

INNOVATION MANAGEMENT IN THE SERVICE SECTOR – EXPERIENCES OF POLISH AND GERMAN COMPANIES

MAŁGORZATA SKWERES-KUCHTA

Abstract: The article discusses the determinants of innovation development in the service sector. Article indicates the importance of this sector in the European economy (including Polish) - the economy until recently strongly serviced, and now, in accordance with the Europe 2020 Strategy, reindustrialized. The publication presents selected results of innovation processes carried out by the Polish and German companies, representing economies with relatively different levels of innovation. Value-added of the research was also the possibility to compare companies in services and production sector.

Keywords: innovation management, service, service sector, companies

JEL Classification: O31

1. INTRODUCTION

According to the BrandZ Top 100 2014 Report¹, Apple, perceived as a synonym of a breakthrough innovation until recent times, has given way to Google of which market value, in comparison to last year, has increased by 40% and it currently amounts to USD 159 bln. However, the previous leader has lost 20% of its market value, which means, it amounts to USD 148 billion at present. This example accurately shows how important for the market success an ongoing innovation development is. Apple, being a little 'sleepy', was not equal to an effective creativity and relations networking of the Internet giant. Against this background, it is shown even better that the European companies still can not effectively compete with the world leaders, even though, innovation of particular European countries is diverse. The research results of companies from neighboring countries – Poland and Germany – economies of various competitiveness and development levels will be presented here.

The research has been conducted within innovation audit 'Ai' project. The goal of this article is to present the methodology of this audit and the research results which allow for comparison of Polish (West Pomerania region) and German (Land Hamburg) companies' achievements in different informative sections. The research, besides differences between processes being executed by companies of various innovation systems [A. Pomykalski, 2005], has also showed the innovative features of service companies in regard to industry subjects [Współczesna ekonomika usług, 2005].

2. METHODOLOGY AND DESCRIPTION OF THE RESEARCH TOOL

The mechanism of the virtual innovation audit has been implemented to the economic practice by the Innovations and Patent Centre of the Hamburg Chamber of Commerce in Germany. The Polish equivalent of this initiative is Innovation audit 'Ai' project, coordinated by the author of

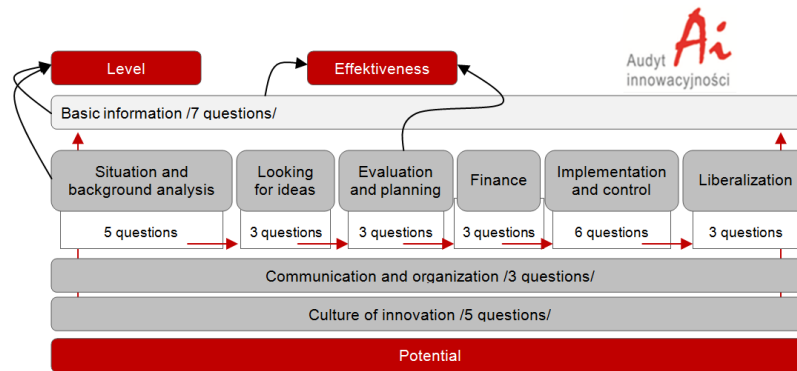
this thesis, as part of the Transfer of Knowledge and Innovation for Service Sector Center at the University of Szczecin. The research tool, based on self-assessment technique, was used for comparative analysis of Polish (West Pomerania) and German (Land of Hamburg) companies innovative activities.

The audit structure corresponded to the next stages of the innovative project implementation process analysis (Figure 1). The starting point was the synthesis of information about innovation attitude, implementations and their financial results within the company. The process evaluation was started by the situational analysis of the company and its environment. The next fields of this research concerned skillful seeking for new ideas, estimating accurate future results, acquiring funds, and finally, implementing initiatives successfully and effectively together with a necessary product and results controlling [por. Oslo Manual, 2005]. The set of 40 questions was closed by the categories of communication and company organization with its innovative culture. The contents were put into three elements of the innovation triad [M. Skweres-Kuchta, 2011]:

- innovation potential, defined as the ability of the company to develop innovative solutions;
- innovation level, which concerned the number and the way of innovation implementation within the reporting period;
- innovation activity effectiveness, being a part of profitability calculation within innovation activity by ex post and ex ante.

Those were the closed questions with only one correct out of five possible answers (Likert's scale), arranged from the lowest to the highest value. Depending on the question type, the values could be numerical (percentage of innovation sales in general profits), frequencies (every 2 years, yearly) or descriptive (rare or systematic appearance of a given phenomenon). Due to an incomparable content of the answers, the scoring system was used in the comparative analysis - 0 points for answer no 1, 1 point more for every next answer.

