INNOVATIONS AND COMPETITIVENESS IN THE STRATEGIC BEHAVIOURS OF POLISH ENTERPRISES

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Abstract: Modern organizations operate in a changeable environment. In order to function effectively and efficiently, they must be innovative. The aim of this paper is to present the involvement in innovation present in the strategies of Polish enterprises. On the basis of the literature on the aforementioned subject, the author discusses the issue of innovation and competitiveness of Polish enterprises. The results of selected research served as a basis for the attempt to evaluate the advancement of innovation in Polish businesses. The research shows that the enterprises are not very advanced in this aspect of their operations. They generally engage into defensive activities which have already been tested and do not carry risk. Their growth strategies lack definite pro-innovation actions. This type of activities is characterized by development on new markets as well as by the introduction of new products and technologies. Therefore, managers ought to make greater use of the resources connected with modern technological as well as research and development base. This involves offensive strategies that contain more intensive innovative activity.

Keywords: innovations, competitiveness, growth strategies

JEL Classification: M31, O31

1. INTRODUCTION

The changeability of an organization’s environment makes its managers face new challenges and necessitates dynamic adaptation. Different management methods aim at building the potential of an organization. The changes that take place in the environment generate the need to invest in innovations and create new sources of competitive advantage. Such a perspective requires the managers to create a flexible, effective and innovative organization. The need for adapting to the changing market conditions becomes a lasting trend in management. Organizations must catch up with the price competition as well as offer new technologically advanced products and services. This signifies that innovations play a crucial role in the growth of an organization. They involve actions such as the introduction of a new product, implementation of a new technology and the use of new management or marketing solutions. Innovations are a source of competitive advantage as well as the core element of the growth strategy of a business. Due to that fact, they contribute to the strengthening of a firm’s position with respect to its market competitors.

2. COMPETITIVENESS OF AN ORGANIZATION AND INNOVATIONS

The literature on the above subject contains many approaches to defining competitiveness. According to Porter, the notion may be discussed from the perspective of nations which states that competitiveness arises from the productivity with which firms in a location can use inputs to produce valuable goods and services [13, p. XVIII]. From the perspective of an enterprise, however, competitiveness can be interpreted as one of the characteristic of a firm. According to Stankiewicz, competitiveness of an enterprise is its ability to effectively achieve goals on the market arena of competition [18, p. 36].

From the international perspective, competitiveness is defined as the ability to face the competition on foreign markets. It is expressed in the acceptance of products of a given country and increasing its share in export. With regard to innovation, the technological competitiveness and the ability to compete in the area of product distribution are both of great importance. Cost competitiveness is still significant, nevertheless its importance decreases due to globalization. Firms’ ability to be innovative is a crucial condition allowing them to achieve and maintain lasting competitiveness on the global market [22, p. 36-38].

Competitiveness may be treated as a firm’s readiness to contend on the market. It is conditioned by numerous factors of external and internal character. The external ones include: policy of the state and business institutions, the condition of “hard” and “soft” infrastructure as well as the relations with customers and competitors. The internal factors, on the other hand, include: management methods, working capital, modern techniques and technologies, the quality of produced goods. Competitiveness of an organization is its ability to fight and succeed in the situation of increasing rivalry. It makes it possible to increase or at least keep the same market share. Competition is reflected in the designing, production and sales of goods and services whose prices, quality and other assets are more attractive than the respective characteristics of the goods offered by competitors. This approach to the competitiveness of an organization involves its active adaptation to the changes taking place in the environment. It also means the ability of a firm to maintain its adaptation capabilities when market requirements go up. An organization achieves success only when it assesses its abilities correctly and therefore chooses the most appropriate market. According to Kay, basic sources of competitive advantage include: business architecture, reputation, innovation and strategic resources [9, p.32]. They are variables dependent on an organization, which also determine its strategic behaviours on the market. In the context of innovation it should be emphasized that the aforementioned sources of competitive advantage may
regard the product, the technology or the organization and management systems. Here one can distinguish between original innovations and imitations. The former ensure long-term competitive advantage, whereas the latter allow only for gaining a short-lasting one. Competitiveness of an organization means possessing specific resources and skills. They include, among others: the technologies, the brand, staff qualifications and management methods as well as the organization of marketing and distribution. The discussion presented so far concludes that innovations are the source of competitive advantage. However, it should be stressed that the introduction of technical improvements, new solutions or new products involves not only investment but also the skills and qualifications of managers. The availability of financial resources is another important matter. Appropriate investment is essential for the innovations to be turned into competitive advantage. Therefore, the level of innovation is going to be dependent on the financial and economic condition of an organization [7, p.130].

