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THE CONTRIBUTION OF INNOVATIONS TO THE GROWTH AND COMPETITIVENESS OF SOUTH AFRICAN SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract

Small and medium-sized businesses (SMEs) are crucial for the growth of economies and the creation of jobs in most emerging nations. This study's goal is to investigate and evaluate how innovations affect the development and competitiveness of SMEs in South Africa. Purposive sampling was used to identify the study participants. The study uses a quantitative research approach that enables the collection and analysis of numerical data from a sample size of 400 SME owners and managers. According to the study's findings, SMEs that are innovative in their operations have a higher chance of surviving, expanding, and remaining competitive in the market than those that are not. It has been found that a variety of innovation-related factors, such as product innovation, process innovation, marketing innovation, and organisational innovation, have a considerable positive impact on the development and competitiveness of SMEs. The study suggests that governments, trade groups, and business support organisations should play a significant part in fostering an atmosphere that encourages innovation among SMEs.

Keywords

Innovations. Growth, Competitiveness, Smes, South Africa

Introduction

The foundation of South Africa's economy is made up primarily of small and medium-sized businesses (SMEs), which provide a substantial contribution to job creation, economic expansion, and the reduction of poverty. However, these businesses encounter a variety of difficulties in a cutthroat business environment, such as constrained resources, market limitations, and changing consumer preferences. In this scenario, the importance of innovations in fostering the expansion and competitiveness of SMEs has grown significantly. Ajimati (2012) notes that innovation, which includes the creation and use of novel concepts, procedures, goods, and business models, has the power to transform SMEs and advance them towards long-term success. SMEs can increase their capacity to adjust to shifting market dynamics, boost operational effectiveness, and set themselves apart from rivals by embracing innovations. OECD (2015) stipulates that with its diversified and dynamic economic climate, South Africa offers an engaging setting to investigate how innovations affect the development and competitiveness of SMEs. Within SMEs, innovation involves a variety of aspects. While process innovation concentrates on increasing operational performance and cost-effectiveness, product innovation involves the creation and introduction of new or enhanced products or services. The use of innovative marketing methods, channels, or approaches to connect with target consumers is referred to as marketing innovation. Changes in management techniques, corporate strategies, and organisational designs are all included in organisational innovation. SMEs in South Africa use a variety of innovative strategies to boost their competitiveness and spur growth.

Limited access to capital and financial resources is one of the major issues facing SMEs in South Africa when it comes to innovation. This restriction frequently restricts SMEs from making research and development (R&D) investments, embracing new technology, and putting innovative tactics into practice. Due to their size, a lack of available collateral, and perceived risks, many SMEs in South Africa find it difficult to obtain enough capital. Traditional financial institutions could be reluctant to lend money or invest in these companies, especially for initiatives involving innovation. High interest rates on loans can dramatically raise the financial burden for SMEs, even when they are successful in obtaining capital, making it difficult to devote funds for innovative efforts. The numerous funding possibilities for innovation and R&D may be unknown to some SMEs. Their access to financial aid is further hampered by this ignorance (OECD, 2015). When it comes to new ideas, SMEs and investors alike may display risk-averse behaviour. Due to worries about potential failure, SMEs may be hesitant to invest in novel and unproven technologies, and investors may view innovation as inherently hazardous. SMEs frequently lack the money necessary to partner with universities, research organisations, or larger businesses to gain access to knowledge, technology, and finance for innovation projects. A multifaceted strategy involving governmental organisations, financial institutions, business associations, and other stakeholders is needed to address these issues (Godin, 2015). The creation of specialised funding programmes for SME innovation, streamlining of application procedures, heightened awareness campaigns, and initiatives to promote an innovative and risk-taking culture within the SME sector are all possible solutions.

