

Indigenous Innovative Products by Micro, Small & Medium Enterprises

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Abstract

Micro, Small and Medium Enterprises (MSME) in contemporary times have emerged as an interesting subject for research among the academicians and researchers. The products of the sector are facing stiff competition in this liberalised regime due to the influx of latest technology in large scale enterprises which resulted in the latter producing low cost as well as high quality products. In order to sustain, the only way left out is to go for innovation. Unlike large scale enterprises, the small scale sector doesn't abide by the principles of linear model of innovation but rather it follows a trial and error method in its approach to innovation. This paper attempts to bring out a portion of the vast canvas of indigenous innovative products these industries offer and to study their distinctive functionalities in terms of utility creation, employment opportunities, substitutability, low cost, and eco friendliness. A Study of cases regarding product innovation has been conducted to focus on the distinguishing features and functionalities of the indigenous innovative products specially emphasising on the parameters mentioned above.

Keywords: Innovation, Competition, Product Substitution, Liberalization

Introduction

According to the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, enterprises engaged in the manufacture or production, processing or preservation of goods can be defined as, a micro enterprise, if the investment in plant and machinery does not exceed Rs. 25 lakhs, a small enterprise, if the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore, and a medium enterprise, if the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crores. In case of the above enterprises, investment in plant and machinery is the original cost excluding land, building and the items specified by the Ministry of Small Scale Industries.

According to the same act, enterprises engaged in providing or rendering services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as

may be notified under the MSMED Act, 2006) can be defined as, a micro enterprise if the investment in equipment does not exceed Rs. 10 lakh, a small enterprise, if the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore and a medium enterprise, if the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

The contribution of Micro, Small and Medium Enterprises (MSME) towards national income, creation of employment opportunities mainly for low and semi skilled workers and production of low cost goods and services are very crucial in context of a developing nation like India. The trend towards economic liberalisation which was started in the mid 80's had resulted in enormous influx of technology and innovative products which ultimately affected the Indian consumers to a large extent. In order to withstand competition from these low cost as well high quality products and services, innovation in product, process, service and technology has become inevitable for MSMEs in order sustain competition for their existence.

Michael Vance¹ defines innovation as the creation of the new or rearranging of the old in a new way while according to Yost² innovation means venturing away from familiar ground into uncharted territory. Zyn³ emphasised the cost benefit analysis part of innovation. Richard Lyons, Chief learning officer of Goldman Sachs⁴ speaks of innovation as fresh thinking which creates value.

One of the indigenous innovative strategies is Jugaad. It is a colloquial Hindi word that roughly translates 'an innovative fix, an improvised solution born from ingenuity and cleverness,' thus it is about seeking opportunity in adversity, doing more with less resource, bringing flexibility in thoughts and actions, keeping things simple, including the margin and following the heart.

The innovation strategies followed by MSME may be compared to the Jugaad style of innovation in terms of the above six principles. This indigenous innovation technique should gain recognition as a highly effective business tool that can be formalised to even help large scale enterprises to innovate faster, better and cheaper in today's hypercompetitive and volatile environment *Jugaad Innovation*.⁵ Despite the fact that the CEOs of most large scale enterprises have dismissed it as a poor man's approach to innovation few of them such as YESBANK, Tata Motors, Pepsi Co, Philips, Future Group, Siemens have embraced it and are performing excellently in their product innovations.

Most of the studies regarding innovation subscribe to a linear model of innovation. As per this method the idea to innovate generates in educational and research institutes

¹ URL: <http://www.freshconsulting.com/what-is-innovation/> (accessed on 25.09.2013)

² URL: <http://yost.com/misc/innovation.html> (accessed on 25.09.2013)

³ URL: <http://www.zyn.com/sbir/sbres/sba-ppd/ppd03-S3.htm> (accessed on 25.09.2013)

⁴ URL: <http://www.business-architecture.net/glossary/innovation> (accessed on 25.09.2013)

⁵ Navi Radjou, Jaideep Prabhu, Simone Ahuja, *Jugaad Innovation*, Random House India, 2012, p.18.

and laboratories which then passes onto the industry where it is executed and ultimately it passes on to the market for its ultimate consumption. On the contrary innovation strategies are rarely developed by research institutes and laboratories, rather innovation is an outcome of gathering information from the small market and putting it to use. A trial and error method of innovation is followed rather than a radical method.

The study aims is to bring out the indigenous innovative products produced and designed by various industries in the micro, small and medium enterprises and to assess the innovative product strategies of the micro small & medium scale enterprises in terms of its utility creation, low cost products, variety in product range, employment creation, eco friendliness and ability to sustain competition from their large scale counterparts.

Indigenous Innovative Products

Applying secondary sources an attempt has been made to bring out the distinguishing dimensions (e.g. features and functionalities) of a few products which are a result of innovation by MSMEs across India and abroad.

