

# Strategies for implementing innovation in small and medium-sized enterprises

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## Abstract

**Purpose** – The purpose of this paper is to explore innovation strategies that managers of small and medium-size enterprises (SMEs) used to implement innovation in their organizations to meet performance goals.

**Design/methodology/approach** – The participants in this multiple case study research comprised randomly selected managers from SMEs operating in Dubai, United Arab Emirates with specialist expertise in successfully implementing innovation in their organizations. Individual interviews were undertaken with participants to gain both an insight and understanding regarding which innovation strategies are best suited to improve performance goal outcomes. A further analysis of workplace internal documents, policies, procedures, SMEs' websites, review websites and press releases afforded additional insights related to the application of innovative workplace practices which supported productivity improvements in relation to performance goal outcomes.

**Findings** – The findings of this study identified that the role of the top management in cultivating an innovative culture, the identification of ideas as the starting point for innovation and the recognition of customers as resources for the company.

**Practical implications** – Implementing the findings from this study may support job creation, economy protection in downturns and contribution to economic growth, since thriving SMEs have a positive impact on community development through the generation of the employment. Furthermore, the results of this study can help in creating an increase in improving the productivity of Dubai SMEs in Dubai's GDP, improvement in investment opportunities; better working conditions for employees and possibilities for expanding the operations of Dubai SMEs globally.

**Originality/value** – This study is of value because its findings may contribute to local and global economic growth. Exploring successful innovation implementation strategies in SMEs can result in useful guidelines that SME managers can use to reach the performance goals of their SMEs. Since governmental policies are critical to improving business performance, the Government of Dubai may benefit from this study by addressing key success factors for SMEs through policies and regulations. This study has particular value given the lack of studies that address the issue of innovation implementation in SMEs, especially for SMEs in emerging economies.

**Keywords** Resource-based view, Innovation, Small-medium enterprises, Strategy

**Paper type** Research paper

## Introduction

Small and medium-size enterprises (SMEs) are the engine of economic development as they are the largest employer in the world and a major contributor to a country's gross domestic product (Katua, 2014). Despite the availability of a wealth of studies about SME innovation in developed countries, there is a lack of information about the innovation of SMEs in developing countries (Xie *et al.*, 2013). In one of the studies in Dubai, Al-Ansari *et al.* (2013) identified that innovation had a positive impact on SME performance. However, the authors did not study how SME managers used innovation to improve organizational performance, or to increase its profitability.

Innovation has the potential to improve performance. However, the inefficient implementation of innovation does not generate the expected results, especially in SMEs (Norek, 2014; Xie *et al.*, 2013). SMEs represent a significant part of local and global



economies by constituting around 90 percent of the total active firms worldwide (Shrirame and Soni, 2015). Despite the role that SMEs play in the local and global economy, few researchers addressed the issue of innovation implementation in SMEs especially in developing countries (Arshad and Arshad, 2019; Xie *et al.*, 2013). The lack of studies about the implementation of innovation in SMEs operating in developing countries calls for more research to address this gap. This study has particular significance because of the lack of studies that address the issue of innovation implementation in SMEs, especially for SMEs in emerging economies. The findings of this research may contribute to local and global economic growth. Exploring successful innovation implementation strategies in SMEs can result in useful guidelines that SME managers can use to reach the performance goals of their companies. SME managers may use the study results to improve the performance and increase the competitiveness of their firms through the implementation of innovation.

### **Research purpose and research question**

Although SMEs in Dubai constitute 95 percent of the enterprise population, only 13 percent of SMEs implement innovation (Dubai SME, 2014). The lack of innovation strategies impacts SME performance and prevents SME managers from reaching the performance goals of their companies. The purpose of this qualitative multiple case study was to explore strategies that successful SME managers use to implement innovation in their organizations to meet performance goals. The target population was five managers from four SMEs in Dubai, who have successfully implemented innovation in their organizations to meet performance goals.

The overarching research question for this study was the following:

*RQ1.* What strategies do SMEs use for implementing innovation to improve performance?

To answer this question, a qualitative multiple case study was used.

### **Research design and sampling**

A qualitative methodology was the basis for this study to explore strategies that successful SME managers used to implement innovation in their organizations to meet performance goals. Because of the exploratory nature of this study and considering the lack of information about innovation of SMEs in developing countries (Xie *et al.*, 2013), qualitative research was more suitable than quantitative or mixed research. A multiple case study was the research design for this study. Yin (2018) suggested using a multiple case study design when the researcher presents more than one case in the study in the absence of clear boundaries between the phenomenon and the context. In addition, case study design is suitable for collecting rich data using how and why questions about a current phenomenon on which the researcher has no control (Yin, 2018).

