Entrepreneurial Practices in Innovative Australian SMEs

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Abstract

For small to medium enterprises (SMEs) in Australia the ability to regularly produce new and/or innovative products or services for the marketplace can help ensure organisational survival. This ability to regularly produce products requires a firm to focus on both creativity and innovation. The research reported in this paper investigates entrepreneurial perspectives toward the creativity and innovation processes within Australian technology SMEs. Following a grounded theory approach aligned to the interpretive paradigm this research undertook 21 interviews drawing on 23 individuals from 19 organisations. In relation to the ability to produce new products, two main themes emerged from the interviews, firstly the role of entrepreneurship and entrepreneurs and secondly entrepreneurial leadership practices. From the research findings and discussion it can be ascertained that creativity, innovation and leadership practices are the foundations on which entrepreneurs thrive. As such the paper posits that entrepreneurial practices improve organisational creativity and innovation capability and therefore lead to a higher probability of producing transformational outcomes.

Keywords: Innovation, Creativity, Entrepreneurs, Entrepreneurial Leadership, Business.

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Introduction

Ensuring long term organisational survival is a challenge in today's technology driven business world. The capability to offer an innovative product or service to the marketplace has long been deemed a key strategic differentiator and means of achieving leverage over competitors and. Through the proactive pursuit of creative solutions, organisations attempt to increase (or at least preserve) their competitive position and as von Oetinger, (2004) suggests innovation fuels corporate growth. However, the pace of change in the global economy has led to that these advantages being somewhat temporary. Leaders must therefore concoct an environment which sustains innovation over time to ensure the survival of their firms.

This is particularly important to firms in smaller nations such as Australia where local markets and investment pools for new ventures are limited and where historically innovation has been erratic in both approach and outcomes. For Australian firms to participate globally the ability to systematically generate, develop and commercialise creative new products and services is crucial and often relies on exploiting non-traditional technical and social systems to achieve results. It also demands people collaborate, cooperate and work effectively together to allow their organisations to meet marketplace demands (Hertel, Geisterb & Kontradtb 2005). To ensure strategic outcomes effective team formation and motivation are essential along with leadership that is appropriate to the situation at hand.

For small Australian firms to compete on the world stage, speed and agility are needed to exploit new concepts, approaches and practices to achieve market advantage and leverage the *quality* of their business strategy independent of the pool of available funds or people. Hindered by hierarchical corporate leadership, a low level of private sector research and exceptionally high dependence on foreign technology (Gregory, 1993) many good ideas have gone offshore to be realised.

The aim of this paper is to explore entrepreneurial practices in regards to creativity and innovation in twenty-one successful Australian SMEs. The paper has the following components. An overview of the literature in the areas of creativity, innovation, leadership and teams is presented. This is followed by the research methodology and the findings from the research. Finally, conclusions are drawn.

Literature Review

Links between Creativity, Innovation and Organisational Effectiveness

McGrath (2001) suggests organisations must be able to cope with increasingly complex and high-velocity change in order to navigate the challenges of technology driven marketplaces. However, while quite true (and an important trait) flexibility by itself is not enough to secure a sustainable corporate future if the adaptive capacity is not harnessed to a creative direction. At best a stand-alone ability to adjust to circumstance could allow a business to maintain market parity by following the pack – however, it would be an unlikely candidate to jump ahead and guide it. Alternatively, a common characteristic of *very* successful organisations (Borjession and Lofsten, 2012; IBM, 2006; Piperopoulos and Scase, 2009; Vaccaro et al., 2010) is their entrepreneurial ability to lead the advance down new channels and not only reinvent themselves but also the markets around them. Invention with economic value – the transformational ability to birth ideas and take them to market so the market itself changes – is

one potential definition of innovation and a trait often identified as a major driver of growth and competitive advantage in free market economies (Czuchy et al, 2009; Dershin, 2010; Gumusluoglu and Ilsev, 2009; Waychal et al., 2010).

A more pedestrian view is supplied by the Merriam-Webster (2012) online dictionary which defines innovation as "the introduction of something new; a new idea, method or device". Similarly, creativity is the ability "to produce through imaginative skill; to bring into existence something new". So, in essence, human progress is a two-step process where skill and imagination originate new ideas that then, in turn, enable introduction of new products. The two aspects act in concert to produce a result which would not be possible if one was not present: "Innovation...is a connected process in which many and sufficient creative acts...couple together in an integrated way for a common goal" (Leonard-Barton, 1995. p. xv).