It was Schumpeter who introduced the notion of innovation into the theory of economy. The scholar defined innovation as a new combination of means of production whose aim is economic development. In the course of analysis of the role of innovation in economy, Schumpeter enumerated five cases of new combinations of the means of production. According to his approach, innovations may concern: the introduction of new goods, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of raw materials or half-manufactured goods, 5) the creation of a new organization or industry [16, p.102-104].

In the literature on the subject the term innovation is not defined precisely enough. Two tendencies are pointed out in the approach to innovation and business. On the one hand, there exists a trend to narrow down the definition of innovation in which it is described as a change of the methods of manufacturing and of the products which is based on a new or never before used knowledge. On the other hand, there is a tendency that treats innovation as an activity characteristic of all economic activities, which is at the same time an element necessary to qualify given behaviours as entrepreneurial ones. Kotler, for instance, relates innovation to any product, service or idea that is perceived by somebody as new. The idea may have existed for a long time, but it is an innovation for the person who views it as something new [11, p. 322]. Castenow, in turn, defines innovation as the search for good ideas and their transition to market economy. An important role is played here by intuition – the core of every innovation [2, p. 35]. Perlaki defines innovation as every conscious, functional, positive and progressive change of tangible and intangible elements (parameters) of an organization, i.e. every change beneficial to its development, growth and increase of its effectiveness [12, p. 17]. Stoner, Freeman and Gilbert, on the other hand, in the course of their analysis of innovation, stress the importance of creativity as a generator of new ideas. The scholars define innovation as turning a new idea in to a new firm, new product, new service, new process or a new method of production [20, p. 413-414]. When we look at innovation from the perspective of economy, however, its usefulness is emphasized. In this context innovation is equated with inventiveness which must bring particular benefits to the producer – in terms of the effective use of resources, and to the user – in terms of satisfying their needs [21, p. 11].

The definition of innovation is intuitive and associated with change or introduction of new solutions. The aforementioned definitions allow one to conclude that innovation is very broadly defined by various authors. Some of them believe that this term should only be used with regard to new products or services, while in the view of others innovation should also include any changes considered a novelty with respect to the previous condition. From the perspective of an enterprise innovation ought to be understood as activities of research, technical, organizational, financial, educational and commercial character. The objective of these activities is to design and introduce new products and services or their considerable enhancement. The greatest influence on innovation is exerted by business attitudes as well as by research and development. Generally, innovations are not planned but concentrate on an opportunity or an unsatisfied need. They are introduced under particular conditions and disappear if they do not bring expected results. Nowadays, more and more attention is paid to innovations in the area of management. They concern changes in the field of environment protection as well as social innovations. In the opinion of Drucker, this type of innovations influences an organization in a particular way. It may become an integral activity keeping alive new enterprises, the economy and society [3, p. 94]. New technologies change the competition methods on the market. Because of them we become witnesses of the shortening of the life span of products and services as well as the limitation of stocks. The demand for a variety of products increases. Moreover, shorter life cycles of products和服务 require a fast return on the investment in the designing of the products. This necessitates higher margin and lower production costs. Constant fight for gaining competitive advantage and the search for effective methods of achieving economic effectiveness constantly take place on the market. The discussion presented so far in this paper shows that innovation consists in the use of modern technologies and the latest knowledge. Innovations involve actions that concern the introduction of a new products, implementation of a new technology as well as the use of new organizational, management or marketing solutions. That leads to the increase of competitiveness and creates better export opportunities. From the perspective of an enterprise, it is suggested that innovation should be defined as the creation or modification of the processes, goods, techniques and methods of operation that are perceived by a given organization as new and progressive in a given field and which also lead to the increase of effectiveness of the use of resources at the organization’s disposal. On the one hand, innovations are novelties that concern the offer of one firm; on the other hand, they are actions whose aim is to gain advantage on the market. In the context of strategic behaviours, innovative activities belong to the group of offensive strategies and may lead to the expansion of an enterprise.