Mitticool⁶

Mr. Manshuk Lal Raghavjibhai Prajapati initially a supervisor in a roof tiles manufacturing company in Gujarat, worked out the idea of making innovative products out of clay under the brand name 'MITTICOOL'. It was an idea born out of adverse circumstances showing how a resilient mindset can transform scarcity into opportunity by combining limited resources and a never-say-die attitude tapped into Manshuk's empathy and passion for his fellow community members to conjure up an ingenious solution that improved lives in Gujarat and beyond *Jugaad Innovation*.⁷

Besides producing exclusive clay based products 'Mitticool' had successfully created employment opportunities for dozens of illiterate women thereby ensuring socio-economic and environmental sustainability in the community and financial sustainability in the business. Some of the products offered by 'Mitticool' are Mitticool refrigerator, non-stick tawa, water filter, clay pots, clay food plates and clay cookers

Clay Refrigerator

The refrigerator is made up of clay and works on the principle of evaporation. It does not require electricity and helps in preservation of the original taste of fruits and vegetables thereby keeping it fresh. Moreover it requires no maintenance. Mansukhbhai came up with 'Mitticool', a fridge made of clay. Water from the upper chambers drips down the side, and gets evaporated taking away heat from the inside, leaving the chambers cool. The top upper chamber is used to store water. A small lid made from clay is provided on top. A small faucet tap is also provided at the front lower end of chamber to tap out

⁶ URL: http://www.mitticool.in/about_us.php (accessed on 27.09.2013)

⁷ Navi Radjou, Jaideep Prabhu, Simone Ahuja, *Jugaad Innovation*, Random House India, 2012, p.4.

the water for drinking use. In the lower chamber, two shelves are provided to store the food material. The first shelf can be used for storing vegetables; fruits etc. and the second shelf can be used for storing milk etc. Cool and affordable, this clay refrigerator is a very good option to keep food, vegetables and even milk naturally fresh for days.

Non Stick Coated Earthen Tawa

Some of the distinguishing features are that the food tastes quite unique due to the clay, it doesn't stick to the bottom, provides low oil cooking facility, it is quite cheaper compared to conventional non stick tawa, is available in the diameter of 7" and 9" and the innovation is a result of fusion of the traditional and modern technologies.

Customers from all over the country are giving good feedback after using this innovative non-stick tawa as they have found a very good alternative at low cost and with longevity almost the same as conventional non-stick tawas.

Clay Cooker

Clay cookers are made from special type of clay, it makes tasty and healthy food, keeps food fresh, needs soft brushing and should be left for 10 minutes before washing.

Smile Stools⁸

The caption of Smiles Stools goes as 'Take on a Cheery Form with Eco-friendly Recycled Wood'. Contemporary design meets Indonesian craftsmanship in this happy and friendly wooden seat. Designed by Studio Hindia, the Smile Stool is made from scrap wood left over from local Balinese furniture maker studios and finished with coconut oil. Standing happy and always smiling, this bent wood stool is in fact a comment on the sad situation of the declining Indonesian furniture industry. Created by Indonesian designer Fitorio Leksono and a prominent, young architect Adisty Kanastari – who together make Studio Hindia – the Smile Stool uses recycled, local wood pieces formed through a traditional wood bending technique.

A response to the difficulties they've faced in recent years of competing with cheap, mass-produced furniture from China, this positive handmade piece stands still and positive for the survival of local Indonesian craftsmanship.

Some of its salient features are that the Indonesian craftsmen have carved a niche by creating a completely new design of stool; this unconventional shaped tool is made by using the scrap materials from the wood furniture industry with embedded rod metal construction; a completely eco-friendly process of using the materials, rather a recycling method is followed which prevents further exploitation of resources. Thus it has opened a new horizon to traditional craftsmanship by bringing in a new contemporary approach.

⁸ URL: <http://inhabitat.com/smile-stools-take-on-a-cheery-form-with-eco-friendly-recycled-wood/> (accessed on 27.09.2013)

Mayjai⁹

'*Mayjai*' is an organisation that adopts the cottage industries in the rural area and is involved in providing the tools and techniques necessary to grow as well as compete with the industrialised firms. The word Mayjai in Tamil refers to table. According to the founder Vignesh Babu just as a table solves a myriad of purposes by bringing people together; similarly this organisation claims to be a medium where people come together for a purpose.

The organisation was launched in a small village called Kottaiyur in Tamil Nadu in September 2011. It follows a Jugaad way of innovation in the sense that it converts utter adversities into opportunities. According to the founder, Indian craftsmen are blessed with ample talents and skill but the impediments on their way to be competitive are the lack of right tools and techniques of the 21st century to foster their business growth and with this realisation the organisation has come up with modern day ideologies into a rural setting in order to boost up these economies.

'*Mayjai*' initially conducts a market analysis of existing products (at the operational level) in the market and on the basis of that they come up with new and innovative designs of products. Soon after that these designs are converted into physical products by their partners in the cottage industry. Right quality control and check ups are also ensured. After production, marketing and sales take place through the e-commerce platform and through partnering with the retail outlets who don't charge anything for the services rendered. As many as 20 industries employing 250 people directly get the benefit from Mayjai. These industries can be categorised into 9 types namely, jute products, palm leaf products, banana fibre products, lacquer ware, cane, hand painted fabric, sea shell craft, arts, crafts, painting, embroidery and clay based products.

