well-performing enterprises. The enterprises with employee ownership had the worst overall financial situation and the lowest results.

In view of the conclusions, it can be stated that in case of the analysed enterprises the best effects were achieved through privatisation in which emerged an internal group with a majority ownership share.

Conclusions

Conducted examinations showed, that economic effectiveness of privatized enterprises with road of the employee leasing depends on the form of the property and the degree of the concentration of capital. Simultaneously property transformations contributed to substantial changes in the way of managing privatized enterprises, of which increasing the rate of utilisation of had stores is resulting.

In case of the form of the property concentration of capital owner's in privatized enterprises with road of the employee leasing contributed to the increase in the economic effectiveness of these subjects.

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Katarzyna Brożek[1]

CAUSES OF INNOVATIVENESS OF POLISH ENTERPRISES

Abstract

Defining innovation remains problematic as it is associated with such notions as creativity or change. Some economists link innovation with any change, though a majority of analysts and practitioners look for innovation which significantly and substantially affects their activities, for inventions, and the like. They tend to dismiss innovations that arise by accident.

Fundamental reasons for an enterprise to implement innovation include the desire to improve profits (80%) and business development (68.3%) while operating in a sector which, according to respondents, does not need innovation is the main reason for not introducing innovation (41% of all those examined).

JEL Classification Code: **E220.**

Keywords: innovation, small and medium enterprises.

Introduction

Innovation is among key elements forming economic policies. Coupled with competitiveness and entrepreneurship, it builds a set of factors conducive to economic and social development which ultimately condition growth of states and organisations. This approach is reflected, inter alia, in positioning of innovation among key objectives of EU programmes.

Innovation should be treated as a continuous process. Progress is uninterrupted, considering the rate of absorption of new technological ideas (Wolak-Tuzimek, 2012). A single improvement will not generate effects endlessly. More innovations and new changes are required to be up to standards and remain in the market.

[1] Lic., Student, Kazimierz Pulaski University of Technology and Humanities in Radom, Faculty of Economics

The goal of this paper is to assess and analyse causes of innovativeness of Polish enterprises, in particular, small and medium-sized businesses.

In conditions of globalisation, enterprises have been forced to become familiar with new trends in theory and practice and to introduce changes. Adhering to traditional methods of management in these economic circumstances may jeopardise market standing of an enterprise.

Notions of innovation and innovativeness

Innovation is derived from the Latin *innovatio*, denoting introduction of something new, renovation, novelty, reform. Broadly understood, innovation applies to all spheres of social life as introduction of something qualitatively new to a given area. Innovations can also be considered to encompass any inventions, which show human innovation that drives progressive changes in certain states of affairs (Sieradzka, 2013, p. 2731).

The concept of innovation was adapted for economic purposes by J. Schumpeter. He believed introduction of new products or improvement of existing products or production methods could be seen as innovation. Innovation additionally comprises opening of a new sales market, application of a new method of purchasing or selling, new raw materials, semi-finished products or a new organisation of manufacturing (Dworecka, 2011, p. 10).

P.F. Drucker claims innovation is a unique tool for entrepreneurs to effect changes in all areas of business: products, marketing methods, pricing and services offered to customers, as well as methods of organisation and management (Drucker, 1992, p. 42).

According to A. Sosnowska, for a contemporary business innovation means introducing new products, implementing new technologies, changes to production and distribution infrastructure, actions to take better advantage of employee knowledge and skills, and development of IT networks (Sosnowska, 2005, p. 58).

Introduction of a new or markedly improved solution regarding a process, product (commodity or service) to practice of an enterprise by launching it in the market or application of a new or improved solution to marketing or methods of organisation in an enterprise are innovations as well (Dworecka, 2011, p. 10).

The definitions cited above suggest that innovation can be understood as a tool or process of creating and using new ideas. Beside these two approaches, innovation can be perceived as a certain organisational capacity. Innovativeness or innovative abilities are emphasised in this context. Thus, innovativeness can be defined as ability or tendency of an enterprise to generate and introduce, that is, realise new or improved products, processes, methods of marketing, organisation and management.

This vision of innovativeness implies that undertaking innovative actions is inevitably associated with risk. However, businesses that fail to take innovative actions run the risk of lagging behind their competitors, which may result in loss of their market position.

Innovation can be classified into four main groups: product and process, organisational and marketing.

Product innovation involves introduction of a commodity or service which is new or considerably improved in respect of technical parameters, components, materials and functionality.

Process innovation – introduction of a new or better process improving production or distribution methods. It includes substantial changes to techniques, equipment and software. Process innovation can be taken to mean: installation of a new or improved production technology, computer-aided product development, computerised equipment for production quality control or improved testing of production monitoring equipment, etc.

In turn, **organisational innovation** denotes a new organisation of business practice, workplace organisation or external relations.