3. INNOVATION IN THE STRATEGIC BEHAVIOURS OF POLISH ENTERPRISES

The issue of innovation is connected with the growth strategies of an organization. In Poland, most research
touching upon innovation concerns the adaptation of firms to the market economy. When analyzing innovation in the strategies of enterprises it is worth looking at the size of these businesses. Polish economy is dominated by small and medium enterprises. In this context it is worth quoting the research on growth strategies of 120 enterprises located in Podlaskie Province. The study concludes that in 2001 67.5% of enterprises used the strategy of market penetration. The intensification of activities on the present market involved: discounts, reductions and provision of additional services. In the discussed research, 15.9% of respondents declared the strategy of product development. From the perspective of innovation, the most frequently observed actions include: the introduction of a completely new product onto the present market, cosmetic changes in the product already offered, as well as inventing a new product by the firm on its own followed by its introduction onto the market. 15% of enterprises in the study used the strategy of market development. The undertaken actions involved: the opening of branches offering the same range of products, but in other locations, and seeking new applications for the existing goods (penetrating new market segments). Only 1.6% of the firms implemented the strategy of diversification. Their actions included the extension of the range of products related to the current profile of the firm as well as the introduction of goods satisfying new needs or complementing the needs previously satisfied. New products were offered as well on the basis of the already existing technological process or channel of distribution [8, p. 80-82].

From the perspective of innovation, market penetration is a defensive strategy. It does not ensure conditions facilitating gaining the advantage or further development and expansion. The possibilities of increasing the level of innovation involve market development, product development and diversification. They are offensive strategies whose essence is to create modernized goods, implement new technologies or design a new product by the research and development department. They are costly and at the same time risky operations. The access to innovative techniques, new qualifications and skills requires an enterprise to possess not only large strategic potential, but also excess capital which could be invested in new enterprises. Another study on innovation in the SME sector was conducted by a consulting company called SAP Poland. The research done in 2003 involved 4248 firms [14, p. 2-9]. It concluded that the biggest number of respondents attributed the success of their companies to product quality. It should be emphasized here that the unique character of a firm’s offer, innovation and research and development were indicated by the smallest number of respondents. In the studied enterprises competitiveness is based on cost-related factors. This means that innovation as the most important element of competitiveness is replaced with the price competition in its traditional sense.

Interesting insights into innovation can be found in the research Innovation of SMEs from the Perspective of the Lisbon Strategy. The study analyzed the level of innovation of Polish enterprises in the years 2003-2005 and surveyed 301 entities. It discovered that the low level of innovation (from one to three innovations) was dominant in small (55%), medium (52.3%) and micro enterprises (48.6%). A large percentage of the studied businesses did not introduce any innovations – micro companies (37%), small enterprises (26.6%) and medium enterprises (20.3%). Only a scanty number of firms introduced over 10 innovations. In addition, the study showed that greater involvement in innovation was connected with the good economic condition of the studied enterprises [1, p 145-165].

Another study carried out in 2006 also analyzed innovation in the SME sector. The investigation involved 548 enterprises from Podlaskie Province. The analysis of their involvement in innovation in the years 2004-2006 showed that product innovations were introduced by 42.6% of business entities, whereas new technologies were introduced by 28.2% of enterprises. Micro enterprises turned out to be the least, while the medium enterprises the most innovative group. Moreover, the study indicated that only 11.5% of the firms conducted their own research and development works, while 47.2% of the companies did not see the need to engage into their own research and development activities [10, p. 206-210].

