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THE CHARACTERISTICS AND INNOVATIVE PRACTICES OF ENTREPRENEURIAL FIRMS

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Abstract

Innovation is defined as an idea, practice, or object perceived as new by individuals or units that adopt it. Innovation can be seen as "something that is new or improved and that which creates value". For an innovative and entrepreneurial firm, it is defined as one that engages in product and market innovation, undertakes risky ventures, and is the first to come up with proactive innovations, beating competitors to the punch. Innovation is considered integral for its existence. These incumbent firms can be small and medium-sized enterprises (SMEs) also termed as small businesses. This study attempts to explore the characteristics and innovative practices of entrepreneurial and innovative firms in India and South Africa. A qualitative research approach was adopted with a descriptive and exploratory case study method. The study utilized consultative interviews and internet-based searches to collect data from fourteen selected firms, seven from India and seven from South Africa. Findings confirmed that the firms selected from the two continents are also innovative and entrepreneurial which confirms the *Ab initio* proposition: *To survive in today's globally competitive environment, firms must innovate, leading to improved operational performance and achievement of organizational goals.*

Keywords: De Novo, De Alia, Innovative Firm, Entrepreneurial Firm, Innovative Practices, SMEs

1. Innovation and the entrepreneurial firm

Various definitions have emerged from different perspectives, while reviewing the limited literature in innovation. Soeten (2023) defines innovation as the adoption of an internally generated or purchased device, system, policy, program, process, product, or service that is new to the adopting organization. Wani and Ali (2015) posit innovation as an idea, practice, or object that is

perceived as new by individuals or units that adopt it. Dereli (2015) defines innovation as the ability to provide products and services differentiated from the competition and made profitable by their value to their customer. Yet few other definitions on innovation describe as “something that is new or improved and that which creates value” (Edwards-Schachter, 2018; Kahn, 2018). We can thus deduce that innovation implies ‘newness’ or ‘being different from the rest’, something that has not been done or created before. These innovations can spring as product, process and/or service innovations.

The entrepreneurial firms are typically small (Brockhaus, 1980; Tell, 2015), fast-growing (Veglio and Zucchella, 2015), and innovative. They have a strong commitment to creating and introducing new products or services to the market. This may happen well before they encounter competition in the marketplace. Kithaka (2016) defines an entrepreneurial firm as, “the one that engages in product market innovation, undertakes risky ventures, and is first to come up with proactive innovations, beating competitors to the punch”. A small and medium-sized enterprise (SME) also exhibits typical characteristics of an entrepreneurial firm. These firms use new products or services to achieve growth, profitability, significant market share, higher prices, while establishing industry standards, highlighting the importance of new product or service development in the understanding of a firm’s entrepreneurial activities. We can therefore interpret that innovation is a key attribute of any entrepreneur and the identification of factors that exhibit some kind of innovation shall help in increasing the concepts on “innovation in entrepreneurial firms”.

The main objectives of this research were to analyze firm characteristics and innovative practices in entrepreneurial and innovative firms. Hence, it mandates deeper understanding on types of innovation, product and process innovation, incremental, breakthrough/radical innovation, disruptive or transformational innovation, innovative firms: *de novo* and *de alio* types to extend clarity on the principal research query. The research therefore also tried to examine why to innovate and if small businesses can be entrepreneurial and innovative.

Proposition: To survive in today’s globally competitive environment, firms must innovate, leading to improved operational performance and achievement of organizational goals.

With the help of seven published cases in India and seven identified cases in South Africa, followed by interview sessions with incumbent firms to strengthen data, the authors have diagnosed and demonstrated the typical characteristics and innovative practices by entrepreneurial and innovative firms.

2. Product and process innovation

Primarily, innovation can be identified as product innovation and process innovation, while service innovation is interchangeable with process, it being intangible. These are further differentiated as radical innovation (described as introduction of a completely new product) and incremental innovation (described as minor or major improvements to existing products). Product and process innovation is now in the center stage of discussions in innovation studies (Lyytinen *et al.* 2016; Najafi-Tavani *et al.* 2018). De Vries *et al.* (2016) suggests that innovation is concerned with the issue of new product development. Hence, the innovativeness of an entrepreneurial firm is assessed on the creation of a new product in relation to commercial purpose, in addition to the acceptance of new technology or knowledge. Thus, innovativeness can be defined as the ability of a firm to constantly introduce new products or processes, thereby capitalizing on market opportunities. To stay ahead, new technology cannot be ignored. There is no distinct relation between the product and process innovation; however, what emerges out of a process innovation could be a product innovation, as a new product in the marketplace. Thus, each product innovation may drive process innovation while disseminating it to the customer. Mostly, product innovations drive process innovations and at time vice versa.

