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Innovation as an Organisational Competitiveness Factor in Project Start-Up Decisions

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Abstract: Innovation has become a leading buzzword in recent years. However, innovation is not just a concept, it is a series of activities that can move an economy in resource scarcity through stagnation and hard times, offering new solutions, products and processes. For organisations, whether small or large, it is essential to adopt an innovative approach and mindset in order to thrive in the future. Innovation is very important for increasing competitiveness, which is primarily captured at the level of organisations. It is also important how innovation and the drive to innovate is embedded in the daily life of organisations. In our study, we aim to examine how innovation and its impact are reflected in project start-up decisions, using the examples of Hungarian and Slovakian enterprises. We want to answer the question of how innovation is prioritised in a project start-up decision with respect to different organisational characteristics, which, broadly interpreted, can actively influence the international standing and competitiveness not only of an organisation but also of a region or even a country.

Keywords: Innovation, Project start-up, Economic engineering

Introduction

Innovation has long been a major focus for economic and social development. Academic research and practical experience, backed up by the results of each other, clearly show that innovation is one of the most important parameters of competitiveness, especially in an era of globalisation and technological progress. Competitiveness, as a determinant of the market position of organisations, is inseparable from the ability of organisations to innovate quickly and effectively, to respond to changing circumstances and to identify and exploit market opportunities. This paper focuses on project initiation as a key decision for organisational innovation and competitiveness. The research examines Hungarian and Slovakian enterprises to explore how the drive to innovate can be demonstrated at this critical stage and what impact it has on the long-term performance of organisations.

Literature Review

The first step in the literature review is to define the concept of innovation. Looking at a wide range of literature, we can find many definitions. In this study, we use the Oslo Manual's formulation, "innovation is the process of introducing new or significantly improved products, processes, new marketing methods, or new organisational approaches" (Oslo Manual, 2018). In the literature, the relationship between competitiveness and innovation is discussed by several authors, highlighting that innovative companies are more likely to outperform in international markets (Vladi et al, 2022; Varga, 2023a).

Innovation projects are engines of change (Vasa et al., 2023). The low success rate of such projects is well known, hence the general "fail, fail again, fail better" perception in this field. We learn from failure, but it is best to prepare for success. Identifying the technological, marketing, commercial and managerial readiness of projects can be an important parameter for launching projects. These aspects will be useful in managing projects and increasing the chances of project success. (Cseminschi et al., 2024)

Two textbooks published last year reflect the growing interest in innovation, the wider application of innovation methodology and the need to develop an innovation mindset. Gabriella Cserháti's book 2023 emphasises that the success of innovative ideas and initiatives depends on how they are implemented. Success depends, among other things, on the choice of project management tools and the extent to which the characteristics of innovation implementation are placed in a broader context (Cserháti, 2023)

Theories and models used in project generation and start-up are fundamental and highly dependent on organisational strategy. To use these models, it is very important to understand innovation activities, how they can influence the long-term competitiveness of organisations and how they can help to improve market positioning (Varga, 2023b; Varga, 2023c). Project selection and launching should be an important part of the corporate innovation strategy or portfolio management, which determines the direction of subsequent activities and market success. (Mascellaro, 2021)

The analysis of the impact of innovation characteristics has shown that market orientation in both product and service innovation patterns contributes significantly to the impact performance of an innovation project, measured in terms of its intermediate benefits for the firm. However, this has little impact on its market success. The impact can be measured in terms of revenue and profit performance (Kwaku, 1996).

Surprisingly, the results do not support the hypothesis that market orientation will have a greater impact on service innovation performance than on product innovation performance. Lack of knowledge of project management best practices and strategic project management processes, as well as lack of organizational structures and skilled project management professionals, may be the main factors that affect the adoption of strategic project management. (Ugonna et al., 2021)

Last but not least, the financing side is also a very important factor in the decision to launch these projects. The decision to finance innovative projects is influenced by a number of factors that vary from one organisation to another. Most owners and managers make their decisions when evaluating innovative projects, relying on traditional methods of calculating performance indicators and considering the innovative project as an investment. These traditional methods are, for example, the calculation of net discounted income, the internal rate of return, the payback period of the project, the profitability ratio and other indicators. When using these methods, the focus on financial indicators overshadows professional considerations such as the qualitative impact of the introduction and use of innovations (Mutovkina, 2023).

A review of the literature highlights the complex and multifaceted relationship between innovation and project launch decisions, and why understanding and correctly managing these elements is of paramount importance for any organisation in order to increase competitiveness.