Significant information on the subject of innovation in the Polish SME sector is also provided by the research conducted by Stawasz in 2010 and involving 372 firms. The study found that the most common innovations include the introduction of new or significantly improved products and new or enhanced technologies. Changes of the organizational type (in management or organizational structures) appear less frequently. What is more, the research discovered that ¾ of the enterprises obtained tangible benefits as a result of their involvement in innovation. The main effects of the innovative changes introduced by the aforementioned enterprises include: the expansion of the range of products/services (31.5% of respondents), the improvement of product quality (25.5%), the entrance to new markets or strengthening the market position (14.5%) and the increase of turnover (8.5%). Furthermore, the investigation concludes that the tendency to be innovative varies depending on the scale of operations and the age of an enterprise. The bigger and older the enterprise (functioning on the market for over 10 years), the more important it attributes to the role of innovation. The enterprises operating on a smaller scale and the young firms are less inclined to be innovative [19, p. 244-289].

The above research points out that SMEs tend to engage into previously proven activities and those that do not require large investment. Such actions are relatively easy to carry out and not very risky. However, in the long run actions of this type are not beneficial to the qualitative growth of a company. When analyzing enterprise involvement in innovation, it should be noted that it is commonly known that new technologies tend to be used by large organizations. Therefore, in the course of discussion about the innovations in Polish enterprises it is worth presenting the results of other available research.

The report Innovation 2010, for instance, contains a presentation of the CSO (Central Statistical Office) research on the condition of innovation in enterprises in the years 2006-2008. The study conducted by the CSO involved 32 000 industrial enterprises in Poland. It concluded that 21% of the firms introduced at least one innovation (product or process), 20% of the firms, in turn, introduced organizational or marketing innovations. The organizational and marketing innovations, similarly to the technological ones (product and process) were introduced more often in the large enterprises.
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The issue of innovation in Polish enterprises is also discussed in the report Innovative activities of enterprises in the years 2011-2013. The study’s conclusion was that in the years 2011-2013 the industrial and service companies that introduced innovations made up only 18.4% and 12.9% of the total number of this type of entities respectively. In the years 2010-2012 the number of innovative enterprises amounted to 17.7% and 13.9% respectively. The largest percentage of the entities that are active in terms of introduction of innovations included the biggest entities. The research also reveals that in the years 2011-2013 the share of innovative industrial enterprises amounted to 17.1%, while the service ones to 11.4%. Similarly as in the previous period, the product or process innovations were introduced most frequently by the organizations employing 250 persons or more (57.7% of industrial enterprises and 45.6% of service ones) [4, p. 9].

The innovative character of enterprises is linked with the access to knowledge and the functioning of network organizations. The motive behind the creation of networks is the opportunity of gaining and exchanging knowledge. In this context it is worth mentioning the research Innovativeness of network organizations in the knowledge economy, conducted in 2011-2013 by the Department of Enterprise Management in Warsaw School of Economics. The study investigated 363 enterprises functioning within network structures. It showed that almost a third of the links of the network and almost a half of the networks themselves do not implement any knowledge management strategy or is unable to identify it. Moreover, the research revealed the significance of knowledge management by proving that there exists a relation between the level of innovation of network organizations and the level of knowledge management [17, p. 101-137]. Nevertheless, the aforementioned study concludes that the level of knowledge management in network organizations is not sufficient. When discussing innovation in enterprises it ought to be stressed that the level of knowledge management should be more advanced.

What is more, attention ought to be drawn to export activities as well. According to the data of CSO and the analyses conducted by PAED (Polish Agency for Enterprise Development), in 2011 out of the total number of enterprises in Poland, solely 3.9% exported. The in-depth analyses present data according to the size of these enterprises. The study shows that the involvement in export is at a considerably lower level in the case of the smallest entities. In spite of the fact that they constitute the most numerous group, only one in forty micro enterprises decides to sell abroad. One in four small companies and every second medium-size enterprise export their products, while in the case of large enterprises the number is two out of three [15, p. 61]. The data presented above allows one to conclude that enterprises decide to export quite rarely. Their low level of involvement in operations on foreign markets is related to the fact that they are not very innovative. The strategies of these companies tend to lack decisive innovative actions. A relatively small number of exporters means that Polish firms focus on defensive operations. They are also unable to compete effectively on highly competitive foreign markets.