Face-to-face semi-structured interviews were the approach for collecting the primary data. Well-informed participants with the right knowledge can add critical data to the study (Yin, 2018). Purposeful sampling was used to choose the participants. The specific population consisted of managers from SMEs in Dubai who successfully implement innovation in their organizations. Gibbins *et al.* (2014) suggested that interviews should continue with new participants until no new information emerges. We reached data saturation after interviewing five managers from four different SMEs.

### **A review of the professional and academic literature**

In this literature review, the paper used a reflective approach to the various studies on how innovation affects the performance of SMEs across the world and how SME

managers can benefit from implementing innovation in their firms. The paper focused on the theory of the growth of the firm, the resource-based view (RBV) theory, SMEs in Dubai, definition of innovation, the role of SMEs in economic development, the role of innovation in improving the SME performance and the role of SME managers in innovation and culture change.

#### *The theory of the growth of the firm and the RBV theory*

Penrose developed the theory of the growth of the firm in 1959 (Penrose, 1959). Kor *et al.*, (2016) argued that Penrose contributed both directly and indirectly to the fundamental concepts of the current RBV of the firm. Additionally, Baumane-Vitolina and Cals (2013) identified that the theory of the growth of the firm mandates both realization and utilization of resources as a condition for growth. Resource realization means the existence of the resources, and resource utilization means the way SME managers deploy the resources. Therefore, we can summarize Penrose view of the firm as the existence of proper resources and the proper utilization of these resources.

When Wernerfelt (1984) introduced the RBV concept of the firm, he posited that firms can perform above average when they identify and acquire a critical set of resources. Wernerfelt did not provide clearance about the method firms can follow to search for new resources or how to combine existing resources in different ways. However, Barney (1991) refined the RBV theory by defining specific characteristics for critical resources. In this refinement, Barney (1991) argued that firms could achieve and sustain their competitive advantage if they possessed resources that are valuable, rare, inimitable and non-substitutable (VRIN).

Barney (1995) presented an enhanced version of the VRIN model under the name VRIO by introducing two changes. First, Barney opined that imitation could occur either through resource duplication or resource substitution. Therefore, Barney replaced the “I” and “N” in the VRIN model by just an “L.” Second, Barney argued that the mere existence of VRIN or VRI resources is not sufficient. Firms need to implement a form of organization “O” to be able to utilize the VRI resources and capabilities (Barney, 1995). The organizational resources include compensation policies, management control systems and formal reporting structure. The introduction of the dimension of organization into the RBV theory led to changing the VRIN model to the VRIO model.

The RBV theory is suitable for the study of the implementation of innovation in SMEs through analyzing how SMEs use their resources and capabilities to innovate. Carraresi *et al.* (2016) considered the innovation as one of the SME capabilities. Likewise, Baumane-Vitolina and Cals (2013) suggested that the ability to produce innovations falls under special competences which are difficult to reproduce by other firms. Hence, innovation acts as a mediator between resources and performance (De Zubielqui *et al.*, 2014). Hadjimanolis (1999) argued that the RBV theory is especially applicable to SMEs because the degree of innovativeness depends on the resources of the firm. Eniola and Ektebang (2014) argued that the RBV theory has specific importance in studying the significance of intangible resources such as managerial skills and experience. As applied to this study, the RBV theory holds that the propositions advanced by the theory should enable participants to explore strategies that SME managers used to implement innovation in their organizations to meet performance goals.

#### *The nature of SMEs*

Various definitions of SMEs exist today that depend on several different criteria. A common and unified definition of SMEs does not yet exist (Berisha and Pula, 2015; Ndesaulwa and Kikula, 2016). Although the definitions differ among countries and organizations, there are common factors that determine the size of enterprises. For example, Ndesaulwa and Kikula

(2016) asserted that the total number of employees, total turnover and total investment are the basis for the definition of SME. Similarly, Petkovska (2015) mentioned that the definition of the enterprise size depends on the number of employees, annual revenue, total assets and net profit. Katua (2014) mentioned that the definition of SMEs depends on the number of employees, the revenue or the size of the balance sheet.

Different governments, banks, organizations, institutions and statistical agencies have different definitions of SMEs. For example, in the USA and Canada, an SME can have up to 500 employees (Katua, 2014). In the European Union, an SME employs less than 250 employees with a maximum annual revenue of 50m euros and/or a maximum total asset of 43m euros (European Commission, 2014). However, some European countries have different definitions for SMEs. For example, an SME in Germany can have up to 250 employees while in Belgium the number of employees should be less than 100 (Katua, 2014). Another case of the absence of a common definition of SMEs is Pakistan. In Pakistan, the State Bank, the Federal Bureau of Statistics and the Provincial Labor Departments use different definitions of SMEs (Syed *et al.*, 2012). Each government or organization can have its own definition of an SME. These differences can cause misalignment among the efforts to support SMEs. A unified criterion for defining SMEs can facilitate the study of performance improvement strategies in SMEs by creating significant associations within the literature.

