

Innovation Capability of Nepali Micro and Small Enterprises: Ready for the Competitive Context?

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ABSTRACT

An entrepreneur's innovation capability denotes the competency of discovering, imitating and launching the new products and exploring the markets. It promotes the transformation of the product types, manufacturing processes and presentation of the products to the markets. Thus, this paper aims to explore the innovation capabilities of Nepali micro and small entrepreneurs (MSEs) and use of those capabilities in their businesses so that they can be able to maintain their competitive position in the context of globalization. A key finding from this study is that MSEs are not at the position of 'dominant' in the present market, but they are challenging the dominants with their innovative capabilities investing to the niche products. They have been fulfilling the market gaps left by multinational companies. They have entered into the hybridity of local knowledge, skills, and materials with imported from outside markets for their survival to the competitive context. The MSEs are like 'Jack of all trades and master of none' because they are responsible for overall areas of their enterprises. They are like the players of the lightweight in the global market space with their limited capital, production capacity and slight initiation of innovation capabilities.

KEYWORDS: Globalization, Innovation capability, micro and small entrepreneurs, enterprises, new economic paradigm

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INTRODUCTION

I took the issue of innovation capability of Nepali micro and small enterprises (MSEs) in the competitive context created by the globalization. MSEs are widely recognized for their significant contribution to the utilization of local resources, employment creation, local discoveries, the continuation of cultural innovations and supporting to the volume of exports (Shrestha, 2004). The creations and continuation of the MSEs are obviously innovative works. They have innovation capabilities that utilize their inventive ideas to the enterprises and create values for the customers/users. The MSEs participate in their innovation capabilities and foster business competition, helping to grow the economic prosperity of households and contribute to the overall national economy (Raposo & Paco, 2011). They are also accepted as a means of poverty reduction in the least developing countries (LDCs) including Nepal.

The enterprises are living under the competitive situation of the globalization. The competition between/among the enterprises is continuing due to the establishment of numbers of enterprises/industries of the same product-lines and their creative intervention in the market. The nature of competition has become two-sided and perceived as more complex. On the one side, the field of the market has been extended around the globe so that the entrepreneurs may deal widely as per the capacity of their enterprises. On the other side, the

competition depends on the innovation capability of entrepreneurs and its implementation in the enterprises. The innovation-based competition has produced the pressure to all of the entrepreneurs to engage in innovative discoveries to overall activities. Innovation capability always attempts to make better quality, efficient processes, an adequate pace of presenting the products to the customers and flexibility in process, design, and quantities that earn competitive advantages in the markets (Lawson & Samson, 2001, p. 381).

The age of the new business paradigm is continuing because of the new business discoveries of overall business activities. The products with new varieties and values, cost-effective and latest-technology-added processing/manufacturing, new marketing strategies and proactive management system are expected by the context of the new business paradigm. Within these expectations, the MSEs are working to their products in different forms as per the markets, availability of resources and the skills acquired by the entrepreneurs. The innovation capability plays the essential role to cope with the new business paradigm and transforms the enterprising vision and activities appropriate to the changing contexts.

My aim was to see the readiness of Nepali MSEs in the competitive context created by globalization regarding their innovation capability and practices. How have they been discovering, imitating, processing and disseminating their products to the markets? How have they been surviving the competitive situation? I collected the lived experiences through the qualitative process of micro and small entrepreneurs regarding their innovation capability in the present context of competition and also used 'Observation' for collecting their practices. I mainly analyzed the realities of their 'being' and 'doing' from those data.

MICRO AND SMALL ENTERPRISES IN NEPAL

Almost one-fifth of all households are engaged in micro, small and cottage enterprises in Nepal (CBS, 2011). As stated by the Department of Cottage and Small Industries [DCSI] (2013), there are seven categories of micro, small and cottage industries. Out of them, 207,172 enterprises were formally registered in all 75 districts (77 districts after federal restructure in 2016). Most of SMEs are informally operating in both rural and urban areas as the means of income and livelihood of the majority of the poor population. The Nepali MSEs are involved mostly in the manufacturing or processing of the variety of food and non-food items for both domestic and foreign markets (Pandey, 2004). There are more than 104 categories of manufacturing industries which includes food and non-food items (DCSI, 2013).

