

INNOVATIVE POTENTIAL IN MORAVIA-SILESIA SME'S: CURRENT SITUATION EVALUATION AS A RESOURCE OF CHANGE

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ABSTRAKT

Inovace jsou založeny především na kreativním přístupu zúčastněných lidí, záleží především na rozvoji lidského potenciálu. Současně je třeba zdůraznit vazbu mezi velikostí firmy a formou její inovační strategie. Příspěvek prezentuje výsledky výzkumu, který byl proveden koncem roku 2005. Zároveň prezentuje návrhy možného rozvoje a odhaluje faktory, které brání inovacím v MSP. Příspěvek vznikl v rámci zpracování doktorské disertační práce a za podpory Interního grantu Slezské univerzity IGS SU 18/2005 ve výzkumu faktorů ovlivňujících MSP po vstupu do EU.

KEYWORDS: integration, globalization, innovation tendencies, SME

JEL Classification: M13

INTRODUCTION

In the first half of 2005, two significant economic-policy documents were adopted which define the path of further development in the innovation policy of the Czech Republic. The first is the *National Innovation Policy of the Czech Republic for 2005-2010* ('NIP'). It was adopted under Resolution of the Government of the Czech Republic No 851 of 7 July 2005; it follows up on the National Innovation Strategy (adopted in March 2004) and processes the strategic objectives of the Czech innovation policy to the level of individual measures and instruments of implementation.

1. INNOVATIONS – GROWTH POTENTIAL

At present, the NIP is a fundamental document in the Czech innovation policy for the next five years. The adoption of the NIP was preceded by the publication of the document *Concept of Innovations for Industry and Enterprise 2005-2008* (approved by the Council for the Development of the Business Environment on 9 February 2005). The concept presents the conceptual focus of the policy of the Ministry of Industry and Trade on support for the development of innovations in the Czech Republic, with a link to areas falling within the competence of other ministries. Both the above-mentioned documents are closely interlinked together with the National Innovation Strategy and the Economic Growth Strategy, constitute a compact system of economic-policy documents for innovations in the Czech Republic.

1.1 Own research on innovation potential

During November and December 2005, we made some research in SME in our Moravia- Silesian region. Main objects to describe were following:

- Common business form type, main specialization (according to the EU definition about SME size valid from 1.1.2005),
- Type of organizational structure,
- Business stage and strategy ,
- Innovative potential and its impact on current strategy approach

We collected data without financial indicators, because SME's owners were afraid of disclosing information. We used to fill in a standardized questionnaire and our direct visit. SME subjects was not been chosen before.

Table 1 Entrepreneurial structure by the number of employees

SME type	Number	Percentage share
Micro size	34	33,7%
Small size	30	29,7%
Medium size	29	28,7%
Large size	8	7,9%
<i>Total</i>	<i>101</i>	<i>100%</i>

Source: own research

How do they look like? Searching data were compared and structured by the main identification, by the size. Therefore, we are able to say, that number of employees is in all mentioned forms near the average value for each group. We could say that used legal form depends on company size (see table 2).

Many people mainly established their companies in "golden business years" (1992-1997) after the democratic change in CZ, so now they have more stable position on the local market. After these period came to Czech economy banking system crisis and higher unemployment rate so as conclusion people did not prefer to establish their own companies. Till this period they prefer a status of employee, they are searching labour safety.

Table 2 SME's basic characteristics

	Average number of employees	Dominating year of founding	Year of founding in average	Commonly used legal form
Micro size	5	1992	1997	82.3% SE
Small size	26	1994	1995	60%LLC, 39% SE
Medium size	106	1992	1994	62.1% LLC, 31% JSC
Large size	506	1992	1994	75% JSC

Legend:

SE-self employed person, LLC – limited liability Company, JSC – joint stock Company

Source: own research

Development of managerial skills and information source for creative climate making depends on chosen organizational structure. You could compare it in table 3. It could be a good chance for educational activities from universities and could help to establish a better connectivity from research field to practice life.

