Pressing Innovation and Entrepreneurship Needs in Australian Business

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ABSTRACT
This qualitative study explored pressing innovation and entrepreneurship issues as perceived by 34 participants employed at various levels within the Australasian manufacturing and service sectors. The major implication drawn from this research-in-progress was that the majority of business managers and staff, including those with direct responsibility for innovation and entrepreneurship, do not understand the difference between innovation and entrepreneurship and will describe their needs in relation to innovation as identical to their needs in entrepreneurship. The findings reinforce the need to showcase innovation and entrepreneurship, and to co-ordinate what it is; where to find it; how to support it; and how to maintain it, in business settings.

INTRODUCTION
This paper uses the findings of a survey conducted at the inaugural Corporate Entrepreneurship and Innovation Conference held to discuss the current state of knowledge and practice of innovation and entrepreneurship in businesses and corporations. The findings from the survey form research-in-progress which forms a basis for a beginning discussion on the emphasis being placed on business renewal and why innovation and entrepreneurship does not appear as the life-blood of the business sector. This leads to the question of what should be addressed in the business setting and how it might be done in order to bring about innovation in the first instance and greater entrepreneurial tendencies in business practice and outlook in the other.

CONTEXT
Strong business growth results in a robust economy. Business viability is linked to new ideas and opportunities being explored and promoted within the business or adopted by it. Without this constant renewal, businesses risk stagnation, followed by decline. The need for business development and re-vitalisation is recognised in the Australian Government’s $3 billion innovation statement, Backing Australia’s Ability (http://backingaus.innovation.gov.au/statement/2003-04report.htm). This is a framework for business development and growth, which recognises that innovation, is one of the key drivers of economic growth. A number of programs and measures have been put in place that target innovation, entrepreneurship and commercialisation. Initiatives include specific funding programs, research and development support, infrastructure, and business development advice.

State governments have also put in place initiatives aimed at strengthening innovation and business development, an example being the Victoria Government Innovation Statement with
the catch words, ‘Victorians. Bright Ideas. Brilliant Future’. As with at the Federal Government level, the Victorian Government recognises that innovation is not only about technology, it is about people. Since May 2000, the Victorian Government’s new commitments to innovation, science and technology total more than $900 million (http://192.148.120.96/).

Despite such efforts to provide platforms to support innovation and entrepreneurial activity, the GEM Australia report (Hindle and Rushworth, 2002) showed an overall fall in Australian entrepreneurial activity. This result has more to do with Australia’s ‘aggregate lack of entrepreneurial capacity’ (which is formed by the combination of skills and motivation), which in turn is a manifestation of a culture that is not robustly entrepreneurial (p2).

INNOVATION

Overwhelmingly, innovation studies focus on innovation as an outcome with measurement addressing tangible variables such as products, and often resulting in numerical data. This is clearly illustrated through product, process, service, radical, incremental, sustaining, and disruptive types of innovation (McMurray and Dorai, 2003).

Innovation is frequently represented in the literature as ‘idea’ generation and entrepreneurship, as the processes and steps, to bring the idea into being. Innovation and entrepreneurship are interdependent (vital) components in business growth and wealth creation, which contribute to a robust economy. Innovation may differentiate a business from its competitors. Ideally innovation should permeate every aspect of an organisation, from its structure to its management. Successful innovation depends on an uncompromising commitment to the organisation’s people (Shapiro 2002:12).

Communication and coordination between different areas of the business create a climate of cooperation that will allow innovation across functional areas. When this occurs, the organization develops innovation as a core competence (Shapiro, 2002).

Australian policy makers and corporate bodies have invested time and money in innovation but the majority of it has been on ‘small-I innovation – generation of new ideas, knowledge or technology – rather than ‘Big-I’ Innovation which covers the process of converting new ideas into physical outcomes. Entrepreneurial capacity is a central element in this process. New knowledge is important but for innovation, the main thrust must be the need to develop and convert knowledge to generate value-added in businesses (Hindle and Rushworth, 2002).

The literature shows that organizational variables that impact positively on, and contribute to the success of, innovation are organizational culture, experience with innovation, multidisciplinary character issues of the research and development team, the unmistakable recognition and acknowledgement of the communal nature of the innovative process, and an organizations structure in particular that of the matrix organization (van der Panne et al., 2003). Unfortunately, there appears to be little or no consistency in the literature with respect to variables such as strength of competition or management support, research and development intensity, or to what extent the project is technologically advanced or innovative (van der Panne et al., 2003).

