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# SMALL FIRMS ASSESSMENT OF COMPLEMENTARY ACTORS IN THE DEVELOPMENT OF INNOVATION – SOME PRELIMINARY FINDINGS

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### ABSTRACT:

Small firms are frequently the source of many significant innovations and it is common for national governments to focus attention upon smaller entrepreneurial firms when seeking to encourage enhanced innovation. However, the entrepreneur within a small firm is frequently resource poor and requires collaborative partnerships with other organisations in order to bring their innovation to market. The role of complementary actors as a part of the firm's strategic network is well recognised as being important to innovation, particularly in the diffusion of new technologies into established markets. This study examines the findings of a pilot study of small, high innovator firms in Australia and their assessment of the risks and benefits of forming strategic alliances with third party complementors. A linear regression analysis found that the entrepreneurs of these small innovator firms were willing to form strategic alliances where such collaboration would assist in reducing customer perceptions of risk in the adoption of their innovation, while also enhancing the customer's understanding of the innovation. However, the entrepreneur of the small firm also needed to be confident that the alliance would allow him or her to retain control over the quality of the final outcome to their customer. These findings suggest that entrepreneur education in the development and management of strategic networks may be a useful enhancement to the process of innovation in small firms.

### KEY FINDINGS:

- The regression model suggests that the respondent's assessment of the importance of complementary actors to their proposed innovation is determined by how easily it is understood by the customer and the risk and potential opportunities offered by the innovation.
- Small firms benefit from forming alliances with complementary actors in order to secure access to new markets or product opportunities, especially where the small firm may lack suitable access to key resources, or requires additional enabling technologies to facilitate the adoption of an innovation.
- However, the small innovator firm must also be confident that it has an innovation that can offer customers good opportunities and one that will integrate readily into the existing technology base.
- Finally, the small innovator firm should feel that it could control the quality of the product or innovation within the industry. This point is important because it is likely to provide the small innovator firm with a degree of control over the end result.

### IMPLICATIONS FOR MANAGERS:

The study highlights the importance of the formation of strategic partnerships with such actors is therefore a strategic management issue that should be addressed early within the business planning process. Policy makers and management educators also need to recognise that the formation and management of strategic alliances is often crucial to the process of successful commercialisation.