Authors like Kahn (2018) and Granstrand and Holgersson (2020) define innovation in a company as more than just creating new ideas, including its successful introduction onto the market. Thus, organizational innovation is the successful use of processes or products that are new for the organization and that are the result or consequence of decisions taken within the organization (Kim, 2018). Souto (2015) describes this idea as the creation of any product, service,

or process which is new for a business unit. These propositions clarify that innovation is not only a result or a physical object resulting from the application of a new idea but may also be comprised of a process (Fasnacht, 2018).

Some firms are engaged in the idea seeding, while others are engaged in the exploration for its newer applications. It is important to consider that to innovate is to create and obtain an idea or knowledge and then introduce it into the organization. It may result in the possibility to a successful new product or else in a new process or technique of producing one.

Previous studies such as Zaltman *et al.* (1973) have proposed three types of innovations: programmed vs. non-programmed, ultimate vs. instrumental and radicalness. Damanpour (1992) describes the more prominent ones being administrative, technical innovations (Damanpour and Evan, 1984), radical and incremental innovation (Norman, 1971; Nord and Tucker, 1987; Dewar and Dutton, 1986; Tushman and O'Reilly, 1996), innovation in product and process (Utterback and Abernathy, 1975; Tushman and Nadler, 1986; Bhoovaraghavan *et al.* 1996). Nonaka (1994), Nonaka and Takeuchi (1995) and Imai *et al.* (1985) state that the typology of innovations is associated with firms possessing a dynamic, forward-looking vision for change and renewal.

There is little empirical research on the relationship existing between the level of organizational innovation and the performance of the company (Damanpour, 1992; Rajapathirana and Hui, 2018). Ramadani *et al.* (2019) and Tsou and Chen (2023) argue on the correct measurement of performance. Some researchers have found no relationship (Kuzma *et al.* 2020), while few have discovered a positive relationship (Lee *et al.* 2019). Damanpour (1996) differs and states that "the rate of adoption of innovation should be positively related to the organization's performance". There is a positive relationship between the degree of innovation made by a firm and its performance. Thus, the greater the firm's commitment to innovation, the better the returns obtained (Kuzma *et al.* 2020).

3. Incremental and radical innovations

Kuncoro and Suriani (2018) comment about the high order innovations that basically create new industries, products or markets. The low order innovations may be some sort of continuous innovation like introduction of a modified product, a modified innovation that may involve a slightly better technology and process innovation that may lead to new ways the existing product is being produced or the services being rendered to the customers. Hence, incremental innovations can be briefed as a low order category. It may involve some other broad categories like procedural, personnel related, process oriented, and structural type innovations. Radical innovation is classified as the high order ones, encompassing major or strategic changes in breadth, scope and the cost that involves the creation of new products.

The incremental and radical innovations require different blends of environmental, organizational, structural, and managerial forces, and therefore may need to be managed differently (Rogers, 1983; Van de Ven *et al.* 1999; Ringberg *et al.* 2019). Nijssen and Ordanini (2020) found that the situations that were ideal for high order or radical innovations, differed from those complimentary to incremental innovation. Cammarano *et al.* (2019) are of the opinion that a few organizations may be better appropriate to one type of innovation. Chandra and Yang (2011) have developed a theoretical framework and according to their study, disruptive innovation is a co-evolutionary process at different levels such as organization, product and customer level. The frequency of incremental innovation in entrepreneurial firms will be more than radical innovation or transformational innovation.

According to Kompella (2020), firms in high velocity environments and with shorter product life cycles should engage in rapid and continuous innovations to survive. The more complex and dynamic an environment (Tushman and Nadler, 1986) the more will be the chances of external pressure on the firm to engage in innovative practices. There will be more inclination and frequency towards incremental or radical changes. The older, larger, and more successful organizations become, the more likely they are to have a large repertoire of structures and systems which discourage innovation (Temel *et al.* 2021). While resources are necessary to innovate on a consistent basis, there do not appear to be substantial economies to scale in the discovery of new ideas. Thus, small firms may well innovate where larger firms often fail (Nijssen

and Ordanini, 2020). Manzani and Cegarra (2023) state “large industrial research laboratories are a relatively minor source of radical innovations, but a main source of process or evolutionary innovations”.

The innovation process is a product of a networking building endeavor (Kahn, 2018). To commercialize a product to a market, it requires that organizations form linkages, upstream and downstream, lateral and horizontal (Temel et al. 2021). Thus, the number of linkages is directly proportional to the number of incremental, radical and transformational innovations. Successful innovators can maneuver the transition from one product to the next, with great level of coordination between innovation and innovation processes. Fuentelsaz et al. (2018) state that the entrepreneurial characteristic of the entrepreneur plays a dominant role in identifying innovation type, i.e., radical or incremental, the younger the entrepreneur, the link to risky strategies is more.

Thus, the highly innovative and entrepreneurial firms are those generating ideas aimed at new and superior products, manufacturing processes and services, requiring entrepreneurial leaders, who successfully manage the innovation process to discover or create, and then exploit opportunities (Wani and Ali, 2015).

