

## Chapter 7

# Innovation Concept Challenges: Troubles on the SMEs Way to Innovate

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### ABSTRACT

*What is innovation? In this chapter, an objective search for the basics on innovation concept is held, allowing its definition, but also producing a background covering its relationships with other management concepts. This study, which starts with a theoretical search for innovation and innovation management concepts, evolving to practical observation of cases and market aspects—such as the startups phenomenon—aims to allow a better comprehension on how innovation can be achieved by small and medium-sized enterprises, regarded as dynamic market agents, active in practically every open economy model in the world. As a result, a conceptual network is proposed, serving both SMEs, to comprehend how innovation is reached and developed for the market, and also contributing to the discussion around its perspectives, as it was approached by other authors in this book.*

### INTRODUCTION

In immature economic systems one phenomenon is frequently observed: concepts and conceptual relationship are not well translated into practical plans and actions. This problem has various undesirable contributive factors and prejudicial unfolding. This chapter intends to observe one of the fundamental pillars of this book proposition – the concept of innovation – and how it is not perceived correctly in practical actions for small and medium-sized enterprises (SMEs), as it is considered a typical problem of conceptual background lack of contextual alignment.

As the fundamental concept to be approached in all developments of this book, innovation is an actual, competitive and attractive theme, for all organizations – companies, NGOs, governments, groups of interested people – in the world nowadays. Customers as any other economical agents, every day, are approached by messages regarding innovation: one innovative action, a disruptive product or technology, a new way of doing, buying or using something... we are always provoked by something regarding innovation or its relationships. But, after these messages, beyond the advertisement and eventually poor

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customer conception, it is reasonable to ask: did you – customer, agent, citizen – notice that innovation? On the other hand, to the business promoter, we should also ask: Did you really, deeply understand the innovation you offered and negotiated?

This chapter intends to develop a comprehension of several ways to conceptualize innovation and relate it to some practical organizational aspects, such as business planning, product and services positioning, information and knowledge management, project management and intellectual capital management. This observation will be taken specifically towards small and medium-sized enterprises or businesses (SMEs), as these organizations, personified by their owners, managers or promoters, who will be identified as entrepreneurs, tend to be mostly harmed by the conceptual misunderstanding of innovation. As some of the several problems and errors, these entrepreneurs do not identify completely that they innovated for some customers, losing the pioneering award on doing something new and valuable. Additionally, they do not retain the control or ownership for a successful process change or market advance, allowing potential competitors to reproduce naively the value they created or, in another example, simply do not know how to value this gain, one innovative idea, when selling company's control to one investor.

Interestingly, some of these happenings can be found even when approaching the new startups movement around the world, where inventors, creators and new entrepreneurs do not know how to identify, conceptualize, protect, develop and value innovation in their business models. As a paradox, sometimes, one aspect, factor or collateral effect of the business model implementation is regarded as the real innovation, as, in the same time, the innovative aspect is underrated, not correctly valued, resulting in a potential and dangerous, competitive advantage lost.

Why SMEs? The answer can be detailed in several parts: (a) Because it is an important, reachable sector in practically all national and international economic systems; (b) Because these organizations can be more easily understood by any regular citizen; (c) This way, we are talking about concise, traditional sectors – food, clothing, financial, logistics, transport, IT, entertainment, tourism, among several others and (d) Any analysis made here, for this sector, can be, ultimately, be developed for other types of organizations, especially governmental, NGOs and transnational, big enterprises, as the knowledge produced by this discussion has the potential to contribute for these more complex studies.

This chapter proposes to connect the lack of a conceptual comprehension of innovation to some errors like these.

For this purpose, a structure for this text is proposed as follows: a starting conceptual approach of innovation and innovation management is developed, from knowledgeable theoretical sources, aiming to set the main concept and its main relationships. After this, a conceptual development is done, with the objective to relate the conceptual background formerly studied to several practical entrepreneurial actions, as strategic and tactical planning, commercial actions, networking, human resources practices, etc. This will be specifically discussed observing some facts around the “startup” phenomena, as it also serves to introduce the last section. Finally, practical study cases are approached, analyzing how the lack of a conceptual comprehension resulted in poor decisions by entrepreneurs, producing scenarios of precarious managements, especially in the SMEs arena.

The final intended message is to demystify innovation. As to clarify what is innovation, especially at the basic levels, some arguments on how it can be proposed and implemented by entrepreneurs and, beyond that, how to relate it to routinely tasks and actions of real businesses is one of the main goals of this chapter. This design intends to produce a context where the reader, in the following, could understand precisely that he or she is an innovator, how to protect, negotiate, develop and commercialize their new

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