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Relationship between Innovativeness and Strategic Planning - empirical research³

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Abstract: *This paper studies the relationship between innovativeness and strategic planning in SMEs. In the introduction part, the authors attempt to consider relevant findings about this specific relationship in the literature. The paper presents how the EU policy approaches the innovation management system within SMEs and where Serbia stands in catching up the process towards the EU in terms of innovativeness and competitiveness. The main research approach is to examine the relationship between innovativeness and strategic orientation, beginning with the existence of the four key strategic business documents: strategic, marketing, business plan and procedures, and innovation strategy documents. The last part is a discussion on the findings and considerations of the intensity of the relations among strategic orientations of the company expressed through the key strategic documents and innovativeness, and the relations among the three most practiced types of innovation in a representative sample of 150 Serbian small and medium enterprises (SMEs). The research has shown that there is a positive correlation between the strategic planning approach in marketing and the firm's innovativeness, but the intensity of the relationship depends on the type of innovativeness considered.*

Keywords: *SMEs, strategic planning, product innovation, process innovation, organizational innovation, marketing innovation.*

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Veza između inovativnosti i strateškog planiranja – empirijsko istraživanje

Apstrakt: U radu se istražuje veza između inovativnosti i strateškog planiranja u sektoru malih i srednjih preduzeća. U uvodnom delu, autorke daju pregled aktuelne literature koja se bavi istraživanjem ove specifične veze. Rad daje i uporedni pregled pristupa sistemu upravljanja inovacijama u Evropskoj uniji i tumači poziciju Srbije u oblasti inovativnosti i konkurentnosti, na putu evropskih integracija. Cilj istraživanja je da ispita povezanost inovativnosti i strateške orijentacije u preduzeću, počevši od postojanja četiri ključna strateška dokumenta u poslovanju: strateškog, marketinškog, poslovnog plana i procedura kao i strateških dokumenata o inovacijama. U poslednjem delu se razmatra intenzitet veze između strateške orijentacije preduzeća izražene u postojanju ključnih strateških dokumenata i inovativnosti kao i veze između tri najčešća oblika inovacija u reprezentativnom uzorku od 150 srpskih malih i srednjih preduzeća (MSP). Istraživanje je pokazalo da postoji pozitivna korelacija između strateškog planiranja i inovacija u MSP ali snaga veze zavisi od tipa posmatrane inovacije.

Ključne reči: MSP, strateško planiranje, inovacija proizvoda, inovacija procesa, organizacione inovacije, marketing inovacije

1. Introduction

In the present business conditions, SMEs are deemed an important lever of growth of modern economies due to their multiple contribution to employment, export, and generation of innovations. Since the 1970s, SMEs have created the majority of new jobs in OECD countries (Peacock 2004). The overall importance of SMEs is summarized by as follows: "SMEs are mighty minnows, reflecting the competitive spirit that a market economy needs for efficiency; they provide an outlet for entrepreneurial talents, a wider range of consumer goods and services, a check to monopoly inefficiency, a source of innovation, and a seedbed for new industries; they allow an economy to be more adaptable to structural change continuous initiatives embodying new technologies, skills, processes or products" (Ibelski 1997, quoted in Hashim & Abdullah 2000, 193, Wang et al. 2007).

To continuously understand market changes and respond to them accordingly requires special skills, capabilities, learning and resources on part of managers. The everyday challenge to managers is even more demanding taking into account that modern marketing leans on several important pillars, which should be operating at the same time. Kotler et al. (2010) identified

these pillars as three intercorrelated simultaneous activities: developing value proposition via strategic competitive positioning, building a strong employee approach towards customers (in line with the vision, mission and values) and developing comprehensive marketing action plan with all necessary tactics in the process of mapping the route to the satisfied customer. Market knowledge is extremely important, especially for SMEs, since knowledge supports them in finding other players which present an evident barrier for their survival. Market knowledge also helps SMEs to develop a competitive advantage through increased customer knowledge and demand, thereby taking a strong position at the market. SMEs, which engage in strategic planning, are less likely to be those that fail (Perry 2001; Marjanova and Stojanovski 2012). Fast changing technology and new market situations have forced businesses to be more innovative and apply the strategy of change with continuous innovations of their products. Strong market orientation empowered by the innovative approach is a key factor of SME's sustainability and growth (O'Dwyer et al. 2009). The customer is of the utmost importance for SME as he/she becomes essential stakeholder who participates in the decision making process, which is the key attribute of marketing oriented enterprises. Serving attractive niches with innovative products is particularly advantageous for SMEs compared to large firms due to their limited size and greater agility. All of these advantages are in favor of innovation support SMEs to successfully compete with well-established companies.

