



# A comparative study to examine the impact of product innovation on firm's performance

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## Abstract

The process of innovation is very multifaceted. Different stakeholders have different impact on innovation skill. So, it is important aspect in the firm performance. All the shareholders, stakeholders and creditors are more worried about the financial performance of the firm as they have invested huge amount in the firm. The purpose of this paper is to examine the impact of product innovation on firm's performance. Product & process of innovation both are essential for the performance of firm. The product innovation procedure is very long so it requires large amount and time to give favorable outcomes and helps to win the consumer reliability.



**Keyword:** Innovation, firm performance, manufacturing industries

## Introduction

Innovation is a new implementing new idea or method for developing new thing in market. Innovation is developing of innovative varieties & establishes relations to latest target markets. In economic company, innovation is key feature behind the success of the company. It consider as a basic element to reach customer satisfaction and give desire product. Innovation is expresses the process of changing the knowledge, idea and inventions into commercial viable goods, services or processes. Innovation can be of two side i.e., internal and external. Internal includes knowledge, capacity, resources and technology used in the company however in external includes customer needs customer needs and owners expectations. "A product innovation is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics".



Product innovation refers to the product which gives newness or a degree of newness. It can be a process by which an idea or invention converted into product or services for which consumer will pay for the same. The importance of introducing product innovation in market for continuous success of business. It also helps in increasing economic development, creating employment, high standards of living and technical progress. Product development refers to creating and launching new product with new variants in the market which evolves over a sequence of stages, beginning with idea generation then evaluation, development, testing and launching in the market.

### **Review of Literature**

(Gunday, Ulusoy, Kilic, & Alpkan, 2011) studied “EFFECTS OF INNOVATION TYPES ON FIRM PERFORMANCE” and found that “innovation is broadly seen as an essential component of competitiveness, embedded in the organizational structures, processes, products, and services within a firm. The objective of this paper is to explore the effects of the organizational, process, product, and marketing innovations on the different aspects of firm performance, including innovative, production, market, and financial performances, based on an empirical study covering 184 manufacturing firms in Turkey. A theoretical framework is empirically tested identifying the relationships amid innovations and firm performance through an integrated innovation-performance analysis. The results reveal the positive effects of innovations on firm performance in manufacturing industries”.

(Shouyu, 2017) studied “The Relationship between Innovation and Firm Performance” and found that “innovation has been generally regarded as a key factor affecting firm performance. Many companies try their best to achieve higher profits through innovation in different ways. However, the literature shows that the impact of innovation on firm performance is different among many innovative firms. This article will review the related literature from three aspects: the direct impact of innovation on enterprise performance, the moderating effect of innovation on firm performance, the mediating effects between innovation and firm performance”.

(George Chrysochoidis, 2003) studied “Factors affecting product innovations” and found that “product and process innovations are prime manifestations of innovativeness by an organization. Yet surprisingly little is known regarding how to initiate and maintain the innovative momentum



in organizations with the ultimate target to produce an increasing number of product innovations and improve competitiveness. Of major concern have been however, the sheer volume of contributions on the subject and the complexity of issues involved. Over the 2500 journal articles have identified as relevant and read. Their contribution to the subject of product innovations has been identified using a multitude of literature mapping techniques. The present article summarizes the contributions of individual articles depicting the current state of the art in the area”.

### **Step of Product Innovation**

Several steps have been included in product innovation which is given below:

- “New product strategy
- Idea generation
- Screening and evaluation
- Business analysis
- Design and development
- Testing
- Commercialisation”

### **Factors affecting product innovation**

Companies are working in challenging and dynamic environment where companies need to adopt changes according to market demand to ensure its continuance. These changes are considered as an opportunities and threats for the companies. The social and organizational force the companies to adopt innovation in their activities, marketing and economical factor identified the product position and got knowledge about customer need and demand which help in developing improved in technology and quality. Technological identify the requirement of technological improvement and product life cycle identify the product stage which lead to technological advancement and requirement of improvement in product variants. Then all gives a decision of product innovation.

### **Firm performance**



The performance of Business development through product innovation is always predefined and it can be measure through outcome indicators. Many researched find out that there is positive relationship between innovation and firm performance. Patent formulation for example ABIA is brand name of Aesthetic Living Merchants Pvt Ltd (Export House) and company have register its Patent name. The key measure of firm performance is sale and profit. In this study we measuring sale by analyzing increase/ decrease in sale value in last three years, increase in market share in different countries, increase/decrease in single innovated product.

Development in international market leads to change to outdated practice between vendors and supplier and needed to change with new development in products and services to keep place in international market. Business now a days in more customer centric so for the survival in competitive market, companies must have improve or develop their product according to customer requirement. Under equilibrium and perfect completion – customer not just wants a product; they want solution to their need and want and offering the product according to customer need is the target of business in this competitive market. A successful implementation of new idea to business is being able to improve its processing, bring new and improved products and services to market, increase its efficiency and increase profitability.

### **Advantage of product innovation**

- Increase in market share
- Providing higher quality product
- Increase in share price
- Job satisfaction of employ of technical staff
- Uplifting staff innovative capability

### **Conclusion**

Industrial sector plays a vital role in development of the nation. Product innovation also appears as a critical driver for innovative performance, which also acts as a bridge carrying positive impacts of process innovations to innovative performance. For these reasons, managers ought to invest more on innovative capabilities and support new attempts of introducing innovations of each type. “Innovative performance could play the most important role in this scheme since, it



acts like a hub, where positive effects of innovation types are gathered and then conveyed to production, market, and financial performances. However, a certain amount of time might be necessary in order to observe the reflection of positive effects of innovative performance on financial performance”. To know the clear view of product innovations helps the firm to take priority in the market, strategies of technology and production to follow the suitable following plan.

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