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BARRIERS TO INNOVATION IN NORTHERN BACKA COUNTY

Abstract: The goal of this study is to explore and define the barriers to innovation perceived by entrepreneurs in Northern-Backa region. Therefore, this study identifies the most significant barriers that have strong, negative influence on a process of creating a healthy, competitive entrepreneurship environment for development of innovation. A study was conducted to identify the main barriers to innovation with special direction to three areas of barriers: organizational, formal and informal barriers.

An online questionnaire that was created for the purpose of this analysis and research consists of 24 questions covering up 3 groups of barriers to innovation. In total, 26 entrepreneurs from the Northern-backa region completed the abovementioned questionnaire. The survey was designed to capture information on the perceived barriers in entrepreneur business from the aspect of age and gender of entrepreneurs. Data collected are processed using the software package for statistical analysis -SPSS. Specifically, Mann-Whitney's test was used to explore differences between these two groups of entrepreneurs.

Keywords: Barriers, Entrepreneurship, SME's, Innovation

Introduction

This research is focused on barriers to innovation: organizational, formal and informal, influencing innovation development in enterprises in the region of Northern Backa. Organizational barriers refer to the availability of financial assets, marketing, networking, cooperation and quality of the human resources. Formal barriers refer to protection and merchantability of intellectual property, unpredictable fiscal policy, high rates of inflation etc. Informal barriers include corruption, national attitude toward bribery and lack of transparency.

As researches of this kind on barriers to innovation haven't been done yet in Northern-Backa County (Autonomuos province of Vojvodina, Republic of Serbia) this study in its own way contributes to the theory and praxis of entrepreneurship and inovation in this region. During this research author of this study informed themselves well about the entrepreneurship, innovation and barriers to it, using all available scientific papers and literature in connection with this research area. In the first part of this study, the author give a theoretical review on entrepreneurship, innovation, barriers to innovation, and also author gave a short review on previously conducted researches which were related to this subject.

In the second part of this study, the author give a wide explanation of the methodology used in this research in order to make it more familiar and comprehensive. This part was consisted of detail explain of questionnaire, collected data, data sample and explanation of statistical analysis which were used in this research. In the third part of this study, author represent the results from statistical analysis. This part also contains result discussion and remarks of author in order to point out significance of the research taken from the aspect of age and gender.

1. Theoretical background

From an etymological point-of-view, the word entrepreneur ("go-between") applies to someone who mediates between individuals and groups. In order to adapt to environmental changes, entrepreneur endeavours to satisfy the identified market needs, on one hand, by using the identified resources on the other hand. The entrepreneur's ability to successfully overcome the periods of economic crisis that are accompanied by lack of financial assets (Bobera, 2010) is determined with his capabilities on how to deal with challenges in economic environment. That is the key factor that distinguishes the successfull entrepreneur from unsuccessful one. Situation analysis is a method entrepreneurs use to analyze economic environment and it contributes to their

business success. Entrepreneurs stand for pragmatic, flexible, adaptive persons always ready to harmonize its business with not always perfect business environment.

There is no unique definition of the entrepreneurship in the scientific literature. Reason lies in fact of numerous definitions and not in the absence of explanation of term of entrepreneurship. Entrepreneurship can be defined as “the process of creating value by bringing together a unique package of resources to exploit an opportunity” (Stevenson et al., 1989). Some authors define the entrepreneurship as area in which one makes effort in research, identification of possibilities and chances in order to create something new on the market, a new product or service that would fulfill the customer’s expectations and needs so it could be exploited and gained a wide range of effects (Shane, Venkataraman, 2000). In fact, entrepreneurship is based on finding new possibilities to exploit. Others have defined entrepreneurship through the relations between following dimensions of entrepreneurial orientation: innovativeness, risk taking and proactiveness (Zahra, 1993). This point of view was confirmed by the research done by Tang et al. (2009.), which showed that the entrepreneurs behavior is what manages to combine innovation, risk-taking and proactivity.