The purpose of this article is to investigate and analyse how innovations affect the development and competitiveness of SMEs in South Africa. It explores the many sorts of innovations used by SMEs, including product, process, marketing, and organisational innovations, and looks into how these innovations are put into practice and how they affect SMEs' performance. The essay also looks at the difficulties and obstacles small and medium-sized enterprises (SMEs) have when adopting and putting new ideas into practice, as well as how government support programmes and regulations can help foster an atmosphere that is conducive to innovation. This study aims to shed light on the tactics and recommended procedures that SMEs may use to capitalise on the potential of innovations. In order to achieve sustainable growth and boost competitiveness in the South African business environment, this research intends to offer useful insights and recommendations for SMEs, policymakers, and other stakeholders on how to utilise innovations successfully. Understanding the importance of innovations and the difficulties they present, stakeholders may collaborate to build an environment that fosters and supports SME innovation, ultimately resulting in South Africa's economic growth and prosperity.

Literature review

SMEs struggle to maintain growth and improve their competitiveness as the business environment grows more competitive and dynamic. The ability of SMEs to adapt, thrive, and experience long-term success has emerged as a key component. The expansion and competitiveness of small and medium-sized businesses (SMEs) in South Africa are greatly influenced by innovation. Developing successful methods to promote innovation and propel economic development requires a thorough understanding of the various types of innovation used by SMEs. SMEs in South Africa use a variety of innovative strategies to boost their competitiveness and spur growth. Product innovation, process innovation, marketing innovation, and organisational innovation are the several types of innovation that SMEs use. The features, types, causes, challenges/barriers, and effects of innovation SMEs' performance are all examined in this thorough literature review, which analyses the role of innovation in the growth and competitiveness of SMEs in South Africa.

Product Innovation

The creation and introduction of new or enhanced products or services is known as product innovation. It might range from little adjustments to significant innovations. SMEs have made tremendous attempts to innovate their products, especially in sectors like manufacturing, healthcare, and technology. Product innovation gives SMEs the ability to adapt to shifting client needs, improve quality, set themselves apart from rivals, and increase market share. Depending on the nature of the modifications made to the product, product innovation can take many different shapes. Small adjustments or enhancements to current products, such as the addition of new features or better performance, are referred to as incremental innovation (Reguia, 2014). On the other side, radical innovation entails important discoveries or the creation of wholly new goods that upend the market. Line extensions, which entail offering variations of current products, and platform innovation, which entails developing a common framework that enables numerous product variations, are further examples of product innovation. Companies are encouraged to innovate products for a variety of reasons. As businesses work to create products that satisfy changing preferences and wishes, market demand and shifting client needs serve as major motivators. Product innovation may also be influenced by technological developments, the availability of novel materials, or new manufacturing techniques (Kanagal, 2015). Companies consistently innovate their products to obtain a competitive edge as a result of intense competition and the necessity to set themselves apart from competitors.

Although there are many advantages to product innovation, businesses nevertheless encounter difficulties and impediments when trying to put it into practice. Ibidunni *et al*. (2014) assert that product innovation initiatives may be hampered by a lack of resources, including money, time, and experience. Uncertainty regarding market acceptance, client preferences, and potential hazards can make it difficult to make decisions and stifle innovation. Internal reasons, including organisational inertia, reluctance to change, and a lack of an innovative culture may also be obstacles. Companies must enhance their research and development capabilities, promote an innovative culture, and set up efficient innovation management procedures if they are to successfully meet these difficulties. Nemati *et al*. (2010) contend that product innovation, according to research, significantly affects business performance. Increased market share, rising revenue, and increased profitability can result from effective product innovation strategies. Products with innovative value propositions that meet customer needs can improve brand reputation, customer loyalty, and satisfaction. Additionally, product innovation enables businesses to adjust to market changes, keep one step ahead of rivals, and secure long-term competitive advantages. Chris (2017) submits that product innovation is a key factor in company success because it enables businesses to launch new or enhanced products that satisfy consumer demand, set themselves apart from rivals, and experience sustainable growth. Companies can use product innovation to acquire a competitive edge and satisfy the constantly changing demands of customers by investing in research and development, establishing an innovation culture, and removing barriers.