4. Insights on de novo and de alio type innovative firms

There are two categories of firms; the start-up is termed as *de novo* and the one diversifying from the industry as *de alio*. Principally they differ in their initial entry conditions. *De novo* firms apply superior efforts and are able to garner greater technological outcomes in product innovation than *de alio* firms, each possessing different innovative abilities (Thakur–Wernz and Wernz, 2022). Many researchers are still possessive of the concept that the entrants are more capable than incumbents at introducing and developing major innovations (Tushman and Anderson, 1986; De Vries, 2021). Wang and Tan (2019) reveal that incumbents can outperform entrants on innovations. It may be because not all entrants are the same in their respective businesses.

In the past, some scholars assess innovation, based on market leadership (Henderson and Clark, 1990; Christensen and Bower 1996), market share (Banbury and Mitchell, 1995), on the theory of early adoption of technology (Tushman and Anderson, 1986), entry into a new technological niche (Tushman and Anderson, 1986; Mitchell, 1995) and some on survival (Banbury and Mitchell, 1995). However, it is difficult to classify as to which firm should engage in which type of innovation, radical or incremental.

First, it is imperative to understand why the differences in innovative behavior between *de novo* and *de alio* firms exist. There are two key components of a firm’s success at innovation. Rubin and Abramson (2018) state that the firm should have a developed organizational routine to be successful at incremental innovation. This innovation is based on the existing knowledge readily available to the incumbent. Myhren et al. (2018) and Enwereji et al. (2023) are of the opinion that the firm should express internal and external flexibility, while having streamlined relations with all the actors in the major innovation game.

To understand which firm type is more innovative, it is necessary to establish which type of firm has better organizational patterns and possess a higher level of structural flexibility. Organizational competence refers to the capability by the organization to execute problems, while coordinating the daily routines, structures, production, and relationship with external actors (Khaksar et al. 2023). Organizations tend to develop and refine their competency level according to their exposure and acquired maturity and experience in business (Khaksar et al. 2023). Firms with an elevated level of organizational competency can provide reliable and accountable performance (Shet et al. 2019). However, it is also true that whether the actual organizational competence initiates a degree of innovation to a firm could be related to the current state of the technological environment or on the firm’s structural flexibility (Shet et al. 2019) Some researchers have expressed that small and young organizations are more likely to undertake significant organizational change than the larger and older ones (Khaksar et al. 2023).

5. Differentiating de novo and de alio type innovative firms

The product innovation between *de novo* and *de alio* firms differs on several parameters. For a firm to entry into any industry, it must balance organizational competence and structural flexibility. The *de alio* firms may possess greater resources due to their existence whereas *de novo* firms start from scratch. Thus, *de alio* firms have an upper hand in terms of organizational competence yet *de novo* firms always have an advantage in terms of its structural flexibility. *De novo* firms have greater flexibility in choosing direction, industry and developing competence. These *de novo* firms may require slight amendments in structure suiting purpose (Lee and Fong, 2019). *De alio* firms leave an imprint based on existing competence, requiring changes that are difficult to overcome. Hence, *de novo* firms compared to *de alio* firms have an advantage in terms of organizational capabilities.

Organizational capability or competence upgrades with the passage of time, and *de alio* firms must harness it. However, the product innovation rates differ in *de novo* and *de alia* type firms. With the increasing period of the *de novo* firm, the product innovation rate may increase (but difficult to predict) and may decline (but difficult to predict) when the structural flexibility declines. Even though there is no noteworthy difference between *de novo* and *de alio* firms at the time of entry, their innovation rates become significantly different as their period of experience with the industry increases. Further insights into the differences between *de novo* and *de alio* firms are provided in Table 1.

Table 1. Differences between *de novo* and *de alio* types of innovative firms

Features	<i>De Novo</i> type of innovative firms	<i>De Alio</i> type of innovative firms
Definition	Built from scratch or entirely new entities (Marcos and Silva, 2018).	Existing firms adopting innovation from external sources. (Kriz, Eriksson and Ketolainen, 2021)
Origin	Newly established companies (Thakur–Wernz and Wernz, 2022)	Existing companies evolving through external innovations (Berman <i>et al.</i> 2021)
Funding purpose	Creation of a novel product, service, or business model (York and Lenox, 2014).	Adaptation or integration of external innovations to enhance existing operations (Choi <i>et al.</i> 2016).
Risk profile	Higher risk due to uncertainty and unproven concepts (Venkataraman, 2019).	Moderate risk, as they build on proven concepts but may face challenges in integration (Joshi, 2017)
Entrepreneurial mindset	Entrepreneurial spirit is crucial for ideation and implementation (Lu and Whidbee, 2013).	Requires a blend of entrepreneurial and managerial skills for effective integration (Nyyssönen, 2017).
Research and development	Focus on internal research and development for original ideas and solutions (Catchen <i>et al.</i> 2011).	Emphasis on scanning external sources for innovative ideas and technologies (Kruuti, 2016).
Time to market	May take longer to establish and gain market presence (Jones <i>et al.</i> 2012).	Potentially faster due to leveraging existing infrastructure and market presence (Vedula <i>et al.</i> 2022)
Examples	Start-ups in emerging industries, tech companies with groundbreaking concepts.	Established companies adopting new technologies, upgrading processes, or diversifying product lines.

