

Innovation as a Significant Competitiveness Stimulant for Enterprises and Regions

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Contemporary businesses and regions are distinguished by a continuing need to adapt to changes. In this regard, innovation is crucial for the development and competitiveness of regions and businesses. The main objective of this paper is to emphasise the importance of innovation as a significant factor stimulating the increase and maintenance of competitive advantage of both regions and businesses (in the face of dynamic business environment). The paper is based on a comparative analysis of conceptual approaches, mainly to regional development. The structure of the paper is as follows: the first section takes a glance at the literature on changes in business environment. This section provides also a discussion on regional and business competitiveness. The second section covers competitiveness factors influencing regional and enterprise development. The next section discusses innovation determinants which affect both regions and businesses in the light of changes and the need to remain competitive. The originality of this paper lies in emphasising the impact of innovation on mutual actions taken by businesses and regions to maintain or increase competitiveness. It seems important to underline the linkage between regional development and enterprise development in the setting of changing business environment. The findings may be useful for regions and enterprises in the course of adaptation to changes. Future studies should focus on an empirical verification of the impact of particular innovation factors on fluctuations in regional and enterprise competitiveness.

Keywords: innovation, regional development, competitiveness of businesses.

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Innowacje jako kluczowy czynnik stymulujący konkurencyjność przedsiębiorstw i regionów

Współczesne przedsiębiorstwa oraz regiony wyróżnia ustawiczna konieczność adaptacji do zmian. W tym zakresie kluczowe znaczenie dla rozwoju i konkurencyjności regionów oraz przedsiębiorstw odgrywają innowacje. Celem artykułu jest uwypuklenie rangi innowacji jako znaczącego czynnika stymulującego zwiększanie i utrzymywanie przewagi konkurencyjnej zarówno regionów, jak i przedsiębiorstw (w obliczu dynamicznego otoczenia). Artykuł opiera się na analizie porównawczej podejść koncepcyjnych, przede wszystkim z zakresu rozwoju regionalnego. Praca składa się z następujących części: w pierwszej, zawarto studia literaturowe nad istotą zmian w otoczeniu oraz ich znaczeniem dla konkurencyjności regionów i przedsiębiorstw. Druga część zawiera rozważania dotyczące czynników konkurencyjności, wpływających zarówno na rozwój regionów, jak i przedsiębiorstw. Następną część zawiera dyskusję na

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temat determinant innowacyjności, które wzajemnie oddziałują na regiony i przedsiębiorstwa w obliczu zmian i konieczności utrzymania konkurencyjności.

Oryginalność artykułu przejawia się w podkreśleniu wpływu innowacji na wzajemne działania podejmowane przez przedsiębiorstwa i regiony, w zakresie utrzymania lub zwiększenia konkurencyjności. Istotne jest również uwypuklenie powiązania między rozwojem regionów oraz przedsiębiorstw w obliczu zmian w otoczeniu. Uzyskane rezultaty mogą być użyteczne dla regionów i przedsiębiorstw w procesach adaptacji do zmian. Przyszłe badania powinny skupiać się na empirycznej weryfikacji wpływu poszczególnych czynników innowacyjności na zmiany konkurencyjności regionów oraz przedsiębiorstw.

Słowa kluczowe: innowacje, rozwój regionalny, konkurencyjność przedsiębiorstw.

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1. Introduction

Changes in the business environment impact multidimensional enterprises and regions. Due to their nature, changes consequently affect the development and competitiveness of regions and businesses. Thus, a more and more turbulent business environment enforces persistent adaptation to dynamic changes. Faced with such pressures, regions and enterprises should take intensive and coordinated actions to maintain or increase their competitiveness. Therefore, bilateral cooperation between businesses and regions seems crucial. This implies the necessity to specify the factors which essentially stimulate the competition potential. Here, particular emphasis should be put on innovation as the core to building a competitive advantage. Hence, it is very important to explore principal approaches in terms of indicating the factors that influence both regions and enterprises in the context of their development and the linkage between regional competitiveness and businesses competitiveness. Moreover, it is also necessary to highlight mutual innovation benefits for regions and enterprises in the face of intensification of changes in the business environment.

Therefore, the main aim of the article is to emphasise the importance of innovation as a significant mutual stimulant for regions and enterprises in increasing and maintaining a competitive advantage (in the face of a dynamic business environment).

In order to achieve this objective, the following research questions were posed: Is there a linkage between regional development and business development?

Is innovation a competitiveness stimulant affecting both regions and enterprises?