In addition to the number of employees and the financial factors that determine the enterprise, the SME definition also depends on the sector in which the SME operates. Katua (2014) mentioned that the rationale behind this is to measure the enterprise size with respect to the sector and the market. For example, an SME in the manufacturing sector in Dubai can have employees up to 250. At the same time, an SME in the trading sector cannot have more than 75 employees (Dubai SME, 2014).

In 2009, Dubai SME published the first classification of SMEs in Dubai (Dubai SME, 2014). Market sector, number of employees and the annual turnover were used to classify SMEs and distinguish them from large enterprises. An SME in the trading sector should have less than 75 employees and less than 250m AED of turnover (1 AED = \$3.67). In all other sectors, SMEs have less than 250 employees and less than 250m AED of turnover.

#### *The role of SME in economic development*

SMEs are major contributors to the economy in both developed and developing countries. Nitescu (2015) stressed the crucial role that SMEs play in the development of national economies. Eniola and Ektebang (2014) described SMEs as the engine of the economic growth. The role of SMEs in the economic development covers several aspects and stems from various factors such as job creation, poverty reduction and contribution to the GDP (Mabhungu and Van der Poll, 2017; Valaei *et al.*, 2017). A strong SME sector ignites innovation, creates new jobs, reduces unemployment, improves the economic state and reduces poverty.

SMEs are the majority of enterprises all over the world. Shirame and Soni (2015) declared that SMEs represent 90 percent of the enterprises in most countries. Similarly, Çela and Gaspari (2015) mentioned SMEs represent nine out of ten enterprises in the European Union. Bayarçelik *et al.* (2014) reported that SMEs constitute 99 percent of the total enterprises in Japan, France and Italy. Arshad and Arshad (2019) reported that SMEs represented approximately 90 percent of all enterprises in Pakistan. Since SMEs comprise over 90 percent of the enterprises worldwide, SMEs are significant contributors to the GDPs of countries. For example, Katua (2014) reported that the SMEs' contribution to the national GDP is 60, 57 and 55 percent in China, Germany and Japan, respectively. Furthermore, SMEs in Singapore and South Korea contributed 49 and 55 percent to the national GDP, respectively (Pulka *et al.*, 2018). In all the Organization for Economic Cooperation and

Development countries, SMEs contribute between 50 and 60 percent of the national GDP of each country (Organization for Economic Cooperation and Development, 2017). In addition to being the largest population among enterprises and a strong contributor to GDPs, SMEs are major employers and job creators. Olughor (2015) reported that SMEs employ about 75 percent of the workforce in any country. In the European Union, SMEs employ two out of three employees (Çela and Gaspari, 2015; Katua, 2014). Therefore, SMEs play a critical role in improving the living conditions, reducing poverty and reducing unemployment through creating new jobs.

#### *The status of SMEs in Dubai*

Dubai is one of the seven emirates that constituted the United Arab Emirates (UAE) in 1971. The UAE is a rich country with a high dependency on Oil and Gas as a major source of economic growth. SMEs in Dubai have a considerable contribution to the economy of Dubai and the UAE. Dubai SMEs constitute 95 percent of the enterprise population, employ 42 percent of the employees and contribute 40 percent of Dubai's GDP (Dubai SME, 2014).

Al-Ansari *et al.* (2013) determined that innovation had a positive impact on the performance of SMEs in Dubai. However, the authors did not study how SME managers can utilize innovation to improve their organizations' performance. Despite the considerable contribution of SMEs to Dubai economy, only 13 percent of Dubai SMEs implement innovation (Dubai SME, 2014). There seems to be a good room for improvement in the performance of Dubai SMEs taking into consideration the positive impact of innovation on performance and the absence of studies that address the innovation implementation in SMEs.

#### *The definition of innovation*

The definition of innovation was always complex, and the last decade added to the confusion because of the rapid changes in the political, social and technological facets of life. For example, researchers at the National Research Council of Italy, Research Institute on Sustainable Economic Growth (CNR-IRCRES, 2018) described innovation as being simultaneously simple and complex. Popa *et al.* (2010) listed 17 different definitions of innovation. Bertoni and Tykvová (2015) defined innovation as the economic application of an invention through a financial transaction that involves the new device, process, product or service. Moen *et al.* (2019) stressed that innovation measures like R&D and number of patents does not apply to all firms and, therefore, may not be suitable measure of innovation. Moen *et al.* (2019) used managers' perceptions of innovation activities within their firms. The use of managers' perception to measure innovation indicates that the definition of innovation can differ from one manager to another. The complexity and diversity of the term innovation may be the main reasons behind the large number of the definitions of innovation.

