

Selected aspects of innovation policy for small and medium sized enterprises

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Abstract. Increasing market competition encourages companies attract and retain customers. To achieve the mentioned objectives company managers have the following tools: marketing and innovation activity of the company. We find it important to explore the innovation activity of SMEs. Determined by their size, creativity and innovation can be the key factors to survive under competition. The study deals with the innovation process and factors influencing it. Based on theoretical background and research results the study presents the factors influencing innovation activity of SMEs. The research results show that management's attitude, employees' motivation and positive relationship built with suppliers have positive impacts on successful operation of SMEs.

Keywords: innovation, market competition, SMEs, factors influencing innovation, innovation process

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INTRODUCTION

SMEs are a very important part of the economy, an economy based on market principal. Their importance in the national economy lies in the fact that the driving force behind its development, particularly its flexibility in the adoption and use the most progressive technologies, innovation, job creation. A thriving economy is based on the effective functioning business sector, the most important actors are tradesmen, enterprises individuals, small and medium enterprises (Mura, 2012). Innovative SMEs have a very important

role in the economy of each country, since they significantly contribute to the development of new products, technologies, services, and cooperating with large enterprises, their flexibility allows them to introduce innovation into practice relatively quickly (Kačírková, 2007).

Innovative entrepreneurship appears not only in the creation of new products, services or technologies, but also in cre

ating previously unknown, unused ways to organize production and management using traditional factors of production and their new combinations (Dobai Korcsmáros - Seres Huszárík, 2013). Experts agree that an innovative enterprise is a small or medium sized enterprise supporting new ideas which are transformed to new products and services through innovation, and then they are launched in the market (Zemplerová, 2010). Innovation is a term used for the source of business ideas, while innovative business refers to targeting high profits. The main objective is to maximally satisfy the needs and requirements of customers (Bartes, 2008). The purpose of business is to gain customers. To achieve this objective business organizations have the following tools: marketing and innovation. Business should monitor whether the products satisfy the need of customers. Process innovation is linked to task, that should be carried out. It requires the presence of the following criteria: the process, the problem, clear definition of objectives and specifications, as well as the general belief about the existence of better solution (Drucker, 2002).

THEORETICAL FRAMEWORK

Competitive advantage of business can be gained by the size of business, ability to mobilize intellectual capital, technological skills and ability to offer completely new products or services (Pitra, 2006). Tidda, Bessant and Pawitt (2001) recognized a strong relation between the market power and the new product. New products enable to maintain market share, ability to replace obsolete products as well as innovation process can decrease production time and development of new products at faster rate than competitors. Therefore, the innovative activity of the business influences the competitiveness. Achieving higher level of competition through innovation results in cheaper products and higher quality than competitors have. Unless the organization is able to innovate constantly it can risk to lack behind and competitors will take the initiative (Mura, 2012).

Nowadays businesses are forced to develop and introduce new products and services. Each member of the economic chain should understand and have an overview about the innovation process as well as see the part of work they did. Key skills are quality and the speed customer needs are satisfied. It is necessary to make changes in performance of all business activities. It means changes in organizational arrangements, establishing new relations between different departments, management changes, develop creative skills of employees and specifying the mission and new objectives of the organization. To activate the innovation potential the management must function properly and should concentrate on the performance of the economic chain (Drucker, 2002).

The Innovation Process and Factors Influencing Innovation

Innovation is a key process for organization to survive. This process can be divided into five phases. The first phase monitors the internal and external environment and possible opportunities are looked for. In the second phase decision is made about which opportunity to use in accordance with the strategy of organization. The third phase is about the introduction of new idea. This phase is followed by realization of ideas under uncertain conditions, market launch and managing initial adoption. The penultimate phase is about

feedback on different innovation cycles and improvement of innovation process management. (Drucker, 2002; Pitra, 2006).

The key business processes are formed by those progressions, which maintain high level of competitiveness in long term. These are mainly the following areas: sales and marketing, production and organizational processes, product innovation. We focus on the following areas: innovation process, product innovation and business innovation systems. Innovation should target the end-user. It is important to achieve high quality at increasing level of services and speed of service. The organization should follow the requirements of all interest groups. These interest groups have influence on the whole business process (Tidd, Bessant, Pavitt, 2007).