Source: Authors' own compilation

6. Innovation in Small and Medium-sized Enterprises (SMEs)

SMEs (also referred to as small businesses) have a wider impact on the national economy. But limited literature provides little access to their “innovativeness”. Research exhibited some evidence on both incremental and radical innovation and innovative practices by these firms.

Indrawati (2020) established that the innovator is very important in the commercial success of innovative products in SMEs. Justinek (2012) is of the opinion which confirms diplomacy as the right answer for SME growth. Both individual and systems support are important. Considering the importance of innovation in SMEs, national systems of innovation have been established in several countries, which facilitates in this direction. Birch (1989) has coined the term 'gazelle' to refer to SMEs that have a high growth rate. Keizer *et al.* (2002) discovered that three factors significantly contributed towards the innovative practices in a firm and those were using innovation subsidies, having links with knowledge centers and some percentage of contribution in the research and development center. But studies are yet to establish a deeper and better understanding on how these SMEs nurture innovativeness and distinctly differ on innovative practices than others.

A study by Islam *et al.* (2011) shows that the duration an organization has operated has a significant effect towards business success of SMEs. SMEs that have been in operation for longer periods are more successful in comparison to those who have been in operation for a shorter period. Experience has been a major factor for understanding the requirement for innovativeness. There has been some research into SMEs in the past few years, as we understand that a large majority of firms worldwide are SMEs. And this has a direct impact on how successful firms influence the overall growth of the economy. An answer to the query as to why some nations are more economically prosperous than others is that they constitute entrepreneurial firms, which are broadly innovative. It is a critical combination of resource and strategy and its combined optimization by these entrepreneurial firms.

It is imperative that the private sector leads in the economic development of the country and the region. Previous studies dealing with successful firms have focused on large companies rather than SMEs (Ghosh and Kwan, 1996; Kauranen, 1996; Pelham, 2000; Snihur and Wiklund, 2019). But studies claim that rapid changes in the business environment cause more uncertainty in SMEs than in large firms. SMEs have long been believed to be important in supporting economics development within a country (Surya *et al.* 2021). Job creation is a direct outcome, which these entrepreneurial firms do in the long run.

Therefore, it is important to unearth organizational characteristics and innovative practices undertaken by these firms that differentiate them from others, termed as "innovative and entrepreneurial firms".

7. Research methodology

The research intends to identify innovative entrepreneurial firms where some kind of innovation has taken place and relay better understanding on the "innovative practices" undertaken by these firms. These firms are also termed as "knowledge creating firms", as they add value to the existing knowledge on firm performance. Kahrens and Früauff (2018) propose that knowledge creation is in fact a result of a continuous dialogue between tacit and explicit knowledge. Almost 300 SMEs were identified from the directory of Indian Industries association, a prime body, which connects SMEs across pan India. The first-hand screening was based on the premise that the firms must have exhibited some kind of innovation in their journey. A heterogeneous list was generated, comprising clusters and representing wide areas of industry vertical. Mitchell *et al.* (2010) confirms proximity influences in knowledge-based value and hence sample from clusters was an obvious choice. First level contact with these incumbent entrepreneurial firms was established by emails, with a request to identify what kind of innovation or innovative practices they had established. The results were not encouraging as very few participated in the survey, stating innovation was internal to the firm and not for public domain. Using social networks and individual persuasion few agreed initially, and some dropped out mid-way, though some variables on innovation and innovative practices could be identified. With these few established variables and practices, it was consciously decided to use the case method and approach the incumbent entrepreneurial firms. Purposeful case selection was undertaken to enable dissimilar sample examples to also contribute towards theoretical understanding. Thus, seven sample firms from India and South Africa were carefully identified on which cases were documented that investigated some kind of innovativeness. The same firms also agreed to share their inside story on innovation,

innovativeness and innovative practices based on appreciative inquiry which is an innovative case method that focusses on the positive aspects in an organization (Jordan and Thatchenkery, 2011).

The following entrepreneurial firms from India were identified: (I) PTC Industries: Casting (Joshi, M. (2010), (II) Ashoka Sports: Sports (Joshi *et al.* 2013), (III) D.K. Exports: Dyes (Joshi and Srivastava, 2014). (IV) Real Time Automation Products Pvt. Ltd: Instruments (Joshi and Dixit, 2015), (V) Hafizia Art & Crafts Pvt. Ltd.: Jute and Rugs (Joshi *et al.*, 2015), (VI) Comfort N Care: Finance (Joshi *et al.* 2017).

