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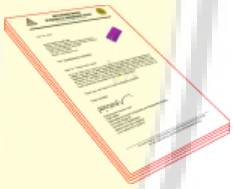

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Performance through Innovation: An Analysis of Small and Medium-Sized Enterprises in Developing Country

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Abstract: This study examines performance improvement through innovation in SMEs in developing countries. This research is a quantitative study with a total sample of 100 SMEs. The existing data were analyzed by using a 2-way- path of analysis. The results show that the performance of SMEs is influenced by innovation strategy. Innovation sstrategies drawn up by SMEs need managerial support and focus on target markets where strategic leadership will shape the policies that support appropriate innovation strategy planning. In addition to understanding market orientation, SMEs can understand what is needed by consumers and also understand the development of market mechanism that will facilitate SMEs to choose the appropriate innovation strategy.

Keywords: Performance; Innovation; Strategic Leadership; Market Orientation

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INTRODUCTION

Empirical studies show that small and medium enterprises (SMEs) have problems and constraints in improving their performance. According to Hinson and Mahmoud, (2011), SMEs have difficulty in adapting to market change strategies and competing with big companies. SMEs do not have a structured marketing plan. Business owners do not understand market orientation and focus only on customers. The results of empirical studies indicate that SMEs in India lack of competitiveness (Kiran, Debenedetti, and Peters, 2012). Competitiveness explains the ability of small industries to generate output revenue and maintain employment levels in the face of domestic and global competition.

According to Najib and Kiminami, (2011), good performance of SMEs is characterized by increasing sales, gain profit, market share widespread, and consumers are increasingly satisfied. Companies not only produce but also pay attention to the interests and needs of consumers. This kind of practice is popular with market oriented or market-oriented companies.

Baswir (1995) in his study also adds that there are at least 4 main causes of low performance of SMEs in Indonesia: first, almost 60% of small businesses still use traditional technology; second, the market tends to decrease due to lack of capital, managerial weakness and utilization of technology; third, most small businesses are unable to meet the administrative requirements for obtaining financial assistance; fourth, the level of dependence on facilities provided by the government is still very high.

While the constraints commonly faced by small and medium enterprises (SMEs) are low productivity, low added value, very small investment amount, narrow market run, limited business network, limited access to capital and raw material sources, and management which is still not professional and human resources in general do not yet have qualities that can compete to advance

Another obstacle faced by SMEs is related to corporate innovation. Innovation is one of the basic instruments of new growth strategies to enter the market, to increase existing market share and provide companies to be competitive. (Gunday et al., 2009). Innovation can be a potential solution for SMEs (Hafeez, Shariff, and Lazim, 2012). One way to develop and improve competitive advantage and improve performance is through resource utilization and enhancing innovation for SMEs (Hilmi and Ramayah, 2009).

Innovative methods applied can enable SMEs to compete and survive in a competitive global environment (Kiran et al., 2012). Gunday, Ulusoy, Kilic, and Alpkan, (2011) identify an innovation relationship with firm performance in the manufacturing industry in Turkey. The finding that the innovations made in the manufacturing companies has a significant positive relationship with performance. On the other hand, company innovation has a higher market share, total sales and exports. These findings support the fact that innovation strategies are a key driver of importance to corporate performance.

Innovation strategy is an important factor for improving the performance of SMEs. Innovation in question is the application of innovation culture that is done strategically and structured. (Salim and Sulaiman, 2011), describe the enhancement of innovation strategies that are culturally relevant to each other to enhance the performance of SMEs. The performance of innovation in SMEs refers to new

product sales, marketing strategy, technology utilization, timely product launch (Bodlaj, 2010).

Existing new product must have more value to the customer. To be able to provide more value, SMEs should also pay attention to existing market orientation. Previous studies related to market orientation and performance of manufacturing SMEs, Jaiyeoba (2011) found a significant influence of market orientation on SMEs performance. Hinson and Mahmoud (2011) suggest that market orientation has a significant effect on SME performance. The results of study by Suliyanto and Rahab (2012) show that market orientation has a positive effect on the performance of SMEs. To improve the business performance, SMEs must always improve the degree of market orientation by collecting customer information, competitor information, and inter-functional coordination; therefore, the market orientation is proven to boost performance and becomes a source of profit for SMEs to improve business performance.