Process Innovation

According to Kenfac *et al*. (2013), process innovation focuses on enhancing operational performance and efficiency through the adoption of novel approaches, tools, or organisational procedures. It describes the application of fresh approaches, strategies, or tools to improve organisational operations. It entails re-evaluating and restructuring current procedures to boost productivity, quality, and efficiency levels. Process innovation can be gradual, enacting modest improvements, or radical, enacting substantial modifications that upend existing procedures. Depending on the precise changes made within an organisation, this kind of innovation might take many different shapes. It entails enhancements to the supply chain, logistics, distribution, and service delivery operations. Khorakian (2011) asserts that process innovation is frequently seen in the use of automation, lean manufacturing practices, and cutting-edge technology adoption. Reengineering, workflow optimisation, and the introduction of new tools or software systems to expedite processes are other examples of process innovation. Companies are encouraged to innovate their processes for a variety of reasons. To cut costs, remove waste, and boost production, businesses are driven to pursue operational excellence and efficiency. Process innovation can also be fuelled by technological developments, such as the accessibility of new software systems or automation technologies. Companies are under pressure to continuously improve their processes because of competition, the need to follow industry trends, and client requests.

Process innovation is not free from difficulties and obstructions. Mañez *et al.* (2013) claim that the implementation of process innovation can be hampered by a lack of resources, including budgetary limitations, a lack of technology knowledge, and reluctance to change within the organisation. The adoption of new processes may be hampered by outdated systems, organisational silos, and a lack of cross-functional cooperation. Barriers can also include apprehension about upsetting ongoing operations and the difficulty of evaluating the effects of process innovation. Companies must invest in technical infrastructure, foster a culture of continuous development, and set up efficient change management procedures to meet these difficulties. Process innovation, according to research, significantly affects corporate performance. Khorakian (2011) believes that successful process innovation initiatives can result in increased productivity, lower costs, and better operational efficiency. Businesses may increase their competitive advantage, react more quickly to market changes, and boost customer satisfaction by streamlining operations and getting rid of inefficiencies. Camisón and Villar-López (2014) argue that organisations can adapt to technological advancements, preserve agility, and promote a culture of continuous improvement with the help of process innovation. Small businesses can improve their operational procedures and acquire a competitive edge by integrating innovative methods, technology, and practices. For businesses looking to increase their operational effectiveness and productivity, understanding the factors that drive process innovation as well as its different types and difficulties is crucial. Companies can use process innovation to generate sustainable growth and maintain an edge over the competition by investing in technology capabilities, establishing a culture of continuous improvement, and removing impediments.

Marketing Innovation

To reach target customers and strengthen brand presence, marketing innovation entails developing and implementing new marketing tactics, methods, or approaches. It entails the investigation and deployment of cutting-edge marketing strategies, distribution channels, technology, or business models to reach target audiences, stand out from rivals, and improve market presence. It can cover a wide range of operations, including adjustments to price plans, distribution methods, marketing techniques, and methods for engaging customers. Depending on the modifications made to marketing practices, marketing innovation can take many different shapes. It involves implementing digital marketing strategies including influencer marketing, social media marketing, and search engine optimisation (Cascio, 2011). New pricing methods, inventive distribution networks, and the application of customer relationship management software are some further examples of marketing innovation. Organisations are motivated to use marketing innovation by several factors. Companies work to create new strategies to reach and engage target customers effectively, and changing customer behaviours, tastes, and demands are important drivers of this effort. The development of digital platforms and technological breakthroughs present new marketing innovation options and tools (Schubert, 2010). Organisations are compelled to continuously develop their marketing strategies because of competitive pressures and the need to stand out from competitors.

Ferrell and Hartline (2011) stipulate that although there are many advantages to marketing innovation, organisations encounter difficulties and impediments when trying to put it into practice. Marketing innovation attempts may be hampered by a lack of resources, including budgetary limitations and a lack of marketing knowledge or skills. Barriers could also come from organisational inertia, reluctance to change, and a lack of an innovative culture. Furthermore, Ilić *et al.* (2014) profess that organisations trying to innovate in marketing have difficulties due to the fast-changing digital world and the necessity to keep up with shifting customer preferences. Organisations must invest in marketing capabilities, promote an innovative culture, and value experimentation and agility to meet these challenges. Increased market share, rising revenue, and profitability can result from effective marketing innovation efforts. Organisations can increase brand equity, gain a competitive edge, and more effectively reach and engage their target customers by implementing new marketing strategies and approaches. Enhancing consumer happiness, loyalty, and enduring customer connections are further benefits of marketing innovation. Varis and Littunen (2010) assert that the ability of organisations to develop innovative marketing strategies, techniques, and approaches that add value for customers and improve market performance is a key factor in driving organisational success. For businesses looking to increase their marketing effectiveness and get a competitive edge, it is essential to comprehend the motivations, varieties, and difficulties of marketing innovation. Organisations can use marketing innovation to generate sustainable growth and satisfy changing client needs by investing in marketing capabilities, cultivating a culture of innovation, and adopting digital technology.

