INNOVATION CAPACITIES OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) ON PERFORMANCE

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Abstract
Nowadays, in most countries, including developed and developing, the role of small and medium-sized enterprises is important for the policy makers in the economy because the potential of this group of enterprises is used to achieve the goals of macroeconomic. The success of most companies with superior performance is related to their innovative activities. Results of different studies also show that regardless of the environmental dynamics and the lack of strategic design tailored to the specific circumstances are the causes of the failure of many small entrepreneurial companies; so that many researchers know entrepreneurship as organizational process that helps the survival and performance of the company.

Keywords: Innovation capability, performance, Commitment, SME

1. Introduction
Competition for large-scale industry and mass production, and the same was formed by the beginning the wave of industrialization and developing countries and culminated in the first three-quarters of the twentieth century. However, the last quarter century, a new concept "Small is beautiful" changed equations of development. Today small and medium industries for growth and economic development are important. Industrialized countries and developing with policy and plan are seeking to organize, remove problems, obstacles, and improving the business climate and provide the necessary background to use as much of the industry (Gilaninia & et al, 2013a). These works are done for the development of entrepreneurship, solving the problem of unemployment, increase value-added and industrial export, regional development and help to improve the distribution of income in a society and so on. On the other hand, the innovation or accepting the destruction has become a critical issue in various industries and perfectly organizational effectiveness is associated with innovation (Gilaninia & et al, 2013b). A Large part the success of most companies with superior performance in areas to compete with other companies is related to their innovative activities that in many cases are based on the technology. Today creation of new products, processes, and services is known a major source of competitive advantage and we know that technology is a major factor in the emergence of such innovations.

2. Statement of Problem
Development of small and medium industries is the key to economic development in the next decade. Studies have shown that small and medium industries affect the global economy by the four-way conduit of entrepreneurship, innovation and technological change of industry dynamics and ultimately creating job opportunities and increased income (Ghafari Ashtiani & Pirmiohammadi, 2008). Entrepreneurship category is important that many developed and developing countries are paid serious attention to it (Gilaninia & et al, 2012). Meanwhile, entrepreneurship in the organization is one of the main branches of entrepreneurship that is undoubtedly a significant role in the success and excellence of organizations (Ahmadpour, 2004).

In the literature of entrepreneurship, corporate entrepreneurship is called intrapreneurship. With activities in the field of profitability, modernization strategy, to promote innovation, knowledge
acquisition to gain income, success at the international level is an approach to institutionalizing innovation in the organization. In fact, corporate entrepreneurship is considered as a window into the use of sustainable competitive advantage, innovation, and pioneer for organizations (Belousova & Gailly & Basso, 2010) and generally facilitates the organization's efforts in the use of its competitive advantages, and explore the opportunities and capabilities required for effective operation of those opportunities (Covin& Miles, 1999).

However, with the intensification of changes in technology, dynamics, uncertainty and changing business environment and eliminating many of the traditional barriers to market entry in many industries, medium-sized companies and small to gain competitive advantage needs to adopt appropriate strategies and precise (Oregan and Ghobarian, 2005). Results of different studies also show that regardless of the environmental dynamics and the lack of strategic design tailored to the specific circumstances are the causes of the failure of many small entrepreneurial companies; so that many researchers know entrepreneurship as organizational process that helps the survival and performance of the company (Ireland, et al, 2009).

Innovation capability

**Figure (1) the primary analytical models (Minna Saunila, 2016)**

Hence, in pursuing a course of research, the role of strategic factors in entrepreneurship, particularly in small and medium-sized companies can bring valuable results and reduce operational risks failure of these companies (Amiri & Naeiji, 2010).

The nature of competition in an industry and how competitive strategy by the company depends on the competitive forces of market transactions (Porter, 1981). It is expected that managers of entrepreneurial companies adopt different strategies of companies that focus on financial targets and profitability. Thus, competitive strategy is a variable that can affect entrepreneurship (Amiri & Naeiji, 2010).

Already several classifications have expressed for a variety of competitive strategies that basic strategies of Michael Porter and classification of Miles and Snowa are important (Porter, 1981; Miles & Snow, 1978). In this study, we have considered Porter's classification. According to Porter in the face of competitive forces, essentially there are three general strategies to get ahead of other competitors in the industry that Include cost leadership, focus strategy, differentiation strategy, although the adoption of kind of strategy to achieve competitive advantage depends on the company's goals and situation (Allen and Helms, 2006). In these strategies, the leadership of cost emphasis on efficiency and control costs in order to achieve lower costs than competitors. As a result, in effective implementation of cost leadership strategy has less attention to innovation and risk. On the other hand, the strategy requires differentiation of products, offering unique products to customers. Differentiation strategy seems to be consistent with the context of entrepreneurship (Amiri & Naeiji, 2010). As well
as large companies use focus strategy with differentiation and cost leadership strategy. While the focus strategy alone to meet the needs of small groups of consumers that are not met by competitors, can be consider to provide certain products and services by the small medium-sized enterprise (David, 2000). In addition to role of corporate entrepreneurship in the development of private sector economic activity, reduce unemployment, increase productive skills and traders and economic profitability, it is also a factor of changing and dynamic in social level.

According content expressed, proposed model of research is as follows:

![Diagram](image)

**Figure (2) the primary analytical models (Minna Saunila, 2016) and adjusted (Gilaninia, 2017)**

### 3. Research Hypotheses
According to model research, hypotheses can be stated as follows:

#### 3.1. Main hypothesis
- Innovation capability by commitment of SME managers for achieving success affects Performance of enterprise.

#### 3.2. Sub-hypotheses
1. Participatory leadership culture affects commitment of SME managers for achieving success.
2. Ideation and organizing structures affects commitment of SME managers for achieving success.
5. Regeneration affects commitment of SME managers for achieving success.

### 4. Discussion and Conclusion
Nowadays, in most countries, including developed and developing, the role of small and medium-sized enterprises is important for the policy makers in the economy because the potential of this group of enterprises is used to achieve the goals of macroeconomic. Strengthening the spirit of competition and entrepreneurship in the economy, increasing productivity and creating jobs are the three major features in small and medium-sized enterprises that have given such a place to them. In Iran, the ninth government has paid special attention to these firms and a significant part of the banking facilities has allocated to support small projects and economic early yield. Evaluation of policies adopted in
different countries show that discussion financing of SEM constitute the main part of support programs in these countries. However, it should be noted that in addition to the financing, other areas of policy, such as improving laws and administrative regulations, foster and strengthen the culture of entrepreneurship, strengthening innovation and technology level, promoting participation in the form of clusters and industrial networks, access to world markets and promote e-commerce should not be neglected. However, in many cases can be more effective from the most common method of lending.

References
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