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Innovation as a Key Success for Competitive Excellence Strategy in SMEs of Iraq

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ABSTRACT

The paper tests the influence of innovation on competitive excellence strategy in detergent and soap SMEs in Iraq. The study is a cross-sectional. The researchers used a random sampling to collect the data. The sample size was of 390. Finding show that the influence of innovation on the "competitive" excellence strategy is positive and significant, the results show that SMEs would finance in innovative activities to improvement competitive advantage. Further, the study proposes that this framework should investigate the effect of innovation on competitive excellence strategy in other cont6ext of Iraqi SMEs. The limitation and future recommendation are discussed in the end.

Keywords: Innovation, competitive excellence strategy, SMEs

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INTRODUCTION

Acknowledging the significance of enterprises (SMEs) in promoting economic development and creating employment opportunities, particularly in rural regions, research has extensively examined the elements that contribute to the achievement or failure of small and medium-sized enterprises (SMEs) to achieve a competitive edge. Some scholars propose that the primary factor influencing SMEs to get a competitive edge is their ability to make distinctive products and their adaptability in embracing cutting-edge innovations (Distanont, 2020). Furthermore, it proposes that SMEs must involve in innovation to obtain a competitive edge in the market. Other scholars propose that the small size of the firms limited the continuation of creative ventures (Bayarçelik, Taşel, & Apak, 2014). Small enterprises have obstacles to innovation include insufficient internal capital, insufficient management skills, lack of workforce training, insufficient understanding, and limited market entry (Dada & Fogg, 2014). The existing research on innovation and competitive excellence strategy has mostly concentrated on SMEs involved in export commerce and globalization (Ismail et al., 2014). "These investigations have been conducted in medium and large-sized enterprises, characterized by their significant financial assets and adequate infrastructure to facilitate innovation endeavors". Despite their increasing contribution, only a select few empirical research (Bayarçelik et al., 2014) concentrated on investigating the association between innovation and competitive excellence strategy in startups. Notwithstanding the understanding of the impact innovations have on the competitive excellence strategy of SMEs, new studies indicate that new companies are more inclined to engage in innovation, thereby yielding further advantages for competition (Arsawan et al, 2022). This researcher proposed that new companies exhibit more proactive, adaptable, and assertive behavior. Given that there currently exists no prior study on the influence of "innovation on competitive" excellence strategy in "SMEs", this work aims to address this area of study knowledge gap. The aim of the present research is to disclose the effect of "innovation" on the competitive excellence strategy of enterprises in the manufacturing industry in Iraq. Central to this paper are the research questions: Does innovation have a beneficial impact on competitive excellence strategy? To what degree might the age of a corporation lessen the impact of innovation on its competitive excellence strategy? Comprehending these matters will provide clarity in determining which SMEs should receive primary focus for innovation encouragement, whether they are young or established. This study may support strategy makers in directing the monies towards the suitable object team to guarantee a satisfactory

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return on their investments in the forthcoming. The following section will present the theoretical of framework and the development of hypotheses, research methodology, discussion and conclusion. An analysis of the implications, recommendations, and limitations, for additional research is showed. Presented in the last part of this study are the conclusions.

Innovation

Innovation is one of the best significant and complex problems opposite companies today. Innovation is the key to organizational success. If we take into account that the concept of innovation finds its origin in the Latin novus, which means different, its original essence is renewal. According to "Damanpour. (1992), an innovation is described as something" "new for the organization that adopts it". As per to Drucker. (1985), innovation is a distinctive instrument of entrepreneurship and an action by which different resources are created to increase well-being. It is the change of a different knowledge into a new or improved marketable "service or product (Drucker, 1985).

Birkinshaw. (2008) defines innovation from a management perspective. According to him, innovation in management is the implementation of a different practice, structure, process, or advanced management technology aimed at improving organizational objectives. Alfano and Hidalgo. (2012) "define innovation from a technological perspective. For them, innovation is defined as all technical, industrial and commercial stages that lead to the successful launch of new products and services in the market or to the commercial use of new technical processes". Lyons et al., (2007) define innovation in overall terms as a grouping of originality and application. Thus, they focus both on generating new and useful ideas that improve efficiency and on the approaches utilised to put original ideas into practice. At the same time, Bentz. (1997) postulates that "innovation" is the commercialization of a different or enhanced process, product or service.