Innovation represents a special kind of change – changes deliberate, new and prosperous (West and Sacramento, 2008; Drucker, 1993; Franková, 2011). Innovation means radical change in production technologies. The earlier used manufacturing technologies are already outdated and replacement of these technologies is needed (Ivanička and col., 2014). Developers think about innovation in organizational resp. team context and define it as a modification in the existing or creation of new products and services. (Grossman and King, 1990; Peters and Waterman, 1993; Pietrasiński, 1977, Franková, 2011).

Sources of innovation from internal environment of organization can be identified by employees of organization from the same industry or sector of services. Whithin an organization we can identify four areas of innovation sources. The first is the area of unexpected events – unexpected events as well as innovation setbacks fall into this category. This category is a prolific source of innovation. The innovation to succeed an expertise and skills in particular sector are essential. The unexpected external event provides a possibility to apply the existing expertise on a new frontier. The second area is the inconsistency, which means discrepancy between the existing condition and the anticipated change as well as innovation activities. Into this category fall the contradictions of economic reality, contradictions between the existing and the expected reality as well as contradictions between the expected and real values.

This is followed by the area of process needs as a source of innovation. This category is based on the assumption of the existence of the need to solve specific tasks. The necessity to find solution –to improve the process, replace weak or outdated process – is usually recognized by entrepreneurs. Emerging needs of the process are often based on contradictions and demographic factors of the research programme. The last area is the change in industry or market structure. Sectoral characteristics of market structures are very susceptible to changes and directly call for innovation. They are an important source of business opportunities (Drucker, 1993).

The following categories form the external environment of the organization. First demographic factor is discussed. This category deals with the change of population in terms of number, age structure, composition, employment, educational attainment and income level. The second category is formed by changes based on worldview, changes the importance of existing facts and reality. This value can be considered concrete: can be defined, tested and used. Third category is formed by knowledge based innovations, which are differentiated by basic characteristic features: time span, number of unsuccessful attempts and predictabilities as well as expectations towards entrepreneurs (Drucker, 1993).

Innovations are categorized according to level of originality and content (Franková, 2011). According to level of originality innovations can fall into two categories: (Pietrasiński, 1977, Franková, 2011) imitations – implementation of changes and novelties already tested somewhere; original innovations – implementation of completely new ideas (Franková, 2011). According to prevailing content the following types of innovation can be specified: technological innovations; product innovation; innovation of services; organizational innovations – regarding changes and innovations in the field of corporate strategy, structure and culture, socio-psychological atmosphere of the organization; managerial innovations- related to changes and innovations in work abilities and skills of managers (Franková, 2011).

Regarding the innovation process of products and services, the viable innovation starts with a creative idea, and implementation of idea into new products and services desired by customers (Adair, 2004; Franková, 2011). Managers should be encouraged to deal with innovation as a process which can be controlled (Adair, 2004; Franková, 2011). The innovation process consists of three phases: generating ideas, collecting ideas, development and implementation of ideas (Adair, 2004; Franková, 2011). It is important to tailor the process to needs and organization of the market (Roffe, 1999; Franková, 2011). Proper knowledge of the market increases the chance for high value of innovation and the value of innovation determines its success on the market. (Roffe 1999, Franková, 2011).

Innovation is not always a simple process. It takes certain time until an innovation is built into the existing structure of the business. Innovation does not prevail and stirs the sector, but induces changes in the whole economy. The innovation process has different intensity and thus it affects a longer period (Ivanička and col., 2014).

Innovation processes are linked in time interval. In 1967 Torsten Hägerstrand was the first to deal with the theory of innovation waves. According to Hägerstrand theory special and temporal aspects we can talk about concerning innovation. If we imagined the process of diffusion waves in space and time in simpler model, where we focus on waves, the process would have four phases. In the primary phase, where the start of the process is marked are established centres to adopt innovation and contrast is recognized between the innovation centre and the rest of the region. This is followed by the diffusion phase, marking the beginning of the diffusion process. There is a rapid establishment of innovation centres due to strong centrifugal effect. In condensation phase the achieved relative increase in number of beneficiaries of innovation is consistent with all areas of the region regardless of distance of the innovation centre. The saturation phase passivity occurs and the process is slowing down, alternatively the process of diffusion will stop. Innovation has been adopted throughout the territory and it shows scant signs of regional variations (Hagget, 2001).

