

# SELECTED ISSUES OF THE INNOVATIVENESS OF POLISH ENTERPRISES

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## **Abstract**

The article presents the issue of innovative activities in company processes. The forms of innovative activity important from the point of view of industrial, trade and service enterprises were described. The influence of different types of implemented innovations on the possible benefits obtained by enterprises was also described.

**Keywords:** enterprises' innovativeness, investments, innovation, competitiveness.

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## **1. Introduction**

Currently, advanced socio-economic changes may be observed worldwide. They stem from the widespread and long-lasting scientific and technical revolution. Its progress is due to, among others, more and more active operation of numerous enterprises distinguished by innovativeness. Although innovativeness as a process appears in manifold areas and activity groups, also among individuals (more often among organisations or institutions), it is most often connected with the activity of enterprises (Aidis, Welter, 2008).

Innovativeness is particularly important in the modern economy. It happens so i.a. because the market becomes more and more demanding. The globalisation process occurring worldwide and its consequence in a form of growing competitiveness in various markets make it necessary to meet increasing demands of this process and induce the need to be more and more innovative. It forces enterprises to introduce new technical and technological solutions in offered products and services (also new solutions as regards processes, marketing activities and the shape of organisations) into the markets, therefore demanding the introduction of innova-

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tions. They are the motive forces of socio-economic development of each country (Grzegorzewska-Mischka, Kubiszewska, Brodnicki, 2013). In the countries which rely on this direction of development, economic growth is created mainly through the change in GDP structure, where products from the area of new technologies and advanced services are becoming more significant.

Neither for the term “innovation” nor for the term “innovativeness” any uniform or precise and widely accepted definitions have been created (Juchniewicz, Grzybowska, 2010). These terms are defined differently and each of them not always uniformly, hence they are tightly connected with each other. It is worth adding that the term “innovation” was first coined by J.A. Schumpeter (1883–1950), who introduced the concept of innovation into the theory of economy. He focused on new combinations of productive means, called undertakings. According to Schumpeter, it was the introduction of new structures in the creation field and destroying old structures. Innovativeness (the term stems from Latin and means renewal – *innovatio* or to renew – *innovare* (Kopaliński, 1967)) means nowadays a given process which results in innovation<sup>3</sup> (Nowakowska, 2011). In reference to it, innovativeness is mentioned in the subject literature both as a process and a result of this process, being most frequently a new product or service (Brzeziński, Czop, Leszczyńska, 2009).

Innovativeness may be measured. It obviously requires applying adequate methods<sup>4</sup>. Its degree is assessed on the level of countries’ economies, as well as enterprises themselves. Unfortunately, Poland does not reach a high rank in this area. Therefore, all analyses, evaluations and recommendations formulated in reference to this issue are significant.

The aim of this article is to present the attitude of Polish companies towards innovative activity and show how the processes implemented in these companies are reflected by possible benefits for themselves and for the country's economy. The starting point for further presentation of issues connected with this topic is adopting the statement that innovations are the basic source of strategic change, thanks to which the company generates positive results, including sustainable competitive advantage (Brzeziński, Czop, Leszczyńska, 2009) on the level of a company. This advantage itself is the basis of a company’s viability and its further development. Proving the validity of these claims, the authors used a method of analysis of the subject, and also used data published in the report of KPMG.

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<sup>3</sup> Innovations, as described in the KPMG Report of 2014 r., do not have to be a novelty for the market where an enterprise operates, but must be the novelty at least for the enterprise itself. See: KPMG Report: Innovation maturity in Poland, KPMG Poland, 2014, p. 11.

<sup>4</sup> International methodology standards in this area are presented in Oslo Manual: *Guidelines for collecting and interpreting innovation data*; pub. OECD/Eurostat 2005.

## 2. Innovativeness in companies' activity

As KPMG Report from 2014<sup>5</sup> on innovativeness of Polish enterprises shows, *managers quite often notice the strategic dimension of innovativeness and the related competition advantage* (KPMG, 2014). The need of innovativeness in business activity is not always simple for enterprises, as such activity is usually expensive and risky. It is often accompanied by concerns regarding the return from such investment. Therefore, investing in innovation will be justified for an enterprise when it assesses that there will be demand for its innovative products or services. It is one of the essential prerequisites applied by each company deciding to take up activity in general, and innovative activity in particular. Activity of this type (innovative activity) should be a means to reach main aims set for the company, and not an aim in itself.