To a degree it is also possible to quantify benefits derived from innovation-based organisational success. A recent study by AON Hewitt (2011) comprising 20 global organisations with 180 of their global subsidiaries reported across multiple financial metrics the consistently superior performance of innovative companies. Their investigation concluded that firms with a culture actively engaging employees' creative thinking and behaviours posted an average 22% higher gross margin than more rigid counterparts. Similarly, Jaruzelski et al. (2011) in a contemporaneous study of market leaders found that organisations highly aligned to innovation strategies have 30% higher enterprise value growth than rivals. These are serious numbers. Entrepreneurial companies able to properly leverage innovation outperform competitors by *significant* amounts (Mavondo, 2005) - those left behind often find themselves relegated to fringe business or become potential targets for corporate take-over.

Yet while the pursuit of innovation preoccupies many organisations there is no

overwhelming accord as to how it can be consistently produced. Because it is not formulaic the creative course is often stifled within firms where innovation is mandated by the senior leadership but there is little understanding or patience for exploration, unfocused activity or learning non-standard approaches – where the *benefits* of change are demanded but *actual* change is resisted. Evidence of this dichotomy is seen over and over again in innovation literature. For example, Foster and Kaplan (2001) note that mature organisations often cannot innovate successfully because they reject out of hand information that does not support the company's existing mental models. Csikszentmihalyi (1996:p9) agrees stating that "creativity is more likely in places where new ideas require less effort to be perceived." Leonard-Barton (1995:pxv) concurs noting it is all too easy for organisations and the senior managers within them "to close off new ideas or direct them into well-worn channels where they will gradually be eroded" and thus undermine the very value for which they search. Borjesson and Elmquist (2011, p.197), in discussing problems with corporate generation of ideas, point out that "established firms face various barriers to developing and commercialising disruptive or adjacent innovations".

In contrast, the adoption of more flexible entrepreneurial leadership and social practices - particularly in the current dynamic environment of technological progress and post-GFC belt-tightening - can result in an improved ability to respond to market pressures in an imaginative and timely manner. This is documented in the works of many researchers. Vermeulen et al. (2010) discuss how shifting social dynamics within an organisation improves communication and fosters creativity; Dyer et al. (2009, p.22) note how creative executives gain radically different perspectives through "associating, questioning, observing, experimenting and networking"; Dougherty (1999) suggests that successful innovation relies upon underlying organisational social systems. Huy (2001; 2002) goes even further stating

that significant innovation requires managing not only people but their emotional investment.

So, there seems to be a strong link between innovation emergence and an entrepreneurial social context. Authors such as Peters (1987) contend that everyone in a business has at least some degree of entrepreneurial potential and that a truly innovative organisation will structure and adapt to increase the chance of these individuals coming forth to take on risky projects. Others such as Miles et al. (2000, p.113) agree stating "There is a lot more entrepreneurial talent inside firms than many CEOs currently realise. Finding such talent, of course, is not the same as finding ways to profitably unleash it."

While there may be no singular formula, methodology or silver-bullet framework to guarantee innovation, from tracing the pathways of innovation development at least one thing can be said with a degree of certainty - its origins seem to repeatedly come back to the human element and the entrepreneurial leadership practices, styles and capabilities that permit human value to be mobilised effectively and its outcomes realised ably. This was nicely summarised in an IBM global report on innovation that concluded: "Becoming more innovative means making deliberate choices...and concentrating on those few actions that truly make a difference" (IBM, 2006, p.39). Creating and leading a balanced context for people to work well together appears to be a factor that truly *does* make a difference.

Entrepreneurial Leadership, Teaming and Innovation

Doz and Kosonen (2007, p.1) note "senior executives … usually have a very clear idea of their roles and responsibilities and how they relate to one another and how to work together effectively, and the result is a well-oiled operation" suggesting that effective top level leadership is openly recognised as an organisational success factor. Also, organisations must leverage "individual talent through disciplined teamwork and shared leadership" (Pearce et al 2009, p.235) to sustain ongoing

competitiveness implying effective leadership is required not just at the top but at all levels of the organisation.

