



SMEs Performance Subject to the Effect of Innovation and Marketing (a Review Case Study)

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Abstract: *Companies are striving around the globe in various sizes and sectors in an environment that is increasing in its dynamicity, complexity and unpredictability day in day out. Such an increase reminds the companies that they should be seeking for new ways of doing business via innovation enabling them to gain profit and remain in the apex of the competition. Moreover, increase in competition, shortening of the product life cycle, the need for new product success and market-orientation are atop of the innovation agenda of the companies.*

Keywords: *Innovation, Marketing, Market Performance*

INTRODUCTION

Financial and service organizations need to enhance their marketing performance in order to be able to continue their activities in business arena. In line with this, they should identify market needs and take advantage of customer relation management strategies. Under such circumstances, the objective of many of the organizations is obtaining a greater share of the market in contrast to the rivals. Increasing the market share for achieving higher sales and higher profitability is one of the most important goals of any organization. The ability to make use of successful marketing and successful strategies in market competition is of a large importance for the performance of an organization (Brink, 2016).

Organizations wish for competitive advantage and it has to be done via a comprehensive program comprised of an array of different marketing elements. Walker (2011) explains that the successful marketing strategies are roadmaps of organizations exercising due care in regard of their resources. In creating economic value, these organizations have objectives in common and they lead their rivals. Marketing strategies have key effects on outputs and costs. The researchers have used various aspects in international studies of marketing so as to showcase marketing strategies like export marketing strategy, export strategy or business strategy, although all these aspects do not suffice a marketing concoction and some other researchers have added several other indicators and variables to them so as to render them more meaningful (Han and Kim, 2012).

Marketing Perspectives:

Labroo and Rucker (2010) define the market-orientation level of a company as the degree to which it:

- 1) Obtains and uses the customers' information.
- 2) Develops the strategies satisfying the customers' needs.
- 3) Implements strategies responding to the customers' needs and wants.

In business entity level, the managers acquire the information from the external environment and try interpreting and employing it as a basis for the selection of the objectives and intentions as well as resource allocation in various plans of the business entity. While such information contains materials covering a vast

spectrum of areas, including technology, human resources, legal and financial environment, the customer environment is considered as the vital external environment in regard of market-orientation development. The second aspect of the market-orientation definition is pertinent to the development of a practical plan and/or a strategy concentrated on the customer. The business entity develops programs specifying the objectives, resource allocation and responsibility assignment in order for them to be easily executed. The second aspect of market-orientation is expressive of the degree to which the strategic planning process explicitly takes the needs and wants of the customers into consideration and develops special strategies for keeping that set of customers satisfied. The third aspect of market-orientation incorporates the adjustment and implementation of a customer-oriented strategy that responds to the market needs and wants. When acted out by the business entity, these behaviors can be different in the extent to which they satisfy the customers (Labroo and Rucker, 2010).

In another perspective, customer-orientation is considered synonymous to market-orientation based on the fact that the market is being commonly defined as a set of potential customers; it is taken as antonymous to the competitor-orientation. Effective marketing strategy needs a balanced combination of customer and competitor analyses. Farley and Deshpande reasoned that competitor-orientation can be antonymous to customer orientation when the attention is exclusively directed at strong points of the competitor and not on the unsatisfied needs of the customer. Interdisciplinary coordination is perfectly aligned with the main quintessence of the customer-orientation and it has to accordingly be a part of its meaning and assessment instrument (Deshpande et al, 1993).

SMEs position in Market Performance:

Small and medium enterprises (SMEs) are considered as the substantial growth factors of the industrial structure of many of the countries, especially in the developing countries. Moreover, competitiveness is an important and axial issue that is recounted as an instrument for reaching optimal economic growth and sustainable development. There are various scales for evaluating the competitiveness (Ebrahimi and Mirbargkar, 2017). In the current status of the conditions governing the world, joining the world trade organization is one concern of the developing countries, including Iran. Competitiveness means the ability of achieving appropriate position and stability in the global markets. Nowadays, the expansion of the markets and the importance given to the competitiveness in the international business have made it necessary for the countries to acquire a correct understanding of their relative position in contrast to the other countries so that they can become capable of adopting economic, especially industrial, policies corresponding to their relative positions and based on the novel approaches of global economy. The recognition of the issue helps them enhance their competencies in line with the improvement of their performance. The rapid evolutions in the global economy and industry sector of the countries add to the necessity of identifying the countries' modern taking of positions in the international competition (Ebrahimi et al, 2018a). Expansion of the global business, rapid changes in the consumption and demand patterns, revolution in IT as well as increase in the number and the quality of the domestic and international rivals during the past two decades have caused the competitiveness to become a very important concept. Competitiveness is a key scale for evaluating the degree of success attained by the countries, industries and entities in the political, economic and business fields. It means that each country, industry or entity that enjoys a high competitiveness in the competitive markets can attain a greater deal of success. Various studies on competitiveness have been taken into consideration in three levels, namely national, industry and entity (organization/company) amongst which entity level is of a more importance in comparison to the other two levels because SME development is the code to the economic development in the upcoming decades (Ebrahimi et al, 2018b).