Innovation theory of Rogers is defined as an idea, practice or thing, where the individual or other user is considered to be new. Characteristics of innovation are determined by the speed of adaptation. Depending on characteristics the potential adopters have, they fall into the following categories: the first category is the relative advantage concerning what on the improved or new product is better compared to the previous one. The category of compatibility shows, that no innovation can succeed until local values and needs of adopters are considered. Category of complexity shows the difficulty degree of understanding and use of innovation by adopters. The penultimate category is divisibility, which is understood as the ability of the consumer. Innovation must be tested before it is accepted or not. The category of observability shows how results of innovation are clear and transparent. The intensity of observation and the speed of adaptation are directly proportional. These categories must be examined how it is required by potential consumers. It may seem that the process used is simpler and more effective than the previous ones, but from the perspective of potential users it is not so clear (Rogers, 1976).

Rogers defined the intensity of adaptation into 5 basic groups. The first chart shows how Rogers categorized the adopters. The curve shows, that at the beginning of the process only few consumers can be recognized, their number is increasing and drops finally. Rogers named each group of adopters, evaluates them in percentage, provides characteristics and emphasizes the most important differences between them. Those adopting innovations quickly are called innovators. About 2,5 % of adopters belong to this group. Innovators are willing to take risk and have high social status. They are willing to understand and cope with a higher degree of uncertainty of innovation. Early adopters account for 13,5% and they have the highest degree of opinion leadership among the adopter categories. Early majority account for 34 % of adopters. Despite being integrated into the system, early adopters seldom hold position of opinion leaders. They adopt innovation after a varying degree of time that is significantly longer than the early adopters and inno-

vators. Late majority account for 34 % of adopters. Adoption of innovations for the members of this group is an economic necessity. Group members are careful, cautious and skeptical. Laggards account for 16 % of adopters. These individuals are conservative, feel suspicious about innovation and changes. Early adopters are said to have advanced education, higher income and social status. They depend less on traditional values and have rational thinking. Rogers noted the paradox that the last group of adopters benefit the most from innovation (Khor-Marsh, 2006).

Innovation in SMEs

The size of the company is directly linked to innovation capacity. Until the 1970s mainly big companies, so called national flagship companies were interested in innovation. Importance to SMEs shifted in the 1970s. This change happened due to the fact, that SMEs created more workplaces and played a special role in economic recovery for underdeveloped regions. The policy of 1980s in Western Europe favoured to establishment of new companies, new technology-based SMEs. Rothwell introduces the advantages and disadvantages of SMEs compared to big companies in terms of innovation (Rothwell, 1991; Freitag, 1998; Dobai Korcsmáros, 2013).

Table 1

Advantages and disadvantages of small, medium-sized and big companies in terms of innovation

	Small and Medium-sized Enterprises	Big Enterprises
1	2	3
Marketing	+ ability to react quickly on market changes – Development on market can be demanding for SMEs	+ extensive distribution channels, service facilities, marketing opportunities for existing products
Management	+ non-bureaucratic structures, dynamic company management (managers are often owners), responds to new situations, willingness to risk – lack of management skills of entrepreneurs with high professional competence in the sector concerned	+ Professional managers with complex managerial skills, setting and realizing corporate strategy – often excluded bureaucracy, rarely risk management
Internal communication	+ effective informal communication supports quick reaction on the business environment	– communication is rarely effective and can result in delayed reaction on external factors
Qualified personnel	– often few opportunities to find qualified personnel	+ possibility to attract highly qualified employees
External communication	– employees have too little time or expertise to assess the relevant information	+ have good opportunities to access external scientific and technical resources
Financing	-usually have problem with capital, especially with risk capital. Innovation is usually connected with risky financial costs. SMEs are not able to distinguish the portfolio of risk groups.	+ big enterprises have possibility to raise capital on capital market; risk can be spread through portfolio projects; diversification on new markets. Technology can be financed well
Economies of scale	– in some areas SMEs face high barriers to enter the market. Often they do not have possibility to offer an integrated product line or system products.	+ Big enterprises have an opportunity to serve big markets and can synchronize their activities, production and marketing. Big enterprises can provide wide range of complementary products including complex solutions.