Material and Method

The results presented in this study are partial results of quantitative research among Hungarian and Slovak enterprises. The research was based on a pre-tested standardised questionnaire and the data were collected through an online survey, in both cases using an arbitrary sampling technique. The survey measured the perceptions of SMEs in the two countries along the lines of factors that strengthen competitiveness. We wanted to examine factors such as a project approach, green thinking, CSR activities, digitalisation or even agility. For the Hungarian sample 427 and for the Slovak sample 181 questionnaires were processed, in both cases the population was defined as registered enterprises in the respective country. Limitations of the research include the local value of the results due to arbitrary sampling. The research provides an excellent basis for further research to follow and monitor the changes of our time. The results presented in this study reflect the opinions of the groups based on the size of the enterprises that filled in the questionnaire on the statements made. Respondents were asked to express their opinions on project start-up and project content using a four-point Likert scale, which is presented in the results section of this study. Our conclusions were drawn using analysis of variance, significance calculation and basic statistical methods. The composition of the sample is shown in the figure below.

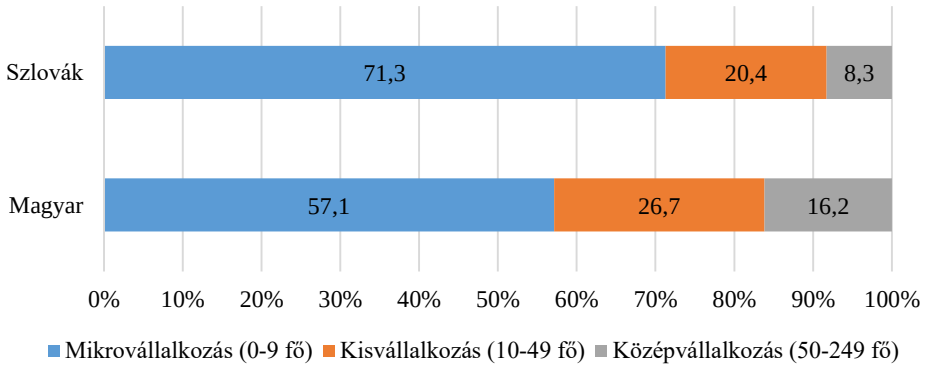

Figure 1. Distribution of the Hungarian and Slovak sample by size of enterprises
Source: own research, 2023, N Hungarian = 427, N Slovakian = 181

Results

We conducted research on the internal motivations of Hungarian and Slovak enterprises to start projects, how they search for funding and to what extent they adopt an innovative approach when deciding to start a project. Overall, on a four-point scale, the four statements assessed show that the scores did not rise above 3 in any of the four cases. It can also be seen that Hungarian and Slovak enterprises have roughly the same opinion on the above project start-up conditions. The statements with the highest average value include that enterprises in both countries start their projects in a way that tries to be most demand-driven and that tries to apply an innovative approach in their decisions. What is surprising, however, is that innovative approaches scored higher on average according to the opinions of enterprises in both countries, but innovative project start-up scored less highly. The least agreed with the statement that enterprises start a project for which there is funding available. This is certainly an effective and welcome endeavour, as most of the countries that have changed their systems have for a long time been characterised by a high level of project start-ups for which funding was available.

Table 1. Mean and variance of responses of Hungarian and Slovak enterprises on project start-up decisions

	Hungarian		Slovakian	
	Average	St. Dev.	Average	St. Dev.
The projects we launch are always driven by demand.	2,817	1,335	2,818	1,356
We launch projects for which we can find funding.	1,721	1,124	1,901	1,248
We try to apply an innovative approach to our projects.	2,707	1,220	2,818	1,327
We try to launch innovative projects.	2,464	1,265	2,591	1,345

Source: own research, 2023, N Hungarian = 427, N Slovakian = 181

Table 2. Hungarian entrepreneurs' views and the relationship between size category

		Sum of Squares	df	Mean Square	F	Sig.
The projects we launch are always driven by demand.	Between Groups	8,855	2	4,427	2,500	0,083
	Within Groups	750,897	424	1,771		
	Total	759,752	426			
We launch projects for which we can find funding.	Between Groups	8,429	2	4,214	3,375	0,035
	Within Groups	529,407	424	1,249		
	Total	537,836	426			
We try to apply an innovative approach to our projects.	Between Groups	13,521	2	6,760	4,617	0,010
	Within Groups	620,887	424	1,464		
	Total	634,407	426			
We try to launch innovative projects.	Between Groups	14,897	2	7,448	4,733	0,009
	Within Groups	667,290	424	1,574		
	Total	682,187	426			

Source: own research, 2023, N Hungarian = 427

We also looked at the influence of the size of the business on the perception of project start-up issues in Table 1. To this end, an analysis of variance was carried out, and the significance values indicate that three out of four statements are influenced by the size of the enterprise. In only one case did we not see a significant correlation between the perception of the statement and the size of the enterprise, namely in the case that the projects launched by enterprises are driven by demand. All this suggests that the decision to take an innovative approach or to launch a project based on a grant is definitely influenced by the size of the enterprise.

We also looked at how the average values for the perception of the claims for the above size categories evolve in Table 2. It can be seen that the primary needs-based approach to business-initiated projects is most prevalent in medium-sized enterprises and least so in micro-enterprises. The statement that projects should be launched along the lines of tenders is most typical of small enterprises and again least agreed with by micro enterprises. Although this is surprising because it is micro enterprises that are most in need of external funding compared to their larger counterparts. The emergence of an innovative approach in projects was again the highest average for small enterprises and, unsurprisingly, the launching of innovative projects was the highest for medium-sized enterprises.