A descriptive and exploratory case study method was followed to investigate innovation followed by an internet-based search. Information at various levels was collected through interviews of the owners of these entrepreneurial firms, their employees, customers, and suppliers. A case framework was developed, which briefly investigated the organization, its structure and nature of business. Subsequently, further investigation was conducted on its organizational characteristics and innovative practices, which have been briefly summarized in Table 2, emphasizing on the central issue that is innovation, innovative practices and entrepreneurial firm.

The study in addition explored more in the context of South Africa to identify the entrepreneurial firms and to know how they have established their entrepreneurial and innovative practices. A rigorous internet-based search was done through a purposive sampling method where the innovation and innovative practices of firms were screened to know their success rate. A host of firms were identified but the following seven were significant which were selected across various industries: This comparison was made to show the level of innovation and innovative practices of entrepreneurs across two distinct continents (Asia and Africa). This will help assess the differences and similarities in entrepreneurial approaches and foster cross-continental learning and collaboration. The list of firms selected in South Africa are as follows: (I) GENFIN Business Finance Pty Ltd: Finance industry, (II) RecoMed Pty Ltd: Medical Care Sector, (III) Skilltech Solutions Pty Ltd: Skills acquisition/Education, (IV) ARABLE Grow Pty Ltd: Agricultural sector, (V) Atlantis SEZ Pty Ltd: Sustainable Green economy, (VI) The BAM Collective Pty Ltd: Fashion and clothing industry, (VII) Corporate Traveller Pty Ltd: Transportation/Tourism Industry. An internet-based search supported by case selection was conducted to know the innovative practices of South African firms and this was summarized in Table 3.

8. Research Analysis

This section presents the analysis of the results. Despite challenges encountered in gathering data through contacts and internet-based search as noted in the methodology section, a few variables on innovation and innovative practices on Indian and South African firms were identified from the participating firms. Given the limited variables and practices identified, the decision was made to utilize the case method approach to study the incumbent entrepreneurial firms in-depth. This was done by identifying the firms, their characteristics and their innovative practices. Table 2 and Table 3 summarize the characteristics and innovative practices in Indian and South African entrepreneurial firms.

Table 2. Summary of characteristics and innovative practices in Indian entrepreneurial firms

No.	Organization	Characteristics	Innovative practices
1	PTC Industries, (Joshi, M. (2010a)	<ol style="list-style-type: none"> 1. High risk-taking ability 2. Understanding competitive challenge 3. Radical nature of innovation 4. Resistance to change minimal. 5. High level of maneuverability in challenging times with less excess and openness to change 	<ol style="list-style-type: none"> 1. Product innovation in the casting and forgings category 2. Benchmarking world standards in castings by deploying process innovation. 3. Discovery of new customer groups 4. New business model

Table 2. Continued

2	Metal Seam Company Pvt Ltd, (Joshi, 2010b)	<ol style="list-style-type: none"> 1. Passionate desire to fulfil dream and autonomy to undertake challenging tasks. 2. Radical nature of innovation 3. Resistance to change minimal. 4. High level of maneuverability in challenging times with less excess and openness to change 	<ol style="list-style-type: none"> 1. Product innovation to suit the customer's needs. 2. Nature of process innovation designed by the founder director based on experience. 3. Discovery of new customer groups
3	Ashoka Sports, (Joshi et al. 2013)	<ol style="list-style-type: none"> 1. Passionate desire to fulfil dream and autonomy to undertake challenging tasks. 2. Incremental and radical nature of innovation 3. Resistance to change minimal. 4. High level of maneuverability in challenging times with less excess and openness to change 	<ol style="list-style-type: none"> 1. Product innovation to suit the customer's needs. 2. Nature of process innovation designed by the founder director based on experience. 3. Discovery of new customer groups
4	D.K. Exports, Joshi and Srivastava, 2014)	<ol style="list-style-type: none"> 1. Passionate desire to fulfil dream and autonomy to undertake challenging tasks. 2. Autonomy to undertake challenging tasks. 3. High risk-taking ability 4. Understanding competitive challenge 5. Radical nature of innovation 6. Resistance to change minimal. 7. High level of maneuverability in challenging times with less excess and openness to change 	<ol style="list-style-type: none"> 1. Product innovation in the casting and forgings category 2. Benchmarking world standards in castings by deploying process innovation. 3. Discovery of new customer groups 4. New business model
5	Real Time Automation Products Pvt. Ltd (Joshi and Dixit, 2015)	<ol style="list-style-type: none"> 1. Incremental nature of innovation 2. Resistance to change minimal. 3. High level of maneuverability in challenging times with less excess and openness to change 	<ol style="list-style-type: none"> 1. Service innovation 2. Tailoring software programs suited best for the customer-based requirement at site. 3. Nature of strategic alliance building cross functional teams
6	Hafizia Art & Crafts Pvt. Ltd, (Joshi et al. 2015)	<ol style="list-style-type: none"> 1. Passion to excel and fulfil dream due to high level of autonomy. 2. Openness to thinking. 3. High level of entrepreneurial orientation and opportunity recognition 4. Nature of innovation is incremental. 5. Resistance to change minimal. 6. High level of maneuverability in challenging times with less excess and openness to change. 7. Ability to handle uncertainty and complexity 	<ol style="list-style-type: none"> 1. Development of synergies between top and bottom 2. Building cross functional teams 3. Converting tacit knowledge to explicit