Food processing, fruit drinks, tobacco/cigarettes, clothes, metal items, hand embroidery, carpet, leather items, readymade dress, wood and bamboo products, herbal products, soap and detergents, chemical items, plastic items, bricks and tiles, woolen items, cement and cement items, metal furniture and pots, gold and silver ornament, Allo and Dhaka items, food-oil, incense stick, wood carving, mirror fittings, tea processing, candle making, thread making, shoes and slippers etc. are the manufacturing enterprises. Electric energy and LP gas, water supply and *PaniGhatta*, solar plant, electric and electronics and others are energy-based enterprises in Nepal. In agriculture and forest-based enterprises/industries; nursery, agriculture, and livestock, beekeeping, poultry farm, tea state and processing, dairy, fishery, herbal farm, and processing are the major categories with higher potentialities. Pottery, Stone and sand collection, processing and delivery, and slate, marble and stone crossing are the types of mineral-based enterprises.

Likewise, hotel, restaurant and bar, travel and tracking, paragliding and other services are the major types of tourism enterprises. There are various categories of service enterprises like photo studio, printing and publication, taxi and rickshaw, beauty parlor, tailoring, transportation and delivery, cold storage, communication, consultancy, legal services, advertisement, training centers, health services, engineering workshops, dry cleaning, house wiring, packaging, foreign employment, repair and maintenance and others.

The figure for micro and small enterprises formally registered in 2012 was 19,376 where 4,263 female and 27,577 male entrepreneurs are engaged to these enterprises in Nepal (DCSI, 2012, p. 42). Only around 0.12 percent of the total population had initiated formally the enterprises which are so much negligible figure but informally there are numbers of those enterprises operating as the family businesses from the historical times. The SMEs have been creating and continuing their enterprising activities on the basis of local cultures, markets, materials available and the skills of the entrepreneurs.

THE CONTEXT OF GLOBALIZATION

Globalization has entered the doors of all citizens in the world. The discoveries in the sector of technologies majorly in processing and communication make easier and faster to the enterprising activities around the globe (Audretsch, Grilo & Thurik, 2012). The situation of the death of distance exists now by the technological advancement and made possible for implementing the enterprising activities and distributing the products by the liberal policies of the countries which have opened the boundaries of the countries and geographical territories. Globalization has formed the situation of 'new economic paradigm' with the characteristics of dynamic market, global competition, entrepreneurial/organizational form, high mobility of business, knowledge and innovation-based production, alliances and collaboration, deregulated governance, continuous research in information systems (Lumsdaine & Binks, 2007, p. 3). Thus, globalization has created the wider opportunities and challenges to all enterprising activities either big or small in sizes.

Next, globalization is an environment that allows the business activities and funds for investments across the border of a country and becomes interconnected with the markets of both national and international (Incekara, 2013). The international movements of products and capitals have been carrying a new economic paradigm quite different from the traditional enterprising activities and the changes have been happening either in developed or developing countries. The exchange of the innovations is possible across the country borders. The market dynamism demands the ability of a firm to continue consistent and ongoing improvements into all sectors as the foundations of the sustainability in the long run (Denis & Bourgault, 2003). Therefore, globalization forces all of the entrepreneurs on crafting self or collecting and utilizing the best innovative ideas from the markets that ensures their market-shares and competitive advantages.

Globalization has made possible for the resources diversification, construction, and expansion of new investment opportunities by connecting with supplementary markets, the discovery of new methods and materials (Incekara & Savrul, 2012). The dismantlement of local business opportunities due to the openness of the customer choices and availability of the alternative products indicates to the need for better awareness of the individual firms to compete in the new business context. It has provided the competitive opportunities for selecting the basic materials, processing alternatives, product varieties, and markets. It requires the innovation dynamics of the enterprising activities for their better existence within the global market situation.

The speed of the changes in the ideas of dealing with the human needs, manufacturing processes and product-presentation-techniques is very high as the outcome of globalization. The firms and organizations have been updating their products and methods as much as possible. The vision and functioning of the entities have been changing for 'survival for the fittest' within the momentum of market changes. The customers' interests, needs, and market demands have been rapidly changing with wider diversifications as a continuous process. Because of diversified demands and production patterns, new professions emerged and the production process and philosophy have evolved (Dereli, 2015). The MSEs have also been entering the globalized market and must struggle for their 'survival for the fittest'. The creativity or innovation has become a major capital of the firms or companies for reaching to

the point of success within indefinite and flexible market conditions. Thus, the MSEs have to be innovative themselves or adopt innovations to survive in a competitive market.

