

Chapter 21

Strategic Innovation: A Key Factor for the Competitiveness of Small and Medium-Sized Enterprises

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ABSTRACT

The chapter proposes a revision of the concept of strategic innovation, its diverse perspectives, and the most used approaches to its use, such as disruptive, value-based, and open innovation. The analysis is to identify the possibilities for the Small and Medium Sized Enterprises (SMEs) to improve their competitiveness, based on the review of existing literature cases, to highlight applications from the three approaches: design of business concepts, business models, curves of value and exercises of co-creation of value.

INTRODUCTION

In reviewing the level of impact of SMEs in the Latin American economy in recent years, it is concluded that in 2016 on average SMEs (small and medium enterprises) participate with 11.1% of all enterprises and large companies participate with 0.5%, which compared to 2009, SMEs recorded 10.3% of all enterprises and 0.4% big, figures indicate a positive evolution of the participation of SMEs in the all enterprises in the economy. Even though the way to classify companies in the European Union is different, in the records of the companies in 2016 SMEs totaled only 6.9% of all businesses and large 0.2%, figures indicating the lower participation in European SMEs (Dini & Stumpo, 2018).

From the point of view of productivity (measured as the ratio between sales and number of companies and the relationship between employment and number of companies) in 2016 SMEs generate 34% of employment and 21.4% of sales ; that compared to the results of large companies, they recorded 30% of employment and 75.4 of sales; figures which point to increased participation of large enterprises in employment and much higher sales, which are claimed to be more productive and competitive large enterprises (Dini & Stumpo, 2018), Which is explained by the increased use of technology and thereby

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increased sales volume and higher performance per employee (Dosi, Grazzi, & Moschella, 2013) (Hall & Jones, 1999). The results of companies in the European Union in 2016, SMEs companies contribute 39.6% of employment and 21.4% of industry sales and large employment 30.6 and 75.1% of sales, very similar figures in sales and higher employment of large companies on SMEs; However, the figures compared with fewer European companies generate results much higher productivity and competitiveness Latinas (Dini & Stumpo, 2018).

Studies for Latin America developed by the OECD, CAF & ECLAC (2015), they indicate that the region has made significant progress in macroeconomic stability, but need to improve productivity and competitiveness to achieve higher growth. To achieve this, it is important to generate greater diversification and sophistication of the production system, indicating development of skills in the workforce and greater innovation in productive organizations. On the other hand, they stand out as factors limiting the competitiveness of Latin American SMEs, the following (Saavedra, 2012): I) macroeconomic and industrial policy of the state, ii) Social problems, iii) Access to resources and financial management, iv) Foreign trade, v) The changing behavior of the domestic market vi) technology and innovation, vii) tax and labor issues, and viii) the environment.

I raised evidenced by the low level of competitiveness of SMEs, which, together with the effects of globalization, especially the ineffectiveness of tariff protection in, because multinational Latin American countries, their way with or without free trade agreements (Blyde, 2014); are aspects that show the high vulnerability of SMEs (Maldonado & Sanchez, 2012) (Padilla & Oddone, 2016).

Globalization, the fourth revolution and evolution of ICTs have led to changes in the market: i) on the one hand demand has become complex and flexible because of declining life cycle of products, the changing differentiation thereof and the emergence of new needs (Dini, 2010); and other ii) the offer has also made significant changes in production technologies, the emergence of new knowledge in genetics, new materials, alternative energy and communication; developments which together generate an era of “turbulence” (Dini, 2010). These changes in the market and the economy have generated challenges to businesses, forcing them to move from Fordism production model line flexible production structures in which SMEs have opportunities to integrate into global value chains (Fernandez & Trevignani, 2015) (Padilla & Oddone, 2016).

The situation is the result of the forces of globalization, which offers some opportunities to SMEs companies to participate in the world market, by decreasing restrictive barriers, flexibility for its size and access to new technologies (Dosi, Grazzi, & Moschella, 2013) and knowledge; Moreover difficulties and the low bargaining power, difficult to negotiate suitable raw material costs and low access to finance (OECD / ECLAC, 2013). Under the aforementioned conditions of the environment for SMEs, ECLA (Padilla & Oddone, 2016) It proposes actions to improve its competitiveness, based on the interaction of two forces: i) innovation and learning, necessary to reach new markets and ii) production for that innovation to generate technological changes chains, value-added development of new niches market, new forms of articulation of value chains and new forms of market penetration (Oddone, Padilla, & Antunes, 2014); what it is known as strategic innovation (Blyde, 2014) (Hamel, 1998) (Markides, 1997) .

Chapter first on the review of theoretical concepts, the second on the context and situation of tourism in the center of Bogota area, such as case analysis to develop in the third analysis and innovation proposals will be developed in three parts, strategic in SME sector as key to improving competitiveness aspect.

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