¹ 2014 BrandZ Top 100 Report,
http://www.millwardbrown.com/BrandZ/Top_100_Global_Brands.aspx



*Trademark – Innovation audit 'Ai' is protected by Urząd Patentowy RP, TOW category and protection number: (111) 240828, authorized: Uniwersytet of Szczecin, applicant: M. Skweres-Kuchta.

Figure 1 Innovation audit 'Ai' structure

Source: Own elaboration

Therefore, particular companies could get from 0 to 160 points within the full audit. The audit report, which was generated by each analysis, was comparing the particular innovation assessment categories with the others that were assessed this way. The achieved result was related towards:

- innovation leaders, which is 10% of companies that had achieved best results within the areas of the analysis
- conservatists, which is 10% of companies with the worst results
- graphic interpretation also reflects the average results of this research

The audit results indicated which innovation process stage was the most effective one and which was the least effective. The comparison with other companies - knowing strengths and weaknesses of the competitors – could be then a stimulus towards development. It also allowed to define the investment strategies, both in 'hard' and 'soft' capital, to get ahead of the competition. The process approach to innovation development presented in this audit indicated a range of conditions necessary to build a strong market position. The mechanism allowed for numerous analysis, as the companies participating in the research project could be differentiated by their environment (educational-technological park, special economic zone or 'entrepreneurship incubator'). Moreover, the analysis of companies which had or had not used broadly understood development donations is possible.

The generally-accessible virtual platform of company innovation process self-assessment is an easy and free tool that supports the innovation management process within the organization. The cyclical research allows to generate reports on the development dynamics in this matter. The self-assessment technique is being successfully used in e.g. granting the Polish quality award. Nevertheless, the author of this thesis states that with the current level of innovative awareness of companies – with different interpretation of innovation theory, this technique may cause distortion in assessing the situation. In addition, the audit structure and content is the same for all companies, no matter of the represented sector. It may cause omitting import issues in innovation development within the service sector. However, it should be admitted that the offered audit format significantly limits the research costs. The fact that it is a 'living' research mechanism is its advantage. Every researched company benefits from the audit which

contributes to the knowledge base (it increases the comparison spectrum). The other thing is that participating in the audit is voluntary, as a result, the knowledge base is mainly created by entities interested in new solutions. Unfortunately, it does not give the real picture of the phenomenon and processes within the economy.

3. CHARACTERISTICS OF THE RESEARCH

"Twin" innovation audit platforms, made available to West Pomeranian and Hamburg businesses, have enabled a comparative analysis of innovative processes realized by the subjects of the two regions. The survey covered 439 respondents, of which 191 companies (2008/2009 period) participated in the "Hamburger Innovationsaudit". The innovation audit 'Ai' on the other hand, was attended by 248 subjects (2010/2011 period). Although research time periods are not parallel, due to the sequence of operations, Oslo methodology, which in this case was the determinant of the project, allows for similar time of research rounds. What is more, innovative processes are so complex and often long-lasting that comparing the results of research carried out in the "adjacent" periods should not disturb the general conclusions.

In both cases, the database was fed by service and industrial companies, whereas service companies were dominant each time – among West Pomeranian respondents they made up 77% and among the German, the rate was slightly lower (64%). A greater diversity of the structure was observed in terms of the size of the service companies being researched. The Hamburg study in the vast majority was participated by micro-enterprises. These figures indicate the increasing activity of the service sector in the economy. The broad participation of the service sector in the research allows for allegation that the openness of service companies for cooperation initiatives, deriving from the scientific community, increases.

4. INNOVATIVE PROCESSES IN SERVICES

- WEST POMERANIAN REGION AGAINST HAMBURG

Moving to the main point of the research, it has to be emphasized that the total number of points scored by the home companies was only slightly different from the result obtained by the German companies (Figure 2). Significant differences were noticed at the level of individual links of the innovation chain, where West Pomerania had got worse score in four of the eight categories:

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- 1) generating new ideas;
- 2) implementation of innovative projects and their control;
- 3) communication system and the organization of the company;
- 4) the culture of innovation present in the company.

