

## **THE INNOVATION RECEPTIVITY OF ENTERPRISES AS THE BASIS OF THEIR ECONOMIC GROWTH AND DEVELOPMENT**

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**Abstract:** The paper deals with issues related to the innovation receptivity of enterprises which is indicative of their preparedness and ability to introduce innovations and intensify their innovative activity. High innovation receptivity may be interpreted as an indicator of the ability of an enterprise to gain competitive advantages, and hence, to exert certain competitive pressure on the other market players. Assessing the innovation receptivity helps identify weak spots in the performance of an enterprise and specify opportunities and actions for dealing with them.

**Key words:** innovation; innovation receptivity; competitive advantages; factors, affecting innovation receptivity; assessing and developing innovation receptivity.

**JEL:** M21, O31.

The contemporary stage of global economic development, including Russia's economy, is characterized by increasing competition on the one hand, and by the changing role of the

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factors which affect the competitiveness of both enterprises and national economies, on the other hand. While access to resources and markets was a key factor of competitiveness in the industrial society, innovations have become crucial to competitiveness in the postindustrial society.

Today's market environment requires that entities constantly implement innovation activities and increase the share of their investment in scientific research and development. Regardless of their type, i.e. technological, organizational or marketing, it is precisely innovations that enable companies to gain competitive advantages over a certain period of time. Innovations and innovative activities should become a permanent component of the business model employed by any entity that is trying to gain sustainable competitive advantages. One of the greatest political and economic thinkers of the 20<sup>th</sup> century, J. Schumpeter, defines innovations as the major tool which companies should employ in order to approach competition differently from previously employed pricing methods. The author of the theory of innovations describes those new methods as efficient competition and the favourable position which companies gain by applying non-price methods of competition, i.e. effective monopoly.

There are basically two sources of innovations to economic entities: they can conduct their own research and development activity to accomplish their objectives, or they copy the innovations introduced by other market players in order to become innovative themselves. At the same time, whatever the source of innovations, attained results may only be maximized provided that a company is not interested in merely applying innovations, but is also prepared, to a certain extent, to employ them. The concept of the innovation receptivity of enterprises was thus introduced to identify the willingness and preparedness of enterprises to apply innovations in their activity.

There seems to be no common approach to the interpretation of the concept innovation receptivity among Russian specialists. Some authors, (Zinchenko, Gubin, Monastyrnyy,

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Pushkarenko & Tyul'kov, 2005; Klimacheva, Pererva 2012), define innovation receptivity as the ability of enterprises to employ innovative technological solutions; their preparedness and capacity to introduce an innovation or an innovative product. Others, (Zel'tser, 2013; Voronkova, 2000), interpret innovation receptivity as a specific property of enterprises which refers to their potential to conduct a series of interrelated activities so as to successfully implement innovative solutions; the readiness or interest of an entity to constantly update the factors of the internal environment through innovations. An interesting approach to innovation receptivity is its interpretation as the ability of an entity to spot innovations in the information field (Maslennikova, 2010) to identify and distinguish between individual features of innovations and begin to implement them in order to raise its competitiveness. All these definitions approach innovation receptivity as a property of enterprises. A number of definitions (Barabitskiy, 2012) relate the ability to absorb innovations not to companies themselves, but to their personnel.

In summary of existing opinions, the innovation receptivity of enterprises may be defined as a qualitative attribute of the internal environment of entities; the level of their development, as well as their preparedness and ability to perform innovatively.

Obviously, innovation receptivity is a complex feature of enterprises which depends on a number of internal and external factors.

If we approach innovation receptivity as a feature which is applicable to an enterprise as a whole, we will note that innovation receptivity tends to decline with increased production volumes; more complex organisational structures; large-scale production and mass production.

The larger an enterprise, the less susceptible its production is to reorganization. Naturally, in terms of their resource capacity, the potential of large enterprises to introduce changes is higher than that of small ones. Yet, a larger system is also more inert in nature and, hence, less receptive to innovations.

Small highly specialized enterprises have the highest innovation receptivity. Such entities specialize in meeting specific consumer needs and have the ability to quickly readjust the nature and rate of their production. The organizational structure of small enterprises is most adaptable and sensitive to contemporary scientific and technical achievements and to organizational and economic innovations (Shaburishvili, 2003).