Table 2. Continued

7	Comfort N Care (Joshi et al. 2017)	<ol style="list-style-type: none"> 1. Autonomy to undertake challenging tasks. 2. Entrepreneurial leadership. 3. Passion to excel and fulfil dream due to high level of autonomy. 4. Flexible organizational structures and environment 5. High level of entrepreneurial orientation and opportunity recognition. 6. Nature of innovation is incremental. 7. Presence of entrepreneurial competencies like high risk taking, commitments, managing with stress, perseverance, persuasion as drivers to innovation and creativity. 8. High level of intrinsic and extrinsic motivation 9. Ability to handle challenges and barriers 	<ol style="list-style-type: none"> 1. Redeployment and training of employees 2. Flat organizational structures 3. Nature of strategic alliance 4. Translating opportunity into sizeable gains in the form of market size/customers, increase in product/service. 5. Customer orientation 6. Converting tacit knowledge to explicit
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Source: Authors' own compilation

Table 3. Summary of characteristics and innovative practices of South African entrepreneurial firms

No.	Organization	Characteristics	Innovative Practices
1	GENFIN Business Finance Pty Ltd (https://www.thebamcollective.com/ , 2023)	<ol style="list-style-type: none"> 1. Led by visionary leaders with a strong commitment to addressing financial inclusion challenges in South Africa. 2. Utilizes advanced analytics and data-driven insights to understand and cater to the unique financial needs of diverse communities. 3. Maintains a flexible organizational structure to quickly adapt to changes in the financial landscape and regulatory environment. 	<ol style="list-style-type: none"> 1. Develops and implements innovative mobile financial services to reach underserved populations, providing them with access to banking and financial resources. 2. Collaborates with local communities to provide financial literacy programs, empowering individuals to make informed financial decisions. 3. Utilizes blockchain technology to enhance transparency and security in financial transactions, fostering trust among users. 4. Offers a competitive commission fee for every client introduction that results in a successful business funding advance, creating new revenue opportunities for business.
2	RecoMed Pty Ltd (https://www.recomed.co.za/ , 2023)	<ol style="list-style-type: none"> 1. Actively engages in cross-border collaborations to leverage global expertise in healthcare innovation. 2. Places a strong emphasis on patient-centric healthcare solutions, ensuring that technological innovations prioritize the well-being of individuals. 3. Encourages a culture of calculated risk-taking, allowing for the exploration of groundbreaking healthcare technologies 	<ol style="list-style-type: none"> 1. Develops and implements telemedicine platforms to enhance healthcare accessibility, especially in remote and underserved areas. 2. Utilizes predictive analytics to identify potential health risks and proactively implement preventive measures, contributing to public health improvement.