In addition, to improve the business performance, SMEs are also related to strategic leadership where the management of the process prepares strategies to improve the performance of the company, which will impact on increasing the value of the company. Leaders with leadership style determine the company's strategy both long- and short-term. Corporate strategy or business strategy is a company strategy to achieve long-term goals.

Based on this background, this research tries to develop a model that examines how to improve the performance of SMEs through Innovation strategy conducted by SMEs. This study will discuss how SMEs improve their performance through the development of their innovation strategy built by strategic leadership and market orientation.

LITERATURE REVIEW

Performance of SMEs

Hafeez et al., (2012) state that performance is a measure of success or achievement that has been made by a company that is measured every period of time. The performance of the company is the achievement of the business as the objective of the company that is established to gain maximum profit to be able to sustain growth and development. Kang and Shivdasani, (1995) argue that the dimensions of corporate performance measurement commonly used in research are company growth, profitability and efficiency. Chandler and Hanks (1994) point out that there are two approaches in measuring company performance; that is, objective approach and subjective approach. Objective approach is a kind of approach by using data objectively; that is, in the form of financial accounting data, whereas subjective approach is approach to measure company performance based on perception of managers to company performance.

The measurement of the company's performance and the effectiveness of resource use can be performed by using four approaches, namely objective, resource system approach, stakeholder approach, and competitive value approach evaluating company performance based on its ability to meet the needs and expectations of external stakeholders, e.g. customers, suppliers and competitors.

Among the four approaches, the goal approach is more often used for reasons of convenience, simple, easy to understand, and internal focus. The information is more accessible to the owner managers for the evaluation process while the approach of the resource system depends on the quality of internal communication and the extent to which its resources are obtained. The stakeholder approach deals with issues related to the priority of external stakeholders. Furthermore, the competitive value approach depends on the flexibility, effectiveness and efficiency of the organizational structure in resource delivery to meet external demands. Chong (2008) say that the objective approach is the most appropriate approach for small and medium enterprises (SMEs) where internal targets are based on the manager owner's interests, and their ability to achieve the targets.

The goal approach directs the owners of SME managers to focus their attention on financial measures. Financial measures typically include profits, income, return on investment, sales returns. Financial measures are generally more objective, simpler, easier to understand and to calculate, but in many cases, financial measures rely on historical data and are difficult to obtain for common purposes. Difficult to access, incomplete data, data inaccuracy resulted in comparison between SME sectors to be difficult and futile. Profit sales/corporate earnings are the subject of the most hidden data. The most likely way is to use non-financial measures. Combinations between these two measures can help SME managers gain broader perspectives in their performance measurement, especially in effectiveness and efficiency of resource use, and competitiveness. Non-financial measures are widely adopted in SMEs such as number of employees, sales/revenue growth, market share, and sales of labor.

Verreynne (2006) measures the performance of small businesses (SMEs) by using measures of the scale of financial performance developed by Covin and Slevin (1989), and Gupta and Govindarajan (1984) whose primary purpose is to describe the limitations of financial data in the measurement of business performance of small and medium enterprises (SMEs). The procedures for measuring the performance of small and medium-sized businesses by Covin and Slevin (1989), Gupta and Govindarajan (1984) include the Likert-scale respondents' assessment of ten financial measures including sales level, sales growth rate, cash flow, own capital control level, gross profit, net operating profit, earnings ratio of sale, rate of return of capital, ability to finance the growth of the company from profit, and overall performance. According to Dess and Robinson Jr (1984), Gupta and Govindarajan (1984) performance bookkeeping methods proved to have a high degree of reliability and validity, reflecting the accuracy of firm performance measurement.