Marketing innovation is introduction of a new marketing method including substantial changes to product and packaging, product placement, product promotion and pricing strategy.

Measurement of innovation

Innovation and innovative potential are difficult not only to support but also to measure due to the number of stages and complexity of the process of generating and implementing innovation. Most businesses have not established standard, recurrent schemes of computing innovation expenditure or return on innovation (Mankin, 2007, p. 5).

Innovativeness is commonly measured by numbers of innovations introduced and spending on related actions. It is closely connected to resources as well as the ability of utilising them, or innovative maturity (an appropriate standard of organisational culture pre-requisite to the utilisation). It must be remembered, however, that development and implementation of new ideas can only be objectively measured to a limited extent (Schäffer, Weber, 2005, p.33).

Methods of measuring innovation standards proposed in specialist literature can be divided into three types, formulated from the viewpoint of (Shen, Muller, 2010, pp. 1-2):

- performance – traditional measurements of innovation revenue and profits combined with value of innovation channel and ROI on innovation,
- competences – methods of assessing skills, processes, corporate culture, as well as conditions and tools supporting transformation of innovation resources into business opportunities,
- strategy – to assess innovation standard in the overall enterprise strategy.

Methods of innovation measurements proposed by E. Mankin partly coincide with the types discussed above. In Mankin's opinion, enterprises should use four groups of methods (Mankin, 2007, p. 7):

- number of ideas – new ideas that generate sufficient profits to finance more ideas,

– return on investment (ROI) or net project value (NPV) – methods of measuring return on projects,
– innovators in high positions/ management involvement in innovation – measures of processes and corporate culture of a firm,
– long-term consumer commitment – these measures assess innovation as a result of market success of an enterprise's products and services. innovation means success when customers look forward to new offerings by an enterprise.

The so-called dashboards, or sets of selected measures of enterprise effectiveness indicators, or Balanced Scorecard – strategic performance card – can be employed to correctly measure innovativeness.

Causes of introducing innovation

Introducing innovation is not an easy process. It requires considerable knowledge and, primarily, persistence and patience on the part of entrepreneurs. It positively influences an enterprise as it brings a range of benefits in many areas.

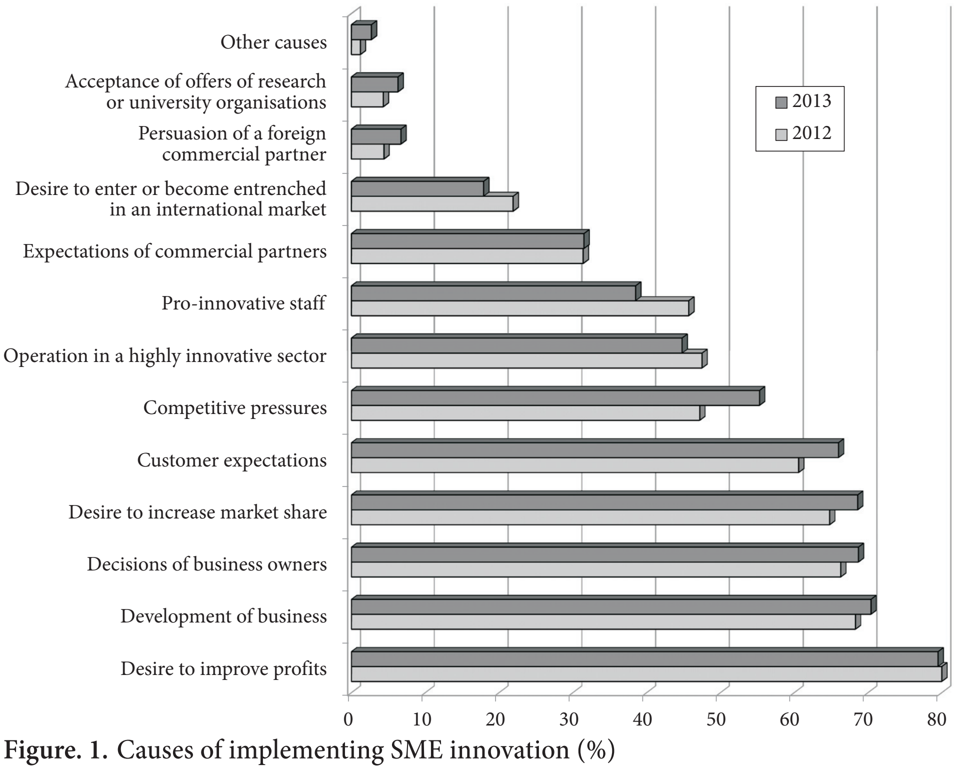

Figure. 1. Causes of implementing SME innovation (%)

Source: the author's own compilation on the basis of the report Monitoring kondycji sektora MSP w latach 2010-2012, PKPP Lewiatan, Warszawa 2013.