Leadership has been defined as "the ability to influence the behaviour of others" (Lucey 2005, p.118) and there are a number of well-known leadership styles depicted in literature including dictatorial, autocratic, coercive, democratic, affiliative, and laissez-faire and so on (Cleland and Ireland, 2007; Marchewka 2012). The writings in regard to these are quite extensive. However, while much effort has been spent by past researchers on characterising the 'heroic' view of leadership, at the same time their has been a growing awareness that the traditional hierarchical or single leader view – with its emphasis on command and control - may not always be the most appropriate approach to managing workplace activities. In particular, for more dynamic environments a combination of styles may be needed to influence human behaviour in any given situation (Lucey 2005, p.118) and this seems especially applicable to creative endeavours. Such realisations have given rise to experimentation with a more collaborative form – the distributed (shared) leadership model - where a group of key people voluntarily step forward provide appropriate guidance at the appropriate times (Ancona, Bresman and Caldwell 2009) and where the "individual who acts in the role of a dominant superior" is replaced by "sharing power and influence among a set of individuals" (Pearce et al 2009, p.234). Using peer persuasion and upward or downward hierarchical influence depending upon prevailing circumstance allows "followers to become leaders and participate in the management process" (Manz et al 2009, p.180). Groups become self-managing teams through adopting more entrepreneurial approaches.

A team is a group of individuals who have a common purpose, interact to accomplish organisational goals, share responsibility for team outcomes (O'Neill and Kline, 2008) and may operate across product lines, departments, or geographic borders (Ancona et al., 2009). By accepting shared accountability every team member displays leadership characteristics - to work together effectively, to cooperate and collaborate – in allowing their organisations to meet demand (Hertel et al. 2005).

As a means of originating new ideas, crafting opportunities for interactivity and cooperation between people look to produce good results. For example, Faems et al. (2005) investigated the practices and performance of 221 Belgian manufacturing firms to better understand how inter-organisational collaboration impacted the effectiveness of innovation strategies in EU nations. The study confirmed the existence of a positive relationship between collaboration and innovation performance. As a way to promoting novel outcomes other authors also support the self-determining (entrepreneurial) team over the heroic-leader model:

- Shipton et al (2006), after studying 22 UK manufacturing companies, concluded that effective Human Resource practices (including those for interactivity) promotes organisational innovation;

- Chesbrough and Appleyard (2007) suggested use of team-based practices and open approaches to innovation even when these don't easily fit prevailing business strategies;

- Hamel (2009) reported that creative thought can be encouraged by management practices aimed at identifying, sharing and capitalising on employee passions.

Making a team effective often compels individual team members to step forward and accept leadership responsibility for shared roles and activities (Pearce et al., 2009). Team leaders set direction, align people and tasks, monitor people to ensure team goals are achieved and give team effort power and significance (Cleland and Ireland, 2007). While most organisations strive for enhanced teamwork from their employees to help sustain corporate growth (von Oetinger, 2004) when enacting creative goals the requirement

seems to step beyond the fact of just simply forming a team to also address the flexibility of its internal governance model: "depending upon the situation, team members can exhibit leadership and then step back when appropriate to allow the designated leader to lead" (Pearce et al. 2009, p.234). Good team relationships make it easier to appreciate the team's combined responsibility to the task and its timing (Doz and Kosonen, 2007; Wageman et al. 2009) and to act accordingly in a more dynamic manner than a standard hierarchy would permit. In contrast Robert Sutton, a professor at Stanford University, notes that in most companies with hierarchical structures "differences in status among people impede the exchange of ideas" (quoted in Amabile and Khaire, 2008, p.102).

The 3M Corporation is an example of 'opening up' leadership of the innovation pipeline and where staff creativity is encouraged. Staff members can spend up to 15% of their time engaged on projects of their own choosing – to attract supporters, to work together with only minimal managerial constraints, to improvise, to exercise spontaneity and to expend effort on self-selected high-interest endeavours. This has resulted in 3M annually realising 25% of its sales from products that did not exist five years ago (Vera and Crossan, 2004). In support of the concept Amabile and Khaire (2008) note a study done by Google on the progress of generated innovations where it concluded that the highest success rate came from ideas executed purely in the ranks under their own initiative without recourse to senior hierarchy.