Innovation is commonly perceived as a key factor in stimulating small firm development (Mahemba and De Bruijn 2003) and business success (Hausman 2005). In support of this, governments have endorsed the role of innovation in policies designed to create an enabling environment for entrepreneurship, new venture creation, and firm growth (Robson et.al, 2009) It is widely acknowledged that a favourable business environment and progressive government support are fundamental to innovation and entrepreneurial growth (Lynskey and Yonekura, 2002; Alberti et al., 2008). Innovation and new venture creation have long been the focus of researchers and scholars in entrepreneurship and it is claimed that these have a positive impact upon local, regional and national economic growth (Griffith et al., 2009).

Drucker (1985) suggests that innovation is the primary activity of entrepreneurship, regarding innovation as a process by which entrepreneurs convert ideas into marketable opportunities. Same author also define innovation as a specific function of entrepreneurship, it is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth (Drucker, 2002). Therefore, it has become essential for an organisation to adapt, develop and innovate to achieve a competitive advantage and become successful (Hasanian and Dale, 2012). Achievement of a long-term business success is reflected in profitability. However, profitability is directly related to innovation. Capability of continuous innovation in business processes in order to achieve and maintain business success and profitability implies both, that enterprises need to be very flexible towards existing and incoming market changes, managing them in a way that would secure success, and that they need to be the initiators of innovation and innovation processes as well (Stošić, 2007).

Sustainable growth generated by continuous innovation is based upon the capabilities and attitudes of the people within the company, and depends on a culture that encourages entrepreneurship and processes which enable individual and team-based creativity to surface and flourish (Knox, 2002). Innovation could be considered as a result of a common effort of several participants. If the approach aimed at the innovation environment is considered, not only the entrepreneur is responsible for the innovativeness of a firm but also of a system of institutions that can support them (Salka et.al 2008). Besides the influence of institutions, business environment and support of government, an important role in business performance and innovation development belongs to a regional environment. Todtling and Kaufman (2001) investigated the influence of regional environment on innovative activities of SME’s. They determined that SME’s are more vulnerable than large enterprises and thus more influenced with uncertainties and barriers. They find that those weaknesses could partly be overcome by their integration into networks and innovation systems.

Enterprise is like a living organism, it cannot be framed nor existed in a vacuum; on the contrary, environment i.e. internal and external factors regulate activities related to innovation. Restrictive factors known as barriers to innovation have negative influence on a process of starting a new project, its implementation and development. It is necessary to identify and analyze those barriers which have influence on new product development or modification of temporary products, in order to create valid business strategies to minimize their negative influence. Many authors put the barriers to entrepreneurship in focus of their researches.

Larsen and Lewis (2007) have done some research on financial issues, marketing skills, management and personal characteristics, design innovation process in order to determine barriers within these segments of business activities. Their study reports on the experiences of eight firms who had received a UK Design Council 'millennium product' award for 'groundbreaking' innovation. Loewe and Dominiquini (2006) were identified in their research major obstacles to innovation among 550 large companies. Top three identified obstacles were: focus on short-term profits, limited time-periods for new product development and acquisitive top management expecting immediate return on investment. Mc Adam et.al (2004) have focused in their researches on SME's located in peripheral areas, usually known as regions with low standard of living, far below average. The reason for this state of poor economic standings of peripheral areas lies in low level of innovation in business. Their research conducted 41 SME's.

In his research Freel (2000) analyzed small manufacturing firms with intention to determine the biggest obstacles to product innovation from the aspect of finance, management, marketing and skill labour. The research was conducted among 238 small manufacturing firms which are situated in the West Midlands region of England which possesses a relatively large manufacturing base. Manufacturing firms within that region contributes 30.06 per cent of GDP compared to the UK average figure of 21.75 per cent (Freel, 2000). Blasco et. al (2007) conducted their research on a sample of 2,954 Catalan firms identifying three groups of barriers: cost of innovation projects, lack of knowledge and market conditions. Madrid-Guijaro et.al (2009) did their research among manufacturing firms on a territory of Spain. They examined barriers to firm innovation among a sample of 294 managers of small and medium-sized enterprises in Spain. The study examined the relation between product, process, and management innovation and 15 obstacles to innovation, which can limit a firm's ability to remain competitive and profitable.

