CHAPTER-V

CONCLUSION AND

SUGGESTIONS
5.1 Introduction

The SMEs of AP have an aptitude for innovation, creativity, and flexibility, enabling them to respond with more alacrity to structural changes and to adapt quickly to the dynamic demand patterns of consumers and customers, but they are facing resource constraints.

5.1.1 Conclusions related to type of innovation and SMEs of AP

Innovation is important for superior firm performance, the study results suggest that the type of innovation that SMEs in a developing country context is not a critical consideration. This study suggests that difference in adoption of the product and process innovation in SMEs. SMEs focus on product innovation than process innovation. Incremental product innovation and Incremental process innovations have been brought forward as very important in Andhra Pradesh SMEs and it is a predictor of sales in small extent. Firm characteristics like production capacity and experience influences the strategy of innovation in SMEs. SMEs are focusing on understanding the needs of customers and the ability to continuously improve products/processes to meet those needs.

5.1.2 Conclusions related to Innovation management strategies in SMEs of AP

According to (Chesbrough, 2003) SMEs play an increasingly important role in innovation, but nevertheless left out of the research on open innovation, which has been analyzed mainly within the context of large, technology user firms. This study addressed this gap by analyzing open innovation practices of SMEs in Andhra Pradesh. The survey results indicate that open innovation is also becoming increasingly popular among SMEs. Small firms often lack resources to develop and commercialize new product or process in-house and as a result are more often inclined to collaborate with larger, firms.

And also, the survey results show that open innovation is not entirely different for services and manufacturing firms. Manufacturing firms are on an average more active in investment in new projects, new product development, seeking employee suggestions, seeking customer suggestions, seeking supplier suggestions, sharing of knowledge and outsourced R&D projects. Service firms are more active in collaboration with external technology, new product development, seeking employee
suggestions, seeking customer suggestions, seeking supplier suggestions and sharing of knowledge. Other open innovation practices like patents development, using outside consultancy and investment in R&D are seldom practiced in SMEs.

Most of medium firms are more active participation in open innovation practices like collaboration with external technology, new product development, seeking employee suggestions, seeking customer suggestions, seeking supplier suggestions, and sharing of knowledge. Where as in small firms investment in new projects, new product development, seeking employee suggestions, seeking customer suggestions, seeking supplier suggestions, and sharing of knowledge are popularly used open innovation practices.

SMEs of AP were formed into two clusters. In cluster one, open innovation practices are more actively used than the cluster two and also showed that this practices is not only limited to SMEs that are involved in formal R&D activities.

Christensen et al. (2005) found that large established companies and small start-ups manage open innovation differently, reflecting their differential position within the innovation system.

5.2 Suggestions

SMEs can explore their association with academic institutions, research laboratories, and large private firms to ensure that the knowledge provided to them and in clusters is constantly updated, that it reflects international best practices, and is as market-driven as possible. This can be possible through public-private partnerships. In their association with academia, joint training programmes, which may include courses such as small business administration programmes for SMEs, would help in ensuring that curricula in academia reflect market needs.

5.2.1 Suggestions to SMEs in AP

Entire this study portrays that Innovation management brings better performance in the organizations and it helps firms in acquiring new competences, like increase in sales and productivity, new product development, inventing of new technologies, development of business models and identifying new markets.
i. Usually product life cycle is small for the products produced in SMEs. That's why it is necessary to innovate/invent new products for company survival. According to this study incremental product innovation is seen in Andhra Pradesh SMEs, which is a positive symptom. But to compete with large firms, SMEs capability of radical product innovation has to be improved. In this regard Ministry of Small and Medium Enterprises (SMEs) has designed a policy and programs of cluster wise incubative centres to test the new products. The SMEs have suggested making use of the facility and becoming more innovative.

ii. Always concentrating on product innovation is not enough for the firms to expand their business, the firms has to concentrate on process innovations also in order to achieve high level of the growth among SMEs. From this study of SMEs in A.P radical process innovation is high. This tells that SMEs are having intention of achieving high growth rate through radical process innovations but if radical process innovation fails, the losses will be high among SMEs and this may lead to failure of doing the business. So SMEs has to change its strategy from radical process innovation to incremental process innovation that means bringing continuous improvement in doing the business.

iii. Sharing of knowledge is very important within the firms as it generates new ideas for the development of enterprises. Sharing of knowledge within the firm, outside the firm, with employees, customers, suppliers among SMEs has to be improved in both manufacturing as well as service firms.

iv. Employee suggestions are seen moderate among manufacturing as well as service firms. Employees are the moving asset to any organizations. When the company wants to benefit from innovation management, it needs to motivate employees to find ‘new’ things and learn from others and experiment those that can lead to innovate new products and technologies. To motivate the employees as innovators/inventors, firms should conduct forums with employees and collect the best suggestions from them and provide incentives like refreshment trips, cash prizes, promotions etc.

