Why do Bulgarian wine producers innovate?

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Abstract. The positive effects of the innovations on the performance of the companies is inevitable. However, these effects can be numerous and it is important the entrepreneurs to be aware what they can expect. Thus, the aim of the current study is to identify the results, expected by the Bulgarian wine producers from the application of innovations and if their choice is associated to some factors. The object of the study is Bulgarian SMEs wine producers. The focus is their opinion as regards the expected results from the application of innovations. The results are obtained through survey, conducted from December 2019 to January 2020. The results show that the most expected results by the Bulgarian wine producers are the increase of competitiveness and efficiency of their enterprises.

1. Introduction

It is inevitable that the innovations have positive effects on the performance of the companies. However, these effects can be numerous and it is important the entrepreneurs to be aware what they can expect. Thus, the aim of the current study is to identify the results, expected by the Bulgarian wine producers from the application of innovations and if their choice is associated to some factors. The object of the study is Bulgarian SMEs wine producers. The focus is their opinion as regards the expected results from the application of innovations. The results are obtained through an online survey, conducted in the period December 2019 - January 2020 through structured interviews using own questionnaire. The collected data is processed with IBM SPSS Statistics and frequencies and cross tables are used.

The article is structured as follows: following the introduction, in the second part is described a conceptual framework of innovations and the effects of their application in particular. This analysis paves the way for the third part, in which is highlighted the methodology of the study. The fourth part introduces the obtained results of the survey and discussion based upon the figures. The paper closes
with conclusions and recommendations for future research, regarding the reasons for application of innovations in wine industry.

2. Literature review

The innovations can lead to the creation of new product, service, process, or form of organization. The relevance of innovations for the development has been examined since 19\textsuperscript{th} and gained popularity in the beginning of 20\textsuperscript{th} [1]. It was Joseph Schumpeter [2] who defined the notion of innovations as an amendment to introduce and use new types of consumer goods, new production and transport means, markets and forms of organization in production.

In the Oslo Manual 2018 (4\textsuperscript{th} edition) OECD innovations are classified in two major groups – product innovation and business process innovation. Product innovations can be innovations of goods and of services. Business process innovations include innovations in production of goods or services, distribution and logistics, marketing and sales, information and communication systems, administration and management and product and business process development [3]. Innovations are essential for the development of wine industry as well [4]. However, in order to implement innovations the wine producers have to be motivated to do so by expecting some positive results.

First of all it should be noted that the results of innovations application may vary in accordance with the specific innovation – “from product development, methods of management, ways of doing works and etc.” [5]. Furthermore, innovations are related to number of factors, which are vital for their impact. Among them are the legal framework and national policies, access to technologies, market demands, interactions between stakeholders and to some extent the skills of the entrepreneur [6]. As concerns the latter it is very important to mention that the innovative thinking is more an intuitive one, rather than based on previous knowledge [7]. Nevertheless, in the context of the current study we want to measure the overall expectations of the wine producers as regards the application of innovations in general and there are numerous studies, which examine the effects of the application of innovations.

Some of the scholars focus on the role of the innovations for increasing the competitiveness of the enterprise. According to Ciocan and Pavelescu [8] “innovation, when defined as a process that allows companies to produce more with the same amount of resources or produce as much with a smaller amount of resources, leads to sustainable competitive advantage”. Furthermore, the focus on ICT innovations is one of the main prerequisites to the increase of competitiveness of the enterprises. Therefore, the competitiveness of companies and countries depends on their capabilities to make innovations and their orientation to technology and information [9]. And the competitiveness produced by the innovations is relevant not only on the level of the company, but on national level as well. Innovation is a key condition in the context of the need to enhance the competitiveness of the Bulgarian economy [10].

Alongside, the innovations have the potential to increase efficiency [11]. Some authors even refer to the innovations as “fundamental to making sustainability possible and improving efficiency” [12]. Scholars reach the conclusion that if entrepreneurs want to increase the efficiency of their work and of the investments in particular, they should search and implement innovative solutions [13].
A significant area to which the innovations can contribute is the increasing of customer satisfaction. The latter is of essential importance for every organization and in industry. Customers and the covering of their expectations are crucial for the survival and sustainability of the companies [14]. The innovations are crucial for the satisfaction of the consumers especially in the area of services [15] [16].

Further positive effects of the innovation implementation is the increase of productivity [17]. According to an analysis of the World Bank, the “productivity growth is about innovation” [18].

The studies on the effects of innovations also show that sometimes they may lead to the increase in the employees’ satisfaction. However, the satisfaction of the employees is related to the types of innovations, which are implemented. The results show that “enterprises who introduced organizational innovation and no other innovation reported higher effects on employee satisfaction compared to enterprises that did marketing innovation and no organizational innovation” [19].

In addition to these wide spread effects of the innovations, the latter may also cause reduction of the costs [20] [21], better management [22], higher profit [8], environmentally friendly economy [12] and other.

