

Innovations and innovative potential in the context of new trends in business management in Slovakia

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Abstract: *The importance of innovation is increasingly emphasized and understood these days to ensure the future growth of enterprise and its survival. Innovations allow companies to coordinate their operations with changes that occur in their environment, changes in the market and with the ever-changing needs of customers. Innovation is understood as a very important factor of organizational performance and its survival and prosperity in a competitive environment. The company's innovative potential represents the company's ability to implement all innovation processes and defines how effectively the company can not only create but also use its innovations. The company's innovation and innovative potential are the most important and complex issues that companies currently face and is the key to the success of all organizations. The competition that companies have to compete with is strong and over time the customer requirements themselves are becoming more and more demanding, so it is increasingly important for the company to be aware of its innovative potential, which it can develop by introducing and using new innovations. It is important for companies to be able to anticipate and address the challenges that come their way and transform them into creative and innovative solutions and to respond effectively to unforeseen events. The main aim of the paper is, based on the analysis of theoretical knowledge, to identify innovation and innovative potential in business management reflecting current changes and challenges in the environment, and to assess their importance by Slovak companies.*

Keywords: INNOVATION, INNOVATIVE POTENTIAL, BUSINESS MANAGEMENT TRENDS

1. Introduction

All societies and the economy in general are thriving on innovation. Whether it is because of new products, new processes, or new materials. The reason and the main motive are associated with increasing profits, either by reducing costs or increasing revenue. In a rapidly changing world with ever-evolving technologies and increasing competition, a company needs to come up with new innovations that not only meet customer needs but also increase the company's overall efficiency.

Organizations are including the term innovation in their vision, mission, and objective statements. Innovation should be thought of as both an outcome and process. Organizations defining innovation as only one of these will fall short in its pursuit. The output typically associated with innovation is the introduction of new products and new services, which exemplifies what is termed product innovation. Innovation as a process represents the way in which innovation is and should be organized so that these outcomes can come to fruition [1]. Innovation is often happened using open technologies and high-quality open resource and relies on a different kind of knowledge and information system. Knowledge management is the most important part of the innovation [2]. The increasing complexity of products and services, shorter life cycles, and rapidly changing market demands require new or different capabilities and management practices to successfully develop innovations and sustain a company's competitive advantage [3]. In innovation evaluation in practice, the importance of measuring innovations is increasingly gaining the attention of managers and consultancies [4]. Narrowly connected with the double challenge represented by the global environmental crisis and the new wave of technological advancements commensurate with the fourth industrial revolution is the management of risks and generation of a new incumbent, that is responsible innovation [5].

Keeping active innovative activity ensures the overall development of entrepreneurship, as well as improving or maintaining its competitiveness [6]. In the modern economy, the definition of innovation potential is not entirely precise, and precisely because of this, there is no adequate approach to how to quantify it. The category innovation potential can be treated as a capability of system to transformation of the actual order of things in a new condition for the purpose of satisfaction of the existing or again arising requirements. Therefore, innovative potential is characteristic of a capability of system to change, improvement, progress [7]. Innovative potential interpretation variants were deduced as an innovation activity result in confirming the

cyclicality of innovation process and the innovation lifecycle, as innovation activity result [8].

2. Results and Discussion

We consider the work of the consulting company Bain & Company, which since 1993 has been conducting a worldwide survey called "Management Tools & Trends", which focuses on monitoring the behaviour and attitudes of managers, the use of individual management methods and tools and assessment their effectiveness. The survey focuses on selected management tools and trends, which are specified in terms of their timeliness, measurability, and relevance to senior management. The aim of managers worldwide is to maintain and develop companies in an environment of constant change and a rapidly changing environment. Managers thus use more targeted approaches with respect to management tools, which is the application of a smaller number of individual tools to maintain their income and increase profits. The current economic environment brings new challenges for business managers, but at the same time they must also consider possible risks. Factors such as the demographics of emerging economies, the aging of the population and the scarcity of resources are accelerating structural changes in market equilibrium, which, in addition to business opportunities for growth, also entails associated risks. Examples include the introduction of digital technologies, which allow businesses to expand into new markets but also bring instability, macroeconomic disruptions in the form of cyber-attacks, which are gradually becoming a risk for all businesses using digital technologies. The international survey (N= 1067) shows the results concerning the opinions of managers in the field of managerial trends. The surveyed managers believe that their company will grow in the next period, as evidenced by the fact that up to 75% of them declare that the ability to adapt to change is their main competitive advantage. Inquired managers (74%) consider the introduction of innovation to be more important than reducing costs in the long run, and 59% believe that there are significant opportunities to improve sustainability and profitability [9].

