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## Innovation in company development strategy in Poland

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Tekst jest udostępniony do wykorzystania w ramach dozwolonego użytku.

**Krzysztof Janasz**

## **INNOVATION IN COMPANY DEVELOPMENT STRATEGY IN POLAND<sup>1</sup>**

Every economic entity undertakes a number of complex actions the purpose of which is to accomplish strategic goals. That complex range of strategic undertakings includes pro-innovation actions related to creating and implementing innovations which allow to gain advantage over competitors as well as achieve projected strategic goals and at the same time market success.

Experiences of well developed countries suggest that innovation are the driving power of each economy and they have an impact on growth potential within a long period of time. Intensity of investment in research and development is strictly connected with the level of economic growth and competitiveness of the economy. States with the highest ratio of intensity of investment in research and development enjoy at the same time leading economies on the world scale<sup>2</sup>. The ratio of intensity of investment in research and development is the ration between total investment in research and development and total GDP value in a given country.

Polish companies undoubtedly need capital. Without necessary capital they have no power to exert a positive influence on economic growth in our country. Internal capital resources generated though converting domestic savings into investments are still too low in comparison with the needs of the Polish economy. Such a situations stems from a combination of several negative factors:

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<sup>1</sup> Scientific research financed from funds for science 2008–2010 as a research project.

<sup>2</sup> Those countries include: Finland, Japan, USA and Germany.

- low level of so far accumulated investment capital,
- low savings rate in Poland,
- still low GDP level per capita.

It is of crucial importance to specify the position of innovation in the strategy of a company development in Poland, it is also important to create such a strategy that innovation correspond to their position in the economy. One should also take into account that the implementation of innovative undertakings enabling the development of the company and increase of its value require soliciting capital which shall finance those investments. Capital inflow to the company is possible in a situation when potential investors are convinced that equity investments in a given company shall bring about an expected by them rate of return with the simultaneous acceptance of risk that refers to any economic activity.

The theory of innovations assumes an important role in economic sciences. That theory was introduced in XIX century by J.A. Schumpeter. He perceived the innovations as a combination of five functionally related possibilities<sup>3</sup>:

- generation of new products and launching them into the market,
- implementation of new manners of product manufacturing,
- gaining and creating new markets,
- gaining new sources of resources,
- new organization.

Relating innovations to changes is perceived by some authors as a change in the economic process structure which may include such elements as: goal, criteria, means, conditions, methods and results. Views over the character of innovations are obviously varied, however nearly every definition presents the aspect of a novelty and a change.

Thus, one may assume that the notion of innovations refers to a change in the so far existing economic composition requiring an elaboration and implementation of new solutions or improving those so far existing. The purpose of the above mentioned is to increase the efficiency of a company functioning, and related economic benefits<sup>4</sup>.

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<sup>3</sup> J.A. Schumpeter, *Teoria rozwoju gospodarczego*, PWN, Warszawa 1960, p. 104.

<sup>4</sup> L. Berliński, *Projektowanie i ocena strategii innowacyjnych. Inżynieria strategii przedsiębiorstwa*, OPO, Bydgoszcz 2003, p. 57.

The analysis of the character and features of innovations in a company allows to point out to the following elements:

- their strategic character,
- multilevel-virtual form.

Strategic character of innovation stems from their changeability, increasing rate of those changes, dynamism and connection of the company with its past, mutual synergic influences and finally – its economic efficiency. Whereas, the multilevel aspect of innovation is related to their mutual influences and mutual cooperation feedback<sup>5</sup>.

Globalization undoubtedly fosters the development of economy. New modern methods of manufacturing are formed and they are of great significance for innovative processes necessary for adjusting to new conditions and challenges of the today's world (level of technical advancement, diversification, renewable aspect). The globalization process fosters spreading international economic relations and international cooperation. Simultaneously joint technological projects and scientific research develop. All the above mentioned processes require certain knowledge about certain principles, mechanisms and innovation tendencies, revaluation of criteria concerning evaluation, rules of incentives operation and recognition of barriers for innovation.

The literature presents numerous definitions of a company development strategy. There is no homogeneous approach to features of a strategy, its elements as well as unified criteria of its evaluation. Basic differences in typology refer to three aspects: decision freedom, strategy formalization and central point of the strategy<sup>6</sup>.