This omission is indicative of the management literature being preoccupied with theory building based on studying organizational success at the expense of learning from, or building, theory from studying organizational failure. Theory predictability is enhanced when
studies identify the causal elements, those that tie actions to successful results, and the circumstances that result in unsuccessful actions. Studying both successful and unsuccessful actions leads to the building of sounder theory upon which management may base their organizational decision-making and an understanding of when a theory will work, or when it will not work, and why it will not work (Christensen and Raynor, 2003).

Generating creative ideas is easier than selling them or implementing them within an organization. One reason for this is that the perceptions of an idea’s worth are often linked, not to the idea itself, but to the stereotyping of the individual presenting the idea (Elsbach, 2003). An example of stereotyping may be evidenced when management in the manufacturing industry overlook the consulting of shop floor employees in the generation of ideas for problem solving or machine design and instead call in experts or consultants.

Innovation is based on the organization’s ability to be creative and to learn. Successful management of innovation entails the integration of strategy and plans for innovation within a supporting culture and climate of innovation where the principles for creativity and learning are established, which in turn drive the organization’s strategy and plans for innovation improvement (Martensen and Dahlgaard, 1999).

The theory around the learning organisation supports the exploration of creativity, which precedes innovation as it refers to the way in which people approach problems and solutions and their capacity to combine ideas in new and different ways. Creativity entails motivation, reward and the way in which work is assigned to people. Many managerial policies and work imperatives such as coordination, productivity and control undermine workplace creativity (Amabile, 1998). This emphasises the importance of the role that managerial practice plays in organizations today and in particular how this may affect workplace creativity. Two decades of research on identifying which managerial practices impact on positive creativity or no creativity show linkages to freedom, challenge, resources, work-group features, supervisory encouragement and organizational support.

ENTREPRENEURSHIP

Entrepreneurship is difficult to define because the concept appears to be vague and imprecise (Low and MacMillan, 1988). This could explain why no general theory of entrepreneurship has become apparent even though scholars from a multitude of disciplines have attempted to define it (Bull and Willard, 1995). There is a lack of sufficient frameworks that cut across disciplines and disciplinary relationships so individuals propose definitions based on their particular disciplinary field. For the purpose of this study, the assumption is made that entrepreneurship is in fact a multidisciplinary concept cutting across disciplines such as sociology, anthropology, engineering, psychology, economics, business, strategy, history, agriculture, finance, education, mass communications, management, marketing, and political science.

Although definitions of entrepreneurship appear to be inconsistent, many of the definitions contain the components of creativity, innovation, resource gathering, uncertainty, risk management and organizational viability (Dollinger, 2003). From this distillation of common components, Dollinger, (2003:5) attempts to propose that entrepreneurship ‘is the creation of an innovative economic organization (or network of organizations) for the purpose of gain or growth under conditions of risk and uncertainty’. Freedom to launch a start-up, where applicable, and prosperity in the form of positive economic conditions are two prerequisites for entrepreneurship to prosper.
Schaper and Volery (2004) suggest that the challenges entrepreneurs face vary according to whether they are operating independently or as a part of an existing organisation. The literature indicates there is no clear or universally accepted definition of corporate entrepreneurship, and Schaper and Volery offer their own as ‘the process whereby an individual or a group, in association with an existing organisation, creates a new organisation or initiates renewal or innovation within that organisation (p366). Within existing organisations entrepreneurship involves corporate venturing, the equivalent of internal start-ups or external activities resulting in entities outside the firm; and strategic renewal involving re-combination of resources within the firm and innovation, which form part of the entrepreneurship process as opposed to diversification. Birkenshaw (2003) summarises four schools of thought on corporate entrepreneurship, which mirror Schaper and Volery’s contribution but Birkenshaw places greater emphasis on organisation structures and individuals within the organisation.

National culture and societal structure affect innovation and entrepreneurial activity. National culture refers to the western, democratic position of the nation whereas societal structure is the state of business, political and educational institutions (Dunphy and Herbig, 1994). Other factors include political forces such as scientific and technological expertise that influence the economy, a society’s reward system, and workforce attitudes towards production and innovation. Much of the scientific and technological expertise results from government-funded research in universities and other research institutions, and from private individuals who have the technical expertise and a ready supply of funding (Dunphy and Herbig, 1994).

Hindle and Rushworth (2002) found that Australia’s culture does not have a strong focus on entrepreneurship or entrepreneurial activities and appears unable to weather adverse business cycle fluctuations or major blows to national confidence such as September 11. Key areas where support for entrepreneurial activity was lacking include culture, education, supporting government policy, and access to adequate funding.

