



The Journey of Innovation: A Challenge on SME's in Achieving Sustainable Competitive Advantage

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Abstract

The purpose of this study is to analyze the results of research on innovation in the last twenty years and to find out the impact on SME's. Data was collected from the innovation literature journals written from 2000 - 2018. The secondary data were analyzed in three aspects including aspects of process innovation, product innovation and marketing innovation. All variables will be discussed to determine the impact on SME's. The finding of this study is that some important variables of innovation process are general skills and intelligence, important variables of product innovation are product display / packaging and product quality management, while important variables of marketing innovation are sales networks, Information Technology (IT) utilization and promotion. The impact of these three aspects of innovation on SMEs such as: SME's should share its knowledge and ought to have entrepreneurial spirit as well as be able to solve problems. This study concludes that innovation efforts for SME's must be carried out sustainably through support from internal organization, governments and stakeholders in order to achieve the sustainable competitive advantage.

Keywords Innovation Capability, General Intelligence, Product Quality Management, Sales Network, Sustainable Competitive Advantage

1. Introduction

The concept of innovation has become an interesting topic especially for SMEs in the past decade. The role of SMEs in improving people's welfare is not only for employment but also for the contribution of Gross Domestic Product. Based on data from the Central Statistics Bureau (BPS) 2017, the number of Small and Medium Enterprises (SMEs) has reached 60 million units or 99.9 percent of all business people in the country. This sector also contributes to the Gross Domestic Product (GDP) and foreign exchange income that produces around Rp.850 trillion per year from the total national GDP or around 61.41%. It was also affirmed by the Indonesian Minister of Cooperatives and SMEs Puspayoga in a written statement. Nationally, the role of SMEs is not only in increasing GDP but also in absorption of the labor significantly. According to BPS, the number of workers in the SMEs sector in 2016 was 57.9 million. Moreover, according to Kompas daily in 2017, the total of workers in Indonesia is reaching 110 million people, in which about 107 million people of them entered the SMEs sector. It means that the portion of people who work as SMEs around 97.3 percent. This means that only 2.7 percent of workers or 3 million people work in organizations or large corporations.

Nevertheless, the fact is that SMEs still face many challenges such as lack of competitive advantage and low marketing performance. The high competition in marketing encourages companies to improve their marketing

performance. Competitive advantage, namely the capability of the company obtained from organization resources and characteristics to achieve performance that is much higher than any companies in the same market. Day and Wensley (1998) explained that measurement of competitive advantage can be done in two ways, first is the superiority of resources such as superiority of expertise and raw materials. Secondly is the position and the advantages of relatively low cost as well as superior value offered to customers. Marketing performance is strongly related to sustainable competitive advantage, Agha et al. (2012) found that, core competencies (vision, cooperation and empowerment) have a positive and strong impact on competitive advantage and business performance. While competitive advantage (flexibility and responsiveness) has a positive influence on business performance. This finding strongly supports previous research conducted by Srivastava (2005) which states that core competencies are the basis of every competitive advantages.

Ferdinand (2012) confirmed that several marketing performance indicators consist of sales turnover, net profit and sales growth. Marketing performances can be measured but some of them are intangible. Sales turnover (sales volume) and net profit are clearly as part of the marketing performance benchmark, but it does not mean high sales turnover and net profit be regarded as good. It could happen but in terms of customer growth and the increasing of sales is very slow or not significant. Therefore, it is also necessary for the companies to assess marketing performance through the dimensions of sales growth so that it can be known whether there is an advancement or decrement.

Wana et al. (2012) describe the results of his research that sales growth is both influenced directly and indirectly by various factors such as product diversity. Gancarczyk (2016) explained that in increasing the growth of business performance, it is necessary to manage resources in an integratedly not only in the entrepreneurial aspects but also in the efficiency of transaction costs and the ability to create value. While Grewall (2013) also emphasized the importance of achieving good marketing performance, it was confirmed market orientation was influenced by company size, market dynamics, technological turbulence that had an impact on business performance. Zhou (2014) also asserts that the success of marketing performance is also influenced by marketing capabilities, technological capabilities and political relations. On the other hand Hooley et al, (2015) asserted that good company performance can be created through managerial skills in resource management and the ability to create market innovations so that it will improve the company's reputation and credibility. The importance of marketing performance has been described by Evangelos (2018) that a good marketing performance could be attained if the product innovation and production process be implemented along with quality management process.