Innovation Strategy

Innovation strategy is a key driver for the performance of small and medium enterprises (SMEs) by applying innovation culture in a strategic and structured way. To improve the performance of SMEs through cultural and innovation strategies that are aligned and closely related to the innovation process (Salim and Sulaiman, 2011). Bodlaj (2010) explains that the performance of innovation refers to the sale of new products, new product market share, timely new product launch, new percent of product sales in total sales. New products must provide value for customers;

therefore, market orientation is an important factor in successful new product development. Innovation can be a potential solution for SMEs in developing countries in the world (Hafeez et al., 2012). Companies that have the resources to improve innovation ability can significantly increase production and market performance, so companies need to further enhance innovation activities (Gunday et al., 2011).

Innovation may be the key to organizational success, but highly skilled workforce is an important factor for innovation (Baldwin, 1999). A survey conducted by Baldwin (1999) on small and medium-sized enterprises (Growing Small and Medium Enterprises) shows that labor skills are the most important contributors to the growth of the company. This is based on the research findings that about 52% of small and medium scale companies studied carry out training programs to improve their human resources, 36% of them use formal training programs.

Innovation will arise in the event of intensive interaction and communication between the company and its environment (Slappendel, 1996). There are several studies on the capabilities of innovation and human resource competencies on the performance of SMEs. Romijn and Albaladejo (2002) in his empirical research on 50 small and medium-sized companies in the United Kingdom (companies with fewer than 250 employees) found that internal factors, such as the level of education and experience of company owners, research and development institutions, technical skills of labor as well as investment in training and human resource development are the determinants of organizational innovation. This study also found external factors, such as financial support from government for Research and Development, communication/interaction with outsiders (customers, suppliers, competitors, financial institutions, R and D institutions, industry associations) are the factors that are significant determinant of organizational innovation capability.

Najib and Kiminami (2011) suggest that innovation affects the performance of manufacturing SMEs. While Han, Kim, and Srivastava (1998) offer the concept of innovation as a missing link that bridges the relationship between market orientation and performance. The relationship between corporate innovation and performance capability implies that innovation becomes a competitive advantage when it is based on a deep understanding of customer needs, competitors' actions, and technological development. Given the constantly changing competitive environment, companies that fail to implement innovations find it difficult to survive on a par with competitors (Salim and Sulaiman, 2011).

Hitt, Ireland, and Hoskisson (2012) argue that effective innovation results in sustainable competitive advantage. Small companies are perfect for developing innovations that do not require large amounts of capital. Innovations assisted by cross-functional teams, inter-functional integration can reduce the time it takes to introduce innovative products to market, develop product quality, and help companies create value for targeted customers.

Proposition 1: *improving the performance of SMEs can be established by planning a good innovation strategy and reflecting that innovation as a source of sustainable competitive advantage.*

Strategic Leadership

Rowe and Nejad (2009) define strategic leadership as the ability to influence others to make decisions at any time that can achieve long-term organizational survival, while at the same time maintaining financial stability in the short run. Amos (2007) has the same views as Rowe and defines strategic leadership as the ability to understand all organizations and the environment in which they operate and use that insight to create strategic change for everyone in all parts of the organization, for both short-term stability and long-term organizational survival.

The most important aspect of strategic leadership is the clear values and visions, both of which will enable employees to make informed decisions with monitoring mechanisms or official controls. With this achievement, a leader will have more time and greater capacity to focus on other issues, such as adapting a vision for a changing business environment. In addition, strategic leadership will combine visionary and managerial leadership by simultaneously enabling it to take risks and rationality (Rowe and Nejad, 2009).

Proposition 2: *strategic leadership plays an important role in the development of innovative SMEs strategy by having a good understanding of the management of resources owned and maximizing use in planning innovation strategy to improve the performance of SMEs.*

Market Orientation

Previous studies related to market orientation and performance of manufacturing SMEs include Jaiyeoba (2011)found a significant influence of market orientation on SMEs performance. Hinson and Mahmoud (2011) suggest that market orientation has a significant effect on SME performance. The results of study by Suliyanto and Rahab (2012)show that market orientation has a positive effect on the performance of SMEs. To improve the business performance, SMEs should always improve the degree of market orientation by collecting customer information, competitor information, and inter-functional coordination; therefore, the market orientation is proven to drive performance and become a source of profit for SMEs to improve business performance.