While the leadership literature is extensive and well covered it tends to focus mainly on multinational enterprises based in larger/richer continents such as USA and Europe. Limited literature appears to exist on exploring entrepreneurial teams and practices required to foster creativity and innovation in the low-end business setting and in smaller nations with condensed business environments. Places such as Australia recognise the lessons and outcomes of successful creativity and

innovation as important to a long-term sustainable future but the investment in ideas development is constrained by resources, population size and distance-to-market. However, smaller firms *can* leverage practice, approach and people to fuel growth and often they do this very, very well. By bringing forth and nurturing entrepreneurial ideas, talent and leadership potential the SMEs can position themselves to successfully play David to the Goliath of their much larger rivals.

Research Methodology

The research used a Grounded Theory framework to investigate how entrepreneurial practices complement the innovation process and the key attitudes and practices inherent in entrepreneurs. Aligned to the interpretive paradigm, which attempts to understand the actual context of the area under study from the point of view of the participants, the emergent in nature of Grounded Theory allows the research situation to originate theory rather than test hypotheses pre-conceived by the researcher (Glaser and Strauss 1967). Neuman (2000:p71) defines the interpretive approach as 'the systematic analysis of socially meaningful action through the direct detailed observation of people in natural settings in order to arrive at understanding the interpretations of how people create and maintain their social worlds'. Hence by using such an approach the researcher can gain a much deeper understanding of the area under study and the context in which the study has taken place.

Qualitative research underpins the interpretive approach and is suited to organisational performance, and the lives, experiences and behaviours of individuals and uses techniques such as interviews and observation to gather data (Strauss and Corbin 1998).The field research involved semi-structured in-depth interviews with owner-founders of Australian Information Technology sector SMEs. Interviews ranged in length from around 45 minutes to 2 hours and were audio recorded and transcribed. Copies of transcripts were provided to interviewees within 14 days of

the interview to confirm content and give further commentary if desired.

Scope

The research set out to address the following items:

- Research Question

How is creativity and innovation led and facilitated in successful small /medium enterprises (SME) in the Australian marketplace?

- Research objectives

To explore the perspectives, roles, practices and associated factors involved in leading and shaping an organisation's potential for creativity and innovation.

Sample Size

In all 21 semi-structured in-depth interviews were conducted within 19 SMEs suggested as entrepreneurial, creative and innovative within the Australian Information Technology sector. The enterprises used in the study had to satisfy to a set of criteria regarding size (SME based upon number of employees), sustained competitive edge (business success over time) and ownership of a commercial focus (growth funded by sales rather than government support or public donations). The IT sector was chosen as this industry is well known for breaking new ground and the fact that IT products often become obsolete within an 18 to 24 month period - thus necessitating firms learn how to sustain organisational innovation to remain viable.

The commercial focus of enterprises which participated in this study covered a variety of areas such as software and product development, internet commerce, technology sales, and technical and consulting services. Many of the organisations had been in existence for up to 30 years with the average lifespan being just over 10 (thus displaying the required accomplishment and longevity in a market period known for heavy volatility and corporate failures). All had successfully introduced new technologies, efficiencies, productivity, products or services into how they conducted business. Finally, the firms had less than 150 staff and interview participants were mostly owner-founders of their respective enterprises. The reason for using active owner-founders in the study was that these individuals were usually the key decision makers and owners of organisation strategy as well as having significant influence over the leadership their firms exhibited. Most of the firms approached began as a start-up pursuing an original idea advocated by their owner-founder.

Method of Analysis

Common themes and elements of the interview responses were coded by identifying key concepts and terms used by the interview respondents (Strauss and Corbin, 1998). This allowed an initial frame of reference from which to relate entrepreneurial practices to creativity and innovation. By identifying a strong mapping of interrelated phenomena and the components of each, the research attempted to identify key themes in relation to entrepreneurial practices which support creativity and innovation.

Use of Literature

A special note as to the role of literature in this research must also be made. Traditionally, in a quantitative study, this would be in the form of a comprehensive review of available literature in order to originate hypothesis to be tested during fieldwork. However, in using Grounded Theory the role of literature is somewhat different. As the intention of this methodology is to generate rather than test theoretical frameworks so too the purpose of reading and review likewise changes. In fact, the outputs of literature research are treated much the same as those of field research – both present data to the researcher; are potentially of equal value; and should therefore be looked upon as being of similar merit within that context. This view required that detailed investigation of related readings be

postponed until the fieldwork itself was well underway. In this way, theory could start to form from the data outputs of the research program itself without being strongly influenced by pre-exiting views of contemporary authors.