Afuah. (1998) proposed "innovation is the use of new technical and administrative knowledge to offer a new product or service to customers". Therefore, several authors decided that innovation is "any practices that are new to organizations, including equipments, products, services, processes, policies and projects" (Lin, 2007; Nur Fadiah et al., 2016). It concludes from the foregoing that the innovation is process to make different thoughts and their development in order to obtain a new product, technology or service useful, and

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obtaining something totally new provides new solutions to problems, which means a advance and sources a important influence in the market.

Innovation significance

Innovations are important for creating new processes and products, increasing market position and profitability , outperforming competitors, and/or improving benefits to the customer (the user of the innovation). “Innovation” can be viewed from two angles. A "macro perspective means that the innovation” is different to the world, industry, or market, while a "micro" innovation means different to the operator, (Thomaset al., 2016; Bergmann & Daub, 2008, Garcia & Galantine, 2002). Innovative and effective companies do not develop by accident. They need deliberate variations in structure, process, and culture, in order to change them into advanced, productive and current (Emmanuel, 2008).

Emphasizing business advantage, Michael Porter also stressed that the technology that today enables to make “competitive advantage is an innovation” (Evrim, 2015). The potential of innovation increases the overall performance of the organization, making it more competitive, and what is expected from “innovation” is “something new” for the life of customers, such as simplicity, elimination of risks, convenience, better prices, pleasure, emotions. , symbols. , respect for the environment (Jan Kuo, 2010). Conclusion: Innovation being one of the most important things for contemporary organizations “because it can be a source of extra income through new products or services, it can help to reduce costs or improve the quality of existing operations” and gain a competitive advantage in global competition.

Innovation as an element of competitive advantage

In the global context, the US, Japan and Korea outperform the EU region. According to Montalvo and Jessen (2012), “the US economy has recently specialized in high-growth sectors such as ICT, pharmaceuticals”, innovative technologies, semiconductors and medical engineering (Zoltan et al., 2013). Competition and cooperation between many countries now exist not only in the economic and political fields, but also in the scientific field. This is because the political and economic status of countries, as well as the well-being of their populations, largely depend on innovation activities. This is why it is part of development trends in many countries in the modern world (Chmykhalo & Abushaeva, 2015). Innovation impacts the well-being and culture of people about the creation. For organizations to survive in a competitive market, they must closely monitor and adopt innovations or be innovative themselves and gain a competitive advantage. Innovation enables companies to gain and

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maintain a competitive advantage over the long term. By increasing productivity and profit margins, companies achieve growth.

"As well organizations ought to be convinced that commercial business strategies must be innovative to create sustainable competitive advantage (Janis & Santa, 2014). Innovation can be considered as knowledge based outcome" (Quintane et al., 2011) and is achieved to obtain a positive innovation ("Cardinal et al., 2001"). The effective utilised of the knowledge, skills and experience can determination the "innovations" within the business and main to better "innovation" administration and build "competitive" advantage. (Please view the Fig. 1.)