Being an innovative company in Poland, as the aforementioned Report shows, is a strategic aim for 47% of medium and large-sized companies, and as the Report adds, it is an ambition nursed more often by industrial companies (50%) than by trade and service ones (43%). *However, in practice only in every fifth company innovativeness is very important against remaining strategic aims, and in two thirds – rather important. Only one tenth of the companies have assigned a management board member responsible for this area* (KPMG, 2014).

Due to the hazard brought by innovative activity, it is taken up more often by larger companies than in e.g. by a group of micro-sized enterprises. It is due to the fact that larger entities possess larger resources in general (financial, human) and have better access to research and development resources in particular. Smaller enterprises have no such assets (advantages) on an adequate level. They have no such access to human resources as the large companies do, and such resources are connected with employees' knowledge as part of the essential intellectual capital in each of these companies. Innovativeness demands from them (most frequently from a specified group of employees creating an innovative environment in the company) proper engagement in the development of existing production, maintenance and service technologies, as well as many other areas. Only thanks to them the launched innovation processes may lead to changes in the enterprise, e.g. its re-organisation that may bring necessary benefits in the field of material and information development (compare: Pleschak, Sabisch, 1996). Smaller enterprises do not have such wide access to R&D solutions or even consulting services as the large ones do.

The characteristics of the Polish companies' attitude towards innovative behaviour result from their attitude towards application of innovations in their own activity. The survey by KPMG presented in the report shows that the companies place the smallest pressure on developing completely new solutions. It is equally true for companies operating in the production, trade and service sectors. Such condition is connected with the lack of impact of factors favourable for creating

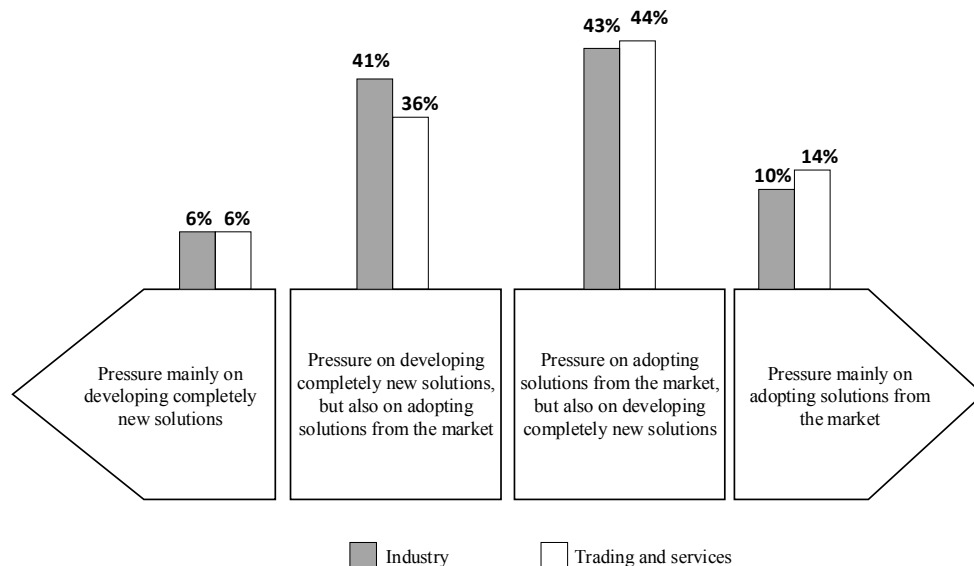
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<sup>5</sup> The Report was compiled by the KPMG Group during a survey conducted among 360 entrepreneurs (large and medium-sized).



brand new solutions that would be strong enough. They include i.a. *education of entrepreneurs, education and qualifications of individuals employed by the enterprise, condition of facilities and outlays on R&D, entrepreneur's contact with scientific environment, scope of the multiple-area cooperation with other entities and institutions from the business field, degree of financing from EU funds, tax allowances connected with implementing modern technologies etc.* (Grzegorzewska-Mischka, 2010). Among innovation barriers in companies mentioned in literature there are, apart from the above-mentioned ones, also external barriers. They stem from e.g. economic development of the country, its socio-economic system, the focus of its innovation policy etc. (Weresa, 2014).