Taking into account the importance of innovation as one of the main drivers of economic growth we could say that innovation initiates competitiveness and brings completely new view and approach to marketing way of thinking in SMEs. Less formal organizational structure in SMEs could contribute to better corporate culture (not hierarchical but hub style of organization), it enables networking, participation, contribution and sharing that are crucial for companies and employees to be more innovative. When faced with a changing or uncertain business landscape, companies cannot resolve to playing by the same rules as their competitors. Instead, they should fundamentally change the way they approach their markets by developing something different. When asked to build competitive advantage, however, managers typically evaluate what competitors do and strive to do it better. Continuous development and fresh knowledge gained by action is fundamental for marketing in SMEs, which supports them to work on added value marketing solutions. Therefore, this paper aimed to investigate the connection between marketing strategic planning and innovativeness in SMEs, within the annual general report on the state in SMEs sector, made by Ministry of Economy according to the Small Business Act methodology which assumes assessment of the implementation of each of the ten SBA principles in Serbia. It is also challenging to explore the connection between innovativeness and marketing strategic planning in SMEs in the country which

stands for the country moderate innovator, with a below-average performance (Kutlaca, Erawatch, 2012.)

2. Literature review

It has been observed that SMEs tend to orientate towards short-term rather than long-term activities due to different reasons, such as: limited customer base, limited marketing activity, poor cash flow, lack of marketing expertise, business size, tactical and strategic customer-related problems, over-dependence on the owner/manager's marketing ability; reactive rather than planned marketing, (Stokes 2006; O'Dwyer et al. 2009). Most SMEs go for sales over marketing as this provides them with instant results and survival of the next day, which is the most important issue for them (Marjanova and Stojanovski 2012). However, a huge percentage of SMEs also realize that once they reach the stage of growth or expansion, it is not sales but marketing which makes the difference.

Freel (2000) explains that small firms have consistently raised the issue of poor management skills and, more precisely, that poor strategic marketing skills have been a barrier to product innovation. He also suggests that communication and interpersonal skills are prerequisites for marketing planning success. Lambin (2007) tried to illustrate the importance of written strategic marketing plans. He believed that detailed strategic thinking about future must be clearly stated in a document which describes the ends and means required to implement the chosen development strategy.

SMEs engaged in strategic planning are also more likely to be those enterprises that are more innovative, that have more newly patented products, that employ new process and management technologies, and that achieve international growth (Gibbons et al. 2005). Due to their flexibility and ability to quickly and efficiently integrate inventions created by firms' development activities, SMEs are more innovative than larger firms. Cravens (2006) explains that at the beginning of the century strategic marketing was faced with an exceptional set of opportunities with development of new technologies, digitalization and globalization that produced more complex customer value requirements, stronger competition and unstable markets. In that context, it is important to highlight that the strategic influence of marketing appears to have diminished as short-term revenue goals become more dominant (Webster et al. 2004). According to Kraus et al. (2008), formal marketing plans are beneficial, helping to identify competitive advantages and secure resources, gain commitment through communication with participants, and set objectives and strategies. This claim is supported by empirical

evidence which suggests that there is a relationship between formal strategic planning and small and new enterprise survival and success (Kraus et al. 2008). Strategic planning in a company involves adapting the firm to take advantage of opportunities in its constantly changing environment (Kotler and Keller 2006). Therefore, the company is forced to innovate in all business functions.

Owners/managers of SMEs with strong marketing orientation, in a constant changing environment, should be more agile and open for novelties. Since their system of organization is more flexible they could reorganise their employees in a better performing units. This type of organization allows managers to stimulate and motivate employees to be more creative in a process of finding solutions for their customers' needs applying constant dialogue. In order to release the potential of individual creativity and manner of thinking in the new millennium, companies increasingly invest in intellectual property, rely on intense knowledge of their employees, and use their proposals and proactivity leading to innovation (Mamula and Kužet 2015). Modern marketing practices show that the one of triggers for the innovation in SME's is customer's need. Networking and usage of digital media are recognized as an important platforms and channels for SMEs to communicate with customers and stakeholders via applications that offer co-creation. Co-creation and system of searching for better solutions for customers' needs via experimenting, researching, questioning and fine-tuning puts marketing in its full operations. So the marketing itself is in a continuous process of transformation led by the innovation, mostly caused by the new digital media. According to Kotler et al. recent literature (2010) shows that co-creation is going to be milestone for the Marketing 3.0.' model. Networking is a useful way for SME owners/managers to develop marketing skills and knowledge. It stimulates networking proactivity that differentiate them by bringing new values on the market to their end customers. In the end, SMEs have better performance, higher efficiency and profits.