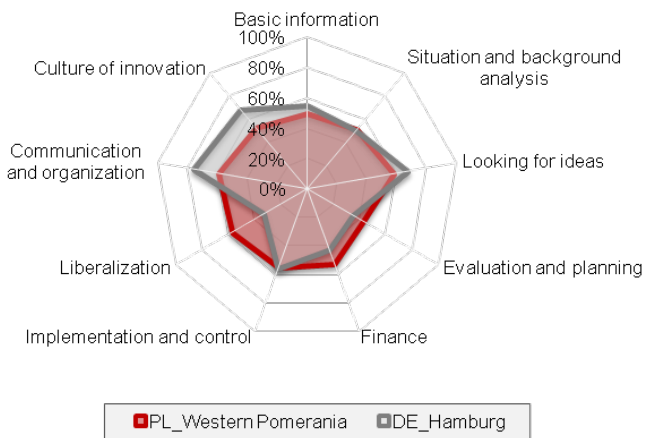


Figure 2 Innovative processes in Polish and German companies

Source: Own elaboration

These subjects noted the significant advantage in commodification area – which determines obtaining a satisfactory market position. What is more, it was easier for West Pomeranian companies to accurately analyze the situation in the company and its environment, estimate and plan innovative initiatives and ensure the capital for their development.

Hamburg companies were characterized by a higher innovative potential (they scored 55% of points on the matter to 53% on the Polish side). It was a bit different on the level of innovation and the effectiveness of innovative performance - here West Pomeranian companies slightly dominated. This prompted the author to carry out detailed analyses. However, they presented considerable variation within the individual components of the potential, the level and innovation.

Only selected interpretations of the collected data were presented in the article. The fundamental difference can be noticed in the assessment of company’s attitude towards innovation, which was definitely more favorable in Hamburg.

The analysis of the situation and the environment

German companies clearly dominated in sharing product innovations offered by the company, then, in their acceptance by customers - nearly 40% of the companies from outside the western border declared in their offer at least a 30% share of innovations, while in Poland the proportion was less than 13%. West Pomeranian subjects declared a higher proportion of turnover from innovation in total sales revenue², while in relation to the profits earned, German companies dominated again.

Polish companies were more active in exploring new activity areas, whereas German companies more often widened their expansion beyond regional markets. Only

23% of West Pomeranian companies used knowledge bases in the form of technological databases or trend analyses in the planning processes of innovations, at least quarterly (in Germany, 64%).

Planning

38.5% of German companies admitted that they made mistakes in planning innovative projects and estimating their cost-effectiveness (in Poland only 7.4%). Surprisingly, only 9% of Hamburg subjects systematically introduced task specification and the range of responsibilities of personnel involved (in West Pomeranian Voivodeship, the percentage was over 28%).

Financing

Hamburg enterprises were slightly more likely to complain about the lack of funds for innovation development - 41% of companies declared that they usually have such capital. In Poland, the percentage was at just over 44%. The home management often was also informed about the possibilities of obtaining funds for innovation (60% and 50% on the other side of the border).

Commodification

West Pomeranian entrepreneurship was definitely more based on marketing activities - 30% of companies reserved the budget for marketing associated with the implementation of innovative products (in Hamburg 9%). Polish companies often remained in a close relationship with key customers (85% of respondents, outside the western border only 59%).

Implementation and control

West Pomeranian companies less frequently monitored the implemented projects in terms of time, quality and cost of operations - (48% to 67%). They were also less likely to engage recipients of their services in the process of creating innovations, although this rate should be regarded as high (50% to 66%). German companies more often faced the problems of staffing - less than 33% of respondents usually had sufficient human resources (in West Pomerania it was as much as 60%). Among Polish companies, on the other hand, it was slightly less popular to involve external subjects - business partners in the innovative processes.

Communication and organization

More than 75% of German companies declared smooth flow of information between governing bodies and other employees of the company and not much less subjects used modern communications systems. West Pomeranian companies equaled only in the latter regard.

The culture of innovation

The weak link in Polish companies was the culture of innovation - 66% of Polish managers engaged in the development and implementation of innovative projects, with 10% of completely passive managers (in Germany 85% and 0.8%). Hamburg subjects were frequently ready to take the risk of carrying out major innovative projects (57% with 42% in Poland). German companies also often rewarded the ingenuity of employees (53% to 58%). Business in Germany was characterized by a higher culture of mutual trust.

² Maybe it was the aftermath of more frequent acceptance of new products by the market - 58% of clients expressed such acceptance ‘usually’ compared to 37% on the German side.

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dr Małgorzata SKWERES-KUCHTA

Uniwersytet Szczeciński, Wydział Zarządzania i Ekonomiki Usług, Katedra Organizacji i Zarządzania

ul. Cukrowa 8, 71-004 Szczecin, pok. 611, Poland

e-mail: małgorzata.skweres@wzieu.pl