Hadjimanolis (1999) conducted his research over 140 SME's in Cyprus. His research concentrates on the barriers approach to innovation. He based his research on how the entrepreneurs perceive the influence of internal and external barriers. For the purpose of this study it is important to point out that determined barriers were: limited time-periods, inadequate R&D and inadequate financial assets.

Demirbas (2011) conducted his research regarding barriers to innovation in Turkey. Two researches, both taken in Turkey on a sample of 197 and 224 entrepreneurs gave the following results. All the barriers were classified in four groups: formal, informal, environmental and skill barriers. Both researches showed that in the group of formal barriers one barrier stands out with strongest negative influence. It is the lack of governments R&D and technology policy. In the group of informal barriers the barrier of informal economy is recognized as a barrier with strongest negative influence. In the group of environmental barriers most influential barriers were high cost of innovation and lack of appropriate source of finance. Finally, in the group of skill barriers the one that with a significant affect is barrier lack of qualified personnel. Altogether, those barriers show high influence on the entrepreneur's innovation decisions in Turkey (Demirbas, 2011).

2. Methodology

The goal of this study is to analyse the entrepreneurial environment in Northern Backa County related to barriers to innovation in order to identify and specify the barriers that really slow down the development of innovation and entrepreneurship development itself. The research was driven by idea to identify organizational, formal and informal barriers which were perceived by entrepreneurs as barriers to development of innovation within organization. This research includes the questionnaire, specially created for the purpose of this research, consists of 27 questions covering up 3 groups of barriers. Data were collected within the interviews with entrepreneurs. When responding to a Likert questionnaire item, respondents had to specify their level of agreement or disagreement on a symmetric agree-disagree scale for a series of questions. Options for each determined barrier, presented in Table 1, in business on agree-disagree scale were: 1. Strong significant negative influence, 2. Mostly negative influence, 3. Present, but with no significant influence, 4. Mostly, doesn't have negative influence, 5. Doesn't represent barrier at all. The purpose of the questionnaire was to get the answers on how the entrepreneurs deal with barriers and find out if there were differences between them based on criteria of:

- a) Age – younger than 40, older than 41

b) Gender – male and female

Data collected sample was analyzed in two consecutive steps by using the software package for statistical analysis – SPSS 17. In the first step, descriptive analysis of data was done in order to create a hierarchy of barriers. In the second step, Mann-Whitney's test was done in order to determine existing differences between younger and older entrepreneurs, and between male and female entrepreneurs, in recognizing the barriers to innovation. Statistical analysis Mann-Whitney's test was chosen because of relatively small number of samples. Mann-Whitney's test was used in order to get relevant data from the total sample of 26 respondents.

In total, 26 entrepreneurs from Northern Backa County completed the abovementioned questionnaire. Most of companies were from production (11) and service (11) sector, while four companies belonging to the trade sector. Eight respondents have finished only secondary school, eight of them take higher education at business schools, and ten of respondents finished faculty. Summarizing data collected in the sample author came to the following results and groups based on a criteria of:

a) Age

- 15 younger entrepreneurs
- 11 older entrepreneurs

b) Gender

- 19 males
- 7 females

Table 1. Barriers to Innovation – Organisational, Formal and Informal barriers

ORGANISATIONAL BARRIERS				FORMAL BARRIERS	INFORMAL BARRIERS
Financial assets	Marketing	The ability of networking and cooperation	HR (skills)		
• Lack of funding from its own resources • Unfavorable conditions for obtaining funding from other sources	• Developing innovations for use in the market • Assessment of the market potential for innovation • Testing of marketing readiness for new concepts • Spotting foreign markets for innovation	• Identifying and finding partners for innovation • Cooperation with universities and research centers • Cooperation with competitors • Membership in the Clusters	• Lack of qualified staff • Inadequately trained personnel for use of technology • The lack of specialized training programs • The ability of independent innovation management • The ability to manage “open innovation”	• The possibility of intellectual property rights (patents) • The possibility of selling intellectual property • Lack of government support directed at R & D activities • Instability of tax policy • High inflation and interest rates • High costs of innovation	• Corruption • Cultural attitudes toward bribe • Lack of transparency

Source: Author's

In accordance with theoretical background, available literature and questionnaire the author set up the following hypothesis:

H0: *There are barriers to innovation related to organisational, formal and informal factors*

H1: *There are differences between younger and older entrepreneurs related to organizational barriers in the field of the ability of networking and cooperation.*

H2: *There are differences based on gender related to organizational barriers in the field of financial assets and human resource.*

3. Results of analysis

Results from the descriptive analyses showed that respondents have recognized the barriers with strong, negative influence, in following order: lack of funding from its own resources, high costs of innovation and corruption. The hierarchy of barriers in Table 2 shows that presented barriers, most significant (top three barriers) come from all of three sections. In order to compare data obtained from the two groups of respondents, younger and older, male and female, data were processed by Mann-Whitney's test. Results from the Mann-Whitney's test unambiguously showed that differences between younger and older, male and female entrepreneurs in recognizing the barriers to innovation were not just existing but significant. Barriers perceived differently in the case of aspect of age is within cooperation with competitors. Barriers perceived differently by the groups based on gender are: lack of funding from its own resources, lack of qualified staff and the ability of independent innovation management. Those differences are presented in Table 3 for the aspect of age. Also, table 4. contains data related to differences between entrepreneurs from the aspect of gender.

Table 2. The Hierarchy of barriers to innovation (obtained from the sample N=26)

Descriptive statistics	N	Mean	Std. Deviation
Lack of funding from its own resources	26	2,19	1,234
High costs of innovation	26	2,38	1,235
Corruption	26	2,54	1,392
Unfavorable conditions for obtaining	26	2,62	1,134
Lack of qualified staff	26	2,62	1,203
High inflation and interest rates	26	2,62	1,023
Instability of tax policy	26	2,77	1,070
Inadequately trained personnel for use of	26	2,81	1,132
Lack of government support directed at R	26	2,81	1,059
The possibility of selling intellectual	26	2,88	1,306

Source: Author's analysis

Mann-Whitney's test was used to analyze the results of the cooperation with competitors as barriers to innovation for older and young entrepreneurs. From this data it can be concluded that there is a statistically significant difference between younger (Md=3, n=15) and older entrepreneurs (Md=3, n=11), $U=44.500$, $z = -2.070$, $p=0.038$, and influence was moderate ($r = 0.4$).

Table 3. Differences between organizational, formal and informal barriers for the participants according age – obtained from the sample N=26

Test Statistics ^b					
	Cooperation with competitors	Report			
Mann-Whitney U	44,500	Cooperation with competitors			
Wilcoxon W	164,500	Age	N	Mean	Median
Z	-2,070	<40	15	2,80	3,00
Asymp. Sig. (2-tailed)	,038	41+	11	3,64	3,00
Exact Sig. [2*(1-tailed Sig.)]	,047 ^a	Total	26	3,15	3,00

Source: Author's calculation

Mann-Whitney's test was used to analyze the results of the lack of funding from its own resources as barriers to innovation for male and female entrepreneurs. From this data it can be concluded that there is a statistically significant difference between male (Md=2, n=19) and female entrepreneurs (Md=1, n=7), U=34, z=-1.965, p=0.049, and influence was moderate (r = 0.39).

