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A Study On Impact of Innovation On Organisation Performance in SMEs in Bengaluru

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Abstract

The growth of national economies is closely tied to the success of small and medium-sized businesses, or SMEs. As a result, supporting that position with evaluations of SMEs' performance is crucial. Many problems plague current SME performance models. The importance of networking mechanisms in promoting and enhancing the performance of SMEs is undermined because they view enterprises as closed systems. They leave out the effect of a company's innovative efforts. One more point: these models aren't realistic for managers of SMEs because of how complicated they are and how much they depend on advanced statistical refining procedures. The present study addresses the role of Innovation on Organisational Performance. Multiple regression is applied to find the impact of organisational and technological innovation on organisation Performance.

1. Introduction

Factors that lead to invention are the primary focus of innovation research. But in order to weigh the pros and cons of programmes that encourage innovation in SMEs, governments are looking for more precise knowledge regarding innovation outcomes. The results of organisational and technological Innovation in small and medium- sized enterprises (SMEs) are the focus of this research.

Characteristics of effective innovation and factors that support or impede innovation are the primary foci of research on innovation in SMEs. According to (Damanpour, 1991), there is a positive correlation between innovation and the following factors: internal and external communication, reserve funds, administrative zeal, resources for technical knowledge, managers' attitudes towards change, specialisation, professionalism, and functional differentiation. The majority of studies concentrate on the results of product or process innovation. Research on the link between organisational innovation and financial performance is limited, and even fewer studies have looked at innovation outcomes at the business level empirically. The unintended consequences of innovations are also disregarded. Any company that is involved in organisational innovation must investigate unintended consequences. To keep costs down, these businesses need to keep their inputs and outputs in check and make sure that innovation doesn't hurt their internal and external surroundings. For most SMEs, this is especially the

case.

Information technology's (IT) role in facilitating innovation has been increasingly vital over the past few decades. According to Dong and Yang (2019), IT makes knowledge-intensive tasks associated to innovation easier to do. When it comes to innovation performance, many academics have pointed out potential drawbacks of adopting IT. The rigidity and complexity of IT infrastructures is one such drawback. Because so few research has looked at the link between IT and innovation performance, many questions remain unanswered in the literature on the seemingly contradictory effects of IT on innovation.

Consequently, research on how information technology impacts the innovative capacity of SMEs is lacking. Nevertheless, small and medium-sized enterprises (SMEs) may provide a unique lens through which to examine the impact of information technology (IT) on innovation performance. SMEs are becoming increasingly essential to the economy, both in terms of the jobs they create and the inventive and adaptive skills they employ.

Although there are several obstacles that prevent SMEs from reaping the same benefits as bigger companies through increased use of IT in innovation processes, it is worth mentioning that certain SMEs create goods with advanced technology. Such companies, with their superior technological knowledge, would have an easier time and reap greater benefits from deploying IT. The strategic orientation "technological orientation," which we propose as a possible explanation for this phenomenon, is defined as the propensity and capacity to learn about and apply technology to the creation of new goods.

Literature Review

(Edwards, Delbridge, & Munday, 2005) Drawing on a process viewpoint, this paper suggests new avenues for studying innovation in SMEs. We continue by (a) examining recent developments in mainstream innovation research, (b) thinking about how SMEs innovation studies are structured, and (c) proposing new avenues that incorporate the conceptual arguments presented earlier. The researcher argued that the theoretical and methodological biases that have shaped previous research have limited our present degree of understanding. Rejecting normative-variance methods and instead evaluating innovation in relation to strategic behaviour inside institutional processes and structures is more likely to lead to a better understanding. Because of the emphasis on transformation, this should help SMEs value innovation more highly.

