Determinants of Innovative Measures Adopted by Enterprises

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Abstract

The beginning of the 21st century has given rise to a new attitude to the development of science and technology. The main assumptions underlying the introduction of changes have their origin in the globalization of economy, scientific and technological revolution as well as rapid growth of competitiveness on regional and global markets. Under these circumstances entrepreneurship and innovativeness have become factors determining economic growth experienced both by enterprises and economies of particular states. This is reflected in the results of numerous studies. They indicate that economies, in which business entities are located and which show greater innovative potential, have reported the highest rates of return in recent years [8]. The article is aimed at presenting the essence and role of innovation activity in contemporary organizations, as well as benefits accruing from innovation introduction in enterprises. An attempt has been made to identify factors contributing to effective implementation of innovation activities. Special attention was paid to external and internal determinants that provide conditions encouraging business entities to become involved in innovation activities.

Keywords: Innovations, Determinants of innovative, Innovativeness

1 Introduction

In order to meet challenges posed by globalization and international competition, Poland and the entire Europe need innovative and effective business activity (conducted on a larger scale) as well as changes aimed at knowledge- based
and service-driven economy. Therefore, changes occurring in the economy require new initiatives that should be supported by friendly environment, to be more specific legal, organizational, structural and political.

Activities undertaken by enterprises in regional economy determine their competitiveness [18]. Needle to say, relationship between firms and a given region is not unilateral. It is the region that has a major effect on environment which, in turn, provides conditions for running a business. Firms increasingly compete with their locations. Regional determinants, which contribute to setting up and developing enterprises, are a combination of economic and institutional factors [19].

In a number of countries, including Poland, heads and directors of organizations continue to treat innovations as the main objective of their activities extremely seldom. This is the case although in a strategic dimension innovations (particularly in the form of new products or services) contribute to increase of profit, increase of enterprise’s share prices, broaden employees’ knowledge and experience, and enable companies to gain competitive advantage. On one hand, innovations are integral element of intellectual capital development in a given organization, i.e. a resource that is the sum of employees’ knowledge, experience and intellectual abilities that enables the firm to generate profit. On the other hand, this capital ought to affect action taken by the heads and directors of organizations and inspire them to provide conditions for the development of innovative potential [12].

Due to a growing complexity of environment and dynamic changes it is subject to, enterprises find it increasingly difficult to gain and maintain competitive advantage on the market. Market competition makes firms take a number of actions that enable them to gain a better and more favourable position than the one their rivals hold. Innovations can be an effective tool for achieving such a success. Furthermore, they determine directions in which the business will develop. As highlighted by Grudzewski and Hejduk, innovations do not have to be global solutions (although global play a special role). Sometimes it is a subtle change or a new use of the already developed solutions. Innovations allow firms to gain primacy in creating and launching new products and services that satisfy new needs or provide greater consumer satisfaction [7].

2 Innovations in enterprise – areas and features

So far dynamism and innovations have been referred to in theoretical terms, i.e. by the evolutionary and neo-Schumpeter school. On the level of enterprise, innovations are considered a set of activities that are dependent on mutual feedback. Innovation is the outcome of interactive process of learning which generally involves several actors from the enterprise and from outside it [13].

According to Central Statistical Office of Poland (GUS), innovation involves launching a new or enhanced product, process, organizational or marketing method. Commonly adopted classification, the following four main categories of innovations can be mentioned [14]:
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- **product** – involves launching products or services that are either new or enhanced in terms of characteristic or intended use; it may stem from substantial improvement in technical specification, components and materials, enclosed software, willingness to make a given product more user-friendly, or other functional characteristics (product innovations are to offer a new range of goods whose characteristics have been largely modified);
- **process** – involves employing a brand new or largely improved method of production or delivery; it stems from considerable changes in techniques, hardware and (or) software (process innovations are to reduce the unit cost of production, improve the quality of production/delivery of brand new or enhanced products);
- **marketing** – involves employing a new marketing method that requires major changes in the development of product or package, promotion of product or launching it on the market (marketing innovations are to meet consumer needs, enable the company to open to new markets or achieve a better position on the market and hence increase sales);
- **organization** – involves employing a brand new method for organizing business practice, workplace or external relations (in order to enhance the effectiveness of actions taken by the firm through reducing administrative and commercial expenses, improving working conditions or lowering delivery charges).

