The Innovativeness of Small and Medium Enterprises in Kuwait

Basil Alzougool
Arab Open University–Kuwait Branch/Business Program, Kuwait
Email: balzougool@aou.edu.kw, b.alzougool@gmail.com

Abstract— Despite much interest in innovativeness, there is little research that has attempted to explore the innovativeness of SMEs in developing countries in general and in Kuwait in particular. This study therefore aims to explore the innovativeness of SMEs in Kuwait. A survey of 244 SMEs in Kuwait was conducted to achieve the study objective. The study results showed that overall SMES in Kuwait are adopters in terms of their innovativeness level. SMEs in Kuwait generally practice five dimensions of innovativeness (i.e., organizational, process, product, culture and resource) in their business operations. In light of the results, several recommendations were suggested to maintain and increase innovativeness of SMEs in Kuwait.

Index Terms— innovativeness, innovation capabilities, SMEs, Kuwait

I. INTRODUCTION

Nowadays, to be innovative is a necessity not only to grow and achieve competitive advantage but also to survive. This applies to large organizations and small ones as well. This means organizations should be able to develop and improve new products, processes, marketing, and organizational methods by developing their innovativeness. Innovativeness can be defined as an organization capability to come out with new products, process or open out new markets [1]. Innovativeness and related concepts (e.g., innovation capability, innovation performance, and innovation) have been interchangeably used in the literature [2]. The Oslo Manual definition of innovativeness is the most cited definition in the literature which defines it as “the implementation of a new or significantly improved product (good or service) or process, a new marketing method or a new organizational method in business practice, workplace organization or external relations” [3, p. 29].

Innovativeness is one of the core strategies for both SMEs and large organizations [4]. Therefore, encouraging innovativeness in the SMEs sector is vital [5]. In general, the SMEs sector is considered the main driver of a country growth and innovation [6]. The development and commercialization of innovativeness play a major role in this context [7]. Innovativeness has several benefits such as: contribute to high economic growth [8], provide profitable outcomes, improve performance, and enhances efficiency [9-11], improve early response to consumers demand [11]. On the other hand, Reference [12] found several internal obstacles (e.g., lack of know-how, capacity overloading, unclear roles and tasks) to innovativeness of SMES as well as one external obstacle which is governmental bureaucracy negatively influence innovative performance of SMEs.

The importance of SMEs has increasingly grown over the years and they have become the backbone of any country’s economy, especially in developing countries. SMEs represent approximately 90% of the total firms across the world and they have a significant role in creating employment opportunities [13]. SMEs are generally considered to be flexible, adaptive and innovative firms [14]. However, some research showed that innovativeness is increasingly adopted among large organizations [15] compare to SMEs. Other research showed the opposite [16]. However, SMEs face challenges in adopting and achieving innovativeness than larger organizations [17-18]. For example, SMEs have much more limited resources in comparison with larger organizations [19]. This may result in a lack of funds for innovativeness [6]. Therefore, adopting and achieving innovativeness is of particular importance for SMEs with limited resources [20-21].

Previous research mainly concentrated on both investigating factors that positively or negatively affect innovativeness and measuring innovativeness. For example, organizational culture [22], organizational structure [23] and resources [24] were among the identified factors that influence innovativeness. Reference [25] examined the impact of customer relationship management (CRM) on innovation capabilities of Kuwait Airways. The results showed that there is a high level of innovation capabilities, with a first rank for innovation in administrative affairs followed by marketing innovation, technological innovation, and aesthetic innovation. Reference [26] found that the innovativeness of public listed housing developers in Malaysia is low. Reference [27] compared the degree of innovativeness of Polish and Spanish administration and the activities undertaken to stimulate it. The results clearly showed a higher degree of innovativeness of Spanish administration in comparison to Polish administration. Spanish administration has more experience in implementing innovations in the field of management systems, communication, involvement of entities outside the sector to work on innovation and
shaping the organizational culture conducive. Reference [28] evaluated the level of innovativeness of enterprises in the SME sector in the Polish construction industry and identified the factors that influence this level of innovativeness, which relates to the location of the business and managers’ awareness of the significance of innovation in shaping a firm’s competitiveness. The results demonstrated that construction companies from the SME sector in Poland are characterized by a level of innovativeness that is similar to that found in other enterprises, which is a consequence of the relatively high awareness of the significance of innovation to obtaining a competitive position among the managers of these companies.