METHOD
A questionnaire consisting of 10 open questions and 12 demographic questions was distributed to a random sample of 34, of a possible 100 attendees at the inaugural Corporate Entrepreneurship and Innovation Conference. The sample consisted of 24 male and 10 female respondents employed in manufacturing and service organisations. The qualitative data were theme category analysed and descriptive statistics were used to analyse the quantitative data.

Characteristics of Respondents
Respondents’ ages were evenly distributed over the range 21 to 60, and consisted of 24 males and 10 females. Positions ranged from specialist roles e.g. Information Technology, to a Pastor of a community church through to Managing Directors, in organisations consisting of fewer than 10 to over 10,000 employees. The greatest numbers of respondents were in businesses with more than 1,000 and less than 5,000 employees. Educational levels ranged from technical qualifications to higher degrees; the majority were postgraduates.

Thematic Analysis
Respondents were asked to complete two key questions. In the first, they were asked to identify their pressing issues relating to innovation in their organisation, and in the second, their pressing issues in relation to entrepreneurship. For nine of the thirty-four respondents
there appeared to be little difference in the comments made regarding their pressing issues in innovation to their pressing issues in relation to entrepreneurship.

Six themes were revealed in the thematic analysis of respondents’ comments to both the question of pressing issues in innovation and entrepreneurship. These themes were

**Organisation culture** – this category included comments, which specifically mentioned the word culture e.g. cultural change – (mindsets) or where a comment directly referred to aspects of relationships such as ‘trust’.

**Management/board/structure** – this category included comments which specifically mentioned the words management, board or structure e.g. ‘gaining board acceptance of something slightly outside normal business’ ‘structure’ or where a comment directly referred to responsibilities of senior management and/or the board ‘strategic direction’.

**Resources** – this category included comments which specifically mentioned the word resources e.g. ‘lack of capital’, ‘qualified people’ or referred to a link between the need for or use of resources and current activity e.g. ‘attempting to satisfy existing customers needs and allocating extra limited resource to innovation’

**Knowledge/understanding** – this category included comments which specifically mentioned the words knowledge or understanding e.g. ‘understanding what is available’, ‘people understanding the value use of capital’ or where a comment that a lack of understanding exists in the organization e.g. ‘we talk about innovation but don’t really know what it is’

**Idea recognition/generation/system** – this category included comments that indicated that there were issues in having ideas recognized or generated and that no systematic process was in place to ensure the recognition and generation e.g. ‘tap into company wide creativity’, ‘getting sufficient innovative ideas’ and ‘control and filtering of ideas from multiple sources’

**Entrepreneurial steps** – this category included comments that demonstrated the existence of steps, processes or products e.g. ‘separating one business into smaller company structure’s’, ‘innovation of new competitive edge in mature businesses’ ‘growth of external business’ or the issues preventing these steps, processes or products from occurring e.g. ‘we have no entrepreneurial activity’ ‘balance between risk taking and corporate governance’ ‘moving faster to execution’.

Some comments from respondents were coded under more than one theme.

**Pressing Issues in Innovation**
In relation to the question on pressing issues in innovation, the majority of comments were under the theme of organization culture; this was followed by idea recognition/generation/system, resources, knowledge/understanding, and entrepreneurial steps.

**Pressing Issues in Entrepreneurship**
On the question of pressing issues in entrepreneurship the majority of comments were under the theme of organization culture, followed by entrepreneurial steps, management/board/structure, resources and knowledge and understanding (which were equal) and idea recognition and generation and system.
It is of interest that the theme with the majority of responses to both questions of pressing issues in innovation and entrepreneurship is that of organization culture.

The participants were also asked to provide a ‘wish list’ they would like to achieve in relation to the pressing issues in innovation and entrepreneurship. Table 1 provides the breakdown of both the thematic analysis of pressing issues and the wish list from participants. While organization culture is the most significant pressing issue for respondents in relation to innovation and entrepreneurship, it is of interest that the participants’ wish lists were focused on the theme of management/board/structure and not organizational culture.

Analysis showed the pressing issues relating to innovation were understanding what innovation is; how to elicit innovative ideas from the organization; how to generate a supportive organisational culture; understanding the cost and benefits of innovation; and the absence of a legitimate forum within the organisation.

The most popular innovation issue respondents wished to address was to provide a definition of innovation for their organisations, especially the capture of idea generation to the need to create value.

The pressing issue relating to entrepreneurship was identified as structures and regulations that inhibit entrepreneurial behaviour. Other factors include a lack of funding; direction; and support for entrepreneurial activities. The main reason cited why these issues exist appears to be a circular argument!