Organisational Innovation

Implementing innovative management techniques, business models, organisational structures, or procedures that result in major organisational changes is referred to as organisational innovation. It entails re-evaluating and redesigning the core components of an organisation's operations with the goal of boosting productivity, agility, cooperation, and flexibility. Changes in leadership styles, decision-making procedures, organisational cultures, work processes, and business models are just a few examples of how organisations might innovate. Depending on the precise changes made within the organisation, there are various types of organisational innovation (Godin, 2015). To increase flexibility, coordination, and communication, structural innovation entails redesigning organisational structures, hierarchies, and reporting lines. Changes to work processes, such as the introduction of cross-functional teams, new workflow technologies, or lean management principles, are the subject of procedural innovation. To promote an innovation, cooperation, and continuous learning culture, cultural innovation entails changing the organisation's values, beliefs, and norms. Changes in company models, shifts in market positioning, or the investigation of new markets and commercial prospects all fall under the heading of strategic innovation. Organisational innovation is motivated by a variety of factors (Evans, 2013). Organisations look for innovative ways to conduct business and acquire a competitive advantage as a result of competitive challenges and the need to adapt to a fast-changing business environment. Organisational innovation is sparked by technological breakthroughs including the emergence of digital technology, automation, and artificial intelligence. An environment that fosters organisational innovation is characterised by an entrepreneurial attitude, visionary leadership, and a culture that values experimentation and creativity (Mihić *et al*., 2015).

Organisational innovation implementation is not without difficulties and roadblocks. Balasubramanian (2013) affirms that the adoption of organisational innovation can be hampered by staff reluctance to change, fear of upsetting established routines and power structures, and a lack of employee buy-in. Successful implementation is hampered by a lack of resources, including budgetary limitations, time restraints, and a lack of knowledge or competence. Progress can be hampered by organisational inertia, legacy systems, and the misalignment of organisational strategy and innovation goals. Organisations must cultivate an innovative culture, invest in change management procedures, offer resources and assistance, and encourage communication and collaboration at all levels in order to overcome these problems. Mihić *et al*. (2015) assert that enhancing organisational agility, productivity, and efficiency are all possible outcomes of successful organisational innovation initiatives. Organisations may respond more quickly to market changes, seize new opportunities, and gain a competitive advantage by reducing processes, encouraging collaboration, and enhancing decision-making. The retention, engagement, and pleasure of employees are all impacted by organisational innovation. Business success is heavily influenced by organisational innovation, which enables organisations to adapt, enhance internal procedures, and obtain a competitive edge. Evans (2013) claims that for organisations looking to increase their innovation skills and performance, understanding the factors that drive organisational innovation as well as its different types and obstacles is crucial. Organisations can use organisational innovation to create sustainable growth and stay ahead of the competition by cultivating an innovative culture, investing in change management procedures, and removing impediments.

Methodology

To evaluate how innovations, affect the expansion and competitiveness of small and medium-sized enterprises (SMEs) in South Africa, the study uses a quantitative method. Using this method, numerical data can be gathered and analysed to provide statistical insights into the research issue. In the South African Department of Finance's Central Supply Database in 2022, industry groups, business directories, and public databases were used to identify the study's target audience. Selected SMEs from diverse industries in South Africa were chosen using a purposive sampling technique. Based on statistical power estimates, a sample size of 400 SME owners and managers was chosen to provide adequate representation of SMEs in various industries. According to Grey (2014), a sample is the entire chosen set of things or objects that are taken from the entire population and used to test hypotheses or provide answers to research questions, so that the sample size, which is representative of the complete research population, can be determined, sampling is utilised.