Table 3. Continued

			<p>3. Engages in collaborative research initiatives with local and international institutions to advance medical research and development.</p> <p>4. Connects practitioners, patients and other stakeholders in the healthcare ecosystem.</p> <p>5. Increase utilization of services like health-checks by allowing patients to book online through an enhanced brand experience.</p>
3	<p>Skilltech Solutions Pty Ltd (https://www.skilltech.co.za/, 2023)</p>	<p>1. Establishes a dynamic learning environment that fosters continuous skills development and adaptability among employees.</p> <p>2. Prioritizes employee growth by offering training programs and upskilling opportunities to keep pace with industry demands.</p> <p>3. Implements flexible work arrangements, allowing employees to balance work and ongoing learning seamlessly.</p>	<p>1. Develops virtual reality training modules to enhance practical skills and provide immersive learning experiences for employees.</p> <p>2. Introduces gamified learning platforms to make skill development engaging and enjoyable, thereby increasing employee participation and knowledge retention.</p> <p>3. Collaborates with industry leaders to develop training curricula that align with the latest industry trends and requirements.</p>
4	<p>ARABLE Grow Pty Ltd. (https://www.arable.co.za/, 2023)</p>	<p>1. Actively engages with rural communities to understand their agricultural needs and challenges, fostering a sense of ownership and collaboration.</p> <p>2. Adopts innovative and sustainable agricultural practices, such as precision farming and vertical farming, to optimize resource usage and increase yields.</p> <p>3. Facilitates knowledge-sharing initiatives among local farmers, creating a network for sharing best practices and overcoming common challenges</p>	<p>1. Implements precision agriculture technologies, including Internet of Things devices and data analytics, to enhance crop management and optimize resource utilization.</p> <p>2. Utilizes blockchain for supply chain transparency, allowing consumers to trace the origin and production processes of agricultural products.</p> <p>3. Establishes AgriTech incubation programs to support and nurture local entrepreneurs in developing innovative solutions for the agriculture sector.</p> <p>4. All year arable grow of products</p> <p>5. Utilizes big data that constantly feeds data into the cloud-based system</p>
5	<p>Atlantis SEZ Pty Ltd (https://www.atlantissez.com/ , 2023)</p>	<p>1. Drives a strong commitment to environmental sustainability, integrating green practices into all aspects of its operations.</p> <p>2. Promotes collaboration and creativity by employing cross-functional teams that bring together individuals with diverse skills and perspectives.</p> <p>3. Actively engages with local communities to identify sustainable solutions that address both environmental concerns and community needs</p>	<p>1. Implements circular economy principles, focusing on product design and recycling processes to minimize environmental impact.</p> <p>2. Establishes strategic alliances with local suppliers and partners to support community development and reduce the carbon footprint.</p> <p>3. Provides ongoing training to employees on sustainable</p>

Table 3. Continued

6	<p>The BAM Collective Pty Ltd (https://www.thebamcollective.com/, 2023)</p>	<ol style="list-style-type: none"> 1. Prioritizes diversity and inclusivity in its workforce, showcasing a range of ethnicities, body types, and backgrounds in its marketing and design teams. 2. Adheres to fair labor practices, ensuring that the entire supply chain, from production to distribution, aligns with ethical standards. 3. Collaborates with local artisans and designers from various communities to incorporate cultural elements into its fashion lines 	<p>practices, fostering a culture of environmental responsibility.</p> <ol style="list-style-type: none"> 4. Low operational costs for manufacturing businesses 5. Extending investment opportunities to major companies
7	<p>Corporate Traveller Pty Ltd (https://www.corporatetraveller.co.za/, 2023)</p>	<ol style="list-style-type: none"> 1. Creates a digital-first tourism experience, integrating technology to enhance the exploration and understanding of South Africa's cultural and natural heritage. 2. Engages local communities in the tourism experience, promoting cultural exchange and economic empowerment for residents. 3. Utilizes smart destination management systems to optimize tourist flows, reduce environmental impact, and enhance overall visitor satisfaction 	<ol style="list-style-type: none"> 1. Introduces a customizable fashion line, allowing customers to personalize clothing items according to their preferences and measurements. 2. Offers a diverse range of sizes, challenging industry norms and promoting body positivity and inclusivity. 3. Implements blockchain technology to provide consumers with transparent information about the entire supply chain, ensuring the ethical production of each garment. 4. The brand specializes in taking a spirited approach to South African culture. 5. It uses graphic prints, bold colors, striking silhouettes and experimental details to explore the commercial and conceptual boundaries that clothing holds <ol style="list-style-type: none"> 1. Introduces augmented reality guided tours, providing tourists with interactive and informative experiences at historical and cultural sites. 2. Implements a blockchain-powered loyalty program, rewarding tourists for sustainable practices and supporting local businesses. 3. Develops digital storytelling platforms, allowing tourists to contribute their experiences and recommendations, creating a dynamic and authentic narrative for future travelers. 4. Provides a blended approach that combines the right technology with expert travel support

Source: Authors' own compilation

9. Discussions and limitations

This study investigated the concept of innovation and its profound impact on the sustained existence of enterprises. In this study, a new definition of innovation emerges, emphasizing that innovation has everlasting impact on the continued existence of enterprises (Lyytinen *et al.* 2016; Najafi-Tavani *et al.* 2018). Innovations manifest across various dimensions, ranging from advancements in technology to the discovery of new locations and from the evolution of products or services to the adoption of innovative organizational structures and marketing practices (De

Vries *et al.* 2016). This emphasizes the enduring impact of innovations on enterprises which the study highlights as a crucial factor for the continuous evolution and success of businesses.