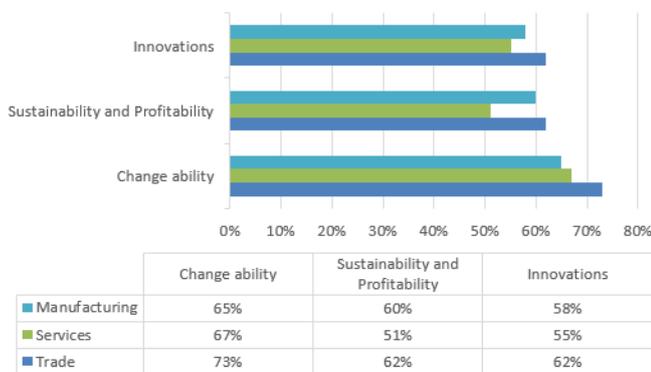
According to the most recent survey (N= 1268) 66% of managers think that digital disruptions and software solutions are rapidly changing the rules of competition. More than half of managers (59%) think that they could dramatically boost innovation by collaborating with outsiders, even competitors [10].

The object of our research was formed by a sufficiently large and representative sample of companies operating in the territory of the Slovak Republic. The respondents, due to the focus of the research, were mainly company executives, directors, and managers

at least middle management. To examine how companies, perceive the current market situation, as well as their company and their position in the market, we found out the following statements representing managerial trends. In evaluating the individual statements, the statements with which the managers most often agreed were as follows. Most companies, up to 68%, agreed that “the ability to adapt to change is their significant competitive advantage”. Half of the respondents also agree with the statement and “believe that there are significant opportunities to improve sustainability and profitability”. The third statement, with which companies most often agreed, concerned “innovations that are more important for companies in the long run than reducing costs” (40%). Extremely few businesses (only 4%) are concerned about a cyber-attack on their business. The next section compares the rate of application of the selected three management trends considering the identification data on companies, namely: business sector, size, and capital structure.

We have classified companies according to the focus of their business activities on manufacturing companies, trading companies and service companies. The ability to adapt to change, that is company’s significant competitive advantage, was agreed the most by trading companies (73%). The statement about the innovations was agreed by 62% trade companies, 58% manufacturing companies, and 55% service companies.

Table 1: Management trends applied by different business sector enterprises.

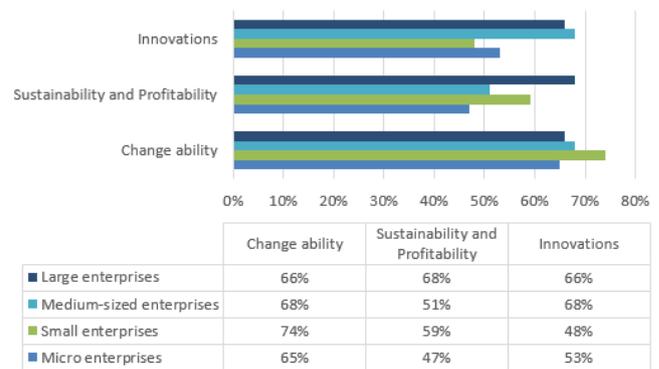


Source: own processing

Most often, the size of the company is measured based on the number of employees, annual turnover, and annual balance sheet. These criteria are based on the classification recommended by the European Commission (European Commission Recommendation No. 2003/361 / EC, valid from 1 January 2005). Similarly, we researched the size category of companies based on the three criteria, but since several answers were controversial, we proceeded to the size categorization of companies based on the number of employees. The management trend, that innovations are more important for companies in the long run success than reducing costs, agreed 66% of the large companies (above 250 employees), 68% of medium-sized companies (above 50, up to 250 employees), 48% of small companies (above 10, up to 50 employees), and 53% micro companies (up to 10 employees). Ability to adapt to change as significant competitive advantage was comparable in all size categories, mostly agreed by small enterprises.

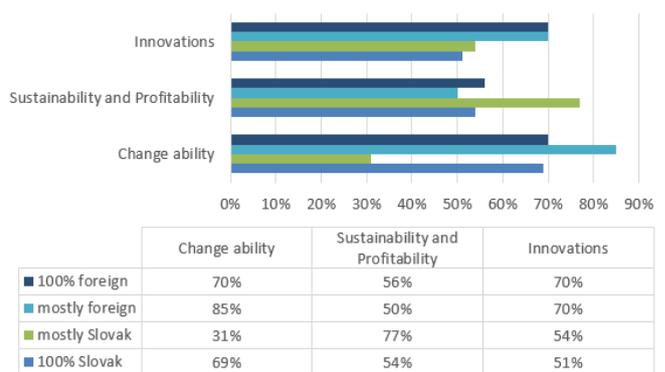
In the following criteria, we examined the identification with selected management trends according to the presence of foreign capital in the ownership structure of companies. Here a significant difference in the perception of innovation can be observed between 100% Slovak (51%) and mostly Slovak (54%) versus mostly foreign and 100% foreign companies (identically 70%). 77% mostly Slovak companies believe that there are significant opportunities to improve sustainability and profitability and 85% mostly foreign companies think that the ability to adapt to change is their significant competitive advantage compared to just 31% mostly Slovak companies that think the same.

Table 2: Management trends applied by different sized enterprises.



Source: own processing

Table 3: Management trends applied by different capital structured enterprises.