A key factor influencing the innovation receptivity of enterprises of a similar size is the type of their manager. The manager of an enterprise is the key figure in the decision-making process. Since managers are the intermediaries who connect inventions to innovations, it is their responsibility to prepare employees and reduce their resistance to innovations, as people tend to resist any changes even if they are related to positive prospects.

Despite the major role which managers play in the process, the preparedness and ability of enterprises to adopt innovations also depends on the existence of favourable production, technological, technical, economic, organizational, psychological, and staff-related conditions for their implementation.

Innovation receptivity depends on the organizational structure; the skills and qualifications of the personnel; the workers engaged in the production process; the employees responsible for the administration and management of the entity and the technical and technological capacity of each enterprise.

In terms of technological processes, the innovation receptivity of enterprises is determined by the following factors:

- The technological profile of the enterprise, i.e. the extent to which the technological process is integrated and there are opportunities for its improvement;
- The technological level attained by the enterprise, i.e. the set of existing technological structures;
- The technological capacity of the enterprise, i.e. the technological basis for innovations which is already available.

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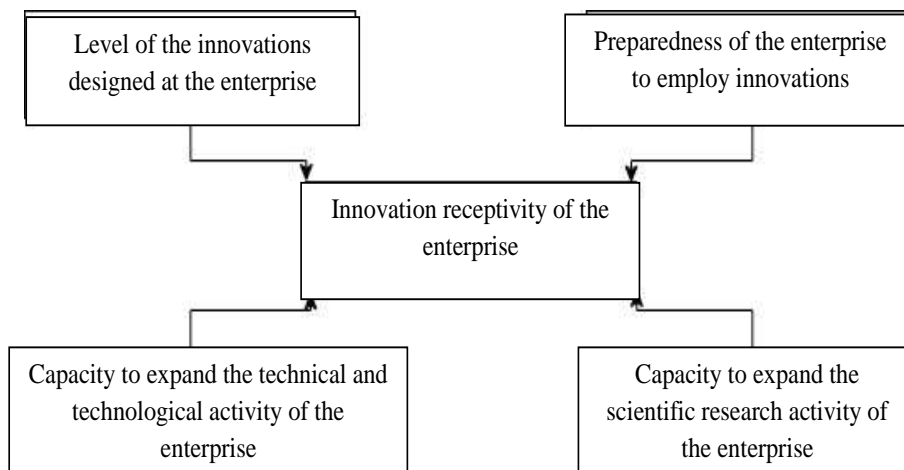
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In terms of the attained level of organizational and economic processes, innovation receptivity depends on:

- The financial position of the enterprise;
- The market strategy of the enterprise;
- The availability of qualified and highly competent employees;
- The availability of an efficient training system for employees;
- The adaptability properties of the organizational structure of the enterprise.

IT support to innovations is a major internal factor which affects the innovation receptivity of enterprises. High-quality reliable information is essential for innovations-related decision-making, assessing the capacity of an enterprise to adopt innovations and introducing and implementing innovations.

Figure 1 presents the fundamental features of the innovation receptivity of enterprises (fig. 1):



*Figure 1: Features of the innovation receptivity of enterprises*

– *Preparedness to employ innovations.* Enterprises must be prepared to promote (introduce) innovations and their implementation (adoption). Hence, they need to fulfil the following tasks: begin the production of a new good/service; introduce innovations or new technologies in their production; introduce innovations in their management. Furthermore, they need to evaluate the technical, technological, financial, organizational, psychological and staff-related aptness of the entity in terms of the reasons for adopting innovations and performing innovatively.

The willingness and capacity of an enterprise to adopt innovations largely depend on its potential and the available opportunities for research and development.

– *Capacity to conduct scientific research.* This feature relates to available opportunities for expanding and increasing the volume of conducted scientific research and adding new aspects to already existing ones. In terms of scientific research, development opportunities encourage conducting new research and facilitate the further development of current research work.