It seems that today it is not possible to have a good marketing performance without an equally good innovation performance and vice versa. This is because strategic marketing planning and strategic innovation management are interrelated in many aspects. Strategic innovation concerns an organization strategy which draws continuous competitive advantages, while the core of marketing efforts on part of companies is focused on being faster than their competition at the market. Innovation is widely recognized as a means for companies to become more competitive and successful. According to Gunday et al. (2011) innovative performance measures some of the key elements of the marketing plan regarding the definition of the product/service. These measures indicate: the ability to introduce new products and services to the market before the competitor, percentage of new products in the existing portfolio, and the number of new products and service

projects. (Companies which do systematic innovation management and systematic marketing management can grow faster than their competitors who do not innovate at all or who do not manage their innovation projects effectively. Also, some authors find out that leading innovators achieve better performances and compete more effectively on multiple operations priorities and obtain the best corporate performance (Kilic, et al. 2015). Methodologically, innovations on company level are divided into four categories: product innovation, process innovation, marketing, and organizational innovation (OECD Oslo Manual 2005).

The European Commission is especially focused on enhancing the innovation management capacity of SMEs through different programs and measures by years. In the EU countries, but also in the accession countries such as Serbia, innovation policies have for years tried to stimulate companies, including SMEs, to invest in research and innovation in order to raise competitiveness of national and European fabric. There is a clear relation between competitiveness of national economies and their expenditure in research, development and innovation (RDI). However, on the company level this relation is less obvious⁴. In fact, a company's share of revenue re-invested in RDI is not a strong predictor of the company's growth performance. Yet, growth champions within the sector tend to have significantly better "innovation management", they are more efficient in translating more promising ideas into projects, and more capable of filtering out ideas which do not generate great expectations. Besides, projects are abandoned faster if they do not live up to the original expectations. Ultimately, new products and services enter the market faster and produce profit earlier. In a survey undertaken in 2011 for DG Enterprise and Industry, SMEs and SME support organizations considered the inability to manage the innovation process efficiently and effectively as the second most important obstacle to SME innovation (after the "lack of financial resources"). The situation changes somewhat when the company exceeds 20 employees: its economic potential grows and therefore its capacity for innovation development (Popović-Pantić, 2014).

One of the most widely spread methodologies to measure innovation performance is IMP³rovewhich enables benchmarking Quick assessment. It takes into account all influencing factors of innovation since there is not one single "stand-alone" indicator to assess innovation performance (Europe Innova 2012).

⁴The following is a summary of various investigations on innovation management performance that have been conducted on (parts) of a dataset of 3500 SMEs in the context of the IMP³rove projects and the IMP³rove Academy

The core of the IMP³rove questionnaire is focused on the innovation life cycle management as a fourth dimension of the innovation management system (ibid), encompassing the following stages: idea management, product/process development and launch/continuous improvement of the product/services, which has to do a lot with strategic marketing planning. Also, some other methodologies applied in innovation assessment of SMEs in the research papers, but also in practice, obviously include assessment of the key elements of strategic marketing planning.

Without the intention to go deeper into the available methodologies to assess innovation performance of companies, we just want to highlight that there is obviously some overlapping in measuring innovation performance and marketing performance of the company. However, the question relates to the extent to which correlation between marketing and innovation strategic management exists.

Having in mind the four listed types of innovations and their definitions (ibid), we adopted the approach of Gunday and his colleagues (Gunday et al. 2011). In their study, they aimed to explore innovations and their effects on company performance by examining products, processes, marketing and organizational innovations, as well as by focusing on various aspects of company performance such as innovative performance, production performance, market performance and financial performance (Gunday et al. 2011).

