

Global Entrepreneurship Monitor
GEM Australia 2006
Data Report on Innovation



Australian Graduate School of Entrepreneurship, Swinburne University of Technology
Entrepreneurship, Commercialisation, and Innovation Centre, The University of Adelaide

The GEM Australia project is based on annual research – principally the annual GEM Australia national adult population survey – that presents its results using a matrix approach developed in: Hindle, Kevin 2006. A Measurement Framework for International Entrepreneurship Policy Research: from Impossible Index to Malleable Matrix. *International Journal of Entrepreneurship and Small Business*, Vol. 3, No. 2, 139-182. This approach breaks *total entrepreneurial activity* into six components (*participation, motivation, innovation, growth, finance* and *entrepreneurial capacity*). Each component is discussed in its own Data Report with respect to three stages of owner-operated business: *start-ups* (businesses actively starting and no more than three months old); *young firms* (from four to 42 months old) and *established firms* (owner operated businesses greater than 42 months old)¹.

Accordingly this data report is one of six that, together, comprise a portrait of entrepreneurial activity in Australia in the calendar year 2006. It is best read in conjunction with the other five data reports and the wide range of other documents and materials, which comprise the multi-faceted GEM project, available at www.gemaustralia.com.au.

The full and correct academic citation for this paper is:

Hindle, Kevin and Klyver, Kim, Hancock, Gary 2007. Entrepreneurial Innovation in Australia in 2006: A Summary of Salient Data from the 2006 GEM Australia National Adult Population Survey. *Australian Graduate School of Entrepreneurship Research Report Series*, Vol. 4, No. 3. Melbourne: Swinburne University of Technology. ISSN 1448-7128

At an international level, the [GEM Global Executive Report](#) provides the global context for the Australian research by presenting key findings of differences found in comparing the entrepreneurial activity of nations taking part in the GEM project. This year, 42 nations were represented. A full description of the [GEM Global Research Methodology](#) can be found in the [How GEM Works](#) section of the [GEM Australia website](#).

Key Words: Innovation, technology, differentiation, customer novelty

Aim of this paper: To portray and globally compare the innovation perceptions, intentions, and actions of business owners in Australia and profile the type of innovation practices that prevailed in the owner-operated business sector for 2006 within the limits prescribed by the data available in the 2006 GEM Australia national population survey.

¹ Readers should be aware that the Global Executive team and other countries use different terms to describe these business stages in their respective reports. Please refer to [GEM Global Research Methodology](#) section for a description of these differences.

INNOVATION

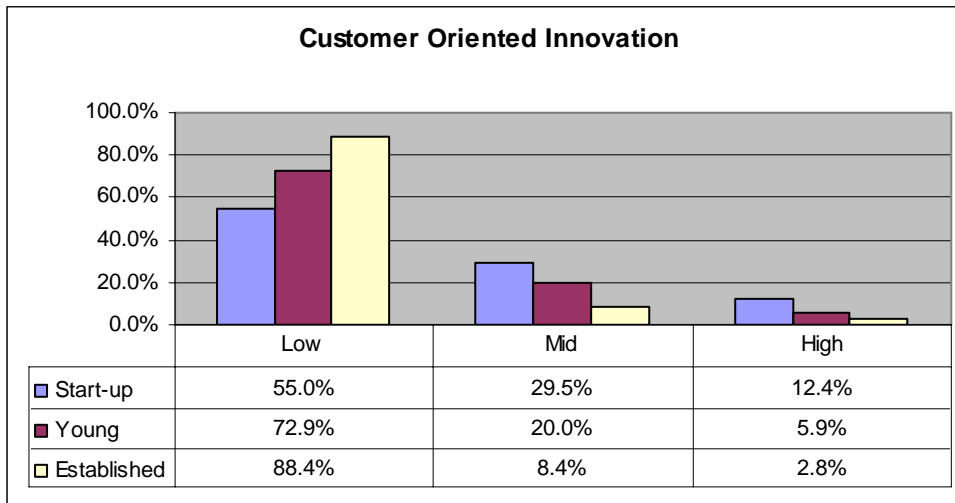
Innovation is intricately linked to entrepreneurship. In many entrepreneurship definitions, innovation is the essential feature that distinguishes a genuinely entrepreneurial venture from 'just another business'. In GEM's adult population survey, three measures allow us to investigate the innovative propensity of Australian business owners. These three measures concern:

- (1) product or service novelty,
- (2) competitor differentiation, and
- (3) use of technology

FIRST MEASURE: PRODUCT/SERVICE NOVELTY

The level of product or service novelty is determined by the question: 'Will/do all, some or none of your potential/actual customers consider this product or service new and unfamiliar?' The response is classified into three categories of high, mid, and low novelty orientation.

