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IMPACT OF RAPID GLOBALISATION ON INNOVATION PRACTICES - A CASE STUDY ON SELECT SMES PERFORMANCE IN BENGALURU.

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Abstract
This research paper discusses how policy makers see small and medium enterprises as an ideal vehicle to accelerate sustainable development for the growth and development of the Indian economy. The process is further boosted under the rapid globalization on innovation practices. Competitive advantage of SMEs is derived from the application of knowledge and innovation. For major business activities, creativity becomes a decisive factor. Technical advancements lead to innovation waves and creativity stands in the door way of these phenomena, although it is not usually explicitly associated with it. This study also explains that the entrepreneur may be poorly equipped with managing functional areas of general management and operations, it is suggested by the authors that entrepreneurs with technical backgrounds have to develop requisite operations and management skills.

Key Words: Innovation, SME, Organisational Performance, Operations Sustainability.

Introduction

Role of Innovation in SMEs

In the global setting, the small and medium enterprises (SMEs) are seen by the policy makers as the ideal way to increase sustainable development. SMEs are pivotal to the growth and development of the Indian economy, and inextricably linked to economic development. Further, SMEs competitive advantage is based on application of knowledge and innovation. Creativity becomes a decisive factor in business activity. The fact is that knowledge tends to be developed in the actual contexts in the knowledge economy. Technical progress leads to innovation waves and creativity stands in the door way of these phenomena, although it is not usually explicitly associated with it.

Innovation defined

Innovation in the manufacturing sector as the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process or equipment. It is not only the conceptualization of a new product or service (or a greatly improved product or service), but also the successful bringing of the new product or service to the market.

Innovation and Organizational Performance

The performance is a complex and multidimensional concept (Cameron 1986; Chakravarthy 1986; Venkatraman et Ramanujam 1986). Cameron (1986) states that organizational performance is inherently paradoxical because, from a given perspective, it may indicate a good performance, whereas from other perspective, it might indicate otherwise. In addition, individuals may have preferences on the most relevant aspects to define and evaluate performance (Zammuto, 1984) and, consequently, they may disagree on the measures to be used, the level of importance of assigned indicators, and how to interpret the results. Organizational performance thus is "the capacity of an organization to identify and implement the appropriate strategies in the context of the objectives it pursues." (Bouquin 1997).

Innovation and SMEs Operations Sustainability

According to Casals (2011), globalization of the markets and increasing international competition force SMEs tosearch for new, innovative, flexible and imaginative ways to survive. Therefore, the above statement provides a relationship between innovation and SME survival.

In the World Bank report (2015) innovation has been viewed as vital factor in ensuring competitive advantage by Organization and long term loyalty. The importance of innovation as a key factor of economic growth and development was also highlighted by Joseph Schumpeter in his Theory of economic development (1912) who considered the entrepreneur's task and capacity to realize new combinations of the production factors i.e. innovation, as the basis of his theory. The first empirical studies on innovation was quoted by Oncioiu et al (2003) have taken as a point of departure the investment in R&D by industry or at the country level as a percentage of GDP and as output of the number of patents. These studies hypothesize the relationship between innovation and organizational performance. This was supported by Oncioiu et al (2003) who found that innovation as an important ingredient in this knowledge based society in SMEs sustainability; however there is little evidence in LDCs and India in particular on whether this is true

Research Design

Review of Literature

According to Bessant and Tidd (2007) Freeman, innovation in the manufacturing sector involves the technical design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process or equipment. Innovation is not only the conceptualization of a new product or service (or a greatly improved product or service), but also the successful bringing of the new product or service to the market.

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In the same vein Oncioiu et al (2003) in their study across selected SMEs noted that empowerment, job creation, and employment within disadvantaged communities (Daves 2001). SMEs have a valid claim to heightened relevance, and strategies have been developed world wide to expand and integrate this sector into the mainstream of economic activities (Luiz, 2002). According to Allocca and Kessler (2006), the ability to develop and launch innovative new products by using the latest technology quickly before global competitors, or soon thereafter, is a key factor in gaining first-mover advantage, achieving product success, capturing market share, increasing return on investment, and long-term viability.

Research Gaps

Previous research indicates that the operations function in SMEs generally has a poor relationship with other functions in the business. Furthermore, the individuals involved in executing operations management are poorly trained, lack specific skills and are by large technologically illiterate (Sohal et al , 2000).

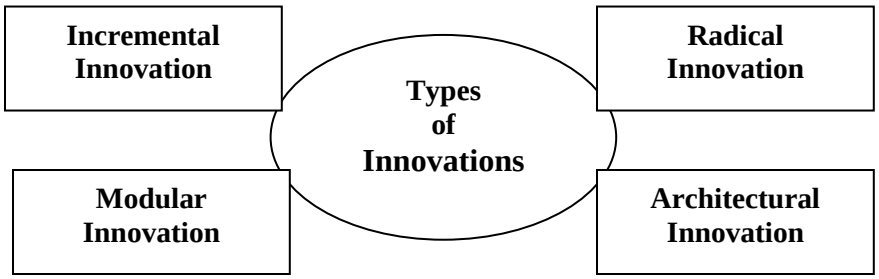
Indeed the survival and growth of SMEs are threatened by obstacles that may exist in the operations functional area. One of these barriers suggests that entrepreneurs with technical backgrounds would probably be weak in managing functional areas such as general management and operations, while successful entrepreneurs have developed the requisite operations and management skills.