3. Research methodology

As discussed in the Introduction section of the paper, long-term strategic marketing planning is of key importance for survival and success of small enterprises. The main goal of this research was to examine the extent to which Serbian SMEs are oriented toward strategic planning in terms of existence of formal strategic documents, such as the strategic plan, marketing plan, business policies and procedures, as well as the innovation strategy. Thus, we would like to show the level of relationship between strategic marketing planning and innovativeness in SMEs operating in Serbia. Therefore, we hypothesize that there is a positive relationship between strategic marketing planning and innovativeness in SMEs operating in Serbia. We assumed that the SMEs having formal strategic marketing documents would be more innovative in general. We also aimed to examine this assumption on several different aspects of firm innovation.

The research was conducted using computer assisted telephone interview method (CATI) by MASMI professional interviewers according to ESOMAR standards (www.masmi.rs; www.esomar.org). The sample consisted of 150 small and medium-sized enterprises registered indatabase, selected

according to the predefined criteria. The enterprises participating in this research were equally distributed in three regions of the country. The SMEs included were those with primary business activity in production, as well as non-production activities (with services or sales as the main business activities).

The SMEs recruited for this research had between 5 and 250 employees. The lower limit on the number of employees was set to 5 in order to assess organizational aspects of innovation. 27.3% of the SMEs were micro enterprises employing up to 10 people. The largest portion of the sample consisted of small companies with between 11 and 50 employees (53.3%). Medium enterprises (51 to 100 employees) contributed with 10.0%, similarly to companies with more than 100 employees (9.2%). The majority of companies constituting the sample have been in business for more than 20 years (42.0%). As many as 15.3% companies have operated for between 16 and 20 years, while 20.7% have been in business between 11 and 15 years. The youngest companies comprising the sample have existed for between 5 and 10 years (22%). The lower age limit was set to 5, so that innovation related activities and performance could be assessed by taking into account the period of the last 3 years. The respondents were on decision-making positions in the SMEs - mainly owners and general managers (40.7%), as well as heads of departments such as procurement, finances, marketing, accounting, sales, products portfolio and HR. Interestingly, the majority of Serbian SMEs participating in the study are owned by a male owner (79.3%), while only 20.7% of companies have female owners.

The first part of the questionnaire was aimed at profiling SMEs against several key characteristics. In the second section of the questionnaire, the respondents were asked whether their company had each of the four basic strategic business documents in writing. The documents of interest were the strategic plan, marketing plan, business policies and procedures and innovation strategy. The third section of the questionnaire was aimed at assessing company innovation. SME innovation was assessed using a questionnaire developed and validated by Gunday and his colleagues (Gunday et al. 2011). The innovation measures used in the current research were aimed at measuring innovation both in production and non-production enterprises; thus, the original items were translated and adapted for the purpose of this research. Some items from the original questionnaire were excluded, while some were slightly modified, to facilitate assessment of innovativeness of both production and non-production enterprises.

The questionnaire consisted of four subscales measuring four different types of firm innovation (product and service innovation, process innovation, marketing innovation and organization innovation) and one subscale measuring self-evaluated Innovation Performance. Each subscale consisted of

a different number of items (presented in the last column of Table 1 for each subscale). The subscale description is presented in Table 1. In the original questionnaire, product and service innovation were measured on one scale.

However, considering that our sample consisted from both production and non-production companies, the product innovation scale was adapted by being divided into two subscales, to measure product innovation (for firms that have production activity) and service innovation (specifically for firms whose main activity is non-production, such as sales or services). Additionally, the scale that aimed at measuring innovation performance was included in the questionnaire (Gunday et al. 2011).

Although this scale implies self-assessment by respondents-managers, it is widely used in academic research; it can, however, contribute to respondents' willingness to share data and consequently to a greater accuracy of data obtained (Ward and Duray, 2000).

Table 1. Innovation measurement: subscales description

| SUBSCALE | TEORETICAL VALUES | | | | Cronbach α | Number of Items |
|----------------------------|-------------------|------|-------|-------|----------------------|-----------------------|
| | N | Min | Max | Mean | | |
| Product Innovation | 63 | 4.00 | 20.00 | 10.00 | 0.62 | 4 |
| Service Innovation | 87 | 2.00 | 10.00 | 5.00 | 0.64 | 2 |
| Process Innovation | 150 | 4.00 | 20.00 | 10.00 | 0.77 | 4 |
| Marketing Innovation | 150 | 5.00 | 25.00 | 12.50 | 0.80 | 5 |
| Organization Innovation | 150 | 4.00 | 20.00 | 10.00 | 0.83 | 4 |
| Innovation Performance | 150 | 7.00 | 35.00 | 17.50 | 0.82 | 7 |

All subscales, except for Product Innovation and Service Innovation, were of satisfactory reliability (Cronbach α for subscales range from 0.77 to .83). Subscales measuring innovation of products/services have shown reliability (expressed with Cronbach α), which is below the minimum relevant threshold for consideration and analysis (Nunnaly 1978). Therefore, innovation of products/services was excluded from further analysis. Innovation scores on each subscale used for further analysis (Process Innovation, Marketing Innovation, Organization Innovation and Innovation Performance) were gained by summing up the points on the Likert scale from each subscale item. The respondents were asked to indicate on a 5-point Likert scale the extent to

which the related applications and practices were implemented in their organizations, taking into account the time period of the last three years.

