

Innovation Management in Medium Small Businesses

Preety

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Abstract: *The presence of SMEs is the basis for many economic growth countries in the world, including in India. The problem of SMEs in India is usually very urgent such as lack of financial assets, limited technology, lack facilities, limited marketing, lack of quality management, administrative regulations in adequate and limited purchasing power. Innovation is needed by the organization or business to be able to progress and develop. Management of company innovation will open the way for future corporate growth and success competitive.*

Keywords: *SMEs, Innovation Management, Company Growth*

PRELIMINARY

Innovation cannot be released in the life of doing business because innovation is spirit or soul in a business to develop. At present, innovation can growing anywhere and done by anyone. Innovation can not only carried out by large businesses, but even small business need to innovate for the sake of business continuity. Therefore management innovation is an important factor to determine the development of small and medium businesses.

1. The Role of SMEs in the Economic Sector

The role of SMEs in a country's economy is very important. The importance of SMEs most of them are referred to as the backbone of the economy development. When compared to large business, SMEs allow it business to more easily adapt to environmental changes. By therefore, the existence of SMEs is important as a driver of entrepreneurship and economic development

As expressed by John V. Petrof (1986) that in general SMEs make a positive contribution to economic development in the following matters this:

1. Serves to bring prospective buyers and sellers together and disseminating information about product quality carried out adequate.
2. Small business directly absorbs internal resources economic activity.
3. Decreasing demand for imported goods, domestic prices quickly transmitted to the entire community so as to stimulate demand domestic products and high potential for domestic and export growth.
4. The largest small business in the entire country will benefit economic development and improving people's living standards. Global challenges and advances in information technology certainly bring change on the life and business flow of an organization. This makes the importance of innovation strategies to help business survive change.

According to Peter F. Drucker (1999), good organizations are organizations that can see opportunities in uncertain situations. In one of his books "*Management Challenges for the 21st Century*", "Drucker mentioned several factors support the organization to survive changes.

- **Flexible:** Changes that exist in the environment make the business a must flexible in making strategies. The business in essence must be adaptive and ready to face change in order to survive. The strategy includes policy, marketing, operations, etc.

- **Focus on opportunities:** A business must have a clear focus. This is related to the business's vision and mission. Vision and mission used the business will ultimately affect the business's performance. Strategy what the business makes must also be clear, for example what products will be made or sold, who is the work partner who can help and what is the target of achievement at year ahead.

- **Facilities:** A business must provide supporting facilities business performance, good equipment, machinery, resources and technology. This matter aims to increase corporation productivity and internal preparation face global challenges.

- **Manage knowledge:** Business must continue to improvise towards change by managing the knowledge possessed by the business becomes more useful knowledge. Management knowledge can be obtained in various ways, such as knowledge employees and research that have been developed.

- **Innovation:** Innovation is very important in the development of a business. Business must not stop to innovate. Innovation can done by combining the knowledge and creativity that is within business and supported by facilities available at the business.

The presence of SMEs is the basis for the growth of many countries in the world. In the last ten years, the presence of SME in India increasing rapidly. SMEs have considerable influence towards economic growth in India. This is the reason why Government cooperation is needed to support market development through management of innovation in developing countries. Next is the difference between SMEs and large business based on management, structure, culture and human resource.

a) Management: A manager in a large business has strength in terms of delegate some of their responsibilities to management lower. Whereas in SMEs, usually business managers are business owner, so centralized decision making and layers less management. This means that hierarchy is decision making in SMEs shorter than large business. This situation really is profitable for SME owners because of the closeness of managers and employees can be the main driver of the business's progress. The disadvantage is SMEs have limited time in exploring strategic focus and issues business.

b) Structure: SMEs have a simple structure that makes it SME decision making is more flexible in dealing with change. Whereas larger organizations have bureaucratic structures and hierarchies which is more complex, so that their decisions are slower and not flexible.

c) Culture: SMEs tend to have a more family culture compared to large business. This can be seen from the communication process running in SMEs is more informal, while in large corporate communication is more formal. Therefore, the process communication that runs in SMEs is more profitable in the innovation process, where employees are free to convey ideas and management can respond immediately.

d) Human resources (HR): The weakness faced by SMEs is in hiring skilled and experienced human resources. Trend what happens, experienced HR prefer to work in organizations larger, where they will be paid a salary and bonus higher. While SMEs have difficulties to maintain experienced employees. This is due to career opportunities which is very small. SMEs are usually only used as stepping stones by the employee to move to a large business.