This study refers to the meaning of innovativeness defined by Reference [29]. It conceptualized innovativeness as a multi-dimensional construct consisting of innovation types (process aspects) and innovation indicators (potential aspects). Innovation types include organizational innovativeness, process innovativeness, product innovativeness, and marketing innovativeness while innovation indicators include innovation culture and innovation resource. Specifically, product innovation is "the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness and other functional characteristics" [3, p.48]. Process innovation is "the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software" [3, p.49]. Marketing innovation is "the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing" [3, p.49]. Organizational innovation is "the implementation of a new organizational method in the firm’s business practices, workplace organization or external relations" [3, p.51]. Innovation resources cover "R&D personnel, R&D budget, equipment, training", etc. whereas innovation culture means "operational and managerial attitude, belief, approach, commitment, etc. towards on innovation" [29, p. 70].

Despite much interest in innovativeness, there is little research that has attempted to explore the innovativeness of SMEs in developing countries in general and in Kuwait in particular. This study therefore aims to explore the innovativeness of SMEs in Kuwait.

The contribution of the paper is that by understanding the level of innovation in SMEs, the findings would help the government in setting strategic policy measures to increase the level of innovation among SMEs. The findings would also be beneficial to the top management of the SMEs to pay more attention to improve particular types of innovation which can facilitate the implementation of innovation in these companies.

II. METHODS

This study adopted a quantitative descriptive approach. A questionnaire was the main method used for data collection. The study population consists of all SMEs in private sector in Kuwait. According to Reference [30], there is more than 25,000 SMEs in Kuwait. These enterprises are the center of the national economy, as they supply around 3% to GDP, offer employment to an estimated 23% of the total workforce in Kuwait. The questionnaire was distributed through a personal visit. Participants were assured of anonymity and confidentiality, and participation was voluntary. The participants were explained the purposes of the study and asked to complete the surveys. The instructions for completing the questionnaire were given on the cover page to avoid any misunderstanding. Questionnaires were distributed conveniently to a sample of SMEs in Kuwait (300 questionnaires were distributed). The questionnaires were completed by various kinds of employees (e.g. company owners, general managers, IT managers, and communication officers).

The questionnaire developed for this study consisted of three parts. Part one was about the profile of the respondents asking about the respondent’s gender, age, marital status and the education level. Part two asked about the profile of the SME which includes nature of work, number of employees and year of establishment. Part three measured the innovativeness using 18 items adopted from Reference [29]. Five-point scales ranging from “strongly disagree” to “strongly agree” were used to gather information in this section. The questionnaire was evaluated by a number of experts and put into practice in the sector after making necessary alterations were seen appropriate.

A total of 300 questionnaires were successfully distributed and completed. However, but 56 questionnaires were ignored because of missing data or/ incomplete data. Therefore, only 244 questionnaires were usable for this study and included in the analysis. For the purpose of data analysis (performed using SPSS 19.0 program), three major statistical analyses were employed: descriptive analysis, factor and reliability and analysis. Descriptive statistics such as mean, standard deviation, and percentage are used to analyze all the final constructs and also to present the respondents’ demographic and industry profiles such as gender, age, and education level. Factor and reliability analysis was conducted for innovativeness scale items.

III. DATA ANALYSIS AND FINDINGS

A. Respondents Profile

A summary of the demographic characteristics of the respondents is presented in Table I. As shown in the table, the results indicate that 57.8% of the respondents were females, and 42.2% were males. More than third of respondents aged between 21-30 years (40.3%), were married (43%) and hold a diploma degree (42.4%).
TABLE I. A SUMMARY OF THE DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS (N=244)

<table>
<thead>
<tr>
<th>Demographic Characteristics</th>
<th>Categories</th>
<th>Freq.</th>
<th>Percent</th>
<th>Missing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>103</td>
<td>42.2%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>141</td>
<td>57.8%</td>
<td>0</td>
</tr>
<tr>
<td>Age</td>
<td>18-20 years</td>
<td>56</td>
<td>23%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>21-30 years</td>
<td>98</td>
<td>40.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31-40 years</td>
<td>67</td>
<td>27.7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>41 years &amp; above</td>
<td>22</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Marital status</td>
<td>Single</td>
<td>99</td>
<td>40.6%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>105</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>40</td>
<td>16.4%</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>High school &amp; less</td>
<td>84</td>
<td>34.6%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>103</td>
<td>42.4%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>41</td>
<td>16.8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Masters &amp; higher</td>
<td>15</td>
<td>6.2%</td>
<td></td>
</tr>
</tbody>
</table>

