

THE IMPACT OF INNOVATIONS AND PUBLIC RELATIONS ON THE BUSINESS OF MICRO, SMALL AND MEDIUM ENTERPRISES

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Abstract: The paper refers to the complex impact of basic business innovation types (technological, financial, and managerial) and the innovative model in integrated public relations in micro, small and medium enterprises on a selected sample. The impact of innovation on achieving competitive advantage is analyzed in particular. The research was conducted at the local level to consider the impact from the aspect of their position in the market and the level of competitiveness achieved by accepting versatile innovations. Innovation in the public relations approach aims to raise the internal culture of those companies, to bring internal stakeholders closer to the company's strategic goals and to identify them with the company's goals. Incorporating innovations and innovative work is very risky, not only from the financial aspect. Risk reduction and control also depend on knowledge of specific technological solutions, knowledge of research, development and improvement project realization methodologies and knowledge of risk management methodologies. The results based on empirical research of micro, small and medium enterprises indicate a certain degree of dependence between innovative strategy, cooperative competencies and achieving business success. Research has shown that the connection of resources in different parts of the organization and their use in different investment projects increases their flexibility.

Keywords: *innovation, public relations, MSME, technology, local level.*

Field: Economy sciences

1. INTRODUCTION

For a long time, micro, small and a large number of medium-sized companies tried to build their competitive position on the market, especially in post-crisis periods, in several ways: by focusing on a certain market segment, by fragmenting the branch (while increasing market share) or by controlling (reducing) costs. It should also be taken into account that the management of technological innovations is limited, considering their capacities, stimulating measures (even from the local level) and adequate macroeconomic policy measures, strategic and operational, are necessary. From the perspective of support institutions, the regulatory (legislative) framework specifically defines individual support institutions (eg the Law on Innovation Activities, Regional Development, etc.). In general, the regulatory (legislative) framework includes three aspects (Molnar & Jolović, 2012, p. 59) establishment and operations, financing and institution of support. The goals and organization of the application of scientific (and professional) knowledge, technical and technological knowledge and inventions (patents) are regulated by law in the function of improving products, processes and services ("Zakon o inovacionoj delatnosti," 2021, p. 2). The changes in this sector, which started in 2012, from the national to the regional to the local level, were reflected in several aspects, and the treatment of innovation is very important. It is considered that the most relevant lower regulatory act is Strategy for the Development of Small and Medium-sized Enterprises for the period 2023 to 2027 (Ministarstvo privrede Republike Srbije, 2023, pp. 1–34). This document is aligned with the Competitiveness and Innovation Framework Programme in that period. Innovations lead to "smart" development and represent the successful exploitation of new ideas, and their conversion leads to commercial success on the market. In Serbia, until 2014, only every fourth company from this sector carried out its own innovations, and every eighth had established long-term cooperation with scientific research institutions (Ivanović-Đukić & Lazić, 2014, p. 58). The work aims to point out to the owners and managers of the observed companies the exceptional importance of innovation because the degree of innovation affects the acquisition of a competitive advantage and its increase.

Also, the work aims to suggest to the creators of macroeconomic policy the necessity of further implementation of structural reforms in the direction of comprehensive stimulation of innovation of micro, small and medium-sized enterprises. The initial hypothesis on which the work is based is that the successful management of innovations can increase the competitiveness of these companies (market share) not only at the local level but also at the national and even global level.

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2. MATERIALS AND METHODS

The research presented in this paper included a convenient sample of 224 respondents, various profiles (by educational or managerial task) of representatives of the observed companies in the period June-December 2024, and related to three Belgrade municipalities, i.e. it was carried out at the local level (Voždovac, Čukarica and Palilula). Integral research was conducted according to the survey model and using the personal interview technique (telephone, e-mail, Viber group, direct contacts). All questions for owners, directors, managers and other representatives of these companies are designed to reflect the state and trends of innovation. Then, the innovation in the approach to public relations in the activity of these companies at the observed local level was investigated.

The created questionnaire was of a closed type and was designed to contain 18 rubrics with questions related to the conceptually planned research. It started from the assumption that innovative options are still insufficiently considered and ineffectively and ineffectively applied and this especially refers to innovative models of public relations that are insufficiently developed. Mainly, in terms of the research methodology, an attempt was made, based on theoretical sources and previous experiences, to look at the set research subject and the goal of the work and to prove the assumption from which the planned research started. It should be borne in mind that the innovative capacities of these companies can be very limited, especially when it comes to technological innovations. Also, the questionnaire was created in such a way that the respondents could not answer in the form of an open answer to all questions but answered according to the principle of a closed type, where all the offered answers, in large numbers, were defined in advance. All answers are treated as highly confidential research materials and will not indicate the answers received from individual business entities without their specific mention.

