

Contemporary Issues in Business, Management and Education 2013

Evaluating innovations in small and medium enterprises in Slovakia

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Abstract

To strengthen innovation activities is one of the main task of small and medium enterprises (SME) nowadays. It is also one of the priorities formulated in the strategy of building knowledge based economy in Slovakia. The aim of the article is to evaluate innovations in SMEs sector in Slovakia. Attention will be given to the main factors determining innovation activities in SMEs in Slovakia and to the innovativeness which is viewed as one of the prerequisites for successful innovation activity in small and medium enterprises. The paper was elaborated as a part of VEGA project 1/0654/11 “Innovative SME as a part of knowledge based economy in the Slovak Republic”.

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Selection and peer-review under responsibility of the Contemporary Issues in Business, Management and Education conference.

Keywords: small and medium enterprises; innovations; factors determining innovation activities; Slovak Republic.

1. Introduction

The global business environment is changing very quickly. To the most important changes in the business sector belong trade liberalization and movement of financial capital, information and communication technological processes, changes in international division of labour and international trade, a huge concentration of capital connected with qualitative and quantitative changes in the size as well as in a character of enterprises. Strategic answer to all challenges resulting from changes in global business environment can be only development of economy based on innovations, knowledge and educated people (Mellahi, Frynas & Finlay, 2005).

Innovation is meaningful, dynamic, developing process, which result is positive change oriented on improving of transformation process in enterprises and better satisfying of customer needs (Andriopoulos & Dawson, 2010).

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OECD definition describes an innovation as a restoration and widening of products and markets portfolio, as a new designing, manufacturing and distributing methods, implementation of changes in work organization and labor force skills, etc. Innovation is the introduction to the practice in the enterprise a new or significantly improved solutions for the product (goods or services), process, marketing or organization. The essence of innovation is the implementation of innovations into practice. Implementation of the new product, new marketing methods or new organization means its application in the current functioning of the enterprise.

Present approach to innovations prefers that innovation is a key word for entrepreneur; emphasizes global approach to innovations as a philosophy (way of managing of enterprises), which influences all parts of transformation process in enterprise (marketing, research and development, planning, manufacturing, managing, etc.) (Bessant & Tidd, 2009). The ability to compete in innovations plays very important role as a factor of their competitiveness.

The aim of the article is to give the view on innovation activities in small and medium enterprises (SME) sector in Slovakia. The article is divided into two parts. In the first part of article is analysed and evaluated situation in innovation activities conducted by small and medium enterprises in Slovakia, identified are main barriers to develop innovation activities, formulated are some recommendations how to overcome these barriers. In second part of the article is presented the importance of innovativeness, which is viewed as one of the prerequisites for successful innovation activity in small and medium enterprises. The paper is elaborated as a part of VEGA project 1/0654/11 “Innovative small and medium enterprises as a part of knowledge based economy in the Slovak Republic”.

2. Innovation activities in Slovak small and medium enterprises

Current economy tends to be characterized as a new, global and knowledge-based economy. The new, global economy is the economy of knowledge and ideas, where innovative ideas and technologies fully integrated in services and products became a key to generation of new working positions and higher life standard (Frappaolo, 2006). Only those businesses that are dynamic are able to respond to the market demand swiftly, and are capable of research and development of new products, innovations and technological changes.

The strategic objectives of making innovation one of the main instruments in developing the knowledge economy, ensuring high economic growth of the Slovak Republic and catching up with the most advanced EU economics, are included into the “Innovation Strategy of the Slovak Republic until 2013” and the “Innovation Policy of the Slovak Republic for 2011–2013”.

In spite of all declarations to support research, development and innovation, there is still low level of investments into research and development in Slovakia. According to the European Innovation Scoreboard (EIS) 2010, Slovakia has internationally ranked among countries with the low innovation performance, standing at only 66 % of the EU average. We have ranked as 21st among the EU27 in terms of innovation performance and belong to the group of the so-called moderate innovators. Falling behind has several major causes – among other things, it is due to low public and private expenditure in research and development (Lesáková, 2013). Average expenditure in the EU27 stands at 1.82% of GDP, whereas in Slovakia it is only 0.63% of GDP in 2010, with public funds accounting for 55% of the total expenditure in science and re-search.

Innovation activities in Slovak SME are supported primarily by those business entities, which are motivated by pressure of competition, necessity to develop and implement new technologies, to make production more effective, to penetrate to new markets, or react to changes of business environment (Lesáková, 2012).

There exist no doubts about the benefits of innovations in all businesses. For businesses and the economy, innovation is a prerequisite for obtaining a favorable position in future global economy. This is an issue of particular importance for Slovak SME.

With the development of innovation processes in all types of enterprises, it is evident the growing role of innovations also in small and medium enterprises. Many examples confirm that small and medium enterprises create a larger space for innovation, because they are much more flexible in comparison to large-scale enterprises. In spite of all above mentioned advantages, small and medium enterprises have also some handicaps – many of them don't own research capacities and face many financial problems (Storey, 1997).

Between the size of enterprises and their innovation activities is a high correlation. In large enterprises is the proportion of innovation activities higher according to small ones. In Slovakia is the proportion of innovation activities in large enterprises according to small enterprises twice higher (Table 1). The share of enterprises with

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