1	2	3
Development	– SMEs find it difficult to get quick capital, which is important for development. Executives are often unable to cope with increasing complexity.	+ have an ability to finance development, for example, through diversification, acquisition or product line.
Patents	– Frequent problems of patent system, lack of finances, lack of know-how in dealing with patents	+ Specialists are able to cope with an opportunity to request patent costs before the patent protection or legal methods are associated with expenses.
Legislation and regulations	– SMEs are often flood with regulations and high costs for approval procedures.	+ possibility to finance legal department dealing with regulations. Costs are divided between products and portfolio to meet the regulations which can be financed.

Source: Rothwell, 1991.

According to Schumpeter innovation is a complex collective process. Common forms of cooperation are: consortia, joint ventures, strategic partnership and cooperative networks. Different forms of cooperation can be distinguished. Primary cooperation is formed by one or more phases/steps of the innovation process, which are intended to help members of division in the field of innovation. Cooperation of these members is characterized by similar knowledge of the system and neither of the participants have significant competitive advantage compared to other partners (Dobai Korcsmáros, Seres Huszárík, 2013). Reports on cooperation are submitted after results are achieved, but cannot be fully utilized and can be submitted in form of inter-company cooperation. The technology transfer assumes, that initiation of innovation supports the ability to provide advice that is not utilized by cooperating companies. In this case, the lack of innovation is compensated via external assistance. Process cooperation occurs, when innovation and advisory force is applied in cooperating companies (Freitag, 1998).

Innovative organizations play a key role in competitiveness and gain dynamics from economic areas. They are often the pioneers in applying new technologies and close the gap on the way to demand by pooling capital and investing into promising projects. These companies boost demand, create markets and increase competition (Schumpeter, 1911, 1931, 1932; also by: Albers and Gassmann, 2005; Brockhoff and col., 1999; Drucker, 1985; Fagerberg and col., 2005; Freeman and Soete, 1997; Gerybadze, 2004; Hauschild, 2004; Tidd and col., 2001; Dodgson and Rothwell, 1995; Stonemann, 1995; OECD, 1997; Spielkamp, Rammer, 2006).

Defining and strengthening of business decision is a part of innovation activity. Lack of these abilities can bring difficulties in competition. The ability to innovate is not only to ensure the future of business, but in many cases it becomes a prerequisite for successful positioning on the market and contributes to achieve a superior competitive position (Spielkamp, Rammer, 2006).

Among the competencies of SMEs belong the ability to apply the knowledge generated by another company as well as quick and intelligent interface with existing capacities to create commercial services. Strategic role of this group of companies is the role of corporate governance, reflection on potential risks of new products on the central business market. Strategic management is about configuration and integration of the company, while operative management is about implementation of these decisions in the best possible way (Spielkamp, Rammer, 2006).

Innovations are based on knowledge, creativity and entrepreneurial feelings. Companies apply their experience in the innovation process. Management of innovations is an integration task, in which technological skills, process skills and the culture of innovation are integrated. The management know-how is

based on the knowledge of processes about dispositive knowledge and activities in the field of research and development (Peter and Watermann, 1984; Spielkamp, Rammer, 2006).

Innovation can be a temporary or continuous task as an internal solution of the company. Depending on organizational structures the business perspective offers to meet temporary tasks, the company creates team-oriented units. Considering the importance of technological expertise in innovation process, companies choose organizational alternative structure and institutionalize their R&D departments. The R&D department will provide incentives for innovation. The advantage of this solution is that it can use a special knowledge in organization to achieve long term economic success. These sources should be clearly defined as well as roles and responsibilities should be assigned to them.

Research and development is an important element of innovation management. Innovation ideas are anchored by R&D department within a company. Permanent confrontations with potential improvements in products, processes and services as well as thinking about new solutions also increase the chance to respond to environmental influences. At the same time a chance for effective absorption of external technological know-how, including the cooperation ability in the field of innovations (Tidd and col., 2001; Spielkamp, Rammer, 2006). However there are arguments against solid structure of R&D departments: in order to operate research and development makes sense to ensure minimum level of staffing and infrastructure, which will independently assess expertise as well as contributes research and development to become habit for certain groups of people. In addition, the expert makes it easy to create personal status, which together with the organization is striving to perform and in competition may cause separation of interests from the interest of the company. The departmental structure reduces the internal and external coordination costs in different functional areas. To ensure the efficient operation of research and development, may happen that an activity must be accompanied with further steps in innovation process. Due to this fact, transfer of information and knowledge is essential. Those, involved combine expertise outside the field of R&D. Finally, there is a risk that innovation will not be perceived as a global issue because of clearly defined objectives. (Véghová, Machová, Mura, 2012). R&D departments enable further employees of the company to cover the lack of personal involvement. Companies create so called supplementary organizational structures to deal with the possible occurrence of disadvantages in field of research and development. These organizational forms temporarily or permanently create conditions for flexibility in capacity for innovation. As a further characteristic of SMEs we can mention, that players of different divisions and working environment cooperate productively in innovation process. The following supplementary structures should be mentioned:

- Workshops have simple form of supplementary structure with temporary grouping of employees
- The projects contain complex tasks, which can be eliminated during daily activities (Bullinger and Warnecke, 1996; Spielkamp, Rammer, 2006).
- Considering SMEs, innovation seeks continuous external and internal innovation proposals based on the relation of labor and company management (Nebe, 2000; Spielkamp, Rammer, 2006).
- Tasks will be taken from product agency, otherwise are handled by the project manager on the market or in the production area (Kieser and Walgenbach, 2003; Spielkamp, Rammer, 2006).
- Innovation circles are quality circles with existing structure within the company.
- Venture teams or corporate spin-off opportunities rarely come into consideration with SMEs, because these models implement innovative ideas of employees and largely separated from the parent company (Kieser and Walgenbach, 2003; Spielkamp, Rammer, 2006)

What type of organizational form SMEs choose cannot be determined without a detailed knowledge of the specific situation of the company. It is necessary to mention, that formal structures - temporary or permanent- are not enough for the efficient use of resources and skills. Crucial are further elements of innovation e.g.: management, motivation system and the organizational or innovation culture. Strategic decision in

the company about the technology purchased, development of structures and allocating resources, especially employees' finances is always a question of company's expertise, especially the competency of research and technological know-how (Spielkamp, Rammer, 2006), (Zastempowski, Przybylska, 2015).

RESEARCH METHODOLOGY AND RESEARCH METHODS

We used a questionnaire survey to research the innovation potential of entrepreneurial network. The database is including answers of SMEs from different districts of Slovakia. Respondents had a possibility to fill the questionnaire electronically or in printed form. The data obtained are processed and presented in graphic form and statistical analysis.

When preparing the research sample the following steps were applied: the database of enterprises was obtained from website www.zoznam.sk, the data obtained was used confidently, solely for research purpose. In this research 5208 SMEs were addressed in the time period 2013-2015 in the Slovak Republic, 454 questionnaires were returned and the collected data was analyzed. This represents 8,7% return.

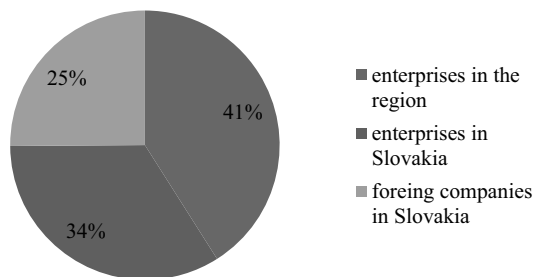
Questions related to innovation potential of entrepreneurial network led us to formulate questions as the following:

- Characteristics of small and medium enterprises
- Characteristics of membership in the entrepreneurial network and its influence on the researched enterprise
- Characteristics of innovation activity of the company

Based on the study of relevant scientific background we will examine whether it is possible to recognize a relationship between various factors affecting innovation.

RESEARCH RESULTS, VALIDATION OF RESEARCH QUESTIONS

Innovation in companies is essential to maintain competitiveness. In terms of innovation the biggest competitors of companies involved in research are those with similar character in the region they operate (41%), however foreign companies operating in Slovakia also represent a large share in innovation (25%).



Graph 1. Competitors of researched enterprises in terms of innovation

Source: based on own research.

To maintain competitiveness constant improvement and adaptation to market conditions is important. SMEs of this research sample expressed their opinion about possible factors boosting their competitiveness. Respondents could mark maximum three factors on the list. The possibility to mark more answers the sum of each option was above 100%. More than 81% of the respondents declared that price changes would help the most. Change in price means decreasing price of materials and components, but also possible price increase of products/services, offered to end-users, i.e. entrepreneurs are making effort to increase their sales while reducing costs in order to meet the requirements of the market and customers. According to respondents' answers professionalism and company ethics are the least to contribute to competitiveness. It seems to be a very surprising and worrying fact.