3. SUBJECT AND PURPOSE OF THE RESEARCH

The results of the research needed to demonstrate the justification of approaching this issue, to design an organizational model of financing innovation and public relations that could have effects in practical application in many local areas. Also, it should be borne in mind that the value of micro, small and medium enterprises is not assessed only based on the profit that these enterprises realize, but also based on the strength of relations with those on whom their successful business depends. By definition, the size of the company is small compared to the main competitors in a certain activity (according to the volume of sales, number of employees, value of the company's assets, etc.). The research aims, among other things, to indicate the possibility of creating new models of business behaviour that are aimed at greater integration of all business functions in the observed companies, and that ensure greater flexibility, adaptability, responsiveness, and therefore, innovativeness of the company, aligned with new tendencies at the national and global level. In addition to a simple organizational structure, the success of innovation implementation is influenced by many factors: ownership structure, low degree of formalization, speed of decision-making and the ability to connect resources in different parts of the organization. These advantages enable the successful introduction of innovations aimed at satisfying consumer needs, new organizational models, and new marketing and management concepts, as well as a high level of adaptability.

In general, innovations mean the introduction of novelties into business, i.e. changing something existing. One of the aspects of the research refers to several measures implemented by the "National Agency for Regional Development" which supports raising the level of competitiveness of these companies. It achieves this by participating in the financing (reimbursement) of service costs in the consultation process. At the same time, it was necessary to see whether the specific goals foreseen by the National Agency of Serbia are being realized, namely increasing investments in technological and managerial (social) innovations, improving the cooperation of these companies with institutes, laboratories and technological parks. In general, it was necessary to investigate the number of micro, small and medium enterprises implementing innovative projects and programs:

- introduction of completely new products, innovation of existing products and/or services and
- introducing new possibilities for production or providing innovative or new range of services.

In the end, the subject of the research is also an overview of the achieved effects in all aspects, from the realized profit to the increase in market share of introduced and valorized innovations, on the domestic and foreign markets in the domain of micro, small and medium enterprises.

4. DISCUSSION AND RESULTS

In Serbia, of all the companies, most micro companies (with up to 10 employees) operate, so in 2023 there were 94,078 of them, which is 85.3%, and the total number of companies then was 110,287, while small companies with up to 50 employees were 12,613 (11.4%) and medium-sized companies were 2,953 (2.7%) in that year (Redakcija Biznis.rs, 2024). The number of employees in Serbia at that time was 1,315,320, and micro enterprises employed 13.2%, while small enterprises employed 19.5% and medium enterprises 23.1%. Large companies (over 500 employees) had 44.2% of the total number of employees. At the beginning of the research, we took into account five basic features of entrepreneurship and innovation, and they can be (Ivanović-Đukić & Lazić, 2014, pp. 49–62):

- (1) Facilitated search and finding of favourable opportunities from the company's environment
- (2) From the aspect of the appearance of negative phenomena, it is the elimination, amortization or transformation of negative phenomena, emergence and recurrence from the environment;
- (3) Facilitating recognition and achieving a competitive advantage in the environment;
- (4) The ability to continuously find and implement innovations;
- (5) Continuous development of the managed system and the possibility of its improvement;

In order to obtain important information (created in the state and other institutions) that has great importance and influence on the business of SMEs, the majority of those surveyed stated that a large number of such information: passing and amending laws, mandatory application of certain technological solutions and devices in business, the amount of approved subsidies, etc. They obtain in different ways, namely:

- through various printed and electronic media (59%),
- from fellow entrepreneurs, of different profiles (15%) and
- institution, at different levels from local to national (8%) in direct communication.

The survey suggests that as many as 29% of respondents, who filled out the questionnaire, have a rather weak or completely undeveloped understanding of the value of quality and timely information. On the specific question of whether successful management of innovations can increase the competitiveness of micro, small and medium enterprises, the following results were obtained (a sample of 224 respondents).

Table 1. Overview of respondents' ratings on the management of innovations potential to increase competitiveness

Answers	Percent	Rating
I completely agree.	38%	5
I agree to a large extent.	42%	4
I somewhat agree.	12%	3 (indifference)
Partially disagree.	6%	2
I completely disagree.	2%	1

Source: Authors research

The survey showed that respondents now give priority to the ability to innovate, which should take place continuously, that is, over a longer period, with permanent training and the acquisition of new theoretical and practical knowledge.

Table 2. Factors affecting the competitiveness of micro, small and medium enterprises

Factor	Number of answers
By focusing on specific market niches	30
Fragmented branches	51
Cost leadership	63
Application of innovations and innovativeness	96

Source: Survey on a sample of 224 respondents (two answers were possible)

Modern business conditions are conditioned by various factors, especially frequent occurrences of financial and economic crises, namely:

- variability of situations on local and regional markets,
- accelerating globalization processes,
- market deregulation and high level of competition,
- non-economic factors (pandemics, floods, earthquakes, wars);

Therefore, an increasingly important factor in the competitive position of treated companies is the ability to apply innovations and create innovative products and services. Doing business in an efficient way of introducing technological innovations to micro, small and medium-sized enterprises can be beneficial in several ways: by creating completely new products, new use of existing products, and developing new technical-production processes and operations. In essence, innovations and their application enable these companies to create and market new (innovated) products.