Even Kumar (2015) previously described that the evolution of marketing is a scientific discipline that can analyze what has happened and what would happen so that data technology factors, consumer data and individual analysis become very important in marketing. Gancarczyk (2016) explained that in order to improve organizational performance growth, it takes integrated resource management in terms of not only entrepreneurship but also transaction cost efficiency and ability to create value.

Many efforts have been done to improve SMEs marketing performance, one of them is by creating innovation in all aspects. Various types of innovations have emerged and have been discussed by practitioners and academics all over the world. In the last twenty years, economic globalization has affected SMEs survival and involvement in the AFTA and Asean Economic Community (AEC). This condition inevitably forces Indonesia SMEs to be ready and brave to compete with foreign products which entering the Indonesian market. Although the free market is easier for SMEs in Indonesia to export and import goods to ASEAN countries, the SMEs must also begin to improve the quality of their products in order to compete with imported goods from neighboring countries. The ability of innovation is very important to be applied in achieving competitive advantage and good marketing performance. For example in marketing various SMEs products such as agricultural products, home industrial products, electronics etc.

2. Literature Review

The enterprises activities in creating sustainable competitive advantage is inseparable from various efforts to innovate. The term innovation is often defined differently, although in general it has similar meanings. According to Edquist (2001) innovation is any forms of tangible and intangible works that have a certain value for any companies or individuals. It means that innovation is not only utilised in improving products but also in the service sector . Clearly the definition in question reveals that innovation is an initial formulation of products and process that has never been done before and has commercial elements. It is believed that innovation will make a product different from others so that it has appeal and center attraction foremost community. Not everyone nor company has innovation capabilities that makes the companies' performance differ though they have the same products to offer. Related to this fact, since the 20th century, conventions and discussion of innovation are not only carried out by

large companies but also by small and medium enterprises (SMEs) even at the micro scale, innovation aspects have begun to be developed in order to achieve sustainable competitive advantage.

Rosenfeld (2002) assumes that innovation is the transfer of knowledge devoted to new products, process and services in the form of real implementation. The importance of innovation for SMEs urges innovation as a major function in the entrepreneurial process. Not only that, technological capability is also one of the innovations that reflects the capacity of the organization to process inputs into output as stated by Afuah (2002). The three experts have different opinion on how to run innovation. For example, Rosenfeld's considers that entrepreneurship variable is one of the process undertaken by SMEs in running any innovation efforts. The entrepreneurial spirits contain broad criterias and have objectives, a set of planning to achieve something, spirit, managerial ability, control, creativity and innovation, good mindset, commitment and able to improvise towards better direction.

Since 2005 to 2010 the discussion of innovation variables was increasingly developed, for instance the aspect of general intelligence or intellectual ability is the general mental ability that underlies its ability to overcome cognitive complexity as described by Gunawan (2006: 218). This aspect is also seen as a driver for innovation. General ability is associated with the ability to solve problems, abstract thinking, skills in learning. SMEs have various business problems not only in capital but also in terms of production and marketing process. So they must have a general intelligence that determines whether the SMEs is able to face challenges and solve the problems. Gunawan considers general intelligence is a necessary one. He emphasized that SMEs must not merely have general intelligence but also must be able to act efficiently and effectively. SMEs must be able to produce any products with the least cost as possible in order to have optimal benefits. These efforts are made in order to produce good result in their corporate performance.

Furthermore, previous research shows that both technological capabilities are also important variables in innovation. Song et al. (2005) Alvonitis and Salavou (2007) assert that active and passive SMEs distinguish one dimension of product innovation significantly, namely the uniqueness of the product. The uniqueness of the product is a characteristic or identity of a product, its uniqueness usually has the advantage of distinguishing a product from other products. For example mobile phone products, though the benefits are the same as communication devices, but every specific brands has different features. The uniqueness of this product is taken as innovation that allows consumers to perform communication in various ways. Salavou et al. (2007) stated that innovation is very important for SMEs in increasing competitive advantage.

Rhee et al. (2009) revealed the results of his research in South Korea that managers with entrepreneurial orientation and market orientation must emphasize learning orientation to encourage innovation and ultimately achieve good performance. This indicates that business people who do not have an entrepreneurial spirit and are not market oriented must implement learning in various aspects. The learning process can be carried out in various ways such as taking specific training, learning by doing, or conducting a comparative study overseas or another cities to develop the business that has been developed.