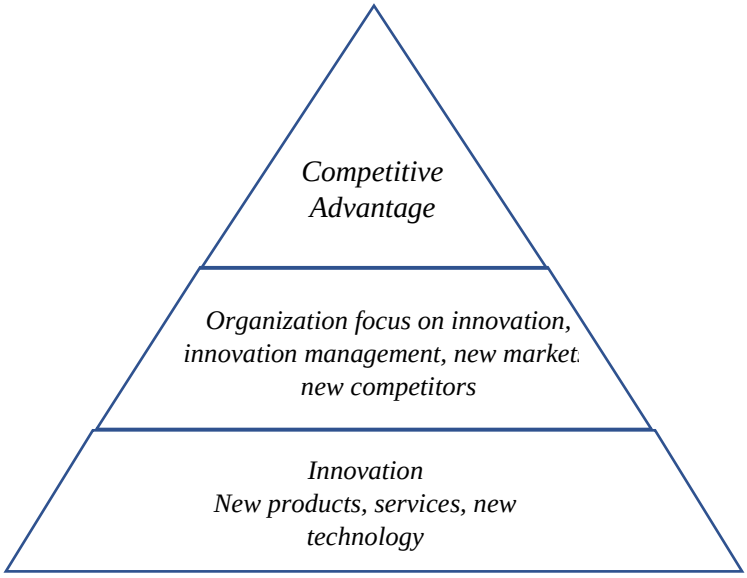

Figure 1: Innovation as a Basis for Competitive Advantage

Some scholars propose that the key factor determining the ability of firms to achieve competitive advantage is their capacity to improve distinctive their flexibility and products to adopt different technologies (Williams & Hare, 2012). From the above, organizations need to engage ininnovation to increase competitive advantage in the marketplace by developing employees' knowledge and skills and meeting their needs. Innovation should be seen as a basis of improved competitiveness. Therefore, it is a significant element of "competitive advantage in business".

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Theoretical Framework and Hypothesis Development

The Resource-Based View (RBV) theory postulates that a corporation's command of each of its resources, capabilities, features, knowledge, expertise, etc., enables the organization to develop and execute plans that enhance its effectiveness and productivity (Barney, 1991). The “Resource-Based View” (RBV) thesis posits that competitive excellence strategy is not measured by the structural features of the market and industry, but rather by a firm's better resources within itself (Kumlu, 2014). A corporation is considered to own a “competitive edge” when it can provide high-quality items at more affordable costs compared to its rivals, and in addition, deliver superior services. In summary, the concept of resources was central to this theory, which posits that resources must possess distinct and long-lasting qualities in order to enable organizations to achieve their “competitive advantage”. The theory of RBV also proposes that a firm's resources should be distinct from those of its competitors and challenging to replicate or replace from other sources.

Researchers propose that SMEs can generate even greater advantages by cultivating, communicating, adopting, and investigating an innovation approach (Saunila, 2014). Innovation is the cognitive process that findings in the expansion of a innovative phenomenon presented as a fresh substance or technology (Abou-Moghli et al., 2012). Further, Avermaete et al. (2003) identified several kinds of “innovation” that are right for SMEs. These comprise product innovation, which relates to improving, services, products, and concepts; “innovation” in organizations, which focuses on marketing, sales, management, leadership, and staff guidelines; and marketplace innovation, which involves growing into new areas and new market. The adoption of “innovation in SMEs” is typically facilitated by the unstructured search process, unstructured expertise, and “intangible” resources (Muscio et al, 2010). SMEs possess greater flexibility in “innovation”, particularly in adapting to variations in customer demands and environmental conditions (Higon, 2011). However, they lack the capacity to innovate as effectively as giant corporations. The potential explanations are that huge companies possess greater resources and capabilities, which, in turn, offer a more favorable environment for the development and exploitation of new technologies. Additionally, they have the capacity to take advantage of scale of economies (Higon, 2011). Huge companies may benefit from better “economies of scale” and leveraging their extensive managerial knowledge, and own “access to a wider range of resources” compared to small organizations, resulting in superior performance (Arend, 2006).

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Several scholars investigate the phenomenon of innovation within small detergent and soap enterprises (“Muscio et al., 2010”). “SMEs” in the detergent and soap industry often adopt simple technological solutions primarily to enhance the efficiency of their production processes and minimize their manufacturing expenses (Todtling & Kaufmann, 2001). Avermaete et al. (2003) concluded in their literature study that small manufacturing companies rarely engage in innovation through research & development due to shortage of expertise and resources to allocate towards R&D endeavors. While there was extensive study conducted on innovation in the manufacturing industry outside, there is less of research on effect of “innovation on the competitive” excellence strategy in detergent and soap manufacturing SMEs in Iraq. This aligns with the theory of RBV (Barney, 1991)” which posits that the performance of a company is contingent upon the resources unique to that company.