Despite the diversity of the various definitions of innovation, there are common characteristics that repeat in these definitions. First, innovation includes change. The degree of change determines the type of innovation such as incremental and radical. Second, the change should introduce an improvement. Third, the change should create an added value for the user. Fourth, innovation goes beyond the mere introduction of ideas to the implementation and the realization of the added value. Therefore, we can describe innovation as the implementation of change that introduces improvement and provides an added value to the user.

#### *The role of innovation in improving the performance of SMEs*

Innovation is a significant element for SME survival and growth (Farsi and Toghraee, 2014). Hajar (2015) noted that innovation has a positive influence on the performance

of the company. The long-term success of SMEs is dependent on their innovation (Kotey, 2014; Schiliro, 2015). When paired with a good strategy, an innovative culture forms a superior approach to improve the performance in SMEs. Boachie-Mensah and Acquah (2015) considered innovation to be a corporate strategy that can lead to a competitive edge through producing better products, improving the market performance and building a good reputation. Ndesaulwa and Kikula (2016) argued that it is only innovative companies that will remain effective in serving customer needs and survive turbulent and risky environments in the long run. Although innovation is not enough to guarantee SME survival and success, it is a necessary element for the success of SMEs (Ndesaulwa and Kikula, 2016). Therefore, SME managers should include innovation as an integral part of their business strategies.

#### *The role of SME managers in innovation and culture change*

Innovation management is a critical area of study because of its contribution toward the enhancement of the competitive advantage. Shafique and Kalyar (2018) believed that leaders with clear vision can stimulate the employees to innovate and go beyond what is required from them. Schiliro (2015) stressed that innovation is about culture and mindset more than anything else. Zhai *et al.* (2018) argued that SME managers need to promote the spirit of innovation and risk tolerance within their firms. Likewise, Naranjo-Valencia *et al.* (2016) argued that the organizational culture relating to people and behavior can either encourage or hamper innovation. Therefore, SME managers should exert deliberate efforts to foster and manage the innovation.

#### **Data collection processing, and analysis**

We used primary and secondary data sources. The primary source was the semi-structured interviews with SME managers from SMEs who successfully implemented innovation in their organizations. All the interviews were conducted during the second half of 2018 with SME managers from SMEs operating in Dubai, UAE. We constructed an interview protocol to guide the interviews in this study. Each interview consisted of seven main questions with follow-up questions after each main question. To improve credibility, we used member checking to ensure that the voices of the participants are the basis of the data analysis rather than the researchers' preconceptions. The secondary source was the SMEs' internal documents, SMEs' websites, review websites and press releases. We used the secondary data to improve validity through methodological triangulation.

The organization of research data is one of the unique challenges of qualitative research. During qualitative research, researchers use computed assisted qualitative data analysis software to manage the overwhelming research data (Houghton *et al.*, 2015). We used Microsoft Word and Microsoft Excel to organize and analyze the collected data. To ensure confidentiality, we referred to each participant using a unique alphanumeric symbol. For example, P1C1 referred to the first participant of the first SME. Similarly, P×Cy referred to participant × from company y.

We followed Yin's five-step process for data analysis. In the compile phase, we transcribed the interviews ourselves to guarantee privacy and confidentiality. After transcribing the interviews, we used Microsoft Word to code the data and used Microsoft Excel group the codes into themes. In the disassemble phase, we divided the interview transcripts into pieces of information and assigned a unique code for each piece of information. The reassemble phase included the rearrangement of the coded data into different groups. We rearranged the codes and observed the emerging themes or patterns. In the interpret phase, we interpreted the data by trying to create a new narrative that describes the collected data. In the conclude phase, we stated our conclusions based on our interpretation of the codes and the resulting themes.

Guba (1981) suggested the following four criteria for judging the rigor of qualitative research: credibility, transferability, dependability and confirmability. Guba's criteria are widely accepted as an approach to assess the quality of qualitative research (Leung, 2015). We used Guba's criteria to demonstrate the validity and the reliability of this study. Our strategy to improve the reliability of this study consisted of several actions. First, we recorded the details of conducting this study to enable other researchers to repeat it and reach similar conclusions. Second, we used methodological triangulation to analyze the interview data with the secondary data sources. Third, we shared our analysis with the participants to get their feedback and to ensure that we captured what each participant wanted to say. To improve credibility, we used data from the SMEs' internal documents, SMEs' websites, review websites and press releases as a secondary data source and looked for convergence between the data sources. We provided a detailed description of the context of the case study to allow readers to make informed decisions about the suitability of applying the findings to other cases. We reached data saturation after interviewing five managers from four different SMEs.