Table 4. Differences between organizational, formal and informal barriers for the participants according gender – obtained from the sample N=26

Test Statistics ^b											
	Lack of funding	Lack of qualified staff	The ability of independent	Report				Report		Report	
Mann-Whitney U	34,000	26,000	32,000	Lack of funding from its own				Lack of qualified staff		The ability of independent innovation	
Wilcoxon W	62,000	54,000	60,000	Gender	N	Mean	Median	Mean	Median	Mean	Median
Z	-1,965	-2,437	-2,051	Male	19	2,47	2,00	2,95	3,00	3,47	4,00
Asymp. Sig. (2-tailed)	,049	,015	,040	Female	7	1,43	1,00	1,71	2,00	2,43	2,00
Exact Sig. [2*(1-tailed Sig.)]	,063 ^a	,018 ^a	,048 ^a	Total	26	2,19	2,00	2,62	3,00	3,19	3,00

Source: Author's calculation

Mann-Whitney's test was also used to analyze the results of the lack of qualified staff as barriers to innovation for male and female entrepreneurs. From this data it can be concluded that there is a statistically significant difference between male (Md=3, n=19) and female entrepreneurs (Md=2, n=7), U=26, z=-2.437, p=0.015, and influence was moderate (r = 0.48).

Mann-Whitney's test was also used to analyze the results of the ability of independent management of innovation as barriers to innovation for male and female entrepreneurs. From this data it can be concluded that there is a statistically significant difference between male (Md=4, n=19) and female entrepreneurs (Md=2, n=7), U=32, z=-2.051, p=0.04, and influence was moderate (r = 0.4).

4. Discussion

All the results we got using several statistical analysis should be interpreted with regard to earlier set up hypothesis. Results of descriptive analysis show that main hypothesis H0 is confirmed. According to descriptive statistics data from Table 1, 26 respondents identified potential barriers to innovation dividing them into two groups, those with strong negative influence: lack of funding from its own resources (M=2.19), high cost of

innovation (M =2.38), corruption (M=2.54), unfavorable conditions for obtaining funding from other sources (M=2.62), and those not considered as threats to business: developing innovations for use in the market (M=3.31), cooperation with universities and research centers (M=3.46), the ability to manage “open innovation” (M=3.58), membership in the Clusters (M=3.65).

Hypothesis H1 that there are differences between younger and older entrepreneurs related to organizational barriers in the field of the ability of networking and cooperation was testing by making the analysis of the differences between young entrepreneurs (younger than 40 years) and older (older than 41 years). Mann-Whitney's test was used to test this hypothesis. Results of Mann-Whitney's test show (table 3.) that hypothesis H1 is confirmed. Even though younger and older respondents find important the influence of certain barriers to innovation, they however differ in defining which those exact barriers are. The most obvious differences arise from the following barrier: cooperation with competitors. Mann-Whitney's test was used to analyze the results of the cooperation with competitors as barriers to innovation for older and younger entrepreneurs. From this data it can be concluded that there is a statistically significant difference between younger (Md=3, n=15) and older entrepreneurs (Md=3, n=11), $U=44.500$, $z= -2.070$, $p=0.038$, and influence was moderate ($r = 0.4$). In this case, younger respondents (M=2.80) feel that cooperation with competitors is smaller obstacle for innovation than older entrepreneurs (M=3.64). Successfulness of innovation is based on knowledge integration within the innovation process. It is generally considered that enterprises that have all the necessary knowledge for the innovation development and are completely independent from other organizations are extremely rare. Yet, most of them have limited resources. Therefore, organizations rely on each other, even on competition, in order to create new, successful innovation projects. As it is known, according to economic literature, competitive advantage is driven by innovation (Ahuja and Katila, 2001). Hence, when it comes to cooperation with competition, it is understandable that organizations are very cautious and careful.