The strategy constitutes a complex category. It is multilevel and subject to evolution. It is not possible to specify a unified model of the strategy which stems from the fact that there are various methodological concepts concerning strategy forming. They are based on various methodical assumptions referring to strategic management of economic activities.

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<sup>5</sup> *Ibidem*, s. 61.

<sup>6</sup> See K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, p. 29–40; M. Moszkowicz, *Strategia przedsiębiorstwa okresu przemian*, Wydawnictwo Naukowe PWN, Warszawa 2000.

The strategy can be defined as a set of main decisions concerning the following levels of operation<sup>7</sup>:

- basic selection concerning the product, market or technology,
- quantitative specification of goals in economical, technological, social and political fields,
- allocation of financial means, as well as technical and human resources.

Economic strategies of companies shall be the most important part of the program of constant competition for the best position in the market and possibly competitive advantage. Functional strategies refer to specification of the manner of the implementation of individual functions (production, finances, marketing, research and development works, human resources, etc.). The above mentioned aspects allow to specify how the global strategy (of the company) and business strategies shall be carried out.

It shall be emphasized that functional strategies include **innovation strategies**. **Innovation strategies of a company** includes the activities aimed at modernization of the existing products and services, generating new products, introduction of new technologies, materials, components and creating relevant organization structures<sup>8</sup>.

The specification of the above mentioned levels of company innovative strategies seems to be useful both for the cognitive and normative aspects. The above mentioned fact is definitely related to the complexity of such a type of the strategy as well as the necessity for its identification and consideration in terms of mutual relations between its levels and individual factors.

Innovation strategy refers to the company's internal and external innovation processes. Innovation strategies define certain regularities, pattern of proceedings in a company in the period of changes of the company's economic relations with its environment. From a normative perspective innovation strategies refer to the program of the company's actions to its surrounding<sup>9</sup>.

Identification and the implementation of innovation strategies undoubtedly exert an impact on rationality of the management. Nowadays, a company is considered to be a basic medium of innovation. Inclination to introduce new, useful products,

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<sup>7</sup> W. Kieżun, *Sprawne zarządzanie organizacją*, SGH, Warszawa 1997, p. 97.

<sup>8</sup> W. Janasz, K. Janasz, A. Świadek, J. Wiśniewska, *Strategie innowacyjne przedsiębiorstw*, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2001, p. 47–48.

<sup>9</sup> *Ibidem*.

technologies and services is currently considered as one of the major attributes of international economic competitiveness<sup>10</sup>. If companies do not multiply their abilities to create, absorb innovation and first of all solicit capital Poland will become a peripheral country even it spite of being EU member state.

Conditions of operation and concepts of entities development constitute basic factors defining the selection of innovation strategies. Various companies undergo various dynamics of innovation, the same holds true to their scope and character. In general one can state from a dynamic perspective the selection of strategies focuses on designing technological solutions and principles of participation in innovation undertakings. Defining more precisely it is necessary to adopt a wild range of new abilities covered by the notion of organizational management of the project. One needs to take into consideration basic information how to launch the project, how to supervise its course and how to solicit capital for a given undertaking.

Each company may have its own unique approach to strategy formulating which refer also to innovation strategies. However, most of them resort to general rules which consist of four stages<sup>11</sup>:

- establishing strategic goals,
- analysis of the economic entity,
- adaptation attempt of the entity,
- attempt of adaptation to the environment.

A strategy needs to be efficient in order to be effective. Additionally it shall enable an economic entity to obtain an advantage over competitors. Forming and implementation of the innovation strategy is important in relation to its pragmatic value. In a well developed market economy majority of entities find it well grounded to have an innovative strategy. Basic undertaken decisions with that respect refer to the development of the product, technology, services, new solutions concerning organization and management and sometimes also license and patent policies<sup>12</sup>.

It shall be emphasized that very often innovation are perceived as only one type of strategies, however they are defined as the most important element of com-

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<sup>10</sup> See *Nauka i technologia*, ed. A. Wierzbicki, Urząd Rady Ministrów, KBN, Warszawa 1996, p. 55.

<sup>11</sup> See W. Janasz, *Innowacje i ich miejsce w działalności przedsiębiorstw*, in: *Innowacje w modelach działalności przedsiębiorstw*, ed. W. Janasz, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2003, p. 60.

