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INNOVATIONS IN SMEs: ISSUES OF PROSPERITY AND SURVIVAL

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Abstract

Proper policies can help stimulate R&D and innovation in the SME sector. The Total Factor Productivity (TFP) is larger for SMEs than for big companies. SMEs are also economically important considering diversity, opportunities they create for start-ups, and the roles they play in employment generation in any industrialized economy. The biggest challenge that Indian entrepreneurs face is set up a 'learning and sharing' organization. Thus, innovations have to take place at all levels within and outside the firm. The strength of SMEs lies in process innovation rather than product innovation. This paper attempts to highlight the various issues of innovations in achieving competitiveness for small and medium scale industries in competitive economy towards prosperity.

Key words: Technical Know-how, Competitive Industrial Performance (CIP) Index, Small Business Innovation Research system (SBIR), Economic and Technological Intelligence (ETI) actions.

INTRODUCTION

The globalizations of product and service markets have accelerated small and medium-sized enterprises (SMEs) towards increasing competition for sales, technical know-how and skills. SMEs are generally more flexible, adapt themselves better and are better located to develop and implement new ideas. The flexibility of SMEs, their simple organizational structure, their low risk and their receptivity to changes are the essential features for enabling them to be innovative both within the organization and in the external market. Despite their important role in innovation, SMEs have a number of resource disadvantages. They have limited financial and technical manpower resources, narrow external technical networks, small marketing resources, and lack of management skill. Smaller firms play an increasingly important role in innovation, job creation, and overall economic growth in most industrialized countries**.** Success in today's competitive environment requires an organization to innovate and renew its operations and resources. SMEs are becoming increasingly involved in global competitive markets, either as part of supply chains or due to expansion and growth.

INDUSTRIAL COMPETITIVENESS INDEX

Competitive Industrial Performance (CIP) index combines four main dimensions of industrial competitiveness--industrial capacity, manufactured exports capacity, industrialization intensity and export quality. Industrialization intensity is a measure that captures the share of manufacturing in GDP. According to report prepared by the UN Industrial Development Organization (UNIDO), Industrial Development Report 2009,

From a list of 122 countries Singapore, Ireland and Japan have continued to occupy the top three positions in the CIP. The CIP index for some countries is as stated herewith: --

Country	**Current position in 2005**
India	54
China	26
Brazil	38
Russia	81
Pakistan	64
Bangladesh	73

SME SECTOR CONTRIBUTION IN ECONOMY

The following Table highlights the contribution of Small and Medium Enterprises (SMEs) in some of the developed economies.

Country	**Contribution in terms of incremental share in Employment Manufacturing Sector**	**Output**
USA	*67%*	*61%*
Japan	*80%*	*72%*
France	*53%*	*80%*
Korea	*74%*	*61%*

In India, the small-scale industries sector contributes almost 40% of the gross industrial value added in the Indian economy. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000. Nearly 45%-50% of the Indian exports are contributed by SSI Sector. The product groups where the SSI sector dominates in exports are sports goods,

readymade garments, woolen garments and knitwear, plastic products, processed food and leather products.

INNOVATIONS IN SMES: PRESENT GLOBAL STATUS

***** SME policy in the Netherlands encouraging creation of a platform for start-ups:***

The SME policy in the Netherlands specifies 'Action for Entrepreneurs and has a life cycle approach start – growth and consolidation – business transfer. The policies focus on creating an entrepreneurial environment, raising awareness and reducing administrative burdens. "Techno Partner", established in 2004 implements various facilities such as providing seed facility, transfer of knowledge into start-ups businesses, support of spin-offs, the creation of a platform for start-ups and a programme to stimulate entrepreneurship in the education system.

***** Japan shifting policies from 'support handicapped SMEs' to 'support promising SMEs':***

In the 1990's, the competitiveness of Japan decreased rapidly from a world rank of 1 in the year 1993 to the rank of 21 in the year 2000. Japan became more aware of fairness and sharing of wealth. Japan has shifted its policies from 'support handicapped SMEs' to 'support promising SMEs'. This has resulted in competitiveness improved ranked 9th in the year 2004. Technology License Organizations (TLOs) promotes and commercializes the IPRs of the universities. TLO also provides a wide range of services such as general consultancy, marketing support, planning and administration, to the hiring of temporary staff. A major initiative within the new strategy for collaboration of Industry, universities and government is the 'Collabo SUNGAKUKAN' project. In Edogawa/Sumida, an area of Tokyo with a high concentration of SMEs, Campus Create is playing an important role in a consortium initiated by a bank with 20.000 SME customers. Japan is expanding the opportunities for allocating the government's technology development budget to SMEs through a Small Business Innovation Research system (SBIR).

***** Economic and technological intelligence supporting new high-tech companies in Europe:***

A Pilot Action of eXcellence on Innovative Start-ups (PAXIS) is to promote regional schemes of support for new high-tech companies, linking existing initiatives, and spreading good practice to other regions. Major responsibilities include identifying existing resources and competencies, to transfer this knowledge, and to exchange and disseminate good practices for promoting innovation throughout the Member States. Economic and Technological Intelligence (ETI) actions provide information on the main technological and market issues via the Internet and through established transnational networks, industrial and professional associations, chambers of commerce and other outlets.

***** Innovations on-line: Converting promising research into successful new products and services:***

CORDIS - the Community R&D Information Service - is an on-line web-service providing a set of free databases containing news, descriptions of EU research programs and projects, listings of events and publications, key documents, information services designed to assist the process of converting promising research into successful new products and services. Two printed periodicals: - the newsletter ***Innovation & Technology Transfer*** reports on the work and results of the Innovation and SMEs program, and publications-based magazine *Euroabstracts*, monitors developments in EU research and innovation by means of reviewing recent publications.

***** Sussex innovation centre helps technology start-up businesses in U.K. :***

The Sussex Innovation Centre (SInC) in the UK provides support for the creation and growth of technology and knowledge based companies. The Centre provides various facilities for high growth companies working within the IT, Biotech, Media and Engineering sectors. Technology Business incubator (TBI) helps technology start-up businesses with, all the necessary resources and support.

***** I-entrepreneurs club in France offering specialist consultancy services :***

A range of specialist consultancy services regarding management coaching, financial, legal, marketing, intellectual property, technology related, etc are available on the park. Five French competitiveness clusters TENERRDIS for renewable energies, IMAGINOVE for digital and media content, PLASTIPOLIS for plastic and composite materials, SPORALTEC for sports and leisure, and TECHTERA for functional and technical textiles are providing access to national and regional business competitions for innovative business projects.

CONCLUSIONS

Within the SME sector, the small sector serves as a green field for nurturing of entrepreneurial talent and helping the units to grow in to medium and large size. The promotion of SMEs, therefore, becomes a major area for policy focus, both in developed as well as developing countries. India has a much stronger R&D base but much weaker industrial linkages. It is important for policy makers to be aware of different needs and thus policies and support programs according to the different levels of innovation and R&D spending of various types of companies. Continued stimulation of innovative activities by SMEs is important in order to increase awareness of societal commitment and to assure a sustainable welfare state in terms of economy, environment and society. Moreover, it increases SMEs' commitment towards Corporate Social Responsibility (CSR).

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