Structured surveys given to the chosen SME managers and owners in South Africa were used to gather primary data. The survey questionnaire, which collected data on innovative activities, growth indicators, and competitiveness variables, was created after a review of the literature in the field. Measures of organisational innovation, marketing innovation, process innovation, and product innovation were among the innovation factors. The data was summarised using descriptive statistics, and the links between the variables measuring innovation, growth, and competitiveness were investigated using inferential statistical methods. Because of the purposive sampling method and the self-reporting nature of the survey data, the research may have limitations such as potential sample bias. Despite these drawbacks, the research's conclusions offer insightful information about how innovations contribute to SME growth and competitiveness in South Africa.

Findings

The data analysis and interpretation help to identify how innovations affect the development and competitiveness of SMEs in South Africa as well as the study's goal. Data was gathered and analysed using SPSS, which stands for Statistical Package for the Social Sciences. The data shows the percentages of respondents' opinions and suggestions regarding how innovations might help SMEs in South Africa develop and become more competitive. The major goal of the surveys was to gather information from business owners and managers about policies that

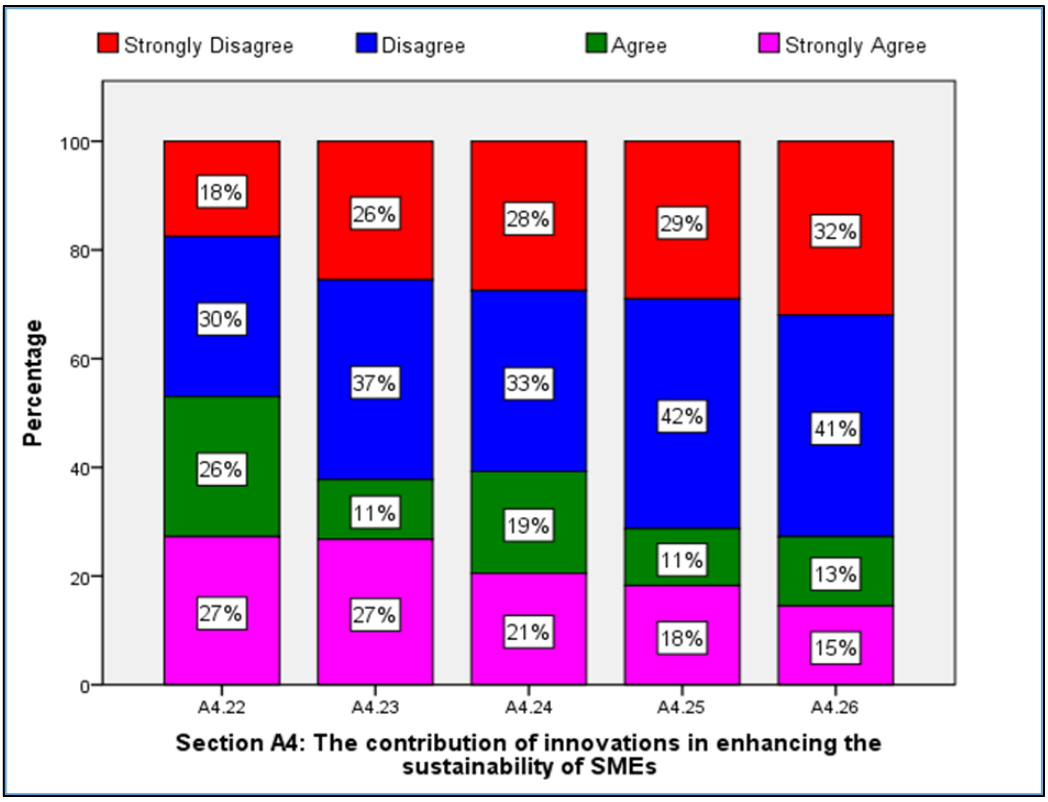

Figure 1: Contribution of innovations to the growth and competitiveness of SMEs

can encourage innovations to contribute to the expansion and competitiveness of their small firms. The legitimacy of the questions and the replies per construct were proved by reliability and validity tests done on the questionnaire. The analysis examines participant answers, the importance of variables that determine how innovations contribute to the expansion and competitiveness of SMEs, and variable comparisons.