### Presentation of the findings

Five themes emerged from the analysis of the primary and secondary data. Corporate culture that is influenced by SME managers appeared to have a strong impact on the success of innovation implementation.

#### *Theme 1: the role of innovation in competition and survival*

Innovation is a significant element for SME survival and growth (Farsi and Toghraee, 2014). In this respect, participants noted that innovation is key element to the development of a competitive company posture. Equally noted by participants was the need for SMEs to have the capacity to create and offer a different value proposition than the competitor, which stimulates future growth and profitability. Furthermore, participants noted the need for SMEs to distinguish itself to capture opportunities. Lastly, participants mentioned that without innovation, the ability to survive is especially important when the SME is a technology company, since technology companies need to follow the advancement of technology faster than other companies. This theme appeared 44 times in the interview transcripts, which represented 15 percent of all the codes which is depicted in Table I.

Asare (2014) argued that SME managers could increase the competitiveness of their SMEs by incorporating innovation into their organization. Furthermore, Hajar (2015) noted that innovation has a positive influence on the performance of the company. Participant PIC3 said that to survive in the technology market, innovation should be at the core of the organization DNA because technology changes fast.

Innovation acts as a mediator between resources and performance (De Zubielqui *et al.*, 2014). Several interviewed participants used innovation to automate existing processes, to improve the speed of ordering and replying and to acquire a competitive advantage by differentiating the company from other similar companies. Automating an existing process can save paper for the company, save time for employees and customers, save effort for the employees and improve the customer experience. Other participants used innovation to increase the delivery speed, to differentiate the company from other companies and to turn disadvantages into advantages. Each participant used innovation in a different way and for

**Table I.**  
Frequency of  
main Theme 1

Theme	Number of occurrences	Percentage of occurrence
The role of innovation in competition and survival	44	15

a different reason. Some of the drivers for innovation were to reduce cost, improve efficiency, gain a competitive advantage and have a differentiating factor. All these drivers can contribute toward better performance.

The role of innovation in competition aligns with the RBV theory. Innovation is one of the resources that are rare (R) and inimitable (I). Barney (1991) argued that competitive advantage comes from implementing a unique value-creating strategy while sustained competitive advantage comes from implementing a unique value-creating strategy that other firms cannot duplicate (Barney, 1991). Baumann-Vitolina and Cals (2013) opined that the ability to produce innovations falls under special competences which are difficult to reproduce by other firms. Norek (2014) found that many innovation activities of SMEs are inefficient. Dubai SME (2014) mentioned that only 13 percent of SMEs implement. Therefore, innovation is a rare (R) resource that few SMEs have. Resources that are difficult to reproduce by other firms are rare (R) and inimitable. Barney (1995) argued that firms could achieve and sustain their competitive advantage if they can utilize their valuable, rare and inimitable resources. Innovation acts as a mediator between resources and performance (De Zubieli *et al.*, 2014). SME managers can utilize innovation to achieve a sustainable competitive advantage using their companies' VRI resources. The key role of innovation in SME competition and survival is in line with the VRIO framework of the RBV theory.

#### *Theme 2: ideas are the starting points for innovation*

All the participants stressed the importance of a good idea or concept as a starting point for their innovation. Participants mentioned that the first important point regarding innovation is ideas. For instance, several participants believed that the initial idea was the reason for the success of the business. Rua and França (2017) described innovation as the encouragement of creativity and new ideas that can result in new processes, services or products. Ideas are major contributors toward successful innovations. This theme appeared 24 times in the interview transcripts, which represented 8 percent of all the codes (Table II).

The process of innovation has several distinct phases. Heikkilä *et al.* (2018) determined that any innovation process consists of initiation, ideation, experimentation and implementation. Similarly, Perry-Smith and Mannucci (2017) argued that the journey of an idea starts with idea generation and ends with idea implementation. Likewise, Grzegorz and Robert (2018) determined that searching for ideas is the first step of the innovation process. Therefore, ideation or idea generation is the first step that comes after initiating the requirement for innovation because of a specific need. However, one cannot achieve innovation without a proper implementation of the ideas. To innovate is to implement a good idea in an efficient way (Halim *et al.*, 2014). A good idea is a necessary condition for innovation. To realize the benefits of innovation, the good idea must be implemented.