(ALI & HAO, 2020) A variety of innovative capabilities, according to the research, boost the performance of small and medium-sized enterprises. The relationship between innovative capabilities and the financial and operational performance of SMEs is generally explained by this research, which tends to offer a comprehensive model. The specific goals of this research are as follows: first, to understand how the innovation capabilities of small and medium-sized enterprise (SME) owners and managers in China affect the operational and financial performance of these businesses; second, to identify the factors that influence innovation capabilities; and third, to identify the contextual factors that moderate the relationship between innovation capabilities and the performance of SMEs. The researchers in this study used in-depth interviews with eight managers and owners of small and medium-sized manufacturing enterprises (SMEs) in China to gather qualitative data. The research showed that small and medium-sized enterprises (SMEs) are more successful financially when they can innovate in

their products and marketing, and more successful operationally when they are able to innovate in their processes and organisations. An entrepreneurial mindset, access to appropriate internal resources, opportunities for knowledge creation, and the strength of external networks were the most important factors in determining an organization's capacity for innovation. Internal characteristics, such as the size of the SME, the work experience of the owner or manager, and the entrepreneurial attitude, and external ones, such as market dynamism and collaboration tactics, acted as contextual moderators on the link between innovation capabilities and the success of SMEs. In its last section, this report offers some last thoughts and suggests directions for further study.

(Sousa & Silva, 2020) This study set out to use a structured review of 121 articles published between 1946 and 2019 from the Web of Science and SCOPUS databases to draw a picture of service innovation in SMEs. The number of studies has been on the rise recently, with a total of 23 countries across 6 continents included of them, 48.78% were located in the UK. Research methodology patterns and the field's overarching conceptual framework were both uncovered. Science mostly focused on economics, advertising, energy, and environmentally friendly engineering. In addition to allowing for a more thorough examination of the relationship between the assessed constructs, the study also provides a novel contribution to the literature by drawing attention to the academic community's enthusiasm for knowledge development.

(Yuliani, Saputra, & Pratama, 2020) The primary goal of this research is to find out how several kinds of innovation—product, process, and market innovation—affect the productivity of small and medium-sized enterprises (SMEs) in Indonesia. The study has also looked at how innovativeness in organisations acts as a mediator. The study used questionnaires to acquire primary data from respondents and used a quantitative data gathering method. The respondents chosen through simple random selection are staff members of Indonesian SMEs' research & development departments. The data received from the self-administered surveys has been analysed by the researcher using statistical tools and processes. In this work, we utilised a combination of inferential and statistical methods to analyse the data. Everything that was done to get the full surveys yielded good results. According to the findings, these four aspects have a favourable effect on the firm's performance.

Using a single model, we find that a strong correlation exists between the four types of creative competences organizational, product, marketing, and process—and the success of small and medium-sized enterprises (SMEs). Using new or advanced technology in creative ways to make high-quality goods and services clearly boosts the performance of SMEs. A company's long-term goals should include innovation and cutting-edge technology, both of which are critical to achieving high and competitive profit.

(Baumane & Woschank, 2022) This study examines the effect of organisational innovation practices on organisational performance, drawing on theories of organisational innovation and bringing together structural and procedural views of organisational and managerial processes. To better understand how cross-functional teams, quality management systems, workplace organisation and outsourcing, and external relationship management fit into sustainable innovation management strategies, researchers performed an empirical study with over 600 SMEs across a range of industries. Proposals for further studies and advice for leaders and practitioners of SMEs are offered based on the empirical findings. To encourage the methodical management of innovations in SMEs, this study offers insights that add to both theoretical and practical discussions.

(Le & Le, 2023) Examining the effects of innovation on the performance of small and medium-sized enterprises (SMEs) in Vietnam is the primary goal of this paper. Strategy, plan, and process - A This paper uses data from surveys on SMEs conducted by the Development Economics Research Group at the University of Copenhagen, the World Institute for Development Economics Research at the United Nations University, the Central Institute for Economic Management, and the Institute of Labour Science and Social Affairs to analyse the impact of innovation on the performance of SMEs in Vietnam. The analysis makes use of least squared and 2SLS regressions. The authors state that when comparing innovative and non-innovative small and medium-sized businesses (SMEs), the former performs better. Furthermore, the authors show that innovation having a positive effect on firm performance is mostly driven by innovations that enhance existing products, especially for SMEs. This finding is upheld by the authors when they use instrumental variable approaches and propensity matching scores in 2SLS regression. Overall, the results shed light on the debated literature on the link between innovation and the success of SMEs globally by showing how important innovation is for SMEs to boost their performance. Research A major flaw of the article is that it does not contain any data. Despite drawing on a database often used to examine SMEs in Vietnam, this report's data is limited to nine provinces and cities, including just over 2,500 firms. Lawmakers should enact suitable measures to assist SMEs in innovating and improving their performance and competitiveness if they are sincere about doing so. Innovative companies should be supported or promoted using financial incentives like tax cuts or subsidies.