A4.22=This enterprise always introduces new processes to improve and modify products/services to continuously satisfy the needs of the customers
A4.23=This enterprise introduces new business technologies, capacities and knowledge that significantly improve the version of previous product/services in order to increase sales
A4.24=Process innovation is implemented in this enterprise to enable efficiency which will lessen cost and increase income
A4.25=The enterprise implements marketing innovation by expanding its market, entering new markets and adopting new techniques of designing and packaging its products to satisfy customers' needs
A4.26=Organisational innovation is done in this enterprise to increase its market share, net income, growth and profitability

Figure 1 demonstrates that the vast majority (> 50%) of respondents concurred (agree and strongly agree) that they practise A4.22, a test of innovation. However, the majority of respondents (>50%) disagreed (strongly disagreed) that they practised the other innovation measures (A4.23, A4.24, A4.25 and A4.26).

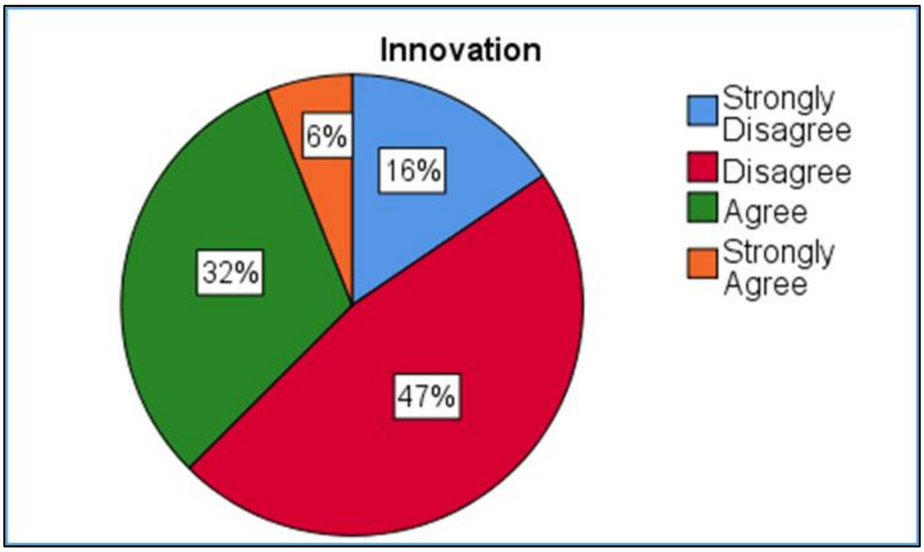

Figure 2: Summary of results of the contribution of innovations to the growth and competitiveness of SMEs

Figure 2 demonstrates that most respondents (63%) disagreed (with disagreement at 47% and strong disagreement at 16%) that they are innovative. Only 38% of the respondents said they are innovative in their firms, with 32% agreeing and 6% strongly agreeing.

Figures 1 and 2 depict the findings on the factors that are crucial for the contribution of innovations to the expansion and competitiveness of SMEs. The majority of respondents (63%) generally disagreed (with disagreement at 47% and severe disagreement at 16%) and believed they are innovative in their firms. Product innovations, process innovations, market innovations, and organisational innovations are among the innovative things that can increase the contribution of innovations to the growth and competitiveness of SMEs. However, just 38% of the respondents said they were innovative in their firms, with 32% agreeing and 6% strongly agreeing. This suggests that only 38% of SMEs are likely to survive, grow, and be competitive in the South African business environment, compared to up to 63% of SMEs who lack innovation in their operations.