INNOVATION AND INNOVATION CAPABILITY

The innovation desires to invent something new in the venture as a major part of entrepreneurship. The main crux of entrepreneurship is to create the long-term business by introducing new approaches (Coulter, 2005). Innovation is popularly defined as the exploration of the novelties and alternative of the existing utilities (Blundel & Lockett, 2011). It deals with processes, products, and technology (Ulijn & Brown, 2004, p. 2). In reality, innovation denotes the creation and production of new things or the same things through different methods or new combination (Schumpeter, 2000). It relates to the features of the continuum for fulfilling the everyday needs of human society. Human needs create the market and the competitive behaviors of enterprises which drive the market process (Kirzner, 1973). Entrepreneurs always continue the innovative and imitative interventions for ensuring the successes in the market (Wong, Ho & Autio, 2005). The scholars do not limit its understanding within the prevailing belief that the innovation has to do with things and based on science and technology. The entrepreneurs always try to create unique values and satisfactions; convert a material to the resource; or combine the available resources to new and more productive settings. They always search for changes, respond to it, and exploit it as an opportunity (Drucker, 2006, p. 25).

New requirements of the society invite to the new enterprises for fulfilling them and create new entrepreneurial possibilities. The new possibilities are continuously being offered by the surrounding world; in particular new discoveries are continuously being added to the existing store of knowledge (Schumpeter, 2000, p. 61). The entrepreneurs try to search the adequate methods and ideas for translating the challenges into opportunities. Thus, entrepreneurship is a continuous process of innovative works. The innovation process is knowledge intensive. It generates new knowledge from the utilization of human intelligence and creativity (Kanter, 2000). The individual cosmology, family traditions, educational orientation etc. play a vital role in shaping individual intelligence and creativity. Likewise, the macro conditions like policy and support systems, business and economic environments create opportunities and threats for innovation and entrepreneurship.

UK Department of Trade and Industry's (DTI, 1998) has given a broad definition of innovation, 'the successful exploitation of new ideas', it accommodates the range of innovation types (product, process, administrative, technological, etc.) that one might reasonably expect to encounter in an enterprise (Adams, Bessant & Phelps, 2006, p. 22). Innovation represents today's competitive advantage, supported by strong mainstream capabilities in quality, efficiency, speed, and flexibility. Thus, innovation plays the dominant role in the future shaping of the enterprises (Lawson & Samson, 2001). However, innovations have become increasingly complex, costly and risky due to changing customer preferences, extensive competitive pressure and radical technological changes (Cavusgil, Calantone & Zhao, 2003). Schumpeter claimed that the entrepreneurs combine existing and new knowledge in innovative ways i.e. converting knowledge in innovation, resulting in new products, services, inputs, novel ways of organizing productions and identification of new markets. The innovation promotes to new products, methods, and system essential to update the business firms or any other organizations as per the requirements of the changing markets, technologies and competitive situations.

As noted previously, "the capabilities are complex bundles of skills and accumulated knowledge, exercises through the organizational process, that enable firms to coordinate activities and make use of their assets" (Day, 1994, p. 38). An entrepreneurial capability denotes the overall capacity to exploit the heterogeneous resources available in the environment to grab the competitive advantages. During the process of entrepreneurship, the