Entrepreneurs most commonly point to the desire to improve profits, development of business, and increase of their market share as key reasons for implementing innovation. Such actions also frequently arise from decisions of business owners or in response to expectations of customer or commercial partners.

The desire to enter or become entrenched in an international market is a fact that relatively seldom motivates SMEs to implement innovations (17.9%), on the other hand. Merely every fifteenth entrepreneur (6.7%) decides to introduce innovation to their business when persuaded by a foreign commercial partner. Barely 6.3% SMEa accept offers of innovative projects in cooperation with research or university organisations.

- **Desire to improve profits**

Innovation can be expressed as launching of new or improvement of existing products (product innovation) and modernisation of technological processes (technological innovation). The former provides opportunities for financial profit by raising prices of market novelties. In turn, technological innovation reduces costs of production, which is a major source of profit given unchanged pricing of products. The financial profit from innovation will be generated until other manufacturers have introduced the same solutions, thereby lowering prices and eliminating profits.

- **Desire to increase market share**

Enterprises introducing innovations wish to increase their market shares to gain advantage over increasing ranks of their competitors.

- **Development of business**

Innovativeness helps to take advantage of unused potential hitherto latent in available resources. Owing to innovative organisational or process solutions, a firm can substantially cut its costs, improve its production process or quality of its products or services, that is, to develop and consequently to attain its overarching objective of maximising profit.

- **Customer expectations**

Customers have high expectations due to the range of available options. The market is full of competing companies that offer the same goods or services of similar quality and at comparable prices. Businesses are therefore compelled to introduce innovations to fully meet needs and expectations of customers.

- **Competitive pressures**

Competitive pressures force companies to invest in their own solutions and to seek new paths of development.

Enterprises must offer better products than their competitors do in order to maintain their market standing. This involves both improvement of products themselves and a whole range of actions intended to encourage customers to buy.

- **Operation in a highly innovative sector**

This is a confirmation that one belongs among the most innovative of Polish enterprises. Operation in a highly innovative sector drives development by means of advanced technologies.

- **Pro-innovative staff**

This refers to personnel of an enterprise who support introduction of state-of-the-art, innovative solutions to their organisations. They treat innovative activities as an element of entrepreneurship.

Specialist literature describes some more causes of enterprise innovation, including:

- **Accelerated adjustment of businesses** – innovations accelerate adjustment of businesses to continually changing external conditions by computerisation, marketing research, implementation of new technologies, quicker flow of information necessary to make more accurate and faster decisions,
- **Desire to approximate European standards** – implementing innovation brings closer to European requirements and helps to expand markets and, above all, to survive and gain long-term advantage,
- **Desire to improve and modernise manufacturing processes and improve productivity, efficiency and quality of labour** – innovations may help an enterprise to adapt to the environment and increase quality of its products and competitiveness of their sales, liquidate barriers and mobilise resources by enhancing overall efficiency and effectiveness of actions. streamlining organisation and methods of work, improving safety at work conditions, substitution of human labour owing to better organisation and higher productivity based on more state-of-the-art technical facilities, boosting export capabilities, etc. (Grudzewski, Hejduk, 2001, pp. 451-452).
- **Increasingly shorter life-cycle of product** – introducing innovation by small and medium-sized enterprises may become a means to achieving competitive advantage through aggressive actions and taking the lead in employing of new technologies, though its sole purpose may also be to copy innovations implemented by other enterprises,
- **Environment protection** – a major challenge facing humanity at present. Therefore, businesses implement a range of procedures to protect nature, introduce economical and environment-friendly equipment which is certain to have less adverse impact on the environment,
- **Standard of infrastructure** – existence of state-of-the-art infrastructure is required for proper functioning of the economy and society, thus it becomes necessary to introduce innovation.
- **Availability of financial resources** – at a certain stage of an innovative project, an entrepreneur may attempt to find external financing, chiefly from business angels, venture capital funds and banks, or expand their own operations to generate additional funds.
- **Intensity and efficiency of production** – innovations may enable to apply new technologies to the production process or to improve existing technologies in order to enhance efficiency of production, reduce its costs, use new, more readily available raw materials, improve quality, and boost output.

- **Legal system** – the national innovation system is a set of dedicated institutions that jointly and individually contribute to development and propagation of new technologies and build the framework within which governments formulate and pursue policies to impact innovation processes.