Developing the scientific-research base of an enterprise is a process of conducting scientific research and innovative activity: discoveries and achievements; accumulation of new facts; experimental data; scientific-research works; improving and making more efficient the functional features of products and technologies.

Hence, the capacity to develop scientific research is determined by the preparedness and ability of enterprises to generate innovations, to design innovations for their own needs and the market.

– *Capacity to expand their technical and technological activity.* Innovations provide the basis for improving the technical and technological equipment of enterprises. In most cases, technical and technological innovations are internal and aim at changing processes related to the production and the economic activity of an entity. Expanding production through new construction works, reconstruction, upgrading and modernizing the technical

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equipment raises the level of technical and technological development.

Conducting scientific research and engaging in technical and technological activity ensure the accelerated restructuring of enterprises and affect the conditions which determine their preparedness and ability to develop in an innovative manner.

– *Level of the innovations designed at an enterprise.* Enterprises design innovations in result of the innovative projects they are implementing or based on contracts between third parties (Nesterov, 2017). Innovations may refer to product development or developing the resources of enterprises (financial, related to their personnel, IT resources, their production and social infrastructure). The organizational development of companies is another sphere to which innovations may be applied.

The level (or quality) of the innovations designed by enterprises determine the dynamics of changes made to their product range; the ‘age’ (production date) of new products, i.e. they enable companies to produce higher volumes of ‘young’ products and products which have been manufactured over a long period of time (Bykov, 2009).

Some of the key factors of the internal environment when assessing the quality, the advantages, and the ‘weak’ spots of innovations are: the extent to which innovations are new to the enterprise; the impact which innovations produce on the competitiveness of the business; compliance with the innovative development strategies adopted by the entity; the level of complexity and the synergic effect from an innovation; the likelihood to gain commercial benefits from adopted innovations; the level of attained commercial success; the risk from to introducing the innovation; the level of initial investment to be made in the innovation; the access to sources of funding the innovation; the estimated period of return on financial investment.

Clearly, all features of innovation receptivity may be defined by applying a set of indicators to assess the ability and preparedness of an enterprise to perform innovatively and the

capacity of the scientific research, technical and technological equipment of the production system to adopt innovations. Entities are either interested in recognizing innovations or totally ignore them, i.e. an enterprise is either prepared to adopt and introduce innovations or is indifferent to innovations as they do not meet its interests (Fil'bert, 2007).

Designing a strategy for innovative development and measures for implementing that strategy depends on the features of innovation receptivity.

Since applying innovations has become a major condition for consolidating the competitive position of entities, it is necessary to produce an impact on their innovation receptivity, especially when the innovation receptivity of an enterprise is low. In such cases, innovation receptivity, or, to be precise, the development of innovation receptivity becomes subject to management. Developing the innovation receptivity of entities helps raise their capacity and readiness for adopting innovations and creates favourable conditions for the long-term dissemination of innovations.

A number of factors of the external environment render it necessary to systematically develop the innovative receptivity of enterprises. External factors are those which do not depend on the performance of a company, such as: the level to which market relations in the branch have been developed; the socio-economic and political conditions in which an entity operates; the state of the innovative climate and government support to innovations; the features of a specific branch and the position of an enterprise and a product in that branch; whether the necessary infrastructure has been developed in an enterprise.

Based on the definitions of innovation receptivity we gave earlier and the specific features we have considered so far, we may define the management of innovation receptivity as a managerial activity which aims at raising awareness about the need of an entity to employ innovations and innovative technologies as well as the opportunities for their development, which includes goal-setting and identifying rational manners for accomplishing these goals so as to



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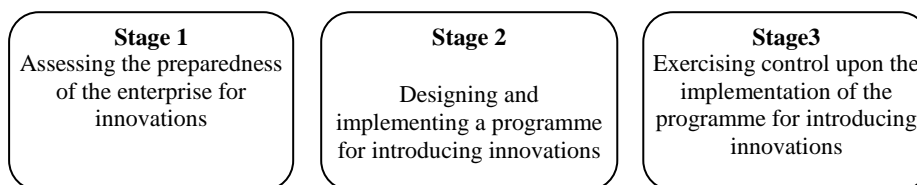
ensure the required level of preparedness and ability of enterprises to conduct an innovative activity. The aim of managing the development of innovation receptivity is to make sure that an enterprise is willing and able to increase its scientific, technological, technical, organizational and economic potential and exploit that potential more efficiently.