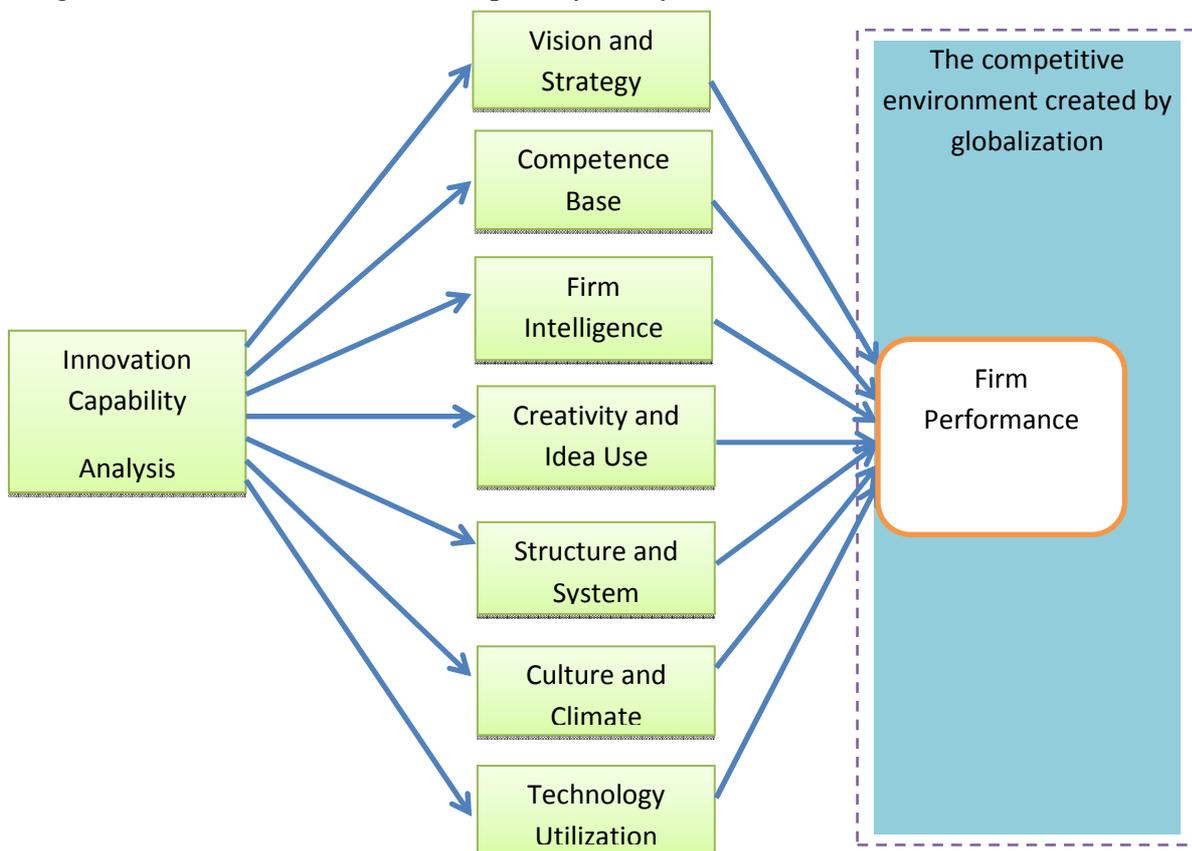
individuals combine the creative ideas to identify the new market opportunities, keeps the ability to manage all of the resources, strategies of coping with the environmental factors (Miles & Arnold, 1991). Thus, the capabilities stated above of entrepreneurs must be dynamic for securing the sustainable competitive advantages within existing environmental contingency factors as it says, “Nowadays, the environmental contingency factors of enterprises are also characterized by complex socio-economic conditions ... covers the creativity, and prepared to change itself many sides if necessary” (Duh & Strukelj, 2010, p. 34). A central concern of a firm’s overall strategy is to maintain a dynamic fit between what the firm has to offer and what the environment dictates (Miles & Snow, 1978).

The concept of innovation capability has been widely using for grabbing the market opportunities. The innovation capability includes the discovery of new products, new processing and marketing techniques both technological and managerial improvements. The products of the changing interests and demand of the customers are possible considering product development, costs minimization and time matching to the market from this performance (Rangone, 1999). Thus, it is an ability to continuously transform knowledge and ideas into new products, processes, and systems for the benefit of the firm and its stakeholders (Lawson & Samson, 2001). It also shows the company’s ability to develop the superior technology and/or management performances (Rangone, 1999).

STUDY FRAMEWORK

I have introduced a model of innovation capability analysis (figure 1) that provides the way I followed to study about the innovation capabilities and practices of the entrepreneurs. This study was conducted taking the following components which are theoretically related to the innovation capability. I went through the following components within the innovation capability with relating to the competition so that the readiness of the MSEs would be analyzed.

Figure 1: A model of innovation Capability Analysis



METHODOLOGY

I employed a qualitative approach to this study. I collected the data through in-depth interviews and the observation of the enterprising activities. I implemented the engaged listening and close participation with 'researched' to understand their innovation capability and practices so that they have been surviving to the competitive context of globalization. I used the judgmental sampling to this research (Babbie, 1995; Greig & Taylor, 1999; Schwandt, 1997), looking for those who have the information more enough to the research purpose.