Mayjai has been nurturing the dream to be one of the shop-for-cause companies in India and more importantly to be a name known for their product-line-up, for their products those are designed with great precision and care made with ethical practices.

Enchant: Jute Products¹⁰

Enchant, a Bengal based enterprise has been working on innovation of Jute and Terracotta based products since 2004 and today it has become one of the pioneers in the industry having numerous clients in foreign countries such as U.S.A., Canada and U.K. It has the vision to innovate the unique crafts made of Jute and Terracotta as a substitute to the plastic and polymer products for the usefulness of mankind. So it has been maintaining an eco-friendly outlook. The products which they deal in include:

⁹ URL: <http://yourstory.com/2012/03/mayjai-empowering-rural-economies-by-adopting-rural-cottageindustries/> (accessed on 27.09.2013)

¹⁰ URL: <http://www.enchantindia.com/jute-bags.htm> (accessed on 27.09.2013)

Jute Bags

The company has emerged as a highly trusted Manufacturer & Exporter of Jute Bags. The company is offering a wide range of exquisitely designed Stylish Jute Bags and the collection includes Jute Wine Bags, Jute Shopping Bags, Jute Hand Bags, Jute Beach Bags, Jute Promotional Bags, Jute Office Bags and Jute Travelling Bags. The Jute Bags are manufactured using the best grade jute and can be availed at the best prices. The company can easily handle the bulk orders for the Jute Bags and ensures the timely delivery of the consignments

Jute Office Bags

Enchant has emerged as a competent Manufacturer & Exporter of premium quality jute office bags. The jute office bags are handmade with utmost precision in different colour and sizes. These Jute Office Bags have different sections to keep assorted official stuffs with proper classification. The Jute Office Bags are attached with sturdy handle that can easily carry bulky loads. Each piece of these Jute Office Bags is meticulously created as per the latest style. Thus, the one who carries them feels great satisfaction.

Jute Travelling Bags

Each piece of these Jute Travelling Bags is meticulously created as per the latest style. Thus, the one who carries them feels great satisfaction. The travelling bags are sturdily built to carry bulky loads during travelling. They are made with utmost precision in different colour and sizes. The main advantage of these Jute Travelling Bags is that one can accommodate small utility things easily and keep them handy during travel.

Jute File Folder

The Jute File Folder is made using 100% quality jute and other raw materials. These Jute File Folders are widely used in offices, schools and colleges. Moreover, owing to the perfect finishing, attractive looks and design of Jute File Folder, they are receiving bulk orders from different parts of the world thereby competing with the foreign established brands.

Terracotta Bangles

Innovative designs of terracotta bangles have been made which contributed to earning international reputation and also prices at which they are sold are very cheap.

Problems and Prospects

Based on the cases discussed above it can be observed that:

Most of these MSMEs have realised the need for indigenous management in product development and innovation, especially when the availability of raw material are scarce & cost and working with modern technology becomes an expensive affair.

The costs at which these innovative products are made is quite low, hence the final offering made to the market is also affected in a positive manner. The 21st century consumers are attracted to product that is innovative and also cheap; this fact has been understood clearly by our entrepreneurs in the above case.

Moreover since these products are using retail outlets and e-commerce platforms, they have been quite successful in tapping the educated urban and foreign markets (consumers). Western markets are more favourable towards eco-friendly products and following their footsteps, many MSMEs in India are also working in the same direction.

MSME's have understood through their consumer study in their jurisdictions, that there is no real need to create products that are fancy and complex to work with, when consumer can be satisfied, by simply addressing the actual utility.

Over a period of many years, semi skilled & unskilled workers are being pushed away by modern technology oriented entrepreneurs, who are using more of capital intensive technologies, this leads to unemployment which further causes acute poverty, ultimately leading to disparity in income distribution. The subjects of our study were observed utilizing such workers in large thereby creating employment and strengthening the local economy. These MSMEs have been responsible for social inclusive growth, in a sense that they included marginal people the development process and specially empowered illiterate women financially.

Conclusion

Empirical analysis could not be conducted, since the nature of subjects chosen for the case does not suggest so. The area of study could not be limited to a particular region, thus we could not refer to this paper as a single case study. Detailed statistical information about these subjects could not be collected. We have not followed any standard research format for this paper, and hope to enrich the paper with your valuable suggestions

Most MSMEs perceive harsh impediments as an invitation to innovate. Adverse conditions act as a catalyst in bringing about a paradigm shift in the way they perceive innovation, to come out with cost effective eco-friendly products. Instead of cribbing about the conditions and constraints, MSMEs consider these constraints as opportunities to grow further. Innovating indigenous products requires a great deal of flexibility, in the way one carries out business activities. There is a need for flexible mind set and to

keep all options open. MSMEs feel the need to move away from structured business practices and conventional marketing techniques. Decision makers at the MSMEs rely a lot on their intuition and their close relationship with the consumers. Empathy, intuition and passion are the keywords in indigenous innovative products.