Figure 1 – Innovation: Product or service novelty to customers



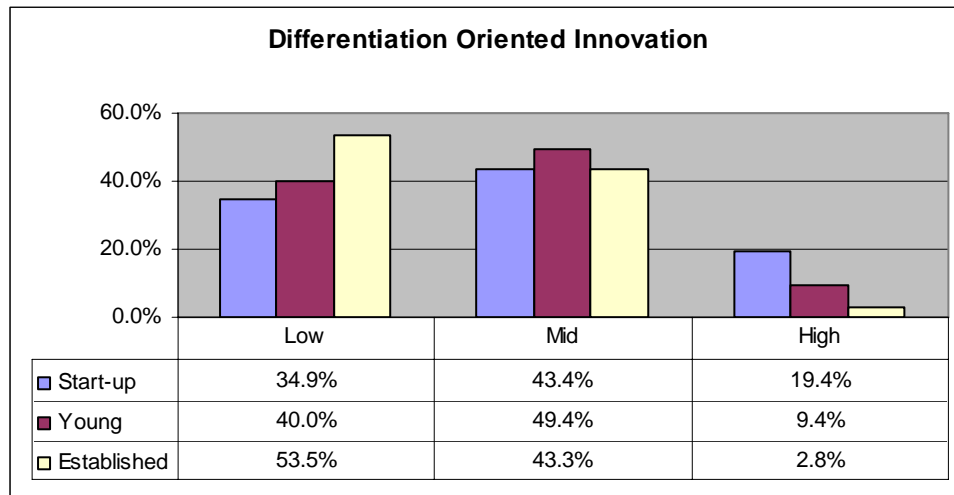
Customer oriented innovation in 2006 was low and similar to the 2005 results. Most business owners only provide product or services that potential customers will not perceive as new and familiar. These results prevail regardless of business stage apart from potential business owners in the start-up stage who are more optimistic about their degree of customer innovation. This result is also consistent with earlier years' results. It is still unknown whether this optimism is a positive trend among the new wave of Australian business owners or it is just caused by a naive and unrealistic view of their products and/or services.

World wide, business owners offering very innovative products and services to their customers are in a pronounced minority. However, Australia's levels of product and service novelty are lower than most.

SECOND MEASURE: DIFFERENTIATION FROM COMPETITORS

The second innovation propensity measure that GEM collects is differentiation from competitors. Business owners are asked the following question: 'Right now, are there many, few, or no other businesses offering the same products or services to your potential/actual customers?' The more competitors that are offering the same product the lower the differentiation oriented innovation. The results are illustrated in Figure Two.

Figure 2 – Innovation: differentiation from competitors

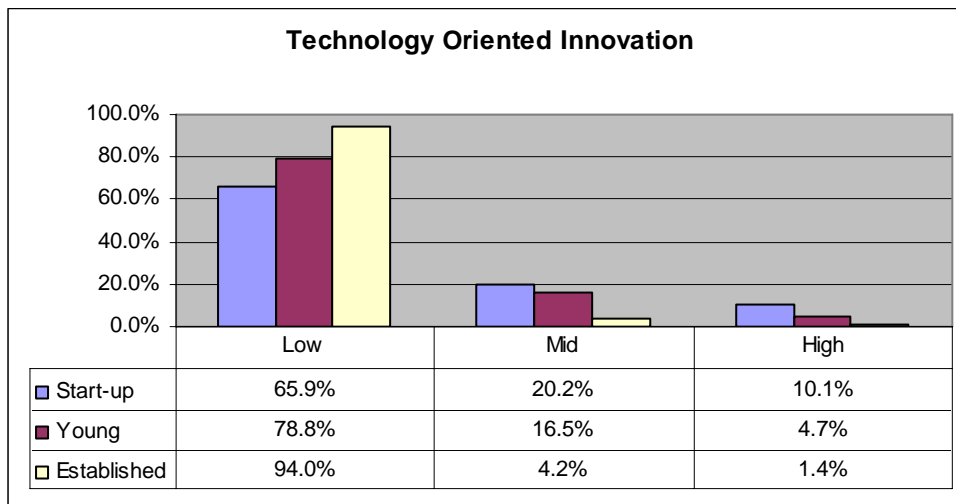


As is the case with customer-oriented innovation, this measure indicates a lack of innovative activities among Australian business owners. It appears, however, that they are more innovative in regard to differentiation-oriented innovation than customer-oriented innovation. We also observe a tendency of potential business owners in the start-up stage to be more optimistic about their differentiation orientation than their counterparts operating established businesses.

THIRD MEASURE: INCORPORATION OF NEW TECHNOLOGY

The last component of innovative propensity measured by GEM is technology oriented innovation. This is measured by asking business owners the following question: 'Have the technologies or procedures required for this product or service been available for less than a year, or between one to five years, or longer than five years?' The longer the technology or procedures have been available, the lower the technology oriented innovation. Figure 3 illustrates the results.

Figure 3 – Innovation: incorporation of new technology



Of the three measures of innovative propensity, Australian business owners score lowest on technology oriented innovation. Very few Australian business owners use technology that is less one year old and of those who do, the majority are potential business owners in the start-up stage. Thus, Australian business owners lack technology oriented innovation. Of even greater concern is that many existing Australian businesses keep using the technology they started with. They do not appear to take advantages of new technologies and procedures.