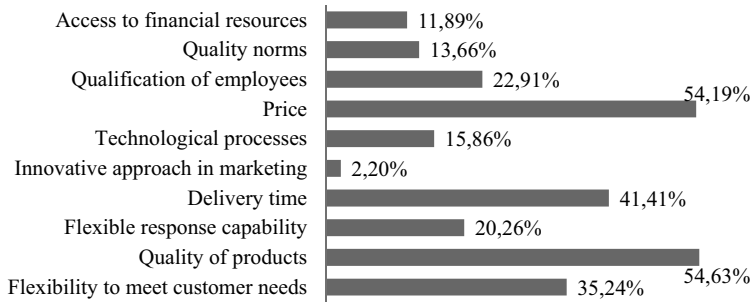
Graph 2. Factors influencing innovation

Source: based on own research.

Factor that contributes most to the development of innovation potential of enterprise was the quality of the products. Respondents could mark maximum three factors. The survey shows, that quality products (54,63%) target a wider range of potential customers and build resp. maintain competitiveness. Price as a factor contributing to development of innovation potential accounts for 54,19%. It means that every second enterprise involved in research finds the properly set price a key factor of innovation. Surprising is the fact that only 2,20% of respondents find innovative marketing strategy important to develop the innovation potential of enterprise. In today's rapidly changing business environment it is necessary to respond quickly and effectively for the changing conditions of the market economy. This fact points to the ever growing potential of innovative marketing in case the innovations on the market are worn-out.

Innovative marketing is mainly based on the expansion of customers' needs on the market, revealing various options and situations the product can be used (Čimo, 2010).

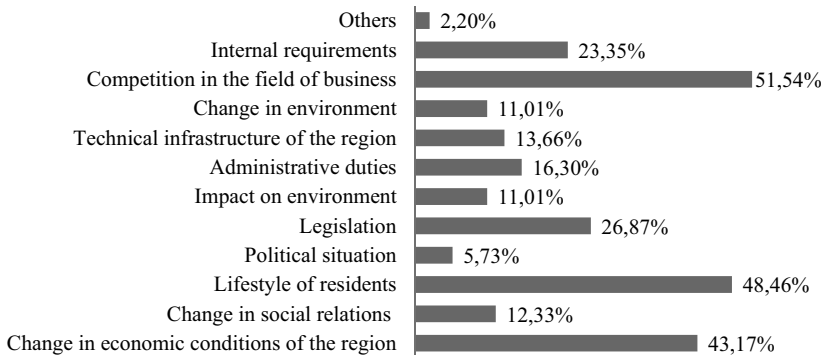
Entrepreneurs are advised to consider the options of marketing, as innovative approaches in marketing can greatly contribute to increased competitiveness of enterprises.



Graph 3. Factors contributing to development of innovation potential

Source: based on own research.

Respondents said that innovations were mainly influenced by competitors in the given area of business (51,54%). Innovations have been realized due to the lifestyle the customers represent (48,46%). The third influential factor based on the questionnaire survey is the change of economic condition in the region (43,17%). Besides these main initiators generating innovation activity we can also identify the legislation (26,87%), internal requirements of the enterprise (23,35%), administrative duties (16,30%) and others (see Graph 4).



Graph 4. Changes leading to innovation

Source: based on own research.

In the following phase of research we analyzed the opinion of respondents concerning those factors which help or hinder entrepreneurial innovation activity. Basic characteristics of these factors are summarized below in Table 2.

Table 2

Factors influencing innovation

Ranking	Factors influencing innovation	Average	Modus	Standard degression
1	Relationship with customers	3,89	4	0,939
2	Cooperation with suppliers	3,73	4	1,095
3	Support from management	3,65	4	1,072
4	Requirements of clients	3,53	3	1,057
5	Motivation system	3,42	3	1,131
6	Functioning teams	3,40	3	1,098
7	Cooperation of research and development, marketing	3,39	3	1,156
8	Company structure	3,30	3	0,948
9	Low level of own innovation potential	2,96	3	0,889
10	Tax, legislation, regulations	2,11	1	1,096

Source: based on own research.