While Derick and Kaplan argued that innovation strategy is carried out through learning by doing will affect business performance and needs to be built gradually in stages to achieve sustainable innovation. In the same year Nidumolu et al. (2009) argued that sustainability is the key driver of innovation. Opportunities for innovation can be created with technology applications and eco-friendly packaging development. Good packaging of the product is the first attraction when the product has been offered to the market, the estetics and practicality of the packaging will influence consumers in decision making. It often happens that consumers don't buy products that have been pre-planned because they find the same product with better advantages such as packaging excellence. Safe and eco-friendly packaging has become one of the innovations carried out by entrepreneurs.

Furthermore Gloria et al. (2009) revealed that products must be differentiated or classified based on their characteristics because the more product differentiation, the higher the level of specialization is. His research was conducted on the marketing of wine which uses lists so that consumers can make choice tailored to their own taste, level of quality, and differentiate domestic and foreign wine. This is a differentiation strategy. In line with this, the appeal of product differentiation and specific tastes can be used as dimensions of attractiveness of local products. Different products have appeal for consumers according to their needs such as product differentiation based on sizes S, M, L, XL for clothing or from volumes such as the amount of sugar ½ kg and 1 kg, or distinguished by quality aspects.

Discussion of innovation develops from year to year, Francisco et al. (2010) revealed in his study results in Spain about innovations that the choice of exploitation and exploration is based on new product development targets, the higher of product objective quality, the more encouraging product innovation is. The development of new products is one of the efforts to reduce consumers' dullness towards old products so that companies carry out exploration and exploitation of consumers to find out their tastes and what is needed by community. Previously Lay and Elly,

(2010) emphasized that product competitiveness can be viewed from several dimensions such as quality, price, design and after sales service. Through these dimensions, there will be a process of renewal and improvement both in internal and external parts of companies.

After ten years from the year 2000, it is found the fact that management knowledge which is the ability to manage the company, have influences toward SMEs. Alegre et al. (2011) conducted research and found that knowledge management and innovation have important implications for SMEs which implement high technology.

In the last decade the attention of practitioners and academics regarding innovation focus on the appeal of local uniqueness. This supports the emergence of local product with local uniqueness can encourage consumer interest to buy products because consumers tend to choose products with local characteristics that are not found anywhere, this is as a symbolic / identity that creates a distinctive impression. Similarly, the opinion of Hsu (2011) revealed the importance of competitiveness of product excellence through different innovation strategies such as innovation in designing a product, whether through flexibility, aggressiveness or radical in facing the market challenge.

Peter F. Drucker (2012) says that innovation has a unique function for entrepreneurs. With innovation, entrepreneurs create both new production resources and processing the available resources by increasing their potential value to create capital. This is an implementation of Resource Based View and Resource Based Theory. Related to RBV that companies must do the right and correct choices and have an impact on marketing performance as well as have role in marketing practices. In this case, optimal activity depends on how a company is different from other companies. Resource Based Theory (RBT) discussed the usage of corporate resources either it is tangible or intangible. This theory emphasizes the relationship between the company's resources and capabilities in managing resources to achieve competitive advantage.

Meanwhile Bicen et al. (2012) found in his research in Malaysia that new product novelty and new product meaningfulness affect new product performance. From various researches on innovation, it can be emphasized that innovation can also be developed by creating the attraction of local product. Local products are not only clothing, handicrafts, weave, but also culinary products / snacks that originated from a local heritage that develops for generations, has a unique taste with local specialties. Ravasi (2012) has reviewed specific aspects of design that are carried out in a socio-cognitive environment that influences the designer's understanding of how to design the right product. In his opinion, new products can be created through new designs that have never existed or be modified from old products (redesign).

Anabel et al. (2013) found that organizational learning plays a major role in encouraging product innovation through design management capabilities. This role is very useful to improve the performance of innovation because design management as a dynamic capability that grows in the operational process of the company in adapting to environmental changes both internally and externally. The relationship between innovation ability and company performance is also discussed by Saunila et al (2013), the findings illustrate that the company's performance is strongly influenced by the ability of innovation so that this indicator can be used as a measuring tool in improving the performance of SMEs. New Product Development (NPD) capability is a process within the company in creating innovation. So that NPD is a dimension of innovation ability.

