The frameworks of external innovative strategies increase the growth of the small businesses

These days, innovation has known as an important issue for the industrial sector. Most of the businesses concern about innovation as one of the important element to boost the profit margins and market shares, and to help the small business to grow up, have sustainable competitive advantage, and survive in their market (Bozkurt & Kalkan, 2014; OECD, 2017). From the previous researchers, there are two major types of external innovative strategies. Technologies, human resource, management, and market are the factors that influence the success of the small business are internal and external innovative strategies (Kauffman et al. 2002). Most of management teams and entrepreneurs in the small businesses focus on internal factors presented in professional experience, experience in R&D, academic background, technological business capabilities in the founding teams (Santisethak & Mauricio, 2017).

However, from previous research, there is a research gap of external innovative strategies and how to apply these strategies for helping the small business to grow up because interaction with external networks and meeting with diverse partners networking that can remarkably increases the innovation performance. The government and financial fund are considered the backbone of the business such as venture capital funds directly influencing the process of innovation performance (Baker et al., 2016; Kalita, 2017). Therefore, this paper will review the literature on the role of external innovative strategy and identify the important external strategies which could help the small businesses to grow up and expand their market. The motivation of this research based on this question how will the frameworks of external innovative strategies increase the growth of the small businesses?

INTRODUCTION

Figure 1: Percentage of Internal, External, and Both strategies based on our 54 previous articles that we studied for doing this review of literature.

PREVIOUS 54 ARTICLES

Figure 2: The five main of External innovative strategies presented by number of articles from eight articles focusing on the external strategy in Figure 1

THE ROLE OF EXTERNAL INNOVATIVE STRATEGY

External innovative strategies play an important role in the growth of small business by understanding the need and demand of the customer in the market. These strategies play the vital role in enhancing the innovative performance of the modern small business and strengthening relationships between suppliers, managers, and customers in the small business, which enable small business to develop a great performance in new product activities (Lau, Tang, and Yam, 2010). The social network is the great relationships for supporting small businesses to gain the access to the new market, acquire new resources and customers, and understand the technological knowledge of the businesses (Kuada and Baume, 2000; Silva and Dacorso, 2014). Our findings will be helpful for the small businesses to explore the market by adopting these innovative strategies and use of the result of this paper will increase their competitiveness in the market.

EXTERNAL NETWORKS

One of the external innovative strategies is an external network which defines as the organizational learning process during which small business absorb information, perception, and knowledge of surrounding environment (Baker, Grinstein, and Harmancioglu, 2016). This network includes three layers.

1. Production network layer: Key suppliers and leading customers as an important factor which provides new ideas, concepts, and information for innovation of small business and contributes to increasing the efficiency of innovative activity (Lasagni, 2012).

2. Resource network layer: Collaborative resources complement the deficiency in funding, knowledge, and human resource (Subramanian and Younith, 2005). It can enhance the innovative capability of the small business.


DISCUSSION/CONCLUSIONS

For overcoming the significant barriers related to innovation that the small businesses have encountered, we developed the frameworks of external innovative strategies that will help the small business to tackle with those issues, increase the profits, and grow up in their market.

1. Production network layer in figure 4, this framework can offer new innovative businesses to target the new and specific market by interacting with leading customers, and they can reduce their overhead of technology equipment with their suppliers. This will boost their sales and profit figures comprehensively. Moreover, it will give small businesses to realize the importance of innovation during their early days of business.

2. Resource network layer in figure 4, we generated a framework that will help all the issues that small businesses had during early days of business. The Financial institution, training and development, and government policies will overcome the barriers for small businesses by providing the technical knowledge of innovation, R&D cost, and marketing strategies.

3. Social network layer in figure 4, we developed the platform for the new businesses to interact with the employees and external partners of the organization within the same industry, building a positive interaction with the industry partners, and social platforms namely Facebook, Twitter, and Instagram.

BARRIERS OF INNOVATION IN SMALL BUSINESS

The significant barriers that obstruct the small businesses when they start to run their production are the high cost of technological equipment, weak ability to approach the new clients including new market access (Bozkurt and Kalkan, 2014; Xie, Zeng, and Tam, 2010). Information Technology is considered as one of the critical barrier for small business innovation while lack of technical experts being engineers, entrepreneurs, and R&D personnel and deficiency of technical information is identified as the second group of significant barriers for small businesses that involved in innovation activities (Xie, Zeng, and Tam, 2010; Kaivanto and Stoneman, 2007). Financial Capital is the third most major one including direct and indirect financing. However, lack of knowledge of innovation’s laws and policies associated with innovation support is identified as another important barrier for the new innovative business. Moreover, these businesses also get negative effects from social network because most of them lack the external partners and get poor cooperation between enterprises. This gives them delay about the important innovative information and news from both insiders and outsiders (Xie, Zeng, and Tam, 2010; Baas and Schroten, 2006).

REFERENCES


