

**The Research Centre of the Faculty of Economics**  
cordially invites you to a research seminar  
on **Tuesday, 3rd January 2017**  
at **1 p.m.** in room **P-119**  
at the **Faculty of Economics, University of Ljubljana**

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will present the article:

**"The impact of environmental turbulence on the perceived importance of innovation and innovativeness in SMEs (work-in-progress)"**

“The recent economic crisis has stressed Europe’s structural weaknesses, including its lower average growth rate in comparison to its major economic partners. In order to mitigate this weakness, encouraging innovation has been identified as one of the key drivers of smart growth at both EU and national levels. Since companies with fewer than 250 employees account for 99.8% of enterprises in the EU-28, generate 67% of total employment and 58% of value added, a successful implementation of the Europe 2020 strategy largely depends on innovativeness of small and medium-sized enterprises (SMEs). However, research on innovation shows that, on average, smaller companies tend to innovate significantly less than the larger companies. Although a considerable body of research has examined several drivers of SMEs’ innovativeness over past years, many of these studies were conducted in developed economies and often examined SMEs operating in selected industries. Innovation scholars frequently posit that the external environment provides the main stimulus for innovation, but only a limited number of studies have empirically examined the direct effects of environmental turbulence on innovativeness. We also have a limited knowledge how innovativeness affects business performance in the context of (post-) transitional economies.

The purpose of our study is to fill these gaps in the literature and examine how market turbulence, competitive intensity and technological turbulence affect the perceived importance of innovation and innovativeness, and consequently the business performance of Slovenian SMEs. Similar to other European countries, the innovation activity of Slovenian SMEs is lagging behind their larger counterparts.

Based on the literature review, we define market turbulence as the rate of changes in customer preferences, competitive intensity as the behaviour and ability of competitors to differentiate, and technological turbulence as the rate of technological change. In line with the literature in the field of innovation and marketing, we postulate that environmental characteristics are positively related to both perceived importance of innovation (i.e. managers' attitude toward innovation) and innovativeness (i.e. openness to new ideas as an aspect of a company's culture). Further we postulate that the perceived importance of innovation is positively related to innovativeness. Finally, we postulate that innovativeness is positively related to business performance.

We tested our conceptual model on the sample of 373 Slovenian companies with 10 to 249 employees, operating in various industries. Data obtained via Internet survey were analysed using structural equation modeling. The analysis shows that the perceived importance of innovation is a stronger determinant of a firm's innovativeness than environmental turbulence. Yet, environmental turbulence still plays an important role in driving SMEs' innovativeness. Both market and technological turbulence increase the perceived importance of innovation, but only market turbulence impacts SMEs' innovativeness directly. Contrary to our research hypotheses, competitive intensity has no significant impact on the perceived importance of innovation and innovativeness. Finally, innovativeness enhances business performance. Hence, SMEs are advised to invest money and time in increasing their innovativeness. The main limitation of our study is that we examined only a small number of drivers of innovativeness. In the paper, we discuss the study findings and provide suggestions for future research.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:  
[research.seminars@ef.uni-lj.si](mailto:research.seminars@ef.uni-lj.si) by Monday, 2<sup>nd</sup> January 2017.

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**We look forward to seeing you!**