There is a direct influence between market orientation and the performance of manufacturing SMEs (Hinson and Mahmoud, 2011); (Inoguchi, 2011); (Singh and Mahmood, 2013); (Hajipour and Ghanavati, 2011). The market orientation has a positive relationship to business performance (Kohli and Jaworski, 1990); (Naver and Slater, 1990); (Bodlaj, 2010). The market orientation creates a comparative advantage for the company (Abideen and Saleem, 2011), organizations must develop market orientation in order to succeed and compete in a competitive and dynamic environment. There is an indirect relationship between market orientation and performance (Suliyanto and Rahab, 2012); (Modi and Mishra, 2010). Kassim and Sulaiman (2011) found that market orientation has a significant effect on SMEs performance through innovation.

Proposition 3: *SMEs will strive to survive in the midst of market competition. In considering market dynamics, market orientation is an important factor for SMEs to develop the innovation strategies necessary to improve SMEs performance.*

Theoretical Model and Hypothesis Postulation

Figure 1 shows the theoretical model developed based on the background and literatures discussed in this study. The hypotheses that are going to be tested in the analysis part of the study are as follows:

Hypothesis (H1): Strategic leadership is positively related to innovation strategy
Hypothesis (H2): Market orientation is positively related to iinnovation sstrategy
Hypothesis (H3): Innovation sstrategy is positively related to SMEs pperformance

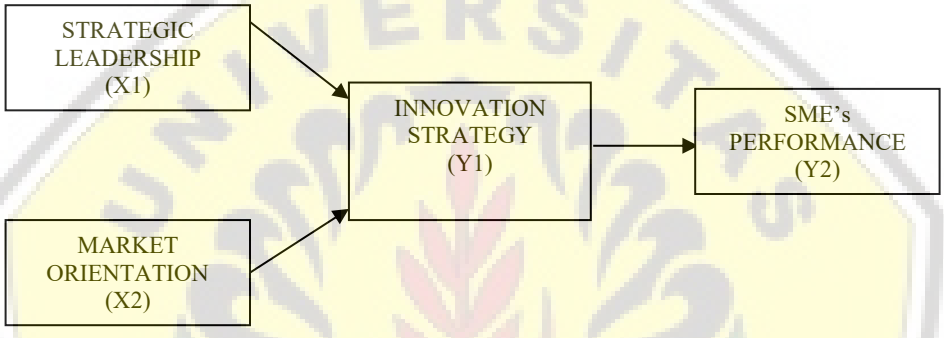

Figure 1: Theoretical model

METHODOLOGY

Population and Sample

The population of this study Was all SMEs whose small-scale economic activities met the criteria set by the Indonesian law, namely Law No. 9 of 1995 on Small Enterprises covering informal small businesses and traditional small businesses. By employing purposive sampling technique, the study collected 100 SMEs with various sectors. This sample size is considered sufficient for the purposes of path analysis (Wolf, Harrington, Clark, and Miller, 2013) and normality test (Ghasemi and Zahediasl, 2012).

Variables Description

Strategic leadership in this study is measured by 3 (three) indicators, namely the clarity of business vision, the ability to control the business, and create an effective culture. Market orientation in this study is measured by SME's understanding of the market. This study used three indicators, namely the ability to understand the distribution, the ability to respond to markets, and the ability to collect market information. The innovation strategy in this research is measured by three indicators,

which are product line extension strategy, strategy of making new product, and strategy to make artificial product. The measurement of SME performance is measured by using 3 (three) indicators i.e. sales level, customer satisfaction, and productivity level

Data Analysis

To test each variable, this research used path analysis technique 2 (two) path. To determine the direct, indirect, and total influence of the variables studied, SPSS program was applied. Before being processed, data were tested for validity and reliability. After that, the data were analyzed by using path analysis and path equation below.