The answer to the above research question was sought in the course of a theoretical analysis of the problem based on a review of related literature. The paper is structured as follows: the first section discusses the adaptation of regions and enterprises to changes due to the necessity to maintain the capacity to match the competition; the second section contains a discussion on competitiveness factors which affect both regions and enterprises; the third section describes innovation drivers in the context of competitiveness of enterprises and regions to survive in a turbulent environment. The added value of this paper is that it highlights that the actions taken by enterprises impact regions and vice versa. Therefore, the actions of enterprises concerning innovation as the stimulant to maintain and increase competitiveness also affect the competitiveness of regions, and vice versa. Hence, it is essential to point out the linkage between regional development and business development, especially in the conditions of a turbulent business environment.

2. Changes as a Challenge for Regions and Enterprises

Following Ansoff's (1975) idea of weak signals, business environment constitutes a source of signs affecting the attitude of enterprises to the achievement of goals. This approach emphasises the significance of changes for short- and

long-term business growth. Without doubt, contemporary enterprises operate in a turbulent business environment. Hence, keeping up with changes seems necessary to maintain the capacity to match the competition. Therefore, the issues concerning changes apply to regions as well. In other words, contemporary regions should be characterised by the capacity to respond to changes.

The literature review allows for indicating numerous reasons for the intensification of changes in the business environment. According to Penc (2003), a turbulent environment results, *inter alia*, from (Penc, 2003): increasing complexity of a business environment structure, growing importance of information, increasing requirements related to the product quality and timeliness of service sales and after-sales, growing significance of intellectual capital, and changes in an organisation and production technology. Prominence is given to the intensification of processes associated with innovation.

The above phenomenon implies a change in the orientation of enterprises and regions. In particular, contemporary businesses and regions should adapt to the conditions of a new business environment. Considering the findings by Atkinson and Court (1998), the conditions of a new business environment comprise, *inter alia*, the global dimension of competition, innovation as a key source of competitive advantage, very high importance of R&D and information as a growth driving force. Hence, enhanced competitiveness requires strong cooperation between enterprises and the region. Thus, the established cooperation will increase the growth effects of both businesses and regions.

Considering the depiction of competitive regions, special attention is paid to the adaptation to changes. In this respect, regional competitiveness is regarded as a process resulting in the achievement of a competitive advantage by enterprises or regions (Markowski, 2008). At this point, it should be stressed that regional space is necessary to enable a competitive advantage (Klamut, 2008). Hence, regions through their potential can foster processes of dynamic economic development (Strużyński, 2011). Put in this way, contemporary regions should adapt to changes at various levels. According to Kuźnik

(2001), regional competitiveness involves several domains. First of all, Kuźnik (2001) highlights competition for space and its resources as a feature of the space that provides attractive resources and environmental benefits. Another domain refers to the competitiveness of the economic base. Kuźnik (2001) summarises that a number of competitive enterprises form a competitive region. Furthermore, an essential component of regional competitiveness relates to the competitiveness of local products as enhancing the attractiveness of regional markets. Moreover, Kuźnik (2001) emphasises the role of an effective public authority in the regional competitiveness strategy.

In adapting to changes, it is essential to build and strengthen the strategic capacity of the region. Focusing on Klasik and Kuźnik (2008) approach, there are four essential perspectives of the capacity in question. The first perspective (cohesion perspective) is characterised by the ability of the region to maintain special economic and social cohesion. The next perspective (capital perspective) concerns the skills of the regions to develop organisational, human and cultural resources and include them in the regional growth. As the third perspective, Klasik and Kuźnik (2008) point out the adaptive perspective, which distinguishes the capacity of the regions to engage in lifelong learning and innovation as the effect of a rapidly changing environment. Finally, the fourth perspective (future perspective) focuses on the ability to alter the identity of the regions in an evolutionary manner as a result of strategic changes.

On the other hand, the depiction of competitive enterprises also places emphasis on the process of adaptation to changes. Contemporary businesses see the need to react flexibly to a turbulent business environment. Consequently, changes impose businesses flexibility at many levels. According to Day (1994), the enterprises' pursuit of competitiveness requires innovation, especially of a strategic nature. Following Day's (1994) concept of a market-driven strategy, the adaptation of enterprises to changes in the business environment is also associated with new forms of cooperation between business partners and new tools for action.

The above considerations lead to the conclusion that in the face of a turbulent

business environment, regions and enterprises may develop and increase their competitiveness taking into account mutual processes connected with innovation.