Respondents’ comments on their most pressing issues in relation to innovation and entrepreneurship can for the most part be placed in two categories. The first category includes those comments, which identify that neither innovation nor entrepreneurship are understood, nor are they in practice. The second category relates to impediments in the work environment, which work against the promotion of innovation and entrepreneurship. There were no comments received which raised the spectre of events external to Australia.

Although the literature indicates that national and societal culture play a part in entrepreneurship, none of the comments by respondents indicated these factors as a pressing issue in relation to either innovation or entrepreneurship.

Within the pressing issue of innovation, the theme of organisation culture was dominant across organisations of all sizes, whereas this theme was supplanted by management/board/structure within the pressing issue of entrepreneurship, particularly in the larger organizations. Respondents’ comments reveal issues pertaining to legislative requirements, complexities related to structure and senior management/board support. Firms of less than 5,000 employees were strongly represented under the theme of idea recognition/generation/system, within the pressing issues in innovation; this was not found to be the case within the pressing issues in entrepreneurship.

DISCUSSION

The findings from this survey, related to pressing needs, are supported by the literature on learning organisations, where a link is drawn between innovation and learning. Ayas (1999:177) states ‘innovation may be perceived as a learning process’. The numerous
comments from participants about the organisation culture of their work environment indicate that the environment is not conducive to creativity and innovation. Hence, organisations cannot go through the process of learning at the ‘whole’ organisation level if no supportive milieu exists to encourage learning.

Needs in the area of management/board/structure were the next pressing issue. The literature states that creative capacity leading to idea generation needs to be supported by managerial skills and talents in order to transform ideas into practice thereby leading to innovation. These managerial skills involve the creation and imbuing of a culture that supports creativity, idea recognition, and internal promotion of the idea within the organisation. It also includes effective management of product innovation, which is defined as ‘creating and improving the capabilities needed to make new product development a competitive advantage over the long term’ (Ayas 1999:p177). These managerial skills are complemented by healthy organizational structures that reduce the tedium related to the birthing and sustaining of innovation and a board whose membership can focus on entrepreneurial processes and outcomes.

Both categories of organisation culture and management/board/structure are worthy of recognition, as these categories reflect the people aspects of organisations. It is at the key junctures of boundaries (which exist) between employee groups, senior staff and management that an innovation is pushed, modified or dropped. The nature of learning within an organisation that contributes to (creativity and) innovation is influenced by the organisation’s structure, the communicative practices and the social context (Ayas 1999). The first two of these three contextual factors appear in respondents comments related to organisation culture and management/board/structure. Comments related to the social context were not apparent, however given the importance of providing and recognising a learning environment perhaps the social context and its role in innovation and entrepreneurship should be more closely examined.

**Closing Session**

At the closing session of the Corporate Entrepreneurship and Innovation Conference, four panel participants each presented a theme in response to the question ‘What do you see as the major issue for the next ten years? The themes were

1) Terrorism and the capacity for disruption
2) Water access and usage
3) Environment and regulation
4) Motor vehicles and the alternatives

These issues are of national significance, which concur with Dunphy and Herbig’s (1994) position about the impact on innovation and entrepreneurship at national and societal level. In their discussion, the panel participants did not identify issues of innovation or entrepreneurship but instead responded directly to the participants’ questions, which addressed the basic principles of organisational internal and external functioning. Their responses did not make reference to a single issue relating to entrepreneurship and innovation, the theme of the conference. This corresponds with the data provided by the respondents in that they indicated a lack of understanding of the concepts of innovation and entrepreneurship. However, another factor may be that innovation and entrepreneurship appear to be operational issues at the micro management level whereas senior management are dealing with overarching principles where the goal is to provide the framework on which to make decisions and guide behaviours to conform to a consistent standard (Sampson, 1999).
CONCLUSION

The study has implications for the practice, research and teaching of innovation and entrepreneurship in both industry and educational settings.

The major implication drawn from this research-in-progress was that the majority of business managers, including those with a direct responsibility for innovation and entrepreneurship, have difficulty in understanding the concepts of innovation and entrepreneurship. As a result their needs in relation to innovation are identical to their needs in entrepreneurship. The findings reinforce the need to showcase innovation and entrepreneurship, and to co-ordinate what it is; where to find it; how to support it; and how to maintain it in business settings.
REFERENCES


Web-sites


http://192.148.120.96/
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Table 1 Innovation and Entrepreneurship Themes

Source: Authors