According to Avermaete and colleagues (2003), despite the restricted investment and research resources of small enterprises, innovation appears to be consistently pursued. Such observation underscores the significance of “innovation” in the overwhelming majority of small detergent and soap manufacturing companies. This paper is depending on the RBV theory, which posits that the resources possessed by SMEs in the detergent and soap manufacturing industry are likely to impact their competitive advantage. A fundamental principle of the model of the study is that SMEs must focus on innovation to achieve a competitive edge. To attain the research objectives, subsequent hypotheses was formulated:

H: There is a positive effect of innovation on competitive excellence strategy

RESEARCH METHODOLOGY

The research is constructed using a cross-sectional design. The study population consisted of personnel working in SMEs involved in detergent and soap production in Iraq. In this study, a series of questionnaires served as the primary tool. The survey included parts addressing demographic information, indicators of innovation, and assessment of competitive excellence strategy. The study was conducted between December 2024 and August 2024, including 390 people working in commercial enterprises in Iraq. The samples were chosen using the random sampling method. A total of 305 completed “questionnaires were returned out of” the 390 employees in the firms included in our sample. Nevertheless, seven cases had to be omitted from subsequent analysis because of an overwhelming amount of missing data. Thus, the current sample consisted of 205,390 employees who are entrepreneurs in SMEs within the

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detergent and soap manufacturing industry in Iraq. The sample size is enough for doing the analysis of Structural Equation Modelling including smart PLS version 4.10. “Printed questionnaires were dispatched to the participants by registered mail”. The technique for data collection designated was a questionnaire that was self- administered. Survey participants were allotted a period of one week to fill out the “questionnaire”. Following a “week”, phone requests were initiated to prompt the responders to submit the survey answers to the researchers. Survey participants who have not yet filled out the survey were granted an extra week to do so. The scale was adapted from the current literatures of innovation, competitive excellence strategy. In total, to evaluate employees’ perception, there were 12 items scale consists of innovation, and 10 items consist of competitive excellence strategy. For the face and content validity, the scale was emailed to the five faculty members of operation and supply chain department from different universities and three managers of relevant fields. Their suggestions were carried out and adopted.

DATA ANALYSIS

Statistical analysis was performed to ascertain the validity and radiality of the “measurement”. The convergent “validity of the measurement model” is elucidated in Table 2. As per the findings of Hair et al. (2017), items with factor loading under 0.60 need to be excluded. An item should be eliminated if its removal leads to a rise in the “Average Variance Extracted (AVE) and composite radiality” (CR). It is advisable to remove any object with an exterior loading below.40 (Hair et al., 2014). Therefore, one item was discarded: INO9. Following the removal of items that had small factor loading because of inadequate factor loading below 0.5, Table 1 displays the factor loading. All the other constructs achieve factor loadings ranging from 0.598 to 0.816, surpassing the acceptable threshold of 0.5 set by Hair et al. (2006). Regarding AVE, each construct is required to exceed 0.5 (Hair et al., 2017). Depend on the table, it is evident that all constructs have achieved AVE standard values ranging from 0.505 to 0.519. Although some AVE values are below 0.5, all AVE values are deemed acceptable in the opinion of Fornell and Larcker. (1981). “If AVE value is under 0.5, however CR exceeds 0.6, the CV remains acceptable”.

The Alpha and CR are quantitative measures used to assess the reliability in CV. Alpha utilised to assess the reliability of the constructs”. The alpha value of 0.7 or more is regarded great, although a value over 0.6 is deemed adequate for ensuring the dependability of the constructed measure. As indicated in the table below, all the retrieved components exhibit

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strong internal consistency. In PLS-SEM, composite reliability is assessed to ensure the dependability of the structures. Composite reliability is a statistical metric used to measure the reliability of a data. The values for "composite reliability" in table 1 range from 0.895 to 0.905, which surpasses "the recommended value" of 0.7 as proposed by Hair. (2017).

