

# “We don’t really” an exploratory investigation into innovation management in SMEs

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## Introduction

Small to medium-sized enterprises (SMEs) account for 61% of total UK employment with 16.3 million people (Federation of Small Businesses, 2021). These organisations play a vital role in business turnover, supply chains and exports, contributing significantly to national measures of economic output such as GDP. Given these characteristics and the value of SMEs not just in terms of employment, but also as hotbeds for innovation, it is important to investigate how employees are recruited and how they contribute to such activities. In this study, we are primarily concerned with engineering graduates. The aims of this pilot study are captured in the following research questions:

- How do those employed in SMEs perceive innovation?
- How do SMEs that employ engineering graduates manage innovation?
- How do engineering graduates contribute to innovation in those SMEs?
- Are there capabilities that help engineering graduates contribute to innovation?

## Relevant background information

Technological and organisational innovation have been postulated as responsible for contributing to sustained and accelerating economic growth (Verspagen, 2005; Wong, Ho, & Autio, 2005). Although commonly described as a category in their own right SMEs are far from an homogenous entity and assumptions to this end can be a major drawback when investigating these businesses, such as in organisational and managerial processes (O'Regan & Ghobadian, 2004). Breaking down SME into micro, small and medium, the vast majority occupy the micro (95%) and small (4%) of all businesses (Hutton & Ward, 2021), with 0-9 employees and 10-49 employees, respectively. The way in which innovation is managed varies considerably across geographies, sectors and organisations.

## Research approach

Qualitative research has been shown to enable scholars to gain a greater understanding of the field of study, for instance in eco-innovation amongst SMEs (Klewitz, Zeyen, & Hansen, 2012). A semi-structured interview schedule was devised covering business activities, graduate talent, innovation, engineering graduate capabilities/contribution and an opportunity for participants to add further comment. Purposeful sampling was used by drawing on the author's professional network of SMEs to identify organisations. Semi-structured interviews were undertaken with five individuals from three technology-focussed English SMEs, which comprised two managers, two graduates and one manager/graduate over the summer of 2021.

## Results

### Managing innovation

There was a consistent response to the question about how is innovation managed summarised by “we don’t really”, indicating that superficially at least, managers did not believe they have formal mechanisms or approaches to managing innovation.

### Defining innovation

Doing something differently, changing something and not the status quo were consistent messages in response to this question. One respondent also emphasized that innovation can be either a product or a process and that it has to be applied or adopted. This was echoed by others who stated that it is about changing for the better or making improvements to the way something is done.

### Value of planning

Exploring the concept further with participants revealed that some in management positions placed a strong emphasis on planning for activities associated with innovation, which in practical terms may be the identification and solving of problems or the increasing of efficiency and productivity.

### Innovation by increment

There was consistency across all participants that innovation activity was much more akin to identifying a problem and fixing it, rather than having a eureka moment of sudden inspiration. This can therefore be termed innovation-by-increment. The notion was propelled further by directly citing continuous improvement as a source of innovation activities within the enterprise.

### Customers as a source of innovation

A recurring theme from participants was that customers are a source of innovation for firms. This could be regarding feedback on client journeys or via demands that a product needs to achieve certain functions.

### Partnerships to support innovation

There was consistency in responses from all participating firms that they place a high degree of value on partnerships, through both formal and informal networks.

### Innovation can be simple

During the discussions, there was mention of the art of simplicity, underlining the notion that doing something innovative does not have to mean it is attractive, flamboyant or bold. This was steeped in recognition amongst participants that the term innovation is “big”, referencing the omnipresence of the word as pervading a loss of its meaning.

### Discussion

Whilst there is naturally a lot of variance in how innovation activities are managed, there appears some predisposing features that will help those in SMEs to support and manage innovation. First, is the value of partners and networks, both formal and informal. One such relationship is with customers and the results from this study suggest that SMEs which are not using their customers as a source of innovation may not be benefiting as their competitors are doing. Critical to engendering such value is the ability for agents within SMEs to be expert communicators.

Given the high recognition of problem-solving skills in contributing to innovation activities, this remains not just a desirable capability but essential for those in SMEs to have and to wield. This is a complex area but when combined with principles of continuous improvement could help illicit innovation-by-increment activities.

## Conclusions/implications

This work set out to respond to a number of areas of innovation management in engineering SMEs, contextualised in the wake of the COVID-19 pandemic. The results underline that whilst the heterogenous nature of SMEs remains one of the contributing factors to sustainable competitive advantage, there are common features in the ways in which innovation is managed. These recurring themes provide those interested in SMEs with data that supports innovation and knowledge management within those firms.

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