As shown in Table II, around third of the respondents (32.9%) own or work in clothes, shoes, beauty and hair care sectors, while 29.2% of the respondents own or work in groceries, restaurants and cafes sectors. In regard to the number of employees, more than third of SMEs (38%) employ five employees and less while quarter of SMEs (25.2%) employ between 6-10 employees. 44.2% of SMEs were established before five years and less while 29.2% of SMEs were established before six to ten years.

B. Dimensions of Innovativeness

Factor analysis on the multi-item measures was conducted in order to identify the underlying factors of these items. Exploratory factor analysis with principle component analysis and Varimax rotation was used to examine if the items load on the specified factors as predicted or not. Multiple criteria were used to judge the number of factors to extract: the scree plot and parallel analysis test. After extracting the factors and obtaining a relatively clear factor solution, factors are labeled based on the content of the items and previous research to make them interpretable. A number of different representations were explored before deciding on the particular solutions. A reliability test was then performed to check the consistency of the scale used in the study. The purpose of reliability analysis is to verify the internal consistency among the items. The greater the consistency in responses among items for each factor, the higher the Cronbach’s alpha. Cronbach’s alpha coefficient of 0.5 and above was taken as an acceptable minimum value for exploratory research [31].

Both the overall and individual item measures of sampling adequacy were high, indicating the appropriateness of the data for factor analysis. Both the scree plot and parallel analysis test suggested a three-factor solution. Specifically, after analyzing the 12-item scale that measures the factors contributing to the innovativeness of SMEs, 9 items formed three conceptually sound factors (Table III). Three item "i.e. Prod3-Our company sees creating new products and services as critical tools to reach success, Proc1-Our company is flexible to provide products and services according to the demands of the customers, and Mark2-We implement new marketing methods to promote our products” were discarded due high-cross loadings. The first factor has four items and had loadings of 0.733 or greater on this factor. It accounts for 35.7% of the variance. Cronbach alphas α were checked for the reliability of each factor and rendered a result of 0.89 for factor 1. The items of this factor imply that SMEs have organizational innovativeness. Therefore this factor is labeled as organizational innovation capability in accordance with previous literature. The second factor has three items and had loadings of 0.685 or greater on this factor. It accounts for 23.5% of the variance. Cronbach was 0.81 for this factor. This factor is labeled as process innovation capability in accordance with previous literature. The third factor has two items and had loadings of 0.774 or greater on this factor. It accounts for 18% of the variance. Cronbach was 0.69 for this factor. This factor is labeled as product innovation capability in accordance with previous literature.

©2019 Journal of Advanced Management Science
144
After analyzing the 6-item scale that measures the factors contributing to the innovativeness of SMEs, 5 items formed two conceptually sound factors (Table IV). One item "i.e. Res1-Our company has strong capacity in innovative design and manufacturing applications" was discarded due to high-cross loadings. The first factor has three items and had loadings of 0.792 or greater on this factor. It accounts for 46.5% of the variance. Cronbach's was 0.86 for this factor. This factor is labeled as innovation culture in accordance with previous literature. The second factor has two items and had loadings of 0.879 or greater on this factor. It accounts for 33.6% of the variance. Cronbach was 0.75 for this factor. This factor is labeled as innovation resource in accordance with previous literature.

To explain the level of SMEs innovativeness, this study adopted Rogers' [32] innovation diffusion theory. Reference [32] identified five adopters' categories: the innovators, adopters, early majority, late majority, and the laggards, with the innovators and laggards (being the highest and the least in ranking, respectively) (Table VI). Researchers have used Rogers's [32] innovation diffusion theory to explain their results and determine the level of innovativeness in different contexts (e.g., [33]). In addition, to assist in rating the five adopters' categories on the five point Likert scale, the interpretation used by Reference [34] was also adopted (Table 6). For example, innovators category is represented by a point between 4.5 to 5 while the laggards is represented by a point between 1 to 1.49.

