



6th International Research Symposium in Service Management, IRSSM-6 2015, 11-15 August
2015, UiTM Sarawak, Kuching, Malaysia

An Overview of Technological Innovation on SME Survival: A Conceptual Paper

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Abstract

This paper explores the theoretical review of technological innovation on SME survival by looking at literature review with SME studies. Previous reference on survival is still scarce even it is the key benchmark to measure business performance. It has been demonstrated within the literature that the practice of technological innovation is significantly associated with business performance but its effect towards SME survival is underexplored. SME survival refers to the year of business operation, availability of future plans and diversity of product/service range. According to social scientists and management experts, among the main technological innovations highlighted in literatures are namely sophisticated machines and equipments, fusion of different technologies, gadgets machines and equipments, fusion of different technologies, and gadgets as tools of innovation. By looking at the technological innovation scope by Diaconu (2011); social networking, computerized record, online marketing can be categorized under the current technological innovation as these mediums are based on technology and influence the development intensity with new or improved process or products. Apart from this justification, among other approaches, these three mediums are close to the business and its potentials are yet to be optimized. In short, the critical discussion provided in this paper would help to strengthen the body of knowledge on SME studies, besides to act as a reference for research in other countries. Findings from this review shed some lights on the potential of social networking as part of online marketing; as the online customers are greater than the typical offline customers. Also, the effect of online marketing via social media is more powerful and diverse due to its ability to reach customers regardless of geographical locations.

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Peer-review under responsibility of the Universiti Teknologi MARA Sarawak

Keywords: SME survival; innovation; small business; technology; Malaysia

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1. Introduction

SME studies are getting more attention since early 1950s in Western countries especially after United states initiate the Small Business Administration (SBA) established by Congress under Small Business Act (Cull, Davis, Lamoreaux & Rosenthal, 2006; Bischoff, 2011) meanwhile, SME started to become Malaysian government's main priority from early 1970s with the development of New Economic Policy (Saleh & Ndubisi, 2006). Since that, from the fundamental question on SME start-up, business funding to SME internationalization process, technology always happen to be the important variables for SME (Chong, 2012; Rahman, Yaacob & Radzi, 2014). Technology alone is basically referred to the machinery, tools and instrument to speed up business operations (Radam, Abu & Abdullah, 2008; Saunila, Pekkola & Ukko, 2014) whereas innovation, on the other hand, manages to inculcate the culture of creating something new and valuable whether a new product or service, production process, structure or administrative system (Hult, Hurley & Knight, 2004; Tseng, 2014). In general, SMEs operate at low levels of technology which generate lower productivity. Based on a SME Census 2011 (Department of Statistics Malaysia), 67 percent of Malaysian SME is IT literate and use the internet for personal purposes. However, only 23 percent utilize Information Communication and Technology (ICT) for business operation (see SMEinfo, 2011). This fact is a clear sign that IT literacy does not guarantee that SME use technology to improve performance. With this in mind, it leads to the current literature which shifting the study focus from IT literacy or IT acceptance to the knowledge sharing on how technology benefits business. Scarcity in the literature warrants a theoretical review on SME survival. Overcoming challenges, finding adequate financing, are not the only setback for SME to be successful. Current findings proposed that more studies are required to study business survival before performance and determinants of successful business come into practice. The growing number of business failure and higher failure rate for infant business demands SME survival to be the center of attention with technological innovation acting as the medium leading to higher survival rate in Malaysia. In this connection, this paper aims to review the relationship between the technological innovation and SME survival based on current literature review.

2. The impact of technological innovation on SME

This section is divided into four sections. The first part will discuss the current work related to technological innovation and describe what the criteria are for SME Survival. Next, the literature explains the theoretical framework and each variable in this study are critically discussed. Subsequently, this paper describes the research methodology and at the end of this paper, there are suggested directions for future research.

Small and medium enterprise (SME) has different terms and definitions according to countries. Particularly the size, full time employees and sales turnover are the main criteria in separating SME worldwide (SME Corporation, 2011a). In fact, there is no established definition of SMEs (Hooi, 2006) because it is difficult to formulate a universal definition (Scheers, 2011) as the economies of countries vary and most of the scholars adopt specific standards for SME based on specific purposes (SMEinfo, 2011). Definitions of Malaysian SME refer to the fixed quantitative measure which is the total number of employees and looking at the business sales turnover (Omar, Arokiasamy & Ismail, 2009). In Malaysia alone, 99 percent of the overall business entities are SME. There are three major sectors in Malaysia to be exact; Services, Agriculture and Manufacturing. SMEs contribute 31 percent of the nation's Gross Domestic Product (GDP) and share 56 percent of the total job employment (SMEinfo, 2011). The description of small business from SME Corporation Malaysia (2013) simply stated that SME segregation also depends on the sales turnover. For instance, small business across all sectors, the sales turnover must be less than RM300,000 to RM15 million or full-time employees not exceeding five to 75 full-time employees (revised 1 January 2014).

Over the years, SME studies are no longer put a spotlight attention on SME challenges per se. Current researchers are shifting from emphasizing the drawbacks to finding solution or remedy to overcome those issues. Notwithstanding the severity of SME challenges, most of the challenges are studied in a mass publication starting from the year 1994 in a survey initiated by Asia-Pacific Economic Cooperation (APEC) until the year 2009 before the topic is deemed as not current to the literature review. Then, scholars are turning their interest to study SME performance and success factor which significantly heading towards proposing frameworks and models to improve the SME industry from 2009 up till the year 2014 (Inyang & Enuoh, 2009; Chittithaworn, Islam, Keawchana &

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