The phenomenon of co-opetition, that is, simultaneous cooperation and competition between firms, has become increasingly popular in recent years (Ketchen et.al, 2004). Cooperation with competition (Co-opetition) is defined as a strategy of embodying simultaneous cooperation and competition between firms (Bengtsson and Kock, 2000; Gnyawali et al., 2008). Cassiman et.al, (2009) feels that balancing co-operative and competitive forces in the innovation process to co-create value and to capture part of this value has become crucial to profit from innovation. Same author finds that competitive forces may prevail when value capture is zero and cooperation forces may prevail in the value creation phase. Cooperation between competitive enterprises by gathering the assets, technologies and knowledge can speed up and facilitate the process of a new product creation. By giving the example of co-opetition between two multinational companies, Sony and Samsung, on a new product development related to LCD television in 2003, Gnyawali and Park (2011) indicated, in their research, that such effects may be intensified by competition in co-opetition relationships.

Hypothesis H2 that there are differences based on gender related to organizational barriers in the field of financial assets and human resource was testing by making the analysis of the differences between male and female entrepreneurs. Mann-Whitney's test was used to test this hypothesis. Results of Mann-Whitney's test show (table 3.) that hypothesis H1 is confirmed. Even though male and female respondents find important the influence of certain barriers to innovation, they however differ in defining which those exact barriers are. The most obvious differences arise from the following barriers: lack of funding from its own resources, lack of qualified staff, the ability of independent innovation. Mann-Whitney's test was used to analyze the results of the lack of funding from its own resources as barriers to innovation for male and female entrepreneurs. From this data it can be concluded that there is a statistically significant difference between male (Md=2, n=19) and female entrepreneurs (Md=1, n=7), $U=34$, $z= -1.965$, $p=0.049$, and influence was moderate ($r = 0.39$). In this case, female respondents (M=1.43) feel that lack of funding from its own resources is bigger obstacle for innovation than male respondents (M=2.47). Ensuring or the lack of financial resources can be seen as a potential barrier to innovation recognized by entrepreneurs in this survey. While the significance and impact of financial resources to the realization of a business venture cannot be ignored, it should be noted (Bobera, 2010) that the lack of adequate funding is often an indicator of other problems such as managerial incompetence, lack of understanding in the field of finance and the like.

Mann-Whitney's test was also used to analyze the results of the lack of qualified staff as barriers to innovation for male and female entrepreneurs. From this data it can be concluded that there is a statistically significant difference between male ($M_d=3$, $n=19$) and female entrepreneurs ($M_d=2$, $n=7$), $U=26$, $z=-2.437$, $p=0.015$, and influence was moderate ($r = 0.48$). In this case, female respondents ($M=1.71$) feel that lack of qualified staff is bigger obstacle for innovation than male respondents ($M=2.95$). Occupational structure and qualifications of the labour force is what distinguished the innovative enterprises from non-innovative ones. Highly qualified labour force performing highly skilled work contributes to enterprise's strategic orientation and innovation. According to the research taken by Viaene et.al (2004), results showed that innovative firms have a higher number and a higher proportion of qualified technical staff. Investment in know-how, measured through training expenditures and marketing costs, was positively and significantly related to innovativeness (Viaene et.al, 2004).

Mann-Whitney's test was also used to analyze the results of the ability of independent management of innovation as barriers to innovation for male and female entrepreneurs. Based on this data we conclude that there is a statistically significant difference between male ($M_d=4$, $n=19$) and female entrepreneurs ($M_d=2$, $n=7$), $U=32$, $z=-2.051$, $p=0.04$, and influence was moderate ($r = 0.4$). In this case, female respondents ($M=2.43$) feel that lack of the ability of independent innovation is bigger obstacle than male respondents ($M=3.47$). Smith et.al (2008) did research on factors influencing organization and its ability of independent innovation. Organization's success depends on how the organization manages to overcome those factors. Using a systematic literature review approach, using over 100 papers, they identified nine key factors that impact on an organisation's ability to manage innovation: management style and leadership, resources, organisational structure, corporate strategy, technology, knowledge management, employee and innovation process. Besides the abovementioned factors, the organizational culture should be highlighted as a key factor in managing innovation processes. Similar research was conducted by Lawson and Samson (2011) who identified seven factors of influence on ability to independent innovation. Those factors were: vision and strategy, harnessing the competence base, organisational intelligence, creativity and idea management, organisational structure and systems, culture and climate, and the management of technology.