Accordingly, the mean scores of the five identified dimensions of innovativeness as well as the overall innovativeness were compared with the range of values allocated to each of the Rogers' innovation categories in the 5-point Likert scale (as shown in Table VI) to determine the level of adoption that corresponds with the mean score of the responses as shown in Table VII. As shown in Table VII, the mean score of overall innovativeness is 4.47, which implies that the overall innovativeness level among the SMEs fall under “Adopters” category”. Therefore, the SMEs are generally adopters of overall innovativeness practices. Looking at each specific dimension, the findings show that four dimensions have mean score of below 4.5 indicating that SMEs are generally adopters of organizational, process,
culture and resource innovativeness practices. On the other hand, product innovativeness has a mean score of 4.67 indicating that SMEs are generally innovators in terms of product innovativeness practices.

### IV. DISCUSSION

In general, the results of this study show that the SMEs in Kuwait fell within Adopters’ category of the Rogers [32] innovation adoption classifications in all dimensions of innovativeness (organizational, process, culture and resource) considered for the study expect for the product innovativeness which fell within the innovators category. The results also show that SMEs are generally adopters in their overall innovation practices. These results suggest that SMEs in Kuwait generally adopt of organizational, process, culture and resource innovation in their practices. For product innovativeness, the results suggest that SMEs in Kuwait highly adopt its practices. The results suggest that SMEs initiate new ideas in relation to products. However, they do not initiate new ideas in relation to process, organizational innovativeness, culture and resources but they are the first to adopt these ideas initiated by the innovators. Nowadays, SMEs need to constantly innovate and improve their performance. This could largely explain why SMEs are able to adopt ideas initiated by innovators. The results also suggest that SMEs generally practice five dimensions of innovativeness in their business operations. This means that SMEs adopt product innovativeness, process innovativeness, organizational innovativeness, innovation culture and innovation resources practices in their business operations. These results are consistent with the findings of the previous studies (e.g., [25, 27]).

The use of Rogers's [32] innovation adoption categories was considered appropriate because the unit of analysis is the SMEs innovation practices. It is widely used by researchers to determine the level of innovation practices of organizations.

Several limitations of the study should be noted. It is worth noting that the sample may not reflect the national trends because only 244 questionnaires were completely filled up. Therefore, due to the small sample size of this study, it cannot be claimed that the findings are generalizable to all SMEs or to all developing countries. It would be advantageous to conduct a larger scale survey over a wider geographical range. Also, the paper does not focus on factors that influence SMEs innovativeness. Future research that accounts for the factors will add value to the existing knowledge.

### V. CONCLUSION AND RECOMMENDATIONS

The aim of this study was to explore the innovativeness of SMEs in Kuwait. A quantitative study was conducted in order to achieve the study objective. This level of innovativeness is explained by five dimensions; organizational innovativeness, process innovativeness, product innovativeness, innovation culture and innovation resources. Overall, this study found that SMEs in Kuwait are adopters in terms of their innovativeness level. The results of this study suggest that SMEs in Kuwait generally practice five dimensions of innovativeness (organizational, process, product, culture and resource) in their business operations.

The contributions of this study include the application of Rogers’ Innovation Diffusion Theory to explain the level of innovation practices of SMEs in Kuwait thereby establishing the empirical evidence on their level of adoption of the various types of innovations (organizational, process, product, culture and resource). The results provide SMEs with their current innovativeness level and basis for taking decisions on strategies for improving the SMEs innovation programs in order to achieve sustainable competitive advantage and growth. The study extends the knowledge on innovativeness theory by focusing on the innovativeness of SMEs in Kuwait.

### ACKNOWLEDGMENT

This study was supported and funded by the research sector, Arab Open University – Kuwait Branch under grant number 19016.

### REFERENCES


---

Basil Alzougool is currently an Assistant Professor in the Business Department, Arab Open University, Kuwait. He received his bachelor's and master's degrees in public administration from the University of Jordan, Jordan, and his PhD from the Department of Information Systems at the University of Melbourne, Australia in 2010. He has extensive research interests in information needs and behavior, e-business, online social networking, and health informatics. He has several international academic publications including journal and conference papers.