



Innovation failure and learning from innovation failure in micro, small and medium enterprises (MSMEs): a qualitative approach

Esty Prema Putri¹, Donard Games², Dessy Kurnia Sari³

¹Master of Management, Faculty of Economics and Business, Andalas University, Padang, Indonesia

^{2,3} Faculty of Economics and Business, Andalas University, Padang, Indonesia

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ABSTRACT

Innovation is one of the most important activities today. Because innovation is often a guarantee for business people to achieve market advantage. Unfortunately, not everyone can innovate well. Even though we implement innovation steps related to the search for new solutions, new products or new technology by investing, we can fail or succeed. This type of research is qualitative using semi-structured interview data collection techniques. The number of MSMEs data studied was 20 MSMEs. The research results show that innovation failure can be caused by several things, lack of innovative ideas, rigid local government regulations, lack of market share, undisciplined workforce, employee behavioral culture, poor product quality, unstrategic location, personality that is not easily influenced, missed customers. Lessons learned from innovation failure can be obtained from family motivation, self-motivation, curiosity, openness to the knowledge among employees, product consistency, modern machine tools, and improving service to consumers. The conclusion of this research is that each type MSMEs has very diverse innovation failures and learning from innovation failures in each MSMEs is also different. In previous research, it only discussed innovation failure, whereas in this research, innovation failure and learning from innovation failure are discussed.

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Corresponding Author:

Esty Prema Putri,
Master of Management, Faculty of Economics and Business,
Andalas University,
JL.Kampung Jua Perumahan Griya Lestari Blok J 9, Padang, 25223, Indonesia,
Email: estypremaputrimaret@gmail.com

INTRODUCTION

Innovation is a necessity for MSMEs to be able to develop for MSMEs so that they can be competitive. There are many things that can be done, such as: introducing new brands, new testimonials, or new loyalty programs (D'Attoma & Ieva, 2020), Promotion, branding, entrepreneurial interest and business networking (Rosyadi et al., 2022). High costs of innovation, lack of customer awareness, product designs just fail a lot (Chaudhry et al., 2020).

To implement innovation, companies often have to make major changes, starting from work methods, organizational structure, business models, to forming new business units (Ndesaulwa & Kikula, 2016). In determining what kind of change an organization needs, we must first understand the challenges of innovation. In general, the process of implementing innovation promises radical changes in company organization and business processes. If the innovation process is successful, the company will be able to improve organizational and employee performance (Rediyono, 2013). Inbound innovation enriches an organization's existing knowledge base through partnerships with suppliers, customers, consulting firms, competition, and other external knowledge sources (Chaudhary et al., 2022).

Even though innovation steps were implemented related to looking for new solutions, new products or new technology by investing, they failed (Duarte et al., 2017). Meanwhile, creating new products, developing new products, new ideas and new styles (Chaudhry et al., 2020) a solution has still not been found, while human resources are limited (Durmusoglu et al., 2018) many also experience failure.

This is because according to (Forsman, 2021) There are various factors related to innovation failure, namely product-based, developer-based, consumer-based, management-based and personal-based. However, according to a literature review, most of the factors in innovation failure are innovators' overconfidence, inappropriate market research, low customer acceptance, and lack of management support. Then other factors such as time, collaboration, ability, and financial resources have quite a big influence on finding failure factors. In addition, the literature also presents a number of individual-level issues that contribute to failure (Forsman, 2021). So that the factors above can complement learning about innovation failure.

This research aims to confirm the causes of innovation failure and whether MSMEs are willing to learn from these failures. There are many various innovative craft products, typical foods and drinks from various cities. The existence of MSMEs is an important pillar for a country's development. If MSMEs increase, the economy will benefit (Limanseto, 2022). This large number certainly has great potential. Therefore, the West Sumatra provincial government continuously makes efforts to increase entrepreneurial capacity, as well as the capacity of community-owned MSMEs (Chaniago, 2021).

A company's ability to detect failures in existing processes and prevent repetition of these failures in the future by preparing action plans is relatively important for the success of innovation activities (Peša & Brajković, 2016). Organizations don't learn all they can from failure. Organizations can learn significantly from failure experiences. However, they do not always realize the full benefits of engaging in such activities (Carmeli & Dothan, 2017). Then, from failure, SMEs gain additional benefits from a combination of product-oriented innovation (Zhang, 2022).