<sup>12</sup> *Ibidem*.

panies' strategies irrespective of the range and scale of their operation<sup>13</sup>. It is also emphasized that innovation constitute a kind of substantial strategy (general direction, goals, security for long-term interests), especially in case of cooperation with foreign entities<sup>14</sup>.

The typology of innovation strategies may be based on various criteria. Most common are two categories: **intravert and extravert strategies**. The intravert category includes the following:

- strategies related to increasing the appeal of the product, strengthening its position in the market,
- strategies referring to the value added to the product,
- strategies referring the productivity of human resources and equity.

The extravert category includes<sup>15</sup>:

1. Offensive strategies – referring to entities with special position in the market stemming from an advantage over competitors (priority of using resources of innovative factor).
2. Defensive strategies – referring to the market leaders which maintain their position by strengthening it.
3. Counter-offensive strategies – focusing on modification and development of products for the purpose of prolongation of their life cycles in the market.

Taking into account the level of innovative aspect one can trace the strategy of following the existing tendencies or the approach of outstripping. A pattern to be followed shall be adopted as various patterns offer various levels, dynamics, and structures of industrial development.

**A strategy of following the existing tendencies** focuses on adopting the already introduced strategy of the company development however in certain conditions it may constitute basis for implementation the **strategy of outstripping**. This strategy is characterized by substantial creativity and is related to substantial investment costs, which depending on its scale may lead to losing the market balance. Those

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<sup>13</sup> A. Nowak-Far, *Globalna konkurencja. Strategiczne zarządzanie innowacjami w przedsiębiorstwach wielonarodowych*, Wydawnictwo Naukowe PWN, Warszawa–Poznań 2000, p. 26.

<sup>14</sup> A.J. Almaney, *Strategic Management. The Process of Gaining Competitive Advantage*, Champaign 1992, p. 258–259.

<sup>15</sup> J.D. Antoszkiewicz, *Metody skutecznego zarządzania*, Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, Warszawa 1996, p. 267–269.

strategies may be implemented by individual companies, groups of companies, their departments or the industry as a whole.

It shall be outlined that the literature on the subject does not offer formulated criteria of innovation strategies typology. There is not enough information on their basic features both from the theoretical and pragmatic perspectives<sup>16</sup>. Proper criteria of innovation strategies typology would enable to define actions on companies, selection of determinants and may constitute basis for evaluation of the effects of innovation activity. As it has been reported, innovation strategies cover such basic elements as goals, means, and methods of their implementation as well as manners of entering the market<sup>17</sup>.

However, three criteria of the development innovation strategies typology can be defined<sup>18</sup>:

- material effects (products, technology, organization system),
- market effects,
- ecological values including those approved by the clients.

The first criterion includes strategies of product enhancement, strategies of technology enhancement and strategies referring to organizational changes. The product strategy includes launching new products, enhancement of those already existing, and withdrawing from the production of some of them.

The strategy of forming technological processes includes the selection of appropriate technology as well as the evaluation of the impact of the implemented technologies on cost reduction and the increase of the industrial production. Whereas the strategy of enhancing organization and management systems is immanently related to former strategies as well as new management techniques such as TQM.

Advancing globalization allows to develop joint technical undertakings as well as technological and scientific researches. All the above mentioned aspects require certain knowledge on some regularities, mechanisms and innovation and development tendencies as well as reevaluation of criteria, principles of incentives operation and tracing of barriers for innovations. New ideas and concepts of forming

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<sup>16</sup> W. Janasz, *Innowacje i ich miejsce...*, p. 74.

<sup>17</sup> *Ibidem*.

<sup>18</sup> L. Białoń, *Typologia innowacyjnych strategii rozwoju*, in: *Innowacje techniczne i zmiany strukturalne w procesie transformacji polskiej gospodarki*, t. I, ed. A.H. Jasiński, M. Kruk, Uniwersytet w Białymstoku, Białystok 1999, p. 16–17.

innovation processes adjusted to new conditions of managing are necessary. They should one hand base on the experience of well developed countries and on the other hand focus on specific features of transformed economy<sup>19</sup>.