Ideas can come from several different sources such as the top management, the employees, and the customer. During the interviews, participants noted that their ideas were inspired by customer and employee needs with the aim of improving the employee working conditions and making the customer experience hassle-free. Benbya and Leidner (2018) mentioned that large companies like IBM, Shell and Citibank gather innovative ideas from their customers, employees and business partners. Other participant noted that they conceived ideas by viewing the problem in different ways. They added that sometimes using an old idea in a new way also enabled innovation. Despite the various methods

Theme	Number of occurrences	Percentage of occurrence
Ideas are the starting points for innovation	24	8

**Table II.**  
Frequency of main  
Theme 2



participants used to generate and elicit ideas, all participants agreed on the key role that ideas play in enabling innovation.

Hargadon and Sutton (2000) considered ideas and the innovation that comes from ideas as the most valuable resources a firm can have. De Zubielqui *et al.* (2014) concluded that ideas can have an impact on the performance of the firms when these ideas are mediated by innovation. The consideration of ideas as valuable resources that can improve the performance of a firm is in line with the RBV theory. Since the ideas that produce innovation are valuable resources, they can provide companies with a competitive advantage. Even if other companies try to copy the same ideas, it is the implementation of these ideas through the mediation of innovation which makes the results unique, valuable and inimitable. The way ideas are encouraged, used and implemented through organizational innovation is what make the difference. Unique and valuable resources provide companies with competitive advantages and the inimitability of resources makes a competitive advantage sustainable. Therefore, a company that generates ideas to fuel innovation will possess a sustainable competitive advantage in line with the RBV theory.

*Theme 3: the role of the top management in cultivating an innovative culture*

Around 47 percent of the codes we generated from the interview data related to the role of the top management and the corporate culture in fostering innovation. All participants agreed on the key role of the corporate culture in supporting and facilitating the implementation of innovation. Szymańska (2016) argued that the corporate culture is a unique feature of each organization that is influenced mostly by the top management. Sattayaraksa and Boon-itt (2018) identified that managers could encourage employees to develop and implement ideas through open communication and by welcoming disagreement with employees. As noted in Table II, this theme appeared 134 times in the interview transcripts, which represented 47 percent of all the codes (Table III).

Four sub-themes appeared under this theme, which were clear goals, corporate culture, risk tolerance and failure tolerance and employees' ideas. These four subthemes were connected through the innovative corporate culture and the influence of the top management in shaping such an innovative culture. In Table IV, we included the number and percentage of occurrences of the four subthemes.

Nwosu *et al.* (2016) found that the absence of a clear vision and mission among SME managers and the lack of business focus contribute to the failures of SMEs. Wikhamn *et al.* (2018) argued that managers could encourage the implementation of the innovation by defining an innovation strategy, communicating the strategy to the employees and endorsing flexibility. Participants stated that you have to put a goal before you start.

**Table III.**  
Frequency of main  
Theme 3

Theme	Number of occurrences	Percentage of occurrence
The role of the top management in cultivating an innovative culture	134	47

**Table IV.**  
Frequency of  
sub-themes under  
main Theme 3

Subtheme	Number of occurrences	Percentage of occurrence
Clear goals	29	22
Corporate culture	51	38
Risk and failure tolerance	15	11
Employees' ideas	39	29

Participants also noted that having a vision is the most important thing. Shafique and Kalyar (2018) suggested that leaders with clear vision could stimulate the employees to innovate and go beyond what is required of them. As well, participants added that the company vision should be realistic. For example, several of the SMEs had visual cues, which displayed the brand ambition, the brand purpose and the brand values. Each employee was provided with copy of this visual cue. The clarity of the goals enables all employees to focus their efforts in one direction and achieve progress.

The corporate culture should match and support the strategic goals of the company. Maher (2014) argued that the organizational culture is a major factor which affects the pace of innovation. Furthermore, Naranjo-Valencia *et al.* (2016) surmised that the organizational culture relating to people and behavior can either encourage or hamper innovation. Several participants identified that their recruitment process assigns high weight on the candidate attitude and willingness to adapt to change; and it is important to recruit employees who accept to embrace gradual change. Schiliro (2015) stressed that innovation is about culture and mindset more than anything else. Szymańska (2016) argued that the cultural mismatch is behind the poor level of innovation implementation in SMEs.