3. Selected Factors Affecting the Competitiveness of Regions and Businesses

The literature review highlights the existence of a multitude of factors influencing the competitiveness of regions and businesses. They are noticeable in a number of approaches related to both regions and businesses. Due to that fact, considerations focus only on selected factors affecting regional and enterprise competitiveness.

According to Blakely (1994), a representative of the local economic development approach, regional development involves employment, knowledge resources base development and advantages of the location of the region. In particular, Blakely (1994) points out that regions should concentrate on increasing human capital quality and on building institutional links between the public and private sectors. Furthermore, Blakely (1994) emphasises the necessity to develop R&D institutions and universities. The complementary character of competitiveness has also the quality of the social and physical environment of the regions. On the other hand, Heckscher (1950), a representative of the factor proportions theory, reveals the role of regional specialisation in the production of goods. According to Heckscher (1950), the potential of regions should determine the production of goods. Regional and business competitiveness depends, therefore, on suitable capital resources and location of production.

Also, the competitiveness of regions and enterprises is often complemented with a business attitude to economic benefits. Following this line of argument, Lösch (1961), a representative of the central places theory, argues that enterprises select regions with favourable location and potential, while regions might benefit from the location of businesses on their territory. Many of the approaches view the enhancing of competitiveness of selected industries and export activities as a fundamental factor of development. Considering the findings by Andrews (1953), regional development

depends on export activities of companies, which create the economic base of the region. This implies multiple effects in regions causing an increase in domestic demand. Likewise, Tiebout (1956), another representative of the economic base theory, points out that regions need to support base sectors. In this area, the under-utilisation of human resources and the lack of investment capital should be pointed out as key factors affecting the growth of competitiveness of regions and businesses. According to Lewis (1954), a representative of the theory of sustainable development, appropriate reallocation of work is essential for regional and enterprise development. Similar results were obtained by Nurske (1953), a representative of the theory of sustainable development, who suggests also that regional development requires capital investments. Another factor affecting the competitiveness of regions and businesses concerns growth poles and the relation between their business environments. According to Myrdal (1957), a representative of the theory of polarisation, the growth pole absorbs unemployed people from less developed regions. Moreover, the growth pole has more opportunities to acquire new investments than other regions.

Among other factors of regional and business competitiveness, innovation is of special significance. Considering the argument that innovation supports the development of regions and businesses, Schumpeter (1960) highlights the importance of "creative destruction" conceived as a process of transformation brought about by radical changes. In this respect, Schumpeter (1960) emphasises the role of application of new products, technologies, sources of raw materials, production organisation and new markets in the development of enterprises. Therefore, innovation increases the value of regions. According to another important theoretical approach that perceives innovation as an indicator of enterprise development, the creation of clients' expectations and constant reaction to changes in clients' attitudes are essential (Hamel and Prahalad, 1994). In principle, Hamel and Prahalad (1994), representatives of the core competency concept, distinguish such sources of business competition as technical and social architecture defined as an organisational structure, qualifications and human resources training,

organisational culture and information technology used. This implies global access to resources, talents and personalised co-created experiences through flexible business processes and focused analytics (Hamel and Prahalad, 1994). Furthermore, recent studies provide that innovation networks based on knowledge seem crucial for the competitiveness of regions and enterprises. Asheim and Coenen (2005), representatives of the knowledge base and regional innovation systems approach, find that the competitive position of businesses is highly conditional upon their knowledge base. As regards the knowledge base, Cooke (2002), a representative of the knowledge base approach, emphasises also the importance of technology and regional geography in regional and enterprise development (Cooke, 2013).

In the literature, the importance of innovation as a factor of regional and business competitiveness is also expressed in the concept of learning regions. In this respect, Florida (1995) argues that regions should provide a friendly environment and infrastructure to support the flow of knowledge and information. According to this concept, regions generate innovation, flexibility and network strategies, which allow enterprises to obtain a competitive advantage. Most notably, creative people are considered to be a key factor in regional development. Therefore, “creative centres” with high concentrations of creative-class people and high innovation potential are essential (Florida, 2003). In this respect, Florida (2003) distinguishes two principal components of a creative-class. The first of them, a “super-creative core”, features production of new values. The above core includes, inter alia, scientists, engineers, artists and designers. The second component of a creative-class, “creative professionals”, is related to people engaged in complex problem-solving. The considered component consists, among others, of high-tech sectors, financial services and business management (Florida, 2003).