Furthermore, the results of Coviello and Ivi (2014) research suggest that Major Innovation's success is more likely to happen in companies that apply new product development (NPD). Dora et al. (2014) examined the importance of the ability to process products in the food industry, he stated that the main obstacles faced by food SMEs are the special characteristics of the food sector, such as products that are highly perishable, complicated processing, high varieties of raw materials, recipes and requests that are unpredictable. On the other hand, the aspect of technological capability is also taken into account on its role to encourage the growth of innovation capabilities.

Wilden and Gudergan (2015) emphasize that marketing and technological capabilities are the main drivers in creating corporate performance so that it becomes the main attraction for managers. This is very reasonable considering the ability of technology adaptation is a dimension of innovation capability. Furthermore, previous research shows that both technological capabilities and innovation skills can also be described through the intellectual ability of SMEs because they are required to have knowledge on the business they are running.

Local uniqueness attractiveness would appeal consumers interest to purchase products as consumers tend to choose local-characterized products that are not discovered in any other place, this would represent identity or symbolise a unique local that would give particular impression. Lin Lin et al. (2015) explains that the main dimensions of specialization food is sensory, utility, and symbolic dimensions. Food specificity is a dimension of the attractiveness of local product innovation. Each region has different local characteristics in various aspects.

Kumar (2015) previously described that the evolution of marketing is a scientific discipline that can analyze what has happened and what will happen so that data technology factors, consumer data and individual analysis become very important in marketing.

According to Syanton (2016) design is a special variety of forms or appearances in art, products or endeavors. The ability to design new products for SMEs is very important as an effort to avoid failures that might occur in the manufacture of a product, select the best and most economical method in making products, determine the standardization or product specifications made, calculate costs and determine the price of the product made and to determine the feasibility the the product whether it meets the requirements or still needs correction. It has been done in order to make product identity, high selling value, famous and economical.

In marketing of SMEs products, sales network is also very important role both in the market, between organizations and through customer network. Some sales network indicators consist of a market place network, an inter-organizational network (Intra-Organizational Network), a customer network. Some scientists argue that, among others, Indrupati and Henari, (2012) viewed the importance of the role of social networking as a cheap advertising method in marketing their products. On the other hand Moensted (2007) explains in his findings that networking is the right way to create opportunities for entrepreneurs and directed management for product innovation that implements high technology. Širec et al. (2009) have examined how the impact of networking on the growth of SMEs businesses. There was a positive relationship between customer network behavior, professional networks, peer networking with seller job satisfaction which was moderated by gender aspects.

De Mori (2016) explains in his research that there are 5 models for measuring technological capabilities in the processing industry of agricultural products, namely resources, technology improvement, processes, routines, learning mechanisms, and coordination and accessibility. The results show that the model is able to identify different technological capabilities of the companies under study and produce important information to identify congestion and improvement opportunities for these companies. The importance of marketing performance as explained by Evangelos (2018) that good marketing performance will be achieved if product innovation and production process can be carried out by implementing quality management processes.

3. Methodology

This study was conducted with a literature study approach by collecting secondary data obtained randomly from journal literature especially the journals with the topic of innovation since 2000-2018. Data is analyzed in several aspects. Furthermore, all variables are discussed and grouped into 3 types of innovation, namely process innovation, product innovation and marketing innovation. The impact of these types of innovations on SMEs will be re-analyzed in order to get a new concept of innovation that can be developed in the future.

4. Results

Based on the description above, various researches on innovation can be seen in Table 1 below:

Table 1. Previous Research About Innovation

Annual	Author	Title	Innovation Variable	Finding
2000	Lukas dan Ferrel	The Effect of Market Orientation on Product Innovation	- Market Orientation - Product Innovation	Market orientation has positive influence towards product innovation
2001	Edquist	The Effect of Market Orientation on Product Innovation	- Tangible innovation - Intangible Innovation	Innovation is any form of tangible or intangible work that has a certain value for the company or individual
2002	Afuah	Mapping Technological Capabilities into Product Markets and Competitive advantage: the case of cholesterol drugs	- Technology Capability - Competitive advantage	The importance of innovation for SMEs makes innovation a major function in the entrepreneurial process. Technological capabilities reflect the capacity of organizations to use technology to process inputs into output
2006	Gunawan	Semua Orang itu Cerdas (<i>All the people are Smart</i>)	- General intelligence - Intellectual ability	General intelligence or intellectual ability is the general mental ability that underlies its ability to overcome cognitive complexity
2006	Salavou	Entrepreneurial Orientation of	- EO - Product	Innovation in SMEs is very important in order to improve competitive