With regard to innovation, it is also worth presenting the data provided by the ranking called Innovation Union Scoreboard 2014. This ranking of the European Committee is created on the basis of several dozen of ratios concerning innovation. On the list of 28 countries, the most innovative ones include: Sweden, Denmark, Germany and Finland. These countries are described as innovation leaders [5, p. 4-5]. Poland holds the 25th position in the ranking. Such estimation means that with regard to innovation Poland belongs to the group of the so-called moderate innovators, which puts it at the end of this ranking of European countries. Poland is only ahead of Romania, Latvia and Bulgaria – countries described as modest innovators.

The results of the aforementioned research show the low level of innovation in Polish enterprises. They also confirm the rule that activities of innovative character are more often carried out by the large rather than the small and medium enterprises. Larger companies possess enough potential to conduct innovative activity, have better access to educated staff, greater financial means as well as more professional managerial staff. In general, the large firms function on more demanding markets where the competition of strong foreign companies stimulates innovation in Polish enterprises. The SMEs, on the other hand, are characterized by a smaller scope of activities based on a smaller number of products than that possessed by their bigger competitors. The small and medium enterprises face numerous obstacles in their process of development and therefore are not able to effectively create their innovative character and fight on strongly competitive markets.

4. CONCLUSIONS

The contemporary market is characterized by a strong pressure for innovation. In order to grow effectively and dynamically, an enterprise needs not only the changes but also the innovations. Innovation should be understood as a modification of a product, service, a production process or a technology. Innovations are actions that involve the introduction of a new product, implementation of a new technology as well as the use of new organizational, management or marketing solutions. The study of literature conducted in this paper shows that innovations are a core element of a firm’s strategy. They exert significant influence on the growth of an enterprise. Gaining competitive advantage achieved thanks to the introduction of new technological solutions or new products may contribute to the strengthening of a firm’s position on the market. Moreover, observations confirm that innovations are related to costs, skills and qualifications of the managerial staff and employees. They also play an important role in the strengthening of a firm’s competitiveness. Due to that fact, innovations contribute to the strengthening of a firm’s position with respect to its market competitors. In the context of strategic behaviours, innovations allow firms to increase their revenues, strengthen their competitive position and facilitate further expansion. However, the results of the
In the previous decades, the level of innovation in Polish enterprises was low. This was due to the companies focusing on price competition rather than innovation, which is a key aspect of competitiveness in the current market environment. The introduction of new technologies and the development of new products are the most important elements of building competitiveness, as was emphasized by Schumpeter in 1934. The low level of innovation in Polish enterprises is partially due to their reluctance to invest in research and development. This reluctance is often related to a lack of financial resources, which is a common issue in small and medium-sized enterprises (SMEs) in Poland. Furthermore, the entrepreneurs tend to focus on the already established market and product, which limits their ability to develop new strategies and technologies.

The firms tend to make decisions involving market and product expansion, which is a traditional approach in many enterprises. However, this approach is not conducive to developing new strategies and technologies. Moreover, the strategies that are actually introduced are often not original or innovative. The companies relatively rarely build up their resources and skills. As a result, the entrepreneurs tend to do little investment and purchase of licenses are made quite rarely. The entrepreneurial activities are mostly limited to slight changes in the already offered products as well as to small modifications introduced in the technologies used so far. In the long run, activities of this type do not guarantee the stability of the competitive advantage.

The enterprises' strategic behaviours should be directed at the increase of innovation and specialization. This means strengthening their innovation and their technological structure. The enterprises’ strategic behaviours should be adjusted at the increase of innovation and specialization. Such an approach is a condition necessary to satisfy the growing and frequently varied customer needs. Therefore, entrepreneurs should focus on developing innovative strategies and technologies that are not only original but also competitive in the market.