Findings and Discussion

This section outlines the key understandings generated from the data. The key themes discussed are:

- Entrepreneurship and the entrepreneur

- Entrepreneurial leadership practices

For each theme a series of characteristics were identified which represent an entrepreneurial requirement for undertaking creativity and innovation. As the study targeted creativity and innovation it seemed appropriate that participant views of these terms be recorded.

Entrepreneurship and the Entrepreneur

The first perspective under review was the meaning of creativity within an organisation. The key thoughts in respect to creativity were:

- New, fresh, revolutionary ideas

- Building and producing new products

From the research results the prevailing view of creativity seems to be one revolving around the origination of new ideas. Comments such as "to me creativity is having the freedom to come up with new ideas" and "creativity is the ability to come up with new ideas and concepts" were common.

These views, when taken together, promote the stance that creativity is really the genesis of human ingenuity but that something more is required to turn a concept into reality. One participant viewed creativity as "an idea and you want to basically bring it to fruition" which

suggests a further practical step beyond the original conceptualisation is required if the full solution chain is to be completed.

Understandings of innovation tended to show more variance than those regarding creativity. From the interview data, innovation was found to be consistent with:

- Product or service improvement

- A consequence of human creativity

- A new/evolutionary use for existing idea

The research findings suggest that innovation is viewed as the execution of an idea giving a definite and practical outcome. This would generally take the form of a visible improvement to a product or new use for an existing idea but could also be the solving of a prevailing problem or the building of something completely new. A key concept to note here is that innovation involves a high degree of directed activity bent to the achievement of a goal. This is clearly seen in the emphasis placed upon execution and outcome delivery by the study participants in comments such as "innovation is when you implement that idea" and "innovation is more to do with new use, new application, new delivery".

Thus, innovation now stands revealed as the missing resolution to the creativity conundrum and as the completing step in the idea realisation cycle. In fact, this is explicitly stated in the high degree of recognition that people give to innovation being an outcome and consequence of human creativity. Close to half of the participants from the 19 SMEs in the study felt the need to clearly articulate this relationship with comments such as "innovation is the outcome of creativity" and "innovation is being able to tap that creativity and get it into something that actually produces a defined result for the company".

From the interview data, entrepreneurship was identified as the mechanism linking creativity and innovation. The following key attributes in relation to entrepreneurship were identified:

- Realising commercial benefit

- A willingness to risk

- Originating new business concepts

- Turning creativity into innovation

Entrepreneurship was recognised by two key and central attributes: the quest for commercial benefit and a willingness to take risks. Supporting observations are many: "an entrepreneur comes up with a good idea and grabs hold of it and runs with it and turns it into a commercial business"; "entrepreneurship is being able to capture an idea and try and make it commercial"; "entrepreneurship is a risk mentality". In line with these thoughts is an astuteness that allows entrepreneurs to either recognise existing market opportunities or to develop and grow them from small beginnings – "taking a seed and turning it into a business".

Of special note, was the explicit reference in the study to entrepreneurs being able to turn creativity into innovation as a means of realising their own objectives. This thought becomes a highly suggestive link in the chain of understanding surrounding these intertwined topics. Indeed, with this data it requires no stretch of the imagination to envisage entrepreneurship as the catalyst that in propelling creative ideas into an innovative, if perhaps initially uncertain, outcome. One business owner supported this thought by simply saying "entrepreneurialism is a combination of creativity and innovation" while another summarised it even more succinctly in stating "entrepreneurship is having the guts to do it. That's the difference between someone who is creative and can't innovate and someone who is creative and can innovate".

To be successful entrepreneurship relies on an individual (or group of individuals),

hence the existence of the entrepreneur. There was strong input regarding entrepreneurial qualities and the key characteristics of entrepreneurs identified from the interviews include.

- Leadership

- Risk Taking

- Has, and can articulate, a vision

- Uses failure as a learning vehicle

Qualities such as leadership, risk taking and the ability to articulate a vision were firmly in the family of attributes defining the entrepreneur. Comments such as "you have got to lead by example", "entrepreneurs are definitely risk takers" and "entrepreneurship, I'd say it's about someone who is able to identify a clear vision" support these perceptions. The theme of risk taking is not a surprise given that small businesses are influenced by the personality of the enterprise leader and entrepreneurs tend to be risk takers. They also like to bring this trait forth in their teams.