		SMEs, Product Innovativeness, and Performance	<ul style="list-style-type: none"> - innovativeness - SMEs Performance 	advantage
2008	Nidumolu, et al	<i>Why sustainability Is Now the Key Driver of Innovation</i>	<ul style="list-style-type: none"> - Viewing compliance as opportunity - Making value chain sustainable - Designing sustainable product and service - Develop in new business model 	Sustainability is the key to driving innovation. Innovative opportunities can be created with the application of technology and eco-friendly packaging development.
2009	Gloria et al.	<i>Do Upscale Restaurant Owners Use Wine Lists as a Differentiation Strategy</i>	<ul style="list-style-type: none"> - Product differentiation - Specific taste - Local product 	The more product differentiation, the higher the level of specialization. In line with this, the appeal of product differentiation and the appeal of specific tastes can be used as dimensions of attractiveness of local products
2010	Rhee et al.	<i>Drivers of Innovativeness and Performance for Innovative SMEs in South Korea: Mediation of Learning Orientation - Technovation</i>	<ul style="list-style-type: none"> - Business Performance - Learning Orientation - Market orientation - Entrepreneurial orientation 	Managers with entrepreneurial orientation and market orientation must emphasize learning orientation to drive innovation and ultimately achieve performance
2011	Alegre et al	<i>Knowledge Management and Innovation Performance in a High-Tech SMEs Industry</i>	<ul style="list-style-type: none"> - Knowledge management - Innovation - High-Technology 	Knowledge management and innovation have important implications for small and medium enterprises that implement high technology
2011	Derick et al.	<i>A Framework for Strategic Innovation. Blending Strategy and Creative Exploration to Discover Future Business Opportunities</i>	<ul style="list-style-type: none"> - Managed innovation process - Strategic alignment - Industry foresight - Consumer /customer insight - Core technologies and competencies - Organizational readiness - Discipline implementation 	Innovation strategies carried out by learning by doing will foster a spirit of entrepreneurship that will affect business performance that needs to be built in stages to achieve sustainable innovation
2013	Saunila et al	<i>The Relationship Between Innovation Capability and Performance the Moderating Effect of Measurement School of Innovation</i>	<ul style="list-style-type: none"> - Business Performance - Innovation Capability - SME's Performance 	The company's performance is strongly influenced by the ability of innovation so that this indicator can be used as a measuring tool in improving the performance of SME's
2013	Fernández et al	<i>Design Management Capability and Product Innovation in SMEs, Product innovation in SMEs</i>	<ul style="list-style-type: none"> - Organizational learning - Product innovation - Design Capability - Dinamic Capability - Environment changes 	<p>Organizational learning plays a major role in encouraging the creation of product innovation through design management capabilities.</p> <p>This role is very useful to improve innovation performance because design management is a dynamic</p>

				capability that grows in the company's operational process in adapting to environmental changes both internally and externally.
2013	Banerjee dan Soberman	<i>Product Development Capability and Marketing Strategy for New Durable Product</i>	<ul style="list-style-type: none"> - Product Development Capability (PDC) - Willingness to pay (WTP) 	<p>Product quality that is unique in creating value for consumers. This condition affects product development capability.</p> <p>Companies that have higher product development capabilities are able to encourage consumer tendency to pay (willingness to pay) not only in the sale of first generation products but also in the second generation.</p> <p>Conversely, companies that have low product development capabilities are only able to encourage consumer trends to pay at the launch of first generation products.</p>
2014	Coviello <i>et al</i>	<i>Creating Major Innovations with Customers: Insights from Small and Young Technology Firms</i>	<ul style="list-style-type: none"> - Technology - New product development - Mayor innovation 	Major innovation's success is more likely to occur in companies that apply technology that utilizes new product development (NPD).
2014	Dora <i>et al.</i>	<i>Design Management Capability and Product Innovation in SMEs, Product innovation in SMEs</i>	<ul style="list-style-type: none"> - DMC - Product Innovation 	The main obstacles faced by food SMEs are the special characteristics of the food sector, such as products that are highly perishable, complicated processing, highly variable raw materials, recipes and unpredictable requests.
2015	Wilden dan Gudergan	<i>The Impact of Dynamic Capabilities on Operational Marketing and Technological Capabilities: Investigating the Role of Environmental Turbulence</i>	<ul style="list-style-type: none"> - Dinamic Capability - Technology Capability - Environment turbulence - Marketing performance 	Marketing and technological capabilities are the main drivers in creating company performance so that it becomes the main attraction for managers.
2015	Lin Lin <i>et al</i>	<i>Food for Memories and Culture A Content Analysis Study of Food Specialties and Souvenirs</i>	<ul style="list-style-type: none"> - Sensoric - Utility - Symbolic 	The main dimensions of food specialization are sensory, utility, and symbolic dimensions. Food specificity is a dimension of the attractiveness of local product innovation
2016	Syantou	<i>A model for measuring technology capability in the agrifood industry companies</i>	<ul style="list-style-type: none"> - NPD - Technology Capability - Product standarization 	The ability to design new products for MSMEs is very important as an effort to avoid failures - failures that may occur in the manufacture of a product, choose the best and economical method of making products, determine the standardization or product specifications made, calculate costs and determine the price of the product made