Y2 = PY2Y1+ e, ... (i)

Where:

Y2 = SME Performance,
Y1 = Innovation Strategy
P = Intercept
e = error

From the equation, the measurement of innovation strategy can be developed as follows:

Y1 = PY1X1 + PY1X2 + e .....(ii)

Where;

Y1 = Innovation Strategy
X1 = Strategic Leadership
X2 = Market Orientation
P = Intercept
e = error

RESULTS AND DISCUSSION

Validity and Reliability

This study uses the Cronbach's Alpha method to determine the reliability of each research instrument. The results of validity and reliability analysis shows that in general the research instruments used in this study are valid because they have a r-count> from r-table (r-count > 0.194) and are reliable because they have Cronbach's Alpha more than 0.61. in the next section, we will examine the validity and reliability of each variable used in this study.

Strategic Leadership

Based on the results of the test, the Cronbach's Alpha value is obtained for the Strategic leadership variable of 0.899. these results indicate that strategic leadership

variables can be said to be reliable with 3 items. Furthermore, the validity and reliability testing for each question is carried out. Based on the results of testing validity for the construct of strategic leadership, it can be said that all instruments used are valid because they have a r-count > from r-table (r count> 0.194) and are reliable because the Cronbach's Alpha value is more than 0.61. Table 1 reveals these findings.

Table 1: Results of the validity test for the strategic leadership variable

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q1	12.12	5.743	.712	.891
Q2	12.15	5.078	.781	.868
Q3	12.09	5.174	.810	.856

Market Orientation

The Cronbach's Alpha value for the Market orientation variable is 0.752. these findings indicate that market orientation variables can be said to be reliable with 3 items. From the findings of the validity test for the construct of market orientation, it can be said that all instruments used are valid and reliable because they have a r-count> from r-table (r count> 0.194) and are reliable because they have Cronbach's Alpha more than 0.61. Table 2 reveals these findings.

Table 2: Results of the Validity test for the market orientation variable

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q1	7.87	2.013	.476	.780
Q2	8.07	1.642	.604	.642
Q3	7.96	1.655	.672	.661

Innovation Strategy

The reliability test for the variable innovation strategy has a Cronbach's Alpha value of 0.899 which indicates that the variable is reliable with 3 items. For the validity result of innovation strategy variable, it can be said that all instruments used are valid because they have a r-count> from r-table (r count> 0.194) and are reliable because they have Cronbach's Alpha more than 0.61. Table 3 reveals these findings.

Table 3: Results of the validity test for the Innovation strategy variable

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q1	12.17	5.698	.705	.894
Q2	12.08	4.963	.789	.867
Q3	12.09	5.275	.814	.856

SMS'S Performance

The Cronbach's Alpha value for the SMS'S Performance variable is 0.834 that indicates the variable is reliable with 3 items. The validity test result of SMS'S Performance variable indicates that all instruments used are valid because they have

a r-count> from r-table (r count> 0.194). They are also reliable because they have a Cronbach's Alpha value that is more than 0.61. Table 4 reveals the findings of validity and reliability tests.

Table 4: Results of the validity test for the SMS'S Performance variable

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q1	7.80	2.465	.710	.784
Q2	7.86	2.122	.730	.761
Q3	8.04	2.281	.691	.798

Correlation Analysis

Correlation analysis is done to measure the strength of the association (relationship) linearly between variables. Correlation does not show functional relationships or in other words does not distinguish between dependent variables and independent variables. From the results of the analysis it appears that the correlation between each variable to the dependent variable shows significant results. So, it can be concluded that each variable has a positive correlation. Table 5 reveals the details of correlation analysis.