Main hypothesis was examined by using univariate Analysis of Variance (ANOVA). As already mentioned above, we hypothesize that SMEs having formal (written) strategic marketing documents would be more innovative and we aimed to examine this hypothesis on four different types of firm innovation that we have measured in this study (Process Innovation, Marketing Innovation, Organization Innovation and self-evaluated Innovation Performance).

Independent variable in each separate analysis was possession of each strategic document in written form (strategic plan, marketing plan, business procedures and policies and innovation strategy). Each factor had two levels – possess and does not possess that particular document in written.

Dependent variables were summative scores on each of the innovation types (subscales of questionnaire) - Process Innovation, Marketing Innovation, Organization Innovation and Innovation Performance.

4. Results and discussion

3.1 Strategic marketing planning in SMEs in Serbia

The primary intention of the research was to examine how widespread the practice of establishing formal strategic documents is in small and medium-sized companies in Serbia. Table 2. shows prevalence of the four key strategic business documents in our sample of SMEs operating in Serbia.

The results show that the practice of defining key strategic documents relatively rarely occurs in Serbian SMEs, especially in view of the fact that the SMEs comprising our sample have been in business for five or more years. As many as 26.7% of the SMEs do not have any of the four documents of interest, while a similar number of SMEs (26.0%) have all four documents in writing.

When it comes to individual documents, results show that only about a half of the SMEs comprising the sample have defined their Strategic plan in written form. The results are very similar when it comes to the Marketing plan; every other SME reported having the Marketing plan as a written document.

Table 2. Prevalence of the key strategic business documents in SMEs in Serbia

| | Existence of the document in writing | | Absence of the document in writing | |
|----------------------------------|--------------------------------------|------------|------------------------------------|------------|
| | Number | Percentage | Number | Percentage |
| Strategic Plan | 76 | 50.7 | 74 | 49.3 |
| Marketing Plan | 75 | 50.0 | 75 | 50.0 |
| Business Policies and Procedures | 92 | 61.3 | 58 | 38.7 |
| Innovation Strategy | 58 | 38.7 | 92 | 61.3 |

Business policies and procedures are somewhat more spread among the interviewed companies; as many as 61.3% of total sample have already defined basic business policies and procedures in written form. However, the Innovation Strategy seems to be the least represented document in the SMEs interviewed – only 38.7% of the sample has defined some kind of an Innovation Strategy.

3.2 The relationship between strategic marketing planning and innovativeness of SMEs in Serbia

For the purpose of examining our hypotheses, we applied the unifactorial analysis of variance (ANOVA). Four ANOVAs were conducted to test if there were differences in different aspects of innovativeness between SMEs having each strategic document in written form and SMEs not having these documents. The results of the first analysis are presented in Table 3.

Table 3. Difference in innovativeness between SMEs having/ not having the Strategic plan in writing

| | STRATEGIC PLAN | | F (P-Value) |
|-------------------------|----------------|-----------|--------------|
| | YES (Mean) | NO (Mean) | |
| N | 76 | 74 | |
| Process Innovation | 15.97 | 15.05 | 2.24 (.136) |
| Marketing Innovation | 18.21 | 15.47 | 8.56 (.004) |
| Organization Innovation | 16.12 | 13.31 | 14.11 (.000) |
| Innovation Performance | 26.17 | 23.20 | 8.06 (.005) |

The results of ANOVA show that there is a statistically significant difference between SMEs with and without the Strategic plan when it comes to Marketing ($F(1,148)=8.56$, $p=.004$) and Organization innovations ($F(1,148)=14.11$, $p=.000$). SMEs that possess Strategic plan in written have higher average score on both Marketing Innovation ($M=18.21$, $SD=5.29$) and Organization Innovation ($M=16.12$, $SD=4.28$) as compared to SMEs that do not possess such document ($M=15.47$, $SD=6.14$ and $M=13.31$, $SD=4.8$, for Marketing and Organization Innovation respectively).