Source: own processing

Across all industries and regions, digital technology is a dominant factor. Two-thirds of executives report that digital disruption and software solutions are rapidly changing the rules of competition in their industries. And they are making good use of tools aimed at helping them address these shifts. Use of digital transformation is increasing, and respondents report high levels of satisfaction with it. Managers are upbeat about their ability to capture data and analyse it successfully. Despite other evidence that many companies struggle to get the most out of analytics, more than half of respondents to this survey claim they are able to capture and exploit the full value of data from all corners of their companies. This is a time of rapid change in business and markets, with new competitors emerging every day and customers untethered from traditional loyalties. Respondents feel both challenged by this environment and less capable of handling change. In 2014, 75% of respondents felt that their ability to adapt to change was a significant competitive advantage. Today, only 56% feel that their companies adapt to change faster and better than competitors do [9,10]. Based on these results, we have researched three management tools, such as manifestations of innovation and innovative potential, namely: digital transformation, big data analytics, change management.

Digitalization and, later, digital transformation are drivers for changes in the corporate world, because they establish new technologies based on the internet with implications for society as a whole [11]. Digital technologies contribute to the transformation of large parts of our economy and society. Also, the nature of innovation itself has undergone a digital transformation [12]. Big data analytics is increasingly becoming a trending practice that generates an enormous amount of data and provides a new opportunity that is helpful in relevant decision making [13]. Through focused deployment of big data analytics, firms can sense emerging opportunities and threats, generate critical insight, and adapt their operations based on trends observed in the competitive environment [14]. Managing change is not just important but crucial

for the success of the final product of companies [15]. Change management is the area of study that aims to facilitate the transition of individuals, teams, or the whole organization by managing them. The key issue in successfully implementing change is a matter of successfully changing the organizational culture, so that on-going change becomes the accepted norm [16].

When applying selected three innovative tools, we determined the satisfaction of respondents with individual tools. Only respondents who used the tool answered the question about the satisfaction assessment. Satisfaction was rated on a scale of 1 to 5, with a value of 5 meaning that they were very satisfied with the tool and a value of 1 indicating that they were very dissatisfied. Fig. no. 1 shows the examined 3 innovative tools in management, while the vertical axis shows the total use of this tool in % and the horizontal axis represents the average satisfaction of respondents evaluated on a point scale. In general, it can be stated that the respondents were satisfied with the tools used, as the average satisfaction rates were above the level of 3 points (when the respondent was neither satisfied nor dissatisfied) upwards. Respondents were the most satisfied with digital transformation tool, which rated an average of 3.62 points. The change management tool was evaluated with an average of 3.60 points and was the most widely used (47%). The big data analysis tool was evaluated with an average of 3.50 points and usage rate was 30%.

In the case of the digital transformation tool, respondents often considered it costly without a positive result, especially in the impact of global solutions on the local market or organization. The big data analytics tool was also assessed as time-consuming compared to the added value it brings to the company, complications are also caused by the diversity of business models and the limited ways and possibilities of using this data.



Figure 1: Innovative management tools- usage and satisfaction.

Source: own processing

In the following graph (Fig. no. 2) we can see the rate of usage selected innovative management tools related to the size category of the company, which we consider as an important aspect.

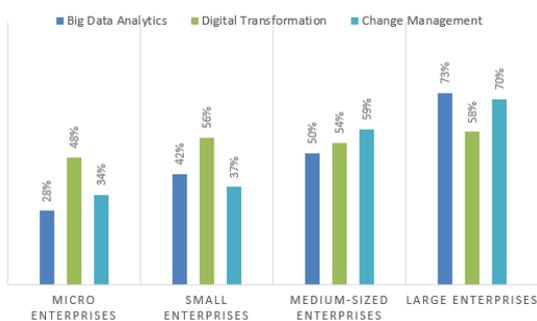


Figure 2: The rate of usage selected innovative management tools.

Source: own processing

With a larger size category, a higher rate of usage of individual innovative management tools can also be seen. All three tools

researched are most widely used by large companies, with more than 250 employees.

3. Conclusion

Despite the ever-increasing popularity of the field of innovation, which companies cannot avoid, innovation is often perceived by companies as something risky and unpredictable. However, if a company wants to succeed and keep up with rapid times and technological change, then innovation is something it must learn to work with. Today, new and improved products and services are constantly coming to the market thanks to certain trends that have accelerated this process. Therefore, companies' products and services are becoming obsolete much faster than in the past. It is essential for companies to innovate and create something new for society in order to gain a foothold in a tough competitive market.

The ever-changing environment in the economy calls into question traditional economic and business concepts. There were times when innovative trends in the management of organizations were applied only by the largest companies and those that led to change. Gradually, however, their knowledge and use becomes one of the requirements for the survival of the company in the market. Managers and entrepreneurs need to look ahead, anticipate change and follow a strategy to proactively and successfully overcome the turbulence caused by change. Innovative trends in management represent effective management tools that serve to identify new opportunities, bring changes to the business to achieve continuous improvement in the way an existing activity, function or process is performed. In general, it is necessary to prioritize in the management so that the company avoids being swallowed with information and does not lose contact with the vision and goals. This also applies to the selection of control methods. This means that they are not bad methods, just appropriate and less suitable for company's goals. At the same time, the dynamics of time determine that information and outputs are old even during data acquisition, analysis and conclusion. Another aspect of decision-making and management is risk estimation and risk acceptance.

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