I categorized the participants on the basis of locations like the entrepreneurs of urban areas and rural villages, male and female assuming that the entrepreneurs of urban cities may have different experiences from rural villages. In the same way, the male entrepreneurs may have the different experiences and practices from the female entrepreneurs. I included the entrepreneurs of different manufacturing sectors like metal crafts, natural fiber/knot crafts, leather items and agro/forest herbal products. The study includes six successful entrepreneurs who can express the logic of business failure also of the micro and small level, four male and two female from different manufacturing enterprises in different locations of Nepal.

FINDINGS AND DISCUSSION

Under innovation capability, the entrepreneurs expressed their insights based on their perception and practices regarding the new products, process and system so that they were interacting and coping with the situation of 'new economic paradigm'. The participants have their particular ways of looking and shaping their enterprise. I have taken the framework presented in figure 1 to study about the innovation capabilities and practices of the entrepreneurs. From the thematic analysis of the interviews and the observational data collected, the experiences and practices discussed in the following sections.

Vision and Strategy

Vision and strategy are the most popular terminologies in the business theories. Bourdieu (2005) has stated 'strategic market assets' differential factor of success (or failure) which may support to gain the competitive advantages. The vision is taken as the long-term objective of a business firm centrally linked with the rational profit margin and widened reputation in the markets. Strategy as the game plan of actions for obtaining the results associated with the vision. The interview questions were utilized to face-to-face dialogue on the experiences and practices of participants involved in the enterprising activities at micro and small scale especially in production/manufacturing sector.

An entrepreneur, who has been producing home-utensils from Copper and Brass for more than 17 years in Kathmandu, was one of the participants of my research. The products were totally based on Hindus and Buddhist cultures, popular from the very beginning. He expressed, "My dream is to make a larger business through the cooperative. I am clear about the demand and markets for my products. Some of the products are seasonal and some items related to cultural events. During Lhochhar (a great festival of Buddhist), I have been selling the products to Tibet". He expressed his vision and strategy according to the particular nature of his enterprise. Another entrepreneur of natural fiber, working for 15 years stated his experience: "When I understood about the potentiality of natural fiber and learned about the customers and markets; then, I selected this enterprise as my future career". The entrepreneurs indicated that 'market is first' and launching different product types and methods. Nowadays, the MSEs have been coming out from the old-fashioned mindset, collecting the modern methods and mixing with their traditional ones.

The conception of the business plan has been becoming popular among the MSEs. They have made and implemented the business plan but not found clearly mentioned about the vision and strategic actions. When I observed the business plan, it was very simple and

indicated the major business activities and simply forecasted about the sales and capital requirements. It was only fashioned but not internalized to their businesses. During the interview time, they were psychologically confident in their enterprising activities and showed their commitment to doing their business up to their life. But, they were not confident about their game plan to win the competitive advantages.

Competence Base

I interacted in the component of 'competence base' as the ability to employ the resources where they are recognized as critical to innovation success (Burgelman & Maidique, 1988). Lawson & Samson (2001) had taken this component and include innovativeness on resource management, utilization of multiple funding channels, innovation champions etc.

The participants expressed their practices of collecting the financial capital using different resources like self-earnings, cooperatives, business colleagues and commercial banks for investing in their enterprises. They utilize the sources of financial capital available at their business locations. Some of the participants use their business-colleagues and relatives as the cultural sources of cash which were perceived as highly supportive to their enterprises. The entrepreneur of fruit juices the raw materials like Rhododendron, Ginger and Palm etc. locally available nearby his factory-site. The processing skills and machines were imported from outside markets like Kathmandu and Jaipur an Indian city. He established his business based on the local raw materials and the technologies imported from outdoors. The entrepreneurs were conscious of accumulating the resources available either at local markets or from outdoors. MSEs were leveraging, combining and recombining the knowledge and resources for maximizing their business profits and sustainability.