According to the study, the characteristics and innovative practices of entrepreneurial firms are diverse and indicative of their adaptability and forward-thinking approach to business. In India, PTC Industries, Metal Seam Company Pvt Ltd, Ashoka Sports, D.K. Exports, Real Time Automation Products Pvt. Ltd, Hafizia Art & Crafts Pvt. Ltd, and Comfort N Care exhibit a combination of characteristics such as high risk-taking ability, understanding competitive challenges, minimal resistance to change, and a high level of maneuverability in challenging times. These firms demonstrate innovative practices ranging from product innovation to the discovery of new customer groups and the development of new business models. Each firm showcases a unique blend of entrepreneurial traits and strategic initiatives aimed at driving growth and sustainability in their respective industries. Similarly, in South Africa, GENFIN Business Finance Pty Ltd, RecoMed Pty Ltd, Skilltech Solutions Pty Ltd, ARABLE Grow Pty Ltd, Atlantis SEZ Pty Ltd, The BAM Collective Pty Ltd, and Corporate Traveller Pty Ltd highlight distinctive characteristics and innovative practices within their sectors. These firms prioritize factors such as visionary leadership, patient-centric solutions, dynamic learning environments, and a commitment to environmental sustainability. Their innovative practices include the development of mobile financial services, telemedicine platforms, virtual reality training modules, precision agriculture technologies, circular economy principles, customizable fashion lines, augmented reality guided tours, and blockchain-powered loyalty programs. Through their strategic initiatives, these firms contribute to industry advancements, community empowerment, and sustainable development while maintaining a competitive edge in the market. The contributions of these firms in both India and South Africa confirms that the innovator is very important in the commercial success of innovative products in SMEs as opined by Indrawati (2020). Similarly, Justinek and Černič (2022) uphold that diplomacy and innovativeness is the right answer for SME growth.

The study highlights the importance of certain characteristics in entrepreneurial firms, such as their adeptness at handling challenges, openness to change and a passion for excellence. The identification of both unique and common innovative practices further accentuates the integral role of autonomy, entrepreneurial orientation and opportunity recognition in driving innovation (Kuncoro and Suriani, 2018). The proposition linking innovation to improved operational performance and organizational goals serves as a guiding principle in the present global competitive environment. The investigation into both Indian and South African SMEs offers a comparative lens, enriching the narrative with insights into the entrepreneurial dimensions within distinct socio-economic contexts. The blend of insights from both contexts provides a more complex understanding of the universal facets of innovation and entrepreneurship within the realm of Small, Micro, and Medium-sized Enterprises (SMMEs).

The study acknowledges the limitations of its sample cases, representing a diverse yet small subset of entrepreneurial firms. The inclusion of more firms, spanning different geographies and industries, could have strengthened the study's insights into the nuances of innovations, innovative practices, and entrepreneurial characteristics in the wider geographical context and potentially fostered universal learning.

9. Conclusion

This study has found typical firm characteristics and innovative practices by the entrepreneurial firms drawing from Indian and South African experiences. These have been briefed below:

Entrepreneurial firms possess unique characteristics that set them apart. They demonstrate a remarkable ability to handle challenges and barriers, manage uncertainty and complexity adeptly, and exhibit high level of maneuverability even in adverse conditions. These firms thrive on openness to change, showcasing both a high risk-taking ability and a passion for innovation which can manifest in both incremental and radical forms. Their autonomy and resistance to change are minimal, fostering an environment where competitive challenges are not only understood but actively embraced.

In contrast, common characteristics shared by entrepreneurial firms include the autonomy to undertake challenging tasks, entrepreneurial leadership that fosters a dynamic organizational

structure, and a flexible environment. These firms exhibit a heightened entrepreneurial orientation, excelling in recognizing opportunities and motivating their workforce through both intrinsic and extrinsic means. The presence of entrepreneurial competencies, such as a willingness to take risks, unwavering commitment, stress management, perseverance, and persuasive abilities, serves as driving forces behind their innovation and creativity.

When it comes to innovative practices, entrepreneurial firms showcase unique approaches. They benchmark world standards in casting through process innovation, build cross-functional teams, and develop synergies between top and bottom levels of the organization. The founder entrepreneur often plays a pivotal role in designing process innovations based on experience. Strategic alliances, new business models, and product innovations in casting and forging are key components of their approach. These firms prioritize understanding customer needs, leading to service innovation and tailoring software programs to meet specific customer requirements on-site.

On the other hand, common innovative practices among both innovative and entrepreneurial firms involve converting tacit knowledge into explicit knowledge, maintaining a strong customer orientation, and adopting flat organizational structures. These practices contribute to translating opportunities into substantial gains, reflected in increased market size and customer base for their products or services. Thus, we conclude: (I) Autonomy provides impetus towards innovative practices, irrespective of the industry and innovation type, yielding thereafter. (II) Entrepreneurial orientation and opportunity recognition are the two most important factors to innovation. (III) Innovative practices are also present in SMEs. (IV) Incremental innovations are more predominant in services and radical innovations are predominant in product-based firms. (V) Innovative practices are the outcome of entrepreneurial competencies, irrespective of being in manufacturing or services. (VI) Challenges, barriers and uncertainties do not impede but endow innovations and innovative practices.

Hence, qualifying our proposition: "To survive in today's globally competitive environment, firms must innovate, leading to improved operational performance and achievement of organizational goals."

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