ANOVA also showed significant differences on self-assessed Innovation Performance ($F(1,148)=8.06$, $p=.005$). The SMEs that have established the Strategic plan for their business also have higher scores in Innovation Performance ($M=26.17$, $SD=6.21$) as compared to those SMEs that do not possess such document ($M=23.20$, $SD=6.59$). However, the scores on the Process Innovation do not differ for SMEs with and without Strategic plan.

The following table presents the results of testing the difference between SMEs with and without the Marketing plan (Table 4). Significant differences were identified for Marketing Innovation ($F(1,148)=7.52$, $p=.007$), Organization Innovation ($F(1,148)=7.43$, $p=.007$) and Innovation performance ($F(1,148)=11.41$, $p=.001$).

SMEs with a defined Marketing plan are showing significantly higher scores on the Marketing Innovation ($M=18.15$, $SD=5.13$), Organization Innovation ($M=15.77$, $SD=4.51$) and Innovation performance ($M=26.45$, $SD=5.50$) as compared to SMEs that do not possess such document ($M=15.57$, $SD=6.30$, $M=13.69$, $SD=4.84$ and $M=22.96$, $SD=6.99$), for Marketing Innovation, Organization Innovation and Innovation Performance, respectively).

However, Process Innovation score does not discriminate between SMEs with or without the Marketing Plan.

Table 4. Difference in innovativeness between SMEs having/not having the Marketing plan in writing

| | MARKETING PLAN | | F (P-Value) |
|-------------------------|----------------|-----------|--------------|
| | YES (Mean) | NO (Mean) | |
| N | 75 | 75 | |
| Process Innovation | 15.88 | 15.16 | 1.37 (.244) |
| Marketing Innovation | 18.15 | 15.57 | 7.52 (.007) |
| Organization Innovation | 15.77 | 13.69 | 7.43 (.007) |
| Innovation Performance | 26.45 | 22.96 | 11.41 (.001) |

Table 5 presents the results of ANOVA taking development of Business policies and procedures as a factor. The results of this analysis show that SMEs having clearly defined Business policies and procedures in written form have higher scores on every innovation type as compared to SMEs without those business documents; this effect is significant at $p < .01$ for all innovation types examined.

SMEs that possess Business policies and procedures in written form are more innovative in terms of process ($M=16.20$, $SD=3.19$), marketing ($M=18.24$, $SD=5.62$) and organization ($M=16.16$, $SD=4.15$) related activities, compared to SMEs that have not yet established such document ($M=14.45$, $SD=4.37$, $M=14.67$, $SD=5.62$ and $M=12.47$, $SD=4.86$), for Process Innovation, Marketing Innovation and Organization Innovation, respectively).

SMEs with defined Business policies and procedures also see themselves as more innovative ($M=26.28$, $SD=6.08$) as compared to SMEs that do not possess such document ($M=22.21$, $SD=6.55$).

Table 5. Difference in innovativeness between SMEs having/not having Business policies and procedures in writing

| | BUSINESS POLICIES AND PROCEDURES | | F (P-Value) |
|-------------------------|----------------------------------|-----------|--------------|
| | Yes (Mean) | No (Mean) | |
| N | 92 | 58 | |
| Process Innovation | 16.20 | 14.45 | 7.98 (.005) |
| Marketing Innovation | 18.24 | 14.67 | 14.30 (.000) |
| Organization Innovation | 16.16 | 12.47 | 24.74 (.000) |
| Innovation Performance | 26.28 | 22.21 | 15.07 (.000) |

Finally, Table 6 presents the results of ANOVA testing differences in innovativeness between SMEs with and without a defined Innovation strategy. SMEs that have clearly defined Innovation strategies achieved higher scores on all types of innovation as compared to SMEs that did not report having such a document. Differences between SMEs with and without Innovation strategy are significant at $p < .01$ level for all innovation types, except for Process Innovation, which is significant at $p < 0.5$ level.

SMEs that possess formal Innovation Strategy are better performing in terms of process ($M=16.36$, $SD=3.17$), marketing ($M=18.95$, $SD=4.74$) and organization ($M=16.81$, $SD=4.12$) innovation, compared to SMEs that have not yet established such document ($M=14.99$, $SD=4.04$, $M=15.54$, $SD=6.15$ and $M=13.42$, $SD=4.71$), for Process Innovation, Marketing Innovation and Organization Innovation, respectively).