Firm Intelligence

The MSEs have the practices of learning from their customers because they have been producing the products as per the customers' demands. They have collected different learnings from the customers, shaped perceptions and concluded for customer dealings. The entrepreneur of natural fiber expressed, "Today's customers are well-informed about the market and capable to understand about quality, price, durability and other things. So, I am always aware of the customers' interest and their demands". Actually, the changing fashions and product-types affect to the mentality of the customers. The entrepreneur of Copper and Brass was also conscious on the learning about customers. He expressed, "In Nepal, the customers use to buy cultural products especially in their cultural events like marriage ceremony, festivals, and other rituals. Chinese people buy these products during the Lochchhar and other cultural ceremonies. The wholesalers and retailers request the marketable designs and items". The entrepreneurs have the practices of regular interaction with their customers, collecting the feedback and suggestions, looking at their potential customers and markets.

Most of the entrepreneurs are conscious enough on learning from competitors i.e. they have been regularly observing, evaluating the product types and designs, processing techniques, marketing methods, machines, and technologies. They have their own approaches to learning not documented but sated to their mind. They select, collect and imitate the best ideas from others' practices. They utilize the best ideas and methods for developing quality products, rapidly changing their designs and product types to create the niche markets. The MSEs deal informally to their staffs, partners, customers and other stakeholders. Most of them have not established their formal offices; the proprietor has been involving to all of the sectors of his/her business. Gradually, the MSEs have started to participate in the programmes of modern business concepts, collecting the skills and blending to their traditional ones.

Creativity and Idea Use

Theoretically, 'creativity and idea use' deals with the generation of new actions for creating the niche products and more customer-friendly items. It is applicable to the creation of new designs, processing techniques and marketing interventions different from others. By theory, the creativity and idea management is most essential for the competitive market situation. I interacted with the participants for collecting their experiences and practices regarding their creative habitus. The entrepreneur believes in the idea-driven and knowledge-driven activities to create and establish a unique market share.

The entrepreneur of fruit juice (participant) started his business by assessing the availability of raw materials and market potentials. He added another business of agro-seeds. He spoke, "I learned about the potentiality of agro-seeds and confirmed that this is a best for doing business". He shared, "I implemented the grading of the raw materials and used the materials of first grade. I managed the better factory arrangements with higher sensitivity on sanitation, clean water and other things related to the human health".

Likewise, the entrepreneur of Copper and Brass utensils expressed, "I added/changed around 200 designs from the beginning for creating the markets of new products. I became successful with more of them". He showed the high level of creativity regarding the design development and application. They were capable to search the new knowledge regarding their enterprising activities. They were searching, collecting and utilizing new knowledge and experiences in their practices and they have the continuous efforts of collecting new ideas and application. I found them more conscious on learning about the demand of the customers and selecting the appropriate manufacturing options for their business success.

Structure and System

Basically, the organizational structures of the MSEs were found cultured with a variety of uniqueness. They have established their organizational structure in their particular ways. Most of them have been involving to overall sectors of their enterprises i.e. decision making, the collection of resources, production/ manufacturing activities and marketing. The entrepreneur of natural fiber has been operating his enterprise in informal ways and involving all sectors of internal management. He shared his experience, "I have been engaging to all sectors of raw material, factory, processing, skills, labor, monitoring, market and cash". The entrepreneur of fruit juice added, "I am fully responsible for all of the business decisions. The skilled and major staffs are supporting to share their logic and experiences. I involve them for deciding some of the business issues and actions". The MSEs have their sole leadership for deciding and managing all components of their enterprises.

The entrepreneur of woolen handicraft was operating her family enterprise in fully informal ways. She added, "The handicraft enterprise is our family business; therefore, I do not write minutes of the decisions and maintain the accounting records". The entrepreneur of natural fiber shared, "I have hired the staffs for managing the products, account, and marketing". From her practice, I found semi-formal organizational structure because she has hired some staffs as the regular basis and other skilled entrepreneurs were working as partners. I found from the observation; her enterprise was like a collection center of finished products after promoting and creating numbers of entrepreneurs. The entrepreneurs are free for producing the products at either their home or the factory spot.

In the sector of staff motivation and reward system, the MSEs have different practices shaped by the experiences. The entrepreneur of natural fiber stated, "I motivate them in many ways. I pay their remunerations in time, additional benefits in the season of the products, overtime payments etc. I provide them on piece-rates and daily wages as they wish". Paying the salary or remuneration in time plays a vital role to motivate the staffs to their duties. The entrepreneur of copper and brass stated, "I respect them because they have been contributing much to my enterprise. I believe to the teamwork and they all are the team members.

