Innovation Creation and Diffusion in the Australian Economy

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The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new... because men are generally incredulous, never really trusting new things less they have tested them by experience.

Niccolo Machiavelli, in The Prince

Abstract: Innovation creation and diffusion through an entrepreneurial venture are important drivers of national economies. However, the innovation creation and commercialisation process at the individual or small enterprise level within Australia is often inhibited by taxation and non-competitive legislative constraints. On the other hand, the corporate entity is often in a powerful position to reap the benefits from the efforts of the individual. This position of power has been entrenched by government legislation concerning employment and taxation. Tax breaks are available to the corporate entities that are not available, on a pro-rata level, to the individual. In addition, Federal legislation provides tax breaks to corporations for innovation creation inputs, such as, research and development (R&D) expenditure, yet it would seem more effective to offer tax breaks, on the generation of revenues which are the outputs of the innovation creation and commercialisation process. To place this paper in context, an innovation creation and commercialisation model based on empirical research is presented that takes into account intra-organisational, as well as, external factors drivers of the innovation process. Current Australian taxation and R&D incentive schemes, legislative impediments and restrictive employment contracts directly impacting the innovation creation and commercialisation process are described. More supportive innovation commercialisation incentive and legislative regimes are proposed.