SMEs that have already defined Innovation Strategy also perceive themselves as more innovative (M=27.19, SD=5.45) as compared to SMEs that do not yet possess such document (M=23.14, SD=6.73).

Table 6. Difference in innovativeness between SMEs having/ not having the Innovation strategy in writing

| | INNOVATION STRATEGY | | F (P-Value) |
|-------------------------|---------------------|-----------|--------------|
| | Yes (Mean) | No (Mean) | |
| N | 58 | 92 | |
| Process Innovation | 16.36 | 14.99 | 4.83 (.030) |
| Marketing Innovation | 18.95 | 15.54 | 12.92 (.000) |
| Organization Innovation | 16.81 | 13.42 | 20.21 (.000) |
| Innovation Performance | 27.19 | 23.14 | 14.85 (.000) |

The main goal of the research was to examine if there is a relationship between orientation towards strategic planning and innovativeness of Serbian SMEs. In general, our findings suggest that SMEs that have defined key strategic documents in writing are in fact more innovative than SMEs that do not have such documents. This is, however, not true for all strategic documents and all aspects of innovativeness observed.

Companies which have formal strategic plans and marketing plans perform better in marketing and organizational innovation. However, the existence of strategic or marketing plans does not contribute to SMEs' process innovation. When it comes to business procedures and policy as well as to innovation strategy, the relationship is proven in all three aspects of innovation (organizational, marketing and process innovation), but also in innovation performance, which is also considered. SMEs having any of the two documents perform better in all three aspects of innovation as well as in innovation performance.

It is, however, equally important to emphasize that strategic planning itself is not widely spread among Serbian SMEs. According to the results, 26% of the SMEs do not have any of the formal strategic documents observed. It seems that long-term strategic planning is not practiced sufficiently in SMEs in Serbia, which can be maybe justified by the lack of expertise and capacity within Serbian SMEs which are mostly micro companies (86.4%). Serbian SMEs usually create and have business plans because this is a condition to apply for loans, while other documents are considered as added value when applying for governmental subsidies or participating in non-financial supports programs. The small percentage of SMEs having these strategic documents can be also justified by the fact that it is not obligatory to have them, while the benefits of having them are not yet well understood by entrepreneurs,

especially for those operating at the local market. Furthermore, most of Serbian SMEs operate at the local market, while only 4.1% export (Ministry of Economy in Serbia, 2015). This indicates to the low level of the exporting competitiveness of Serbian SMEs, and, accordingly, low capacity of acting in a strategic manner at the market.

Development of strategic and marketing plans as well as innovation strategies usually asks for assistance and outsourcing of consultants, which requires substantial investments. According to the EBRD study conducted in Serbia (2012), a significant number of companies actually do not engage consultants because they perceive prices of consulting services as too high. Consultants, in turn, perceive the price as the strongest barrier; their experience shows that companies gladly use consulting services and follow received instructions when they get financial assistance for the purpose. Lack of awareness on consulting services, perception of high price, issues in finding competent consultants, and insufficient availability of consulting services outside Belgrade are perceived to be most important barriers for using consulting services in the SME sector (Bovan and Mamula 2014). Serbian SMEs are to some extent subsidized by governmental programs for better performing in innovation and competitiveness (Popovic-Pantic 2014); however, these budgets are small and used by a limited number of SMEs. As findings of this research demonstrate, strategic planning and innovation activities are associated. In order to enhance innovativeness among SMEs in Serbia, it is necessary to provide institutional support to Serbian SMEs from public funds. This issue seems to be more about the lack of capacities than lack of awareness on the importance of innovativeness for the purpose of being competitive at the international market.

Additionally, process innovation, marketing innovation and organizational innovation are positively correlated, meaning that the companies which innovate in marketing, organization, or processes are doing better in other two types of innovation as well. This finding goes along with findings of some previous research on the effect of organizational design to innovativeness, which indicates that organizationally innovative companies more invest in innovative activities and behave more innovatively (Mosurovic and Kutlaca 2011). Each type of innovativeness is also positively correlated with self-assessed innovative performance. These findings are in line with the above stated, that it is mostly about the SME capacity: if an SME has enough capacity to perform well in at least one aspect of innovation, this causes a "chain" (the "domino effect") of good performance in other types of innovations observed, which altogether reflects on the firm's innovative performance. Self-assessed innovative performance is not only important "per se", but also because of its positive correlation with some other, more numeric indicators of firm performance such as financial, production and market performance as showed in similar research (Gunday and al. 2011). Research conducted for

the purpose of the Global Competitiveness Report across 140 countries (GCR 2015), indicates that respondents (top managers) are mostly aware about the importance of the capacity to innovate for the success of any economy. Serbia is still keeping low position as 94. At the list of the

Further research should examine whether this is the case for Serbian SMEs, considering both their internal specifics through key performing indicators, as well as the specifics of the local market in which they operate.