Theoretically, this outcome is consistent with the trickle-down economics theory, which contends that the advantages of wealthy people should accrue to everyone else in society, particularly the underprivileged, much as they do from large corporations to SMEs. According to Baselgia and Foellmi (2022), the main tenet of the trickle-down economics theory is that economic growth flows from the top to the bottom. According to this, innovation can trickle down from large corporations to small and medium-sized enterprises (SMEs) in a similar way that wealth can. In this way, innovation would not only benefit large corporations, which is a sign of a strong economy, but it would also help regional SMEs to thrive, expand, and compete. This may be accomplished by promoting innovation in all types of enterprises and ensuring equitable growth because genuine development and growth only occur when all people and all economic sectors are innovative. As a result, innovation that spreads from large corporations to small and medium-sized enterprises (SMEs) helps ensure their viability by encouraging more investors to fund these companies, which, in turn, increases their growth and competitiveness. The basic tenet of the trickle-down theory, according to Sowell (2013), is that those at the bottom of the success ladder would eventually benefit from the wealth and innovation flowing into their businesses because of the redistribution of those resources from large corporations to SMEs.

SMEs are expected to be innovative because, according to Nogare (2006), innovation is a requirement for SMEs' success, growth, and competitiveness because it frequently serves as the foundational idea for a company's primary product or service. This suggests that innovation has a very real and widely acknowledged positive influence on small businesses, contributing to their success, expansion, and competitiveness. According to Zhang et al. (2015), the diffusion of innovation is beneficial since it spreads new methods, goods, and services throughout the economy, boosting revenue and profitability. Considering this, it is expected that innovation in SMEs will support the expansion and competitiveness of small and medium sized enterprises in South Africa.

Discussion

The study's findings offer important new understandings of South Africa's small and medium-sized enterprises' (SMEs) present level of innovation and its effects on their expansion and competitiveness. The findings underline the crucial role that innovation plays in deciding the survival and success of these businesses by highlighting a distinct discrepancy between SMEs that are actively embracing innovation and those that are not. It is a worrying trend to see that most respondents (63%) combined their *strongly disagree* and *disagree* responses when expressing their opposition to being innovative in their businesses. This shows that a sizable fraction of SMEs may not be utilising innovation's potential advantages to boost their competitiveness and growth to its fullest. Numerous issues, such as a lack of resources, a fear of taking risks, or a lack of understanding of the importance of innovation, can be blamed for this lack of innovation readiness. Contrarily, the study outlines innovation-related fields – product, process, market, and organisational – that are seen as crucial for boosting SME development and competitiveness. This suggests that respondents are aware of the potential benefits that these kinds of innovations may provide. The stark contrast between the percentage of respondents who identify as innovative (38%) and those who do not (63%) highlights a crucial point: the proactive pursuit and integration of innovation practices are directly related to SMEs' capacity to not only survive, but also to thrive and effectively compete in the difficult South African business environment.

The results of this study indicate that a sizable percentage of SMEs (63%) do not believe they are creative. This may be due to a lack of knowledge about the many advantages of innovation, a lack of resources, aversion to risk, or insufficient access to innovation-related support systems. In contrast, the small percentage of SMEs (38%) that identify as innovative are probably the ones who make active investments in R&D and inventive problem-solving. The results highlight the fact that there are significant obstacles to innovation in the SME landscape. It is crucial to remove these obstacles if you want to promote an innovative culture. SMEs may be prevented from engaging in innovative undertakings by factors such as a lack of financing, restricted access to research and development facilities, and a shortage of experienced staff. The results strongly imply a connection between innovation and SMEs' survival, expansion, and competitiveness. The danger of stagnation and even failure for SMEs that do not view themselves as innovative may be increased because they may find it difficult to adjust to shifting market conditions, technical improvements, and changing consumer tastes. SME innovators are better positioned to provide distinctive offers, increase operational effectiveness, target new client segments, and improve overall business agility. Innovation can take the form of product, process, market, and organisational innovations. To survive in the challenging and cutthroat corporate world, these tactics convert into a competitive edge.