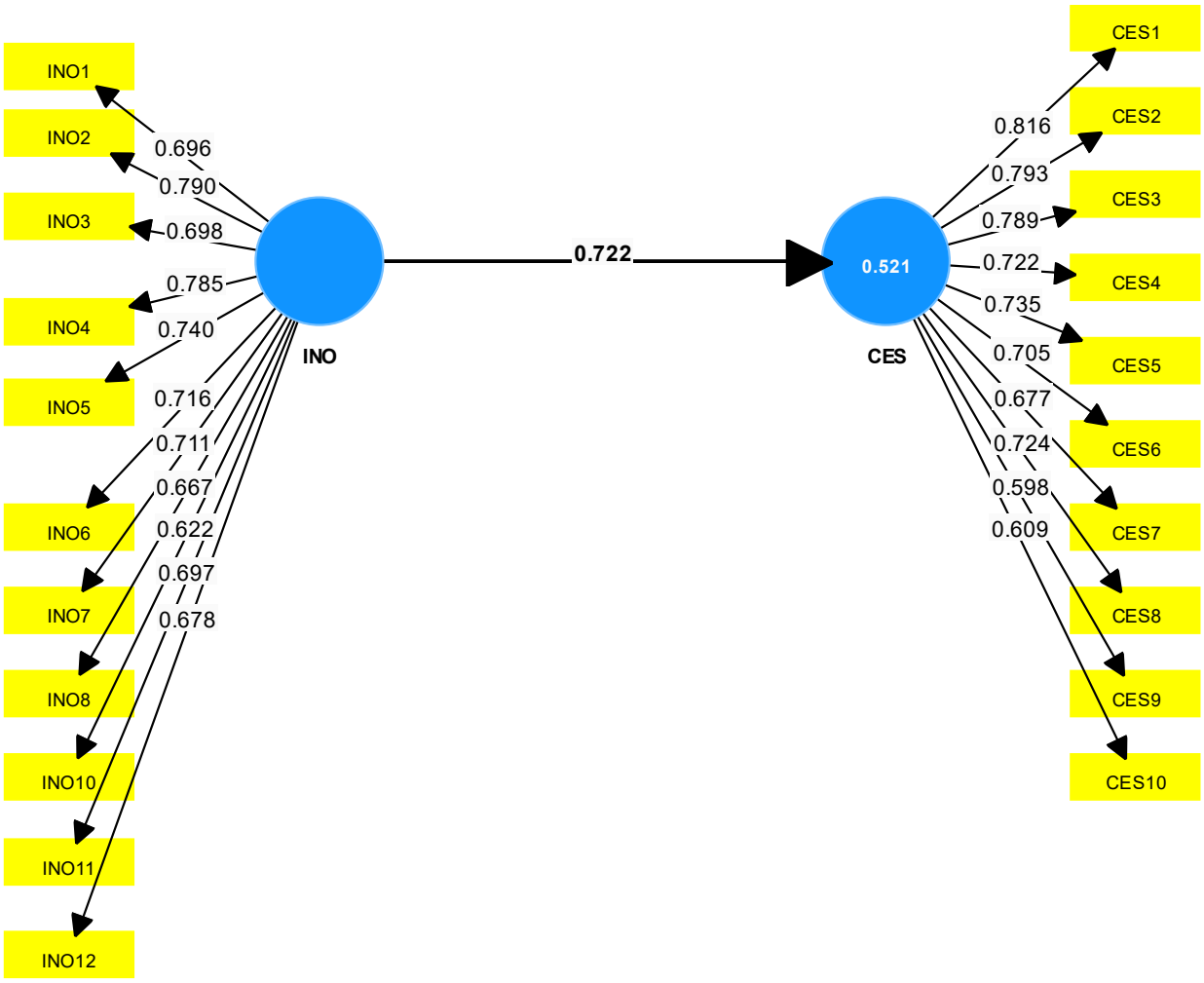

Figure 2: The Internal Consistency

Table 1: *Internal Consistency*

Items	Factor Loadings	α	CR	AVE
CES1	0.816			
CES2	0.793			
CES3	0.789			
CES4	0.722			
CES5	0.735			
CES6	0.705	0.895	0.914	0.519
CES7	0.677			
CES8	0.724			
CES9	0.598			

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CES10	0.609			
INO1	0.696			
INO2	0.790			
INO3	0.698			
INO4	0.785			
INO5	0.740	0.905	0.918	0.505
INO6	0.716			
INO7	0.711			
INO8	0.667			
INO11	0.697			
INO12	0.678			

In Table 2, it is determined that 52 % of competitive excellence strategy is affected by innovation, while the remaining 48% is affected by other constructs outside the study.

Table 2: R^2 Value

	R-square	R-square adjusted
CES	0.521	0.52

Assessment of the structural of model upon meeting the necessary conditions to verify the "measurement model", "the structural model" was subsequently analyzed to determine the links between the constructs and evaluate the model's predictive capacity. Upon implementing PLS-SEM, the model is examined for its predictive relevance and statistical significance, as suggested through Hair et al. (2017). An analysis of the connection between the exogenous constructs and "endogenous construct" was conducted using Smart PLS. Computational t-statistic data can only be obtained after the completion of bootstrapping processes. "Therefore, the recommended hypothesis is established by considering the outcome of either the acceptance or rejection proceedings". Displayed here are the path coefficient figures illustrated in "Figure 2 and Table 3".

