

INDUSTRY COMMENT

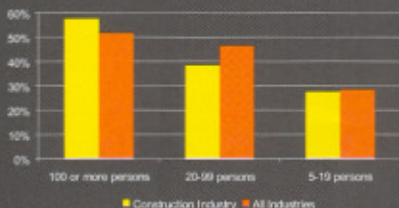
CONSTRUCTION INNOVATION Does Size Matter?



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Recently released data from the Australian Bureau of Statistics on construction innovation reveals high growth rates, but who is driving this growth? Chart 1 shows that business size affects innovation activity.

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 comprises general and trade contractors in the civil and building sectors.

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 are more innovative than the average for all Australian large businesses. This is quite an achievement and suggests that large businesses can play a useful role in increasing innovation levels by sharing ideas and by helping to upskill subcontractors.

Small contractors have a similar innovation rate to the Australian average. The most marked difference is for middle-sized businesses, where construction industry performance is markedly less than the Australian average. Medium-sized businesses lack the intimacy and flexibility of smaller businesses and the extensive resource-base of larger businesses, which makes effective relationship management more difficult.