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## **Innovations and Bulgarian business**

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## **INNOVATIONS AND BULGARIAN BUSINESS**

*Abstract:* The main goal of this paper is to explore how Bulgarian business sees innovations today. The main task of this study is to find the degree to which firms innovate as well as what are the main innovations organizations will spend the most. The main thesis of the paper is that innovations are not a priority among Bulgarian enterprises.

*Key words:* innovation, economic growth, priority, research and development

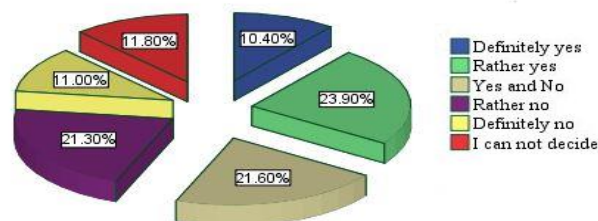
The modern understanding of economic growth is largely identified with the Austrian economist Joseph Alois Schumpeter's vision about the nature of innovations. In this aspect the economic development of nations world wide depends on "new combinations" [1]. "Combining" new existing resources results in innovations on the market which aims to long term economic growth and prosperity. As of today no specialized literature defines the term "innovation". We can say that majority of the suggested characteristics look at the innovations at their most broader sense - new or updated products or services the realization of which brings economic or social benefits [2, 3, 4]. Not only the innovations should bring new and competitive advantages for the companies using them but they have to be practically applicable and to satisfy specific market needs. Thus an organization that fails to meet customers' expectations via introducing innovations goes on to be uncompetitive both on the local and the global market. According to Innovation Union score board, Bulgaria falls in the modest innovators group [5]. The main reason for that weak innovative efforts our country makes is the "indifference" the business shows towards the need for innovative products and services. A national representative empirical research of the business in Bulgaria made in 2015

confirms those negative tendencies<sup>1</sup>. The research features 1000 firms who were questioned about their activities. Some of the questions concern their priorities and attitude towards innovation.

For the purposes of this study this treatment considers most important the answers to: "Is there innovative products and services in your enterprise" and "Do you think that business in Bulgaria shows interest in scientific development in favor of creating new products and services on the market?" Analyzing the answers to these two questions we can make the following conclusions:

First of all 73.8% of the respondents denied developing innovative product or service. Only 18.7% claimed they hold innovations and 7.5% couldn't answer. We have to point out that the question doesn't ask if the innovations are introduced to the market. So the respondents are not aware that an object should be applicable to the market in order to meet the definitive criteria of innovation.

Secondly, 34.3% think that the business is interested in financing innovations. 11.7% of them have innovative products and services developed and 19.4% don't. The percentage of respondents who have the opposite opinion - that the business doesn't want to invest in innovations, is close (32.3%). Of that 2.7% have innovative products and services developed and 19.6% don't. Those who can't decide are a noticeable 33.4 % ( see fig.1).



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Fig.1. Do you think that business in Bulgaria shows interest in scientific development in favor of creating new products and services on the market?, %

Source: National survey of the business (2015)

Base: 1000 (own calculations)

When firms were asked what you spend the most of your money on when developing an innovative project, 36.84% said on buying new tangible and intangible assets; 16.35% said research and development (R&D) (see fig.2). We should point out that not all research and development leads to innovation but all innovation is preceded by R&D. So R&D is a building block of the innovation process and thus a premise for economic growth and social development. However, the data shows that the organizations underestimate the importance of R&D for their innovative projects success. This statement is supported by the fact that 1/3 of the organizations in the survey that are creating innovative product or service would spend the majority of their budget on R&D. The tendency among organizations in the survey that don't create is even more negative. In that case only 1/10 would spend resources mainly on R&D. Looking at the research data we can tell there is a correlation between organizations that make innovations and what in the developing process do they spend the most on (Cramer's V:0.225,  $p < 0.0001$ ).

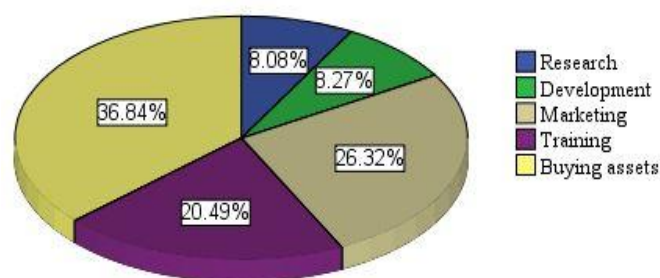


Fig.2. For which innovation activity your organization will spend more resources?, %

Source: National survey of the business (2015)

Base: 532 (own calculations)

The results show that innovative activity and "culture" among the participating organizations is very low. They prioritize buying tangible and

intangible assets which is revealing of their low technological innovation. In addition we can claim that participating enterprises are lightly aware of the nature and role of innovations for the micro and macro economic growth which leads to low investments in R&D. One of the main priorities of Bulgaria is investments in R&D to reach 1.50% of the national gross domestic product (GDP) by the year of 2020. Data from the National statistical institute of Bulgaria show that for the period 2004 - 2012 the average share of R&D expenditures of GDP is only 0.52%. In order to achieve the share of 1.50% Bulgaria must improve and enhance the overall innovation activity of enterprises. It cannot be done if enterprises' management misinterpret the role and the need of innovations. In addition it can be mentioned that there is a need of reviewing and updating the theoretical concept of innovation.

#### LIST OF LITERATURE USED:

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