The theoretical studies lead to the conclusion about the increasingly wide-spread perception of innovation as an essential factor affecting the competitiveness of regions and businesses. Thus, multifaceted cooperation between regions and businesses seems necessary to intensify efforts to improve the innovation potential for both regions and enterprises.

4. Selected Innovation Drivers in the Context of Improvement of Competitiveness of Regions and Businesses

In this regard, innovation depends on a number of conditions. Further, it should be highlighted that there are numerous barriers determining the effectiveness of innovation. Hence, the identification of these barriers is particularly important in the context of maintaining or improving the competitiveness of regions and businesses. The review of the literature leads to the conclusion about a number of classifications of innovation drivers. Therefore, the author’s considerations concentrate on the selected conditions of innovation. In this context, particular attention was paid to factors concerning especially mutual competitiveness of regions and enterprises.

Studying the particular barriers to innovation in the context of regional and business competitiveness, the importance of actions taken by regions to stimulate innovation should be emphasised. In this respect, Jorde and Teece (1990) and Jaffe et al. (1993) argue that regions could support innovation by developing cooperative relationships for purposes of faster knowledge spillovers. This finding can be linked to the results of Rutten (2004) and Rodríguez-Pose (1999). According to Rutten (2004) and Rodríguez-Pose (1999) the institutional framework of regions creates, among others, a social condition for innovation. Commitment of regions to innovation seems necessary due to the fact that enterprises are usually not aware of the available innovation-supporting mechanisms (Malecki, 1997).

While considering the conditions of innovation in terms of improvement of regional and business competitiveness, the formation of new businesses is of fundamental importance. Thus, the reviewed literature emphasises the role of regions in promoting entrepreneurship in order to supply innovation and, in consequence, to improve the development of enterprises and regions (Fritsch, 2013; Fritsch and Mueller, 2004; Audretsch, Grilo and Thurik, 2007; Wennekers and Thurik, 1999). In this context, Fritsch (2013), Fritsch and Mueller (2004), Ashcroft and Love (1996) emphasise the role of start-ups in regional growth. This implies actions taken by regions to support the development of start-ups.

It should also be noted that R&D inputs are of the utmost significance among the conditions of innovation (Buesa et al., 2010; Acs and Audretsch, 1988). According to Buesa et al. (2010) and Acs and Audretsch (1988), large enterprises benefit more from innovation. On the other hand, Audretsch (1995) indicates the importance of innovation in small businesses. That is why it seems crucial to create conditions for the improvement of R&D activities of enterprises.

Moreover, the literature analysis highlights the clusters policy as an important innovation driver. Considering the findings by Rutten and Boekema (2007) and Boekholt and Thuriaux (1999), clusters constitute a source of competence. Therefore, in the context of improvement of regional and business competitiveness, it seems necessary to develop clusters.

The review of the literature leads to the conclusion about a multitude of innovation drivers. It should be emphasised that the investigated innovation drivers were presented in this paper mostly as innovation-supporting actions taken by regions. In this respect, it is important to underline that particular regions and enterprises might distinguish different innovation barriers (Tödting and Trippl, 2005; Breschi, 2000; Howells, 2005). Faced with a turbulent business environment, regions and businesses should identify innovation barriers to intensify the benefits resulting from innovation.

5. Conclusion

The above considerations lead to several conclusions. The results highlight dynamic changes in the business environment. It was found that the changes in question impact regional and business competitiveness. Thereby, it was emphasised that regions and businesses need to constantly adapt to a dynamic business environment. Thus, the theoretical studies lead to the conclusion about similarities in factors affecting the competitiveness of regions and businesses. Such finding reflects the relationship between regions and enterprises. Actions taken by businesses impact the competitiveness of regions, and vice versa. The linkage between the development of regions and the development of businesses indicates that the actions taken to maintain and improve competitiveness should be properly chosen in order to increase their effectiveness.

The study found that nowadays innovation holds an essential place among other factors of regional and enterprise competitiveness. Hence, innovation should be treated as a key stimulant for the adaptation of regions and businesses to the turbulent business environment. Therefore, innovation constitutes a competitiveness stimulant affecting regions and enterprises. However, it should be noted that a particular region or enterprise might distinguish different susceptibility to innovation.

It is assumed that the obtained results may be useful for regions and enterprises in the adaptation processes to a turbulent business environment. It should be underlined that the complexity of regional and business competitiveness as well as the impact of innovation on regional and enterprise development require further studies. Considering future research, the important issue to be studied would be empirical evidence of the impact of particular innovation drivers on the reduction of the effects of changes on the competitiveness of regions and businesses.

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