Table 5: Findings of the correlation analysis

Item	Strategic leadership	Market orientation	Innovation strategy	SMS's performance
SME's Performance	1.000	.793	.779	.758
Strategic Leadership	.793	1.000	.735	.736
Market Orientation	.779	.735	1.000	.733
Innovation Strategy	.758	.736	.733	1.000

Coefficient of Determination and ANOVA

From the results of data processing, the output of R2 is 0.746, this means that 74.6% of the variation of SMEs Performance can be explained by variations in the three other variables, namely strategic leadership, market orientation, and innovation strategy. While the rest (100% -74.6% = 25.4%) is explained by other reasons outside the model. Table 6 shows the findings of the ANOVA where the F-value of 73.74 is found with a probability of 0.000. The level of significance does explain that the regression model can be used to predict SMEs performance or it can be said that the strategic leadership, market orientation, and innovation strategy together have the same effect on SMEs Performance

Table 6. Results of ANOVA

Item	Sum of Squares	Df	Mean Square	F	Sig.
Regression	39.328	3	9.832	73.737	.000
Residual	12.667	95	0.133		
Total	51.996	98			

Path Analysis

Path analysis shows that Performance of SMEs is significantly affected by innovation strategy with beta coefficient of 0.183 (p<0.005). Innovation strategy is significantly affected by two variables; strategic leadership and market orientation with beta coefficient of 0.297 (p<0.005) and 0.231 (p<0.005) respectively. These findings support that all the research hypotheses are acceptable. Table 7 reveals the findings of path analysis.

Table 7: Result of path analysis

Hypothesis	Variable			Estimate	p-value	Remark
H1	Strategic Leadership	<---	Innovation Strategy	0.297	***	Accepted
H2	Market Orientation	<---	Innovation Strategy	0.231	0.034	Accepted
H3	Innovation Strategy	<---	Performance	0.183	0.026	Accepted

Note: *** significant at the 0.05 level

Hypothesis Testing

Hypothesis testing through statistical tools indicates that the hypotheses are accepted. The Path Analysis technique was used to determine the effect of research variables consisting of strategic leadership, market orientation, innovation strategy and SME's Strategy. All of the accepted hypotheses have acceptable magnitude of beta coefficient and level of significance. Figure 2 gives a better understating of the relationship among these studied variables.

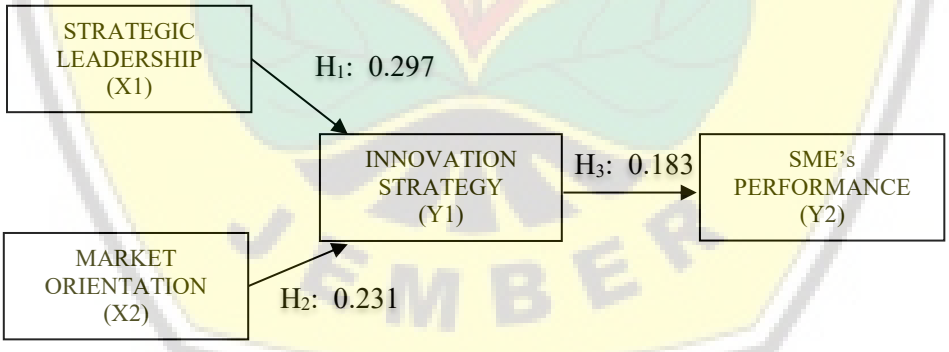

Figure 2: Model of SME's performance

DISCUSSION

Strategic Leadership to Innovation Strategy

The clarity of the business vision will determine the direction of the innovation strategy, with a clear business vision, SMEs will find it easy to adapt their innovation strategy and existing changes. In addition, SMEs are required to have the

ability to control their business. In other words, business controls are peformed by giving feedback and controlling employees as well as controling the changes that occur in their business. Culture also has an important role in creating a good culture for involving employees, socializing the vision and the mission to employees, encouraging all employees to continue to learn, and developing themselves which will encourage or improve the level of better strategy planning.