2. Strengths and Weaknesses of SMEs

Business are largely determined by the way in which they function markets, the environment, and businesses that are the basis of their characteristics. The strengths and weaknesses of small business middle as follows:

a) Strengths: Advantages of SMEs

- **High level of flexibility:** The small dimensions of the business allow SMEs to respond more quickly to customer demands. SMEs can effectively adopt all environmental changes with relevance.
- **Entrepreneurial spirit:** SMEs have an entrepreneurial spirit, where every entrepreneur has high independence, so that the hopes and energy of entrepreneurs can be used for maintaining a culture of innovation always grows and develops.
- **Faster innovation because without structure:** SMEs are relatively easy to coordinate with employees. Direct control function and very quickly makes SME leaders able to find possible new opportunities for growth and development innovation is easier.

b) Weaknesses of SMEs

- **Narrow time to complete needs:** SMEs usually difficulties in accessing large markets. Therefore, SME requires a strong strategy to enter the global market in terms of marketing investment, research, promotion activities and development distribution network and build production capacity.
- **Limited budget:** Every company that wants to develop yourself definitely need funds. This is always a problem for SMEs to expand their business. Most SMEs are not deep position to collect enough cash in the short term. To get funding, SMEs usually borrow money to bank, but see that business circulation is still limited and lacking guarantees for larger loans make SMEs often undo his efforts to expand the market.
- **Lack of quality resources:** SMEs usually do not many have experts. This is also due to the limitations budget that causes the company to be inadequate for employ experts for the work needed. Often times workers in SME are trained in ways that are kinship and lack of depth. Therefore, it is very difficult for SMEs find the right employer / employee for their business. The staff recruitment system in SMEs tends to be of a kind family and connection.

4. SMEs in India

SME sector of India is measured as the backbone of economy contributing to 45% of the industrial output, 40% of India's exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. With approximately 30 million SMEs in India, 12 million people estimated to join the workforce in next 3 years and the sector growing at a rate of 8% per year, Government of India is taking different measures so as to increase their competitiveness in the international market.

There are a number of factors that have contributed towards the growth of Indian SMEs. Few of these include; funding of SMEs by local and foreign investors, the new technology that is used in the market is assisting SMEs add extensive value to their business, various trade directories and trade portals help facilitate trade between buyer and supplier and thus falling the barrier to trade.

With this huge possible, backed up by strong government support; Indian SMEs continue to post their growth stories. Despite of this well-built growth, there is vast potential amongst Indian SMEs that still remains unused. Once this available potential becomes the source for

growth of these units, there would be no stopping to India posting a GDP higher than that of US and China and becoming the world's economic powerhouse.

5. Challenges of SMEs in India

The problems of SMEs in India are usually very basic, such as lack finance, limited technology, lack of facilities, limited marketing, lack quality management, inadequate administrative regulations and purchasing power limited. The following are the challenges faced by SMEs and how to solve it:

a) Scarcity of Resources

One of the most important challenges faced by SMEs in India is the scarcity of resources, such as raw materials and labor. Due to the offer of corruption, the government invests public resources in high-profile wasteful projects instead of necessary projects such as infrastructure development or the development of rural India. This hinders the process of growth and general development of SMEs located in these areas.

b) Challenges of SMEs in Product Innovation

One of the crucial factor the decides the success or failure of an Enterprise is the use of Technology for the production. The best technology helps the enterprise to reduce it's cost of production, improves productivity and brings efficiency, but SMEs fails to cope up with the latest technology due to lack of finance in India.

The following is an integrated framework that allow SMEs to overcome obstacles in managing innovation such as describing specific stages, procedures and results