Objective of the Studies

- To find the key factors driving Innovativeness in the SMEs.
- To find the Impact of Innovation on Organizational Performance

Hypothesis of the Study Hypothesis 1

There is a significant Impact of Organizational Innovativeness on Organizational Performance

Hypothesis 2

There is a significant Impact of Organizational Innovativeness on Organizational Performance

Research Methodology

Based on descriptive and cross-sectional research methodologies, the study employed a quantitative research strategy. Quantitative methods allow for the use of numerical data to address research issues. The use of cross- sectional surveys is commonly associated with quantitative research that employs a descriptive research technique. The study’s sampling strategy was a non-probabilistic convenience sample. With an eye towards the present problem, this sampling strategy defines the features of a purposive sample. To recruit respondents who fulfilled the study's inclusion and exclusion criteria, researchers employed a non-probability selection method called purposive sampling. This ensured that the samples were representative. To quantify the unobserved variable, we employed a 5-point Likert scale, where 1 signifies a strong disagreement and 5 means a strong agreement. Using multiple regression, we can find out how technical and organizational innovativeness affects the success of organizations. Data management and analysis are performed using SPSS 21.

Data Analysis and Interpretation

This study examines the relationship between the outcome variable, "Organisational performance," and two explanatory variables: technical and organizational innovativeness are used. The table below shows the descriptive statistics of the hypothesis's parameters

Table 1: Descriptive statistics

	Mean	Std. Deviation	N
Organisation Performance	2.2478	0.71390	180
Organisational Innovativeness	1.5278	0.54343	180
Technological Innovativeness	1.6911	0.82863	180

From the Table, all the Tolerance values are more than 0.1, and the VIF values were below 10. Thus, the results indicate that all the independent variables were not correlated with each other. Therefore, a multicollinearity problem does not exist.

Table 2: Table of Multicollinearity

	Collinearity Statistics	
	Tolerance	**VIF**
Organisational Innovativeness	0.697	1.434
Technological Innovativeness	0.697	1.434

From the model summary table, it is evident that R^2=0.569indicates a indicates the contribution of independent variables on the dependent variable, organisation performance. In this case, 56.9% can be explained.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754	0.569	0.564	0.47122

The Analysis of Variance table indicates that the regression model statistically predicts the outcome variable Purchase Intention as the p-value is less than 0.05. Therefore, we can conclude that the relationship between the organisation performance and, Organisational innovativeness and Technological Innovativeness is significant.

Table 4: ANOVA Table

	Sum of Squares	df	Mean Square	F	Sig.
Regression	51.927	2	25.964	116.930	.000[b]
Residual	39.302	177	0.222		
Total	91.229	179			

The Coefficient Table predicts organisation performance from the independent variables Organisational innovativeness and Technological Innovativeness, as P-value are less than 0.05.

Table 5: Coefficient Table

			Standardized Coefficients	t	Sig.
			Beta		
Constant	0.988	0.107		9.227	0.000
Organisational Innovativeness	0.190	0.078	0.145	2.450	0.015
Technological Innovativeness	0.573	0.051	0.665	11.257	0.000

Conclusion

The study found that organizational innovativeness and technological innovativeness will impact significantly the organization Performance. The research, which included 180 small and medium-sized enterprises in Bangalore found, correlation between organisation performance and the use of information technology in the process. Based on our research, small and medium-sized enterprises (SMEs) that lack technical competence should exercise caution when it comes to incorporating more information technology (IT) into their innovation processes. Doing so might hinder their innovation performance. However, small and medium-sized enterprises (SMEs) that excel in technology are likely to reap the rewards of a more IT-intensive innovation strategy.

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