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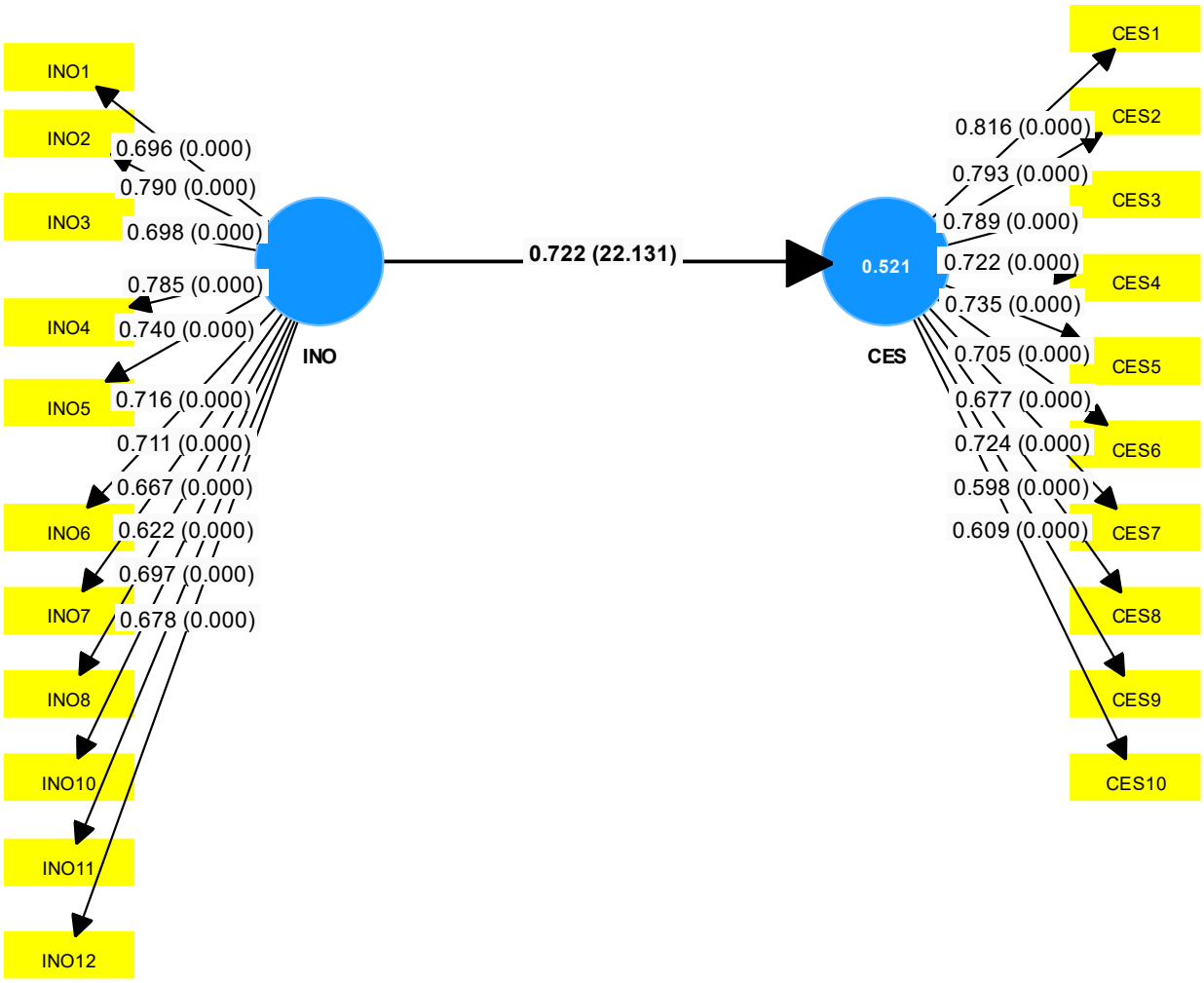

Figure 3: The Path Coefficients

Table 3: *Path Coefficients*

	β	T value	P value
INO -> CES	0.722	22.131	0

The effect of "innovation on competitive" excellence strategy is "positive and important" (β=0.772, p=0<0.05, t=22.131>1.96) in Table 3.