Zhai *et al.* (2018) stressed that SME managers should promote the spirit of innovation and risk tolerance within their firms. As well, it was identified by several participants that their top management accepted mistakes as long as they learn from them. Additionally, the majority of participants mentioned that they accepted mistakes, but they had to understand how to avoid them in the future. For example, various participants stated that when mistakes are made, it is essential to learn from the mistake, and move on. Other participants noted that they had a monthly competition for ideas. Olmos-Peñuela *et al.* (2017) argued that managers can develop a high innovation culture by encouraging their employees to present their ideas and by tolerating mistakes and failures when such ideas were implemented.

The key role of the top management in cultivating an innovative corporate culture is crucial for the success of innovation implementation. Sattayaraksa and Boon-itt (2018) concluded that managers could encourage employees to develop and implement ideas through open communication and by welcoming disagreement with employees. It was stated by some participants that they encouraged diversity by recruiting employees from different countries and with different backgrounds. To confirm this statement, LinkedIn profiles of the companies and its employees to determine the level of diversity – it was noted that within the employee groups, ten employees were from seven countries. Benbya and Leidner (2018) argued that managers could foster a culture of innovation by promoting experimentation, diversity and collaboration.

Szymańska (2016) argued that the corporate culture is a unique feature of each organization that is influenced mostly by the top management. Therefore, the corporate culture is difficult to copy by other companies. Furthermore, a corporate culture that fosters innovation will create value for the company. Valuable resources can give the company a competitive advantage while nontransferable resources can sustain the competitive advantage. Therefore, the importance of the corporate culture in improving the performance is in line with the RBV theory.

#### *Theme 4: idea testing, idea evaluation and seeking honest feedback*

Participants mentioned that their CEO were always open to discuss ideas with all the employees and that any idea could be discussed and even CEO generated ideas or concepts were open to delay or rejection. In fact, participants advised to always take the opinions of others and to take any criticism as a good feedback. Furthermore, participants added that managers should look for people who did not agree with their opinion and try to understand the reasons behind the disagreement. As identified in Table V, this theme appeared 52 times in the interview transcripts, which represented 18 percent of all the codes.

Nyoni and Bonga (2018) found that one of the reasons behind the high mortality rate among SMEs was the lack of willingness from the SME managers to listen and benefit from criticism. Sattayaraksa and Boon-itt (2018) believed that managers could encourage employees to develop and implement ideas through open communication and welcoming disagreement with employees. Therefore, SME managers should be receptive to differences in opinion and should encourage their employees to provide honest feedback.

Wikhamn *et al.* (2018) argued that testing new ideas is important especially for the success of innovation. In this study, participant noted that they always test ideas on a small scale to make sure that it can fly. To determine the potential of success, the majority of participants noted it was important to choose suitable people to try the new products and observe them to get instant feedback. Perry-Smith and Mannucci (2017) argued that the journey of an idea consists of four phases: idea generation, idea elaboration, idea championing and idea implementation. Idea elaboration is the consistent evaluation of new ideas (Perry-Smith and Mannucci, 2017). Therefore, SME managers should accept criticism for their ideas from their employees and have an open discussion with them.

Hargadon and Sutton (2000) considered ideas and the innovation that comes from ideas as the most valuable resources a firm can have. In addition, De Zubielqui *et al.* (2014) concluded that ideas could have an impact on the performance of the firms when these ideas are mediated by innovation. The consideration of ideas as valuable resources that can improve the performance of a firm is in line with the RBV theory. Since the ideas that produce innovation are valuable resources, they can provide companies with a competitive advantage. Idea testing and evaluation are ways to ensure that the idea is valuable and has potential. Ideas that have a potential for commercialization are valuable resources that align with the RBV theory.

*Theme 5: the customer as a resource for the company*

Customers as buyers and users for the products are a key resource for the company. Tobiassen and Pettersen (2018) argued that customers could contribute to the innovation process from start to finish. Furthermore, Wikhamn *et al.* (2018) argued that SME managers can encourage customers to present their ideas and to participate in the innovation process through continuous communication. Tottie *et al.* (2016) found that companies should continuously collaborate with their customers to improve their products. This theme appeared 34 times in the interview transcripts, which represented 12 percent of all the codes (Table VI).

Tobiassen and Pettersen (2018) found that involving the customers in the innovation process provide a complimentary competency for the company and produce solutions that are consistent with the customer needs. For example, in the study, participants mentioned that they cared for their customers and they wanted them to be their friends. Fidel *et al.* (2016) concluded that companies involved in continuous communication with their customers would be in a better position to identify and respond to new market opportunities

**Table V.**  
Frequency of  
main Theme 4

Theme	Number of occurrences	Percentage of occurrence
Idea testing, idea evaluation, and seeking honest feedback	52	18

**Table VI.**  
Frequency of  
main Theme 5

Theme	Number of occurrences	Percentage of occurrence
The customer as a resource for the company	34	12

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before their competitors which will create value for their customers and the company as well. Many of those interviewed mentioned that customer needs and pain points represented an invaluable input for innovation. Furthermore, many of the participants turned to social media and review sites to get the customer feedback about the company products and the competing products.

