

## ABSTRACT

The world today is witnessing rapid advancement in technology, emergence of new markets, development of new business models and evolution of cohesive organizational structures creating turbulence in the business environment and making competition cut throat. These factors have made it necessary for almost all the firms to engage in innovation continuously to survive and succeed at the market place, irrespective of their size. Empirical evidences reveal that innovation enhances competitive advantage of organizations and improves their business performance. This can be especially true for the Small and Medium Enterprises operating in the Knitwear cluster of Tirupur competing in the international hosiery market with tough competitors from across the world. For these SMEs, constant innovative practices and their successful diffusion down their organizations have become imperative to face the stiffened international competition.

Realising the significance of innovation, many are taking efforts to adopt innovations in their respective organizations, but not all of them succeed. These experiences have led many researchers to probe the antecedents and consequences of innovation adoption so that a linkage between the facilitators and performance indicators of innovation can be established. It is indeed worth mentioning that, till today, very little empirical studies that probe this linkage exists in the Indian context. Hence a need for the study is felt setting the knitwear manufacturing cluster of Tirupur district as the background for exploring the innovativeness among the SMEs in India at a regional level.

Innovation, in its generally accepted definition, refers to an idea or behaviour new to the adopting organization. Traditionally, innovation was limited in its scope by referring to only technological innovations that includes product and process innovations. However, the term has wider connotation now to include marketing and administrative (organizational) innovations also in its purview. A firm may keep several specific objectives before deciding to adopt a particular innovation. As a process, innovation evolves with its initiation, adoption and implementation which can be successfully done only when the innovation is diffused effectively throughout

the adopting organization. This requires the presence of several facilitating factors within the organization in the form of effective leadership, climate for innovation, marketing orientation and the like. The external factors facilitating innovativeness among firms can be competition, collaboration and positive support received from external agencies related to business. However, the barriers arising on account of lack of finance, knowledge, technology and the like, internally and externally, may constrain the innovativeness of enterprises to a large extent. Hence the rate of adoption of innovation by organizations can be considered to be the result of interplay between innovation objectives, facilitators of innovation and barriers to innovation.

At the next level, innovation adoption by itself does not guarantee better business performance. To a large extent, previous research studies have concentrated on the factors affecting innovation adoption by firms. The literature is, still in want of empirical studies that explore the adoption to implementation (can be referred as assimilation) to firm performance linkage. It will be only appropriate to measure the extent to which the adopted innovation is implemented and integrated in the organization's value chain to understand the real innovativeness of firms. Hence, the post adoption activities associated with implementation requires consideration in the linkage. The impact on firm performance invariably portrays the success or failure of innovation adopted by the firm and stands to measure the comparison between the innovating and non innovating firms.

With these research demands being felt after a methodical review of existing literature, the present study was conducted to understand innovation in the organizational context, by adopting the variance approach to innovation adoption leading to business performance. At the first level, the study focuses on understanding the interrelationship between innovation objectives, facilitators and barriers and their associated outcomes in the form of innovation adoption. At the next level, linkage between adoption and overall business performance of the firm is analysed with extent of innovation implementation moderating this linkage. The main objective of this thesis is to develop and empirically test a hypothesized model that depicts the relationship between the pre- innovation adoption variables, innovation adoption and the subsequent consequences (post adoption outcomes) in

the form business performance within the SMEs operating in the knitwear cluster of Tirupur district.

To realize this objective, initially a conceptual model was developed on the basis of evidences of relationships available in the literature. The model developed had three independent pre adoption constructs namely 'objectives', 'facilitators' and 'barriers' of innovation adoption, one mediating construct namely 'innovation adoption', one moderating construct namely 'innovation implementation' and one post adoption dependent construct namely 'business performance'. The study relied primarily on quantitative data collected first hand from 384 respondent entrepreneurs in the cluster who constituted the sample for the study. Secondary published sources of information pertaining to the industry and concept were also utilized. The conceptual model was tested using empirical findings. Reliability and validity of scales and data were performed. Descriptive statistics were analysed for mean and measures of dispersion. Structural equation modelling using PLS method was adopted for testing the measurement model. Regression and correlation analyses were performed to test the significance of individual causal paths. Chi square tests and Cramer's V have also been calculated to understand the association between selected variables of interest. To support the quantitative data analysis, qualitative information were collected by way of personal discussions with experts in the industry and with entrepreneurs.

The final results indicated that facilitators and objectives of innovation have positive influence innovation adoption. Barriers negatively influence innovation adoption. The significance of influence of barriers on innovation adoption is lesser when compared to that of facilitators. The most frequently adopted innovations in the cluster are administrative innovations followed by marketing and technological innovations. Innovation adoptions have significant positive influence on business performance. Innovation adoption positively mediates between the pre adoption variables and business performance. Innovation implementation positively moderates between innovation adoption and business performance. Majority of the respondents were found to be high adopters of innovation as well as high performers in their respective businesses.

Significant associations were established between innovation adoption and business performance with most of the demographic variables such as ownership structure, age and size of the firm, education, experience of the entrepreneurs etc. Although, the past research studies have shown mixed results, the results of this research established a significant linkage between innovation adoption and business performance. A critical view of the pathways between the internal facilitators and innovation adoption may help us to understand that the presence of a strong and visionary leadership drives innovations among the firms. Such a leadership also ensures framing of higher range of innovation objectives, creating a pro-innovation climate within the firms and leading the firms by engaging with external environment constructively.

The research contributes to the domain of knowledge and practice on innovation management. The mediation analysis using PLS shows the causal relationships between the variables of interest within the scope of the study. The study also contributes to practice by providing explanation on the mechanism that promotes innovation adoption thereby enhancing business performance based on the model. The model helps to predict the outcome of specific conditions that can be developed in the firms to promote a suitable climate of innovation, in turn enhancing firms' financial and market performance in the light of international competition. It also predicts the requirements in the external environment that can support the innovativeness of the SMEs in the Tirupur Cluster.

Tirupur, being a closely knit cluster, the successful innovation diffusion experiences of one firm will spread swiftly in the cluster and can help in developing and sustaining competitive advantage and business performance of the cluster as a whole. The existing innovation culture and capability can be examined by the practising managers and steps can be taken to promote the same thereby improving the business performance. Government policy initiatives can be directed towards building this up, especially so because the cluster contributes extensively to the foreign exchange earnings of the country. The policy support from National Innovation Council and National Innovation Act, 2008 can be obtained and utilized. Further, research directions are provided for future researchers in the area of 'innovation adoption' that will build up on the findings of the present study.