v. Tolerating the failures of employees by the firms is also required in the process of innovation. But to avoid heavy losses, firms may recruit the intrapreneurs as employees for their companies so that learning environment
will be competitive which empower the employees and lead to the innovation culture in the firms.

vi. According to this study 53.5% of firms are seeking customer suggestions among Andhra Pradesh SMEs. Firms should remember that the customer suggestions are also very important for the survival in the competitive market. Customers are the trend makers. Firms which follow the customer trends always show innovativeness as their competitive edge.

vii. Both manufacturing and service sectors are seeking 40% supplier’s suggestions among SMEs. Supplier’s suggestions are one of the external source of innovation practices. Keeping in view that future is unpredictable firms should not neglect any source of innovation.

viii. The study results show that 83% of firms are investing new projects in manufacturing and service firms. So firms need to be more cautious about investment in new projects and implementing projects, but do not hold the suspicious attitude all the time. The uncertainty attitude from strategy makers will affect employees working attitude and sometimes the opportunities may be lost because of indecision.

ix. New product development is seen high in service companies and moderate in manufacturing firms. Manufacturing firms should establish healthy relationship with larger firms to adopt new business methods and implementing strategies to develop the innovations in the firms more and more.

x. Collaboration with external technologies is seen low in manufacturing and service firms among Andhra Pradesh SMEs. It is very important that firms need to make a long-term planning to cooperate with external institutions, but the cooperation should only bring credibility to the organizations. When projects need to be done under a high profile, this strategy can be used but all times not viable.

xi. Patent development is essential in the present scenario of global market.
5.2.2 Suggestions to Employees

This study overviews that the participation of employees in manufacturing and service firms is not satisfactory. Companies are seeking employee suggestions for the development of companies’ growth.

i. Employees must take initiation to participate in the innovative programs, which upgrade their skills and knowledge to attain innovative strategies of SMEs. Employees have to participate formal and informal meetings within the firm and outside the firm for sharing of knowledge.

ii. Employees should be good learners. They need to learn new knowledge by themselves in order to improve their own qualities. Employees have to develop their qualification to improve their skills, knowledge and ideas that brings growth in the organization. New knowledge and new technology can bring new ideas to achieve innovative edge.

5.2.3 Recommendations to the Government

MSME Development Act providing number of schemes and policies like export promotion programs, strengthening of database, skill development programs, national manufacturing competitiveness programme, infrastructure development, training programs for both entrepreneurs and intrapreneurs, financial facilities for technology development and for the development of SMEs. But all that schemes and policies are not reaching SMEs community at right time. Central Government has to initiate awareness programmes among the SMEs in phase wise.

i. The Ministry of Small and Medium Enterprises (SMEs) should provide more comprehensive marketing support for Indian SMEs. Collaborate with the Ministry of finance to secure state support, to stimulate investment in technology parks, Promote R&D through international technological alliances to take advantage of the growing SMEs and should introduce lower level of VAT and abolish customer duties for investment in innovation-related technology by SMEs.

ii. State Government has to encourage the universities to conduct research and design training programs in management procedures to assist SMEs. And also
bring awareness about the policies and schemes which are introduced by the central Government.

iii. Extra tax incentives can be announced for companies who exhibit high growth rates in R&D. Encourage SMEs to do research and increase in investment in renewable energy sources.

iv. Government has to stimulate R&D faculty to promote their ideas and knowledge in SMEs through establishing, networking, offering, internship programs, experimenting work in relation to graduate research etc. Establish a fund to stimulate young scientist to commercialise their ideas, knowledge, innovation, etc. Develop award schemes which reward innovative solutions to business problems.

v. District Industrial centres have to bring the awareness of policies and schemes introduced by the central and state Government in remote areas and abolish regional imbalances.

vi. CII can organise meetings by successful companies to highlight best practices of commercialisation of innovation. Firms should identify these opportunities; this is an important source for radical technological innovations.

5.3 Scope for Future Research

• This research can be extended to the large firms according to the MSME Development Act, 2006.

• The study can also be extended to assess specific innovation practices in all functional areas of the business like Marketing, Finance, and Production etc.

• Hence, future research should focus on the requirements of open innovation on differences in culture, structure and decision making between partners of different sizes and from different industries.

• This study is a very early attempt to investigate the types and impact of innovation on developing country SMEs in particular. Further studies with larger samples and in different countries would be very useful in facilitating cross-country comparisons. Also, cross-sectoral studies would help in throwing light on how sectoral characteristics influence the types of innovation that SMEs pursue.
Reference:
