

# IMPACT OF INNOVATION ON THE PERFORMANCE AND COMPETITIVENESS OF THE ECONOMY

Milan MAJERNÍK - Štefan MAJERNÍK



## **ABSTRACT**

*The advanced economies are currently in the phase of transition from industrial to digital society. Today, information and knowledge create and rank the most advanced countries and economies, transferred through their productivity and performance. After studying the history, a parallel can be found between the orientation of the economy and world trends. By analogy, the new economy is now a flow of innovation and adaptation. It marks the number of changes, not only quantitative, which have changed the structure and functioning of the economy since the 1980s. It is an economy of innovation, information and new ideas that are becoming a commodity1.*

**KEYWORDS:** *economics of change, ITK, innovation, value creation, Global Innovation Index, competitiveness, creativity, science, education*

**JEL Classification:** M 21

## **INTRODUCTION**

### **The economy of change and innovation**

This economy is bringing new opportunities and opportunities, pushing for innovation, affecting employment growth and labor productivity growth. But it is also a socially bringing economy voltage and income disproportions. It completes the effect of shifting the workforce from manual labor intensive industries to industries requiring knowledge and information. Today's global internet economy brings new opportunities that require new rules to be defined. Those who play according to her new rules will prosper and those who ignore them will lose. It is not for nothing that this economy is also synonymous with the Internet economy (net economy), innovation economy, digital economy, the Internet or knowledge economy.

The information and communication technology industry is today a network industry. Today, networks are interconnected through multiple communication nodes. The extraordinary features of the IT-supported network industry are referred to as network externalities such as globalization, competition and technical change and are interconnected. Individual participants as well as companies are actually nodes and binders. We can even say about the impact of the economy today that there is not only e-economy, but also e-society, e-policy, e-culture and the whole-world. the world).

## **GOAL**

The aim of the paper is to examine the economic aspects of the company's innovation potential and the impact of innovation on the performance and competitiveness of the enterprise's economy. Achieving the goal of the post is supported by the solution definitions of basic concepts and definitions associated with the definition of the economic aspects of innovation, performance and competitiveness.

## WORK METHODOLOGY AND EXAMINATION METHODS

To achieve the goal of the paper, a combination of several scientific approaches, methods and tools is used to enable the investigation of objects and processes in their complexity. The chosen methods of work are based on the topic of the paper and the set goal. Several methods of scientific investigation are used, both theoretical and empirical. The starting point is an analysis of the current state of the problem in the theoretical definition of individual aspects. We used the following methods: logical methods, special methods for economics.

## THE RESULTS

### Contradictions in the view of the new economy

If we were to compare the old and the new economies, we would find differences both in the sectoral structure and orientation as well as in the structure of the workforce or government regulation. For example, the old economy applied mass production, the importance of research was lower and concentrated on full employment in addition to a high degree of management control. The new economy is oriented towards flexible production, higher real wages as opposed to full employment in the old economy, and market instruments as opposed to regulation.

The new economy is an economy that considers knowledge as the capital and central resource of the economy and sees managers of different levels as one of the means of their diffusion into practice. Position of innovation in the process of value creation Innovation is a dynamic element of production and growth. Without innovation, further development of enterprises, the economy as a whole and society is impossible. Sustainable productivity development cannot be ensured without innovation.

The term innovation is based on lat. innovation, that is, to innovate, or to do something new. In this conception, it is the process of transforming an opportunity into a new idea and transforming it into a widely used practice (Tidd, 2007, p. 64).

Based on further definitions, it can be said to be "a specific tool for entrepreneurs through which they use change to create opportunities to differentiate their own products or services from competitors" (Drucker, 1985).

The "spiritual father" of innovation is considered by J. Schumpeter, who defined economic innovation in his work "The Theory of Economic Development, 1934".

The innovator's task is to apply the measure of novelty that invention brings and put it into practice (Ivanička, 2009, p. 17).

Innovation can be manifested through new products, business directions, cost reductions, increased labor productivity, product quality, or in shaping or winning new markets.

Innovation is also of key importance in the economic process. It is mainly through its ability to change production processes, structure of the economy and thereby accelerate value creation. The importance of innovation in the process of value creation can be seen from two basic points of view:

- in terms of creating a competitive advantage for the company
- from the perspective of increasing business productivity.

Innovation affects the competitiveness of enterprises by creating new products or improving the quality of existing products. In terms of types of innovation, its benefits can be felt at different levels of business activity

In our view, the division into product, process, position and paradigm innovations is particularly important (Tidd, 2007, p. 11). A similar breakdown is also given in the above-mentioned Frascatti Manual, which, apart from product, process innovations, also recognizes marketing and organizational (Ritomský, 2009, p. 10).

The relationship of innovation and competitiveness can be seen through another dimension. It is productivity. In general, the most innovative industries traditionally have the highest productivity

gains. The implementation of innovation increases the efficiency of appreciation of both human and physical capital, which directly increases the proportion of added value created.

The specific sector - Information and Communication Technologies (ICT) - deserves special attention in the analysis of the impact of innovation on economic development. It ranks first among the group of the most important areas of innovation. Its impact on productivity growth is so impressive that it deserves a special definition within the pillar of innovation.<sup>1</sup>

In our work (Gust, 2000, p.14), we have identified three channels through which the ICT industry contributes to aggregate productivity growth. The first channel is the contribution that the information technology (IT) industry contributes to productivity growth through higher IT productivity - computing, software and high-tech production. The second channel is the use of ICT products in other sectors of the economy. This means that investing in IT equipment (purchasing, not manufacturing) can improve the capital / labor ratio and thus contribute to labor productivity growth. Finally, information technology can create network effects in the form of promoting information dissemination, communication and thus contributing to incarnate technical progress.

The actual development of ICT is not only a question of the amount of investment in technology and capital equipment, but also of the efficient use of new technologies and investment in human resources.<sup>1</sup>

Linking skills, competences and qualifications in the synthesis of knowledge means linking specific aspects, impulses and challenges to the potential of human capital. Analysing the process of innovation without understanding the nature of human capital is thus incomplete.

***Productivity and innovation pillars***

When defining the individual pillars, it is also necessary to take into account the external relations of the economic system, the level of interactions and the framework of potential future interdependencies. From the viewpoint of the Slovak Republic as an economy with a high degree of openness, the position and application within the broader economic-political groupings and the global economic position becomes a priority, modifying the parameters of productivity.

Globalization, as a major factor in the development of the world economy, has significantly modified the position and importance of traditional manufacturing industries.

One of the criteria for assessing innovation activity and economic growth of individual countries is considered the Global Innovation Index (GII), which examines the innovation capacity of 143 economies. From the above assessment we chose the V4 economies, whose position in the Global Innovation Index evaluation is presented in Tab.

*Table 1: Global Innovation Index - V4 Country Ratings*

<b>V 4 countries</b>	<b>Rank from 143 countries</b>	<b>Count from 100</b>
Czech republic	26	55,22
Hungary	35	44,61
Slovak republic	37	41,89
Poland	45	40,64

*Source: Reported by The Global Innovation Index 2018 -The Human Factor in Innovation*

<sup>1</sup> This finding is analogous to the so-called. the paradox of IT sector productivity, which is that the increase in IT investments alone will not bring the expected effect without the necessary information infrastructure, such as the IT infrastructure. educated human capital, access to capital and technology (Workie, 2004).

First Innovation performance with the best prerequisites for effective integration into the innovation process should be a key priority. They should be able to focus on cutting-edge research and use the development potential given by the economic and social environment in the SR in a rational way.

## DISCUSSION

### New challenges of innovation and competitiveness

The development of innovations is not only a question of individual economic entities, which by their economic activity contribute to the creation of value, but also a question of mutual cooperation and common achievement of set goals.

The level of partnerships takes different forms depending on the level and position of the actors involved - international partnerships, regional, business and partnerships of different social groups, but also informal forms.

According to (Tidd, 2007, p. 64), the development of business competencies is an essential prerequisite for success in every innovation. An enterprise located in a certain environment, resp. industry is influenced by a range of factors whose potential is either or is not able to exploit. In the area of innovation development, Tidd (2007, p. 72) further considers the following environmental factors.

*Sector - Company Size - National Systems - Investment Incentives - Life Cycle - Novelty - Radical Innovations (Disruptive) may also require the introduction of so-called "disruptive" "Dual structures", - External institutions*

The presented development factors can significantly influence the success rate of the innovation process under different starting conditions.

A qualified expansion of innovation envisages, in addition to identifying the core sectors of innovation development, support for other key aspects of its development.

At present, it is necessary to create an environment for the transfer of knowledge and technology to products and production processes, to support the establishment of links between institutions of the private, public and non-profit sectors. It is also important to promote awareness of the need for expansion in terms of innovation development and competitiveness.

Innovative development and creativity

Creativity is an activity that brings hitherto unknown and at the same time socially valuable creations, works - outputs. Creativity occurs in every sphere of human activity and thus in activity: organizational, production, artistic, speed, medical, in the provision of services, sports as a product or novelty

Belongs here:

- Secondary or subjective creativity
- Creativity and originality
- Association
- Associationism
- Creativity as a problem-solving process
- The basic principle of creativity
- Creativity as a penetration of science and education
- Modelling of education and science

## CONCLUSION

Applying the innovation potential is an important part of business management and the basis for the growth of the company's competitiveness. For this reason, businesses need to pay increased attention to innovation and their individual information and assessments, which they acquire and can use in managing business development and in choosing the next strategy.

The economic aspects of the company's innovation potential should become an integral part of financial management and decision-making also in the conditions of these companies, ie it should become an instrument that enables SMEs to better know their competitiveness and financial possibilities, but also to know how to development trends.

Loss of competitiveness causes financial tensions in business practice, the increasing importance of maintaining or obtaining solvency, or the threat of bankruptcy, increasingly emphasizes the management and analysis of the company's financial and economic situation. It is only a matter of time before the measurement - assessment of business innovation becomes an element of the normal management and decision-making process in the practice of small and medium-sized enterprises, and not just the necessary turning point to satisfy creditors, curious investors or shareholders. The dissertation work should contribute to this process.

Management of each business entity should pay increased attention to the economic aspects of the company's innovation potential in relation to the advent of information and communication technologies. These make it possible to simplify and streamline any human activity, while drawing on recommendations and solutions for the future and the existence of the business.

In the EU countries, innovation and development have become a priority. Innovation policy is mainly implemented at national level, with most Member States having relatively large programs to support innovation. The aims of the European Commission for the Information Society and Entrepreneurship are to strengthen the role of European research in order to consolidate the scientific and research base. In this way, to achieve the desired synergy effects from this combination, which will allow the EU to increase its overall competitiveness more significantly.

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## CONTACT ADDRESS

### **Doc. Dr. Ing. Milan Majerník**

Department of Management STU, Vazovová, 811 07 Bratislava, Slovak Republic  
e-mail : milan.majernik@stuba.sk, mmajernik@post.sk

### **Ing. Štefan Majerník, PhD.**

Department of Management STU, Vazovová, 811 07 Bratislava, Slovak Republic  
e-mail: stefan.majernik@yahoo.com.

#### **RECENZIA TEXTOV V ZBORNÍKU**

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