5. Conclusion

The goal of this study was to determine the barriers to innovation in Northern Backa by questioning entrepreneurs on how they perceive the same. A limitation of the study was the relatively small sample size (26 entrepreneurs in Northern Bačka, Serbia) and the fact that the group of respondents consists only of entrepreneurs, disregarding the opinion of other stakeholders also affected by barriers to innovation. However, this study could be used as a base for R&D projects to be carried out in future, using large sample and/or territory (Autonomous Province of Vojvodina or Serbia). The author focused on several groups of barriers to innovation: organizational, formal and informal and did detailed analysis using survey technique and statistical program for data processing. Based on results of statistical analysis taken, the author came to the following conclusions:

- The influence of organizational, formal and informal barriers to innovation on business activities is confirmed. Results presented in Table 1 confirm that all three groups of barriers are equally present in entrepreneurial environment. All respondents identified potential barriers to innovation dividing them into two groups, those with strong negative influence such as *lack of funding from its own resources*, *high cost of innovation*, *corruption*, and those not considered as threats to business such as *developing innovations for use in the market*, *cooperation with universities and research centers*, *the ability to manage "open innovation"* and *membership in the Clusters*.
- Based on age criteria, results show that younger and older entrepreneurs perceive barriers differently. Results for the barrier *cooperation with competition* show statistically significant difference between the two groups of respondents. This would practically mean that younger entrepreneurs perceive cooperation with competition as a bigger obstacle to their business than older entrepreneurs.

- Based on gender criteria, results show that male and female entrepreneurs perceive barriers in a different way. Results for the barriers: *lack of funding from its own resources*, *lack of qualified staff* and *the ability of independent innovation* show statistically significant difference between the two groups of respondents. This would practically mean that female entrepreneurs perceive all three barriers as more threatening to the development of innovation projects than male entrepreneurs.

Innovation affects firms' ability to compete successfully in an increasingly global market (Kamalian et.al, 2011). Innovation is considered to be the key to improve the competitiveness in domestic and international markets. Ability of enterprise to determine and understand barriers to innovation makes it a main precondition for economic growth in the region of the Northern Backa County. Therefore, in order to accomplish the competitiveness of the SME's and entrepreneurs, and the economy of Serbia in total it is necessary to take the following actions: understanding barriers to innovation in order to minimize their influence, fostering an innovation culture, increasing a number of successful innovations.

Entrepreneurs, as pragmatic, flexible, adaptive persons, harmonize their business activities with the current state of business environment in order to improve their entrepreneurial business. Entrepreneurs risk to threaten business by simply accepting the environmental facts and not taking the required activities. The decision making process should be based on the experience and exploration of the current state of business environment for the purpose of identifying, analyzing and prehension of barriers to innovation that should in all, reflect to a large extent, on future business activities. Creating an innovative corporate culture is a crucial requirement for having more innovation projects in enterprises. More innovation projects means more risk for having unsuccessful innovations. However, competitiveness of enterprises depends on numerous successful innovations that either result from failed innovations as a creative imitation or result from expanded base of launched innovation projects. Creative imitation implies implementation of one idea in different business environments, thus it could be considered that entrepreneurs adapt their ideas and decisions to the environment. Creative imitation as well as increasing number of innovations that come from the expanding base of launched innovations are the result of the innovative corporate culture implemented by management with intention to improve the competitiveness of the enterprise on domestic and international market.

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