Table 3. Opinion of Hungarian entrepreneurs by size category

		Average	St. dev.
The projects we launch are always driven by demand.	Micro-enterprise (0-9 persons)	2,693	1,391
	Small enterprise (10-49 persons)	2,982	1,241
	Medium enterprise (50-249 persons)	2,986	1,254
	Total	2,817	1,335
We launch projects for which we can find funding.	Micro-enterprise (0-9 persons)	1,607	1,162
	Small enterprise (10-49 persons)	1,930	1,019
	Medium enterprise (50-249 persons)	1,783	1,110
	Total	1,721	1,124
We try to apply an innovative approach to our projects.	Micro-enterprise (0-9 persons)	2,553	1,296
	Small enterprise (10-49 persons)	2,921	1,114
	Medium enterprise (50-249 persons)	2,899	1,031
	Total	2,707	1,220
We try to launch innovative projects.	Micro-enterprise (0-9 persons)	2,303	1,308
	Small enterprise (10-49 persons)	2,649	1,197
	Medium enterprise (50-249 persons)	2,725	1,149
	Total	2,464	1,265

Source: own research, 2023, N Hungarian = 427

We were also curious to see whether size had an impact on the perception of claims in Slovak businesses. In the present case, we found that there was no significant correlation between any of the statements, i.e. the responses of Slovak enterprises were not influenced by the size category of the respondent.

Table 4. Slovak entrepreneurs' opinions and the relationship between size category

		Sum of Squares	df	Mean Square	F	Sig.
The projects we launch are always driven by demand.	Between Groups	1,569	2	0,785	0,424	0,655
	Within Groups	329,414	178	1,851		
	Total	330,983	180			
We launch projects for which we can find funding.	Between Groups	0,288	2	0,144	0,092	0,913
	Within Groups	279,922	178	1,573		
	Total	280,210	180			
We try to apply an innovative approach to our projects.	Between Groups	3,588	2	1,794	1,019	0,363
	Within Groups	313,396	178	1,761		
	Total	316,983	180			
We try to launch innovative projects.	Between Groups	9,360	2	4,680	2,633	0,075
	Within Groups	316,386	178	1,777		
	Total	325,746	180			

Source: own research, 2023, N Slovakian=181

In the present case, we have also examined how the average values of the claims within each category evolve. We found that the Slovak sample is less heterogeneous in this respect than the Hungarian sample. For the first four statements, that the applications are motivated by needs, application sources and that the projects are clearly based on an innovative approach, small enterprises showed the highest average values in all cases. However, as in the present case, the launching of innovative projects was highest for medium-sized enterprises.

Table 5. Opinions of Slovak entrepreneurs by size category

		Average	St. Dev.
The projects we launch are always driven by demand.	Micro-enterprise (0-9 persons)	2,775	1,410
	Small enterprise (10-49 persons)	3,000	1,179
	Medium enterprise (50-249 persons)	2,733	1,335
	Total	2,818	1,356
We launch projects for which we can find funding.	Micro-enterprise (0-9 persons)	1,876	1,206
	Small enterprise (10-49 persons)	1,973	1,258
	Medium enterprise (50-249 persons)	1,933	1,624
	Total	1,901	1,248
We try to apply an innovative approach to our projects.	Micro-enterprise (0-9 persons)	2,729	1,356
	Small enterprise (10-49 persons)	3,054	1,177
	Medium enterprise (50-249 persons)	3,000	1,414
	Total	2,818	1,327
We try to launch innovative projects.	Micro-enterprise (0-9 persons)	2,473	1,398
	Small enterprise (10-49 persons)	2,730	1,262
	Medium enterprise (50-249 persons)	3,267	0,799
	Total	2,591	1,345

Source: own research, 2023, N Slovakian = 181

Conclusions

The results of the research show that businesses in the two countries have broadly the same mindset when it comes to project start-up decisions. It became clear that they attach importance to innovation and an innovative approach to their projects. However, in terms of innovation, it is clear, as has been proven by a number of studies, that it is the companies in the largest size category that are at the forefront. What was surprising, however, was that it was not the smallest companies that agreed with these statements in the largest proportion in terms of funding. This shows that size was the most important factor in the mindset of Hungarian businesses. The same was not the case for Slovak enterprises. It can also be seen that in the Hungarian sample, which had a much larger number of items, we saw a much more heterogeneous picture within each size category than we saw in the Slovak sample. Based on the results of the survey, we can conclude that enterprises, whether Hungarian or Slovak, have increasingly recognised the importance of innovation. In this respect, the enterprises with the largest number of employees should be considered as relevant and should be accepted as a model. It is therefore very important that these companies share their approach and knowledge as widely as possible with their smaller counterparts in order to ensure future competitiveness for both countries.

Scientific Ethics Declaration

The authors declare that the scientific ethical and legal responsibility of this article published in EPSTEM Journal belongs to the authors.

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