DISCUSSION AND RECOMMENDATION

While the subject of competitive excellence strategy has received significant attention in the literature on the SMEs, there is a absence of studying on the specific qualities required to develop competitive excellence strategy in detergent and soap manufacturing SMEs, especially in Iraq. Consequently, this study measured the effect of "innovation" on the strategy of achieving competitive excellence with the aim of determining the necessary resource mix for developing "a competitive excellence strategy. The consequences in Table 4

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indicate that the “estimate” value exhibits a positive and important” impact on the competitive excellence approach (β=0.772, p=0<0.05, t=22.131>1.96). Outcomes of this paper confirm the expected influence of “innovation” on the strategy of achieving competitive excellence. Thus, innovation accounts for 72 percent of the variations in competitive excellence strategy. The outcome validated that this factor has a direct impact on the competitive excellence strategy. Adopting a theoretical standpoint. In most contexts, innovation is crucial for attaining a competitive excellence strategy (Williams & Hare, 2012). Evidently, SMEs in the detergent and soap production sector in Iraq are unable of achieving a competitive excellence strategy mostly because they lack the capacity to innovate. Consequently, in order for these companies to have an opportunity to acquire a competitive edge, they must initiate the implementation of the essential catalyst for competitive excellence strategy, namely “innovation”. The results of this paper offer experts useful “insights” on how “small and medium-sized enterprises” in the detergent and soap manufacturing sector in Iraq could achieve a competitive edge. SME enterprises seeking to achieve a competitive edge are being encouraged to proactively participate in formal learning programs, either through direct or indirect subsidies, to acquire training and knowledge in new technologies for their manufacturing operations. The findings of this paper can serve as a reference for “entrepreneurs” to build connections with “research” organizations and “universities” for the purpose of developing creative endeavors or programs, which may ultimately provide a competitive edge in the market. The implications also apply to policy makers who are concerned with securing a competitive excellence strategy for SMEs. Given the tendency of these SMEs to lack innovation, policymakers must devise strategies to help in enabling them to engage in innovative practices within their organizations. For instance, policy makers might enhance the availability of information and facilitate the delivery of guidance and training. The present study also shown that the age of a corporation may completely limit the effect of “innovation” on its competitive excellence strategy. Full control in this context refers to the situation where the “influence of innovation on competitive” excellence strategy is quite pronounced when the age of SMEs is less than five years. The analysis suggests that the influence of “innovation on competitive” excellence strategy in detergent and soap manufacturing SMEs in Iraq is more pronounced among younger enterprises. The present discovery corroborates the research conducted by Higon. (2011), which revealed that the age of a corporation can significantly impact the correlation between innovation and competitive excellence strategy. Alongside that, it is recommended that the Iraqi government direct its resources towards the new “SMEs” to guarantee a additional

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lucrative “return on investment”. This cohort of “small and medium-sized enterprises (SMEs)” has been shown to experience more substantial advantages from the research and development “(R&D) subsidies (Nam, 2010)”. Considering the confined scope of the outcomes to a sample of Iraqi detergent and soap manufacturing SMEs, it is evident that future scholars should expand the study by investigating the potential impact of innovation on competitive excellence strategy matching in other industries within Iraq. Moreover, it is possible to expand the study to other countries to compare the findings and gain a broader perspective of the competitive excellence strategy issues encountered by SMEs in the detergent and soap manufacturing sector throughout the area.

CONCLUSION

This paper aimed to assess the competitive excellence strategy development of detergent and soap manufacturing SMEs in Iraq. “Analysis of the data was showed” using the theoretical framework of SMEs competitive excellence strategy. “Analysis indicates that the detergent and soap “manufacturing SMEs” in this “sample” are highly “competitive”. Generally, they do not possess the key factors that the existing research identifies as crucial for driving a competitive advantage strategy in enterprises. The consequences of this research align with the Resource-Based View (RBV) hypothesis, which suggests that SMEs can effectively develop a competitive excellence strategy against their competitors by focusing on their own capabilities. In order to guarantee a lucrative return on the investment in the forthcoming, the strategy makers may direct the monies and contemplate the distribution of awards to the earlier SMEs.

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