Data regarding the attitude of Polish industry, trade and service enterprises to innovation work is presented in Figure 1.



**Figure 1.** Attitude of Polish companies towards innovation work

Source: own work based on the KPMG Report in Poland, 2014, *Innovation maturity in Poland*.

See: <http://www.kpmg.com/pl/pl/issuesandinsights/articlespublications/stromy/komunikat-prasowy-dojrzalosc-innowacyjna-przedsiębiorstw-w-polsce.aspx> (20.02.2014).

While assessing the requirements of the national as well as the international markets, it should be stated that the pro-innovative activity of enterprises is currently necessary. It is a true necessity due to rapid and time-concentrated innovation waves. What also becomes important is the quality and reliability of products and services introduced into the markets – Polish, single European and global. It needs to be added that it is more beneficial for every economy when the enterprises develop completely new solutions (i.e. innovations), as opposed to only adopting ready solutions from the market, even if they are not taken over in whole.

### 3. Innovative processes of enterprises

Implementing innovations in enterprises requires a range of activities, where research and development work is of key importance. These activities are important not only from the point of view of the enterprise itself and keeping its position in the market. The key influence of widely understood investments in the innovative activity of the company is more and more often observed. Investments in flexible assets, as well as intangible assets, are a trend in activities of modern enterprises operating in innovative surrounding. Table 1 shows the compilation of data regarding the most important forms of innovative activity of enterprises, gathered during the survey conducted by the KPMG Group and presented in the aforementioned Report of 2014. As it has already been stated, the survey was conducted in 360 large and medium-sized enterprises where innovative activity was dominating.

**Table 1.** Dominating forms of innovative activity

Form of activity	Industry	Trade and services
Purchase of licences, patents, copyrights, industrial designs or <i>know-how</i>	2%	8%
Purchase of new or modernised machines, devices and software	29%	34%
Cooperation with companies from related branches	2%	5%
Cooperation with companies from the same branch	16%	18%
Ordering R&D work from universities or research institutes	9%	3%
Ordering R&D work from commercial entities or independent experts	2%	6%
Cooperation with a foreign R&D entity from the same branch	5%	5%
Conducting R&D work inside the enterprise	35%	21%

Source: own work based on *Innovation maturity in Poland*, the KPMG Report in Poland, 2014, p. 24.

As the Table 1 above shows, the most common action by enterprises within innovative work is the purchase of new machines or modernisation of already possessed ones. Another important factor is updating the software, which dominates in companies' development in both industrial and trade/service companies. It is of key importance for a company itself aiming at perfection, but also leads to increased quality of offered products and services for potential customers. The conducted survey shows that the purchase of intangible assets understood as patents, copyrights, industrial designs and generally *know-how* is a less common method of companies' development. A phenomenon differing from existing stereotypes of innovative companies' operation is the more and more common cooperation with enterprises from the same branch. An enormous potential of such activity as a form of

sharing experiences was noticed, providing each enterprise participating in the sharing process with added value.

Still, the key role in developing the companies' innovative activity is played by research and development work conducted within the enterprise. It is, however, the most common form of conducting the research, imposed by large financial outlays which characterise innovative companies. Companies without own research and development units in their organizational structures often decide to order specialised research outside, from research institutes and universities. It is justified in case of single analyses that would generate costs of purchasing devices and employing qualified staff without any forecasted return of outlays made. It was noticed that the number of the trade and service companies which order research from universities and research institutes is rather low – instead, there is a stronger engagement of independent experts and commercial suppliers in companies' work.