3. Methodology of the study

The empirical results are obtained through a structured interview, conducted in the period December 2019 - January 2020. The survey consisted of four sections: general information about the respondent, information about the enterprise, innovations section and competitiveness section. The section on the innovations consists of a list of fifty (50) innovations. One of the questions is about the results, which the wine producers expected of the application of innovations. They were able to make multiple selection among the following options: Increasing the competitiveness of the enterprise; Increasing efficiency; Increasing customer satisfaction; Increasing productivity; Increasing employee satisfaction; Reduce costs, shorten product life-cycle at the expense of more efficient use of resources; Better interpretation of the activities and more transparency of information flows, and Clear allocation of responsibilities and duties between management and executive staff.

In the current paper are presented some of the results of the survey. In the latter all the SMEs wine producers were invited to take part in the online survey by e-mail and some of them were personally contacted. As a result, 156 online questionnaires were sent by e-mail and 57 of them participated in the survey which represents 37% response rate, thus the collected data provides relevant results. The statistical methods, used in the study are frequencies and cross tables. The latter is used in order to identify if there is an association between the expected results and various factors. The examined factors are: years of functioning of the enterprise, size of enterprise, additional activities, markets for production realization, sources of financing and sources of raw material.

4. Results and discussion

The SMEs wine producers have various expectations about what innovations will contribute to their work. As figure 1 indicates they believe that the innovations are mostly relevant for the competitiveness (20%) and efficiency (19.3%) of their enterprise. They are followed by the expectations for rise in the customers’ satisfaction (15.6%) and in the productivity (15.6%). The least
The expected result is the clear allocation of responsibilities and duties between management and executive staff (3.7%).

![Figure 1](image-url)

**Figure 1.** Expected results of the application of innovations among SMEs wine producers, 2019

Source: Own data

The results on figure 2 show that the years of enterprise functioning are relevant to some of the results. None of the most experienced SMEs expected the innovations to contribute to the satisfaction of their employees. Their share is bigger compared to other two groups as concerns the expectation the innovations to produce clear allocation of responsibilities and duties between management and executive staff (47%), alongside to reduce costs, shorten product life-cycle at the expense of more efficient use of resources (47%). Here we should mention that as concerns the latter innovation, only 13% of those who selected it are functioning 11-15 years. Overall, there is a relatively even distribution of attitudes on this indicator.
As concerns the size of the enterprise the results show that the micro enterprises have biggest share as regards the expectations innovations to lead to clear allocation of responsibilities and duties between management and executive staff (52%), alongside to reduce costs, shorten product life-cycle at the expense of more efficient use of resources (54%). They have equal share with the medium-sized enterprises as regards the increase of employees’ satisfaction (40%). The small enterprises are predominant about the expected results increasing customers’ satisfaction (50%).

**Figure 2.** Years of functioning of the enterprise and expected results of innovations application, 2019

Source: Own data
It seems that additional activities, performed by the wine producers are not very relevant for their expectations about the results of innovations. Such statement is based on the fact that there is a relatively even distribution of attitudes on this indicator. The only result that is worth mentioning is the increase of productivity. Only 20% of the entrepreneurs, who selected this result, do wine tourism along with the wine production. (Fig. 4)
As concerns the markets for the realization of the production, we identified a dependency. The highest share for each expected result belongs to those, who sell to Bulgarian markets. They are followed by the wine producers, who sell on European markets and last are the one, who sell worldwide. Such dependency is explainable as regards the share of each in the overall number of wine producers. Thus, here we also identify even distribution of the opinions. (Fig. 5)
A similar dependency was observed as concerns the funding of the SMEs wine producers. The largest share belongs to the entrepreneurs, who rely on their own funds. They are followed by the ones, who use bank credits or European Funds. The wine producers, who rely on National programs have the smallest share in each of the expected results. These corresponds to their overall share among the respondents. (Fig. 6)

Figure 6. Sources of financing and expected results of innovations application, 2019

Source: Own data

The distribution of opinions as concerns the source of raw material also corresponds to the share of the latter in the sample. Only as regards the increase of productivity those with own vineyards are highly represented (58%). (Fig. 7)
Conclusion

Application of innovations can lead to numerous contributions to the SMEs. The SMEs wine producers believe that the innovations are mostly relevant for the competitiveness and efficiency of their enterprise. The empirical results show that only two of the examined factors are extent relevant for the results expected by the wine producers. These are the years of functioning of the enterprise and its size. They are mostly relevant for the expected result clear allocation of responsibilities and duties between management and executive staff, alongside to reduce costs, shorten product life-cycle at the expense of more efficient use of resources. We also identified two exceptions. One of them is related to the additional activities, as only 20% of SMEs, who do wine tourism along with wine production expect increase of productivity. The other exception is about the source of raw material. As regards the increase of productivity those with own vineyards are predominantly the ones, who expect such result. However, these findings require further investigation and more efforts in order to identify the reasons for the results.

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