Creating and introducing innovations is essential for managing and expanding business on a global market, in conditions of fierce competition and transformation into knowledge-based economy. Although extremely important to the process of development, innovations have not been defined explicitly in corporate management. The lack of uniform definition makes it difficult to perform comparative analyses. This stems from the uncertainty as to the fact if researchers have in mind, examine and write about one and the same phenomenon. Therefore, having in mind the diversity of research, it should focus on common elements of innovations, namely change in the existing state of affairs as well as novelty. These elements have been included in a classical definition proposed by Schumpeter who considers innovation a new and changeable combination in the following five areas [17]:

1) launching a new product – i.e. product completely unknown to consumers or of a new type;
2) introducing a new method of production, i.e. method which has not been adopted in any branch of industry yet;
3) opening a new market, i.e. market on which a given branch of industry in a given country has not been functioned yet, regardless of the fact whether this market has already existed or not;
4) using new sources of raw materials or half-products, regardless of the fact whether or not this source has already existed or had to be created;
5) organizing a branch of industry in a brand new way, e.g. creating monopoly or breaking this monopoly.
The above definition identifies areas of innovative activity that may be treated as variables used for the assessment of innovativeness demonstrated by industrial companies.

Devising a method for “measuring” innovativeness is a major problem faced by researchers who deal with issues under discussion. Commonly used indicators of innovativeness are as follows: number of technologies developed, products launched and organizational changes introduced, research and development expenditure, number of employees in entities dealing with innovativeness.

Change and novelty are key features of innovation. At the same time, the scope and nature of novelty are difficult to define. Novelty is generally discussed without specifying: what is new? to what extent it is new? new, but for whom? Resolving the arising doubts is essential for the effective management of innovative activity, and particularly when making decisions about introducing a given change or in order to continue work at particular stages of innovative process [11]. Defining „what is new” will enable to clearly differentiate between innovation and another change since not every change entails innovation (although every innovation is a favourable change).

It should be added that innovative activity may be undertaken by every organization, involves acquiring knowledge from external sources and is a combination of the aforementioned forms of action [3].

Generally speaking, despite a number of definitions of innovation presented in the literature on the subject, certain common features of the notion can be enumerated, namely [6]:
1. innovation is an intentional and favourable change introduced into the existing state of affairs, suggested by certain individuals,
2. change must be of practical use, and this use is new to a given community (enterprise is the smallest community),
3. products, processes, organization, management methods and market are subject to change,
4. certain technical, economic and social benefits should follow from change under discussion,
5. innovations are means to be used by business entities for attaining development objectives,
6. innovations play the role of technological progress carriers, if they produce positive economic effects,
7. innovations require certain technical, market, economic and socio-psychological knowledge.

Based on the aforementioned features as well as a number of completely different and very often ambiguous definitions presented in the literature on the subject, one may suggest a uniform definition of innovation. To be more precise, innovation is a change that has been designed intentionally by a given individual. The change is introduced into product (producing and launching new or enhanced products), production methods (adopting brand new or largely improved methods of production), organization of work and production (new organizational solutions in terms of a structure or process, or considerable improvements to the existing ones)
or management method employed for the first time by a given community (enterprise is the smallest community) in order to derive certain socio-economic benefits, as well as meet certain technical, economic and social criteria.

### 3 Benefits accruing from the introduction of innovations

The ability to introduce innovations in a timely and effective fashion should be considered essential for the functioning of modern enterprises. Although it does not guarantee success, it enhances chances of achieving it. According to Penc, remarkable success in popularizing and introducing innovations is achieved by enterprises that follow certain mechanisms of action which have already proven effective. These actions include, among other things [15]:

1. determining the directions of innovative activity - consists in defining problems to be solved, particularly those acting as an incentive to produce constructive and valuable practical ideas,
2. providing appropriate conditions for innovative activity - mainly financial and organizational conditions; it is essential to appoint certain employees or teams responsible for introducing innovations,
3. creating organizational structure supporting innovativeness - promoting innovation requires the elimination of administrative burden, and a complex systems of control,
4. stimulating innovation and entrepreneurship demonstrated by employees - new ideas should always be appreciated, even if they are not comprehensive yet,
5. involving employees in the process of changes - effective accomplishment of innovative undertakings always requires active participation of people and a sense of responsibility for their course and effects [4],
6. consistent seeking for innovative solutions - requires openness to innovations and understanding the need for their introduction,
7. creating a database of innovations - information should be derived both from internal and external sources (domestic and foreign),
8. mastering managerial skills, creating a "generation" of innovative managers - innovative activity requires innovative leadership style,
9. avoiding the excess of changes and pseudo-novelty - change in the system of work should not be too frequent and minor; the excess of changes can make it difficult for employees to adjust to new conditions.

Innovations are mainly based on qualitative changes. They contribute to success achieved by particular enterprises, but not only. They make a major contribution to economic development, i.e. give rise to civilization advance, modernize production, and enhance the competitiveness of regions. This is due to the fact that [9]:

- a) as a rule the already established companies require modernization, and new ones should be set up,
- b) anticipated high (windfall) profit encourages other entities to make investments, which improves productivity and creates prosperity,
- c) innovations enable to transfer savings into investments, and through creating
a new utility they increase demand, develop the market and investment opportunities. Therefore, it is extremely useful to introduce innovations. They allow to enter new markets, contribute to development, enable healthy competition with rivals, allow to achieve extraordinary results, and enhance chances of being successful.

