

Innovation
in
Australian Manufacturing SMEs:
Exploring the Interaction between External and
Internal Innovation Factors

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Certificate of original authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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On: 28 April 2016

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Megha Sachdeva
Sydney

In the loving memory of my *Bauji* (Grand Pa), Sh. Satya Paul Sachdeva.

~ I miss you and I wish you were with me to feel proud of my achievement ~

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Abstract

This thesis examines the relationship between internal and external drivers of innovation in Australian manufacturing small and medium enterprises (SMEs). A mixed methods approach was employed to study this relationship, combining survey data and case studies to investigate the effect of technological change on innovative activities, an effect potentially mediated by SMEs' particular characteristics. Results indicate that the absorptive capacity model of innovation is applicable to Australian manufacturing SMEs but there is also evidence that non-knowledge management characteristics of SMEs affect the impact that internal factors and technological changes can have on innovation. When employees have the freedom to trial new approaches to their work in a family-like culture, risk-taking behaviour is nurtured, leading to innovation. SMEs that exploit opportunities across different sectors and/or co-create with their customers are also more innovative. There may however be a limit to a firm's ability to consume new technology with a responsive approach in meeting customer needs. The findings are of value especially to policy makers, academics, management practitioners, as it brings forward the antecedents of innovation in the Australian manufacturing context.