Innovation Barriers Lack of structure innovation	Description of the Problem Generation of ideas, screening and evaluation occurs at the time the same one. Critics of the idea resulted low employee morale and resilience high. Realistic view of performance innovation.	Intervene design map during development product new make it possible understanding for need for change. Management and coach employees New screening and feasibility of tools for improve keep trust concept product.
Resistance company	In a manner traditional experienced with development and engineering product. Lack of structure cause resistance and frustrated. Employee showing defensive tendencies.	Change the pattern of thinking organization. Various roles in NPD process (New Product development) with emphasis on skill.
Lack of resources power	Daily tasks outside NPD have caused weak management commitment for innovation. Practice communication bad. Low investment in innovation and cost monitoring increases	Allocate tasks according to ability and individual expertise. Creation of roles that are clear for tasks certain NPD. Creation system open information for NPD staff.
Limited Collaboration	Time and finance limited for could developing into the marketplace wider. Lack of information regarding SME competitors other and technology the latest	Using tools for possible checking new possibilities for improve knowledge and belief in concepts new products through knowledge integration between users with parties outside the company

c) Challenges of SMEs in Information Technology

The progress of information technology in the world has an impact on the model business. Likewise with SMEs, technology development like the internet, website and social media, it should benefit business. Technological advances make boundaries that affect the trade cycle becomes easier, be it distance, communication, knowledge new or information or payment transactions. But unfortunately, sometimes small and medium entrepreneurs do not respond to this opportunity as a opportunity. Or what often happens is that many SMEs don't understand how to create a website and blog to offer goods their merchandise, they prefer market transactions that are in the same direction managing customer relationships through technology. Therefore, at need socialization from the government to develop SME business with help with information technology systems so that the business network is more developed.

d) Challenges of SMEs to Customer Satisfaction

Customer satisfaction is the main factor of concern large business. Customer needs are a trend that is becoming the main focus of product development. SMEs often lack deep initiative respond and manage customer needs. This can be seen from very SMEs rarely ask for feedback from their customers to develop products that have been sold continuously. It is time to consider paying attention to customer satisfaction through relationship management customers continuously.

e) Challenges of SMEs in Product Variation and Market Segmentation

SMEs in India usually focus on more specific results. This is very reasonable because of limited business capital, making SMEs more focused on the production of one or two items so that capital returns are also fast. By therefore, SMEs should try to implement variations in products business, so that people will have many choices and reach out broader market with products according to market segments.

f) Challenges of SME Owners

The leadership abilities of SME owners / entrepreneurs are also challenged by change. SME leaders must understand that knowledge is outside open company is very broad. Therefore, to be able to compete with SMEs others, SMEs must increase the knowledge of their employees. SME leaders can send their employees to seminars, conferences or involve yourself in social activities to build networks and not wasting time and money. By managing all activities with correct and synchronize knowledge outside the company, the company will get long term benefit

g) Government Challenges in SME Development

The importance of developing small businesses makes the state government must take on the role of creating an economic environment that serves SME development. Often SMEs don't know what which are the rights and obligations of SMEs to the country. Without law clearly, the movement of SMEs will be limited and difficult for SMEs to be able to develop their business especially compete with the market. Therefore, the government should also prepare a special legal system to ensure the sustainability of SMEs in their country.

In developed countries, the role of government is only in regulation, where is the state creating regulations that help SMEs do business. Different from developed countries, the role of government in developing countries is more profound.

The role of the government in developing SMEs is not only in the field of regulation, but also develop the potential possessed by SMEs to excellence competitive.

International economic markets are the main target to develop stronger businesses and bigger markets. Basically, the existence of SMEs very close to customers, so SMEs are easier and faster in respond to the market. Market response is very important to get information relevant, so that SMEs can react more quickly to changes in organization. Therefore, the role of the government in forming an environment support economic development. As expressed by Petrof(1986) as follows:

1. The involvement of the government encourages a favorable conducive climate economic activity.
2. The involvement of the government will open a creative energy channel, through tax regulations, changes in costs / prices and eliminated aspects traditional business system that are inefficient and wasteful.
3. Engagement of government victims who provide assistance finance, technical assistance and types of assistance.

6. How to create innovative SMEs?

Innovation is needed by organizations / business to be able to progress and develop. In order for business to progress and develop, the company must be managed effectively. This is what is called innovation management. Innovation management is about how business manage innovation within the company, including planning, process, until the implementation stage. Corporate management innovation will paving the way for future corporate growth and success competitive. Innovation management is an important instrument to improve innovation capacity of small and medium enterprises (SMEs). Many SMEs do not have instruments to manage the innovation process in their company. By therefore, SMEs must adapt some aspects of the innovation management system every process to ensure that long-term innovation and success competitive can be achieved.