#### **4. Innovative activity and potential benefits**

The innovative activity of companies causes significant concern as regards profitability of the conducted activities. This concern grows with the level of innovativeness of a given enterprise, and therefore with the risk connected with the insufficient level of return on investment (ROI). The survey conducted by KPMG allows to state that companies which have introduced innovative activities within the last (three) years are satisfied with their level of profitability. The opinion refers mainly to industrial companies, however it also concerns trade and service enterprises. The introduced innovations contributed mainly to the increase of the quality of offered products and services, which had a direct impact on consumers. As a result, strengthening the brand of a company had enormous influence on sales and allowed for strengthening its competitive position in the market, both in the closest and in the further surrounding (Piech, 2009).

The industrial companies which dynamically invested in innovative processes in their enterprises reported a significant decrease in operating expenses. The level of satisfaction from the growing operational efficiency was strictly dependent on the specifics of the company and type of innovation. Tables 2 and 3 present answers from companies surveyed by KPMG as regards the level satisfaction with the financial efforts versus profitability of investment.

The analysis of the data presented in Table 2 may lead to the conclusion that the majority of companies obtained a satisfactory level of return on investment. Undoubtedly, the organisational innovations implemented in enterprises brought least desirable results – it might be caused by activities related to personal changes in enterprises, such as retraining and dismissal.

The data presented in Table 3, in comparison to data from Table 2, shows that the satisfaction level among surveyed trade and service enterprises is much lower than among industrial companies. As far as implementing organisational and product-and-service innovations proved to be justified, the remaining innovations were profitable, however their resulting satisfaction level was much lower.

**Table 2.** Outlays on investment versus profitability of industrial companies

Type of innovation	Respondents' answers					
	②	①	⊙	⦿	●	⦿
Product and service innovations	25%	49%	12%	3%	11%	0%
Marketing innovations	24%	39%	16%	0%	13%	8%
Process innovations	22%	49%	13%	3%	10%	3%
Organisational innovations	23%	4%	14%	1%	14%	2%

Source: own work based on *Innovation maturity in Poland*, the KPMG Report in Poland, 2014 – presenting the outcomes of the survey conducted on a sample of 154 industrial enterprises where the scale of answers was as follows: ② – definitely yes, ① – rather yes, ⊙ – don't know yet, ⦿ – don't know, ● – rather not, ⦿ – definitely not.

**Table 3.** Outlays on investment versus profitability of trade and service companies

Type of innovation	Respondents' answers					
	②	①	⊙	⦿	●	⦿
Product and service innovations	17%	40%	13%	8%	17%	5%
Marketing innovations	10%	48%	5%	12%	23%	2%
Process innovations	12%	36%	7%	13%	24%	8%
Organisational innovations	18%	54%	8%	9%	9%	2%

Source: own work based on *"Innovation maturity in Poland"* the KPMG Report in Poland, 2014 – presenting the outcomes of the survey conducted on a sample of 135 trade and service enterprises where the scale of answers was as follows: ② – definitely yes, ① – rather yes, ⊙ – don't know yet, ⦿ – don't know, ● – rather not, ⦿ – definitely not.

## 5. Conclusion

In order to work out and keep the competitive position in the market, large and medium-sized companies operating in Poland must meet the challenge of cyclic implementation of innovations. The decrease in innovativeness noted during the economic downturn, being the effect of the economic crisis, slowly ceased to dominate among entrepreneurs. Enterprises are more and more likely to launch activities aimed at the implementation of innovative solutions. There are many motives of such conduct. The main reasons to implement innovations in enterprises include the willingness to improve the quality of goods and services, as well as make the offered assortment more attractive. These innovations are quite rarely strategic, nor do they refer to all fields of company operations. On the contrary, they are more and more likely to focus on a selected area. Therefore, the Polish economy needs individuals ready to take the role of innovation leaders who would become the driving force of the development in industrial, trade and service companies. It is undoubtedly an enormous challenge for enterprises, as not every organisation is trained to approach the innovative activity in a comprehensive man-

ner. This status quo is also a challenge for the public sector, as far as supporting the current initiatives and launching further ones that would be managed by future innovation leaders is concerned.

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**Słowa kluczowe:** innowacyjność przedsiębiorstw, inwestycje, innowacja, konkurencyjność.

