

The Significance of Innovation Strategy and its role in the Growth of Dubai

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Abstract

The increasing focus on innovation by SMEs is creating new standards of business in today's economy. Therefore, the high tech SMEs are the significant part of the economy of any country due to unmatched competency and ability to manage external challenges. The current research is an attempt to conduct empirical analysis which focused to explore the importance of innovation strategy in the business growth of high tech SMEs in Dubai. The theoretical framework of this research is based on dynamic capability theory and Resource-Based View theory. With the help of this theoretical framework the contributing factors of innovation strategy in the business growth of the company was analyzed. The primary source of data was based on survey questionnaire which was collected from 106 high-tech SMEs in Dubai. Some of the most important factors of innovation explored in the study was technological factor, marketing factor, entrepreneurial factor and risk from the business environment. The results of the research further reconnoitered three factors such as technology factors, marketing factors and entrepreneurial state-related risk. According to the research, the high tech SMEs of Dubai are more dependent on technology push and less reliant on marketing pull. The research contributes the expansion of knowledge and practice at various levels. It has established the factors involved in the process of innovation strategy and their significant influence on business growth. The findings of the research are further validated through empirical data. The research has a broader scope of applicability not only in SMEs of Dubai but throughout the world. These findings can be utilized to bring improvement in the innovation strategy of the organization. The research carry immense potential to become a model and useful source for policy makers and business owners to review their views regarding innovation of high-technology SMEs, especially in the context of Dubai.

1. Introduction

1.1 Background of the Study

Abrantes&Figueiredo (2015) in their research explains that high tech SMEs are not only stirring innovation but also supporting the global economy. The major contribution of these firms is to make sure the availability of innovative products and services in the marketplace. While talking about the last decade, the researchers stressed that technological sector has been transformed completely. The research further acknowledges that the technological factor has been influential in almost every sector which contributes in the economic development. With the help of innovation strategy, SMEs are expanding at a rapid pace.

Innovation based high-tech small and medium enterprises act as the catalyst and architect for the technological transformations in almost every segment and innovation intensifies the competitiveness of the organization. The ability of High-tech SMEs to act as a catalyst of change in the economic arena can be accredited to their flexibility and adaptability, their intimacy to the suppliers and market, and their supportive internal staff, and, in few cases, willingness of entrepreneurs to accept risk (Arend&Bromiley 2009).

1.2 Rationale of the study

Though, a lot of research work has been conducted about the innovation, and its core factors but innovation strategy as an entity is not that much explored or studied. As a result, there is a huge gap in the innovation research strategies in high-tech SMEs, though it is an important factor in the attainment of innovation as well as company altogether. Therefore, there are no extensively established and accepted descriptions regarding innovation strategy which can explore the concept. A lot of researchers conducted researches on research and development strategy, technology strategy and innovation strategy. In these researches there are no clear distinctions among these factors were identified (Barringer& Jones 2004).

1.3 Problem Statement

The Dubai market of high tech SMEs is emerging with a rapid pace and in a very less span of time it has been successful to capture the attention of international economics and researchers. In this view, there has been a growing interest in the growth of dynamic organizations with innovative potential, primarily ICT, biotechnology and high-tech electronics. As a result, clusters of innovative high tech companies are working all over Dubai. This trend of high tech

innovative companies is supported with the increased productivity and rapid business growth (Al-Ansari et al. 2013). While considering the importance of innovative strategy in the business growth of SMEs, the current study has been directed to target the Dubai SMEs to explore the factors of innovative role of innovative strategy in business growth.

2. Innovation strategy in Organizational Context

With the help of innovation strategy SMEs seek to obtain income derived from their knowledge base. Strategy information technology, which uses information technology in novel ways to reduce costs for SMEs and increase their productivity. Niche strategy, in which SMEs choose to become sophisticated economy in a line of very specific products. Likewise, network strategy in which SMEs work and cooperate with other companies, whether SMEs or large companies, in order to improve their ability to access to innovations and assimilation thereof. Clustering strategy, according to which SMEs are set in the vicinity of its competitors to take advantage of the spread of knowledge, especially in the early stages of the life cycle of the company (Chesbrough & Appleyard 2007).

Information Technology Strategy, on the other hand, is a strategy that SMEs can use to improve their competitiveness in the world market, and includes the implementation and adoption of new technologies that effectively serve to reduce costs. A number of important new technologies, including the Internet and microprocessors, help relieve economies of scale and enhance the benefits traditionally associated with large - scale production. New information technologies allow web - based SMEs acquire the skills to operate globally at very low cost capabilities. SMEs are also using e-commerce and accessing, via Internet, to products such as software systems for financial and accounting management to strengthen the organizational and administrative capacities, while reducing the high costs related to the management of SMEs.

Moreover, some companies, especially small and medium enterprises choose to direct their activities towards niche markets or new niches, either in their own country or in foreign markets. To some extent, this strategy is employing small and medium enterprises in Germany, commonly called "Mittelstand". Many of these small and medium enterprises are not well known by the public. However, the participation of these companies in the market often far exceed that of the large German companies. One of the main strategic tools used by these companies is to

combine expertise in certain products with geographical diversification. Typically, these companies focus on a particular market niche, usually one that requires technical expertise, and allocate own resources to maintain leadership in this niche (Coad et al. 2011).