Test results show that sstrategic lleadership has a significant effect on innovation. This result is in accordance with Nonaka and Takeuchi (1995)The innovation process depends a lot on the clarity of the business vision, the ability to control the business and creates an effective culture; therefore, the strength of strategic leadership lies in its subjectivity, which underlies the values and assumptions that are the foundation for the learning process.

Test results show that strategic leadership has a significant effect on small business performance; this finding is clarified with the results of research by Bose (2003); Yang, Wang, Chang, Guo, and Huang (2009)), which reveal that strategic leadership is basically a series of processes or data and information transformation cycles into helpful knowledge. In a broader sense, strategic leadership is a business concept, encompassing efforts that are held with mutual consent, coordinated and deliberately to manage the organization's knowledge through the process of creating, structuring, disseminating and applying it to improve organizational performance and create value.

Market Orientation to Innovation Strategy

Based on the result of structural equation analysis (SEM), market orientation has a positive and significant influence on manufacturing SME's performance. This suggests that market orientation is one factor that plays an important role in determining the high performance of small and medium enterprises (SMEs) manufacturing. The higher the market orientation, the higher the performance of small and medium enterprises (SMEs) of manufacturing by the owner/managers of manufacturing SMEs in running their business.

Other empirical studies that are consistent with the results of this study include Hoq and Chowdhury (2012)suggesting that market orientation contributes to SMEs to design innovation and business problem solutions. Kassim and Sulaiman (2011) stated that SMEs cannot compete effectively with bigger competitors. Thus, top managers of SMEs have a clear opportunity to utilize the implementation of market orientation as a vehicle to pursue competitive advantage.

The findings of this study are consistent with Singh and Mahmood (2013), Suliyanto and Rahab (2012)), suggesting that market orientation positively affects the performance of SMEs. This is consistent with the opinion of Jaiyeoba (2011), which states that market orientation is a driver of SMEs performance. To compete and survive in a highly competitive global business era, SMEs should pay more attention to customer needs and continue to innovate in every aspect of the business. Another research supporting the results of this study was conducted by Hinson and Mahmoud (2011)stating that small and medium enterprises (SMEs) need readiness to use design in accordance with market orientation to gain competitive advantage because marketing is essential for survival and development SMEs.

Innovation Strategy to SMEs Performance

To improve their performance, SMEs need at least some innovation strategies; that is, the expansion of product lines, strategies to create new products, and strategies to create artificial products. All selected strategies have at least a separate market share and suitability to the desires of consumers. Strategic planning also plays an important role both in the choice of strategy and strategy evaluation to be selected because each strategy has a different target and characteristics.

The test results show that innovation has a significant effect on the performance of small-scale enterprise. This result is in accordance with Amabile (1996) that says that innovation is a successful application of creative ideas within the company. Innovation is a corporate mechanism to adapt in a dynamic environment. Therefore, the company is required to be able to create new assessments and ideas and offer innovative products. Innovation positively and significantly affects the company's performance, (Han et al., 1998).

CONCLUDING COMMENTS

The findings of the study indicated that innovation strategy is very important to improve the performance of SMEs. Innovation strategies drawn up by SMEs need managerial support and focus on target markets where strategic leadership will shape the policies that support appropriate innovation strategy planning. In addition to understanding market orientation, SMEs can understand what is needed by consumers and also understand the development of market mechanisms that will facilitate SMEs to choose the appropriate innovation strategy.

The study recommends that the SMEs should focus on planning appropriate innovation strategies to improve SMEs performance. An appropriate innovation strategy planning will provide a positive direction in terms of improving the performance of SMEs.

LIMITATION AND FUTURE RESEARCH DIRECTION

This study is limited to the number and heterogeneity of SMEs. The SMEs sampled in this study are from different sectors and this may affect the results of this study. Additional research is needed to examine SMEs based on their respective sectors. Future research should investigate the specific homogeneity of the existing SME sector, so as to provide a clear and specific picture of the challenges and strategies that may be different from each sector. In addition, research that links demographic factors that may influence conceptually will affect SME innovation strategy.

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