

Chapter 9

Profiling Small and Medium Enterprises' Innovativeness During Periods of Economic Crisis: A Case Study From a Greek Region Using Strategic Groups

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ABSTRACT

The role of innovation as a vital driving force of entrepreneurship and economic development has been widely acknowledged. Especially in an era of economic turbulence, innovation can be seen as the only realistic strategy that can lead enterprises out of the crisis. Based on the innovation taxonomies identified in the Oslo Manual, namely organizational, marketing, process, and product innovation, a survey was carried out in a Greek region adapting the fourth Community Innovation Survey questionnaire in 43 SMEs, capturing the effects of economic recession on the firms' innovativeness, and drawing a profile of the entrepreneurship innovation in the region of Western Macedonia, Greece. By applying a strategic group's approach, the authors come up with some interesting findings concerning the type of SME innovativeness and results of innovation during a period of financial crisis.

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INTRODUCTION

Innovation - being organizational, marketing, process and product - is the engine of competition and industry competitiveness (Ambec et al., 2013; Cegarra-Navarro et al., 2016, Bookis, 2016) and a major drive for entrepreneurship (Masouras 2019b). Companies innovate primarily by introducing new products in the market and innovating is a way of scoring points against competition. Nevertheless, innovation on its own cannot make a business blossom since market success and development is highly influenced by the economic environment (Workman, 1993).

There is a consensus among economists on innovative actions to be taken during an economic recession and crisis (Gulati et al., 2010; Hyttinen and Toivanen, 2005). In that sense, these actions can be seen as the only realistic process that can lead enterprises out of the crisis, and help them build social capital and trust with stakeholders (Antoniadis and Charmantzi, 2016). Moreover, someone should take into consideration Joseph Schumpeter, who famously argued that the process of “creative destruction”, while painful, fosters innovation and progress by discarding the old and familiar for the new and better (Schumpeter, 1983). From this perspective, the downturn may be a source of opportunities for innovators and innovation systems. Also, it is particularly relevant to study innovation to understand whether the crisis potentially affected firms' innovation and, in this way, their capacity to improve their competitiveness.

Based on the above, this chapter seeks to examine whether innovative activities can be maintained in a difficult economic situation and if so will they constitute a valid way to cope with crisis and recession periods. To do so, a questionnaire measuring innovativeness is used in a Greek region. The questionnaire was answered by participants for 2 different time periods, the first from 2007-2010 and the second from 2011-2016 in order to study the impact of the economic crisis on the innovative activities of the region. The chapter is organized as follows: In the next section, we put forward the theoretical background of the empirical analysis. Section three presents the data sources and methodology. Section four presents a descriptive analysis and results on the firms' innovativeness in a Greek region, and more specifically the region of Western Macedonia, describing the different profiles of innovative firms using the strategic group methodology and cluster analysis. Finally, the last section contains discussion and conclusions.

THEORETICAL FRAMEWORK

Innovation for Business

As today's global economic landscape is changing rapidly, the ability of businesses to introduce new innovative products to the market faster than their competitors is perhaps their most distinct competitive advantage. This becomes obvious by the significant market share that innovative companies gain while increasing profitability (Cegarra-Navarra, 2016). Extensive research in this field has shown that companies that are constantly innovating normally double their profits compared to others. Therefore, innovation constitutes the foundation and driver of competitiveness worldwide (Carayiannis, et al., 2014). In the context of the green paper on innovation, innovation is taken as being a synonym for the successful production, assimilation, and exploitation of novelty in the economic and social spheres. Innovation, at an aggregate level, represents the successful exploitation of ideas that are new to an adopting organization, into profitable products, processes and / or services (Boukis, 2016).

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