Likert scale was used to investigate the factors influencing the innovation process. Based on the answer of respondents we can conclude, that relationship with the customer and cooperation with suppliers are the factors most supporting innovation. Stakeholders have relevant impact on realizing innovation activity in the company. Respondents considered fairly important the role of management in innovation process. Moderate importance respondents have towards the requirements of clients, motivation system, functioning team work, research and development, cooperation between production and marketing and the company structure. Factors obstructing innovative activity are the low innovation potential, taxation, legislation and regulations. The standard degression of factors supporting or hindering innovation activity of the company stands close to value one i. e. companies involved in research have rather unanimous opinion regarding the factors influencing innovation. The univariate analysis enables to recognize the relation between the individual factors influencing innovation. To identify relation we used a correlation analysis which identifies the relation between two variables. Intensity of relations can be identified with the help of Pearson correlation coefficient as well as we can identify the linear correlation between the variables. Potential extremes were identified with the help of Boxplot, which was followed by a correlation analysis. At least 1% of significance degree correlation is identified.

After excluding extremes with the help of Boxplot, we analyzed 362 respondents and we had to exclude 92 answers of companies involved in research. The results of correlation can be found in the following table (Table3).

Table 3

Correlation between factors supporting resp. hindering innovation

Variable 1.	Variable 2.	Pearson correlation coefficient	Sign.	N
1	2	3	4	5
low own innovation potential	taxation, legislation, regulations	0,245	0,001	362
low own innovation potential	relation with customers	-0,200	0,007	362
client requests	cooperation with suppliers	0,309	0,000	362

1	2	3	4	5
client requests	cooperation between research, development, production and marketing	0,245	0,001	362
company structure	support from company management	0,270	0,000	362
company structure	cooperation with suppliers	0,213	0,004	362
support from company management	cooperation with suppliers	0,499	0,000	362
support from company management	functioning working teams	0,249	0,001	362
support from company management	cooperation between research, development, production and marketing	0,257	0,000	362
support from company management	relation with customers	0,267	0,000	362
cooperation with suppliers	functioning working teams	0,395	0,000	362
cooperation with suppliers	cooperation between research, development, production and marketing	0,219	0,001	362
cooperation with suppliers	motivation system	0,229	0,002	362
cooperation with suppliers	relation with customers	0,300	0,000	362
functioning working teams	cooperation between research, development, production and marketing	0,307	0,000	362
functioning working teams	motivation systems	0,283	0,000	362
functioning working teams	relation with customers	0,355	0,000	362
cooperation between research, development, production and marketing	motivation system	0,373	0,000	362
cooperation between research, development, production and marketing	relation with customers	0,203	0,006	362
motivation system	relation with customers	0,390	0,000	362

Source: based on own research.

The values of Pearson correlation coefficient at 1% significance except in one case show values from 0,2 to 0,5 indicating moderate positive correlation between the variables. Moderate negative correlation can be recognized between low level of own innovation potential and customers. Based on the analysis we can conclude that correlation can be recognized between the low level of own innovation potential and taxation, legislation, regulations ($r=0,245$). Significant relation is proved between the suppliers and the company structure, functioning teams, research and development, motivation system and relation with customers. Companies should built a positive relationship with the suppliers, because it can influence further functional areas of business. Support from the company's management has also a relevant influence on the development of innovative activity in the company. Motivation system of the company, functioning working teams, resp. research and development can also affect the relationship with customers, i.e. also show a significant relationship.

CONCLUSION

Increasing and maintaining competitiveness of the business has key importance to operate in market economy. Competitive advantage may arise from the size of the company, ability to mobilize intellectual capital, technological skills and experience to create something completely new to offer in form of product or service. Innovation contributes in several ways to strong relation between the market performance and the new product. Formation and strengthening of business decision is a part of the company's innovation activity, without it the company would experience difficulties in long term. In the current period there is

a strong demand for businesses to bring new ideas, products, or services, to the market. If the firms do not upgrade their products, the products would become unattractive and they would have to close down the firm, which is not the goal of any entrepreneur. (Rajnoha, Lorincová, 2015)

Based on the results of primary research we can conclude that attitude of management and its motivation system as well as the positive relationship with suppliers contributes to innovation activity of the company and has positive effect on further functional areas of the business.

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