2016	De Mori	<i>A model for measuring technology capability in the agrifood industry companies",</i>	<ul style="list-style-type: none"> - Resources - Learning mechanism - Technology capability - coordination 	There are 5 (five) models for measuring technological capabilities in the agricultural product processing industry, namely resources; technology improvement; processes and routines; learning mechanism; and coordination and accessibility. The results show that the model is able to identify different technological capabilities of the companies under study and produce important information to identify congestion and improvement opportunities for these companies.
2017	Podrug <i>et al</i>	<i>Creating Major Innovations with Customers: Insights from Small and Young Technology Firms</i>	<ul style="list-style-type: none"> - MI - Young technology Firm - ICT - Knowledge sharing 	Fun in helping others as individual factors, top management support as organizational factors, and the use of ICT as a technological factor. significantly affect the process of knowledge sharing. The results also show that employees' willingness to contribute and gather knowledge enables companies to improve innovation capabilities. There is no effect of individual self-efficacy factors on employee knowledge sharing behavior found in this study.
2018	Evangelos	<i>Determinant of Company Innovation and Market Performance</i>	<ul style="list-style-type: none"> - Marketing Performance - Production process - Process Quality Management - Product and process Innovation 	Good marketing performance will be achieved if product innovation and production process can be carried out by implementing a quality management process.

5. Finding

Theoretically the findings in this study contribute to the public or scientists that innovation can be done through various variables. These various variables can be used in 3 types of innovations, namely:

5.1. Process Innovation

Based on the results of an analysis of randomly selected journals, innovation variables included in the process innovation category include: technology capability, learning orientation, entrepreneurial orientation, knowledge management, managed innovation process, organizational readiness, discipline implementation, dynamic capability, environment change, design management capability, knowledge sharing. managerial capability.

5.2. Product Innovation

While product innovation variables that are widely discussed include: new product development, product design capability, eco-friendly packaging, symbolic products, product utility, product standardization, display / packaging, new durable products, product quality management.

5.3. Marketing Innovation

Innovation in marketing in the last 20 years emphasizes market orientation variables, making value chains, sales networks and the use of information technology.

6. Managerial Implication

The findings of this study also provide managerial implications for the company, among others: First on the aspect of innovation process the company must be able to increase knowledge and insight as well as adapt to other regions and must be able to utilize new technology and attend education / training to improve intellectual ability (intellectual capability).

Secondly, in the aspect of product innovation the company must be able to preserve the uniqueness of product, use of local materials for packaging and create a special taste that distinguishes it from other regional products, carries out quality management, and pay attention to the appearance of products and maintains product durability.

Third, in the aspect of marketing innovation, companies must be able to maintain and promote product brands to be known by public, create competitive / affordable prices and build a sales network by collaborating or forming partnerships with stakeholders to increase market place / outlet, associate with organizations in the region or outside the region to expand marketing and build customer loyalty.

7. Conclusion

The finding of this study that some important variables in process innovation are general skills and intelligence, important variables in product innovation are product display / packaging and product quality management, while important variables in marketing innovation are sales networks, Information Technology (IT) utilization and promotion.

The impact of these three aspects of innovation on SMEs such as : SME's should increase their knowledge and have an entrepreneurial spirit.They must be able to solve problems and should learn the IT to have sales networks.

This study concludes that innovation efforts for SME's must be carried out by supporting from internal companies/enterprises, governments and stakeholders in order to achieve the sustainable competitive advantage.

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