

Drivers of Innovation Practices in SMEs: A Literature Review

Prateek Modi, National Institute of Technology, Raipur, India

A. M. Rawani, National Institute of Technology, Raipur, India

ABSTRACT

In terms of industries or business, one of the very important aspects of any growing economy is SMEs which are responsible for driving innovation and development in different areas. SMEs should possess a strategy which manages decisions effectively. Innovation is the key to making such strategies effective to achieve the ultimate goals. Presently, there are so many studies available in the literature for big industries, but less literature is available which collects drivers of innovation practice in SMEs in one article. Hence this article concentrates on discovering some of the driving forces of innovation practice in SMEs through previous studies. There are some factors which act as drivers for innovation practice in SMEs, these drivers help the SMEs to achieve their desired target. A basic literature review approach is embraced to viably identify those key drivers. This study contributes to the innovation management articles on SMEs. Some future research constraints are also suggested in the article.

KEYWORDS

Drivers, Factors, Innovation, Innovation Practices, SMES

INTRODUCTION

Innovation is the subsequent shelter to financial advancement in the present modern and business situation. In spite of the fact that the ideas innovation and creativity seem to be comparative, they are unique. Creativity implies the age of new thoughts and innovation implies the interpretation of another thought into an organization or another product or a service (Anderson, Potočnik, and Zhou, 2014). The principal motive of innovation is to confront difficulties of international influence and advancement. An organization that spotlights on innovation encourages reliable development. An organization that does not include in innovation cannot stay in the market on the more drawn out run. Innovation is a broad culture and everybody ought to be associated with this culture and best administration must support and give an atmosphere to the general population to include in exercises that create innovation. The survival rate of new entrants in the market is higher than that of old firms which do not innovate (Audretsch 1995).

Practices of innovation in Small and medium scale enterprises are connected to the capacity of the firm to attain new methods to find, obtain and apply the fresh ideas in the organization to be compatible with changing business environment. Settled innovation practices can help the organization

DOI: 10.4018/IJEEI.2020010103

Copyright © 2020, IGI Global. Copying or distributing in print or electronic forms without written permission of IGI Global is prohibited.

to apply novelty and they can play an important role in giving solutions for business and getting good achievements in future (North and Smallbone, 2000; Calantone, Cavusgil, and Zhao, 2002; Blumentritt, 2006; Hult, Hurley, and Knight, 2004; Wacker, 2009). The author further suggested that “the organization gains competitive advantage by performing its activities with less costing or better than its rivals.” SMEs have rare elements which differentiate it from big industries. SMEs suffer a lot of challenges in pursuing innovations. SMEs have a preference because of the quality of involving in entrepreneurship and the auxiliary adaptability of their small leadership activity for receiving and additionally creating innovation practices. Small and Medium Enterprises with an account of advancement possess more controlled demeanours toward new contemplations and endeavours and consider hardship to be knowledge acquiring element instead of barriers (Mahemba and Bruijn, 2003).

IMPORTANCE OF INNOVATION PRACTICES IN SMES

Innovation is the key to progress for SMEs, due to globalization of business sectors with a higher contention condition, fast industrial changes and shorter item and innovation lifecycles, numerous organizations, particularly the SMEs are tending towards making innovation the key driver for competitive behaviour, Small and medium-sized enterprises (SMEs) are progressively perceived as focal supporters of innovation and assumed as a critical part in the economies of several nations, SMEs are a critical power for monetary improvement in India. In Italy, Japan and France, the SMEs consists 99% of the industries. In American subcontinent SMEs consists of 98% of the industries although the USA is famous for its big scale industries (Dadfar et al., 2013; Kapoor, 2016; Liu, Li, and Zhang, 2012).

The term small and medium-sized enterprises are small (1-9 employees), medium (10-199). Small and Medium Enterprises (SMEs) in India have seen exponential growth over the last decade. According to the latest reports by the SME Chamber of Commerce and the Ministry of Micro, Small and Medium Enterprises, India currently has more than 48 million SMEs (SME Chamber of India 2018). These SMEs dedicate beyond 45% of Indian industries production, 40% of the India's total goods sale and give work to 1.3 million people every year (Innovation in India 2014). Still, these SMEs face many problems like finance and credit or unable to survive with the changing environment of the market, after the agricultural sector SMEs are ranked second in providing jobs in India (Madrid-Guijarro, Garcia, and Van Auker, 2009; Firstbiz and Greyhound Knowledge Group Release Survey on Indian SME Challenges and Expectations on Eve of Union Budget, 2014). Micro, Small and Medium Enterprises (MSMEs), the real section of the private segment, can be motors of monetary development, foundations for inventiveness and advancement and seedbeds of business enterprise (Ministry of Micro, Small & Medium Enterprises, 2018).

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 (DC-MSME, 2006), the Micro, Small and Medium Enterprises (MSME) are classified in two Classes.

Manufacturing Enterprises

The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.

Small Enterprise

A small enterprise is, where the investment in plant and machinery is more than twenty-five lakh Indian rupees but does not exceed five crore Indian rupees.

11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/drivers-of-innovation-practices-in-smes/239575

Related Content

Interest of Venture Capital Companies in Open Source-Based New Ventures: The Case of Turkey

Stefan Kochand Mürvet Ozan Özgür (2012). *International Journal of E-Entrepreneurship and Innovation* (pp. 1-16).

www.irma-international.org/article/interest-venture-capital-companies-open/75437

Creating Social Sustainability Initiatives in an Effort to Increase Profits for the Underserved

Yosmayra Erika Reyesand Vikiana Clement (2022). *Sustainability and the Future of Work and Entrepreneurship for the Underserved* (pp. 288-311).

www.irma-international.org/chapter/creating-social-sustainability-initiatives-in-an-effort-to-increase-profits-for-the-underserved/307711

Microfinance and Entrepreneurship in Nigeria: A Macro Analysis

Babajide Abiola Ayopo, Lawal Adedoyin Isola, Taiwo Joseph Niyanand Akinjare Victoria Bosede (2018). *Microfinance and Its Impact on Entrepreneurial Development, Sustainability, and Inclusive Growth* (pp. 65-84).

www.irma-international.org/chapter/microfinance-and-entrepreneurship-in-nigeria/206371

Crossing Borders: Overcoming Political Barriers to Technology-Led Economic Development

Nicholas Maynard, Aaron McKethan, Michael I. Lugerand Alekhya Uppalapati (2010). *E-Entrepreneurship and ICT Ventures: Strategy, Organization and Technology* (pp. 68-88).

www.irma-international.org/chapter/crossing-borders-overcoming-political-barriers/41148

Next Generation Collaborative Information Platforms

Hugh M. Pattinsonand David R. Low (2011). *E-Novation for Competitive Advantage in Collaborative Globalization: Technologies for Emerging E-Business Strategies* (pp. 253-273).

www.irma-international.org/chapter/next-generation-collaborative-information-platforms/54693