It is also challenging to explore the level of the awareness among Serbian entrepreneurs about the importance of the innovativeness for the competitiveness at the micro and macro level. Furthermore, it would be valuable to learn if there is any gap between their perception of that importance and their acting in innovation management. Some reflections in that respect are available in the Global Competitiveness Report, published by World Economic Forum.

Research conducted for the purpose of the Global Competitiveness Report across 140 countries (GCR 2015), indicates that respondents (top managers) are mostly aware about the importance of the capacity to innovate, for the success of any economy. Serbia is still keeping low position as 94. country out of 140, at the global competitiveness list, published by the World economic Forum. Its global competitiveness index in 2015 is 3,89 (GCR, 2015). Serbia hasn't performed worse than in the year before as it has kept the same position as in 2014. Similar to other countries, findings for Serbia have shown that the respondents (top managers), were aware that insufficient capacity to innovate was among "the most problematic factor" for doing business. Serbian top managers marked this factor with 2,7 at the list of "the most problematic factors" for doing business (GCR, 2015). The rank was given between 1 (most problematic) and 5. However, the fact that innovation and sophistication factors as 12th pillar of competitiveness contributes to the composite GCI with the 10% only, indicates that there is low innovation performing in Serbia. The reasons for that situation should be the subject of the further research.

5. Conclusion

From the "bigger picture" perspective, the research examining SME innovativeness could contribute to improvement of the overall position of Serbia in terms of global competitiveness, as it is currently holding 94th position in the world (Global Competitiveness Report 2015). Also, Serbia is a country categorized in the group of moderate innovators (Innovation Union Scoreboard 2014) with a below average performance. High growth is observed for innovative SMEs collaborating with others, SMEs introducing

product or process innovation, SMEs introducing marketing or organizational innovation. SMEs with the strategic marketing orientation, aware of the importance of planning in a turbulent environment, are more capable of performing better in innovation and have a better perspective in global competitiveness. Coming from the less-advanced country, Serbian SME's typically, practice mostly incremental innovation, like adopting existing technologies or making incremental improvements in other areas. But, for those that have reached the innovation stage of development this is no longer sufficient for global competitiveness. If less-advanced economies want to increase their productivity, than the firms in these countries must design and develop cutting-edge products and processes to maintain a competitive edge. In that respect, inter-relation between strategic and marketing planning and innovation has becoming increasingly important. Furthermore, this inter-relation should be developed into the positive correlation.

Findings of the research in this paper clearly indicate that Serbian companies are more likely to launch business procedures and policies in a formal way than strategic and marketing planning. One of the reasons could be that some business procedures are unavoidable in doing business, like, for example, GMP practice for manufacturing companies, especially those which are export oriented. Unlike the business procedures and policies which are mandatory for the majority of exporting companies, marketing and strategic plans are not mandatory, in that extant. However, the fact that SMEs with the marketing and strategic plan are performing better in almost all types of innovation, except process innovation, should enforce SMEs to formalize their marketing and strategic planning. The stronger correlation between marketing and strategic planning and innovation is, the more competitive company is.

There are some limitations of our research. Actually, we have been focused to the examination of the inter-relation between innovativeness and strategic and marketing planning, mainly in the context of the SME's competitiveness. But, in order to have real picture of the competitiveness, it would be recommended to consider inter-relation between innovation and at least three main pillars of the global competitiveness, according to GCR. For example, a strong innovation capacity will be very difficult to achieve without sufficient financing (pillar 8) for R&D. Access to finance is definitely the main barrier which affects all pillars of the competitiveness including the innovation. SMEs in Serbia have poor access to finance in Serbia.

Therefore, availability of financial resources and their diversification to SMEs in Serbia and the region, will be the key trigger for improvement of their global competitiveness. Innovation in marketing and/or organization, process and/or product/services could boost each other in the framework of their positive inter-correlation which is demonstrated in this paper, thus representing emerging force in their catching up with the process to the global market.

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