Actually, they are paid staffs but also the member of my enterprise". The concept of teamwork is essential to the enterprising activities because the success for the long run is possible only from the dedicated teamwork. Likewise, the entrepreneur of leather shoes and sleepers expressed, "We have managed a good way of reward system. We pay higher to the more qualified items. We support the beginner staffs to make the products qualified".

Culture and Climate

Globalization invites the situation of rapid changes those might be positive or negative to the enterprising actions in different stages like products, manufacturing techniques, and marketing activities. The participants have experienced the variety of uncertainties and changes and minimized as much as possible. I found multiple experiences on the tolerance of ambiguity. They did many mistakes during the starting years but minimized as soon as possible because they got immediate losses. Uncertainty, mistakes, and shortcomings might be everywhere like collecting the materials, processing units, business locations etc. From these mistakes and shortcomings, the entrepreneurs collected the capability of patients on their mistakes for reaching to the destination. They became more innovative to search the easy and better alternatives for reducing the weaknesses of their business activities.

The entrepreneurs have also been initiating to their staffs to search, create and utilize the new ideas. The entrepreneur of natural fiber shared, "I have been initiating them to think new ideas. If they identify the new ideas of production and other activities, I appreciate, collect, test and implement". Most of them have been promoting and providing them to visit the markets to learn new methods and products. The culture of expecting the creativity of their staffs for searching the new products, methods, and ideas was found highly implemented as per their understandings and learnings. The in-house interaction regarding the new designs, methods and the culture of skills sharing were the major practices of MSEs. I found their experiences and practices within four major themes i.e. the culture of motivation and promotion, providing the chance of participating in the exposure visits, idea harvesting and launching the best ideas to their enterprises.

The SMEs were found conscious on establishing the business communication for their individual successes. They were utilizing the means of communication available at their business locations as per their requirements. The entrepreneurs of natural fiber were capable to utilize the internet and email as the means of communication because they were supplying the products to the international businessmen and firms. The MSEs of the local markets and demands were using the telephone and mobile phones as the means of communication. This was also an example of adopting modern technologies by the MSEs of traditional products and local markets.

MSEs' Readiness to Competitive Context

The MSEs have their different knowledge on the vision making and strategic dispositions learned from their experiences. They have been implementing their visions and strategies to their enterprises and occupying the market shares. They are struggling and adapting to the norms and cultures of business required by the present markets because the multinational companies have also been selling and supplying their products in the same markets. They are aware of the future competitive situation coming to them and they have started to make the visions and strategic plans for exploring their products in the markets. But, the reality is that MSEs have their visions and actions, which were micro and small in sizes with limited capital, targets and small capacity of presenting the products to the markets. Therefore, they are 'small' with their limited capacities for making products and enjoy to the small markets. The visionary practices were found more traditional, like a beginner of making the formal business vision and attached to the local and limited markets.

They collect both the cultural and modern technologies, combine with them to make better in the market. They have entered the stage of hybridity to cope with the competitive context created by the globalization. The SMEs have two layers of functioning for their existence and sustainability. Bourdieu (2005) has stated, the first ranked firms adopt a new technology, achieve greater market-share modifies the field of all the species of capital held by the other firms. Those firms are either large scale or multinational. The secondly ranked firms attack to dominant firms (and other competitors), either frontally by reducing the costs and prices through technological innovations; or searching and filling the gaps left by the dominant firms and occupy the niches or by turning the dominant firms' strategies back against it. The MSEs have limited capitals and market coverage; thus, they are maintaining their position at the second layer differently as per their capabilities of innovations and adaptation of the best ideas using by dominant firms.

The entrepreneurs were conscious enough of learning from customers and competitors. They collect the feedback and suggestions regularly from their customers and implement to their products. Likewise, they have been regularly observing, evaluating the product types and designs, processing techniques, marketing methods, machines, and technologies. They have their own approaches to learning and documentation. They have been selecting, collecting and imitating the best ideas from others' practices. They have been utilizing the best ideas and methods for developing quality products, rapidly changing designs and product types to create the niche markets. These are the major components of innovative capability to receive the competitive advantages.