A good customer relationship is a win–win relationship between the customer and the company. Ueki (2017) found a significant correlation between customer relationships and product innovation. Abrell *et al.* (2016) mentioned that customer knowledge includes explicit information about the difficulties with exiting products or services and the requirements for new products or services. Szymańska (2017) asserted that both the customers and the companies gain from having direct communications because the customers will fulfill their needs and the companies will guarantee a certain level of sales. Being close to the customer enables the company to improve their current products and plan for future ones.

A customer can be a valuable resource for the company. Fidel *et al.* (2016) argued that the customer knowledge is a strategic resource that companies can use to improve innovation. The company can use the customer knowledge to improve the current position and compete for a better position in the future. Since customers differ from one company to the other and since such customers can provide value to the company, then such customers can be considered valuable and inimitable. Therefore, the customer as a resource aligns with the RBV theory. Furthermore, Fidel *et al.* (2016) concluded that companies involved in continuous communication with their customers would be a better position to identify and respond to new market opportunities before their competitors. Such a capability gives the company a sustainable competitive advantage which is aligned with the RBV theory as well.

### **Recommendations for action**

To adopt innovation, SME managers can follow the following recommendations that resulted from this study.

#### *Encourage the employees to generate new ideas*

Ideas are the starting points for innovation. SME managers should encourage their employees to come forth whenever any of them have an idea. SME managers can provide several channels for submitting an idea by the employees like a suggestion box, an e-mail address for ideas, an idea submission system, monthly contests and periodic meetings. Encouraging employees to present their ideas is a win–win situation where the employees will feel appreciated by their top management, and the management will get free ideas that can improve the company performance.

#### *Create an innovative corporate culture*

The top management is the main influencer on the corporate culture. To promote innovation, SME managers should create a culture that matches their goals. Promoting innovation requires allowing the employees to experiment and try out new things which may succeed or fail. Therefore, SME managers should accept a certain degree of risk and a certain degree of failures.

#### *Formulate and communicate a clear vision and clear goals*

The first thing SME managers should do is to formulate and communicate clear vision and goals for all their employees. The clarity of goals encourages employees to work toward these goals. Furthermore, when a group of people focuses on a certain set of clear goals, they will have a better chance to achieve them.

*Evaluate and test new ideas*

Ideas are the starting points for innovation. However, not all ideas will reach commercialization. SME managers should seek to evaluate ideas objectively regardless of who submitted the idea. After evaluation, the SME managers should test the ideas before full commercial implementation. The purpose of testing is to measure the market need and gauge the customer response. SME managers should find ways for testing that have the minimum financial impact.

*Seek honest feedback and accepting criticism*

As part of idea evaluation, SME managers should seek honest feedback from all those around them. An idea coming from the CEO may get a high evaluation just because it came from the CEO. SME managers should avoid such bias by devising a transparent and objective approach for idea evaluation. One way for achieving transparency and objectivity is to present ideas without mentioning who submitted each idea. SME managers should look for those who differ with them rather than avoid them. Criticism can be a good source of new knowledge.

*Seek and maintain a constant communication with the customers*

Customers and customer knowledge are strategic resources for companies. SME managers should maintain a constant communication with their customers to benefit from these resources. Customers have valuable information about the issues in the current products which SME managers can use to improve these products. SME managers can design future products based on their customers' needs.

**Recommendations for further research**

The findings of this study can help SME managers formulate their strategies to implement innovation in their firms. The population consisted of five SME managers from four SMEs. We did not consider the specific sector or category of the SME when choosing the participants. Future research can target innovation implementation in a specific sector like tourism, manufacturing, trading, IT, real estate, construction or telecommunications. Such studies that address a particular sector may result in implementation strategies that may be more relevant to that specific sector. Furthermore, such strategies may be more effective for a specific sector than what we identified during this study. Researchers can conduct more targeted research by considering the three business categories within SMEs which are micro, small and medium.

Because of the resource limitations, an SME manager may not be able to implement all the findings of this study. Therefore, future quantitative studies can focus on finding the correlation between each of the findings and the improvement in the SME performance. Such a study can identify the actions that can have the highest impact on the company performance. Our study and the other recommended studies can be repeated in other areas within the UAE such as Abu Dhabi. Studies can also be conducted throughout the GCC countries which may result in a unified innovation implementation strategy for all SMEs operating in the UAE and its neighbors.

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