The innovation process has two aspects of determined specifics. The first aspect focuses on **vertical transfer of innovation to the production**, whereas the latter refers to horizontal transfer that is **diffusion (imitating innovations)**. Diffusions refer to further implementation of the new technique, which is already implemented into the current exploitation operation dynamizing such operation simultaneously offering further advancement by further implementation. The relevant literature as well as economic practices focus on promotion of activities referring to B + R sphere, whereas other parts of the above mentioned innovation process attract less attention. First of all the ability for innovation is given priority over the ability for diffusion although the latter once constitute a key component for their operation and achievements of the company. Undoubtedly the phase of diffusion is that element of the innovation process that concentrates on the problem of its macro and micro-economic efficiency. Multilevel aspect of the, diffusion processes results in a fact that its results are visible on many plains. Direct impact of this phenomenon is visible for instance within economic entities which undergo such a phenomenon. New techniques, technologies, products or organizational changes introduced to a given entity cause effects for instance in form of the increased volume of production, lower costs, higher efficiency and finally better economic results<sup>20</sup>.

Innovation are often a reaction of a company to the changes in the environment. Thus, they shall be considered in a varied environmental strategic aspect. The phenomenon of contextual approach to innovation stems from their multilevel aspects. The research should be undertaken to clarify the relations inside the enterprise and correlations between these processes.<sup>21</sup> It is underlined in the literature that the innovation are frequently treated by the companies as a part of intuitive strategies in their strategic approach and do not always have their external aspect. It is especially

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<sup>19</sup> See W. Janasz, *Innowacyjne strategie rozwoju przemysłu*, Fundacja na rzecz Uniwersytetu Szczecińskiego, Szczecin 1999, p. 108.

<sup>20</sup> Por. J. Wiśniewska, *Ekonomiczne determinanty dyfuzji innowacji produktowych i technologicznych w banku komercyjnym*, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2004, p. 57–59.

<sup>21</sup> D.F. Jennings, *Multiple Perspectives of Entrepreneurship. Text, Readings and Casus*, Cincinnati 1994, p. 29–30.

true for the smaller entities that have no clearly stated missions and plans. It may not affect innovation on the condition that they are able to present and execute such strategies articulately. The intuitive strategies cannot be approved completely because they are useless for the bigger companies due to the fact that they require other form – written one<sup>22</sup>.

The stage of formulating the variants of the innovative strategy is mainly the stage of answering the question of what the company should do and what is the range of the necessary changes. Choices of the product innovation strategy are aiming at introducing the defined changes into the present portfolios of the products. Relationships among the accepted criteria (marketing orientation, new product) allow for the isolation of the following eight types of product innovation strategies<sup>23</sup>:

- extending the product's line,
- new generation of the product,
- marketing variation of the products,
- horizontal diversification of the products' portfolios,
- conglomerate diversification of the products' portfolios,
- concentrated diversification of the products' portfolios,
- application diversification of the products' portfolios.

The strategy of extending the product's line consists in creating a new product that extends the range of satisfying the consumers' needs on the basis of constant innovation. It is possible, if the company owns new technologies.

Strategy of the new generation of the product is expressed by the creation of the new product which allows for the improvement of the level of satisfaction of a specific need. It is modified as far as a functionality of the product is concerned and is more convenient for the consumer.

Strategy of the marketing variation of the product does not concern the functionality of the product but it creates its new image. Another strategy – of the segmental variation of the product is mainly a strategy of creating the product in

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<sup>22</sup> W. Janasz, *Innowacje i ich miejsce w tworzeniu wartości przedsiębiorstwa*, in: *Innowacje w działalności przedsiębiorstw w integracji z Unią Europejską*, ed. W. Janasz, Difin, Warszawa 2005, p. 37.

<sup>23</sup> See M. Haffer, W. Popławski, *Strategie innowacyjne w kontekście podstawowych kierunków rozwoju przedsiębiorstw*, in: *Strategie rozwoju współczesnych przedsiębiorstw*, ed. Z. PierścioneK, K. Poznańska, materiały z konferencji naukowej, SGH, Warszawa 2000, p. 416–417.

many variants (standard, richer), that satisfy diversified needs of present and future clients.

On the other hand, the strategy of horizontal diversification of the products' portfolios, Consists in creating the new product by using completely new technology.

The strategy of conglomerate diversification of the products' portfolios is creating the new product, which has not yet been a subject of interest of the entity and the entity is using non-constant innovation.

On the contrary, the strategy of the concentrated diversification of the products' portfolios is creation of products for a new group of clients on the basis of the non-constant innovation. It assures the satisfaction of the individual needs, which require the use of the new technology. That new technology also allows to capture the neighboring units of the market.

