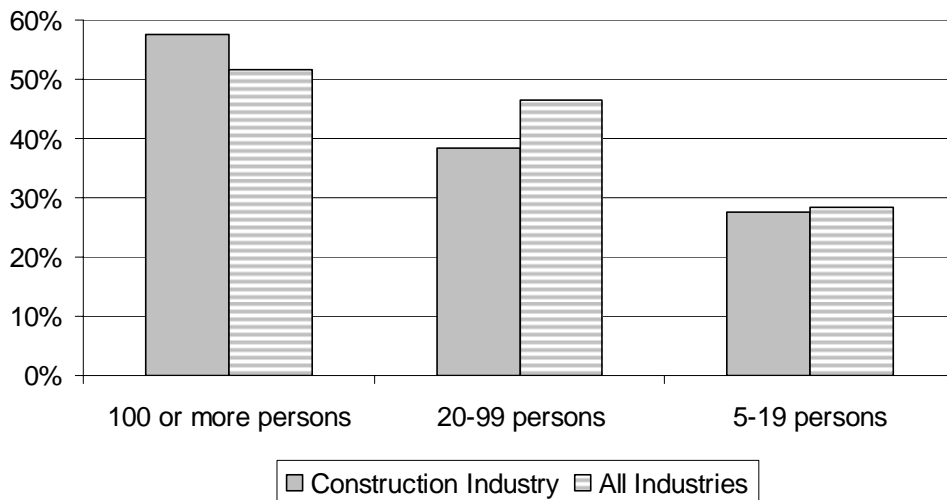


Innovation Analyst, Dr Karen Manley* reviews new data from the Australian Bureau of Statistics (ABS) which show that the size of a contractor's business will shape its innovation opportunities.

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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 shows that size matters. Contractor innovation rates vary according to how many employees they have.

Chart 1: Percentage of businesses innovating, by industry, by employment size, 2004 and 2005.



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

Note: 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.

For both the construction industry and all-industries, the data show that innovation rates increase with number of employees. This is due to larger businesses having more resources available for innovation, including employee ideas. The data also show that large contractors, employing more than 100 people, are more innovative than the average for large businesses across the whole Australian economy. This is quite an achievement and 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 5 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, contractor's performance is markedly less than the Australian average. This finding suggests that policy makers should focus their attention on assisting medium-sized contractors to improve their innovation performance.

Medium-sized businesses lack 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.

Hence, the ABS data show that size is a key determinant of contractor innovation. 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*.