


Enhancing Innovation Adoption to Boost SMEs Performance

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ABSTRACT

SMEs contribute to economic growth, employment and thereby reduce poverty. Hence, they are considered as an engine of growth, especially in the developing countries like Namibia. The other reason is they aid promotion of entrepreneurship, innovative activities enhance competition, productivity and economic growth. Adopting a qualitative approach, this study investigated the influence of innovation on SME performance and how enhancing innovation adoption will boost SMEs performance in the Khomas Region, Namibia. Primary data was collected through open and closed-ended questionnaire, distributed to 20 SME owners by means of purposive sampling method and content analysis done. Findings reflect that innovation is an important element of every organization as it had major influence on performance. Besides, innovative enterprises showed better growth. The recommendations include that the Government of Namibia consider strong financial and mentor-ship support through strategic measures, like business incubators so as to augment and sustain SMEs positive performance.

KEYWORDS

Adopt, Enhancement, Enterprise, Growth, Market, Opportunity, Sustainability

INTRODUCTION

In this modern world, there is rapid change which is affecting almost all businesses and managers. Firms are demanding to be more efficient and productive by strategically differentiating themselves in order to survive in the market and achieve set goals. More specifically, many Small and Medium Enterprises (SMEs) are embracing innovation development in order to improve their position. Innovation is one of the vital tools of growth tactics that enable businesses to enter new markets, increase existing market share, as well as achieve competitive advantage. Due to strong competition in global markets, many enterprises are demanding to understand the importance of innovation in order to improve the quality of their offerings, enhance their performance and survive in the market (Rosli & Sidek, 2013). Nowadays, enterprises are introducing innovations to apply more productive processes, to perform well in the market, and to safeguard a positive reputation in

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customer's perception. All of these factors contribute to overcome difficulties while striving to achieve a competitive position in the market (Gunday, Ulusoy, Kilic & Alpan, 2011). This is for the reason that, nowadays, innovation is one of the powerful tools that influence the performance of any enterprise, and it is not considered a luxury, rather a necessity for survival (Rosli & Sidek, 2013). Thus, encouraging innovation in small and medium sized enterprises (SMEs) remains a key initiative in order to encourage firm growth (Han et al., 1998).

SMEs play a major role in any country, which contribute to economic growth, employment and reduction of poverty especially in transition countries (Ayyagari et al., 2007). These are some reasons why SMEs are considered as an engine of growth, especially in the developing countries. One of the reasons includes the promotion of entrepreneurship and innovation activities which enhance competition and productivity growth. SMEs are more productive as they are more flexible and can adapt to the changes in the market. Furthermore, they contribute mostly to employment growth, even though both, the rate of establishment and bankruptcy of SMEs are high (Tambunan, 2007). The role of SMEs in the economic and social development of countries is well established when applying the concept of innovation on these SME firms. However, SMEs in the Khomas Region lack innovation activities with 60% of SME owners not considering innovation as an important element (April, 2005). Moreover, there remains ambiguity as to what exactly constitutes the entrepreneurial sector in Namibia (Baporikar, Nambira & Gomxos, 2016). This notwithstanding that there are fewer new products in the market, less adoption of innovation strategies and hardly any innovation activities that stagnate sales and restrict growth.

SMEs are considered as the engine of economic growth that drive and promote equitable development of nations which is achieved by adopting innovation principles (Mahmutaj & Roceska, 2017). The role of SMEs in the economic and social development of countries is well established when applying the concept of innovation on these SME firms, performance will improve and increase. Innovation activities are about introducing new ways for products, services, marketing and administration, which are difficult to imitate, in order to gain competitive advantage in this dynamic environment (Konsti-Laakso, Pihkala & Kraus, 2012). Porter (1990, p. 45) define innovation as an attempt "to create competitive advantage by perceiving or discovering new and better ways of competing in an industry, and bringing them to market". However, SMEs in the Khomas Region face many challenges that restrict their performance. Lack of innovation activities is one of the major problems facing SMEs within the Khomas region. Approximately 60% of SMEs in Khomas region lack innovation ideas; they do not consider innovation as an important element which slows their growth. Most of them are more into household products with no real value addition activities as compared to SMEs into manufacturing (April, 2005). Therefore, there are fewer new products in the market, less adoption of innovation strategies, hardly any innovation activities, which stagnates sales volume and restricts growth of SMEs in the Khomas region (April, 2005). About 40% of the successful SME owners believe that innovation is the most important element and their primary motivation to start enterprises was to have autonomy that could result in greater innovation (April, 2005). Globalisation of the markets and increasing international competitiveness force SMEs to search for new, innovative, flexible and imaginative ways to improve their performance in order to survive. SMEs contribute significantly to the GDP, however SMEs in Namibia only contribute 12% to the GDP (Hilary, 2016) as compared to South African SMEs with high innovation rate that contribute approximately 57% to GDP (Abor & Quartey, 2010). Though there is growing awareness of the importance of innovation activities that make SMEs flourish (Mahmutaj & Roceska, 2017), the issue of how adoption of innovation could improve operational effectiveness, strengthen the financial position, and improve growth and contribution to GDP of SMEs in Namibia needs to be studied. Hence, adopting a qualitative approach, this study investigated the influence of innovation on SMEs' performance and how enhancing innovation adoption will boost SMEs performance in the Khomas Region, Namibia. The study findings might help the SME owners to recognise areas for focus and contribute to the importance of SMEs growth in order to improve their organisational performance,

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