The application diversification of the products' portfolios strategy uses non-constant innovation in the production process of the new product and satisfying different marketing needs of the product.

Most of the mentioned strategies require marketing knowledge and attitude. The remaining ones (extending the product's line, new generation of the product, horizontal and conglomerate diversification of the products' portfolios) mostly use the new technologies and development researches.

The system of innovation strategy and competition strategy comprises of two entities, the relationships between them more or less hierarchical in nature and close relationships (processing course – production, group of companies, local, regional, national, international production system). The competition system aims at increasing the competitiveness of the companies. Mating pairs of elements from the set of strong and weak points with the elements from the set of chances and dangers. In the sphere of the operation strategy, the basic issue is the cohesion of the dependences between the strategic attitude and competitive predominance based on the production capacity.

While considering the strategic formation of the companies' innovation, the impeding factors should be enumerated. Generally speaking, these could be divided into economic factors – such as lack of own internal and external funds necessary for the financing the innovation operations, high cost of running the business. Of high importance are also factors connected with knowledge in general. Examples

are: lack of properly qualified personnel (intellectual capital), lack of information concerning new technologies and recognition of the markets, issues connected with searching for new business partners, and all other market factors (e.g. highly developed monopolization of the market, unsure demand)<sup>24</sup>. Among other factors causing the low activity of the companies can be lack of need to undertake this kind of business or lack of demand for the innovation.

The final aim of the innovation activities is aiming at strengthening the competitive position of the given enterprise. This aim can be achieved in different ways. The basic ones are enlisted below:

- strategy of the business range (expenditure leadership),
- strategy of the business' diversification (diversification),
- strategy of division (concentrating the business).

Innovative activities should be the outcome of the marketing research and should be beneficial for the clients. It should be remembered that the basic condition of the effective and rational introduction of the innovation into the national and international markets is the need of business management and of forming innovative strategies<sup>25</sup>. Of vital importance is a developed market economic mechanism and exploitation of its regulation function, which is considered in the aspect of the innovative processes of the economy.

Global strategies of the companies enhancing all aspects in the chain of values should create possibilities of identification of the most beneficial ways to create the value for the clients. Such chain of values can be different (specific) for individual economic entity<sup>26</sup>. In practice that means the necessity to allocate proper resources (structure) in the strategic places that would allow for the strengthening of the value chain especially in the places where it is favorable to the process. Therefore we are allowed to state that the innovation are one of the ways to achieve strategic aims defined by the enterprise, as well as the basic factor of such strategy.

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<sup>24</sup> See E. Wojnicka, P. Klimczak, *Procesy innowacyjne w sektorze MSP w Polsce i regionach*, in: *Innowacyjność 2008. Stan innowacyjności, projekty badawcze, metody wspierania, raport*, ed. A. Żołnierski, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2008, p. 56–57.

<sup>25</sup> See W. Janasz, *Innowacyjność i przedsiębiorczość w kulturze organizacyjnej przedsiębiorstwa jako systemu społecznego*, w: *Innowacje w strategii rozwoju organizacji w Unii Europejskiej*, ed. W. Janasz, Difin, Warszawa 2009, p. 53.

<sup>26</sup> Z. Malara, *Przedsiębiorstwo w globalnej gospodarce. Wyzwania współczesności*, Wydawnictwo Naukowe PWN, Warszawa 2006, p. 25.

## INNOWACJE W STRATEGII ROZWOJU PRZEDSIĘBIORSTWA W POLSCE

### Streszczenie

Każdy podmiot gospodarujący podejmuje wiele złożonych poczynań zmierzających do osiągnięcia celów strategicznych. Z całą pewnością trzeba tu zaliczyć aktywność proinnowacyjną polegającą na kreowaniu i wdrażaniu innowacji, które pozwalają na zdobywanie przewagi konkurencyjnej, a tym samym uzyskanie projektowanych celów strategicznych, a więc w rezultacie uzyskanie sukcesu rynkowego.

W artykule przedstawiono miejsce innowacji w strategii rozwoju przedsiębiorstw w Polsce, a także rodzaje strategii innowacyjnych występujących w przedsiębiorstwach. Uprawione jest stwierdzenie, że innowacje mogą być jednym ze sposobów osiągnięcia wyznaczonych celów strategicznych przez przedsiębiorstwo i podstawowym czynnikiem takiej strategii.

*Tłumaczenie Krzysztof Janasz*