The development of the innovation receptivity of enterprises is managed by exercising management functions (planning, organisation, management and control) upon the ability and readiness for innovative activity so as to raise the level of currently existing innovations and innovative technologies and to accomplish qualitatively new results from the operation of entities. Figure 2 below presents the sequence of the stages in managing the development of innovation receptivity (fig.2).

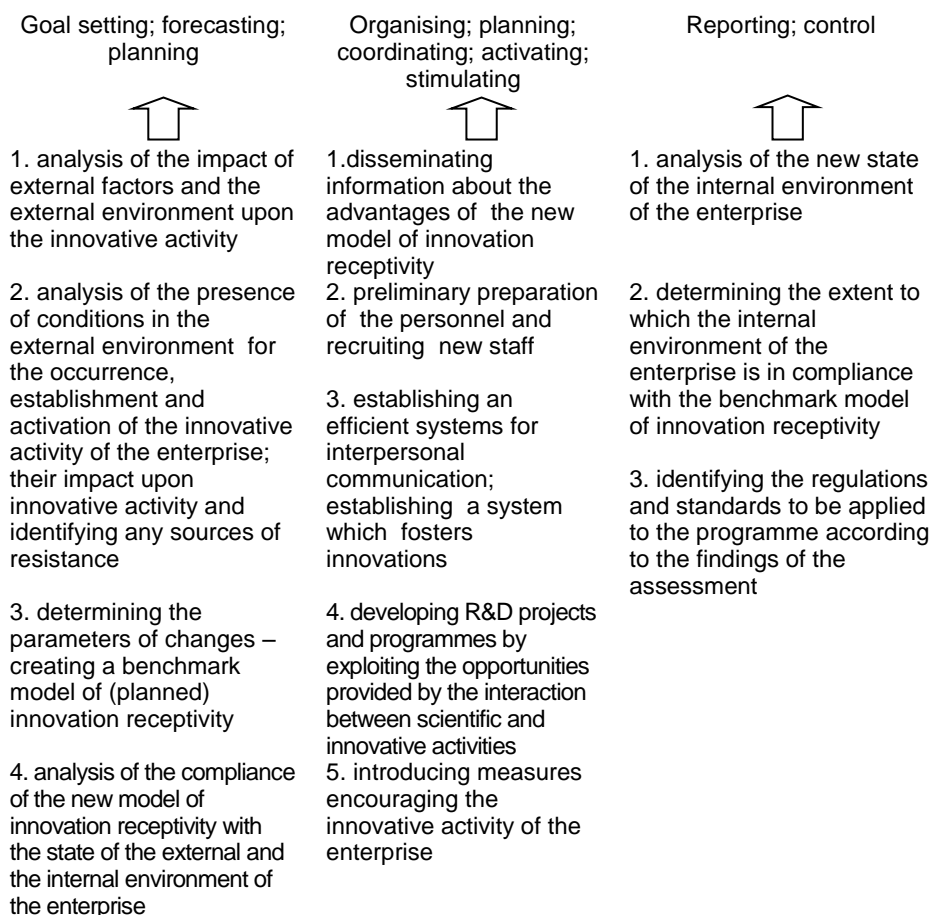
A fundamental stage in developing innovation receptivity is that of designing and implementing a programme for the introduction of innovations, since its major component and result is stimulating the innovative activity of an enterprise as a whole and raising its competitive advantages. A key prerequisite for gaining competitive advantages is the high innovation potential of entities, which in turn, is directly determined by their innovation receptivity.

The implementation of managerial functions ensures adequate awareness about the aspects in which the innovation receptivity of enterprises should be developed and establishes the conditions for:

- Benefiting from favourable changes in the external environment when selecting the innovations and innovative technologies which an enterprise will introduce;
- Coordinating the interaction between the external and the internal environment; organizational flexibility and the ability to adapt are promoted during the process of developing innovation receptivity.