In fact, from the results of these observations, this study is important because previous studies focused more on the success of innovation, while those that studied more specifically its failure were still lacking (Sanaji, 2017). Fostering innovation projects while reducing the likelihood of their failure is a daunting task for researchers and managers (Rhaiem & Amara, 2021). Inappropriate behavior makes it difficult to predict the impact on management innovation, resulting in innovation failure (Jing et al., 2022). Failure of innovative products can pose risks directly related to their survival (Demirkan et al., 2022). Processing business actors are not yet very proactive, innovative and brave enough to take risks in developing the products they produce (Afrianingsih, 2017)

Previous research has often focused on an organization's ability to handle the challenges and pressures that are always present on the organization (Do et al., 2022). So far, little research has been concerned with innovation termination or failure (Kang, 2012). From several existing studies, there are various differences in innovation failure in each MSME. Because the results of this

research are expected to fill the research space. Especially in cases of innovation failure and learning from innovation failure in MSMEs.

Innovation is usually conceptualized as a breakthrough in creating new products or services. Thompson defines innovation more broadly by relating it to the activity of implementing new ideas, products or processes. But it's the other way around (Hurley & Hult, 1998) highlighting innovation as a company's adaptation mechanism in facing a dynamic environment, so that companies must be able to produce new thoughts, new ideas and present innovative products and improved services that delight customers (Curatman, 2016).

According to the Big Indonesian Dictionary, failure is not succeeding, not achieving the goal (KBBI, 2014). Failure means not achieving the targets that have been set (Mono, 2013). So failure is someone's expectations that do not match the expected targets.

Learning from failure is learning from mistakes, recognizing mistakes, learning from incidents. Learn from failure to drive innovation capacity for the future. Learning from failure as a corrective action to the immediate problem, without really worrying about how to avoid the same problem reappearing in the future (Rhaiem & Amara, 2021).

MSMEs are one of the main supporting business sectors that can absorb a lot of workers, increase productivity, and be able to survive among large businesses. MSMEs that have high performance are agile so they are able to survive in unfavorable conditions and are easy to create unique and special products so that they become a niche in competition with products from large businesses (Sarfiah et al., 2019).

Not all MSMEs improve obstacles by studying innovation failures. no one has researched the failure of innovation in the city of Padang. According to Forsman, competition is necessary for business growth and progress (Forsman, 2021). the gap that occurs between new innovation and failure. how to collaborate the factors of innovation failure on the problems of MSMEs in the city of Padang.

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RESEARCH METHOD

The type of research developed in this research is a qualitative study. The main type and source of data used in this research is primary data. In this research, the data collection technique used was semi-structured interviews. In order to obtain accurate research, documentation data collection is carried out when researchers collect field data either through observation or during interviews with informants. The number of people interviewed was considered sufficient because it met data saturation in accordance with the requirement of 12 people interviewed to achieve a homogeneous group. Interviews were conducted for 30 minutes to 1 hour. The MSME sources were taken by those who have been running a business for an unspecified period of 2 years and have survived innovation failures. The data analysis used in this research is thematic analysis.

A conceptual framework is created to provide direction that can provide guidance for the preparation and rules as a basic theoretical reference for resolving problems that arise. The following conceptual framework for the thesis to facilitate research is listed below:

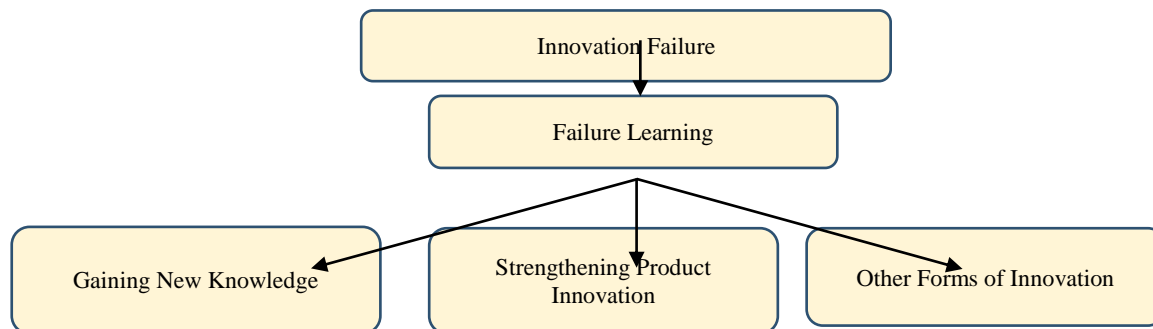


Figure 1. Process Framework

From innovation failures, MSMEs will learn from innovation failures. Then the learning effect resulting from innovation failure, namely gaining new knowledge originating from design innovation, is not only limited to further design activities, strengthening product innovation, can also influence other forms of innovation within the company.

RESULTS AND DISCUSSIONS

As time goes by, SMEs are formed to improve the economy of the community, especially the city of Padang. These MSMEs are also referred to as research informants. Researchers will discuss the results of interviews that have been completed with the 20 people involved. The researcher asks questions based on the development of the problem formulation. Meanwhile, the researcher also took the essence of the interview based on the answers given. From the results of interviews with respondents, it can be concluded that the causes of innovation failure include several factors that cause innovation failure which have not been discussed in previous research.

In the research above, the causes of innovation failure are caused by, firstly, a lack of innovation ideas, such as lack of expertise in reading consumer desires, lack of knowledge and skills, feelings of dissatisfaction with the work. Then secondly, regional government regulations mean that the government is rigid in developing MSME businesses to an even greater level. The third is market share, where customers' lack of trust in unfamiliar products, skills in influencing customers, lack of understanding of market tastes can also have an impact on innovation failure.

Fourthly, the workforce, lack of work discipline, loss of control over employees, employee loyalty and employee commitment to the MSME business are also reasons for innovation failure in MSMEs. Fifthly, culture, seen from the current employee culture, the employee's attitude and character influence the production atmosphere which results in disruption of the smoothness of making products.

The sixth product, within the product that we have to study, is product durability, product introduction to the public, errors in production, product marketing, and the time the product is produced can also be the cause of innovation failure. Seventh, place, location and store layout also greatly influence innovation failure. The eighth is personality, a person's personality can influence the failure of innovation, such as being firm and not easily influenced by ideas and input from consumers, individuals, being confident in their work, there are also pessimists about the results, and a person's genetics can also influence this. The ninth is lagging behind customers, innovation failures that occur when businesses stick to their traditions, and negotiations with consumers.

Meanwhile, the results of previous research only examined several points, such as previous research states that factors related to innovation failure occur due to time, collaboration,

ability and financial resources (Forsman, 2021). Almost the same as what the researchers studied, only the researchers found new factors that also influenced the failure of innovation, namely rigid government regulations, employee culture, place and layout of shops, genetics and negotiations with consumers.

Learning from innovation failures can be obtained due to motivation such as motivation from family, self-motivation, feelings of curiosity, openness to the knowledge that will be taught to employees. Other learnings include learning to be consistent in retaining consumers and learning to create new products from new ideas. Learning from innovation failures can also lead to innovations in MSME equipment, such as up-to-date machine tools, which can facilitate MSME activities. Learning from innovation failures can also improve service to consumers.

CONCLUSION

From the results of the interview it can be concluded that innovation failure occurs due to a lack of innovative ideas, rigid local government regulations, lack of market share, less disciplined workforce, employee culture at work, lack of product durability, place layout, a person's personality, and lagging behind. customers for sticking with their traditions. Then several MSMEs learned from innovation failures such as motivation, consistency in production, getting new products, updating production equipment, and improving service. Meanwhile, previous research differs from researchers. Previous research only examined innovation failure, there were various factors, namely product, developer, consumer, management and personal based. most innovation failures occur due to innovators' overconfidence, inappropriate market research, low customer acceptance, and lack of management support. then other factors such as time, collaboration, ability and financial resources also have a big influence (Forsman, 2021).

From the description above, it can be understood that innovation failure will be beneficial for Padang city MSMEs in that learning from innovation failure will increase the development of MSMEs that have succeeded in recovering from innovation failure. These are the results of the analysis and findings from the study of the innovation failure of MSMEs in the city of Padang in utilizing innovation failure as a means of supporting MSMEs.

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