Entrepreneurs often help set enterprise directions and provide advice upon, or determine outright, ideas acceptable to the corporate mission. There is also a strong leaning in these perspectives towards the entrepreneur directing the focus of others towards a clear commercial goal – and facilitating access to the resources to make the goal a reality. Common participant themes like "entrepreneurship revolves around energy", "the fundamental leadership requirement, creating that sense of excitement for a particular direction and a way to go" and "having the resources to take good ideas and turn them into something" all add weight to the view of the entrepreneur as a visionary activist.

Another interesting fact was emphasis placed upon using failure as a learning vehicle. In this regard, 8 of the interview participants had previously started companies which failed, while for others the present venture was not their first. In all cases, these individuals emphasised the

need for perseverance and for not being daunted by obstacles - they saw each setback in executing an idea as a positive chance to increase their skills and knowledge so that for the next challenge they were even better equipped. One business owner stated "I think perseverance is the single most important trait that you want to have. One can't afford to give up" and "keep going. Even though you might fail again, sooner or later you are going to get it".

Entrepreneurial Leadership Practice

Leadership entails the organising, motivational and facilitation practices that permit a company to realise the vision, strategies and goals that it has chosen for itself. As one interviewee suggested in regards to company leadership "you need someone to be steering that ship" The key characteristics of entrepreneurial leadership practice identified in the research include:

- Focus, lead and facilitate business

- Provide and articulate a resonant vision

- Create personal/business alignment

- Manage resources

- Opportunity evaluation and approval

- Provide appropriate work climate

The characteristics of entrepreneurial leadership within innovative organisations show leadership practice is quite a varied endeavour requiring the balancing of a number of sometimes conflicting objectives. However, as indicated in the study data the top three activities in particular stand out.

Top of the list is the mandatory requirement of being able to focus and lead the business, to "make a commercial decision about what you want to do and keep key people focused on that". The appearance of this trait is entirely expected given that an organisation's health often depends on the business skills and acumen

of its leadership in positioning the company for continued profit and growth – "keeping it commercial" as suggested by one entrepreneur. As the 'bread and butter' of senior management this facet of leadership would only be remarkable by a failure to achieve the highest weighting as this could call into question the validity of interviewee selection and so cast doubt on the study itself. As this is not the case, this finding can simply suggest that this facet's main connection to innovation is to build and stabilise the enterprise platform from which ideas may emerge, "to focus and try and provide the time for other people to come up with ideas".

Clearly, ownership of a vision, by itself, is not enough for the promulgation of innovation if that vision is not well articulated or insufficiently motivational. This brings into consideration aspects of ideology, purpose, challenge, vivid visualisation and so on. The underlying insight is that business leaders have to be able to achieve wide commitment and buy-in from the organisational membership if the envisioned future is to be realised. As one interviewee stated, "I think one of the key leadership practices is the articulation of a vision that resonates with people in the organisation", while another commented, "when we can see no point in something then it's very difficult to be motivated".

Ownership of - and ability to generate buy-in to - a vision is clearly what separates the true leaders of innovation from their more staid counterparts and why this ability to articulate evocative imagery is so important. Entrepreneurs are able to sell the vision, not just mandate it. They are able to tap the elemental desires of people to create meaningful belief, rally them behind a common aspiration and build a cohesive drive to accomplishment. They build effective and energetic teams. As summed up by the leader of one enterprise, "that's the fundamental leadership requirement, creating that sense of excitement for a particular direction and a way to go".

This leads to another notable quality residing in the findings, that

entrepreneurial leaders are able to build a synergy of success by creating alignment between business intent and personal aspiration so that achievement of one largely presumes achievement of the other. As one person expressed it, "in the best of circumstances…the person is aligned with the company". This linkage builds a cohesion and singleness of purpose across a group that is more akin to the pursuit of a common ideology than a nine-to-five job role. However, such alignment does not occur by accident and requires those seeking to lead to not only recognise the needs of the business but also to have a deep understanding of the personal ambitions of colleagues in order to address key motivations when composing strategy: "you do that by talking about their goals and what's in it for them".

Also, in regard to the two facets of leadership discussed immediately above (emplacement of a resonant vision and the alignment of business and personal motivations) we have, in effect, discovered two linking schemas that underpin the fabric of the organisation. The first of these schema threads connects the organisation membership to the business purpose via a common vision, the second connects the membership to the achievement plan via an alliance of mutual advantage - and both schemas connect the membership to each other, highest to lowest, through endorsement and enacting of the common mission. These interweaved schemas appear to act as a bonding network, enabling people to identify with an enterprise so comprehensively that they transform from a simple collection of salaried staff into a highly motivated and focused organisational community.