Table 3 Type of organizational structure

	Structure type	Average number of hierarchy levels	Average number of Span	Organizational shape
Micro size	Simple centralized	2	3	Wide
Small size	Simple centralized	3	4	Wide
Medium size	Simple centralized	4	5	Wide
Large size	Bureaucratic, divisional	8	4	High

Source: own research

Innovation source came from the main specialization in a company and the current company's stage. It would be clear by making simple comparison between tables 4 and 5. Main opportunity in innovation searching is in services improvement, you have to optimize your current service to make some unusual service package. Mostly trade operations are now on stagnation level, you could see better chances in two areas – trade accompanied by appropriate service.

Table 4 Entrepreneurship specialization

	Specialization		
	<i>Production</i>	<i>Trade</i>	<i>Services</i>
Micro size	14.7%	38.2%	47.1%
Small size	30%	16.7%	53.3%
Medium size	48.3%	6.9%	44.8%
Large size	75%	0%	25%
SME total(line 1-3)	31%	20.6%	48.4%

Source: own research

Table 5 Current entrepreneurial stage

Size / main specialization	Current stage			
	Starting level	Growth, expansion level	Development level	Stagnation level
Micro size	8.8% production	20.6% services	23.5% services	47.1% trade
Small size	3.3% production	33% services	36.7% services	27% production
Medium size	0%	31% services	38% services	31% production
Large size	12.5% production	0%	75% production	12.5% services

Source: own research

On the other hand, successful business depends on innovation standard in global approach and framework. Main results are summarized in tables 6-9. There is possible to compare an innovative level for each group and than made it into used strategy context and as a result, you discover competition influence on each unit development or market position.

Table 6 Innovative SME's potential

	<i>Direction of innovation</i>			
	<i>Without t = status quo</i>	<i>Technology development</i>	<i>Enlargement of the unit</i>	<i>New product development</i>
Micro size	29.4%	8.8%	8.8%	52.9%
Small size	17.2%	20.7%	24.1%	38%
Medium size	17.2%	13.8%	0%	69%
Large size	0%	0%	45%	55%

Source: own research

Table 7 Main innovation type and used implementing strategy

	<i>Commonly used innovation type</i>	<i>Commonly used innovation strategy</i>
Micro size	Assortment enlargement, e-shop	Competition observing (followers), CRM
Small size	Retail manufacturing, services pack, unique style	Orientation on public project competition, CRM, TQM, network development
Medium size	Product certification, ISO, KlasA (food products), technology franchising, cooperation	Strategic alliance building, CRM, MBO
Large size	Assortment enlargement according to customer's	CRM, CSR, TQEM

Legend: CRM=custom relationship management, TQM=total quality management, MBO= management by objectives, TQEM=total quality environmental management, CSR=corporate social responsibility

Source: own research

Table 8 Competition level around SME unit

	<i>Competition concentration</i>			
	<i>Without</i>	<i>Small</i>	<i>Medium</i>	<i>large</i>
Micro size	0%	29.5%	35.2%	35.3%
Small size	0%	13.8%	55.2%	31%
Medium size	0%	31%	27.6%	41.4%
Large size	12.5%	25%	25%	37.5%

Source: own research

Table 9 SME strategy evaluation

	Strategy type			
	Offensive	Status quo	Defensive	D-O Combination
Micro size	35.2%	55.9%	2.9%	6%
Small size	58.7%	31%	6.9%	3.4%
Medium size	69%	24.2%	3.4%	3.4%
Large size	87.5%	0%	0%	12.5%

Source: own research

To make a conclusion we have to apply statistical hypothesis testing. There we were oriented on factors, which have importance for innovation development.

