

Innovative Activities as A Source of Competitiveness of Small and Medium Enterprises in the Slovak Republic

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ABSTRACT

Small and medium-sized enterprises are an integral part of the Slovak economy and are of key importance to it. They can be characterised as a source of ideas, new products and, above all, job opportunities in the labour market. Due to the high competition on the European market, Slovak small and medium enterprises (SMEs) must dynamically satisfy the ever-increasing demands of customers for goods and services. The aim of the article is to review and assess the innovative activity of small and medium enterprises in the Slovak Republic.

Keywords: *Innovations, innovative activities, competitiveness, small and medium enterprises, SMEs*

1. INTRODUCTION

In present, the global business environment is changing very quickly. The competitiveness of Slovak companies is determined primarily by the environment in which they develop their activities. Changes in the business environment are also reflected in the quantitative characteristics of the small and medium-sized enterprise sector over a period of time. To the most important changes in the business sector belong information and communication technological processes, movement of financial capital, trade liberalization, changes in international division of labour and international trade and so on. The solution of the situation of changes in global business environment could be only development of economy, which is based on innovations, knowledge and educated people [1,2].

The dynamic development of small and medium-sized enterprises is one of the basic preconditions for the healthy economic development of the country [3]. Small and medium-sized enterprises in Slovakia make up 99.9% of the total number of business entities, they provide in the corporate economy employment opportunities for almost three quarters (73%) of the active workforce and contribute more than half (55%) to value added [4]. 97% of small and medium-sized enterprises are micro-enterprises employing less than 10 employees. More than three quarters of SMEs are active in sectors such as business services, trade, construction and industry [5].

2. MATERIAL AND METHODS

The literature was collected by using various sources, mainly research papers from scientific databases Web of Science and Scopus. We identified such papers using the keywords "innovations", "innovative activities",

"competitiveness", "small and medium enterprises", "SMEs". However, to find out the situation in Slovakia, authors used reports provided by Statistical office, National Agency for Small and Medium Enterprise Development, Slovak Business Agency, also various laws and regulations concerning SMEs in Slovakia.

The authors used as scientific methods meta-analysis and synthesis. Meta-analysis is a scientific method that summarizes data from several sub-independent studies. The aim is to identify and quantify the prevailing trends or to identify the causes of the different conclusions of the work. Synthesis is a scientific method that finds out the links between these earmarked elements, contradictions, their interconnections, and then we could reproduce the phenomenon under investigation with its essential features and relationships.

3. SMALL AND MEDIUM ENTERPRISES IN THE SLOVAK REPUBLIC

If we want to classify a company among small and medium enterprises in the territory of the Slovak Republic, this enterprise must meet certain criteria. The most important size criterion that must always be met is the criterion of employment resp. number of employees. However, the criterion of the number of employees is supplemented by two other financial criteria, of which the company must meet at least one of them. When classifying an enterprise as a SME, one of the following possible combinations of evaluation is thus compared: (1) the number of employees and the annual turnover, or (2) the number of employees and the total annual balance sheet total. These criteria are derived from the following documents: European Commission Recommendation no. 2003/361 / EC of May 2003 concerning the definition of micro, small and medium enterprises; Commission Regulation (EU) No 651/2014 Annex I. [2,6].

Based on this definition, the group of small and medium-sized enterprises includes business entities that employ less than 250 employees and whose annual turnover does not exceed 50 million € and / or the total annual balance sheet does not exceed 43 million € [2].

The individual size categories of small and medium-sized enterprises are determined according to the limit values of the above criteria, while we distinguish three categories according Table 1.

Table 1 Criteria of SMEs in Slovak Republic

Criterion	Number of employees	Annual turnover	Balance sheet total
Micro	less than 10	less than or equal to 2 million €	less than or equal to 2 million €
Small	less than 50	less than or equal to 10 million €	less than or equal to 10 million €
Medium	less than 250	less than or equal to 50 million €	less than or equal to 43 million €

Source: own processing by author

The data that will be presented in following subchapters are the latest available statistical data on the innovation activity of enterprises in the Slovak Republic. They were published in 2018, for the years 2014-2016. Data for the years 2016-2018 will be published in 2020, always two years apart [7].

3.1. Support of SMEs in Innovations

At present, SMEs and innovation are considered to be an important factor in regional development, which can be seen in the specific attention paid to SMEs and the issue of innovation by central public administrations [8]. In order to improve the results of innovation policy in the Slovak Republic, the organizational structure for the implementation of the regional innovation system (RIS3) is changing in the innovation strategy for years 2014-2020. In the regional innovation system, great emphasis is placed on the cooperation of regional actors [9]. Those SMEs that do not cooperate with anyone have low labour productivity and negligible innovation [10]. One of the ways to succeed in the market is to differ from others in the long run [11]. Authors [12] consider as successful SMEs in the future those that will be able to adapt in time to new business paradigms.

To support the development and growth of small and medium-sized enterprises in the Slovak Republic was

established The National Agency for the Development of Small and Medium-sized Enterprises (Slovak abbreviation -NARMSP). One of its objectives is to improve the business environment, in particular by removing administrative and legislative barriers to free enterprise, which is a nationwide form of aid that does not discriminate, does not favour specific undertakings and does not distort competition [13].

