

Innovation without R&D: The SME Secrets of Competitive Advantage

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Summary

A significant proportion of the SME population are located in low and medium-low tech (LMT) industries and have succeeded in retaining sustainability across the decades in spite of increased global competition. While these SME's do innovate, the majority of this activity does not have traditional R&D as a key determinant of success and instead other factors such as process innovation, creative adaption and customer empathy are instead core to their success. While R&D has a role for LMT SME innovation, the current bias in the innovation literature results in inappropriate and ineffective strategies being promoted by policy makers that could weaken the competitive capability of this important industrial category.

Research Study Overview

The competitiveness of a modern organisation depends on its ability to innovate successfully. For decades' innovation studies have focused on the behaviours of large scale and high technology (HT) firms, where R&D was a core determinant of their associated growth rates. Yet while these type of firms are an important driver of economic growth, they represent only a proportion of the industrial base and promote a perspective of organizational innovation routines and practice with R&D intensity at its core. SME's account for the dominant firm type across the industrial typography, yet they are less explored from an innovation research perspective, especially those from the 'forgotten majority' that exist within low and medium-low technology (LMT) sectors. The prevailing innovation perspective of scientific and technological R&D as the origins of innovation capability in not a strategy supportive of non-R&D

intensive LMT SME firms and consequently, the uniqueness of innovative routines that underpins the sustainability of LMT SME's has been overlooked, in spite of their economic importance to the region (Hirsch-Kreinsen and Jacobson, 2008; Santamaria et al, 2009; Som and Kirner, 2015).

This research seeks to explore the innovation routines and capabilities evident within mature LMT SME's to better understand how such firms innovate and support their sustainability and growth into the future. To this end, the research adopts a qualitative case based approach to delve deeply into the nature of how innovation occurs within SME firms not reliant on traditional R&D to achieve innovation output. Research has focused on more than thirty cases of innovative LMT SME's to address the following questions: 1) What innovation is occurring within LMT SME's;

and 2) what are the capabilities developed by these firms to support their innovation activity. In addressing these research questions, we strive to go some way towards addressing the identified research gap and enhance innovation management understanding of this often 'forgotten sector' (Hirsch-Kreinsen, 2008).

their innovation expenditure with respect to surveys such as the Community Innovation Survey or tax-reliefs to support innovation and thus much of their contribution goes unacknowledged and contributes to an under-appreciation of the sector by both industrial support agencies and innovation researchers alike.

Project Findings

The project highlights that LMT SME's are innovative and often do so without leveraging traditional R&D to support their efforts. The research highlights that the case population had evidence of product, process, position and paradigm (Tidd and Bessant, 2009) innovation but that in terms of core activity, much of the activity is centred on process and product innovation as drivers of sustainability.

The findings also highlight that many SME's have significant innovation investment but struggle to have these acknowledged as much of their innovation investment does not easily align with the Oslo Manual R&D classification or Governmental innovations supports such as tax credits. Consequently, LMT SME management struggle to legitimize

Implications

The research highlights that innovation policies that encourage SME's to embrace traditional R&D to drive innovation may be applicable and advantageous for high-tech SME's but their appropriateness for LMT SME's is more questionable. Exploring the innovative practices of the LMT SME cases studied highlights the contextual importance of both industry and scale and also identifies certain common capabilities developed by these firms to support their innovation activity (see Figure 1). Greater focus on development of these capabilities within SME's may be more advantageous in enhancing the competitive advantage of LMT firms that pushing them up the technology intensity spectrum and be a more effective strategy for catalysing SME growth.

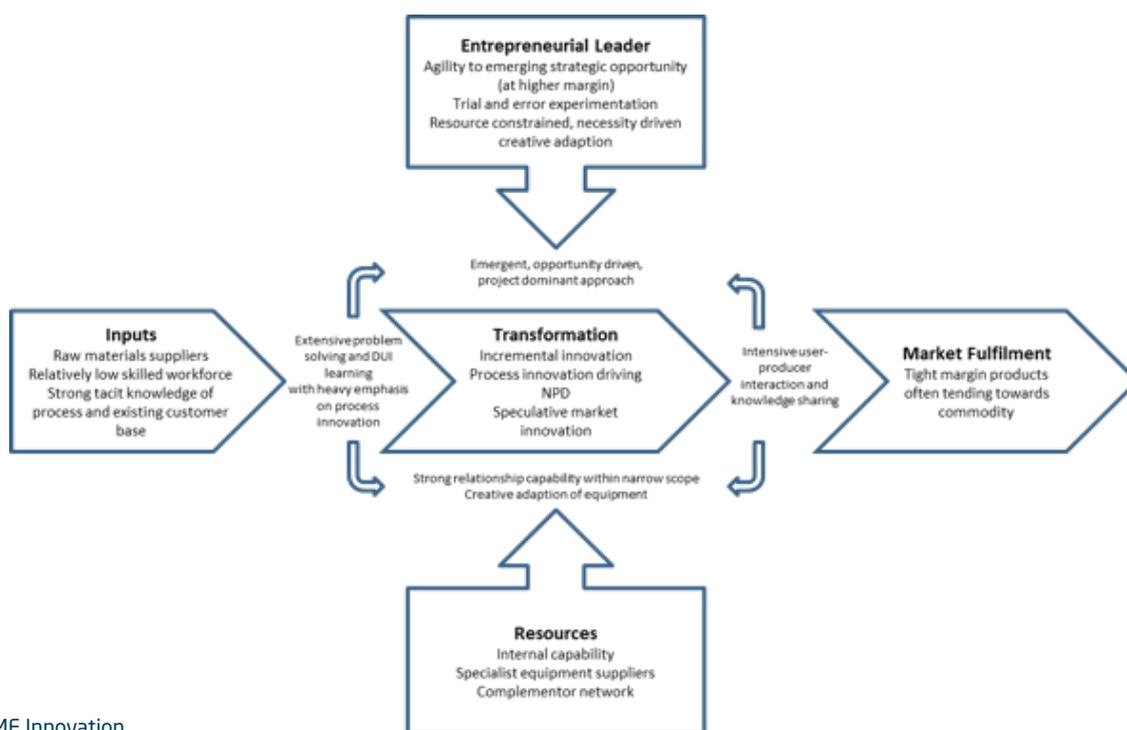


Figure 1: LMT SME Innovation

SME Management Development Insights is a collaborative initiative from Skillnets and Dublin Institute of Technology. Each Insight is based on academic research relevant to Irish SMEs and is intended to communicate the key implications, insights and recommendations of this research to a wide SME readership, providing opportunity for the research to contribute to improved decision making, practices and policy development for Irish SMEs.

For further information the Series editors are Dr Lorcán Ó hÓbáin of Skillnets (l.obain@skillnets.com) and Paul O'Reilly of the Dublin Institute of Technology (paul.oreilly@dit.ie).



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