The MSEs manage the rewards to their staffs differently. They provide the rewards in financial and nonfinancial firms. They provide a family environment for their staffs and piece-based payments and additional benefits to excellent and honest employees. But, they have not implemented a formal system of rewards that used by big or multinational companies. Due to lack of a formal system, the rewards might be against the justice and the staff would be demotivated. The enterprise might lose the competitive advantages.

They became more innovative to search the easy and better alternatives for reducing the weaknesses of their business activities. They evoked their experiences of bitter moments of the bearing huge losses due to the uncertainties. They did not escape from their enterprises but they searched for the causes of losses and mistakes, collected, discussed within their team, implemented the remedial actions and control mechanisms. They promote their staffs for learning the creative knowledge and skills, sending to the business expos and markets. They have established the culture of in-house sharing the best ideas generated by the staffs. They have no written plan of empowerment but providing the chances of creating new ideas and designs and implements the best ones. Most of the entrepreneurs have managed the creative time to employees for collecting and discovering the innovative ideas. Most of the MSEs collect the ideas from other entrepreneurs (competitors) in the sector so marketable designs, processing technologies, and marketing styles. The practice of innovative idea collection was found some informal and unplanned. They collect new and marketable ideas and launching but they have not made the plan and strategy of innovative idea collection and evaluation of the progress.

Regarding their business communication, they use face to face interaction and telephone as the means of communication. They use the public media like newspapers, FM radios, and televisions for communicating with their customers and stakeholders. The entrepreneurs gave focus to the coordination with the business colleagues and stakeholders during the interview. They have affiliated to federations and network organizations and established the chains of business communication. Hence, today's MSEs are aware of the means of communication and utilization for the better achievement of the business. The most salient feature of globalization involves interaction and interfaces among individuals across national boundaries (Audretsch, Grilo & Thurik, 2012). The use of modern technologies of

communication makes it possible to interact globally so that the enterprises become more successful and secure the competitive advantages.

The MSEs have a lot of experiences of learning from the customers and competitors; but, their own style of the collection of those learning but less oriented towards the innovative imitation. In the field of knowledge drivenness, the MSEs have been continuing varieties of strategic actions. Those actions have been waving the 'influences' to make the better quality and new designs of the products that widen the space of possibles in the market. The SMEs have an informal organizational structure and system as per their experiences. Because of their small business, they have limited staffs, a majority of informal and family-type rules, utilized the concept of cooperative, particular type of staff motivation procedures etc. Their enterprises are manageable, based on the simple formula, small investments with low-risk patterns. But, most of them are like "Jack of all trades, master of none" because they involve to all sectors and duties of their enterprises.

CONCLUSION

This study showed that Nepali MSEs have plenty of their innovation capabilities and utilizing much to survive under the competitive context created by globalization. The entrepreneurs are committed to continuing their enterprises for the long run. They have initiated their enterprises based on the local resources like raw materials, human resources, technologies and methods mostly transferred from the elders and business colleagues. They are niche producers with their limited capacity of production and markets. But, I found them as the Japanese proverb 'Small is beautiful' after analyzing their creative capacities and utilization. The MSEs have traditional practices of vision making and launching to their enterprises. Most of the visionary and strategic plans were found verbal, not written form with enough analysis. The MSEs have entered to the stage of the hybridity of local methods/ideas and the technologies imported from the outdoor markets.

The MSEs are not at the position of dominant but they are lagging behind to the dominants with their innovative works. They are at the position of the second layer or niche producers that fill the gaps left by multinational and big companies. They are not capable to capture the wider markets due to their limited investments. The micro and small entrepreneurs are conscious to learn new methods and technologies from others' practices. But, most of them have their informal style of management and sole involvement to all of the sectors. Thus, the MSEs are being like 'Jack of all and master of none'. Thus, they have been experiencing the challenges of securing the competitive advantages within the context because of globalization.

Nepali SMEs are aware of motivating and empowering their employees through their particular ways, learned from the bitter moments, providing the chance of creativity to their staffs, and collection of the new and marketable ideas. But, they have informal and unplanned practices of doing all managerial things. They are out of using the modern technologies of communication and not giving priority due to their limited products and markets. The MSEs have been facing more challenges than the opportunities due to their particular capabilities to take hold of those advancements available in the markets. They were found as the player of very lightweight in the global market space with very small investments, simple visioning and slight initiation of innovative activities.

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