As a part of the support of small and medium-sized enterprises in Slovakia in the field of innovation, it is important to mention the Horizon 2020 program. This program is concentrated under the initiative of the European Commission: the European Innovation Council (EIC). The program supports top innovators, entrepreneurs, small businesses and scientists with clear ideas and ambitions to increase their international dimension. Part of the Horizon 2020 budget is dedicated to funding the Eurostars program, which supports research-oriented SMEs that develop innovative products, processes and services in order to gain a competitive advantage [13,14].

3.2. Innovation Activity of SMEs in the Slovak Republic

Enterprises with innovation activity are those that have launched new or significantly improved products or introduced new or significantly improved processes within the company, or have introduced organizational or marketing innovations. Also included are those enterprises that have had incomplete or suspended innovation activities [15].

In the years 2014-2016, there were 28.7% of innovatively active enterprises in Slovak republic. In the division of industry and selected services together (excluding construction) were 30.7% innovatively active enterprises. Businesses in industry (32.7%) had a higher innovation capacity than in services (28.4%). Compared to the previous survey (2014), the share of innovatively active enterprises in industry increased by 0.2 percentage points and, conversely, in the services sector it decreased by 2.7 percentage points [2,13].

From the point of view of size groups of companies, up to 60.1% of expenditures on innovations in the Slovak Republic were incurred by large companies. Medium-sized enterprises spent 23.4% of expenditures and small enterprises 16.5% of expenditures on innovations. In industry, large enterprises account for 65.6% of total innovation expenditure and small only 10.3%. In selected services, large enterprises accounted for 45.3% of total expenditure, while small enterprises already accounted for 34.2% and the lowest share of expenditure was achieved by medium-sized enterprises at 20.4% [13].

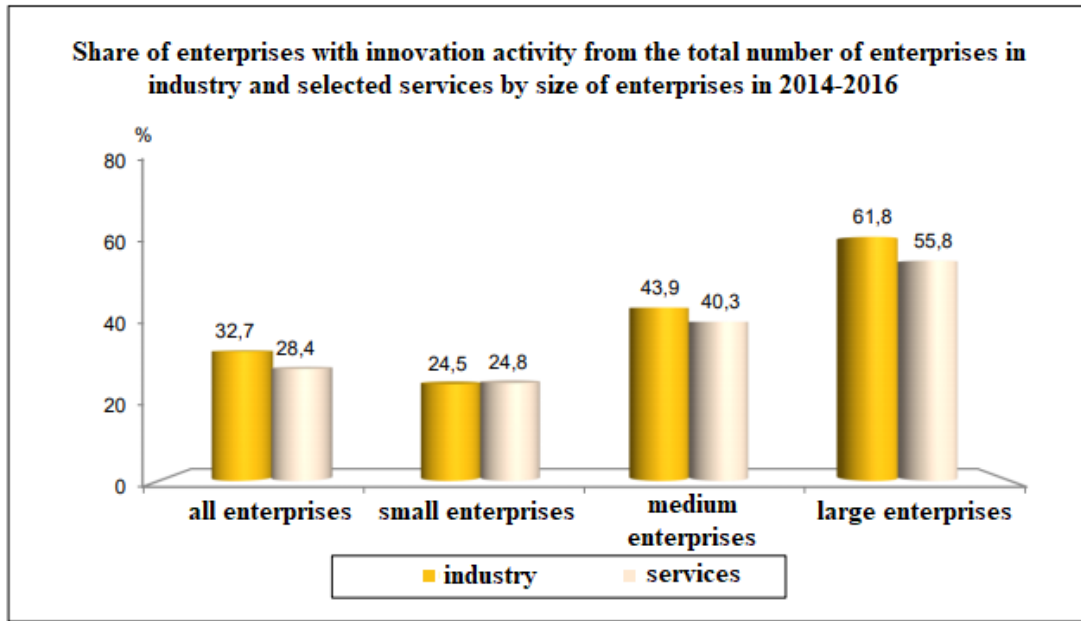


Figure 1 Innovation activity of enterprises in Slovak republic in 2014-2016 in industry and selected services [13]

As in the previous period, the innovative activity of companies was directly proportional to their size. Compared to the period 2012-2014, the industry has increased in medium and large enterprises. In services, the increase in innovative activities compared to the previous survey was also in the group of medium-sized and large enterprises, while the most intensive increase (12.9 pp) was in the group of large enterprises. The decrease in innovation activities, compared to the period 2012-2014, was in industry and services in the group of small enterprises. The share of enterprises with innovation activity out of the total number of enterprises in industry and services is shown on the Figure 1 above [2,13].

4. CONCLUSION

The Slovak Republic is a small country that must build competitiveness and its own prosperity primarily through the ability to acquire and implement new knowledge into new processes, technologies, products and services. It is small and medium-sized enterprises that are under constant pressure from the competitive market environment and are forced to innovate. The dynamic development of small and medium-sized enterprises is one of the basic preconditions for the healthy economic development of the country. Small and medium enterprises in Slovakia make up 99.9% of the total number of business entities. Competing in innovation is becoming a key factor in their competitiveness. From the side of the state, but also of the European Union, companies that want to innovate are supported in many ways. It is very important to use all available financial resources on innovation activities in order to raise competitiveness of small and medium companies and thereafter also competitiveness of the whole Slovak economy.

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