Other comments acknowledged that smaller firms generally had minimal dependence upon management hierarchy and process: "we don't have a hierarchy for people to go through"; "we have a very flat structure" and "we don't formalise the creative process". This is not to say that they had no formal governance procedures at all but only that they did not use more than was necessary to facilitate their business, preferring to let people be self-directing on a day-to-day operational level. Small firms tend to operate with a 'can do' attitude under clear leadership. As one interviewee put forward, "we're all in a team and the only way we can survive is as a team" while another noted, "we work more as collaborative groups". The concept and support for situational leadership was strong.

From an operational perspective there was recognition that in small enterprises resources tended to be tight: "the smaller a company is, the less predictable the money is going to get". Assets needed wise management given that being able to successfully leverage innovation from limited reserves is perceived as a business differentiator - it allows smaller enterprises to compete directly with larger and better resourced rivals. As one company owner commented "the true creativity and true innovation in Australia, most of it probably comes from the small start-up businesses" while another mentioned that "for smaller and medium enterprises innovation and creativity is the best way for them to affect their bottom line". Alternatively, anything that inhibits innovation also potentially threatens on-going commercial viability of the enterprise so must be quickly identified and where possible removed. Excuses of long-standing tradition or 'that's the way we've always done it' receive little sympathy when better approaches are needed.

Limitations to the Study and Areas for Future Research

Some limitations to the research can be assumed and this leaves scope for further study. Firstly the firms targeted for this current investigation were SMEs residing within Australia and conducting most business locally within the local Asia-Pacific region so the results may not be applicable to all firms when size, location and industry type are taken into account. As a topic for future research, seeking views from enterprises operating across multiple geographies would serve to expand knowledge of the innovation and

leadership perspectives with a more international scale.

Secondly, our current research deliberately targeted entrepreneurial owner/founders as interview subjects. This could easily be expanded to cross-reference views from those at the team level – specifically to either support or refute the thoughts of the original company founders and to study how the teams themselves may have modified or influenced the enterprise cultural dynamic over the course of time.

Thirdly, this study put emphasis upon technology firms and service providers mainly because such companies are very heavily reliant upon innovation for longevity in a market sector where Moore's Law, technology evolution and inability to offer last year's product are a constant reality. However, other industries also rely on successfully leading creative and innovative activities (although perhaps with not quite so short a time-scale) so investigating the entrepreneurship, leadership and innovation capability of SMEs competitively operating in alternate markets or industries would be of interest.

In the meantime, it is hoped that this current study and its findings will provide useful for researchers and/or firms to consider with regard to their specific situations. At the very least it is hoped that more organisations, whether large or small, might be encouraged to set in motion programs to actively measure, compare and improve their innovation and creativity cultures.

Conclusion

One of the biggest problems facing firms is that all too often success with new products or services lacks corporate understanding in regards to both the initial idea evocation and its ongoing renewal. For an innovative outcome to be produced a number of intricate practices all working together are required and this can easily be derailed, either by accident or intent. Often such impediments are the result of the ignorance of people in key positions of power who do not appreciate the full

implications of the actions they take and/or the organisational policies they support. Innovation therefore requires entrepreneurial leadership that will facilitate and foster the generation and realization of new ideas rather than a more traditional leadership style that demands organizational process and procedure be followed.

From the findings and discussion, it is clear that both organizational and individual capabilities are required to deliver creativity and innovation. Innovation realizes the potential of individual creativity by taking ideas and applying a blend of vision, strategic planning, cultural and leadership practices to generate transformational outcomes and allowing firms to sustain a winning innovation strategy.

In many small organisations, the people - with their skills, expertise and creativity - are seen as the major source of ideas and are thus given both freedom and respect as a key corporate asset. As such, it is easy to comprehend the widespread view held that smaller firms within the technology industry are often more creative and innovative than larger rivals. Flatter leadership structures, acceptance of risk and more cultural encouragement for passionate advocates to step forward can allow less wealthy - but more nimble, focused and motivated – SMEs to compete, gather standing and be seen as both centres of excellence and wellsprings of innovation.

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