Innovation Conceptualization:

Innovation is defined as the invention of a domestic device or an excerpt from a purchased device, system, policy, program, process, product and/or a new service utilized by an organization (Damanpour, 2014). Therefore, innovation is considered as a process or a result or both of them.

The advent of knowledge-based economy, severe global competition and abundant technological progresses has been increasingly placing innovation in the focal point of competition. Innovation is a mechanism by means of which an organization manufactures new products, processes and required systems for the purpose of getting matched with the changing markets, technologies and competition methods (Salavou, 2013). Organizational innovation is generally the use of generated or purchased devices, systems, policies, programs, processes, products or services that are new to the excerpting organization. Based on these definitions, products and services are not necessarily new in a market or an industry and even when a company imitates the products or systems of another company, they can be realized as organizational innovation if they are new to the imitating company (Keskin, 2015). The majority of the prior research on innovation has been concentrated on products and process implementation in various companies. In line with this, some researchers knew innovation as the novelty, adoption of a new idea or behavior in an organization and/or delineation of a company's abilities for development, launching and commercializing new products or services with a fast pace and before the competitors (Ebrahimi and Mirbargkar, 2017).

Innovation Aspects:

Hushield expresses a comprehensive definition of innovation in four content-related, mental, procedural and normative aspects by raising the following questions:

- What is new? (content-related)
- To whom it is important (mentality)
- Where does such a novelty begin and end? (procedural)
- Does novelty mean success? (normative)

The content-related aspect of innovation depends on the current or potential problem-solving capability and it can take different shapes in respect to their resolution by the common and traditional instruments and methods and/or based on their needs to the offering of a new method and/or a combination of both of them. The important property of this aspect is the amount to which a solution is deemed new and it leads to creativity in process or production. The mentality aspect is concentrated on the individual's awareness and the technological changes in this aspect are envisioned as the key factor. The emphasis of this aspect is not on the personal awareness and the companies can speak of innovation when they are using new opinions for the first time. In regard of procedural aspect, it is necessary to provide a clear-cut definition of the idea that in what point does the innovation start and where does it end? This process has been divided by Hushield into seven consecutive stages, commenced with the offering of an idea and terminated with the constant and successful use and application of it (figure 8-2). The economic success of an innovation is evaluated by means of the fourth aspect, to wit the normative aspect. Goal-setting is the key factor in this aspect. As it was mentioned, innovation is a theory or a plan wherein the existing knowledge or techniques are combined so that the theoretical foundations of a new concept could be laid.

Thus, innovation possesses various aspects hence it is a multifaceted issue. These aspects are fourfold as stated by Hushield (Ngo and O' Cass, 2013, p.1135).

- 1) Innovation in process
- 2) Innovation in mentality
- 3) Innovation in norms
- 4) Innovation in content

Conclusion

The intensification of the competitive space makes it clear that the striving in any market is suspended over innovation with the prerequisite role played by competition principle. This has resulted in giving too much value to market-orientation in lieu of product-orientation. On the other hand, companies, all around the globe and in various sizes and sectors, are striving in an environment the main feature of which is daily increasing

dynamicity, complexity and unpredictability. Such an increase reveals it to the companies that they have to be looking for new methods of doing business via making innovations that provides for profitability and keeps them in the apex of the competition. The increase in the competition, shortening of the product life cycle and the need for new products' success have all made the companies put market-orientation atop of their innovation agenda. In fact, these are the reasons indicating why the companies should take advantage of market-orientation in product innovation.

Market-orientation is accompanied by various merits with direct and direct patterns for organizations; these benefits include innovation, customer loyalty, product quality and, eventually, organization performance improvement. On the other hand, various groups, for various reasons, are interested in performance evaluation and there are also different approaches thereto. That is because evaluation of an organization's performance is an important managerial duty. Nowadays, innovation and market-orientation are amongst the important competition tools and they are envisaged as primary factors of performance improvement.

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