In respect of new products, causes of innovation comprise:

- technologies – businesses may obtain technologies from their own research or from third parties,
- strategies – in such circumstances, a new product is implemented as a new market expectation or a new idea emerge. A new product appears because strategic actions of a firm are projected in a given manner and, regardless of the market or technological situation, the process of product innovation begins,
- market – a factor in introduction of new products. A business must monitor the market to be able to offer a new product. As a rule, such monitoring has the form of market research. In addition, a firm introducing a new product, customers and users can maintain ongoing communication,
- idea – cause of introducing a new product created by personnel. An idea emerges in an appropriate corporate culture which promotes creation of new ideas by workers. A number of radical innovations are effects of research and development efforts or unexpected discoveries from within a company. Introduction of an idea that dramatically changes a product and may ultimately change the market guarantees long-term competitive edge to a business in a majority of cases (Brdulak, 2005, pp. 54-56),
- changes of market needs and preferences, increasing competition – to survive in the market, a business must introduce a variety of innovations to distinguish itself. Needs of both customers and the market itself rise, therefore, absence of innovations may lead to declining interest in a product/ service and, as a consequence, to collapse of a business (Janasz et al, 2000, p.84).

Innovative activities can be occluded by a range of factors. Reasons may exist for both not undertaking any innovative steps and causes which slow such activities or prevent them from bringing expected results.

Fundamental barriers to introducing innovation can be determined on the basis of research prepared by PKPP Lewiatan (Polish Confederation of Private Employers Leviathan) as part of the project 'Monitoring the state of SME sector in 2010-2012', conducted as a CBOS survey between 02 April - 10 July 2012 on a randomly selected group of 1500 SMEs.

Enterprises indicated absence of the need for innovation in a given sector (41% of the total) as the prime reason for lack of interest in innovation. 34.2% respondents believed they were too small a firm to contemplate innovation. Capital deficits constituted the third barrier limiting innovation activities of enterprises, named by 32.1% of those queried. The remaining causes - we are too small, customers do not expect innovations, innovations carry excessive risk – may show that entrepreneurs do not have sufficient knowledge of the subject. Innovation is a major element of competing, but awareness of small and medium-sized enterprise owners is too low to implement innovation in their operations.

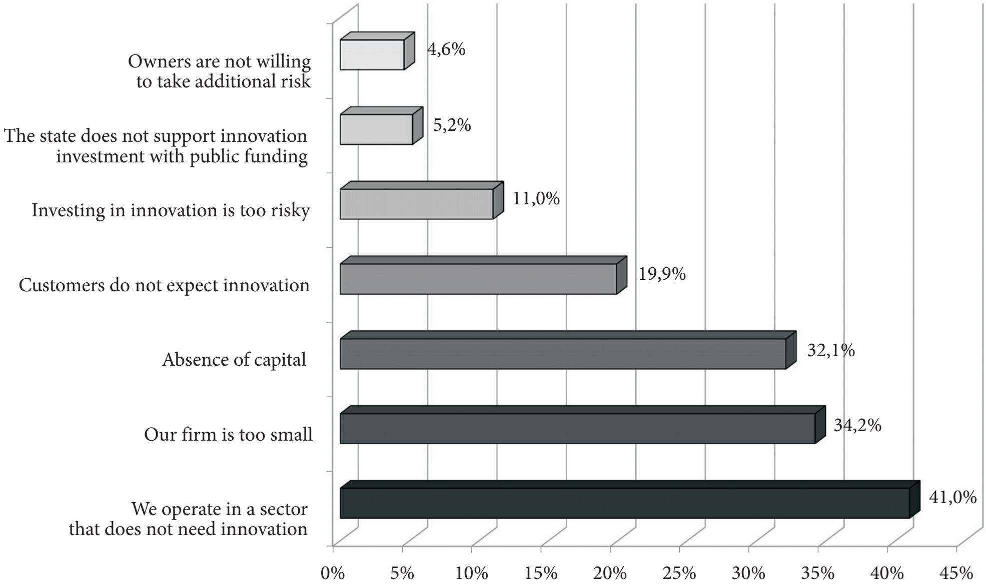

Figure. 2. Reasons for lack of innovation activities of SME enterprises

Source: SME sector: development threats and opportunities http://www.egospodarka.pl/ (25.03.2014).

Conclusion

Innovativeness is a necessary condition of effective global competition. Development of an enterprise is impossible without innovativeness. Creation and launching of new goods and technologies and restructuring of organisational systems are sources for building material wealth out of intangible knowledge. Introducing innovations to enterprises is necessary for a variety of reasons. Those most commonly comprise the desire to maximise future profits, improve quality of products, the need to preserve current market standing and to foster competitiveness.

The following observations can be made concerning the enterprises examined:

- The desire to raise profits (80.0%) and business development (68.3%) were the key reasons for introducing innovation for all the respondents.

- Acceptance of offers of research or university organisations (4.3%) and persuasion by a foreign commercial partner (4.4%) had minimum effect on implementing innovations.
- Operation in a sector not requiring innovation was the basic cause of failing to undertake innovations (41% of respondents).

Enterprises eager to compete in the global markets must realise innovations to be able to follow scientific and technical progress. Contemporary societies can be said to live in an age of innovation, therefore, they are forced to build a tradition of enterprise innovation.

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