4 Factors determining innovative activity undertaken by enterprises

The diffusion of innovations is based on the interactive and collective network of personal and institutional links that change with time. On a regional level, they are responsible for challenges presented by “the new economy”, namely globalization and dynamic technological changes, in other words for creating a chance for economic development in underdeveloped regions [5].

It is beyond any doubt that local chains of innovation provide such regions with a number of opportunities. However, they are not ready solutions to economic problems. Innovations provide small and medium-sized enterprises with access to global resources. This enables them to produce and launch goods on an international market [20]. Based on cooperation, regional industrial systems occupy a fundamental role in the division of work among buyers, sellers, producers, and R&D sphere. Entities unwilling to collaborate and share their knowledge constrain their competitiveness in a long-term perspective and are unable to develop exchange relationships [1].

The structure of industry in "catching up” countries is generally not very modern (or competitive). This is reflected in a low share of high-tech products in international trade [21]. One of conclusions drawn by the author of the preset paper from the research is that the structure of exchange will improve in an evolutionary fashion in such aspects as the size of business and manufacturing technology. Generally speaking, new solutions are produced through a passive transfer of technology, which is the case particularly if a given enterprise belongs to international industrial chain.

It can be noticed that despite a growing importance of economy internationalization, the developed countries consider regions alternative locations of small and medium-sized enterprises on a new global market. Therefore, one of the main objectives to be met as part of the EU regional policy is to enable regional industries to adjust to social, economic and technological changes.

Innovative activity is reflected in actions taken both inside and outside the enterprise. It is associated with the development of new and enhanced products, processes, markets or organizations. Janasz emphasizes that this type of activity should be treated as an element of individual and collective entrepreneurship demonstrated by business entities. Furthermore, he states that it requires favourable conditions and thought-out stimulation, as well as the emergence of specific links among business entities (administration, regions, enterprises). These links should stem rather from cooperation than competition [10].
Innovative activity undertaken by enterprises is determined by a number of factors that exert a diverse impact on the intensity of actions taken by firms (in order to select and adopt innovative strategies) and the desired effects. These factors have been divided by Haffer into internal and external. The former have their origin in the enterprise and include conditions inside the organization, among other things, number and quality of tangible resources, staff potential and qualifications, abilities and experience in research, production, marketing, as well as attitudes, values and patterns emerging among employees [2]. The latter are factors external to enterprise as they create its environment (independent of enterprises but contributing to innovative activity and its effect). As far as these factors are concerned, special attention should be paid to actions taken by countries in this scope. These actions in a way complement innovative steps followed by firms on the market. This element is also highlighted by Poznanska who claims that reasons behind a low level of innovativeness in Polish enterprises should be sought in nothing else but external factors, associated mainly with the state policy. The main reasons behind the existing state of affairs are: lack of active innovative policy pursued by the government, tax system, high credit interest rates, and limited information concerning new products [16]. Similar views on the subject are presented by Stawasz who, analysing factors that contribute to innovative activity undertaken by small firms, emphasizes that the low level of innovativeness stems from insufficient external support for innovative actions. According to Grudzewski and Hejduk, enterprises can effectively involve in innovative processes when they are actively supported by the state and offered help – particularly in relation to R&D activity as well as practical use of scientific achievements [7].

With reference to innovativeness, it can be assumed that it is supported by the commercialization of research and development, which should strengthen the relationship between R&D sphere and industry, as well as the role of entrepreneur. This is to encourage actions of special importance to the modernization of production thanks to directing R&D toward sectors of the economy associated with dynamic development.

5 Conclusions

Regardless of the size, type of activity, ownership form, etc., modern enterprises not only should, but even have to be open to innovations and novelties, respond to market signals and challenges and therefore are ready to make adjustments. Furthermore, they have to “develop their innovativeness, manage the organization professionally and provide conditions attractive to people who are innovative. This is essential for creating a valuable source of competitiveness on the market”.

In order to be successful, every enterprise should be intelligent, open to market signals and challenges and willing to introduce changes and thereby adjust. The development of innovativeness is a necessary condition, particularly through providing employees with conditions favourable to being innovative and elimina-
tวง barriers to innovation. Such obstacles may stem from organizational matters, lack of financial resources and employee concerns. The last-mentioned barrier determines company's propensity to change. Creating climate favourable to innovation enables the firm to remove psychological barrier encountered by its employees. Many enterprises ignore innovations and focus on marketing activity. Needless to say, this is not enough. Marketing and innovation functions should be performed concurrently: marketing satisfying market needs and innovations giving rise to progress that enables to satisfy the aforementioned needs more effectively.

References


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Received: October 15, 2015; Published: November 9, 2015