


Chapter 5

Innovation as an Improvement Tool for SMMEs

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ABSTRACT

Innovation is one of the major instruments used to improve on the present position of an organisation. Innovation is a way of improving on the present market share while also enhancing competitive advantage for the organisation over its existing rivals. Innovation may be in the form of new products, or new services, or improvements to previous offerings. Innovation is the implementation of any new or significantly improved products (good and services), operational process (methods of production and services delivery), and new marketing methods (packaging, sales, and distribution methods), or new organisation or managerial methods or processes in business practices, workplace organisation, or external relations. Encouraging innovation in small and medium-sized enterprises (SMEs) plays the role of policy initiatives for stimulating growth and development at the local, regional, and national levels.

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INTRODUCTION

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Innovation is the implementation of any new or significantly improved products (good and services), operational process (methods of production and services delivery), and new marketing methods (packaging, sales and distribution methods), or new organisation or managerial methods or processes in business practices, workplace organisation or external relations. Jones and Tilley (2003) in (Edwards, Delbridge, et al. 2005) agreed that encouraging innovation in small and medium-sized enterprises (SMEs) plays the role of policy initiatives for stimulating growth and development at the local, regional, and national levels.

(Gunday, Ulusoy, et al. 2011) stated that innovation (generating new ideas) is one of the key instruments one needs for growth strategies to gain entrance into new markets, or to increase the existing market share and also to provide the organisation with an advantage over its competitors. The manager deploying innovation must be a positive role model; the innovation manager must be open to opportunities, must be courageous, and able to sustain morale when things are not going well. Being versatile and able to adopt mind and skillsets are required to take innovation forward (Barnes & Conti Associates, 2008).

Strategic innovation is said to be the developing of growth strategies, new products, services, or business models, that can change the present market situation for the better, generating useful new values for customers and the organisation (Louw and Venter 2010)

New and challenging structures of the global business environment have been forcing organisations, including banks, to adopt innovative strategies to seek a better performance, thus sustaining their competitive advantage (Olawale and Garwe, 2010; Abdullah and Rosli, 2011).

Sanchez, Lago, Ferras and Ribera (2011) describe strategic innovation as the entire set of innovative practices involving the analysis of competition mechanisms, namely: creating an innovative vision; harmonizing business strategy; expanding the strategy to all organisational levels; market tendencies; technologies and competitor acts.

According to Lendel and Varmus (2011), strategic innovation is the process of determining strategies shape approach to aims, methods, and ways to enhance and improve the innovative potential of the firm. The authors argue that strategic innovation enables top management to follow the activities of their competitors, to

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