Improving the technical-technological processes increases the efficiency and effectiveness of the company and this leads to lower costs, which lead to an increase in the price competitiveness of the company. All of these are modalities that lead to a very good business result and a higher level of competitiveness. Concretely, the results of empirical research indicate that around 60% of economic growth is related to technological innovation. Also, the company's position in the international market is primarily determined by the level and intensity of technological innovations, and only secondarily by differences in price, product quality and other aspects of business (Ivanović-Đukić & Lazić, 2014, p. 52). However, in real situations, small and medium-sized enterprises face a lack of knowledge and experience, and these deficiencies can be overcome (Ivanović-Đukić & Lazić, 2014, p. 54):

- timely establishment of science and technology parks,
- by creating appropriate clusters,
- by forming business-technology incubators and the like.

All of these are ways to increase the innovative capacity of these companies in the real circumstances that are happening in the environment. Answers indicating the extent to which the respondents are determined to join clusters that they believe will have certain benefits, that is, on the basis of which business will be facilitated.

Table 3. The advantages of connecting SMEs into clusters and increasing innovation – acceptability

Type of innovation and type of activity	Completely	Partially	Does not accept
Realization of larger investment ventures (pooling of funds and easier attraction of external investors)	52%	38%	20%
Reducing costs in the creation and placement of new products (by joint engagement of cluster members)	65%	18%	17%
More effective access to information about technological projects and incentives at the local and national level (linking with government and public institutions)	72%	13%	15%
Easier access to funds and loans for financing (local level - lower interest on borrowed funds)	81%	11%	8%

Source: Author's survey and interviews in 2024 (sample of 224 respondents).

Intensification of the cluster connection of these companies can enable the following advantages:

- More timely and faster assessment of consumer needs,
- Directing and concentrating innovations in the direction of real realization,
- Faster response to consumer requests and wishes,
- Obtaining a sufficient amount of resources in order to implement innovations more quickly;

In the current conditions, a very important role in promoting innovation should be played by high-tech (technological) incubators, which represent a way and form of cooperation between educational institutions, scientific institutions and companies, with the aim of generating innovative products and services. The survey and interviews conducted on the sample showed that the largest number of companies from this domain increased the range of products and services, which means that the most significant effects of innovation are the replacement of outdated products and processes. On the other hand, the reasons given that innovations are difficult or even rarely accepted are significant, namely: lack of financial resources, high costs of innovation processes, lack of trained and professional personnel, uncertain demand and risk of inadequate market valorization of innovative products, insufficient information about market opportunities, lack of training on innovative activities and difficulties in finding partners for cooperation.

4.1. Encouraging innovation

Contemporary business conditions point to the necessity of introducing innovations, which is reflected in the fact that the potential of owners and employees is released, creating a climate in which they are focused on consumers. Innovative companies invest in people through training and good communication. A customer-oriented company with special requirements is ready to learn from others, which is the basis for innovation. Businesses are highly innovative with new products and services that exceed consumer expectations. At the same time, by improving the quality of existing products and services, creating and marketing innovations, and developing new technologies, these companies stimulate economic development and contribute to raising the level of national competitiveness. However, from the aspect of technological innovation, the capacities (ability to successfully incorporate innovations) of these companies are small, and stimulating measures are necessary at the national and local level. Because they have a flatter management structure, small businesses can quickly respond to changing customer demands and wishes. This is due to the faster arrival of information and the faster response of the owner and/or management. On the other hand, local investors and financial institutions to those companies that are connected to the cluster (bearing in mind that they are familiar with the work of the cluster) can more easily approve the necessary funds, and they can also approve lower interest rates on borrowed funds.

Table 4. The way the state and institutions can encourage innovation - do you agree?

Type of incentive	Completely	Partially	Does not accept
Cooperation with large companies	38%	42%	20%
Finding strategic partners	41%	32%	27%
Giving benefits (taxes and contributions)	73%	24%	3%
Assistance in acquiring new technology and equipment	61%	21%	18%
Attractive credit lines for financial resources	56%	34%	10%

Source: Author's survey and interviews in 2024 (sample of 224 respondents).