Other researchers have found that although entrepreneurs are expected to have expertise or skills in the operations function, their lack of training in the field of operations limits the entire business (Shepard et al, 2000).

A study of successful SMEs indicates that a minimum of five years is required to develop the necessary operations and management skills to be considered sustainable (Barreira, 2004).

Thus, there is exists a research gap in the innovation practices being practiced in SMEs and its systematic analysis of performance and operations sustainability in SME in Karnataka State.

Types of Innovation



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According to Henderson and Clark (1990), there are four types of innovation that is, incremental, radical, modular and architectural innovation. Henderson and Clark (1990) defined incremental innovation as an innovation that refines and improves an existing design, through improvements in the components.

Gradual improvements in knowledge and materials would lead to most products and services being enhanced over time. However these enhancements typically took the form of refinements in components rather than changes in the system.

Incremental innovation were said to be the most common ones. Radical innovation involves both new components and a new design with a new architecture that links the components together in a different way.

Radical innovations are viewed as comparatively rare. Modular innovation employs new components with different design concepts. Modular innovation does involve new or at least significantly different components.

The use of new or different components is the key feature of modular innovation, especially if the new components embraced a new technology. New technology would transform the way in which one or more components within the overall system operate, but the system and its configuration/architecture remained unchanged. With architectural innovation, the components and associated design concepts remain unchanged but the configuration of the system changes as new linkages are instituted.

Statement of the problem

An important issue facing SMEs worldwide is continuous improvement. The inputs of customers and their fast changing needs makes it imperative that enterprises continuously improve the way business is conducted. SMEs need to consider continuously improving production costs, delivery schedules, manufacturing skills, supplier relationship and productivity in all practices (De Wit et al, 2007). According to Gaither and Frazier (1999), SMEs are constantly experiencing shortages in capital to employee skills to improve production capacity, which make it necessary to continuously improve their production strategies with customized products and process-focused operations. Moreover, SME operational functions are not matching competitive priorities of low production costs, fast on-time deliveries, high quality products and customer services. Kemp et.al (2003) in their research, found that the innovation output was determined by the innovative input, i.e., the transformation of input into output.

Finally, the innovative output was related to the firm performance. They stated that innovative output, via firm performance, would affect the innovation expenditures. The overall economic performance of a firm would affect all three stages of the innovation process of a firm. They said as a result of this interrelatedness of the relationships, the innovation process should be tested simultaneously. Thus, the proposed study would aim to diagnose the relationship between innovation practices and organizational performance and its operational sustainability.

Objectives

1. To understand and identify the factors influencing the innovation practices in SME's
2. To determine the relation between innovation practices and SMEs performance.

Hypothesis

H1: There are no innovation practices in SME's.
H2: There is no management support for Innovation practices in SME.
H3: There is no relationship between innovation practices and SMEs performance.

Approach to Research

This is a descriptive type as its research design. Because it is aimed to present current facts about the types of innovation, link between innovation and SMEs capabilities needed to execute innovation processes for SMEs in Karnataka State .

The study adopted both qualitative and quantitative approaches. SMEs were grouped and simple random sampling was followed to select a sample of 100 SMEs drawn from manufacturing sector from Karnataka state.

The study used both primary and secondary sources of data. The primary data was collected through conducting personal interviews along with a structured questionnaire.

Secondary sources included available literature, annual reports of SME's, Journals and other publications.

Data thus obtained was analyses using Statistical Packages for Social Sciences (SPSS). Suitable statistical method like multiple regression, Correlation, Chi-square, were employed to analyses and interpret the data.

Major finding and suggestions

- The study clearly indicates that SMEs have adopted specific innovation practices to suit their management vision & policies.
- It has been found that in most of the SMEs management support for Innovation practices. The management is serious look for the way out to cop up with ever growing competition. Management of Progressive SMEs exhibit their deep concern and in SME and encourage innovative practices.
- The data analysis clearly leads to the conclusion that there exist a definite relationship between innovation practices and SMEs performance.
- The research outcome is very help to identify and nurture talent in excelling innovators in the SME's.
- The study enables to determine the incentive levels and this will go a long way in motivating the innovators to keep on injecting new ideas in their respective organizations.
- The study identifies the requirement for constant re-engineering and re-tooling SMEs development and its associated agencies in order for them to suit the national policy for entrepreneurial development.
- The study is helpful in generating new ideas that can be injected in the business rather than relying on the founder or owner's knowledge.
- Organizational structures can be suitably modified with a view to encourage creativity and innovation amongst SMEs.

Conclusion

Different SME adopted defect innovation practices to suit their management vision & policies. In most of the SMEs management supports Innovation practices. They serious look for the way out to cop up with ever growing competition. Management of Progressive SMEs exhibit their deep concern and in SME and encourage innovative practices. The data analysis clearly leads to the conclusion that there exist a definite relationship between innovation practices and SMEs performance.

The study emphasizes on identifying and nurturing talent in excelling innovators in the Indian SME's. It also identifies the requirement for continuous re-engineering and re-tooling SMEs development and its associated agencies in order for them to suit the national policy for entrepreneurial development. The appropriate restructuring of Organization can encourage creativity and innovation amongst SMEs.

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