SMEs can choose to strengthen their competitiveness in the global market by participating in localized geographical groupings. In this strategy the companies benefit from the advantages offered links with other companies because of their geographical proximity, to have better access to new ideas and knowledge. This strategy can be especially important in young industries or industries in which knowledge is a tacit condition. The Italian experience shows the importance of innovation strategy (Cooper & Kleinschmidt 2007).

3. The Benefits of Innovation strategy

In a study by Gundala& Khawaja (2014), the advantages of Innovation strategy to small businesses are outlined: "Small businesses made extraordinary contribution to the field of innovation due to several advantages they have against the large corporations. The first important quality is that small businesses are less bureaucratic than the more structured organizations. Secondly, and this is something that is often overlooked, many technological advances result in the accumulation of countless inventions involving individual techniques related components, materials and production. The realization of such small and minute progress with sales opportunities that are often too modest, not arouse the interest of giant corporations. If we consider that the fruit of the work of a single entrepreneur applied to a new product or process can generate millions in annual sales in dollars, realize that very few large companies are much enthusiasm by those little progress, nor could easily adapt their organizational structures to achieve them. Thirdly, it is easier to keep the excitement in small organizations where peer relationships, personal and gratuities are narrower alive(Arend&Bromiley 2009).

The ability of SMEs to create, obtain and commercialize new knowledge in markets around the world find it essential to remain competitive. Innovation strategies that have enhanced the competitiveness of SMEs in the global market are innovation strategy, niche strategy, clustering strategy, and information technology strategy.

4. Research Methodology

The main purpose of this section to develop a better understanding about the methodology used while conducting this research study. The current research was based on positivism paradigm, quantitative research method, exploratory approach, and survey questionnaire strategy was used to collect the primary data. Along with that reliability and validity of the collected primary data was carried out to check the authenticity of the results.

Commonly, while conducting surveys, interviews and questionnaires are used for the purpose of data collection. This study used survey questionnaire as a tool to collect the information from high-tech SMEs of Dubai to explore the ratio of influence and to further validate the research findings.

The information related to the companies were taken from dissimilar sources. Along with that participants were included in the process of research. For the purpose of analyzing the acquired data, statistical tool named as SPSS software was used. This software was especially used to inspect the validity and reliability of the attained information. The multiple regression analysis techniques were chosen further to accomplish research objectives as multiple regression is a powerful and flexible method to examine the correlation between multiple autonomous variable and quantitative dependent variable.

The population sample of the research was based on different professionals employed at top management with different roles and responsibilities. These participants were either in the domain of management or they were associated with the department of R&D and they were from director to managing director. Moreover, some heads of the departments were also included in the research process. The majority of the participants were directly involved in the decision-making process of the organization. The division of participants is presented in the table below.

Job Title of Respondents	Frequency	Percentages
Founder	31	29%
Managing director	23	28%
Director Operations	12	11%
Head of R&D	4	4%
Head of Productions	12	11%

CEO	16	24%
Total	98	100.0

Table 1: Profile of the respondents and the firms

5. Research Findings

The findings of the research clearly reveals that technology factor is influential among all the other factors. The other factors of innovation strategy such as marketing factor and government risk factor has comparatively less influence on the business growth of SMEs in Dubai. The technology factor has a coefficient of around 0.420 which is much higher. This coefficient shows that that technology factor has high and positive influence over the business of SMEs. It further suggests that the major part of the innovation strategy is influenced by the technology factor. In contrast, the Marketing factor with the coefficient of -0.350 indicates comparatively low and negative influence. Similarly, another Entrepreneurial factor has a constructive influence with around 0.130 coefficient. On the other hand, the factor of Government-related risk has a low coefficient 0.085. However, its influence is low but most of the times it has positive influence on the business growth of SMEs in Dubai. The research findings further show that innovative strategy impart its high influence and affect positively on the growth of business. The findings of the research are presented in table given below.

Factors of Innovation Strategy	Coefficient	Influence rate
Technology factor	0.420	High and positive
Marketing factor	-0.350	Negative
Government-related risk	0.085	Low and positive

Table 2: The influence of factors

The findings of the research results indicates that three factors which make a part of an innovation strategy have a positive influence on the business growth. Though, it also indicates the factors which make a part of an innovation strategy of a high-technology SME are not entirely similar to that of a large company. In this study, the second hypothesis proposed based on the marketing factors was rejected. This could be attributed to the characteristics of high-

technology SMEs which is different from low-technology SMEs or a larger firm. The majority of the high-technology SMEs are involved in R&D and radical innovations.

When they are involved in radical innovations, they are creating needs rather than responding to needs. Even with some of incremental innovations, high-technology SMEs might be creating a solution to an uncertain need in the market. These factors make the traditional way of marketing challenging for a high-technology SME. Marketing factors were not significant in terms of their contribution to the business growth for this unit of analysis.

6. Conclusion

Hence it can be safely concluded that the business growth of SMEs in Dubai is directly linked with the innovation strategy. Among different factors of innovation strategy the technology factor has high and positive influence on the business growth. The research findings further indicate that the innovative strategy plays a vital and indispensable role in the growth of high technology SMEs. The findings of the current research has potential to both students as well as professionals. Along with that these findings can be helpful for the high tech companies of Dubai to further make a sustainable path for their growth.

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