By combining numerous measures and programs, they can have an impact on alleviating the restrictions that these companies have, on the contrary, stimulating measures can accelerate the implementation of innovations and increase individual competitiveness, the competitiveness of those companies that are connected in clusters and thus the economy not only at the local level but also at the national level. A good example of this is the Program of a standardized set of services for micro, small and medium enterprises and entrepreneurs in 2022, which is implemented through accredited regional development agencies (ARPA) in Serbia (Razvojna Agencija Srbije, n.d.). There are four groups of standardized services in circulation, namely: training, advisory services, mentoring and a package of services for young and female entrepreneurs.

In the modern conditions in which micro, small and medium-sized enterprises operate, especially at the local level, it is primarily necessary to carry out the planning process effectively, but also to determine very clear and precise goals of the planning tasks, in order to make them more realistic and achievable (Vujučić et al., 2021, p. 80). To the question of what is most important in planning possible innovations, respondents gave as many as six different answers. However, it should be borne in mind that the specific process of innovation planning presupposes thinking and organizing numerous activities that are necessary to achieve the required innovative goals in a given period. The planning of innovations is aligned with their goal, which is the creation of the future business environment and the overall future of the company. At the same time, success in business does not happen spontaneously, but it is necessary to carry out an innovation process that begins with realistic planning.

4.2. Encouraging innovation in public relations

For a long time, the area of public relations was considered an area of additional activities aimed at increasing the possibilities for the company's survival. There are a lot of uncontrolled segments in this area, and it is susceptible to the creation of rumors and half-truths. However, the survey showed that a significant number of entrepreneurs and owners of micro and small businesses still do not use computers as a means of obtaining and exchanging information (about 30%). Possession and effective use in micro, small and medium-sized enterprises is necessary, according to the majority of respondents.

A large number of respondents concluded that receiving information promptly, from the appropriate institutions, would be very important for improving the business of micro, small and medium enterprises.

The application of innovations can realize the added value of these companies. A prerequisite for this is the improvement of corporate culture, raising the level of awareness of entrepreneurs (owners and managers), which means establishing two-way communication with the internal and external public, respecting the loyalty of previous "friends" of the company and gaining new ones, which leads to the improvement of the business.

In practice, the model of open innovation is being implemented more and more intensively, although there are several obstacles to its implementation in wider application. The concept of open innovation contributes to the intensification of the process of exchanging knowledge and information, resources and technology between business entities. This contributes to the improvement of the innovativeness of the sector of these companies as the most important driver of the level of competitiveness and application of the knowledge economy (Janković & Golubović, 2019, p. 89). Linking these companies into clusters can increase the pace and scope of their activities. Namely, the necessary input, skills, means, and human resources are generally more available in a specific location. This enables their easier connection and more efficient use of innovative ventures.

From the aspect of rapid expansion, special attention at the local level (considered three Belgrade municipalities) was attracted by the digital sector, i.e. (Nikolić & Filipović, 2022, p. 9): production of computer, electronic and optical products, telecommunications, computer programming, consulting and related activities, and service and information activities. On the example of these researches, it can be stated that the increase of competitiveness from the local to the national level as well as appropriate business performance and adequate productivity can be achieved (Bakator et al., 2022, pp. 3–19): by innovatively raising the quality of products and services, by introducing modern production equipment and modern tools, and by adequate application and introduction of effective management techniques and tools.

All these factors lead to raising the level of innovation, that is, improving their products and services. In addition, an adequate pricing strategy should be applied, which is accompanied by the application of modern methods and techniques of human resource management. Digital transformation is changing the way competition is treated, but it is also changing the mechanisms by which innovations are introduced in business strategies.

5. CONCLUSIONS

The paper raised some important issues related to the treatment and introduction of innovations in the largest group of economic entities, with a limitation to the local level. Investment in innovation depends on several factors, including company size, industry sector and access to finance. On the other hand, micro, small and medium enterprises often face challenges with aspects of financing innovation, as well as concerning access to knowledge and technologies. However, there are a number of examples of micro and small companies that invest in innovation, especially in sectors such as IT, where this sector has permanent growth. Increasing investment in innovation requires a systemic approach, including facilitating access to financing, strengthening support for R&D and developing a culture of innovation and small businesses.

It is very important to constantly analyze the investment risk, so that there are no disruptions in cash flows and over-indebtedness. Innovative capacities are conditioned by the ability to find new ideas and the conditions for their realization. Small businesses are quicker to notice the specific needs of consumers, which can be a source of ideas for innovation, and can realize them faster. In the current conditions, the increase in the success of innovation implementation is influenced by: simple organizational structure, dominant ownership structure, low level of formalization, efficiency and timeliness of decision-making and effective connection of all resources in certain segments of the organization. Raising the level of marketing of innovative products and services, which strengthens the competitive position of these companies, they base their business on innovative knowledge and modern technology, as strategic resources and innovation application processes, as a specific business philosophy, enabling faster production growth, increasing exports and raising the level of productivity. This includes improving their position at the local level as well as the position of the national economy on a global scale.

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