**Management functions**



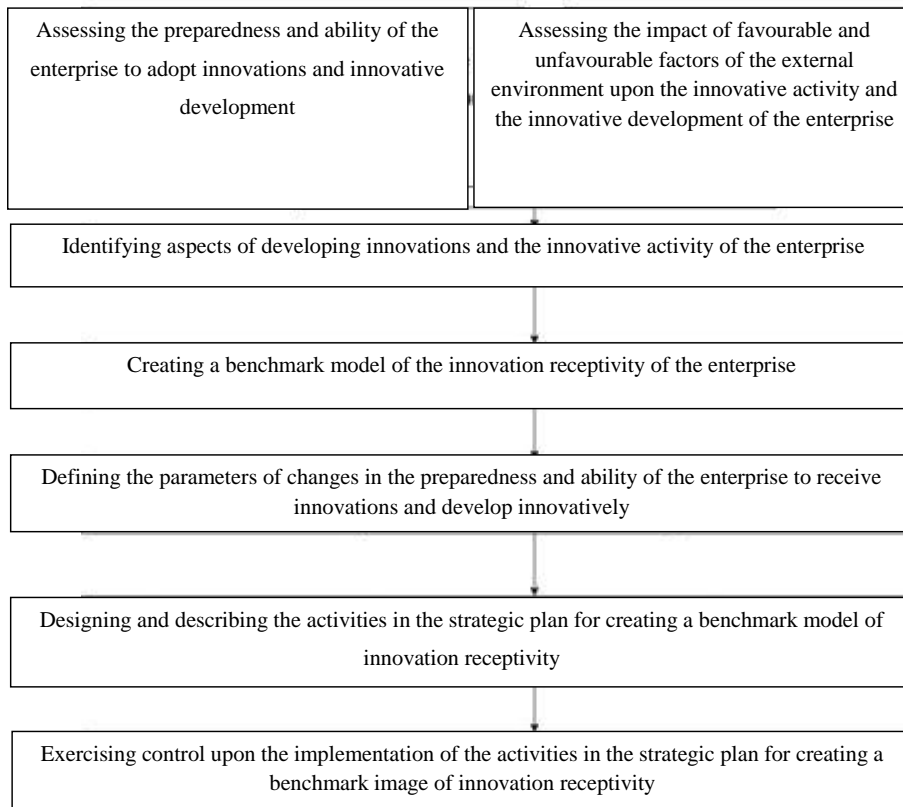
*Figure 2: Managing the development of innovation receptivity of enterprises*

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Planning plays a special role in managing the development of innovation receptivity of enterprises. It is through strategic planning that innovation receptivity is developed as it helps identify prospects for further development.

Figure 3 presents the stages in the strategic planning of the innovation receptivity of enterprises based on the specific features of the strategic planning of the innovation receptivity of enterprises and managing the development of innovation receptivity (fig. 3).



*Figure 3: Strategic planning of the innovation receptivity of enterprises*

The essence of the strategic planning of innovation receptivity refers to the long-term preparedness and willingness of enterprises to adopt innovations and innovative technologies in line with the selected course of strategic development.

The strategic planning of the innovation receptivity of enterprises aims at mitigating the negative impact of factors which impede the innovative development of enterprises and magnifying the effect of factors which promote the innovative development of enterprises.

A fundamental task of the strategic planning of innovation receptivity is to identify the aspects in which innovations and the innovative activity of enterprises should develop, i.e. to design a list of the types of innovations which an enterprise should consider introducing at each stage of the innovative process. The strategic planning of innovation receptivity enables enterprises to focus their effort on raising the level of their preparedness and ability to put into practice innovative ideas through the implementation of innovations.

Conducting research of the issues related to the innovation receptivity of enterprises is important both from a theoretical and a practical perspective. In terms of theory, innovation receptivity is a relatively new concept which is still subject to discussion and elaboration. In terms of practice, innovation receptivity is a major challenge faced by Russian enterprises (whose innovation receptivity is not particularly high). In order to respond adequately to that challenge, entities need to seriously consider major related factors; analyse and assess each of them seriously and identify 'problem areas' which render it difficult to intensify innovative activity and to achieve economic growth.

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