Table 10 Innovation impact factors (correlation analysis)

Hypothesis	Correlation coef.	T - test value	Sign. value, df=98, $\alpha=0,05$	Conclusion True/false
Innovation is independent on current stage	-0,2856	2,951	2,01	False
Innovation is independent on competition environment	0,0998	0,9929	2,01	True
Innovation is independent on strategy	-0,148	1,48	2,01	True
Innovation is independent on size	0,146	1,47	2,01	True
Innovation is independent on legal form	0,037	0,367	2,01	True

Source: own research

Innovative approach in global environment is depends only on your current stage, because without innovation you lose you market position and is only time factor, which could cut-off your business. Another factor mentioned above only support SME's creativity approach. An innovation is a new idea, but you need a place for realization, capital source and some cooperation level to be competitive.

2. SUPPORT OF THE INNOVATION INFRASTRUCTURE

Support for the construction and functioning of entities in the innovation infrastructure is a significant element of measures to reinforce services for the promotion of innovations. These entities include science and technology parks, incubator units, and technology transfer centres). A core measure for the support of innovation infrastructure entities is the **PROSPERITY** programme announced on 12 May 2004 as part of the Industry and Enterprise Operational Programme for 2004-2006 (IEOP). This programme includes the establishment and development of science and technology parks, incubator units and technology transfer centres, and plays a significant role in supporting the creation of links between universities, science and research institutions, and the business sphere.

Other significant instruments in the direct support of the development of innovations in enterprises are the **INNOVATION** programme (IEOP), the support of projects intended

to increase the technical and utility values of products and services and to improve the efficiency of processes in manufacturing and service provision, and projects focusing on the implementation of progressive management methods, the implementation of significant changes in organizational structure, and changes in the strategic orientation of an entrepreneur, or other non-technical innovations. Although this programme is open to all size categories of undertakings, experience to date has shown that Czech small and medium-sized enterprises (SME's) realize the significance of innovations for the future development of their market position.

An important measure to promote cooperation between SME's and large undertakings is the announcements of the **CLUSTERS** programme (IEOP), which is designed to seek out undertakings with the potential to exploit the positive effects of participating in a cluster, and subsequently to support the emergence of clusters in individual regions.

Measures to promote innovations at SME's include, among others, support for the development of consulting services for undertakings. This measure is implemented via the **CONSULTANT REGISTER** project (IEOP), which is managed by Czech Invest, the agency for the support of enterprise and investments.

Besides the measures already implemented for the reinforcement of innovations at small and medium-sized enterprises, a number of other measures have been appointed within the NIP, which should stimulate innovation processes at undertakings. These include support for the protection of intellectual property rights, the support of emerging innovation enterprises, the creation of technological platforms, and support for the introduction of information and communication technology (ICT) at SME's¹.

CONCLUSION

Small and medium sized enterprises create a big power and potential in the Czech Republic development. They could have a huge innovative potential but without training and using supporting programmes, they do not develop their own identity. They have to discover a specialization field, which could make them more different than others one. SME's analysis by using historical approach supported by statistical methods discovered many trends, which we could change by appropriate education and training all the time.

Finally, the research discovers these main problems:

- **disintegration of the SME's market, low rate low rate of international trade, cooperation , partnership, due to lack of business ethics like reliance on cooperation, flexibility, innovations.** All these items absent in business environment and they suffer from the competition from EU. On the other way, cooperation create new possibilities to make a new job places, reduce regional unemployment, take the opportunity to develop the best solutions or ideas and create a network with highly skilled labour force to be competitive.
- **the same specialization without innovations,**
- **Unused chance to develop their firms by projects and structural funds,**
- **Language barriers** –language and communication skills are not developed yet, it illustrates the graph below. Main language knowledge is language of our neighbours

¹ 2005 IMPLEMENTATION REPORT ON THE EUROPEAN CHARTER FOR SMALL ENTERPRISES, www.mpo.cz, 12.1.2006

– Slovak, German, and Polish. However, is dominating only one language in one enterprise.

Their main problems would be definitely lack of capital, big competition and lack of state motivation for make another job places and new membership in EU is in nowadays not the main influencing factor, which cuts-off the business.

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