Innovation is very important in overcoming change. That innovation done by large business often use research institutions or partners, this is usually difficult for SMEs to do because of capital. But innovation must still be done in SMEs, both service innovation, products the process and others. Stick to one point without exploring potential existing or seeking new potential is just digging a trap for the business fall down. Therefore, there is a need for good management. During the development of SMEs, a number of major problems often arise. The success of SMEs depends on the management of competent innovation organizations.

The problems that occur in the development of SMEs in the economic market are lacking adequate managerial skills and lack of financial resources. Second this is a problem that is often faced by SMEs in the economic market. On in fact, SMEs need external support, especially in form knowledge and information relating to different aspects, such as management, finance, marketing and production.

7. Dimensions of Innovation Assessment in SMEs

SMEs can encourage innovation in organizations and the most important is focus on innovation to help achieve faster deep growth achieve their business goals. Innovation assessment tools are designed for help business better understand and expand the company's horizons, thus encouraging overall innovation. Nada, et.al (2012) identifies that effective innovation capabilities in SMEs depend on seven dimensions:

1) Strategic goals and agenda, (2) leadership and culture, (3) collaboration and partnerships, (4) business and technology, (5) innovation processes, (6) innovative organizations and (7) learning organization and knowledge management. These seven dimensions are strongest indicators to shape organizational innovation profiles and assist in identify opportunities for improvement. Berkut is an explanation of the seventh these dimensions:

1. Strategic Objectives and Agenda

SMEs must formulate clear strategic objectives and monitoring indicators important for effective innovation management. SMEs must start setting their innovation agenda and decide on the target position to build the foundation strong for innovation. SMEs need to form a vision of innovation and identify the gap between the current go to market vision and strategy.

2. Leadership and Culture

The leadership and culture of SMEs contribute to creating a "climate for creativity". Important characteristics include the process of generating ideas, incubation structure, innovation matrix and incentives. Most SMEs are still in the basic level of building a foundation for a more innovative, temporary climate some SMEs still survive the status quo.

3. Collaboration and Partnership

Collaboration is very important for SMEs to create competitive advantage. Business can take advantage of greater expertise. For being innovative and collaborative SMEs, leaders need to educate managers and their employees on the value of collaboration and partnership. India

too must start opening collaboration channels, such as participating in open forums and join the group support system, the goal is to find opportunity to collaborate with external sources of the company to find ideas innovative ideas. collaboration can be done with non-governmental organizations community, university, techno park and incubator.

4. Business and Technology

SMEs have information technology infrastructure and use it as long as their daily business operations, but most of them might use technology more than implementation rather than forming part strategy. SMEs realize the potential benefits of integrating business and technology more comprehensive. In order to build a foundation for that business stronger and technology integration, SMEs need to understand how business and current technology is in harmony. SMEs also need to identify gaps and opportunities to support the business environment today are more effective and official combining technology know- *how* in their innovation efforts, both as sources of ideas and opportunities and as a means to enable innovation.

5. Innovation Process

Innovation is generating new ideas and using them effectively and profitable, seen from the number of satisfied customers. Innovation process effective will develop creative abilities and apply alternative ideas in meeting customer needs. Therefore, innovation is a comprehensive process that is tied to business strategies to use company. This includes the policies issued by the company, interactions market, research, technology and resource capabilities.

6. Innovative Organizations

SMEs need to strengthen core values where innovation is respected and it is possible to maintain change with a combination of creative ideas which can be channeled into innovation. Besides that analysis is needed regarding risk management as a guarantee that innovative ideas can develop without harming the company.

7. Learning and Knowledge Management Organizations

SMEs need to continue learning from competing business or business others who have advanced and developed. Collaboration is needed by SMEs to be able to develop and advance. Limited resources for making SMEs unable to compete with large business, therefore cooperation with Large business will help SMEs to learn about existing management strategies in large business. Such knowledge can be in the form of technology, marketing, product research and development and distribution. Knowledge already obtained should be managed in such a way as to progress SMEs.

COVER

SMEs do not have a formal innovation process. SMEs are usually trapped by the characteristics of the past, even though change requires SMEs to develop business according to change. Therefore, developing a series of processes and policies to guide innovative activities from producing or taking ideas through structured implementation. One way is to do it creative combination by trying something that is becoming a trend, but still strengthen the core values of SMEs. In addition, patience is an important capital for innovative SME ideas can develop by always learning from mistakes and courage to taken the risk.

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