The results highlight the significance of governmental regulations, business groups, and assistance programmes in encouraging and supporting innovation among SMEs. Innovation adoption as well as the growth and competitiveness of SMEs can be considerably boosted by programmes that offer financial incentives, access to innovation hubs, mentorship programmes, and technology infrastructure. The findings highlight the need for extensive education and awareness programmes to educate SMEs on the value of innovation. Dispelling myths and misconceptions require the transmission of information about the potential advantages of innovation as well as methods for its successful implementation. SMEs that consider themselves to be innovative may gain from working with more inventive companies, organisations, and colleges. Sharing expertise, forming alliances, and working together on projects can all help close the innovation gap. Promoting innovation among SMEs is essential for sustainable development at the national level since SMEs are essential for economic growth, job creation, and the eradication of poverty. In a nutshell, the study's findings offer strong support for the idea that innovation is crucial in determining the future of SMEs in South Africa. The significant gap between innovative and non-innovative SMEs emphasises the urgent need for strategic interventions, all-encompassing support systems, and thorough policy frameworks that promote an innovation culture. South Africa can foster a healthy ecosystem of SMEs that are resilient, competitive, and ready for sustained growth in the dynamic global marketplace by tackling the barriers to innovation and providing SMEs with the tools and knowledge needed to innovate.

Recommendations

It is crucial for SMEs to foster a culture that values and encourages innovation, according to research findings on how innovations affect the development and competitiveness of small and medium-sized enterprises (SMEs) in South Africa. This can be accomplished by demonstrating strong leadership, investing in the education and training of employees, and fostering a culture that values innovation, risk-taking, and failure-based learning. To assist SMEs in adopting an innovative attitude, governments, industry groups, and business support organisations should offer tools, workshops, and mentorship programmes. Governments and financial institutions should set up policies and procedures that make it easier for SMEs to obtain funding for innovative projects. To fund innovative activities, this could include grants, low-interest loans, and venture capital. To enhance knowledge transfer and access to expertise and resources, organisations can also operate in conjunction with academic institutions, research centres, and business networks. To promote information exchange and collaboration, SMEs should be encouraged to work with one another, research organisations, universities, and industry networks. Innovation may be boosted by developing platforms that allow SMEs to network and exchange knowledge, best practices, and resources.

Governments should provide targeted support programmes that are tailored to the requirements of SMEs. This might include grants, incubator programmes, and incentives for innovation made especially for SMEs. These programmes must be easily available and adaptable, and should offer all-encompassing assistance, such as coaching, education, and connections to professional networks. To improve the dissemination of information and technology, governments should also encourage relationships between SMEs and research institutes. SMEs can gain access to cutting-edge research, expertise, and developing technologies by being encouraged to collaborate with universities and research organisations through collaborative projects, internships, and technology transfer offices. Governments and business organisations should do more to encourage small and medium-sized enterprises (SMEs) to attend industry conferences, workshops, and seminars where they may pick up the most recent information on trends, technology, and best practices. Governments and business organisations can plan industry-specific conferences, webinars, and online communities for networking. Stakeholders, including governments, industry associations, and business support organisations, can foster innovation in South African SMEs by putting these recommendations into practice. This will result in their continued growth, increased competitiveness, and contribution to the nation's overall economic development.

Conclusion

The growth and competitiveness of small and medium-sized enterprises in South Africa are significantly influenced by innovation. This study has shed light on how innovations affect SMEs' success and has emphasised important variables that affect those SMEs' capacity for innovation. The results show that many forms of innovation, such as product, process, marketing, and organisational innovation, greatly contribute to the development and competitiveness of SMEs. Market possibilities, technology improvements, competitive pressures, access to resources and experience, and visionary leadership are just a few of the factors that influence innovation in SMEs. For innovation to be implemented successfully, obstacles including scarce financial resources, a lack of knowledge, and organisational impediments must be removed. Collaboration between SMEs, research organisations, academic institutions, and industry networks can make it easier to share knowledge, access resources, and engage in collaborative innovation. South African SMEs can realise their full potential, achieve sustainable growth, and improve their competitiveness in regional and international markets by adopting innovation and putting the suggested tactics into practice. Additionally, these initiatives will support South Africa's overall economic growth, the creation of jobs, and better living conditions. Governments, industry groups, and business support organisations all have a critical role to play in fostering an environment that fosters innovation in SMEs and gives them the resources they need to succeed. South African SMEs can navigate the difficulties and seize the opportunities presented by a dynamic and competitive business environment by working together and committing to innovation. In this way, they can ensure their own financial security and contribute to the country's overall economic development.

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