The Impact of Culture on Innovation Propensity in Construction Small-to-Medium Enterprises and Sole Traders

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Dedication

For my parents, Walfredo and Angelina. Thank you for your sacrifices.

For Melina and Melfred. Thank you… for everything. It’s done!
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Originality

I hereby certify that the work embodied in the thesis is my own work, conducted under normal supervision. The thesis contains no material which has been accepted, or is being examined, for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made. I give consent to the final version of my thesis being made available worldwide when deposited in the University’s Digital Repository, subject to the provisions of the Copyright Act 1968 and any approved embargo.

Fredelino Adlus Lijauco
Authorship

I hereby certify that the work embodied in this thesis contains scholarly work of which I am a joint author. I have included as part of the thesis a written declaration endorsed in writing by my supervisor, attesting to my contribution to the joint scholarly work.

*****

By signing below I confirm that Fredelino Adlus Lijauco contributed substantially to the literature review, discussion, and conclusion in the following papers:


Associate Professor Thayaparan Gajendran
Principal Supervisor
Abstract

The aim of this study is to investigate the impact of organisational culture on the innovation propensity of small-to-medium enterprises (SMEs) in the construction industry. Current research mainly supports the view that innovation is within the control of firm management, which means that innovation studies have largely focused on understanding how internal organisational factors affect innovation. Less is known about the combined effect of internal and external factors on innovation in small firms from a cultural perspective. In addition, research has generally fallen short of providing coherent findings or advice to construction small business managers on innovation management, mainly because of the range of factors and contingencies involved.

Organisational culture is related to the characteristics and assumptions underlying leadership, business relationships, market orientation, and workforce capacity. Innovation propensity is the degree to which a firm is inclined to achieve a state of innovativeness by design. The theoretical models developed from the literature for Small and Medium Enterprises (referred to simply as SMEs) and sole traders (also referred to as non-employing enterprises) were tested using partial least squares structural equation modelling (PLS-SEM) with survey data collected from the construction industry in Tasmania. The relationships between cultural factors and innovation propensity were further explained using qualitative analysis of interviews with innovative construction SMEs and sole traders. The findings from the convergent quantitative-qualitative phases and literature were synthesised and conclusions and implications were drawn.

The findings indicate that market orientation moderately influences innovation propensity in both SMEs and sole trader firms. Business relationships to a certain extent also influence innovation propensity in both SMEs and sole trader firms. In addition, leadership somewhat influences innovation propensity in sole trader firms and, similarly, workforce capacity influences innovation propensity in SMEs. Finally, for innovation to be taken up it needs to at least provide a clear financial benefit to the firm. Innovation propensity in SMEs and sole trader firms is a function of the materialisation of that benefit.
The research findings can assist construction SMEs and sole traders improve their innovation propensity by anticipating issues and understanding and dealing with the cultural factors that are critical to the relevant innovation. They may also provide some guidance to policy makers as to how best to facilitate innovation in SMEs and sole traders based on a good understanding of their cultural characteristics. Construction innovation is much more than technological change and is often the outcome of a social process. This outcome is significant because culture and innovation studies that focus particularly on construction SMEs and sole traders are rare.

Keywords: organisational culture, innovation propensity, SME, sole trader